

Stock Code : 1626



**AIRMATE (CAYMAN) INTERNATIONAL CO LIMITED**

## **2020 Annual Report**

(Translation)

**Published on June 11, 2021**

**Visit MOPS (Market Observation Post System) website to query  
Airmate's Annual Report: <https://mops.twse.com.tw>**

**Soft Copy of Airmate's Annual Report is available at: [www.airmate-china.com](http://www.airmate-china.com)**

**Notice to Readers:**

*For the convenience of readers, the Meeting Handbook has 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 version shall prevail*

## **I Spokesperson**

Name: Zhuang, Ya Song Tel: (886) 2-2700-3626  
Title: Group Investment Relations Manager E-mail: [ysaasung@airmate-china.net](mailto:ysaasung@airmate-china.net)

## **II Deputy Spokesperson**

Name: Shih, Jui Pin Tel: (886)6-2645207  
Title: Chairman and President of the Company E-mail: [shih@tungfu.com.tw](mailto:shih@tungfu.com.tw)

## **III Name, title, contact phone number, and e-mail address of the designated agent within the territory of the Republic of China**

Name: Shih, Jui Pin Tel: (886)6-2645207  
Title: Chairman and President of the Company E-mail: [shih@tungfu.com.tw](mailto:shih@tungfu.com.tw)

## **IV Address and telephone number of the head office and branches**

(I)Head office: Airmate (Cayman) International Co Limited

Address: The Office of Codan Trust Company (Cayman) Limited Yard, Cricket Square, Hutchins Drive,  
P.O.BOX 2681 GT, George Town, Grand Cayman,  
British West Indies.  
Tel: (86)-0755-27655988

(II)Subsidiaries

- 1.Airmate International Holding Limited  
Address: PO Box 71, Craigmuir Chambers, Road Town, Tortola,  
British Virgin Islands  
Tel: (86)-0755-27655988
- 2.Airmate China International Limited (BVI)  
Address: Palm Grave House, P.O, Box438, Road Town, Tortola,  
British Virgin Islands  
Tel: (86)-0755-27655988
- 3.Waon Development Limited, Hong Kong (hereinafter "Waon Company")  
Address: Flat 1006-1007, 10/F, Fortress Tower 250 King's Road,  
North Point, Hong Kong  
Tel: (852)2578-3303
- 4.Airmate Electrical (Shenzhen) Limited (hereinafter "Airmate Shenzhen")  
Address: Huangfengling Industrial Zone, Shiyan Street, Baoan District, Shenzhen City,  
Guangdong Province  
Tel: (86)-0755-27655988
- 5.Waon Development Limited(Hong Kong),Taiwan Branch  
Address: 3F., No. 11, Xinzhong Rd., South Dist., Tainan City  
Tel: (886) 6- 2645207
- 6.Airmate Electrical (Jiujiang) Ltd.  
Address: No.1 Tonggang East Road, Chengxi Port District, Jiujiang Economic and  
Technological Development Zone, Jiangxi Province  
Tel: (86)-0792-2286888
- 7.Shenzhen Airmate Technology Co Limited  
Address: Huangfengling Industrial Zone, Shiyan Street, Baoan District, Shenzhen City,  
Guangdong Province  
Tel: (86)-0755-27655988
- 8.Airmate (Cayman) International Co Limited, Taiwan Branch  
Address: 3F., No. 11, Xinzhong Rd., South Dist., Tainan City  
Tel: (886) 6- 2645207
- 9.Airmate e-Commerce (Shenzhen) Co., Ltd.  
Address: Huangfengling Industrial Zone, Shiyan Street, Baoan District, Shenzhen City,  
Guangdong Province  
Tel: (86)-0755-27655988

## V. List of Directors

<u>Title</u>	<u>Name</u>	<u>Nationality</u>	<u>Education and Career Background</u>
Chairman & CEO	Shih, Jui-Pin	The Republic of China	Department of Electronics, Professional Training College of Chubu University Japan Yuasa Primus Co., Ltd. Ltd. Commodity Department employee
Director	Tsai, Cheng-Fu	The Republic of China	Master's degree, Department of Electronics, NKUST Person-in-charge of Lucky View Development (Int'l) Limited
Director	Cheng, Li-Ping	The Republic of China	Statistics of the Tamkang University Deputy General Manager of Tung Fu Electric Co., Ltd., Chairman of Airmate (Cayman) International Co., Limited
Director	Shih Li, Chueh-Chu	The Republic of China	Senior High School of Kuang Hua High School Director of Waon Development Limited; Director of Tung Fu Electric Co., Ltd.
Director	Shih,Jui-Lin	The Republic of China	Mount Ida College Department of Business Administration Employee of Data Systems Consulting Co., Ltd. Sales Department; Employee of Microcell Composite Company Sales Department;
Director	Chen, Yen-Fu	The Republic of China	Master of National Dong Hwa University College of Environmental Studies Project Manager of Chinghua Engineering Co., Ltd.(CEC), Assistant Sales Manager of Creating Nano Technologies Inc., Sales Representative of Nano Electronics and Micro System Technologies Inc., Assistant to the Ministry of Education Environmental Protection Group
Director	Chen, Shun-Loong	The Republic of China	Master of Graduate Institute of Business Administration, National Chung Hsing University; Bachelor's degree, Department of Industrial Management, National Taiwan University of Science and Technology General Manager, RT-Mart Commodities Department
Independent Director	CHENG, MING-CHANG	The Republic of China	Ph.D. of Graduate Institute of Business Administration, National Chengchi University, National Business Doctor Chairman of China Taiwanese Investment Management Association, General Manager of China Productivity Center, Director of Graduate Institute of Business Administration, National Chung Hsing University, Deputy Director of Small and Medium Enterprises Administration, Ministry of Economy Affairs, Director, Economic Division, Mainland Affairs Council

Independent Director	Fan,Chin-Hwa	The Republic of China	Master of Wisconsin University College of Statistics Bank of Canton, Deloitte Touche Tohmatsu Limited, Chen & Fan Accountancy Corporation, Crestridge Consulting
Independent Director	Chiu,Shean-Bii	The Republic of China	Master of Business Administration and Ph.D. in Accounting & Finance, Washington University, USA President of Pension Fund Association, R.O.C.; Professor, Department of Finance Department, National Taiwan University
Independent Director	Chi,Lai-Ping	The Republic of China	Masters in International Relations, Chicago University, USA, Bachelor in Economics, Columbia University, USA Independent Director of Yuanta Financial Holdings, Independent Director of Yuanta Life Insurance Co., Ltd., General Manager of Merrill Lynch (Taiwan) Investment Management, Deputy General Manager of Prudential Life Insurance (Taiwan) Co., Ltd., President of Greater China of Sony Life, Deputy General Manager of MetLife International, Managing Director of Sino-US MetLife, Chairman of MetLife Hong Kong, General Manager of MetLife Taiwan

**VI. Stock Transfer Handling Agency**

Agency: CTBC Bank, Department of Corporate Agency, website: [www.ctbcbank.com](http://www.ctbcbank.com)  
Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City Tel: (886)2-6636-5566

**VII. Certificated Public Accountants (CPAs) for the most recent year's financial report**

Names of CPAs: Derek Hsu, Anna Lu Name of Accounting Firm: KPMG Taiwan  
Website: [www.kpmg.com.tw](http://www.kpmg.com.tw) Tel: (886) 2-8101-6666  
Address: 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City

**VIII. The name of any exchanges where the company's securities are traded offshore and the method by which to access information on said offshore securities: not applicable**

**IX. Company Website: <http://www.ticket-china.com>**

## Contents

<b>Chapter 1</b>	<b>Letter to the Shareholders .....</b>	<b>1</b>
I.	Introduction .....	1
II.	Operating Results of 2020 .....	2
III.	Summary of the business plan for the current fiscal year.....	4
IV.	The company's future development strategy .....	5
V.	The effect of external competition, the legal environment, and the overall business environment.....	5
<b>Chapter 2</b>	<b>Company Profile .....</b>	<b>7</b>
I.	Date of Founding: March 11, 2004. ....	7
II.	Corporate and Group Profile .....	7
III.	Group Structure .....	8
IV.	Corporate and Group History .....	8
V.	Risk Items: Please refer to the Chapter 7-VI of this annual report.....	10
<b>Chapter 3</b>	<b>Corporate Governance Report.....</b>	<b>11</b>
I.	Corporate Organization.....	11
II.	Directors, Supervisors, General Manager, Deputy General Manager, Assistant Managers and Managers of Departments and Branches .....	13
III.	Compensations to Directors, Supervisors, General Manager and Deputy General Managers in the Most Recent Year .....	24
IV.	Status of Corporate Governance .....	29
V.	Information on CPA Professional Fees .....	68
VI.	Information on Replacement of CPAs:.....	68
VII.	Where the Company's Chairman, General Manager , or any managerial officer in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise: None.....	68
VIII.	Conditions of share transfer and changes in equity pledge from the Directors, Supervisors, managers, and shareholders who hold more than 10% of shares, from the past year up to the date printed on the Annual Report:.....	68
IX.	Relationship information between 10 largest substantial shareholders .....	70
X.	Shares held by the Company, its directors, supervisors, managers, and businesses either directly or indirectly controlled by the Company as a result of investment, and the ratio of consolidated shares held.....	72
<b>Chapter 4</b>	<b>Funding Status .....</b>	<b>73</b>
I.	Capital & Shares .....	73
II.	Issuance of Corporate Bonds .....	80
III.	Preferred Stocks: None. ....	85
IV.	Overseas Depository Receipt: None.....	85
V.	Employee Stock Warrant: Not issued. ....	85
VI.	New Shares to Employees with Restricted Rights: None.....	85
VII.	Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies: None.....	85
VIII.	Financing Plans and Implementation: Not applicable.....	85

<b>Chapter 5</b>	<b>Overview of Business Operations .....</b>	<b>86</b>
I.	Description of the Business.....	86
II.	Overview of the Industry .....	98
III.	Employee Information in the Last Two Years Up to the Printing of the Report .....	108
IV.	Information on Environmental Protection Expenditure .....	108
V.	Labor Relations.....	109
VI.	Important Contracts .....	112
<b>Chapter 6</b>	<b>Financial Information .....</b>	<b>113</b>
I.	Condensed Balance Sheet, Statement of Comprehensive Income and Independent Auditors' Opinions of the Most Recent Five Years .....	113
II.	Financial Analysis of the Most Recent Five Years .....	115
III.	Supervisors' or Audit Committee's Review Report of the Most Recent Year.....	118
IV.	Financial Statements of the Most Recent Year, Including Independent Auditors' Audit Reports, Balance Sheets and Statements of Comprehensive Income, Changes in Equity and Cash Flows with Two-Year Data Available for Comparison, and Notes or Tables: Please refer to #page 99 to 173# of this annual report. ....	119
V.	Individual Financial Report of the Company Audited and Certified by CPAs for the Most Recent Year, Excluding Statements of Significant Accounts: NA. ....	119
VI.	Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Year up to the Date of Publication of This Annual Report, and Their Impact on the Company's Financial Position: None.....	119
<b>Chapter 7</b>	<b>Review of Financial Conditions, Operating Results, and Risk Management.....</b>	<b>120</b>
I.	Analysis of Financial Status.....	120
II.	Financial Performance .....	121
III.	Cash Flow .....	122
IV.	Impact of Major Capital Expenditures on Corporate Finances and Business for the Most Recent Year.....	123
V.	Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year.....	123
VI.	Analysis of Risk Management for the Most Recent Year up to the Printing Date of the Annual Report.....	124
VII.	Other Important Matters: None. ....	128
<b>Chapter 8</b>	<b>Special Disclosures.....</b>	<b>129</b>
I.	Affiliated Companies: .....	129
II.	Private Placement of Securities of the Most Recent Year up to the Publication Date of this Annual Report: None. ....	132
III.	Holding or Disposal of the Company's Shares by the Subsidiaries of the Most Recent Year up to the Date of Publication of This Report: None. ....	132
IV.	Other Necessary Supplements: None. ....	132
V.	Events of Considerable Impact on Shareholders' Equity or on Prices of Securities as Specified in Subparagraph 2, Paragraph 2 of Article 36 of the Securities and Exchange Act: None.....	133
VI.	Major Differences from the Domestic Protective Provisions for Shareholders' Equities:	133

# Chapter 1 Letter to the Shareholders

## I. Introduction

At the beginning of 2020, the world economy fell into ups and downs as affected by the COVID-19 epidemic, geopolitical and economic dramas, the Sino-US trade war which still could not be alleviated after the U.S. election affected by the strategic confrontation between the two sides. The global trade, consumption and economic situation experienced the biggest recession in a century. Although mainland China was the first to recover from the COVID-19 epidemic and was the only major economy to grow, the severe external environment still posed a severe challenge to the Company's operations throughout the year. Fortunately, under the collective efforts of the management and all the staff, we still achieved the profit target for the year. Looking at our business performance in the past year, we can see that the horizontal extension of our product line in Chinese market, the refined focus of our channels, the firm implementation of our target strategy, the development of foreign customers and the development of new markets have all started to show significant benefits and can continue to improve our profits. In addition to integrating into the development of smart home appliances in accordance with long-term goals, we will continue to develop in the third-foot target product line, deepen the breadth and depth of channels, always focus on improving quality, deepen brand power, etc., so as to achieve sustainable operation and create the value of the Company.

Last year, on the one hand, the Company continued to fine adjust its operating structure, deepen the integration of resources, and strengthen the Company's core product manufacturing capabilities to improve production efficiency while eliminating ineffective production costs and enhancing product price competitiveness; on the other hand, it strengthened product strength and market power, and actively took the lead in developing home appliances that meet the consumers' yearning for a better life, so as to increase the added value of products and enjoy brand premiums. It is believed that with the launch of new products, the broad layout of new customers, the improvement of channels, the deepening of the brand and other strategies, the Company will achieve good results in the future. In the post-epidemic era, a good performance is expectable in 2021.

The following is a report on our operation overview in 2020 and future outlook in 2021:

The Company is the final parent company of the listed group companies, mainly responsible for investment and holding. The production base is located in Shenzhen, Guangdong Province and Jiujiang City, Jiangxi Province in mainland China. The consolidated revenue in 2020 was NT \$9.207 billion, the consolidated net profit after tax was NT \$156 million and the consolidated net profit after tax per share was NT \$1.12. Looking forward to 2021, the world and mainland China still face many economic challenges, in the face of the qualitative and quantitative changes of the consumption market and under the fierce competition of small home appliance industry, the Company will continue to steadily expand the scale of group operation, strengthen the operation management and the overall synergy of each company, actively explore the market and deepen the customers' whole process service, work closely and grow with key customers, and build an enterprise centered on the core value and with sustainable competitiveness.

Looking forward to the future development of the Company, because mainland China has been fully out of poverty, the average national income has exceeded 10,000 US dollars and is still growing year by year, consumers' demand for the comfort, function and personalization of small home appliances will improve the quality requirement for small home appliances. In our opinion, this is an opportunity for the Company to face the cross-boundary and diversified fierce competition in the development of the small home appliance market in mainland China, as well as the changed and shifted product demands in domestic and foreign markets due to the COVID-19 epidemic. The Company and the subsidiaries reinvested by it in the Group will continue to respond to market

demand as the first priority, steadily culture the existing customer base, expand the scope of customers and develop more heterogeneous new customers; Since its listing, the management team and all employees have upheld the spirit of good faith and diligence and the self-encouragement requirements of pursuing perfect, demonstrated a positive and pragmatic attitude, strengthened the operation of the major business, and provided the small home appliance industry with optimized products that meet the needs of the market, created the best interests of all shareholders and employees of the Company, while not forgetting the original intention of fulfilling corporate social responsibilities, in order to return the hope and love of shareholders, and appreciate the long-term sustainable supports from shareholders.

## II. Operating Results of 2020

### (I) 2020 business plan and implementation results

	Unit: thousand NT\$		
	<u>2020 Audit</u>	<u>2019 Audit</u>	<u>Growth Rate</u>
Consolidated operation revenue	9,207,346	10,142,781	-9.22%
Consolidated operation gross profit	1,570,488	1,972,712	-20.39%
Consolidated operation net profit	220,906	289,876	-23.79%
Net revenue (expenditure) outside consolidated operation	2,973	32,948	-90.98%
Consolidated net profit before tax	223,879	322,824	-30.65%
Income tax expense	67,640	65,665	3.01%
Total consolidated profit or loss	156,239	257,159	-39.24%

### (II) Status of execution

The Company has not disclosed its financial forecast in 2020.

### (III) Financial balance and profitability

Items		Year	2020	2019
Financial Structure	Liability to asset ratio (%)		66.08	66.19
Solvency	Current ratio (%)		118.25	104.29
	Quick ratio (%)		71.41	61.01
Profitability	Asset return rate (%)		2.12	3.78
	Shareholders' equity return rate (%)		5.10	9.23
	Net profit ratio (%)		1.70	2.48
	Earnings per share (NT\$)		1.12	2.05



#### (IV) Annual research and new technology development

##### 1. Yearly research and new technology development results

- (1) Development of shoe cabinet sterilization lamp
- (3) Development of large air volume PTC electric heater
- (4) Design and development of water-cooled fan with refrigeration chip element (instead of ice crystal)
- (5) Design and development of the bladeless fan with three air ducts which can automatically swing to adjust the air outlet area
- (6) Design and development of inverter air conditioning for window
- (7) Development of pet air conditioner
- (8) Application of electrolysis water sterilization technology
- (9) Application of hydrophilic humidification tray natural humidification technology
- (10) Integrated electric heater for cloth drying and heating
- (11) Superconducting cooling and heating circulation fan
- (12) Study on sterilization function of fresh air products
- (13) Study on antibacterial function of bath bully products
- (14) Light sensation
- (15) Development of inner wound motor

##### 2. Future research and technology development plans

###### (1) Short-term business development plans

- A. Development and research of wireless steam cleaner.
- B. Continue to increase the application research of semiconductor refrigeration chip, radar and battery.
- C. Design and development of humidifier with large humidification capacity (2.5 L/h).
- D. Research and development of new electric heater (firework hill, foot line with closeable air outlet; and graphene heating element).
- E. Continuously increase the development and application research of pin structure and high-power inner-wound motor.
- F. Continuously introduce and apply speech recognition (offline + online), motion monitoring, gesture recognition and other new technologies to various products.
- G. Develop hydroxide ion air purification ceiling fan.

###### (2) Long-term business development plans

- A. Development of household appliances for cleanliness and health (antimicrobial and sterilization).
- B. Development of medical product series.
- C. The Company plans to research the application of smart home appliance sensors and human-computer interaction (voice control).
- D. Study on various complex air processors (refrigeration, heating and humidification).
- E. Development of DIY fresh air products.

F. Development and application research of external rotor DC motor with high cost performance.

### **III. Summary of the business plan for the current fiscal year**

#### **(I) Business Policies**

1. Focus on strengthening the development of the Airmate brand, aim to become a leading small home appliance enterprise with competitiveness and core value in domestic and overseas sales in mainland China, ensure quality and quantity advantages, and strengthen the win-win cooperation with suppliers and customers.
2. Continuously promote the localization of talents of each company, establish the group enterprise management modeling, commit to the Company's product strength and continue to develop new products, new customers and new markets, improve the optimal production technology, continue to invest in efficient production lines and reasonable control of costs to make the Company's operation profitable.
3. Value the integration of labor and management, create maximum profits for employees and shareholders, and fulfill corporate social responsibility.

#### **(II) Sales volume forecast and the basis**

The main markets of the re-invested subsidiaries of the Company are located in mainland China, northeast Asia, southeast Asia, Europe and North America, so the estimated annual sales volume is mainly judged based on local industry-related statistical data, major customer information feedback and future market supply and demand. In general, the future sales volume and value of the small home appliance industry will achieve steady and significant growth compared to 2020.

#### **(III) Significant Sales and Production Policies**

##### **1. Export**

- The sales of products in Japan, South Korea, Europe and North America have maintained steady growth in the past two quarters. We will actively develop customers in different industries, assist customers to develop new products and continue to cultivate the Southeast Asian market.
- The Company will focus on maintaining the connection between key customers and technical teams, deepen development and technology adhesion, increase the number of product development (improve patent layout, patent authorized customers), in order to win orders to develop small home appliances with multiple functions integrated and promote them to customers. Build a one-stop export model, and strive for OEM orders.
- Comprehensively enhance the export business services including customer service platform channel integration, IDM services, one machine multiple sales, R&D awards, patent sharing and online sales, etc., to improve service quality.

##### **2. Offline Market in Mainland China**

- Team integration: Divide the national offline channel into two regions, north and south, and set 2 large regional directors, increase operation support centers, promote data-based operations, and perform management closer to the market more accurately and efficiently, improve the brand's service capacity for dealer partners and consumers, and empower dealers in the new retail era.
- Accurate focus on products: focus on hot products, reduce SKUs, fit the market, ensure sales efficiency, and improve the integration of production and sales operations. In addition, focus on the dealer and factory inventory turnover rate and amount, reduce the seasonal inventories of dealers and factories, and finally achieve order-oriented

production.

- Continued deep cultivation and meticulous work on channels: expand the breadth of channel network, and continue to build more than 2000 Airmate county/township image stores. In addition, enhance the consumer experience in 3C and supermarket systems, cooperate with the image investment of malls and the training of sales ability of purchasing guides, and realize the growth in the sales of Airmate's single stores and the proportion of sales of high-end products.
- Embrace new channels: actively embrace new sales channels, offline outlets, community group purchase platforms, Jingdong exclusive store, Tmall Youpin, actively expand new sales channels, increase the offline visibility rate, to achieve greater brand exposure and output.

### 3. Online Market in Mainland China

- Multi-platform healthy development: aim at different online consumer groups and sales modes on major platforms such as Taobao, Tmall, Jingdong, Suning, Vipshop and live stream, develop marketable and differentiated product portfolios for each platform to meet the needs of different consumers. Emphasize the development of other new sales channels such as Pinduoduo, Yunji, and NetEase Yeation. Establish vertical integration of sales and production to improve brand share across the network and channels. In addition, we will enter new sales in the secondary e-commerce channels, setting our sights on high-end target markets through emerging focused private domain channels such as videos, content e-commerce, and information streaming e-commerce.
- Taking advantage of the high efficiency and high focus features of online platforms, focus on the markets of clothes dryers, dehumidifiers, ventilation fans, bath barons, foot tubs, steam mops and other niche small home appliances other than electric fans and heaters to increase visibility for the brand's higher sustainable performance growth target.
- Marketing transformation: fully embrace mobile Internet marketing, make use of emerging media, and deeply interact with young consumers through social media such as live stream, short video, microblog, official account, and Xiaohongshu, so as to achieve a younger brand, enhance Airmate's popularity and reputation among various consumer groups, and enhance brand influence.

## **IV. The company's future development strategy**

The Company and its subsidiaries will continue to focus on the development of the main business, develop competitive products with high gross profits, and continuously improve and develop new technologies, and seek the win-win cooperation with relevant stakeholders. They will devote to the maintenance of brand force and customer loyalty, and actively respond to, explore and meet the deep needs of end customers in the market, and, through real-time response to market changes, obtain the recognition and orders of new markets, new customers and new products, so as to form a flag brand enterprise in the small home appliance market.

## **V. The effect of external competition, the legal environment, and the overall business environment**

### (I) Influence of external competition environment

Small home appliance industry is in a variety of fierce competitive context. The Company and its subsidiaries will continue to give full play to the existing advantages to get close to the market and strengthen product differentiation, and reasonable control expenses and costs, in order to reduce the impact of external competitive environment.

### (II) Influence of legal environment

The Company and its important subsidiaries have not suffered any punishment or loss in recent years from the changes in the regulatory environment.

(III) Influence of overall operation environment

At present, the production and operation of the Company's subsidiaries are located in mainland China. Although the overall environment of the local small home appliance industry is fiercely competitive, as mainland China has fully entered the middle-income process, economic development and per capita income have greatly increased, and consumption power has increased, the increasing pursuit of product quality and high responsiveness to new products and applications will definitely lead to the continuous steady growth of the entire market in the future.

Best regards (Wish you peace, happiness and good fortune)

AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED

Chairman: Shih, Jui-Pin

General Manager: Lin, Yung-Chang

Accounting Manager: Ho, Mei-Hsiu

## Chapter 2 Company Profile

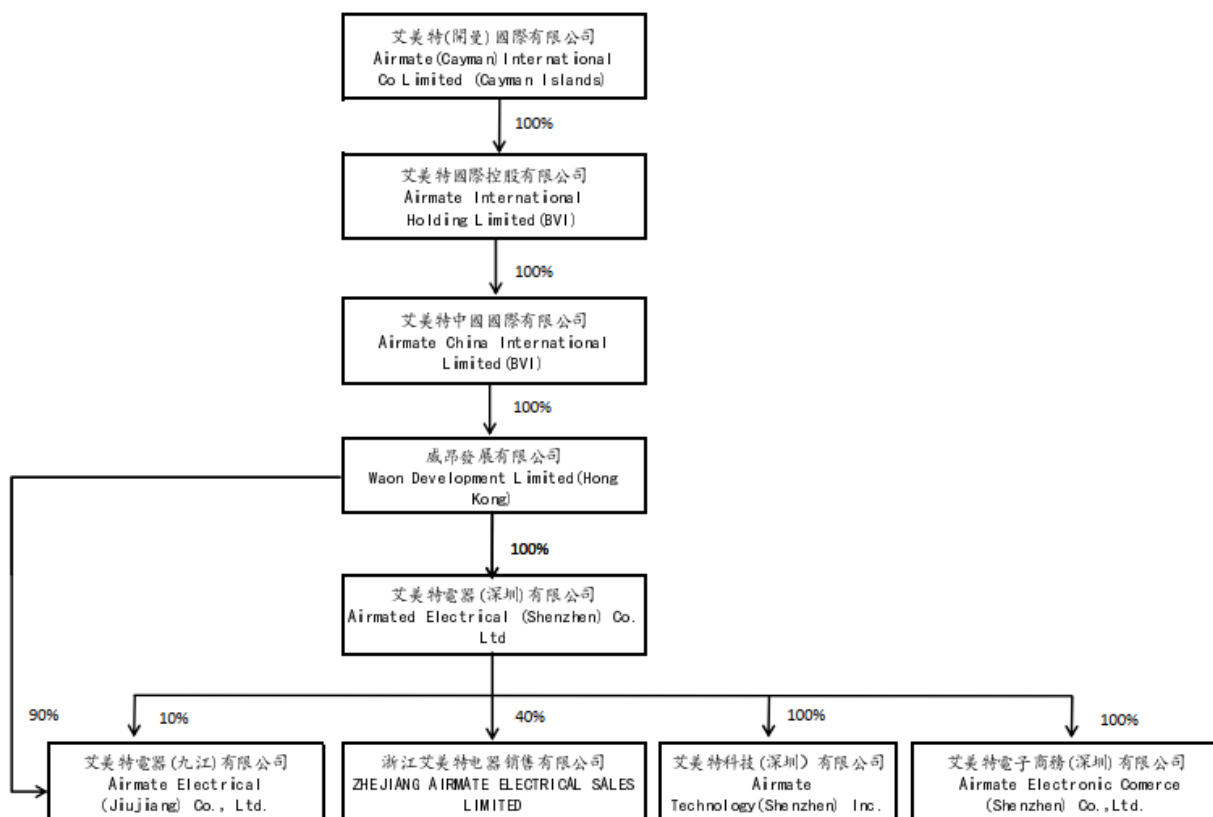
### I. Date of Founding: March 11, 2004.

### II. Corporate and Group Profile

Airmate (Cayman) International Co Limited (hereinafter referred to as the Company) was established on March 11, 2004, as an overseas holding company registered in the Cayman Islands. The Company returned to Taiwan, with the entity to apply for registration of the counter and the application for a TWSE primary listing of its issued stock. As of the end of March 2020, the Company has six 100% wholly-owned subsidiaries, including Airmate International Holding Limited (BVI), Airmate China International (BVI), Waon Development Limited (Hong Kong), Airmate Electrical (Shenzhen) Ltd., Airmate Electrical (Jiujiang) Ltd., and Shenzhen Airmate Technology Co., Ltd. Functions differentiate the operating entities. Shenzhen Airmate Technology Co., Ltd., and Airmate Electrical (Jiujiang) Ltd. are responsible for R&D, production and sales centers. Waon Development Limited (Hong Kong) is responsible for external orders. The Company specializes in the research and development, production and sales of electric fans, electric heaters and various small household appliances.

The Company started as a household OEM appliance manufacturer. In 1991, it established a production base - Airmated Electrical (Shenzhen) Ltd., which was committed to R&D and manufacture of exquisite small household appliances. In 1997, it officially launched its own brand < **A艾美特** > products, and began to deploy sales channels with distributors in China systematically. The products are sold in more than 8,000 shopping malls in 31 provinces in China. At present, the domestic sales in mainland China account for about 53% of total sales. Besides, the Company also relies on its excellent R&D and production capacity to design, develop, and manufactures OEMs for various household appliances brands in the world. Through Waon Development Limited, which is responsible for export sales, the service OEM customers cover Japan, South Korea, France, Germany, Canada, Singapore, the United States, Australia. The export sales account for about 47% of the Group's total sales. The Company has become one of the most internationally recognized manufacturers in the household appliance industry. This is a significant recognition of the company's efforts in the small household appliance market in China over the years.


### III. Group Structure



### IV. Corporate and Group History

Year	History of the Company and the Group
1973	The parent company of Airmate (Taiwan Dongfu Electrical Appliances Co., Ltd.) was founded in Taiwan.
1990	The management team and the substantial shareholders established Waon Development Limited with a registered capital of HK\$13,510 thousand.
1991	Established Airmate Electrical (Shenzhen) Limited with a registered capital of US\$23,750 thousand, and set up a major production base in Shenzhen to launch a global layout.
1994	Became the first foreign-invested enterprise to obtain CCEE safety certification for small household appliances in China. Start to cooperate with Sanyo Electric Co., Ltd. of Japan to produce dedicated Sanyo fan motors.
1996	Obtained ISO9002 quality control system international certification.
1997	Expand the Airmate brand into the Chinese market and cut into the electric heater market. Establishment of Airmate French subsidiary, registered capital Franc 50 thousand. Established Airmate China International Limited (BVI) with a registered capital of US\$20,000 thousand.
1998	Established Airmate International Holding Limited with a registered capital of US\$21,000 thousand.
1999	Obtained ISO9001 quality control system international certification. The China Association of Enterprises with Foreign Investment was awarded the

Year	History of the Company and the Group
	“National Foreign Investment Double Excellence Enterprise”. By the share conversion, included Waon Company as a 100% subsidiary of Airmate International
2000	Establish a global sales network of more than 60 countries on five continents and become the largest supplier of household fans in Japan.
2001	Waon Company signed an equity transfer agreement with Airmate China to transfer the equity of Airmate Electrical (Shenzhen), which is 100% owned by the former Waon Company, to Airmate China.
2002	China Quality Inspection Association awarded the National Dual Guarantee Enterprise of Product Quality and After-Sale Service Credit. “Airmate” was named a famous trademark in Guangdong Province. Won the dual honors of Shenzhen Industry and Commerce Top 100 and Export top 100.
2003	Airmate expanded plant at Shenzhen Airmate fans passed the National Inspection-Free Product Quality. Awarded with National Dual Guarantee Enterprise of Product Quality and After-Sale Service Credit.
2004	The Company was established with HK\$16,000 thousand in shares and became the ultimate parent company of the group through a series of stock exchange processes.
2005	Airmate extensively entered other small home appliances market. The State Administration of Quality Supervision, Inspection and Quarantine awarded the title of China's Famous Brand Products Was rated as "the first Shenzhen Import and Export Integrity AAA Enterprise". Rated as “The Top 500 Company With The Most Valuable Brand in The Country”.
2008	Airmate trademark was awarded the title of “Well-Known Trademark”. Capital increase by cash of HK\$40,000.
2009	Won the award of the National High-tech Enterprise Award. Won the title of Guangdong Province Famous Brand Product. Elected as the Member of Shenzhen Quality and Credit Enterprise. capital increase by cash of HK\$1,050,000. Transferred of surplus and employee dividend to capital of HK\$4,820 thousand
2010	Won the honor of “Shenzhen Intellectual Property Advantage Enterprise”. Awarded the Director Award of Science and Technology Innovation in Bao'an District. Transferred of employee dividend to capital of HK\$680 thousand
2011	Airmate's electric fan comprehensive market share in China for 10 consecutive years ranks the top two among domestic enterprises. Airmate's electric heater comprehensive market share in China for 6 consecutive years ranks the top three among domestic enterprises.
2012	Transferred of capital surplus to capital of HK\$203,310 thousand capital increase by cash of HK\$29,000 thousand. The Directors were re-elected as Directors, including four Independent Directors, and set up an Audit Committee. Reelected the Board of Directors. Elected nine Directors, including four independent Directors, and set up an Audit Committee. On July 26, 2012, the shareholders' meeting approved a resolution to change the company's par value per share from HK\$1 to NT\$10, with the paid-in capital of NT\$1,102,442,500.
2013	capital increase by cash of NT\$122,500 thousand. On March 21, listed on the TWSE

Year	History of the Company and the Group
2014	Established Airmate Electrical (Jiujiang) Ltd. with a registered capital of US\$35,000,000. Mass production in October the same year.
2015	Joint venture with mainland Chinese to establish Airmate Technology Co., Ltd., specializes in kitchen appliances product design, development, and market development. With the registered capital of RMB \$10,000 thousand, and the company holds 51% shares.
2016	Airmate Electrical (Jiujiang) Ltd. capital increase by cash of US\$23,000 thousand. On June 3, 2016, the Company signed a joint development project agreement with TCL Haichuanggu Technology Park Development Co., Ltd. (hereinafter referred to as TCL Haichuanggu) and Shenzhen TCL Real Estate Co., Ltd. to develop old factories land in Shenzhen Industrial Zone. Completed the liquidation of Airmate Europe LLC. on June 8, 2016.
2017	The capital increase by cash of Airmate Electrical (JIUJIANG) Limited of US\$3,300 thousand.
2018	Airmate Electrical (Jiujiang) Ltd. capital increase by cash of US\$1,850 thousand. Airmate Fresh Wind Division was established on April 30, 2018 The development project of the old factory land in Shenzhen Industrial Zone signed by the Company and TCL Haichuanggu Technology Park Development Co., Ltd. (hereinafter referred to as TCL Haichuanggu) and Shenzhen TCL Real Estate Co., Ltd. started in October 2018.
2019	The capital increase by cash of Airmate (Cayman) International Co. Limited of \$120,000 thousand. Airmate Black and White Swan Air Circulating Fan Serie won the "TMIC The Best New Product under Circulating Fan Category ad the Golden Wheat Quality Award under Household Appliances Digital Category." The brand of Airmate has renewed and upgraded, the new trademark design follows the core of "Air Mate" with "Technology, Aesthetics and Home Mate" brand positioning upgrade, combine the technology and the aesthetics. 
2020	The Air2 Air Circulation Fan of Airmate's High-End Aesthetic line, was awarded the "Product of Excellence" award at the Apland Awards 2020 for its industry-leading fashion design and innovative technology, reaffirming Airmate's commitment to providing insights into customers' needs, improving the user experience and creating superior products.

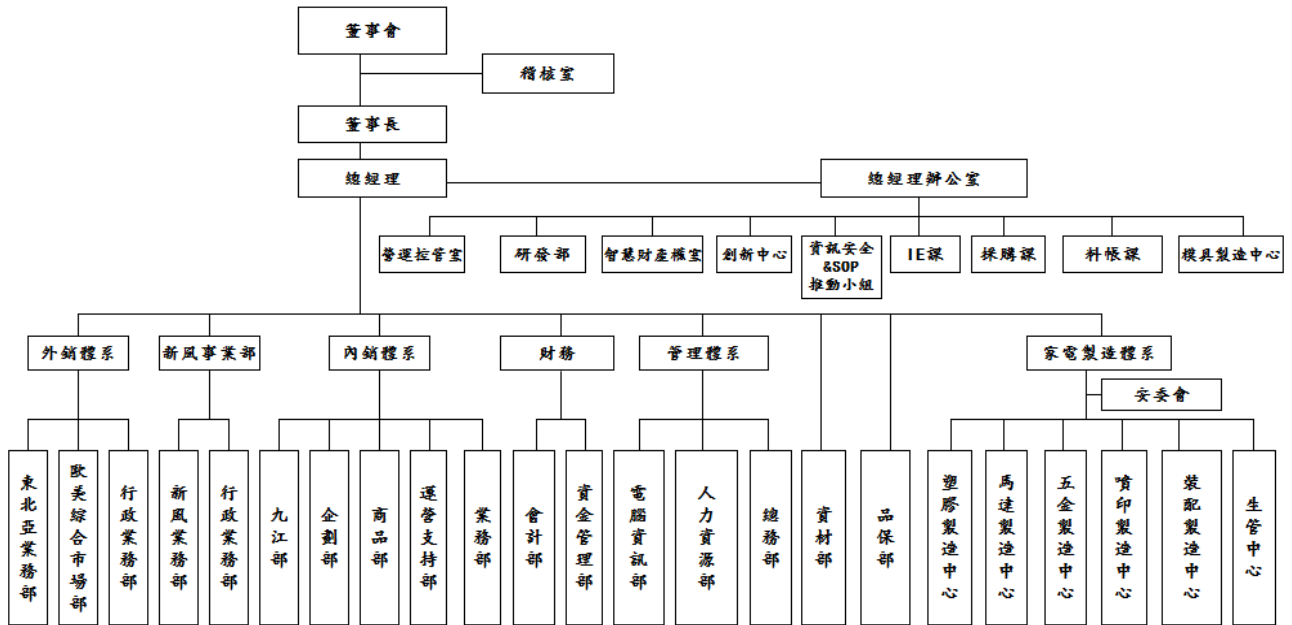
**V. Risk Items: Please refer to the Chapter 7-VI of this annual report.**



## Chapter 3 Corporate Governance Report

### I. Corporate Organization

#### (I) Organizational Structure



Board of Directors																					
Chairman		Audit Office																			
General Manager		General Manager's Office																			
Operations Management Office	Research and Development Department	Intellectual property Office	Innovations Center	Information Security & SOP Promotions Team	Industrial Engineering Div.	Procurement Div.	Inventory Management Div.	Modular Manufacturing Center													
Export Market	Ventilation Sales Department	Domestic Market		Financing	Management System		Home Appliance Manufacturing System		Security Committee												
Northeastern Asian Business Department	Administrative Department	Ventilation Sales Department	Administrative Department	Jiujiang Department	Planning Department	Product Department	Operations Support Department	Sales Department	Accounting Department	Capital Management Department	IT Department	HR Department	Administrative Affairs Department	Logistics Department	Quality Assurance Department	Plastics Manufacturing Center	Motor Manufacturing Center	Hardware Manufacturing Center	Jet Printing Center	Assembly Center	Production Control Center

#### (II) Responsibilities and functions of major departments

Major departments	Functions
Board of Directors	Planning Company-wide business operations and policies, establishing operational goals and appointing the Company's major managers to execute Company business.
Audit Department	Responsible for various auditing tasks and the internal control evaluation and implementation of the Company as well as proposing recommendations for improvement and continuously monitoring progress of improvement.
General Manager (CEO)	Perform resolutions from the Board of Directors meeting and

Major departments		Functions
		Company management.
General Manager 's Office (CEO's Office)		Managing Company operational management, information security management, execute SOP, innovation center, patent applications, handling of legal cases, and maintaining investor relations.
Export Market	Export Business Department	Developing and maintaining the Company's export business.
	Sales Administration Department	Day-to-day internal management work of the Expert Business Department.
Domestic Market	Sales Department	Developing and maintaining the Company's business in China.
	Jiujiang Department	Developing and maintaining the Company's business in China.
	Planning Department	Establishing and promoting the Company's brand and image in China region.
	Product Department	Product development in China.
	Operations Support Department	Communication and coordination between the Company's sales headquarter and various departments and day-to-day internal management work in China region.
Ventilation Business Department	Ventilation Sales Department	Expansion and maintenance of ventilation business products in China.
	Administrative Department	Day-to-day internal management works of Ventilation Sales Department in China region.
Financing system	Accounting Department	Accounting and bookkeeping tasks and establishing and carrying out the accounting policy.
	Capital Management Department	Capital planning and appropriations.
IT Department		Researching and establishing the Company's IT policy, IT system planning and maintenance, and telecommunications planning, setting, and maintenance.
HR Department		Manages human resources-related tasks.
Administrative Affairs Department		Day-to-day administrative management.
Research and Development Department		Coordinating the Company's R&D resources and establishing R&D objectives.
Logistics Department		Manages the Company's purchasing and warehousing tasks.
Quality Assurance Department		In charge of various quality controls and handles customer grievances.
Home Appliance Manufacturing System		Production of plastics, motors, hardware, inkjet printing and assembly.

## II. Directors, Supervisors, General Manager, Deputy General Manager, Assistant Managers and Managers of Departments and Branches

### (I) Basic information of Directors

#### 1. Director information

April 30, 2021

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
Chairman & CEO	The Republic of China	Shih, Jui-Pin	Male	2018.06.11	3 years	2011.09.01	1,359,522	1.11	1,009,480	0.72	780,101	0.55	-	-	Department of Electronics, Professional Training College of Chubu University Japan Yuasa Primus Co., Ltd. Ltd. Commodity Department employee	CEO of Airmate Group, CEO of Airmate International Holdings Co., Ltd., Chairman of Airmate China International Co., Ltd., Chairman of Waon Development Limited, Chairman of Waon Development Limited Taiwan Branch, Chairman and General Manager of Airmate Electrical (Shenzhen) Co., Ltd., Vice Chairman of Airmate Electrical (Jiujiang) Co., Ltd., Chairman of Tung Fu Electric Co., Ltd., and legal representative of Airmate E-commerce (Shenzhen) Co., Ltd. and Pearl Place Holdings Ltd.	Director	Shih Li, Chueh-Chu	Mother and son
Director	The Republic of China	Tsai, Cheng-Fu	Male	2018.06.11	3 years	2004.04.30	3,666,837	2.98	4,009,788	2.85	-	-	-	-	Master's degree, Department of Electronics, NKUST Person-in-charge of Lucky View Development (Int'l) Limited	Director of Waon Development Limited, Vice Chairman of Airmate Electrical (Shenzhen) Co., Ltd., Director of Zhejiang Airmate Electric Appliance	-	-	-

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
																Sales Co., Ltd., principal of Joyful Oasis Ltd., Chairman and General Manager of Airmate Electrical (Jiujiang) Co., Ltd., Executive Director and Legal Representative of Airmate Technology (Shenzhen) Co., Ltd.			
Director	The Republic of China	Cheng, Li-Ping	Male	2018.06.11	3 years	2006.12.18	3,095,192	2.52	3,157,095	2.24	49,215	0.03	-	-	Statistics of the Tamkang University Deputy General Manager, Dongfu Electrical Appliances Co., Ltd.	Director of Waon Development Limited; Director of Airmate Electric (Jiujiang) Limited	-	-	-
Director	The Republic of China	Shih Li, Chueh-Chu	Female	2018.06.11	3 years	2006.12.18	1,864,992	1.52	2,089,722	1.48	-	-	-	-	Senior High School of Kuang Hua High School	Director of Waon Development Limited; Director of Tung Fu Electric Co., Ltd.	Chairman & CEO	Shih, Jui-Pin	Mother and son
																	Director	Shih, Jui-Lin	Mother and son
Director	The Republic of China	Chen, Yen-Fu	Male	2018.06.11	3 years	2018.06.11	15,000	0.01	16,402	0.01	1,303,804	0.93	-	-	Master of National Dong Hwa University College of Environmental Studies Assistant Manager of Ministry of Education Environmental Protection Division; Project Manager of Capital Engineering Corp; Business Specialist of Nano Electronics and Micro System Technologies, Inc.; Business Assistant Manager of Creating Nano Technologies	Sales Assistant Manager, Li Pai Yi Co., Ltd.	-	-	-
Director	The	Shih, Jui-Lin	Male	2018.06.11	3	2018.06.11	260,000	0.21	587,204	0.42	153,683	0.11	-	-	Mount Ida College	Manager of Export Market	Chairman	Shih,	Brothers

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
	Republic of China				years									Department of Business Administration Employee of Data Systems Consulting Co., Ltd. Sales Department; Employee of Microcell Composite Company Sales Department;	Department of Airmate Electrical (Shenzhen) Limited		Jui-Pin		
Director	The Republic of China	Chen, Shun-Loong	Male	2018.06.11	3 years	2018.06.11	2,254,000	1.83	2,297,040	1.63	-	-	-	-	Master of Graduate Institute of Business Administration, National Chung Hsing University; Bachelor's degree, Department of Industrial Management, National Taiwan University of Science and Technology General Manager, RT-Mart Commodities Department	-	Director	Shih Li, Chueh-Chu	Mother and son
Independent Director	The Republic of China	Chiu, Shean-Bii	Male	2018.06.11	3 years	2012.05.15	-	-	-	-	-	-	-	Master of Business Administration and Ph.D. in Accounting & Finance, Washington University, USA President of Pension Fund Association, R.O.C.; Professor, Department of Finance Department, National Taiwan University	Independent Director of Longchen Paper & Packaging Co., Ltd., Director of Department of Finance, Taiwan University, Taipei Exchange	-	-	-	
Independent Director	The Republic of China	CHENG, MING-CHANG	Male	2018.06.11	3 years	2012.05.15	-	-	-	-	-	-	-	Ph.D. of Graduate Institute of Business Administration, National Chengchi University; National Business Doctor Chairman of Taiwanese Investment	Director of the Management Institute in Taipei; Chair Professor of Nanhua University; Independent Director of Shang Global Holding Inc.	-	-	-	

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
														Management Association of China; General Manager of China Productivity Center; Director of Graduate Institute of Business Administration, National Chung Hsing University; Deputy Director of Small and Medium Enterprises Administration, Ministry of Economy Affairs; Director, Economic Division, Mainland Affairs Council					
Independent Director	The Republic of China USA	Fan, Chin-Hwa	Male	2018.06.11	3 years	2012.05.15	5,000	0.00	5,100	0.00	-	-	-	-	Master of Wisconsin University College of Statistics Bank of Canton, Deloitte Touche Tohmatsu Limited, Chen & Fan Accountancy Corporation, Crestridge Consulting	Crestridge Consulting; Independent Director of New Omni Bank	-	-	-
Independent Director	The Republic of China USA	Chi, Lai-Ping	Male	2018.06.11	3 years	2012.09.05	-	-	-	-	-	-	-	Bachelors in Economics, Columbia University, USA. Masters in International Relations, Chicago University, USA. Independent Director of Yuanta Financial Holdings, Independent Director of Yuanta Life Insurance Co., Ltd., General Manager of Merrill Lynch (Taiwan) Investment Management,	Chairman of HMC Asia Limited, Independent Director of Taishin Securities Co., Ltd.	-	-	-	

Title	Nationality	Name	Gender	Date elected or assumes office	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Titles concurrently held at the Company and other companies	Other supervisory or director roles held by spouse or second-degree relations:		
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Number of shares	Shareholding ratio (%)	Title
														Deputy General Manager of Prudential Life Insurance (Taiwan) Co., Ltd., President of Greater China of Sony Life, Deputy General Manager of MetLife International, Managing Director of Sino-US MetLife, Chairman of MetLife Hong Kong, General Manager of MetLife Taiwan					

2. Major Shareholders of Institutional Shareholders: Not applicable, as the Company's Directors and Independent Directors are not institutional shareholders.
3. Major Shareholders of Substantial Institutional Shareholders: Not applicable.
4. Directors' Information

Conditions Name	More than 5 years working experience and the Following Professional Qualification			Meets conditions of independence (note)												Concurrently serves as Independent Director for multiple other publicly-listed companies
	Serves in lecturer roles or above in public or private college institutions in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the Company's operations	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has work experiences in business administration, law, finance, accounting, or another discipline relevant to the Company's operations	1	2	3	4	5	6	7	8	9	10	11	12	
Shih, Jui-Pin	-	-	✓	-	-	-	-	-	✓	✓	-	✓	✓	✓	✓	-
Cheng, Li-Ping	-	-	✓	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Tsai, Cheng-Fu	-	-	✓	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Shih, Jui-Lin	-	-	✓	-	-	-	-	✓	✓	✓	-	✓	✓	✓	✓	-
Shih Li, Chueh-Chu	-	-	✓	✓	-	-	-	-	✓	✓	-	✓	✓	✓	✓	-
Chen, Yen-Fu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chen, Shun-Loong	-	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
CHENG, MING-CHANG	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Fan, Chin-Hwa	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chiu, Shean-Bii	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chi, Lai-Ping	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: For any director or supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to office or during the term of office, please provide the [✓] sign in the field next to the corresponding conditions.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (except for independent director appointed in accordance with the Act or the laws and regulations of the local country by the Company, its parent or subsidiary company).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of



- the same parent).
- (6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
  - (7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a Chairman, General Manager, or person holding an equivalent position of the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
  - (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).
  - (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. This restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
  - (10) Not a spouse or a relative within the second degree of kinship to any other director of the Company.
  - (11) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.
  - (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II) Information of the General Manager, Deputy General Managers, Assistant Managers, and Supervisors from each department and branch institutions

April 30, 2021

Title	Nationality	Name	Gender	Date of Appointment	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Positions concurrently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)			Title	Name	Relation
General Manager and CTO	The Republic of China	Lin, Yung-Chang (Note 2)	Male	2019.08.08	194,628	0.14	-	-	-	-	Department of Electrical Engineering, Fu Jen Catholic University Engineer of Uniforce Technology Corporation Senior Manager of Getac Technology Corporation	-	-	-	-
Chief Operating Officer (COO)	The Republic of China	Tseng, Chao-Ting	Male	2018.11.14	293,382	0.21	-	-	-	-	Department of International Business, Chung Yuan Christian University Information and Finance Manager at Airmate Electrical (Shenzhen) Limited Purchasing Manager of Chicony Electronics Co., Ltd; Assistant Manager in Supply Chain Management Department of Tsannkuen (Zhangzhou) Enterprise Co., Ltd.	General Manager of Tung Fu Electric Co., Ltd; Director of Airmate Electrical (Jiujiang) Limited	-	-	-
Assistant Manager	Mainland China	Piao, Yuan-Zhe	Male	2009.01.13	10,500	0.01	-	-	-	-	Environmental Engineering Department, Xi'an University of Architecture and Technology Export Sales, Deputy Manager, and Manager at Airmate Electrical (Shenzhen) Limited	-	-	-	-

Title	Nationality	Name	Gender	Date of Appointment	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Positions concurrently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)			Title	Name	Relation
Head of China Market Department	Mainland China	Lei Yan	Female	2018.09.10	-	-	-	-	-	-	Department of Law, Hengyang Gong'an Cadre Secondary Specialized School, Hunan Province Director of China Market Department, Airmate Electrical (Shenzhen) Limited	General Manager of Airmate Technology (Shenzhen) Co. Limited, General Manager of Airmate E-commerce (Shenzhen) Co., Ltd.			
Audit Manager	The Republic of China	Hsu, Ming-Hsiung	Male	2017.10.11	30,600	0.01	-	-	-	-	Department of Accounting, Shih Chien University Financial Analyst and Coordinator at Chinese Television System (CTS); Auditing Specialist at 7-ELEVEN	Audit Supervisor of Airmate International Holdings Co., Ltd., Airmate China International Co., Ltd., Waon Development Limited, Waon Development Limited Taiwan Branch, Airmate Electrical (Shenzhen) Co., Ltd., Airmate Electrical (Jiujiang) Co., Ltd., Airmate Technology (Shenzhen) Co., Ltd. and Airmate E-commerce (Shenzhen) Co., Ltd.	-	-	-

Title	Nationality	Name	Gender	Date of Appointment	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Education and Work Experience	Positions concurrently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)			Title	Name	Relation
Accounting Manager	The Republic of China	Ho, Mei-Hsiu	Female	2019.01.10	110,106	0.08	-	-	-	-	Department of Financial Management, National Kaohsiung University of Science and Technology Audit Manager of KPMG	Accounting Manager of Airmate International Holdings Co., Ltd., Airmate China International Co., Ltd., Waon Development Limited, Waon Development Limited Taiwan Branch, Airmate Electrical (Shenzhen) Co., Ltd. and Airmate Electrical (Jiujiang) Co., Ltd., and Supervisor of Zhejiang Airmate Electric Appliance Sales Co., Ltd., Airmate Technology (Shenzhen) Co., Ltd. and Airmate E-commerce (Shenzhen) Co., Ltd.			
Finance Manager	The Republic of China	Lin, Huang-Ming	Male	2019.01.10	104,271	0.07	-	-	-	-	Bachelors degree from Department of Public Finance, Feng Chia University and Masters degree in International Finance, National Taipei University Bank of Taichung; Binhai Nanya Recycling Co., Limited, Jiangsu Province	Manager of Airmate International Holdings Co., Ltd., Airmate China International Co., Ltd., Waon Development Limited, Waon Development Limited Taiwan Branch, and Airmate Electrical (Shenzhen) Co., Ltd., and Financial Manager of Airmate Electrical (Jiujiang) Co., Ltd., Airmate Technology (Shenzhen) Co., Ltd. and Airmate E-commerce (Shenzhen) Co., Ltd.			

Note 1: If the Chairman and the General Manager or equivalent positions (top manager) are the same person, spouses or relatives with the first degree of kinship within one generation, the information on

reasons, rationality, necessity and countermeasures shall be specified: None in the Company.

Note 2: Due to the impact of COVID-19 epidemic on November 5, 2020, the Company has a high turnover rate of R&D and technical personnel. Given the fact that R&D is the core unit for the Company's long-term development and strengthening the global development of products is important, the Board of Directors decided to appoint Mr. Lin, Yung-Chang, the General Manager with solid R&D and technical background, to hold the post.

### III. Compensations to Directors, Supervisors, General Manager and Deputy General Managers in the Most Recent Year

#### 1. Remunerations paid to ordinary directors and independent directors

##### (1). Remuneration paid to directors in the most recent year (2020)

Unit: NT\$1,000

Title	Name	Directors' Remuneration								Ratio of total remuneration A, B, C, and D to net Income (%) (Note 3)		Remuneration paid to concurrent employees								Ratio of total remuneration A, B, C, D, E, F, and G to net Income (%) (Note 3)		Remuneration from an invested company other than the Company's subsidiary or parent company
		Compensations (A)		Retirement allowance (B)		Directors' bonus (C) (Note 1)		Allowances (D)				Salary, bonus, and allowances (E)		Severance pay (F)		Employee bonus (G) (Note 2)						
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman & CEO	Shih, Jui Pin (Note 4)																					
Director	Tsai, Cheng-Fu																					
Director	Cheng, Li-Ping																					
Director	Shih Li, Chueh-Chu																					
Director	Shih, Jui-Lin																					
Director	Chen, Yen-Fu																					
Director	Chen, Shun-Loong	8,505	22,682	-	-	4,815	4,815	320	320	8.73	17.8	-	2,860	-	24	2,513	-	2,513	-	10.34	21.26	None
Independent Director	CHENG, MING-CHANG																					
Independent Director	Fan, Chin-Hwa																					
Independent Director	Chiu, Shean-Bii																					
Independent Director	Chi, Lai-Ping																					

#### Explanation:

- The payment policy, system, standard and structure of remunerations for independent directors, and the correlation with the amount of remunerations according to the responsibilities, risks, involvement time and other factors: In order to maintain the professionalism and independence of the independent directors, the independent directors of the Company shall not participate in the distribution of directors' remuneration after the distribution of earnings of the Company, except for the fixed remuneration and the transportation expenses to attend meetings. The remuneration shall refer to the level of the same trade and be decided by the Board of Directors.
- Except for information disclosed above, remuneration paid for services rendered by Directors of the Company to all companies in the financial report (e.g., serving as a non-employee consultant) in the most recent fiscal year: None.

Note 1: The earning distribution plan of the latest year (2020) has been approved by the board of directors (03/15/2021), and the remuneration of directors and supervisors is NT\$4,815 thousand in total, which has not been approved by the shareholders' meeting.

Note 2: The earning distribution plan of the latest year (2020) has been approved by the board of directors (03/15/2021), and the remuneration of employees was NT\$12,036 thousand in total, which has not been approved by the shareholders' meeting.

Note 3: The net profit after tax of the Company and the consolidated financial statements for the year 2020 was NT\$156,239 thousand.

Note 4: Based on the Company's operation, the board of directors approved the Chairman to serve concurrently as CEO of the Company on November 5, 2020.

Table of Range of Remuneration

Table of Remuneration Ranges for Directors	Name of Director			
	Total remunerations from A to D (A+B+C+D)		Total remunerations from A to G (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Less than NT\$1,000,000	Shih, Jui-Pin, Cheng, Li-Ping, Shih, Jui-Lin, Shih Li, Chueh-Chu, Chen, Yen-Fu, and Chen, Shun-Loong	Shih Li, Chueh-Chu, Chen, Yen-Fu, Chen, Shun-Loong	Cheng, Li-Ping, Shih Li, Chueh-Chu, Chen, Yen-Fu, Chen, Shun-Loong	Shih Li, Chueh-Chu, Chen, Yen-Fu, Chen, Shun-Loong
NT\$1,000,000 (including) ~ NT\$2,000,000 (excluding)	Cheng, Ming-Chang, Fan, Chin-Hwa, Chiu, Shean-Bii, and Chi, Lai-Ping	Shih, Jui-Lin, Cheng, Ming-Chang, Fan, Chin-Hwa, Chiu, Shean-Bii, Chi, Lai-Ping, Cheng, Li-Ping	Shih, Jui-Lin, Cheng, Ming-Chang, Fan, Chin-Hwa, Chiu, Shean-Bii, Chi, Lai-Ping	Cheng, Li-Ping, Cheng, Ming-Chang, Fan, Chin-Hwa, Chiu, Shean-Bii, Chi, Lai-Ping
NT\$2,000,000 (including) ~ NT\$3,500,000 (excluding)	-	-	Shih, Jui-Pin	-
NT\$3,500,000 (including) ~ NT\$5,000,000 (excluding)	Tsai, Cheng-Fu	-	Tsai, Cheng-Fu	Shih, Jui-Lin
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	Tsai, Cheng-Fu	-	Tsai, Cheng-Fu
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	Shih, Jui-Pin	-	Shih, Jui-Pin
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	11 persons	11 persons	11 persons	11 persons

2. Supervisors' remuneration: NA.

### 3. Remunerations of the General Manager and Deputy General Managers

Unit: NT\$1,000

Title	Name	Pay (A)		Retirement allowance (B)		Bonuses and Allowances (C)		Profit-sharing employee bonus (D)				Ratio of total remuneration A, B, C, and D to net Income (%) (Note 1)		Remuneration from an invested company other than the Company's subsidiary or parent company
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman & CEO	Shih, Jui Pin (Note 2)													
General Manager and CTO	Lin, Yung-Chang (Note 3)													
Chief Operating Officer (COO)	Tseng, Chao-Ting													
Assistant Manager	Piao, Yuan-Zhe	-	17,915	-	132	-	8,999	7,759	-	7,759	-	4.97	22.28	None
Head of China Market Department	Lei Yan													
Accounting Manager	Ho, Mei-Hsiu													
Finance Manager	Lin, Huang-Ming													
Audit Manager	Hsu, Ming-Hsiung													

Note 1: The net loss after tax of the Company and the consolidated financial statements for the year 2020 was NT\$156,239 thousand.

Note 2: Based on the Company's operation, the board of directors approved the Chairman to serve concurrently as CEO of the Company on November 5, 2020.

Note 3: Due to the impact of COVID-19 epidemic on November 5, 2020, the Company has a high turnover rate of R&D and technical personnel. Given the fact that R&D is the core unit for the Company's long-term development and strengthening the global development of products is important, the Board of Directors decided to appoint Mr. Lin, Yung-Chang, the General Manager with solid R&D and technical background, to hold the post of CTO.



Table of Range of Remuneration

Table of Remuneration Ranges for General Manager and Deputy General Managers	Name of General Manager and Deputy General Manager	
	The Company	All companies in the consolidated financial statements
Less than NT\$1,000,000	Lin, Yung-Chang, Lei Yan, Lin, Huang-Ming, Hsu, Ming-Hsiung, Piao, Yuan-Zhe	-
NT\$1,000,000 (including) ~ NT\$2,000,000 (excluding)	Tseng, Chao-Ting and Ho, Mei-Hsiu	-
NT\$2,000,000 (including) ~ NT\$3,500,000 (excluding)	Shih, Jui-Pin	Shih, Jui Pin, Lin, Huang-Ming, Hsu, Ming-Hsiung, Piao, Yuan-Zhe
NT\$3,500,000 (including) ~ NT\$5,000,000 (excluding)	-	Tseng, Chao-Ting and Ho, Mei-Hsiu
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	Lin, Yung-Chang and Lei Yan
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	8 persons	8 persons

## 4. Names of Managers and the Distribution of Employees' Profit-sharing Bonus

April 30, 2021, Unit: NT\$1,000

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to the after-tax net income (%)
Manager	Chairman & CEO	Shih, Jui Pin (Note 2)	-	8,169	8,169	3.24
	General Manager and CTO	Lin, Yung-Chang (Note 3)				
	Chief Operating Officer (COO)	Tseng, Chao-Ting				
	Assistant Manager	Piao, Yuan-Zhe				
	Head of China Market Department	Lei Yan				
	Accounting Manager	Ho, Mei-Hsiu				
	Finance Manager	Lin, Huang-Ming				
	Audit Manager	Hsu, Ming-Hsiung				

Note 1: The earning distribution plan of the latest year (2020) has been approved by the board of directors (03/15/2021), and the remuneration of employees was NT\$12,036 thousand in total, which has not been approved by the shareholders' meeting.

Note 2: Based on the Company's operation, the board of directors approved the Chairman to serve concurrently as CEO of the Company on November 5, 2020.

Note 3: Due to the impact of COVID-19 epidemic on November 5, 2020, the Company has a high turnover rate of R&D

and technical personnel. Given the fact that R&D is the core unit for the Company's long-term development and strengthening the global development of products is important, the Board of Directors decided to appoint Mr. Lin, Yung-Chang, the General Manager with solid R&D and technical background, to hold the post of CTO.

(IV) Separate comparison and explanation of analysis of the ratio of remunerations paid by the Company and all companies in the Consolidated Financial Statements to Company directors, supervisors, General Manager, and Deputy General Manager in the most recent two years on the after-tax net income and explanation of policies, standards, and packages for payment of remuneration, as well as the procedures followed for determining the remuneration, and their linkages to business performance and future risk exposure.

(1) Ratio of remunerations paid to Directors, Supervisors, General Manager and Deputy General Managers in the most recent two years to the net profit after tax

Unit: NT\$1,000

Items	2020		2019	
	Remunerations	ratio on the after-tax net income (%)	Remunerations	ratio on the after-tax net income (%)
Director	33,214	21.26	37,696	14.96
General Manager and Deputy General Manager	34,805	22.28	32,406	12.86

Note: The net profits (losses) after tax of the Company and the consolidated financial reports for 2020 and 2019 were NT\$156,239 thousand and NT\$251,919 thousand.

(2) Policies, standards, and packages for payment of remuneration, as well as the procedures followed for determining the remuneration, and their linkages to business performance and future risk exposure.

#### A. Directors

Directors' remunerations are determined by the Board of Directors by referencing recommendations from the Remuneration Committee and average industry standards. Directors' remunerations include travel expenses, appropriation of net income and allowances. Appropriation of net income has been clearly stipulated in the Company's Articles of Association, in which any surplus present after paying income taxes and offsetting any past deficits, 10% of which will be appropriated as legal capital reserve and special capital reserve, and the no more than 3% of the balance can be appropriated as Directors' remunerations. After a resolution has been approved at the Board meeting, the Board will submit the proposal for approval at the Shareholders' Meeting.

#### B. General Manager and Deputy General Managers

Remunerations for General Manager and Deputy General Managers are subject to the Company's HR regulations in line with their titles, levels of contribution to the Company and in consideration of industry standards.

#### IV. Status of Corporate Governance

##### (I) The Board of Directors

##### (1) Operations of the Board of Directors

The board of directors held 6 meetings in 2020 (A). The attendance and appearance of directors were as follows:

Title	Name	Actual attendance in person (B)	Times of proxy attendance	Actual presence (attendance) rate (%) (B/A)	Note
Chairman & CEO	Shih, Jui-Pin	6	-	100	Elected by the General Shareholders' Meeting on May 15, 2012 and re-elected by the General Shareholders' Meeting on June 11, 2018. Attendance required: 6 times.
Director	Cheng, Li-Ping	6	-	100	Elected by the General Shareholders' Meeting on May 15, 2012 and re-elected by the General Shareholders' Meeting on June 11, 2018. Attendance required: 6 times.
Director	Tsai, Cheng-Fu	6	-	100	Elected by the General Shareholders' Meeting on May 15, 2012 and re-elected by the General Shareholders' Meeting on June 11, 2018. Attendance required: 6 times.
Director	Shih Li, Chueh-Chu	6	-	100	Elected by the General Shareholders' Meeting on May 15, 2012 and re-elected by the General Shareholders' Meeting on June 11, 2018. Attendance required: 6 times.
Director	Shih, Jui-Lin	6	-	100	Elected by the regular meeting of shareholders on June 11, 2018. Attendance required: 6 times.
Director	Chen, Shun-Loong	6	-	100	Elected by the regular meeting of shareholders on June 11, 2018. Attendance required: 6 times.
Director	Chen, Yen-Fu	5	1	83	Elected by the regular meeting of shareholders on June 11, 2018. Attendance required: 6 times.
Independent Director	Cheng, Ming-Chang	6	-	100	Elected by the General Shareholders' Meeting on May 15, 2012 and re-elected by the General Shareholders' Meeting on June 11, 2018. Attendance required: 6 times.
Independent Director	Fan, Chin-Hwa	6	-	100	Elected by the General Shareholders' Meeting on May 15, 2012 and re-elected by the General Shareholders' Meeting on June 11, 2018. Attendance required: 6 times.
Independent Director	Chiu, Shean-Bii	6	-	100	Elected by the General Shareholders' Meeting on May 15, 2012 and re-elected by the General Shareholders' Meeting on June 11, 2018. Attendance required: 6 times.
Independent Director	Chi, Lai-Ping	5	1	83	Elected by the Special Shareholders' Meeting on September 5, 2012 and re-elected by the General Shareholders' Meeting on June 11, 2018. Attendance required: 6 times.

Title	Name	Actual attendance in person (B)	Times of proxy attendance	Actual presence (attendance) rate (%) (B/A)	Note
Other Required Disclosure:					
I. The Date Of The Board Meeting, The Term, Content Of The Proposals, Opinion Of All Members Of The Audit Committee, And The Company's Handling Of The Opinion Of Audit Committee Shall Be Recorded Under The Following Circumstances In The Operations Of The Board Of Directors Meeting:					
(I) Items Listed In Article 14-3 Of Securities And Exchange Act: Please See Material Resolutions From The Board Of Directors Meetings.					
(II) Other Than The Matters Mentioned Above, Other Resolutions On Which The Independent Directors Have Dissenting Opinions Or Qualified Opinions: None.					
II. In Regard To The Recusal Of Directors From Voting Due To Conflict Of Interests, The Name Of The Directors, The Proposal, Reasons For Recusal Due To Conflict Of Interests And Voting Outcomes Should Be Stated: None.					
III. TWSE/GTSM Listed Companies Shall Disclose The Evaluation Cycle And Period, Scope, Method, And Content Of Evaluation For The Self-Evaluation (Or Peer Evaluation) Of The Board Of Directors, And Fill In The Evaluation Conditions Of The Board Of Directors As Specified In Appendix II(2): See The Following Table For Details:					
IV. Objectives Of Strengthening The Functions Of The Board Of Directors In The Current Year And The Most Recent Year (Such As The Establishment Of An Audit Committee, Improving Information Transparency, Etc.) And Evaluation Of Execution Process: The Company Has Passed The Resolution Of The Board Of Directors On June 8, 2012 To Establish The Audit Committee And Remuneration Committee. Relevant Information Will Be Disclosed On The Website Designated By The Company And The Competent Authority To Enhance Information Transparency.					

(2) Execution of evaluation of the Board of Directors

Frequency	Period	Scope	Method
Once a year	2020.01.01-2020.12.31	Board of Directors, Individual Directors, and Functional Committees	Internal self-evaluation of the Board of Directors and self-evaluation of Directors
Content of evaluation			
(1) Performance evaluation of the board of directors: including the degree of involvement in the operation of the Company, the quality of decision-making of the board of directors, the composition and structure of the board of directors, the selection and continuous learning of directors, internal control, etc.			
(2) Performance evaluation of individual directors: at least including the cognition of the Company's objectives and tasks, the understanding of director liabilities, the involvement in the Company's operations, the internal relationship management and communication, the specialty and further study of directors and internal control.			
(3) Performance evaluation of functional committees: the degree of involvement in the Company's operation, the cognition of the responsibilities of functional committees, the quality of decision-making of functional committees, the composition and selection of members of functional committees, internal control, etc.			
Evaluation conclusions:			
The results of this year's performance evaluation of the board of directors, individual directors and functional committees are all between 5 points for "strongly agree" and 4 points for "agree". Most of the directors strongly agree with the operation of various evaluation indicators, and the overall operations of the board of directors and the functional committees are in good condition.			

(II) Implementation of Audit Committee Meetings

Audit Committee has been set up on June 8, 2012 and its composition includes all Independent Directors. At least one meeting will be convened in each quarter, and the operations of the Audit committee in the current year and the most recent year are as follow:

The Audit Committee held 6 meetings in 2020 (A). The attendance and appearance of independent directors were as follows:

Title	Name	Actual attendance in person (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note)	Note
Independent Director	Cheng, Ming-Chang	6	-	100	Re-elected as Independent Director on June 11, 2018 and also serves as a member of the Audit Committee in accordance with the Articles of Association. Attendance required: 6 times.
Independent Director	Fan, Chin-Hwa	6	-	100	Re-elected as Independent Director on June 11, 2018 and also serves as a member of the Audit Committee in accordance with the Articles of Association. Attendance required: 6 times.
Independent Director	Chiu, Shean-Bii	6	-	100	Re-elected as Independent Director on June 11, 2018 and also serves as a member of the Audit Committee in accordance with the Articles of Association. Attendance required: 6 times.
Independent Director	Chi, Lai-Ping	5	1	83	Re-elected as Independent Director on June 11, 2018 and also serves as a member of the Audit Committee in accordance with the Articles of Association. Attendance required: 6 times.

Other required disclosure:

I. In case of one of the following circumstances on the operation of the Audit Committee, the date, session and proposal content of the Board of Directors, the resolution result of the Audit Committee, and the handling of the opinions of the Audit Committee by the Company shall be stated.

(I) Items listed in Article 14-3 of Securities and Exchange Act.

1. The first meeting of the Audit Committee on 03/12/2020

Content of proposal:

- a. Passed the Company's "Statement on Internal Control System" for 2019.
- b. Passed the Company's business report and consolidated financial statements for 2019.
- c. Passed the Company's 2019 remuneration distribution plan for employees and directors.
- d. Passed the distribution of earnings for 2019.
- e. Passed the proposal on capital increase with earning and issuance of new shares.
- f. Passed the proposal for the endorsement/guarantee for subsidiary Waon Development Limited.
- g. Passed the proposal on amending the "Operating Procedures of Lending Funds to Others".
- h. Passed the proposal on amending the "Endorsement Management Measures" of the Company.
- i. Approved the amendments to the Company's Articles of Association.
- j. Passed the proposal on amending the "Director Election Measures".
- k. Approved the amendments to the "Rules of Procedure for Shareholders Meeting."
- l. Passed the proposal on amending the "Financial Statement Preparation Process" of the Company.
- m. Passed the proposal on amending the "Corporate Governance Best Practice Principles" of the Company.

Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.

The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.

2. The second meeting of the Audit Committee on 05/06/2020

Content of proposal:

- a. Passed the Company's consolidated financial statements for the first quarter of 2020.
- b. Passed the proposal on the endorsement/guarantee for subsidiaries Waon Development Limited and Airmate Electrical (Shenzhen) Co., Ltd.

Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.

The Company's actions in response to the opinions of the Audit Committee: All Directors present

voted in favor of the resolution.

3. The third meeting of the Audit Committee on 06/19/2020

Content of proposal:

- a. Passed the proposal on setting the earning distribution base day for 2019.
- b. Passed the proposal on the endorsement/guarantee for subsidiaries Waon Development Limited, Airmate Electrical (Shenzhen) Co., Ltd. and Airmate Electrical (Jiujiang) Co., Ltd.
- c. Passed the proposal on raising and issuing the fourth unsecured convertible corporate bonds in Taiwan.

Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.

The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.

4. The fourth meeting of the Audit Committee on 08/13/2020

Content of proposal:

- a. Subject to the provisions in the FAQ under the Standards for Disposing of Capital Loans and Endorsement of Public Offering Companies amended by SFB on July 24, 2020, whether accounts receivable that are three months overdue shall be regarded as capital loans.
- b. Passed the Company's consolidated financial statements for the second quarter of 2020.
- c. Passed the report on the implementation of the 2020 budget and updated the budget for the second half of the year.
- d. Passed the proposal on the endorsement/guarantee for subsidiaries Waon Development Limited, Airmate Electrical (Shenzhen) Co., Ltd. and Airmate Electrical (Jiujiang) Co., Ltd.
- e. Passed the proposal on the amendment to the "Performance Evaluation Measures of the Board of Directors" of the Company.

Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.

The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.

5. The fifth meeting of the Audit Committee on 11/05/2020

Content of proposal:

- a. Subject to the provisions in the FAQ under the "Standards for Disposing of Capital Loans and Endorsement of Public Offering Companies" amended by SFB on July 24, 2020, whether accounts receivable that are three months overdue shall be regarded as capital loans.
- b. Passed the Company's consolidated financial statements for the third quarter of 2020.
- c. Passed the proposal for the endorsement/guarantee for subsidiary Waon Development Limited.

Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.

The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.

6. The sixth meeting of the Audit Committee on 12/17/2020

Content of proposal:

- a. Annual audit plan of AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED for 2021.
- b. Approved the Company's renewal of liability insurance for Directors and managerial officers.
- c. Passed the budget of the Company for 2021.
- d. Passed the proposal to change CPAs of the Company.

Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.

The Company's actions in response to the opinions of the Audit Committee: All Directors present voted in favor of the resolution.

(II) In addition to the items in the preceding paragraphs, other resolutions passed by the majority of all Directors but yet to be approved by the Audit Committee: None.

II. In regards to the recusal of Independent Directors from voting due to conflict of interests, the name of the Independent Directors, the proposal, reasons for recusal due to conflict of interests and voting outcomes should be stated: None

III. Communications between the Independent Directors and the internal Audit Manager and CPAs (for instance, method and communications over Company finance and business and results): the Company's audit department regularly provides audit reports on internal audits to the Independent Directors, and Independent Directors can also review the Company's financing and business executions at all times as the Board of Directors also reports the latest audit status, and should they have any questions or concerns about the Company's operations, they can immediately communicate with managers of relevant departments and undertake necessary review and improvement. In addition, in terms of communications with CPA, in case an Independent Director has any questions or concerns about the Company's financing and business executions,

he or she can communicate with the Company's CPAs at any time and to instruct relevant departments to undertake necessary review and improvement.

(III) Implementation of Corporate Governance and the Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons

Item	State of operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Does the Company establish and disclose its corporate governance practices in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established and disclose its corporate governance practices at the Company's website in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"	None.
II. Shareholding structure & shareholders' rights (I) Does the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigation? Are such matters handled according to the internal procedure? (II) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders? (III) Does the Company establish and enforce risk control and firewall systems with its affiliated businesses? (IV) Does the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	V V V V		(I) The Company's spokesperson is responsible for handling shareholder recommendations and disputes, and any questions concerning legal issues will be handled by the Company's lawyers. (II) The Company maintains substantial shareholders with controlling power as well as the persons exercising ultimate control over those substantial shareholders through the shareholders' registry provided by our share transfer agency. (III) In accordance with the Company's relevant internal control system and subsidiaries' supervision methods, conduct regular operation reviews, and at the same time, the audit unit regularly supervises the implementation. (IV) The Company has established Codes of Ethical Conduct for Directors, Supervisors, and Managers as well as Ethical Code of Conduct for Employees.	None.
III. Composition and Responsibilities of the Board of Directors (I) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented		V	(I) The Company has yet to establish a diversification policy for the composition of the Board of Directors.	Except that (III) and (IV) meet the requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed



Item	State of operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>accordingly?</p> <p>(II) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other functional committees?</p> <p>(III) Does the Company establish a Board performance evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the Board of Directors as the Individual Directors' salary and nomination renewal references?</p> <p>(IV) Does the Company regularly evaluate the independence of its CPAs?</p>		<p>V</p> <p>V</p>	<p>(II) The Company has yet to establish other committees.</p> <p>(III) The Company has formulated the relevant provisions of the "Performance Evaluation Measures of the Board of Directors and Evaluation Measures", and will conduct performance evaluation of the board of directors regularly after the end of each year, and disclose the evaluation results directly on the Company's website and disclose the evaluation results directly on the Company's website.</p> <p>(IV) The Company's CPAs have already made recusal on obligations that either directly or indirectly concern their interests, and the Board of Directors periodically evaluates the independence of the CPAs.</p>	<p>Companies and does not show major deviations, (I) and (II) shall be determined in the future according to the actual operation.</p>
<p>IV. Is the TWSE/TPEX listed company equipped with qualified and appropriate number of corporate governance personnel, and appointed a corporate governance director to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, assisting directors and supervisors to follow Decrees, for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?</p>	V		<p>The Company's CFO concurrently serves as the Secretary to the Board of Directors.</p>	<p>In compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and does not show major deviations.</p>

Item	State of operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
V. Has the Company set up communication channels for its stakeholders, and set up designated zone for stakeholders on its corporate website, as well as appropriately responds to important CSR issues raised by stakeholders?	V		The Company has set up a "Stakeholder Zone" on the website, special contact information and email addresses for stakeholders, as well as contact information at the Market Observation Post System and the company website, in order to respond to stakeholders' concerns on important CSR issues. Relevant departments are responsible for receiving and handling interests and rights related to consumers, suppliers, financial institutions, and other stakeholders of the Company. Employees can provide their opinions and feedback to various levels of the management.	In compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and does not show major deviations.
VI. Has the Company commissioned a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	V		The Company's share transfer agency is the Share Agency Service at CTBC Bank.	In compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and does not show major deviations.
VII. Information Disclosure (I) Does the Company establish a website to disclose information on financial operations and corporate governance? (II) Does the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose Company information, implement a spokesperson system, and disclosing the process of investor conferences on the Company website)? (III) Does the Company publish and declare its annual report within two months from the end of a fiscal year and publish and declare its financial reports for the first, second, and third quarters and the operating status of each month within the	V V		(I) The Company announces business status on the Company website and discloses financial information on the Market Observation Post System (MOPS). (II) The Company has established a corporate website in Chinese, and has designated personnel for information collection and disclosure. The spokesperson system is also implemented in practice. (III) The Company announces and declares financial reports within the time limit in accordance with the regulations of the competent authority.	Item (I), (II) are in compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and do not show major deviations. As to Item (III), the Company now conducts the announcement and declaration within the given time. In future, we will decide whether to make an announcement ahead of time and disclose the financial reports for Q1, Q2 and Q3 as well as the monthly operating

Item	State of operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
prescribed time?				status.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing Liability Insurance for Directors and Supervisors)?	V		<p>(I) Employee rights and employee wellness: The Employee Welfare Committee, retirement allowance and group insurance have been executed to protect employees' rights and wellness.</p> <p>(II) Investor relations, vendor relations, and rights of stakeholders: The company discloses information through the Market Observation Post System and the company website to enable investors to fully understand the Company's operating conditions, sets up an Investor Relation Office to deal with investor suggestions, and sets up a stakeholder zone on the company website to respond to important issues concerned by stakeholders.</p> <p>(III) Directors' training: The Company provides training records at all times to aid in Directors' decision-making and regularly announce directors' training status.</p> <p>(IV) Implementation of risk management policies and risk evaluation measures: the Company's management officers are all equipped with adequate understanding of the industry and the Company's positioning as well as the Company development objectives for the future. Every decision is made upon prudent evaluation and then discussed, authorized and implemented by the Board of Directors to ensure Company assets and to reduce risks.</p> <p>(V) Implementation of customer relations policies: The Company has set up customer service hotline, and</p>	In compliance with requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and does not show major deviations.

Item	State of operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			designated personnel will provide consultation services and responses to suggestions and complaints from the consumers. At the same time, relevant departments are also informed via written correspondence. (VI) The Company purchases liability insurance for Directors on an annual basis.	
<p>IX. Please provide information on the status of improvement regarding the results of Corporate Governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements that are yet to be implemented, state the areas and policies the Company has set as priority for improvement:</p> <p>(I) Improved situation: Through the efforts and attention of all units of the Company, the Company has been upgraded from the last seventh range to the fifth range according to the results of the seventh corporate governance evaluation last year, with remarkable achievements made.</p> <p>(II) Priorities and measures for strengthening those not yet improved: In addition to formulating a diversity policy on the board of directors, and disclosing the specific management objectives and implementation of the diversity policy on the Company's website and annual report on diversity, the Company has also gradually improved its corporate governance to meet the evaluation targets and enhance the corporate governance image.</p>				

(IV) Composition, Duties, and Operations of the Remuneration Committee

1. Composition of the Remuneration Committee

Identity	Conditions Name	Has more than 5 years of work experience and the following professional qualifications			Meets conditions of independence (note)										Concurrently serves as a member of the Remuneration Committee at other publicly listed companies	Note	
		Serves in lecturer roles or above in public or private college institutions in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the Company's operations	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has work experiences in business administration, law, finance, accounting, or another discipline relevant to the company's operations	1	2	3	4	5	6	7	8	9	10			
Independent Director	Cheng, Ming-Chang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Independent Director	Fan, Chin-Hwa	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Independent Director	Chiu, Shean-Bii	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Independent Director	Chi, Lai-Ping	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None

Note: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the [✓] sign in the field next to the corresponding condition(s).

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. But Independent Directors established by the Company or its parent company or subsidiary pursuant to the national or local laws are excluded from this condition.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act. This does not apply to Independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights. This does not apply to Independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a Chairman, General Manager, or person holding an equivalent position of the Company. This does not apply to Independent Directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) Not a director, supervisor, managerial officer or shareholder holding no less than 5% of the shares of

a specific company or institution with which the Company has financial or business dealings. This does not apply to particular company or institution that holds more than twenty percent of the Company's issued shares and not exceed fifty percent; and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. This restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not under any of the categories stated in Article 30 of the Company Act.

## 2. Duties of the Remuneration Committee

The Remuneration Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion.

- (1) Establishing and periodically reviewing the policies, systems, standards and structures for performance evaluation and remunerations of directors and managerial officers.
- (2) Establishing and periodically reviewing the remunerations for directors and managerial officers. The Remuneration Committee shall convene at least two meetings, called by its Convener, in each year, and meetings can also be called whenever necessary.

## 3. Operations of Remuneration Committee

(1) The Company's Remuneration Committee consists of 4 members.

(2) Term of members of this committee: June 11, 2018 to June 10, 2021, in the most recent year (2020), the Remuneration Committee held 3 meetings (A), in which the membership qualifications and attendance situation were as follows:

Title	Name	Actual attendance in person (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note)	Note
Convener	Cheng, Ming-Chang	3	-	100	The member of the 3rd session of the Remuneration Committee was re-elected by the Board of Directors on June 11, 2018.
Member	Fan, Chin-Hwa	3	-	100	The member of the 3rd session of the Remuneration Committee was re-elected by the Board of Directors on June 11, 2018.
Member	Chiu, Shean-Bii	3	-	100	The member of the 3rd session of the Remuneration Committee was re-elected by the Board of Directors on June 11, 2018.
Member	Chi, Lai-Ping	3	-	100	The member of the 3rd session of the Remuneration Committee was re-elected by the Board of Directors on June 11, 2018.

Other required disclosure:

I. In the event the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and number of the Board meeting, the content of the proposals, resolution from the Board of Directors, and the method the opinion from the Remuneration Committee was handled (e.g., if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons):  
None.

II. For the decisions made by the Remuneration Committee, if there are documented records of members who veto or withhold from expressing the comment, the date, term, agenda, all members' comments, and the measures for handling these comments shall be elaborated: None.

(V) Corporate Social Responsibility (CSR), Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Item	State of operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
I. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		The Company has formulated the Corporate Social Responsibility Best Practice Principles, employee policies and code of conduct, relevant standards on environmental safety and health, energy, process raw materials, waste control against hazardous substances, and periodically review the implementation effectiveness through relevant department.	In the future, it is planned to conduct risk assessment on environmental, social and corporate governance issues related to the Company's operations based on the principle of significance, and to develop relevant risk management policies or strategies.
II. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		V	The Company has formulated the Corporate Social Responsibility Best Practice Principles, but has not formulated a full-time (part-time) department for CSR. In the future, it will continue to move forward in the direction of promoting corporate governance, developing a sustainable environment, safeguarding social welfare and strengthening CSR information disclosure, so as to fulfill our social civic obligations and contribute to the society.	In the future, it is planned to set up full-time (part-time) units to promote corporate social responsibility, which will be handled by senior management authorized by the board of directors, and report the handling situation to the board of directors.
III. Environmental Issues				
(I) Has the Company set an environmental management system designed to industry characteristics?	V		(I) The Company has passed a number of ISO certifications (ISO14001:2015, ISO45001:2018), and has complete specifications for quality management, safety and health, environmental protection, etc., and meets the inspection standards of the competent authority and the expectation of the public for enterprises to give back to the society.  (II) The Company has various waste management procedures, classifies and disposes of the	In compliance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V			
(III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?	V			
(IV) Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the	V			



Item	State of operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons	
	Yes	No	Summary		
policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?			<p>waste according to the standard procedures, and entrusts waste treatment institutions recognized by local government to remove or recycle waste. In addition, in order to effectively reduce production costs, the Company is committed to the effective use of resources for a long time, because the waste generated by the Company's production process is mostly sewage and waste gas, the Company has purchased sewage and waste gas treatment facilities, which will reduce the load impact to the environment to a very limited degree.</p> <p>(III) The production plants are set up with an environmental assessment report and sewage discharge permit in accordance with local laws and regulations. In addition, the Company usually pay attention to energy saving and carbon reduction, in order to save production electricity consumption.</p> <p>(IV) The Company has calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management.</p> <p>According to ISO 14064-1, greenhouse gas emissions were checked for the last 2 years:</p>		
			Unit: Equivalent tons of carbon dioxide		
			Year		2020

Item	State of operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons									
	Yes	No	Summary										
			<table border="1"> <tr> <td>Direct emissions</td> <td>693.66</td> <td>822.36</td> </tr> <tr> <td>Indirect emissions</td> <td>20,979.90</td> <td>23,877.68</td> </tr> <tr> <td>Total greenhouse gas emissions</td> <td>21,673.56</td> <td>24,700.04</td> </tr> </table>	Direct emissions	693.66	822.36	Indirect emissions	20,979.90	23,877.68	Total greenhouse gas emissions	21,673.56	24,700.04	
Direct emissions	693.66	822.36											
Indirect emissions	20,979.90	23,877.68											
Total greenhouse gas emissions	21,673.56	24,700.04											
			<p>Reduce energy consumption and greenhouse gas emissions through operational management and process technology development.</p> <p>Lower energy intensity reduction target: the target to reduce the overall energy intensity by 10% by 2025 compared to 2017.</p> <p>Greenhouse gas reduction target: reduce the greenhouse gas emission intensity (GHG emissions/revenue) by 1% per year over the previous year. The implementation program is as follows:</p> <p>Strengthen the recovery and treatment of hazardous wastes: prevent the leakage and discharge of toxic wastes polluting the environment, formulate management indicators, hand over 100% hazardous waste to qualified treatment institutions for recycling and treatment, and strictly implement the requirements of environmental protection authorities. Strictly implement safe production standardization management, strictly implement SOP, eliminate production waste, and strictly formulate KPI for control.</p> <p>Production equipment improvement: effectively supervise the production operation, manage the use of materials by the departments, eliminate the</p>										

Item	State of operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			<p>material loss caused by unreasonable and wrong operation, analyze the factors that may cause material waste and improve them, and set production loss rate index for each production department.</p> <p>Energy-saving measures in the plant area: formulate regulations on saving electricity consumption, water consumption and paper consumption to save electricity and water resources indirectly.</p>	
<p>IV. Social Issues</p> <p>(I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(II) Has the company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?</p> <p>(III) Does the Company provide employees with a safe and healthy work environment and regularly undertakes employees' safety and health training?</p> <p>(IV) Has the Company established an effective competency development career training program for employees?</p> <p>(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?</p> <p>(VI) Has the Company established the management policies for suppliers and required suppliers to</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(I) The Company follows a number of international conventions on human rights, including the Universal Declaration of Human Rights and the Convention of the International Labor Organization, and supports the UN "Protect, Respect and Remedy: A Framework for Business and Human Rights" and its "Guiding Principles", and evaluates the due diligence of human rights and formulates the relevant management policies and procedures on the basis of these two documents.</p> <p>(II) The Company has formulated the Appeal Mechanism Management Measures, which is posted on the Company's official website together with the QR code of the appeal email address. In principle, the complainant should appeal to his/her immediate superior (section, department) in a step-by-step manner. However, if the circumstances are special, the employee may also take any channel that he/she deems appropriate to appeal.</p> <p>(III) The Company is dedicated to employee safety and health and implements new employee and on-the-job training as well as routine external</p>	<p>In compliance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>

Item	State of operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
comply with relevant requirements in terms of environmental protection, occupational safety and hygiene, or laborers' human rights, and how about their implementation?			<p>and internal training. We also organize employee safety and fire safety and rescue drills and regularly provide allowances for employee health checkup as well as provide suitable and adequate protective gear and tools.</p> <p>(IV) The Company has not yet established effective career planning and development plans for its employees and will propose relevant plans in the future.</p> <p>(V) In order to protect the rights and interests of consumers and to provide transparent and effective consumer complaint procedures for the Company's products and services, the Company has set up a customer service zone on its website. In addition, the Company has complied with relevant regulations and international standards regarding the marketing and labeling for products and services.</p> <p>(VI) The Company has established the Business Partner Management Procedures, including suppliers, subcontractors, sub-suppliers and recruitment agencies, and the manager of the Purchasing Department is responsible for the management of suppliers on behalf of the department. In order to improve the social responsibility with the suppliers, the Company and the supplier shall promise to abide by the local labor laws and regulations and BSCI corporate social responsibility standards, and accept the on-site audit required by the Company. On-site audit assessment of social responsibility performance is arranged at least once a year. The results are taken as the basis for the judgment of possibility for continued cooperation.</p>	

Item	State of operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
V. Has the Company followed internationally recognized guidelines, prepare and publish reports such as its CSR Report to disclose non-financial information of the Company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?		V	Since August 2020, the Company has invited external management consultants to provide guidance and prepared Corporate Sustainability Report in accordance with the latest GRI Standards. It is expected that the Company's sustainability performance will be presented before September 30, 2021, which will be available for the public and stakeholders to download from the Company's website.	By now, 2 training sessions on stakeholder identification have been completed for the issue of stakeholders, and the rest are ongoing and will be available for download by September 30, 2021.
VI. If the Company has established its own corporate social responsibility code of practice in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe any deviations from the prescribed code of practice and the actual activities taken by the Company: In March 2021, the Company's board of directors passed the Corporate Social Responsibility Best Practice Principles and adhered to the principle of integrity. Corporate social responsibility is gradually incorporated into the operation strategy and the daily operation activities of all management systems and departments. It is the guiding principle for the Company to promote corporate social responsibility in the long term and the concrete practice of social commitment.				
VII. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility:				
(I) Employee rights and interests, employee care: The Company provides channels for employees to respond their opinions, and holds meetings from time to time, such as labor meetings, employee symposiums, etc., so that personnel from all levels and departments can fully express their opinions. Please refer to the Employee Zone of the Company's official website at: <a href="https://www.airmate-china.com/ygzq/index_192.aspx">https://www.airmate-china.com/ygzq/index_192.aspx</a> .				
(II) Rights of stakeholders: The Company maintains smooth communication channels with its corresponded banks, employees, consumers and suppliers, and respects and protects their legitimate rights and interests. In addition, the Company has a spokesman and acting spokesman system as well as litigation and non-litigation agents, and discloses information of the Company honestly according to law, aiming to provide highly transparent financial business information to stakeholders. In addition, the Company has established the "Affiliate Transaction Management Measures" and the "Operating Procedures for the Supervision and Management of Subsidiaries", which are applicable to all transactions with affiliated enterprises.				
(III) Environmental protection: in order to meet the design and manufacturing trend of the world, in addition to the HSF requirements of the customers and the Company, and ensuring that the Company's products meet the requirements of international regulations and customers, the Company also complies with the Waste Disposal Act, the Water Pollution Prevention and Control Act, the Air Pollution Prevention and Control Act and other laws, and implements pollution prevention and control to maintain environmental quality.				
(IV) Community participation, social contributions, social services and public welfare: In 2020, under the rampancy of the COVID-19 epidemic, Airmate paid close attention to the changes of the epidemic, and donated supplies worthy RMB 3 million to fight the epidemic according to the needs of medical staff. In addition, it also responded to community activities from time to time and actively participated in activities related to family and good neighborliness.				
(V) Consumer rights and interests: While learning about customer satisfaction, the Company ensures to obtain the satisfaction of both existing customers and potential customers, and improves the competitiveness of the Company with active, rapid and effective service quality.				
(VI) Human rights: All employees of the Company, regardless of gender, religion or party, enjoy equal employment opportunities. We provide good working				

Item	State of operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			environment for employees and ensure that employees are free from discrimination and harassment.	
(VII)			Safety and health: The Company complies with the provisions of the Labor Safety and Health Act of the government to handle all safety and health works, and the relevant detailed rules are stipulated in the Code of Labor Safety and Health.	
(VIII)			Public associations: The Company actively participates in public associations and symposia, and communicates with excellent peers in the industry by sharing its own experience, in the hope of jointly enhancing the industrial competitiveness and making contributions to the society.	

(VI) Implementation of Ethical Corporate Management and Measures for its Implementation

Item	State of operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>I. Establishing Corporate Code of Conduct and Ethics Policy and implementation measures</p> <p>(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?</p> <p>(II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?</p>	<p>V</p> <p>V</p>	<p>V</p>	<p>(I) The Company has formulated the "Ethical Corporate Management Best Practice Principles". The Company advocates for and encourages honest and ethical conduct during meetings from time to time. In addition, Chapter III of the Employee Code of Conduct clearly states our management mission of "integrity, faithfulness, work-related and diligence." They have been disclosed on staff internal website, annual report and company website.</p> <p>(II) The Company has established the "Operating Procedures for Disposing of Material Internal Information" and the "Employee Manual", which clearly stipulate that directors, managerial officers and employees who are aware of material internal information of the Company shall not disclose the material internal information they know to others, nor shall they inquire or collect the material internal information not disclosed by the Company and unrelated to their positions from persons who know the material internal information of the Company, nor shall they disclose the material internal information not disclosed by the Company that is not known by them in the course of performance. Bribery and receipt of bribes, illegal political contributions, improper charitable donations or patronage, improper gifts, entertainment or other improper benefits are prohibited in the conduct of business. The Company also does inform all employees, managerial officers and directors of the "Operating Procedures for Disposing of Material Internal Information" and the "Employee Manual" to prevent dishonest conduct.</p>	<p>No deviation is found between the Company's measures in Item (I) and (II) and the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and Item (III) will be established based on actual needs in the future.</p>

Item	State of operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			(III) The Company has formulated the “Operation Procedures and Guidelines for Ethical Corporate Management”, which specifically regulates the matters that the Company’s personnel should pay attention to when performing business, including internal and external personnel reporting dishonest behaviors or improper behavior handling systems, and promises to protect the whistleblowers from being improperly handled due to the report, and has a dedicated complaint channel on the official website.	
<p>II. Ethics management practices</p> <p>(I) Has the Company assessed the integrity records of its business partners, and included business conduct and ethics related clauses in its business contracts?</p> <p>(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?</p> <p>(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>V</p>	<p>(I) If the Company enters into contracts with others, the contents of the contracts shall include compliance with the business integrity policy, and the Company may terminate or dissolve the contracts at any time if the counterpart is involved in dishonest conduct.</p> <p>(II) Though the Company has yet to establish a designated unit for promotions of ethical corporate management, the Audit Office conducts audit during each year both regularly and from time to time as needed. Audit results are reported to the Audit Committee and the Board of Directors, and appropriate remedial measures are taken.</p> <p>(III) The Company has established an employee whistleblower and grievance mailbox. When an employee finds any violation of the laws or the Ethical Code of Conduct, any person may report about the incident to the employee grievance mailbox and a designated person will report and handle the matter accordingly.</p> <p>(IV) The Company has an accounting system for</p>	<p>No deviation is found between the Company's measures in items (I), (III), (IV), and (V) and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and item (II) will be established based on actual needs in the future.</p>



Item	State of operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(V) Does the Company organize internal and external training geared towards business integrity practices on a regular basis?			<p>accounting personnel to follow in their work; In addition to formulating and implementing the Ethical Corporate Management Best Practice Principles, the Company also formulates the internal control system for related party transactions and insider trading, and requires vendors to sign the “Letter of Commitment on the Code of Conduct”, the “Letter of Commitment on the Prevention of Commercial Bribery”, audits the compliance and actual situation of the Company, builds internal control mechanism and performs routine inspections. In addition, in the event of a complaint, once it is found true, the Company will immediately notify the Audit Committee and the board members, and review at any time to ensure that the design and implementation of the system maintain effective.</p> <p>(V) The Company regularly organizes internal and external education and training courses on ethical management, covering topics such as labor ethics, patent search, information security risks and practices, etc. In 2019 and 2020, the total course duration was 24 hours, and the number of participants was 25,651 and 18,927 person-times, respectively. In the future, the Company will continue to conduct education and training on the theme of ethical management to enhance employees' awareness of ethical management.</p>	
<p>III. Implementation of the whistleblowing system</p> <p>(I) Has the Company established specific whistleblowing and incentive procedures, set up conveniently accessible whistleblowing channels, and designated responsible individuals to handle the complaint received?</p> <p>(II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) The Company has an employee complaint mailbox, and the whistleblowing methods are published in the Employee Manual and the Company’s website. In case of complaint, the Audit Office will verify and investigate the case, and report the results to the Company, which will punish the case according to the seriousness. Integrity management policy has been combined with employee performance</p>	No deviation is found between the Company's measures and Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Item	State of operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>confidentiality mechanisms?</p> <p>(III) Does the Company adopt proper measures to prevent a whistleblower from retaliation for reporting about the incident?</p>			<p>appraisal and human resource policy, and a clear and effective reward and punishment system has been set up.</p> <p>(II) The Company has stipulated the disposal procedures for any breach of integrity in Article 21 of the "Operation Procedures and Guidelines for Ethical Corporate Management". For the cases reported by employees, the Company or the Group will arrange special personnel to conduct confidential investigation and set up a Report Review Committee if necessary. In order to protect the safety of the whistleblower, the accepting personnel shall not disclose the identity information of the whistleblower. In case of leakage, the accepting personnel shall be punished for disclosure of material secret of the Company.</p> <p>(III)The Company stipulates in Article 21 of the "Operation Procedures and Guidelines for Ethical Corporate Management" that the relevant personnel dealing with whistleblowers shall declare in writing that the whistleblowers' identity and the whistleblowing contents will be kept confidential and the Company shall undertake to protect the whistleblowers from improper treatment due to the whistle-blowers' complaints.</p>	
<p>IV. Strengthening information disclosure</p> <p>(I) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)?</p>	V		<p>The Company has a special page on its corporate governance website to reveal the violation of the Ethical Corporate Management Best Practice Principles, and update and disclose relevant financial business and corporate governance information at any time.</p>	<p>No deviation is found between the Company's measures and Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>V. Where the Company has stipulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles</p>				

Item	State of operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and the actual activities taken by the Company: Although the Company has set up a dedicated unit under the board of directors to promote the integrity of the business unit, but in essence it has operated and standardized various operation activities based on the Ethical Corporate Management Best Practice Principles, and has four independent directors, internal auditors, and the Audit Committee. There is no significant abnormalities of violating the Ethical Corporate Management Best Practice Principles. In the future, the Company will consider present situation and the laws, modify relevant management measures, and set up a dedicated unit subordinated to the board of directors to promote the ethical corporate management of the Company.</p>	
VI.			<p>Other important information that facilitate the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles):</p> <p>1. The Company advocates our determination toward ethical business management and relevant policies to transacting counterparts, and invites them to participate in the Company's educational training:</p> <p>(1) The Company often invites suppliers to participate in our meetings, which in addition to reviewing quality problems found in purchases, also promote our management philosophies.</p> <p>(2) The Company reviews new suppliers and undertakes onsite and written review in accordance with items included on the Supplier Evaluation Form. Items include inspections of processes, delivery, and fulfillment of social responsibility. At the same time, we also interview the persons-in-charge of suppliers to understand their management philosophies and whether they are operated in an ethical manner.</p> <p>(3) The Company requires the vendors to sign the "Letter of Commitment on the Code of Conduct" and the "Letter of Commitment on the Prevention of Commercial Bribery".</p> <p>2. Reviewing and amending the Company's Ethical Corporate Management Best Practice Principles: Chapter III of the Company's Employee Code of Conduct clearly states our management mission of "integrity, faithfulness, work-related and diligence." The Company has always viewed this mission statement as the highest guiding principle of Company operations and management since inception. Based on such business philosophy, the Company has further formulated the Ethical Corporate Management Best Practice Principles to more clearly guide the conduct of the Company's directors and managerial officers in accordance with ethical standards, and to make the Company's customers, suppliers, and other external stakeholders better understand the Company's ethical standards.</p>	

(VII) Method of inquiring about the Company's corporate governance policy and relevant regulations:

Although the “Corporate Governance Best Practice Principles” was adopted by the board of directors on March 12, 2020, the Company has essentially operated in accordance with the spirit of corporate governance and implemented the relevant standards of corporate governance. In the future, it will gradually develop other relevant measures to promote the operation of corporate governance. In addition, it will disclose the above corporate governance related regulations to the Market Observation Post System and the Company's internal and external websites for reference by the Company's related parties.

(VIII) Other material information that can enhance the understanding of corporate governance within the Company:

1. Directors' training records:

Title	Name	Date of Appointment	Date of Training or Continuing Studies	Organizer	Name of course	Length of course (in hours)
Chairman	Shih, Jui-Pin	2018.06.11	2020.08.20	Accounting Research and Development Foundation	Common corporate governance deficiencies in enterprises and analysis of related laws and regulations	3
			2020.08.21	Accounting Research and Development Foundation	Case Studies and Discussion of Legal Responsibilities in "Illegal Securities Transactions from Fraudulent Foreign Investors"	3
Director	Cheng, Li-Ping	2018.06.11	2020.12.07	Taiwan Corporate Governance Association	Enterprise Risk Management and Compliance Practice	3
			2020.12.16	Taiwan Corporate Governance Association	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	3
Director	Tsai, Cheng-Fu	2018.06.11	2020.08.21	Accounting Research and Development Foundation	Case Studies and Discussion of Legal Responsibilities in "Illegal Securities Transactions from Fraudulent Foreign Investors"	3
			2020.09.14	Accounting Research and Development Foundation	Directors and supervisors review the basic skills of self-preparing financial statements and analysis of the latest financial statements preparation laws	3
Director	Shih Li,	2018.06.11	2020.08.20	Accounting	Common corporate	3

	Chueh-Chu			Research and Development Foundation	governance deficiencies in enterprises and analysis of related laws and regulations	
			2020.08.21	Accounting Research and Development Foundation	Case Studies and Discussion of Legal Responsibilities in "Illegal Securities Transactions from Fraudulent Foreign Investors"	3
Director	Shih, Jui-Lin	2018.06.11	2020.08.20	Accounting Research and Development Foundation	Common corporate governance deficiencies in enterprises and analysis of related laws and regulations	3
			2020.08.21	Accounting Research and Development Foundation	Case Studies and Discussion of Legal Responsibilities in "Illegal Securities Transactions from Fraudulent Foreign Investors"	3
Director	Chen, Shun-Loong	2018.06.11	2020.12.07	Taiwan Corporate Governance Association	Enterprise Risk Management and Compliance Practice	3
			2020.12.16	Taiwan Corporate Governance Association	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	3
Director	Chen, Yen-Fu	2018.06.11	2020.09.02	Accounting Research and Development Foundation	Audit Practice of Compliance with Business M&A Laws	6
Independent Director	Cheng, Ming-Chang	2018.06.11	2020.11.11	Taiwan Corporate Governance Association	Promote the financial report self-compiling ability of enterprise and strengthen corporate governance	3
			2020.11.11	Taiwan Corporate Governance Association	Discussion on matters needing attention and common problems of Board of Directors and shareholders' meeting	3
Independent Director	Chiu, Shean-Bii	2018.06.11	2020.10.26	Securities & Futures Institute	Influence of the latest amendment of the Insurance Act on the rights and obligations of directors and supervisors	3
			2020.11.26	Securities & Futures Institute	5G Key Technologies and Application Opportunities	3
Independent Director	Fan, Chin-Hwa	2018.06.11	2020.12.07	Taiwan Corporate Governance Association	Enterprise Risk Management and Compliance Practice	3
			2020.12.16	Taiwan Corporate	Practical Problems of	3

				Governance Association	Irregular Transaction that Directors and Supervisors Shall Pay Attention to	
Independent Director	Chi, Lai-Ping	2018.06.11	2020.10.23	Accounting Research and Development Foundation	Follow-up on the "Capital Flow" in Fraudulent Financial Reports and Exploration on cases with relevant legal responsibilities	3
			2020.11.03	Accounting Research and Development Foundation	Compliance Audit Practice of Shareholders Meeting	3

## 2. Managers' training records

Title	Name	Date of Appointment	Date of Training or Continuing Studies	Organizer	Name of course	Length of course (in hours)
Accounting Manager	Ho, Mei-Hsiu	2014.01.01	2020.07.17	Accounting Research and Development Foundation	Follow-up on the "Capital Flow" in Fraudulent Financial Reports and Exploration on cases with relevant legal responsibilities	3
			2020.08.20	Accounting Research and Development Foundation	Common corporate governance deficiencies in enterprises and analysis of related laws and regulations	3
			2020.08.21	Accounting Research and Development Foundation	Case Studies and Discussion of Legal Responsibilities in "Illegal Securities Transactions from Fraudulent Foreign Investors"	3
			2020.09.14	Accounting Research and Development Foundation	Analysis of financial statements fraud and looking for key information in financial statements	3
Audit Manager	Hsu, Ming-Hsiung	2017.10.11	2020.07.03	The Institute of Internal Auditors - Chinese Taiwan	Auditing Practice for Manufacturing Industrial Material Management System	6
			2020.07.07	Accounting Research and Development Foundation	Compliance Audit Practice of Shareholders Meeting and Merger and Acquisition Special Issues	6

3. **Other material information:** To facilitate investors to understand relevant information, all Company information is announced on the Market Observation Post System (MOPS).

## (IX) Implementation of Internal Control System

### 1. Statement of Internal Control System

#### 艾美特（開曼）國際有限公司 內部控制制度聲明書

日期：110年3月15日

本公司民國 109 年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於民國109年12月31日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司民國110年03月15日董事會通過，出席董事11人中，有0人持反對意見，餘均同意本聲明書之內容，併此聲明。

艾美特（開曼）國際有限公司

董事長： 史瑞斌 簽章

總經理： 林永昌 簽章



## AIRMATE (CAYMAN) INTERNATIONAL CO., LIMITED

### Statement of Internal Control System

Date: March 15, 2021

Regarding the internal control system of the Company in 2020, based on the results of our self-evaluation, we hereby make the following statement:

- I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has established such system. The objective of the internal control system lies in providing a reasonable guarantee for achieving business benefits and efficiency (including profitability, performance, and protection of assets and safety), ensuring the reliability, timeliness, transparency, and regulatory compliance with relevant norms and laws and regulations.
- II. The internal control system has inherent limitations. The internal control system is designed, no matter how perfect, to provide reasonable guarantee on the achievement of the above three objectives; moreover, the effectiveness of the internal control system is subject to changes in environment and situations. However, the Company's internal control system contains self-monitoring mechanisms, and the Company will take corrective actions upon identification of any deficiency thereof.
- III. The Company has made judgments on the design of internal control systems and effectiveness of implementation according to the judgment items in the "Handling Guidelines Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Handling Guidelines"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each composition element includes a number of items. Please refer to the Regulations for the aforementioned items.
- IV. This Company has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.
- V. Based on the results of the foregoing evaluation, the Company considers that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2020, including understanding that the design and implementation of the internal control systems related to the effectiveness of operations, the extent of efficiency objective achievement, the report reliability, timeliness, transparency and compliance, and the compliance with relevant regulations and relevant laws and regulations, are effective and can reasonably ensure the achievement of the above objectives.
- VI. This statement will become the main content of the Company's annual report and prospectus, and shall be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174

of the Securities and Exchange Law.

- VII. This statement has been approved by the Board of Directors of the Company on March 15, 2021. Among the 11 Directors present, 0 of them disagreed. The rest all agreed to the contents of this statement.

AIRMATE (CAYMAN) INTERNATIONAL CO.  
LIMITED

Chairman: Shih, Jui-Pin (signature/seal)

General Manager: Lin, Yung-Chang  
(signature/seal)

2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA's audit report: None.

(X) If the Company and its internal personnel is punished, or the Company imposes punishment upon its internal personnel for violation of internal control system in the most recent year and up to the date of the publication of the annual report, and the penalty result may have a significant impact on shareholders' equity or securities price, the content of punishment, major deficiency and improvement shall be specified: none.

(XI) Significant resolutions made in/by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the date of publication of this Annual Report:

1. Significant resolutions made in/by the shareholders' meeting in 2020 up to the date of publication of this annual report:

Date of meeting	Proposal	Result of Resolution	Status of implementation
2020.06.11	a. Passed the proposal on ratifying the Company's business report and consolidated financial statements for 2019.	Results of voting on this proposal - the number of votes of shareholders present at the voting time was 90,633,121, and the number of votes in favor was 87,648,510, accounting for 96.70% of the total; The case was adopted by voting as the original case.	Complete
	b. Passed the proposal on ratifying the distribution of earnings for 2019.	Results of voting on this proposal - the number of votes of shareholders present at the voting time was 90,633,121, and the number of votes in favor was 87,821,115, accounting for 96.89% of the total; The case was adopted by voting as the original case.	Complete
	c. Passed the proposal on capital increase with earning and issuance of new shares.	Results of voting on this proposal - the number of votes of shareholders present at the voting time was 90,633,121, and the number of votes in favor was 87,821,115, accounting for 96.89% of the total; The case was adopted by voting as the original case.	Complete
	d. Passed the proposal on amending the "Operating Procedures of Lending Funds to Others"	Results of voting on this proposal - the number of votes of shareholders present at the voting time was 90,633,121, and the number of votes in favor was 87,813,090, accounting for 96.88% of the total; The case was adopted by voting as the original case.	Implemented in accordance with the amended "Operating Procedures of Lending Funds to Others".
	e. Passed the proposal on amending the "Endorsement Management Measures".	Results of voting on this proposal - the number of votes of shareholders present at the voting time was 90,633,121, and the number of votes in favor was 87,813,090, accounting for 96.88% of the total; The case was adopted by voting as the original case.	Implemented in accordance with the amended "Endorsement Management Measures" of the Company.
	f. Passed the proposal on amending the Company's "Articles of Association".	Results of voting on this proposal - the number of votes of shareholders present at the voting time was 90,633,121, and the number of votes in favor was 87,813,115, accounting for 96.88% of the total; The case was adopted by voting as the original case.	Implemented in accordance with the amended "Articles of Association".
	g. Passed the proposal on amending the "Director Election	Results of voting on this proposal - the number of votes of shareholders present at	Implemented in accordance with the



2020.05.06	<p>a. Passed the Company's consolidated financial statements for the first quarter of 2020.</p> <p>b. Passed the proposal on the endorsement/guarantee for subsidiaries Waon Development Limited and Airmate Electrical (Shenzhen) Co., Ltd.</p> <p>Extempore Motion: Chairman Shih, Jui-Pin proposed:</p> <ol style="list-style-type: none"> <li>1. At the shareholders' meeting on June 11, 2020, if affected by the COVID-19 epidemic, the Chairman of the shareholders' meeting shall be acted by Director Cheng, Li-Ping in Taiwan, and the Chairman of the Audit Committee shall be acted by Director Chiu, Shean-Bii.</li> <li>2. It is suggested that after the shareholders' meeting passes the earning distribution proposal, an additional meeting of the board of directors is tentatively scheduled for June 19 to set the base date for share and dividend distribution.</li> </ol> <p>The Company replied:</p> <ol style="list-style-type: none"> <li>1. With the consent of Director Cheng, Li-Ping and Director Chiu, Shean-Bii, attend by proxy.</li> <li>2. At that time, the Company will send the notice of meeting according to the rules of holding board meeting.</li> </ol>	<p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p>
2020.06.19	<ol style="list-style-type: none"> <li>a. Passed the proposal on setting the earning distribution base day for 2019.</li> <li>b. Passed the proposal on the endorsement/guarantee for subsidiaries Waon Development Limited, Airmate Electrical (Shenzhen) Co., Ltd. and Airmate Electrical (Jiujiang) Co., Ltd.</li> <li>c. Passed the proposal on raising and issuing the fourth unsecured convertible corporate bonds in Taiwan.</li> </ol>	<p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p>
2020.08.13	<ol style="list-style-type: none"> <li>a. Subject to the provisions in the FAQ under the "Standards for Disposing of Capital Loans and Endorsement of Public Offering Companies" amended by SFB on July 24, 2020, whether accounts receivable that are three months overdue shall be regarded as capital loans.</li> <li>b. Passed the Company's consolidated financial statements for the second quarter of 2020.</li> <li>c. Passed the report on the implementation of the 2020 budget and updated the budget for the second half of the year.</li> <li>d. Passed the proposal on the endorsement/guarantee for subsidiaries Waon Development Limited, Airmate Electrical (Shenzhen) Co., Ltd. and Airmate Electrical (Jiujiang) Co., Ltd.</li> <li>e. Passed the proposal on the amendment to the "Performance Evaluation Measures of the Board of Directors" of the Company.</li> <li>f. Passed the proposal on the Company's remuneration for directors in January-June, 2020.</li> <li>g. Passed the proposal on the Company's remuneration for Independent directors in January-June, 2020</li> <li>h. Passed the proposal on the Company's remuneration for managerial officers in January-June, 2020</li> </ol> <p>Extempore Motion: Director Chen, Yen-Fu proposed: Due to the impact of the epidemic and economic development in 2020, I still recommend the Company to strive for the goal of the budget passed in 2019. Chairman Shih, Jui-Pin replied that although the Company updated the budget for the second half of 2020, it will still work hard and expect to be better than that of 2019.</p>	<p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all other attending directors after recusal from certain directors to prevent conflicts of interest.</p> <p>Adopted by all other attending directors after recusal from certain directors to prevent conflicts of interest.</p> <p>Adopted by all attending directors.</p>
2020.11.05	<ol style="list-style-type: none"> <li>a. Subject to the provisions in the FAQ under the "Standards for Disposing of Capital Loans and Endorsement of Public Offering Companies" amended by SFB on July 24, 2020, whether accounts</li> </ol>	<p>Adopted by all attending directors.</p>

	<p>receivable that are three months overdue shall be regarded as capital loans.</p> <p>b. Passed the Company's consolidated financial statements for the third quarter of 2020.</p> <p>c. Passed the proposal on the endorsement/guarantee for subsidiary Waon Development Limited.</p> <p>d. Passed the proposal to appoint the Chairman as the concurrent CEO and the General Manager as the CTO of the Company.</p> <p>Extempore Motion:  Director Chen, Yen-Fu proposed: The ranking of corporate governance performance is in the bottom 20% of the listed companies, and it is suggested to improve and elevate the score ranking of Airmate.  Director Chiu, Shean-Bii replied that: Airmate has implemented most of the substantive governance measures, and the written documents should be improved in accordance with the corporate governance requirements. In addition, the quality of the independent directors is relatively high and independent. Suggest the Company to refer to the issued corporate governance score items, and find the comparatively poor items and improve them.  Director Cheng, Ming-Chang replied that: compared with some other companies, Airmate has better implemented corporate governance.</p>	<p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all other attending directors (except Director Chen, Yen-Fu showed qualified opinions) after recusal from certain directors to prevent conflicts of interest.</p>
2020.12.17	<p>a. Passed the proposal on the annual audit plan of AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED for 2021.</p> <p>b. Approved the Company's renewal of liability insurance for Directors and managerial officers.</p> <p>c. Passed the budget of the Company for 2021.</p> <p>d. Passed the proposal to change CPAs of the Company.</p> <p>e. Passed the proposal on the Company's remuneration for directors in January-December, 2020.</p> <p>f. Passed the proposal on the Company's remuneration for managerial officers in January-December, 2020.</p> <p>g. Passed the proposal on the Company's remuneration for independent directors in January-December, 2020.</p>	<p>Adopted by all attending directors.</p> <p>In addition, the Audit Office is requested to add the requirement of the FSC on KY Company's internal control audit in the audit plan of 2021.</p> <p>Adopted by all attending directors. In addition, please ask the Chairman to seek more protection from the insurance company for directors and managerial officers.</p> <p>Adopted by all attending directors. In addition, I would like to ask the Chairman and Mr. Lin to explain the budget implementation, target achievement and cost reduction at the next meeting.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all other attending directors after recusal from certain directors to prevent conflicts of interest.</p> <p>Adopted by all other attending directors after recusal from certain directors to prevent conflicts of interest.</p> <p>Adopted by all other attending directors after recusal from certain directors to prevent conflicts of interest.</p>

2021.03.15	<p>a. Passed the Company's "Statement on Internal Control System" for 2020.</p> <p>b. Subject to the provisions in the FAQ under the "Standards for Disposing of Capital Loans and Endorsement of Public Offering Companies" amended by SFB on July 24, 2020, whether accounts receivable that are three months overdue shall be regarded as capital loans.</p> <p>c. Passed the Company's business report and consolidated financial statements for 2020.</p> <p>d. Passed the Company's 2020 remuneration distribution plan for employees and directors.</p> <p>e. Passed the distribution of earnings for 2020.</p> <p>f. Passed the proposal on capital increase with earning and issuance of new shares.</p> <p>g. Passed the proposal on the endorsement/guarantee for subsidiaries Waon Development Limited, Airmate Electrical (Shenzhen) Co., Ltd. and Airmate Electrical (Jiujiang) Co., Ltd.</p> <p>h. Passed the proposal on revising and enlarging the Corporate Social Responsibility Best Practice Principles of the Company.</p> <p>i. Passed the proposal on revising and enlarging the Operation Procedures and Guidelines for Ethical Corporate Management.</p> <p>j. Passed the proposal on the Company's remuneration for directors in January-December, 2020</p> <p>k. Passed the proposal on revising and enlarging the CPAs' Independence Evaluation and Performance Evaluation Measures of the Company.</p> <p>l. Passed the independence and performance evaluation results of the CPAs for 2020.</p> <p>m. Passed the proposal on changing CPAs and the independence evaluation of CPAs of the Company.</p> <p>n. Passed the proposal on the implementation of the fifth redemption of shares of the Company to protect the Company's credit and shareholders' rights and interests.</p> <p>o. Passed the proposal on the general reelection of directors and accepting the candidate nomination of directors (including independent directors).</p> <p>p. Passed the proposal on the candidate list of directors (including independent directors) nominated by the board of directors.</p>	<p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Director Chen, Yen-Fu proposed that: In the future, a description of the amount and capital cost of the endorsement shall be added to the proposal.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all other attending directors after recusal from certain directors to prevent conflicts of interest.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Except for the objection raised by Chen, Yen-Fu, a director of the Company, stating that: Recommend the Company to 1. Postpone the time until the stock price falls; 2. At present, the stock index has exceeded 16,000 points, which is the high point of the stock market; 3. Since 70% of the Company's shares are concentrated in major shareholders, it is less urgent to protect shareholders' rights and interests. Adopted by 10 votes of other attending directors.</p> <p>Adopted by all attending directors.</p> <p>After the recusal of some directors based on their own interests, the resolution was passed after all the other</p>
------------	---	--



	<p>q. Passed the proposal on lifting the non-competition restrictions for directors.</p> <p>r. Passed the proposal on holding the regular meeting of shareholders of the Company in 2021.</p> <p>Extempore Motion: None</p> <p>Director Chen, Shun-Loong proposed: suggest that the Company needs to innovate more and develop more new products when the product price increases and the variable cost increases. Case 1: The price of coffee machine and bean grinder is more than NT\$30,000, and the weight of fan products is light; Case 2: share the investment experience of Kodak film.</p>	<p>directors present review that the independent directors meet the professional qualifications, independence recognition and part-time restrictions of the "Measures for the Establishment and Compliance of Independent Directors of Public Offering Companies".</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p>
2021.05.13	<p>a. Subject to the provisions in the FAQ under the "Standards for Disposing of Capital Loans and Endorsement of Public Offering Companies" amended by SFB on July 24, 2020, whether accounts receivable that are three months overdue shall be regarded as capital loans.</p> <p>b. Passed the Company's consolidated financial statements for the first quarter of 2021.</p> <p>Director Chi, Lai-Ping</p> <ol style="list-style-type: none"> <li>1. According to the analysis of economists and QE analysis, raw material prices will still be in a rising trend in the future. Therefore, it is suggested that the Company shall design the operating quota of raw material futures and apply to the board of directors for authorization.</li> <li>2. Suggest the Company to strengthen inventory reduction, and strive for a 20% reduction from the third quarter to the fourth quarter.</li> </ol> <p>c. Passed the proposal on the endorsement/guarantee for subsidiaries Waon Development Limited, Airmate Electrical (Shenzhen) Co., Ltd. and Airmate Electrical (Jiujiang) Co., Ltd.</p> <p>d. Passed the proposal on CPAs' fees for the Group's consolidated financial report of 2021.</p> <p>e. Proposal on signing the Securities Act Compliance Guidance Contract with KGI Securities Co., Ltd.</p> <p>Extempore Motion:</p> <p>Director Chen, Yen-Fu proposed:</p> <p>f. Given the fact that Airmate has few product lines and faces fierce market competition, so it is recommended that the next board of directors shall restart the strategic partnership evaluation. The strategic cooperation in both the technical aspect and the capital aspect, it will be helpful to the Company's brand promotion.</p>	<p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p> <p>Adopted by all attending directors.</p>

(XII) In the most recent year and as of the publication date of this report, whether there are directors or supervisors having different opinions on the important resolutions passed by the board of directors with records or written announcements: None.

(XIII) In the most recent year and as of the publication date of this report, summary of the resignation and dismissal of the Company's related persons (including the Chairman, General Manager, Accounting Officer, Financial Officer, Head of Internal Audit, Head of Corporate Governance and Head of Research and Development):

None in this year.

## V. Information on CPA Professional Fees

### Range of compensations for CPA professional fees

Accounting Firm	Name of CPA		Auditing period	Remarks
KPMG	Ethan Chuang	Kuan-Wen Lu	1/1/2020-12/31/2020	-

Unit: NT\$1,000

Range of compensations	Category of fees	Audit Fees	Non-audit fees (Note 1)	Total
	1	Less than NT\$2,000,000	-	200
2	NT\$2,000,000 (inclusive) to NT\$4,000,000	-	-	-
3	NT\$4,000,000 (inclusive) to NT\$8,000,000	-	-	-
4	NT\$6,000,000 (inclusive) to NT\$8,000,000	5,940	-	5,940
5	NT\$8,000,000 (inclusive) to NT\$10,000,000	-	-	-
6	NT\$10,000,000 or above	-	-	-

Note 1: Non-audit fees were mostly attributable to business registration fees.

- (I) Where the Company's non-audit fees paid to the CPAs, accounting firm of the CPAs and its related companies reaches one-fourth (25%) of the audit fees: Not applicable.
- (II) Where the Company replaces the CPA and the auditing fees paid in the year of the replacement is less than that of the previous year: None.
- (III) Where auditing fee is more than 10% of the previous year: None.

## VI. Information on Replacement of CPAs:

The replacement of CPAs in 2020 in response to the internal job rotation of KPMG Taiwan.

## VII. Where the Company's Chairman, General Manager, or any managerial officer in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise: None.

## VIII. Conditions of share transfer and changes in equity pledge from the Directors, Supervisors, managers, and shareholders who hold more than 10% of shares, from the past year up to the date printed on the Annual Report:

- (1) Share transfer and changes in equity pledge from Directors, Supervisors, managers, and substantial shareholders holding more than 10% of Company shares

Unit: shares

Title	Name	2020		2021 as at April 30	
		Changes in shares held	Changes in shares pledged	Changes in shares held	Changes in shares pledged
Chairman & CEO (Note 1)	Shih, Jui-Pin	(480,207)	-	-	-

Title	Name	2020		2021 as at April 30	
		Changes in shares held	Changes in shares pledged	Changes in shares held	Changes in shares pledged
Director and Senior Consultant	Cheng, Li-Ping	61,903	-	-	-
Director	Tsai, Cheng-Fu	78,623	-	-	-
Director	Shih Li, Chueh-Chu	168,756	-	-	-
Director	Shih, Jui-Lin	11,513	-	-	-
Director	Chen, Shun-Loong	45,040	-	-	-
Director	Chen, Yen-Fu	321	-	-	-
Independent Director	CHENG, MING-CHANG	-	-	-	-
Independent Director	Fan, Chin-Hwa	100	-	-	-
Independent Director	Chiu, Shean-Bii	-	-	-	-
Independent Director	Chi, Lai-Ping	-	-	-	-
Substantial shareholders holding 10% or more of Company shares	Pearl Place Holdings Ltd	511,850	-	-	-
General Manager and CTO (Note 2)	Lin, Yung-Chang	3816	-	-	-
Chief Operating Officer (COO)	Tseng, Chao-Ting	(16,738)	-	-	-
Head of China Market Department	Lei Yan	-	-	-	-
Assistant Manager	Piao, Yuan-Zhe	205	-	-	-
Manager	Hsu, Ming-Hsiung	600	-	-	-
Accounting Manager	Ho, Mei-Hsiu	14,060	-	-	-
Finance Manager	Lin, Huang-Ming	4,946	-	5,000	-

Note 1: Based on the Company's operation, the board of directors approved the Chairman to serve concurrently as CEO of the Company on November 5, 2020.

Note 2: Due to the impact of COVID-19 epidemic on November 5, 2020, the Company has a high turnover rate of R&D and technical personnel. Given the fact that R&D is the core unit for the Company's long-term development and strengthening the global development of products is important, the Board of Directors decided to appoint Mr. Lin, Yung-Chang, the General Manager with solid R&D and technical background, to hold the post of CTO.

(2) Information on equity transfer from related parties:

Name	Equity transfer reason	Transaction date	Transaction counterpart	Relationship between the transaction counterpart and the directors, supervisors, managerial officers, and shareholders with shareholding percentage of 10% or more	Number of shares	Transaction price:
Shih, Jui-Pin	Bestowal	2020.06.29	Cheng, Shu-Yun	Spouse	500,000	28.00

(3) Information on equity pledge from related parties: None.

**IX. Relationship information between 10 largest substantial shareholders**

April 30, 2021; Unit: share; %

Name	Shares held in person		Shares held by spouse and minor children		Shares held in others' names		Names and relationships of top ten substantial shareholders who are spouses or second-degree relatives of each other		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relation	
Pearl Place Holdings Limited	26,104,350	18.55	-	-	-	-	-	-	
Representative: Shih, Jui-Pin	1,009,480	0.72	780,101	0.55	-	-	-	-	
Superb Rhyme Limited	6,659,677	4.73	-	-	-	-	-	-	
Representative: Tseng, Wan-Lin	1,254,844	0.89	79,560	0.06	-	-	-	-	
Strong Fit Holdings Limited	4,719,309	3.35	-	-	-	-	-	-	
Representative: Lin, Mei-Hsiang	49,215	0.03	3,157,095	2.24	-	-	Cheng, Li-Ping	Spouse	
Tsai, Cheng-Fu	4,009,788	2.85	-	-	-	-	Robust View Ltd. Representative: Liu, Tsui-Hui	Spouse	
Cheng, Li-Ping	3,157,095	2.24	49,215	0.03	-	-	Strong Fit Holdings Limited Representative: Lin, Mei-Hsiang	Spouse	
Robust View Limited	3,080,279	2.19	-	-	-	-	-	-	
Representative: Liu, Tsui-Hui	-	-	4,009,788	2.85	-	-	Tsai, Cheng-Fu	Spouse	
Investment account of Shixun Limited Company (entrusted to the custody of CTBC Bank)	2,814,458	2.00	-	-	-	-	-	-	
Investment account of Sunshine International Co., Ltd.(entrusted to the custody of CTBC Bank)	2,466,099	1.75	-	-	-	-	-	-	
Dedicated investment account of Jung Wei Co., Ltd, in the custody of CTBC Bank	2,346,000	1.67	-	-	-	-	-	-	
Chen,	2,297,040	1.63							

Name	Shares held in person		Shares held by spouse and minor children		Shares held in others' names		Names and relationships of top ten substantial shareholders who are spouses or second-degree relatives of each other		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relation	
Shun-Loong									

**X. Shares held by the Company, its directors, supervisors, managers, and businesses either directly or indirectly controlled by the Company as a result of investment, and the ratio of consolidated shares held**

April 30, 2021; Unit: NT\$1,000; thousand shares; %

Reinvestment business	Investments of the Company		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Ownership	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Airmate International Holding Co. Limited	63,974	100.00	-	-	63,974	100.00
Airmate International Co. Limited China	69,761	100.00	-	-	69,761	100.00
Wacon Development Co. Limited	(Note 1)	100.00	-	-	-	100.00
Airmate Electric Appliances (Shenzhen) Co. Limited	(Note 1)	100.00	-	-	-	100.00
Zhejiang Airmate Electric Appliances Sales Co. Limited	(Note 1)	40.00	-	-	-	40.00
Airmate Electric Appliances (Jiujiang) Co. Limited	(Note 1)	100.00	-	-	-	100.00
Airmate Technology (Shenzhen) Co. Limited	(Note 1) (Note 2)	100.00	-	-	-	100.00
Emmett e-commerce (Shenzhen) Co., Ltd.	(Note 1)	100.00	-	-	-	100.00

Note 1: This is a related company and hence does not issue shares.

Note 2: Airmate Electrical (Shenzhen) acquired the remaining 49% control of Shenzhen Airmate Technology Co., Limited (Airmate Technology) on January 6, 2020 and completed the change of company name to Airmate Technology (Shenzhen) Co., Limited.

## Chapter 4 Funding Status

### I. Capital & Shares

#### (I) Sources of capital:

##### 1. The process of capital formation

April 30, 2021; Unit: NT\$1,000/thousand shares

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Note		
		Number of shares	Amount	Number of shares	Amount	Sources of Share Capital	Capital Increased by Assets Other than Cash	Others
2004.04	HK\$ 0.1	5,000,000	HKD 500,000	160,000	HKD 16,000	Capital stock at establishment	-	
2008.07	HK\$ 0.1	5,000,000	HKD 500,000	160,400	HKD 16,040	Capital increase by cash of HKD\$40 thousand	-	
2009.12	HK\$ 0.1	5,000,000	HKD 500,000	176,100	HKD 17,610	Capital increase of HK\$1,570 thousand from employee bonus	-	
2009.03	HK\$ 0.1	5,000,000	HKD 500,000	186,600	HKD 18,660	Capital increase by cash HK\$1,050 thousand	-	
2009.12	HK\$ 0.1	5,000,000	HKD 500,000	219,100	HKD 21,910	Capital increase of HK\$ 3,250 thousand by retained earnings	-	
2010.07	HK\$ 0.1	5,000,000	HKD 500,000	225,900	HKD 22,590	Capital increase of HK\$ 680 thousand by employee bonus	-	
2012.02	HK\$ 1	500,000	HKD 500,000	225,900	HKD 225,900	Capital increase of HK\$203,310 thousand from capital reserve	-	
2012.05	HK\$ 1	500,000	HKD 500,000	254,900	HKD 254,900	Capital increase by cash of HKD\$29,000 thousand	-	
2012.08	NT\$ 10	216,250	NTD 2,162,500	110,244	NTD 1,102,443	Conversion of denomination from Hong Kong Dollar to NT Dollar	-	Note 1
2013.03	NT\$ 10	216,250	NTD 2,162,500	122,494	NTD 1,224,942	Capital Increase by Cash		Note 2
2014.09	NT\$ 10	216,250	NTD 2,162,500	122,885	NTD 1,228,846	convertible bonds of NT\$3,904 thousand	-	Note 3
2016.11	NT\$ 10	216,250	NTD 2,162,500	122,844	NTD 1,228,436	Write-off of treasury stock of NT\$41 thousand for the reduction in capital	-	Note 4
2019.12	NT\$ 10	216,250	NTD 2,162,500	136,851	NTD 1,368,506	Capital increase of NT\$120,000 thousand and convertible bonds of NT\$20,070 thousand	-	Note 5
2020.12	NT\$ 10	216,250	NTD 2,162,500	139,588	NTD 1,395,876	Capital increase of HK\$27,370 thousand by earnings	-	
2021.04	NT\$ 10	216,250	NTD 2,162,500	140,732	NTD 1,407,321	Capital increase of HK\$11,445 thousand by convertible bonds	-	Note 6

Note 1: On July 26, 2012, the shareholders' meeting approved a resolution to change the company's stock denomination currency from Hong Kong dollar to New Taiwan dollar.

Note 2: The letter Jin-Guan-Zheng-Fa-Zi No. 1010059496 issued by the FSC on January 3, 2013.

Note 3: September 2014, the date on which the bondholders of convertible corporate bonds exercised of their conversion rights.

Note 4: November 17, 2016, is the record date for the reduction of capital of treasury stock

Note 5: J.G.Z.F.Z. No. 10803334691 issued by the FSC on October 25, 2019.

Note 6: J.G.Z.F.Z. No. 1090358770 issued by the FSC on September 29, 2020.

##### 2. Types of shares issued

April 30, 2021; Unit: shares

Type of Shares	Authorized Capital			Note
	Outstanding Shares	Unissued shares	Total	

Registered ordinary shares	140,732,074	75,517,926	216,250,000	Listed Company Stock
----------------------------	-------------	------------	-------------	----------------------

1.Information for Shelf Registration: Not applicable

(II) Shareholder Structure

April 30, 2021; Unit: shares

Shareholder Structure of Number Shares	Government agencies	Financial institutions	Other Legal Persons	Individual	Foreign institutions and foreigners	Treasury shares	Total
Number of shareholders	-	-	22	2,359	83	1	2,465
Shareholding (Shares)	-	-	3,917,839	72,640,755	63,835,480	338,000	140,732,074
Shareholding Ratio (%)	-	-	2.78	51.62	45.36	0.24	100.00

Mainland China's shareholding ratio: 2.55%

(III) Share Distribution

1. Common Stock

April 30, 2021; Unit: shares

Class of Shareholding(Unit: Share)	Number of Shareholders	Shareholding (Shares)	Shareholding Ratio (%)
1 ~ 999	439	47,035	0.03
1,000 ~ 5,000	1,147	2,147,291	1.53
5,001 ~ 10,000	287	2,010,723	1.43
10,001 ~ 15,000	130	1,515,871	1.08
15,001 ~ 20,000	52	907,387	0.64
20,001 ~ 30,000	81	1,910,902	1.36
30,001 ~ 40,000	47	1,598,768	1.14
40,001 ~ 50,000	35	1,578,855	1.12
50,001 ~ 100,000	91	6,416,042	4.56
100,001 ~ 200,000	61	8,561,669	6.08
200,001 ~ 400,000	40	11,275,524	8.01
400,001 ~ 600,000	12	6,071,619	4.31
600,001 ~ 800,000	10	6,916,127	4.91
800,001 ~ 1,000,000	5	4,566,362	3.24
1,000,001 or more	28	85,207,899	60.56
Total	2,465	140,732,074	100.00

2.Preferred stock: Not applicable.

(IV) List of Major Shareholders

Name, Number of shares held, and shareholding percentage of shareholders who hold more than 5% of the shares or the 10 largest shareholders:

April 30, 2021; Unit: shares

Name of Major Shareholders	Shares	Shareholding (Shares)	Shareholding Ratio (%)
Pearl Place Holdings Limited		26,104,350	18.55
Superb Rhyme Limited		6,659,677	4.73
Strong Fit Holdings Limited		4,719,309	3.35
Tsai, Cheng-Fu		4,009,788	2.85



Cheng, Li-Ping	3,157,095	2.24
Robust View Limited	3,080,279	2.19
Investment account of Shixun Limited Company (entrusted to the custody of CTBC Bank)	2,814,458	2.00
Investment account of Sunshine International Co., Ltd.(entrusted to the custody of CTBC Bank)	2,466,099	1.75
Dedicated investment account of Jung Wei Co., Ltd, in the custody of CTBC Bank	2,346,000	1.67
Chen, Shun-Loong	2,297,040	1.63

(V) Market Price, Book Value, Earnings, and Dividends in Past 2 Years

Unit: Thousand shares; NT\$

Items		Year			
		2019	2020	As at March 31, 2021	
Market price per share	Highest	35.70	30.15	27.75	
	Lowest	13.00	16.5	22.15	
	Average	26.15	25.35	25.58	
Net value per share	Before distribution	21.88	22.49	22.07	
	After distribution	Not yet distributed	Not yet distributed	Not yet distributed	
Earnings per share	Weighted Average Shares		122,906	139,588	139,591
	Earnings per share	Before retrospective adjustment	2.05	1.12	(0.26)
		After retrospective adjustment	2.01	Not yet distributed	Not yet distributed
Dividends per share	Cash dividend		0.8	Not yet distributed	Not yet distributed
	Stock dividends	Dividends from retained earnings	0.2	Not yet distributed	Not yet distributed
		Dividend for paid-in capital	-	Not yet distributed	Not yet distributed
	Accumulated Undistributed Dividends		-	Not yet distributed	Not yet distributed
Return on Investments	Price/Earnings Ratio (Note 1)		12.76	22.63	(84.88)
	Price/Dividend Ratio (Note 2)		32.69	Not yet distributed	Not yet distributed
	Cash dividend yield (Note 3)		3.06	Not yet distributed	Not yet distributed

Note 1: Price/Earnings Ratio = Average closing share price of the period/Earnings per share.

Note 2: Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share.

Note 3: Cash dividend yield = Cash dividend per share/average closing share price of the year.

(VI) The Company's dividend policy, implementation status, and expected significant changes

1. Dividend policy formulated by the Articles of Association

The Board may, subject to approval by the Members by way of Ordinary Resolution or, in the case of Article 12.3(a) hereof, Supermajority Resolution and subject to these Articles and any direction of the Company in general meeting, declare a dividend to be paid to the Members in proportion to the number of shares held by them, and such dividend may be paid in cash, shares or in whole or in part in various assets in accordance with Article 14.2. No unpaid dividend shall bear interest as against the Company. Subject to Article 14.1 of the Constitution, the board of directors may decide to distribute all or part of the dividend in specific assets (shares or securities of other companies) and deal with the related issues arising from the distribution; only, before the board of directors decides the value of such assets, the board of directors shall obtain the consent of the shareholders who intend to receive the specific assets and send the value of such assets to certified public accountants of the Republic of China for auditing and attestation. The board of directors may issue cash to some shareholders according to the value of such assets in order to adjust the rights and interests of shareholders. Without limiting the generality of the above provisions, the board of directors may deliver such specific assets to the trustee on such conditions as it deems appropriate and issue fractional shares. In the absence of any violation of the Cayman Company Law, the company shall not issue dividends or distribute other dividends except for the realized profits of the Company, the premium account for the issuance of shares or the dividends paid or distributed by the reserve or other funds allowed by the Cayman Company Law. Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the number of the shares that a Member holds. If any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividends accordingly.

Except as otherwise stipulated in the Cayman Company Law, the Articles of Incorporation or the rights attached to shares, the Company may distribute profits in accordance with a proposal for profit distribution approved by the Board and sanctioned by the Members by an Ordinary Resolution, in annual general meetings.

For so long as the shares are registered on the Emerging Stock Market or listed on the Taipei Exchange (TPEX), if there are profits, in making the profit distribution recommendation, the Board shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) 10% of surplus reserve (hereinafter referred to as "legal reserve") (unless the legal reserve has reached the Company's paid-in capital); and (iv) special surplus reserve required by the Securities Authority in accordance with the Rules of public companies. If there is still a surplus, upon the approval of the shareholders' meeting it may be distributed in the following order:

- a. Five percent (5%) to ten percent (10%) as a bonus to employees, including employees of the Company's subsidiaries.
- b. No more than three percent (3%) as remuneration for the Directors (excluding independent directors);
- c. If there is any surplus, all or part of the undistributed surpluses accumulated in previous years may be distributed to shareholders in proportion to the shareholding ratio; and
- d. Dividends distributed to shareholders are in the forms of share dividends and cash dividends, and the cash dividends shall not be less than fifty percent (50%) shareholders' dividends distributed according to the above. Unless otherwise resolved by the Board of Directors and the Shareholders' Meeting, any remaining profit, which shall not be less than twenty-five percent (25%) of the after-tax earnings of the year, is distributed as shareholders' dividends in accordance with Cayman Company Law and

rules and regulations of companies with public issuance after considering factors of finance, business and operation.

2. Distribution of dividends proposed in this year:

The Company's 2020 Earning Distribution Plan has been approved by the board meeting on March 15, 2021, with a cash dividend of NT \$83,752,590 and a stock dividend of NT \$55,835,060 distributed to shareholders. This case shall be subject to the relevant provisions upon the adoption of the resolution at the shareholders' meeting on June 28, 2021.

(VII) Impact of Stock Dividends Issuance by the resolution of the shareholders on the Company's business performance and earnings per share :

The Company has not announced its financial forecast for 2020, so it is not necessary to disclose 2020 estimated operating performance, earnings per share and fictitious information.

(VIII) Employee remuneration and directors' and supervisors' Remuneration (the Company did not set up a supervisor)

1. The percentage or scope of compensation for employees, directors, and supervisors as prescribed under the Articles of Association:

For so long as the shares are registered on the Emerging Stock Market or listed on the Taipei Exchange (TPEX), if there are profits, in making the profit distribution recommendation, the Board shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) 10% of surplus reserve; and (iv) special surplus reserve required by the Securities Authority in accordance with the Rules of public companies. If there is still a surplus, upon the approval of the shareholders' meeting it may be distributed in the following order:

(1) Five percent (5%) to ten percent (10%) as a bonus to employees, including employees of the Company's subsidiaries;

(2) No more than three percent (3%) as remuneration for the Directors (excluding independent directors);

(3) Subject to the provisions of the Cayman Company Law and by Article 14.5, the remuneration of employees and directors and the amount of dividends determined by the Board of Directors to conform with the dividend policy stipulated in the preceding paragraph. If there is any surplus, all or part of the undistributed surpluses accumulated in previous years may be distributed to shareholders in proportion to the shareholding ratio.

(4) Dividends distributed to shareholders are in the forms of share dividends and cash dividends, and the cash dividends shall not be less than fifty percent (50%) shareholders dividends distributed according to the above. Unless otherwise resolved by the Board of Directors and the Shareholders' Meeting, any remaining profit, which shall not be less than twenty-five percent (25%) of the after-tax earnings of the year, is distributed as shareholders dividends in accordance with Cayman Company Law and rules and regulations of companies with public issuance after considering factors of finance, business and operation.

2. Accounting treatment for the basis of estimating the amount of the employees' compensation, directors' and supervisors' remuneration for this fiscal period, the basis of calculating the number of shares to be distributed as employees' compensation, and for any discrepancy between the actual amount distributed and the estimated figures.

The bonus to employees and directors' remuneration of the company are determined in accordance with the Articles of Incorporation of the Company and are assessed in each year in accordance with this basis. However, if the accrued amounts are different from the actual distributed amounts resolved by the stockholders at their annual stockholders'

meeting subsequently, the differences are recorded as a change in accounting estimate, after the annual adjustment of the shareholders' meeting resolutions, recognized as gain or loss of the shareholders' meeting year.

### 3. Distribution of compensation to the Board of Directors

- (1) Remuneration to employees, directors, and supervisors allocated in cash or stock If there is any discrepancy between the aforementioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed:

The proposed allocation of NT\$12,036,507 for cash remuneration for employees and NT\$4,814,603 for remuneration for directors. There has been no discrepancy from the amount in estimated annual recognized expenses.

- (2) The amount of employee remuneration paid by shares and its proportion to the total after-tax net profit of the current period of individual financial statements and the total amount of dividends for employees: NA.

- (3) Earnings per share after taking into account the proposed allocation of remuneration to employees and that to directors and supervisors:

Since the implementation of expensing employee bonus and the compensation of directors and supervisors since 2008, the employee bonus fees and the remuneration expenses of directors and supervisors have been estimated, so the calculated earnings per share are the same as the consolidated financial statements.

4. Actual distribution of remunerations for employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the recognized compensations for employees, directors, and supervisors, the difference, cause, and treatment of the discrepancy be described:

The Company's 2019 earning distribution plan was passed by a resolution at the shareholders' meeting on June 11, 2020, and it is proposed to distribute cash remuneration of NT\$17,416,618 to employees and remuneration of NT\$3,483,324 to directors. No difference between the actual distribution of employees' and directors' remuneration in the year and the distribution amount approved by the shareholders' meeting.

## (IX) Repurchase of Shares by the Company

### (1) Repurchase of Shares by the Company (Finished)

April 30, 2021

Repurchase (Period)	First time (term)	Second (term)	The third (term)	Fourth (term)
Purpose of Repurchase	To maintain company credit and shareholders' equity	Transfer ownership of shares to employees	Transfer ownership of shares to employees	Transfer ownership of shares to employees
Scheduled buy-back period	September 5, 2016 ~ October 5, 2016	November 7, 2016 ~ December 15, 2016	March 6, 2017 ~ May 5, 2017	January 3, 2018 ~ February 12, 2018
Repurchase price range	25.75-27	25-25.59	18.35-39	16.75-38
Type and quantity of shares already bought back	41 thousand common shares	442 thousand common shares	316 thousand common shares	500 thousand common shares
Ratio of quantity repurchased to	4.10	44.20	52.67	100.00

scheduled quantity of repurchase (%)				
Monetary amount of shares bought	NT\$1,088 thousand	NT\$11,225 thousand	NT\$9,352 thousand	NT\$12,474 thousand
Number of shares voided/transferred	41 thousand shares (Note 1)	442 thousand shares (Note 2)	316 thousand shares (Note 2)	500 thousand shares (Note 2)
The accumulated holding of the Company's shares	-	-	-	-
The ratio of the cumulative number of shares held of in Company to the total number of shares issued (%)	-	-	-	-

Note 1: Share cancellation had been completed on November 09, 2016.

Note 2: All the shares repurchased have been transferred to the employees on November 18, 2019.

#### (2) Repurchase of Shares by the Company (Ongoing)

Repurchase (Period)	Fifth (term)
Purpose of Repurchase	To maintain company credit and shareholders' equity
Types of shares of repurchase	Ordinary Shares
Limited total amount of repurchase	NT\$ 1,472,264 thousand
Scheduled period of repurchase	March 16, 2021 ~ May 15, 2021
Scheduled quantity of repurchase	1,000 thousand shares
Price of scheduled repurchase	20-30
Price range of repurchase	NT\$ 25.00 ~ 28.85
Type and quantity of shares already bought back	997 thousand common shares
Monetary amount of shares bought	NT\$27,263 thousand
Ratio of quantity repurchased to scheduled quantity of repurchase (%)	99.70

## II. Issuance of Corporate Bonds

(I) Overseas corporate bonds: Not applicable.

(II) Domestic corporate bonds:

Type of Corporate Bond	Second (term) Secured Convertible Corporate Bonds	Third (term) Secured Convertible Corporate Bonds	Fourth (term) Unsecured Convertible Corporate Bonds
Issue date	September 30, 2017	Wednesday, December 4, 2019	Thursday, December 10, 2020
Par Value	NT\$100,000	NT\$100,000	NT\$100,000
Issue Price	NT\$100,000	NT\$100,000	NT\$100,000
Total	NT\$500,000 thousand	NT\$300,000 thousand	NT\$400,000 thousand
Interest rate	0%	0%	0%
Duration	Three-year term Wednesday, September 30, 2020	Three-year term Sunday, December 4, 2022	Three-year term Sunday, December 10, 2023
Guarantee Agency	Taishin International Bank, CTBC Bank, Taiwan Shin Kong Commercial Bank, Ltd. and Far Eastern International Bank	CTBC Bank, Taiwan Shin Kong Commercial Bank, Ltd. and Far Eastern International Bank	None
Trustee	Bank of SinoPac	Bank of SinoPac	Bank of SinoPac
Underwriter	Taishin Securities Co., Ltd.	KGI Securities Co., Ltd.	KGI Securities Co., Ltd.
Certifying Attorney	Yu-Liang, Chen, Chih Ting International Law Firm	Yu-Liang, Chen, Chih Ting International Law Firm	Yu-Liang, Chen, Chih Ting International Law Firm
CPA	CPAs Ethan Chuang and Astor Kou, KPMG Taiwan	CPAs Isabel Lee and Anna Lu, KPMG Taiwan	CPAs Derek Hsu and Anna Lu, KPMG Taiwan
Redemption method	Except for the bondholders to convert the bonds into ordinary shares of the Company by Article 11 of the Method, or to exercise the put right by Article 22 of the Method, or the Company shall redeem the bonds in advance according to Article 21 of the Method. Or the Company will buy back the bonds and cancel from securities firm's business office. At maturity, it will be repaid in cash based on the par value.	Except for convertible corporate bondholders (hereafter referred to as "bondholders") to convert the bonds into ordinary shares of the Company by Article 11 of the Method, or the Company shall redeem the bonds in advance according to Article 21 of the Method, or the Company will buy back the bonds and cancel from securities firm's business office. At maturity, it will be repaid in cash based on 101.51% par value (annual yield of 0.5%).	Except for convertible corporate bondholders (hereafter referred to as "bondholders") to convert the bonds into ordinary shares of the Company by Article 11 of the Method, or the Company shall redeem the bonds in advance according to Article 21 of the Method, or the Company will buy back the bonds and cancel from securities firm's business office. At maturity, it will be repaid in cash based on 100.75% par value (annual yield of 0.25%).
Outstanding Principal Balance	NT\$- thousand	NT\$300,000 thousand	NT\$394,500 thousand
Redemption or Early Repayment Clause	(I) In case of the closing price of the Company's common shares is above the then conversion price by	(I) In case of the closing price of the Company's common shares is above the then conversion price by	(I) In case of the closing price of the Company's common shares is above the then conversion price by

	<p>30% (inclusive) for 30 consecutive trading days during the period from the next day (January 1, 2018) after 3 months of the bonds issued to 40 days (August 21, 2020) before the maturity date, within the next 30 business days, the Company may send a 30-day-expired Bond Redemption Notice (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in Article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons shall be notified by public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate</p>	<p>30% (inclusive) for 30 consecutive trading days during the period from the next day (March 5, 2020) after 3 months of the bonds issued to 40 days (October 25, 2022) before the maturity date, within the next 30 business days, the Company may send a 30-day-expired Bond Redemption Notice (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in Article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons shall be notified by public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate</p>	<p>30% (inclusive) for 30 consecutive trading days during the period from the next day (March 11, 2021) after 3 months of the bonds issued to 40 days (October 31, 2023) before the maturity date, within the next 30 business days, the Company may send a 30-day-expired Bond Redemption Notice (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in Article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons shall be notified by public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate</p>
--	--	---	--

	<p>bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.</p> <p>(II) In case the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the next date (January 1, 2018) after one month of the bonds issue to 40 days(August 21, 2020) before the maturity date. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time by sending a 30-day-expired "Bond Redemption Notice" (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons</p>	<p>bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.</p> <p>(II) In case the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the next date (March 5, 2020) after 3 months of the bonds issue to 40 days (October 25, 2022) before the maturity date. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time by sending a 30-day-expired Bond Redemption Notice (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in Article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons shall be notified by</p>	<p>bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.</p> <p>(II) In case the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the next date (March 11, 2021) after 3 months of the bonds issue to 40 days (October 31, 2023) before the maturity date. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time by sending a 30-day-expired Bond Redemption Notice (the aforementioned period shall commence from the date of the issuance of the letter by the Company, and the expiration date of the period shall be the redemption recorded date, and the aforementioned period shall not fall within the period of stop accepting conversion as stated in Article 9) to the bondholder (the recipient of the Notice shall be the one listed in the bondholders register on the fifth business day prior to the date of issuance, and the bondholder who subsequently acquires the convertible bonds for sale or other reasons shall be notified by</p>
--	---	---	--



	<p>shall be notified by public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.</p> <p>(III) If the creditor fails to reply in writing to the Company's stock agency (effective upon delivery and based on the postmark date) before the date of the redemption recorded date set out in the Bond Redemption Notice, the Company will redeem the convertible corporate bonds held by the creditor in cash within 5 business days after the date of the redemption recorded date.</p>	<p>public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.</p> <p>(III) If the creditor fails to reply in writing to the company's stock agency (effective upon delivery and based on the postmark date) before the date of the redemption recorded date set out in the "Bond Redemption Notice", the company will redeem the convertible corporate bonds held by the creditor in cash within five business days after the date of the redemption recorded date.</p>	<p>public announcement) by registered mail to repurchase all the bonds outstanding in cash at the bonds' face value. The Company will also send a letter to the OTC for an announcement purpose. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.</p> <p>(III) If the creditor fails to reply in writing to the company's stock agency (effective upon delivery and based on the postmark date) before the date of the redemption recorded date set out in the "Bond Redemption Notice", the company will redeem the convertible corporate bonds held by the creditor in cash within five business days after the date of the redemption recorded date.</p>
Redemption and repurchase	<p>The second secured convertible corporate bonds were due on September 30, 2020, and 4,432 corporate bonds were redeemed for a consideration of NT\$443,200 thousand. The subsequent decrease in capital reserve was NT\$10,959 thousand, and the resulting redemption benefit was NT\$10,959 thousand.</p>	None	<p>As of March 31, 2021, 49 corporate bonds were redeemed for a consideration of NT\$4,567 thousand, resulting in a decrease in the capital reserve of NT\$152 thousand, and the redemption benefit of NT\$297 thousand.</p>

Restrictive clauses		None	None	None
of credit rating institution, rating date, and corporate bond rating results		None	None	None
Other rights	Amount of ordinary shares already converted (swapped or warranted) and global/overseas depositary receipts or other negotiable securities as of the publishing date of the annual report	From the date of conversion of corporate bonds to September 30, 2020, the bondholders have applied for the conversion of 2,007 thousand common shares of the Company at the denomination of NT\$56,800 thousand, resulting in a decrease in the relevant share option capital reserve of NT\$1,405 thousand, and the premium capital reserve arising from the bond conversion and issuance of new shares in 2019 was NT\$37,389 thousand. The share capital arising from the bond conversion was NT\$20,070 thousand. Please refer to Note 6 (19) of the 2020 consolidated financial report.	No conversion applied	From the date of conversion of corporate bonds to March 31, 2021, the bondholders have applied for the conversion of 22.2 thousand common shares of the Company at the denomination of NT\$600 thousand, resulting in a decrease in the relevant share option capital reserve of NT\$19 thousand, and the premium capital reserve arising from the bond conversion and issuance of new shares in was NT\$374 thousand. The share capital resulting from the bond conversion was NT\$223 thousand.
	Rules governing issuance or conversion (Exchanged or subscription)	In accordance with the Company's provisions on the issuance and conversion of secured convertible corporate bonds	In accordance with the Company's provisions on the issuance and conversion of secured convertible corporate bonds	In accordance with the Company's provisions on the issuance and conversion of unsecured convertible corporate bonds
Potential Dilutive Effects on other Shares and Impact on the Rights of Existing Shareholders due to Regulations of Issuance and Conversion/Exchange/Subscription or Terms of Issue		The second secured convertible corporate bonds had been overdue and redeemed on September 30, 2020, and there has been no impact as described in the left column.	If the third assured convertible corporate bonds issued this time in Taiwan are all converted into ordinary shares at the tentative conversion price after the issuance, the maximum dilution ratio of the original shareholders' equity will be 7.06%. Moreover, since the conversion price is issued at the excess of par, if the original shareholders wish to maintain the original share ratio, they can obtain the required shares from the trading market at a relatively low price, without	If the fourth assured convertible corporate bonds issued this time in Taiwan are all converted into ordinary shares at the tentative conversion price after the issuance, the maximum dilution ratio of the original shareholders' equity will be 9.58%. Moreover, since the conversion price is issued at the excess of par, if the original shareholders wish to maintain the original share ratio, they can obtain the required shares from the trading market at a relatively low price, without

		actually losing their rights and interests.	actually losing their rights and interests.
Name of the commissioned custodian of exchangeable underlying	None	None	None

### 1. Information on conversion of corporate bonds

Type of Corporate Bond		Second (term) Secured Convertible Corporate Bonds	Third (term) Secured Convertible Corporate Bonds		Fourth (term) Secured Convertible Corporate Bonds	
Items	Year	2020	2020	Current year as at March 31, 2021	2020	Current year as at March 31, 2021
	Market value of convertible corporate bond	Highest	110.50	110.00	111.20	95.00
Lowest		99.70	101.00	105.90	90.60	92.70
Average		102.11	106.07	108.96	92.72	98.6
Conversion Price		NT\$ 28 ~ 28.3	No conversion applied	No conversion applied	No conversion applied	NT\$ 27
Issue (processing) date and conversion price at issuance.		2017.09.30 NT\$ 28.3	2019.12.04 NT\$ 32	2019.12.04 NT\$ 32	2020.12.10 NT\$ 27	2020.12.10 NT\$ 27
Methods of fulfilling conversion obligations		Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares

(III) Overseas corporate bonds: None.

(III) Information on exchange of corporate bonds: Not applicable

(IV) Information for shelf registration: Not applicable.

(VI) Information on corporate bonds with stop options: Not applicable.

**III. Preferred Stocks: None.**

**IV. Overseas Depository Receipt: None.**

**V. Employee Stock Warrant: Not issued.**

**VI. New Shares to Employees with Restricted Rights: None.**

**VII. Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies: None.**

**VIII. Financing Plans and Implementation: Not applicable.**

## Chapter 5 Overview of Business Operations

### I. Description of the Business

#### (I) Scope of Business

##### (1) Major lines of business

As a player in the home appliance industry, the Company mainly engages in the production of electric fans, electric heaters, and other small home appliances, as well as related components and molds, and is committed to the research and development, production, and sale of various types of quality small home appliances.

##### (2) Turnover proportion of main products

Unit: NT\$1,000

Year	2019		2020	
	Amount	Weight (%)	Amount	Weight (%)
Electric fans	6,560,708	64.68	5,892,496	64.00
Electric heaters	2,558,181	25.22	1,936,989	21.04
Small home appliances	430,583	4.25	833,445	9.05
Electrical products	322,576	3.18	357,622	3.88
Others	270,733	2.67	186,794	2.03
Total	10,142,781	100.00	9,207,346	100.00

Note: Others include components and molds.

##### (3) Current products (services)

- A. Electric fans, mainly pedestal fans and cooling fans, contain a total of 21 series with 646 kinds of products. The representative models are as follows:
  - a. Table fans, b. stand fans, c. box fans, d. wall-mounted fans, e. tower fans, f. cooling fans, g. USB fans, h. ceiling fans, i. whole-house fans, and j. industrial fans.
- B. Electric heaters, mainly convection heaters and quartz glass tube heaters, contain a total of 20 series with 353 kinds of products. The representative models are as follows:
  - a. Strip heaters, b. convection heaters, c. PTC heaters, d. quartz glass tube heaters, e. ceramic radar heaters, f. fin heaters, g. motherboard heaters, h. fast heaters, i. halogen heaters, j. washer dryers, k. electric stove heaters, and l. Japanese kotatsu heaters.
- C. Small home appliances contain a total of 8 series, including high-speed juicers, induction stoves, humidifiers/dehumidifiers, electric cookers, and air purifiers. The representative models are as follows:
  - a. Induction cooker series; b. Humidifier series; c. Electric pressure cooker series; d. Electric cooker series; e. Air purifier series; f. Juice machine series; g. Cooking machine series; h. Infrared stove series; i. Dehumidifier series; j. Vacuum cleaner series; k. Germicidal lamp series
- D. Electrical products mainly contain integrated ceiling systems and hand dryers. The representative models are as follows:

a. Integrated ceiling; b. Control box series; c. Bathroom lighting series; d. Window clip group series; e. Hand dryer series; f. Fresh air series

(4) New products (services) planned for development

Type of Product	Future Development
Electric thermal storage heaters	In response to China's "Coal-to-Electricity" policy, the Company plans to develop electric thermal storage heaters in replacement of water heating systems and increase revenue and market share in the industry.
Air purifiers	The Company will continue to improve the efficiency of motors and increase market share of brushless DC BMC motors. The Company will continue to optimize 6-pole motors. The Company will develop brushless DC BMC motors to improve the core competitiveness of air purifiers and fresh air systems.
Fresh air systems	As fresh air systems have an explosive increase in the post-smog economy, the Company plans to develop fresh air systems to increase market share in the future.
Health care home appliances	The health care market has potential for growth; in particular, demand for smart high-speed food processors is large. The Company plans to continuously invest in smart high-speed food processors to secure its market share in the high-end kitchen appliance market.
Fresh air systems for medical use	Cross-infection is vital for the medical industry. Fresh air systems for medical use have high potential for growth. At present, the research and development team led by Dr. Zhong Nanshan starts to develop anti-infective devices, which create a new opportunity for another industry.

(II) Overview of the Industry

(1) Current status and development of the industry

A. Overall economy

The Company's main products include electric fans, electric heaters, electrical products (ventilating fans, hand dryers, and bathroom lighting) and other small home appliances (such as juicers, induction stoves, humidifiers/dehumidifiers, electric cookers, and air purifiers); in particular, the sales of electric fans, electric heaters, and other small home appliances account the most. The main function of small home appliances is to bring convenience to people and improve people's quality of life with higher elasticity of demand. Demand for small home appliances is extremely sensitive to the economic cycle and easy to change with the consumption power. The economic environment will lead to an increase or decrease of consumers' demand for small home appliances. Therefore, the overall economy has a significant impact on the small home appliance industry.

As seen from the overall global economy, in 2020, the global economy was affected by the COVID-19 epidemic and the escalated international trade frictions. As a result, monetary policy had to be eased at the same time, and low or even negative interest rates became the norm. The global economy is in a dilemma of "low growth rate, low inflation, and low interest rate". Looking forward to 2021, when global trade frictions have not improved fundamentally, international direct

investment remains sluggish, and space for global policy adjustments is limited, the global economy is still at risk of continuing to decline.

For the impact of the COVID-19 on the global economy in early 2020, a short-term negative impact is inevitable. Many countries have adopted methods including the control of immigration personnel, suspension of work and schools to keep people away from the virus. This has had a certain impact on the economies of various countries and the global economy with short-term trade and a decrease in consumption. People's diversified consumption is temporarily transformed into purchases needed for daily life. The economic data such as short-term CPI, CDP is not applicable during this special period. The medium-term impact is uncertain. Substantial results have been achieved in the prevention and control of the global epidemic. After all industries in the world are fully resumed, the negative marginal effect will gradually decrease to zero, and there will be slightly faster economic growth. The economic downturn cannot be stopped immediately because the impact of the partial rupture in the global industrial chain will be continued due to the butterfly effect until the companies find the alternatives to reopen the upstream and downstream industrial chain. After these large-scale epidemics are controlled, the long-term impact will be small and the global economy will be back on track. It is believed that many governments will strengthen the development of the medical and health care industry after the epidemic ends, thus will increase the reserves of medical and related emergency resources, encourage the establishment of relevant medical institutions, train more medical personnel. These measures will promote the development of the medical industry for a period of time. Meanwhile, development of other industries will not change significantly because of the epidemics and will continue to move forward in accordance with the recent popular industries 4.0, which digital economy will continue to dominate.

At present, the global trade, consumption and economic situation have experienced the biggest recession in a century. Although mainland China was the first to recover from the COVID-19 epidemic and was the only major economy to grow, considering the severe external environment, the global economic situation in 2021 is still full of serious challenges.

With the rapid improvement of national consumption power and the large population base in Asian countries, Asia economies, including China, will continue to increase their demand for home appliances that improve their basic quality of life. Obviously, Asia is a consumer market with high development potential.

## B. Consumer trends in the small home appliance industry globally and in China

The small home appliance industry in China has significant global share of sales or production. China has the following conditions for the rapid popularization of small appliances: (1) the government's "Home Appliances to the Countryside" policy (which ended in May 2013), (2) rapid increase in consumer spending, and (3) strong capacity for small home appliances production. According to the Profile of Home Appliances Manufacturers and the Dynamics of Home Appliances Manufacturers published by the Taiwan Industry Economics Services, China is both the main sales market and the major manufacturing country for global home appliances. As a result, the development of China's home appliance industry has a significant impact on the development of the global home appliance industry.

According to AVC, under the influence of the COVID-19 epidemic, the total retail sales of mainland China's home appliance market in 2020 reached RMB 705.6 billion, with a year-on-year decrease of 11.3%. Among them, kitchens, bathrooms and small appliances that have grown against the trend accounted for RMB 175.2

billion, with a year-on-year increase of 7.75%, mainly due to the impact of the COVID-19 epidemic and the policy of giving priority to epidemic prevention in various regions reduced the out-of-home duration and increased the home staying duration of consumers.

In 2021, the home appliance market hit hard by the COVID-19 epidemic in 2020 should face a more stable and relaxed market environment. The industry pattern and competition have become clearer, and the goals and directions of enterprises have become firmer. In addition, as 12 ministries including the Ministry of Commerce issued documents to promote the release of rural consumption potential and promote the policy guidance of home appliances, furniture and home decoration consumption, it is expected that the home appliance market will usher in definite growth next year.

### C. Export of China's small home appliance industry

China is currently the major production site and a big exporter of home appliances globally. At present, there are thousands of small home appliance manufacturers in China. According to the statistics of Tianto Info Consulting, China's export of small home appliances accounts for 40% of the global export market. It is difficult for oversea brands to find appropriate alternatives in short-term and it is less likely that orders will be transferred to other countries or regions. Therefore, China has a significant impact on the global market. However, in recent years due to Sino-US trade frictions, the growth of export of China's small home appliance has slowed down.

As seen from the data of 2020, China's export of small home appliances increased by 14.2% year-on-year. This year's exports maintained a good growth, mainly because (1) China effectively controlled the COVID-19 epidemic in the country, (2) the exporting countries were affected by the epidemic, and the factories in various countries recovered slowly, (3) China has become the most complete country in the global home appliance industry chain.

It is expected that small home appliances such as air humidifiers and robot vacuum cleaners, which grew rapidly in the first two years, will be greatly affected, and the export scale will fall significantly. In contrast, the air/water purifiers have a high consumption potential.

### D. Economic cycle

Today, small home appliances are staples in developed countries; they are essential for maintaining a good living environment. With higher levels of income in developed countries, demand for novel, well-designed, lightweight or energy-saving products is high. Since the main potential market of small home appliances is currently concentrated in emerging economies and developing countries, consumption capacities and prices of the small home appliances will affect the demand for small home appliances in these countries.

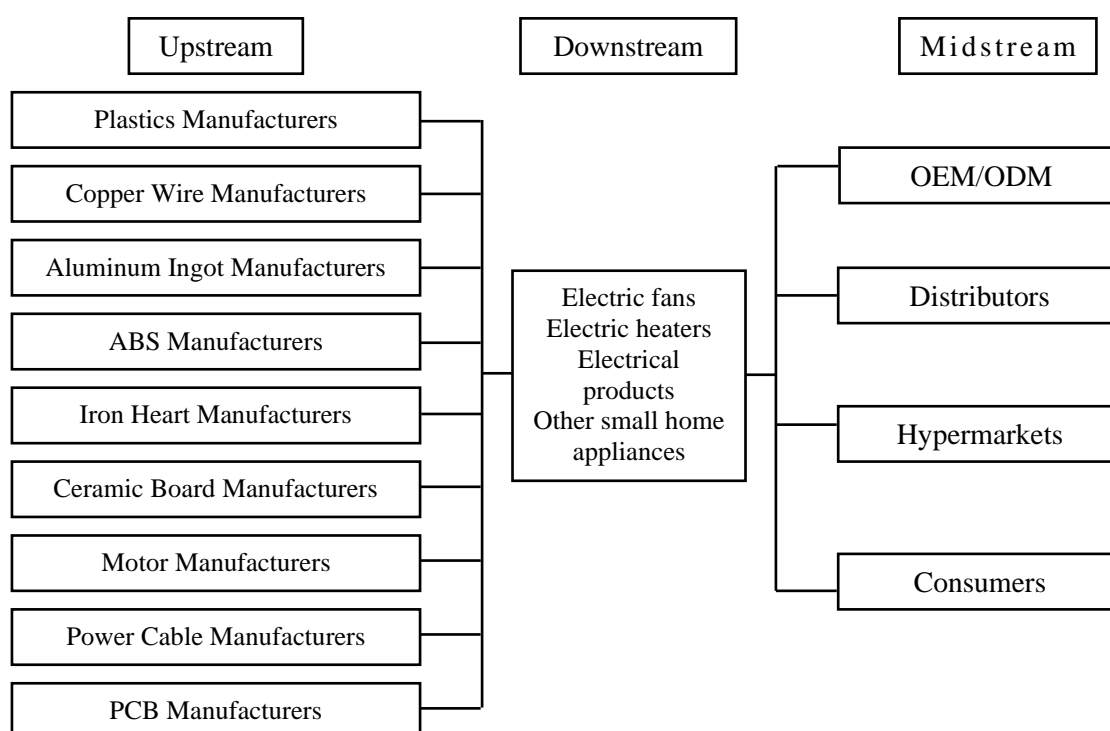
From the perspective of channel level, the advent of the COVID-19 epidemic has promoted the rapid development of online channels and the maturity of live stream sales. The online retail volume of 11 categories of small home appliances accounted for 82.8%, making it the main channel of small home appliances. From the perspective of category, with the continuous escalation of consumption and the continuous subdivision of population, demands have shown a diversified trend. Many emerging small home appliance categories become popular after the epidemic, injecting new opportunities into the small home appliance market. From the brand perspective, traditional brands continue to increase their youthful transformation,



emerging brands enter the market segments rapidly. Major kitchen appliance brands also enter the market one after another, showing a keenly competitive market. From the product level, it is developing towards polarization, that is, functional integration and product segmentation. In addition, good-looking and small size are still the mainstream trends in the context of the increasing single people living alone.

In summary, although small home appliances may be affected by the economic cycle, the effect is relatively small as they are mostly daily necessities in major markets, such as emerging economies and developing countries. The sales volume of small home appliances changes with seasons, depending on their functions and nature. The costs of raw materials and labor have gradually increased in recent years, which has a greater impact on the small home appliance industry. In the long run, however, there is no obvious economic cycle of the small home appliance industry.

(2) Links between the upstream, midstream, and downstream segments of the industry



A. Links between the upstream and downstream segments

The Company belongs to the home appliance industry. The upstream segment of the industry includes plastics and copper wire manufacturers; the midstream segment includes the Company, Midea, Singfun, Lianchuang, Haier, Joyoung, and Gree; the downstream segment includes retailers.

The Company mainly engages in the research and development, design, manufacture, and sale of small home appliances and has its own brands. Therefore, the Company falls into to the midstream and downstream segments of the industry. The business model of the Company contains OEM/ODM for export and domestic sales of brand products. As an OEM/ODM for export, the Company designs and manufactures products based on the customers' requirements and sells products to foreign customers through Waon Development Limited, Taiwan Branch; in terms of domestic sales, as an OBM, the Company sells AIRMATE products directly to distributors in Taiwan.

B. Downstream segment and sales channels

Demand for small home appliances in the downstream market will directly affect the sales volume of the industry. Potential customers include distributors, agents, wholesalers, and consumer electronics retailers. Since customers are dispersed and can easily obtain the same specifications in the market, it is difficult to control them; in addition, the quality and after-sales service and maintenance of small home appliances require additional attention.

The Company has been actively developing the small home appliance markets at home and abroad as both an OEM/ODM and an OBM. The exports and domestic sales have helped expand the production line and scale of business. The Company's products are mainly sold through distributors; that is, the ownership of finished products is transferred to distributors, which then are responsible to retail the finished products. At present, the Company works with nearly 240 distributors, among which 20% have formed the cooperation with the Company for more than a decade. Many of the distributors have maintained a long-term business relationship with the Company as they have made profits by selling the Company's home appliances.

### (3) Development trends of products

#### A. Room for growth remains big in the small home appliance market

With the continuous improvement of end consumers' requirements for quality of life, small home appliances that improve the quality of life have been recognized by the market; the growth space is far greater than that of large appliances. Clean appliances and high-end kitchen appliances will become the future consumption hotspots, cleaning appliances including vacuum cleaners, steam mops, mite removal devices, and sweeping robots will be the next "outlet". However, judging from the number of small appliances owned by each household, the number of home appliances in China is still lower than that in the European and American markets. According to the data, an average household in developed countries has nearly 40 kinds of small household appliances, while the average number of household appliances in major cities in China is less than 10, indicating that the market is far from being saturated, and China's small home appliance market has huge development potential. The development of science and technology, the universalization of AI wisdom and the diversification of products, in conjunction with the "13th Five-Year Plan" launched by the Chinese government, will also lead small home appliance industry to the fields of energy conservation, environmental protection and intelligence, and updating from the entire industrial chain covering raw materials, core components, manufacturing, and service.

#### B. Brand value positioning is the future development goal

Due to the low barriers to entry, numerous small home appliance manufacturers have emerged in China. How to obtain the recognition from consumers, clearly position the brands, and create market segmentation with other competitors is the focus of the small home appliance industry in the future. In addition to product launches, the Company aims to improve the quality of products and adopt a clear pricing strategy, so as to clearly position AIRMATE.

#### C. Energy-saving and eco-friendly small home appliances will become the mainstream

As the world's population continues to increase, environmental pollution and damage become more serious, and global warming issues have gradually become a topic of concern. The 2009 United Nations Climate Change Conference held in Copenhagen also discussed how to reduce greenhouse gas emissions. Energy conservation and carbon reduction have become the common goals globally. Energy conservation and environmental protection have become an important indicator for manufacturers and consumers. As electricity prices continue to rise, consumers are

heading toward home appliances that have a high rate of electricity conservation. Under the consumers' needs and national policy, eco-friendly small home appliances will become a trend. The government of China has also ordered that home appliances marked "energy-efficient" for identification. In the future, it is inevitable that energy conservation and environmental protection will become the mainstream in the small home appliance market.

#### D. Product intelligence and functional diversification will become prominent

Electric heaters and humidifiers are popular in winter. Electric heaters are favored by the general public because of the heating effect, and humidifiers are indispensable for dry climate. In recent years, one of the most important features of new products has been the combination of electric heaters and humidifiers; multiple functions of other small home appliances, such as juicers and soybean milk machines, have also become prevalent. Soybean milk machines can be used to make fruit and vegetable drinks, and juicers can be used to make soybean milk. The operations of small home appliances have also become smarter and easier, from touch to control, which brings convenience to a fast paced life. As small home appliances evolve with multi-functionality and intelligence, product features gradually disappear. How to ensure the intelligent and multi-functional development of small home appliances and the distinctive product features at the same time has also become the focus of small home appliance manufacturers.

#### E. Online shopping for small home appliances will develop at a high speed

Benefiting from the popularization of the Internet, the development of online purchase of home appliances has gradually become a trend. In the current era of popularization and development of the Internet, e-commerce will be the focus of merchants' marketing. At present, online shopped small home appliances are developing rapidly, which have accounted for 60% of the total sales of home appliances, mainly due to their delicacy, small size and low difficulty in getting started, making online sales more feasible, and relatively easy to install and transport. Affected by the COVID-19 epidemic, home cooking, cleaning, sterilization and other small home appliances have become increasingly demanded due to the epidemic. The popular live stream marketing and social media marketing modes not only can help sell goods, but also can display promotion information, and, with the help of the Internet, can improve enterprise recognition. Moreover, home appliance manufacturers also provide direct supply, exclusive sales and other operating modes in order to improve the sales momentum.

#### (4) Competition

Due to the low barriers to entry, there are many small home appliance manufacturers. Although the government's "Home Appliances to the Countryside" policy has increased the requirements for product specifications, competition is becoming more intense in China as major home appliance manufacturers are eager to enter the highly profitable small home appliance market. To secure the brand value in the industry, small home appliance manufacturers must continuously improve niches and develop products of originality and diversity.

In the future, the Company will develop small home appliances that are compact, energy-efficient, silent, and well-designed and equipped with original features to increase the differentiation and brand value; in addition, the Company will develop new technologies in collaboration with technology associations to launch new products ahead of competitors, improve the brand image, and secure leadership.

### (III) Overview of Technologies and Research and Development Works

#### (1) Technology and research and development of products

##### A. Ultra-quiet, energy-efficient motors

The Company has engaged in the manufacture of small home appliances for nearly 25 years with mature technical capabilities. In the early years, the Company provided motors for Sanyo and honed manufacturing skills, from the selection of materials, motor winding, and mechanical transmission to component manufacturing and motor manufacturing, up to the standards in the Japan market. Motors manufactured by the Company were eco-friendly, silent, and energy-efficient and highly recognized in the market. In recent years, the Company has developed new motors with better quality and low cost and has an annual capacity of 15 million motors or more.

##### B. Smart home appliance control systems

The Company's home appliances are human-oriented and bring comfort and health to consumers. Built on these advantages, the Company has developed China's first smart control fans; multi-speed fans, original plateau/sleep/natural air supply controls, and human-oriented controls, such as temperature sensing, timing, power management setup, have also been developed; in addition to infrared control, high-tech controls, such as Bluetooth control and fuzzy control, are also in place. In 2011, the Company successfully developed automotive motor brakes. At present, the Company is developing automatic face control, motion image control, and other high-tech controls. The Company's R&D Department has a team specific to electronic control systems. With many years of experience in smart home appliance control systems, the team has an outstanding capability of integrating state-of-the-art technologies in the industry or related industries and can master the future development trend of home appliances.

##### C. Research and applications of aerodynamics

The Company is one of the largest ventilator manufacturers in China. Because of the strong correlation between products and aerodynamics, the Company has developed a series of electric fans that generate wind by air movement, a series of ventilating fans that exchange air by air pressure, a series of fan heaters that heat the air, and a series of air purifiers that filter and purify air. The application of aerodynamics is a long-term research topic of the Company's R&D Department. With years of experience in the design of air passage and air supply parameters with core technologies, the Company has offered ultra silent, high ventilation, and high-speed fans built on the results of research on aerodynamics.

##### D. Thermal materials for home appliances

Market share of the Company's electric heaters ranks among the top three in China. The core of electric heaters is the development and application of thermal materials. Since the introduction of the first electric heater in 1993, the Company's R&D Department has developed thousands of electric heaters. AIRMATE is one of the most thermal material-rich brands in the world. A variety of thermal materials, such as superconductivity iron chromium strip, quartz glass tubes, far-infrared heating tubes, near-infrared heating tubes, stainless steel heating tubes, carbon heating tubes, halogen heating tubes, semiconductor thermoelectric films, sheet-based heating films, far-infrared ceramic thermal storage boards, and negative temperature coefficient PTC heating elements, are fully applied to electric heaters. Different thermal materials are used to meet the needs of different consumers and different places.

The Company has also formed the research and development and technology alliances with National Cheng Kung University, National Kaohsiung University of Science and Technology, and Fujian University of Technology to provide more niches for research and development works. Every year, the Company develops about 200 new products and applies for about 40 patents. The average development cycle of new products is about 120 days (that is, a new product is developed every 2 days); in addition, the Company has an industry-wide product testing center to ensure the quality of products.

(2) Research and development personnel and their education

Unit: Person

Education \ Year	2019	2020	As of March 31, 2021
Ph.D.	-	-	-
Master's degree	2	1	1
Bachelor's degree	111	105	110
Junior college or below	14	13	12
Total	127	119	123

18. R&D expenses invested each year for the last five years

Unit: NT\$1,000

Education \ Year	2016	2017	2018	2019	2020
Research and development expenditures	158,835	164,096	160,820	146,226	107,717
Net operating revenue	11,032,005	10,024,202	10,614,940	10,142,781	9,207,346
Ratio of research and development expenditures to net operating revenue (%)	1.44	1.64	1.52	1.44	1.17

18. Successfully developed technologies or products (in recent five years)

Year	Major Results of Research and Development
2011	<ol style="list-style-type: none"> <li>1. The application of brushless DC motors to electric fans improved power efficiency by 80% or more.</li> <li>2. Anti-mosquito fans were developed.</li> <li>3. Power-efficient air supply products were developed with the design of air passage and blades.</li> <li>4. Kitchen appliances, such as vacuum cleaners and ovens, were continuously developed for production.</li> </ol>
2012	<ol style="list-style-type: none"> <li>1. Third-generation DC inverter motors were developed to reduce noise and improve power efficiency by 20% or more.</li> <li>2. Second-generation high-speed food processors were developed to improve the quality of the food processor series.</li> <li>3. Infrared sensing brake DC air supply products were developed.</li> <li>4. Smart energy-saving dehumidifiers were developed.</li> <li>5. The power efficiency of induction cookers was improved by 10%.</li> <li>6. Turkey cookers specifier to the U.S. market were developed.</li> <li>7. The smart sterilization-efficient and dust-collection air purifier series</li> </ol>

Year	Major Results of Research and Development
	was developed.
2013	<ol style="list-style-type: none"> <li>1. Three-dimensional heaters were developed.</li> <li>2. High power ceiling heaters were developed.</li> <li>3. Washer dryers were developed.</li> <li>4. Smart phone Bluetooth controlled DC fans were developed.</li> <li>5. Fruit and vegetable dryers were developed.</li> <li>6. Mattress vacuum cleaners were developed.</li> <li>7. Energy-saving fans were developed.</li> <li>8. Household coffee machines were developed.</li> </ol>
2014	<ol style="list-style-type: none"> <li>1. Coffee machines for Northeast Asian, European, and U.S. markets were developed.</li> <li>2. Smart home appliances, such as smart air purifiers, were developed.</li> <li>3. Second-generation heat exchange ventilating fans were certified by DIBT.</li> <li>4. The Japanese kotatsu heater series was developed.</li> <li>5. 7-blade silent fan blades were developed.</li> <li>6. Sensing (energy-saving) fans were developed.</li> <li>7. Unfolding motors were developed.</li> <li>8. Cooling/heating tower fans were developed.</li> </ol>
2015	<ol style="list-style-type: none"> <li>1. Kitchen tabletop hand dryers were developed.</li> <li>2. 7-blade silent plume fan blades were developed.</li> <li>3. USB charging tower fans were developed.</li> <li>4. UV sterilization humidifiers were developed.</li> <li>5. CBS2066E food processors specific to the Europe market met the FLGB requirements.</li> <li>6. Commercial coffee machines were developed.</li> <li>7. WIFI air purifiers were developed.</li> <li>8. Unfolding motors were developed.</li> <li>9. Frequency control systems were developed.</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. The fresh air system series was developed.</li> <li>2. 5-blade silent crescent fan blades were developed.</li> <li>3. High humidification silent vaporizer humidifiers were developed.</li> <li>4. 360-degree PTC heaters were developed.</li> <li>5. Silent fan blades were developed.</li> <li>6. Two-in-one fans were developed.</li> <li>7. Fin oil heaters were developed.</li> <li>8. Large-interval foot switch fans were developed.</li> <li>9. Smart high-speed food processors were developed.</li> <li>10. Low-noise DC motor ventilating fans were developed.</li> </ol>
2017	<ol style="list-style-type: none"> <li>1. Fresh air systems were extended and improved.</li> <li>2. Coffee machines for the Japan market were developed.</li> <li>3. Silent exhaust fans were developed.</li> <li>4. Isolation tables for hospitals were developed.</li> <li>5. High purification (air multiplier) air purifiers were developed.</li> <li>6. Electric thermal storage heaters were developed.</li> <li>7. Cooling/heating tower fans were developed.</li> <li>8. High humidification humidifiers were developed.</li> <li>9. Air purifying PTC heaters were developed.</li> <li>10. Voice control fans and heaters were developed.</li> <li>11. Mosquito repellent fans were developed.</li> <li>12. Siri control fans were developed.</li> <li>13. Oil/PTC heaters were developed.</li> </ol>

Year	Major Results of Research and Development
	<ul style="list-style-type: none"> <li>14. Convection/PTC heaters were developed.</li> <li>15. Outdoor anti-mosquito fans were developed.</li> <li>16. 6-pole motors were developed.</li> <li>17. BMC motors were developed.</li> <li>18. The brushless DC motor control panel series was developed.</li> </ul>
2018	<ul style="list-style-type: none"> <li>1. New mist fans were developed.</li> <li>2. Silent blades were developed.</li> <li>3. Silent tower cooling/heating fans were developed.</li> <li>4. Double-sided reflector heaters were developed.</li> <li>5. Humidifiers and air purifiers were developed.</li> <li>6. Box fans were developed.</li> <li>7. Quilt dryers were developed.</li> <li>8. Brushless DC BMC motors were developed.</li> <li>9. Standard, modular PCBs were developed.</li> <li>10. Air purifying fans were developed.</li> <li>11. Humidifying fans were developed.</li> <li>12. Tower PTC heaters were developed.</li> <li>13. High humidification vaporizer humidifiers were developed.</li> <li>14. High humidification PTC vaporizer humidifiers were developed.</li> <li>15. Tower strip heaters were developed.</li> <li>16. Cabinet strip heaters were developed.</li> <li>17. Roller-type natural vaporizing humidifiers were developed.</li> <li>18. The 50-degree upward oscillating structure was developed.</li> </ul>
2019	<ul style="list-style-type: none"> <li>1. Research and development of clinic table</li> <li>2. Research and development of 5-in-1 bathroom master and bluetooth remote control</li> <li>3. Research and development of window air conditioner of the compressor application expansion series</li> <li>4. Development of one-piece style fan with the integration of main control PCV and motor</li> <li>5. Development of head operation and 433 wireless remote control</li> <li>6. Development of quilt dryer</li> <li>7. Development of evaporative humidifier with large capacity humidification plate</li> <li>8. Application of electrolysis water sterilization technology in humidifier</li> <li>9. Development of one-piece style skirting radiator</li> <li>10. Research and development of tower strip heater</li> <li>11. Development of graphene skirting radiator</li> <li>12. Development of outer rotor DC motor</li> </ul>
2020	<ul style="list-style-type: none"> <li>1. Development of shoe cabinet sterilization lamp</li> <li>2. Development of large air volume PTC electric heater</li> <li>3. Design and development of water-cooled fan with refrigeration chip element (instead of ice crystal)</li> <li>4. Design and development of the bladeless fan with three air ducts which can automatically swing to adjust the air outlet area</li> <li>5. Design and development of inverter air conditioning for window</li> <li>6. Development of pet air conditioner</li> <li>7. Application of electrolysis water sterilization technology</li> <li>8. Application of hydrophilic humidification tray natural humidification technology</li> <li>9. Integrated electric heater for cloth drying and heating</li> <li>10. Superconducting cooling and heating circulation fan</li> </ul>

Year	Major Results of Research and Development
	11. Study on sterilization function of fresh air products 12. Study on antibacterial function of bath bully products 13. Light sensation 14. Development of inner wound motor

(IV) Long-term and short-term business development plans

1. Short-term business development plans

- A. Development and research of wireless steam cleaner.
- B. Continue to increase the application research of semiconductor refrigeration chip, radar and battery.
- C. Design and development of humidifier with large humidification capacity (2.5 L/h).
- D. Research and development of new electric heater (firework hill, foot line with closeable air outlet; and graphene heating element).
- E. Continuously increase the development and application research of pin structure and high-power inner-wound motor.
- F. Continuously introduce and apply speech recognition (offline + online), motion monitoring, gesture recognition and other new technologies to various products.
- G. Develop hydroxide ion air purification ceiling fan.

2. Long-term business development plans

- A. Development of household appliances for cleanliness and health (antimicrobial and sterilization).
- B. Development of medical product series.
- C. The Company plans to research the application of smart home appliance sensors and human-computer interaction (voice control).
- D. Study on various complex air processors (refrigeration, heating and humidification).
- E. Development of DIY fresh air products.
- F. Development and application research of external rotor DC motor with high cost performance.

## II. Overview of the Industry

(I) Market Analysis

(1) Geographic areas of main products

Unit: NT\$1,000

Year Geographic Area	2019		2020	
	Amount	Percent age (%)	Amount	Percenta ge (%)
China	5,378,679	53.03	4,910,633	53.33
Northeast Asia	3,003,552	29.61	2,536,136	27.54
Others	1,760,550	17.36	1,760,577	19.13
Total	10,142,781	100.00	9,207,346	100.00

Note: Northeast Asia refers to Japan and South Korean.



## (2) Market share

According to the 2020 China Home Appliance Industry Annual Report, the retail sales of China's home appliances in domestic market in 2020 were RMB 833.3 billion, of which small home appliance products covered all areas of daily life. In 2020, the retail sales of small home appliances in China's domestic market were RMB 175.2 billion, which mainly covered household care appliances, personal care appliances, kitchen care appliances, and health care appliances. Based on this data, we estimate that the Company's net sales in 2020 will be NT\$ 9.207 billion, accounting for about 5.26% of China's entire domestic small home appliance market.

## (3) Future demand and supply conditions and growth potential

According to the analysis of ASKCI, although China's epidemic is still rebounding slightly in some areas, the effectiveness of China's epidemic prevention and control work is generally obvious and stable, and the economic operation is steady and sound. This will bring a bright development environment to the home appliance market in 2021. In 2021, the development prospects and trends of China's home appliance market are as follows:

One is the favorable support of national policies. The home appliance industry is an important pillar industry of China's national economy, and the industry has received all-round support from national policies in the course of its development. The policy states that it is necessary to encourage the development and production of home appliances that falls under national level 1 or level 2 energy efficiency. In recent years, China has vigorously promoted green, energy-saving and environmentally friendly home appliances, promoted the industrial transformation and product upgrade of the home appliance industry, and put forward higher requirements on home appliance accessories, which is conducive to promoting the healthy development of the solenoid valve and other home appliance accessories.

Moreover, in the context of "double-loop" and driven by the internal economic cycle, the home appliance industry may face a dual-cycle drive of consumption stratification and consumption upgrades. The development of traditional home appliances is expected to be more stable; air-conditioning and kitchen appliances still have room for large-scale growth; emerging home appliances are expected to penetrate rapidly; and there may be blue ocean growth opportunities for segmented small home appliances. In addition, due to the rapid growth in the process of transforming the basic life needs of home appliances to the needs of quality life, the prospects for high-end home appliances are promising.

The second is that product upgrades have spawned new market demands. For durable consumer goods such as home appliances, most consumers maintain the concept of "not to buy a new one as long as it can last". Generally speaking, home appliances have a certain safe service life. Over-age use will not only degrade the performance of home appliances, but will also increase safety hazards. Regulating household appliances such as washing machines from the time limit will help to reduce the over-age use of household appliances, so as to promote the replacement of household appliances. In addition, the frequent repeated operations of home appliance products, the endless emergence of high-end and smart products, and the promulgation of new subsidy policies will shorten the time for consumers to upgrade their home appliances, generate new consumer demand for home appliances, and further promote the development of the home appliance industry.

The third is the diversification of small home appliances. The improvement of residents' spending power and the change of consumer groups have promoted the consumption upgrading of small home appliances, and people's demand for new small

home appliances has also increased day by day. On the one hand, the public now has a demand for replacement of existing small home appliances, and their willingness to buy is gradually tilted towards high price and high quality. On the other hand, small home appliances with innovative functions emerge in endlessly, such as electric stew pots, electric egg beaters, electric lunch boxes, toasters, yogurt machines and humidifiers. Affected by the epidemic, consumers are increasingly accepting and compulsively adapting to the “home culture”. It is expected that in 2021, such multifunctional small appliances will satisfy people's pursuit of quality of life and become a new competitive field for small appliance companies.

The fourth is the global procurement in the home appliance industry. In order to make full use of resources from all parts of the world, large home appliance companies are gradually implementing global procurement model and looking for high-quality and moderate-priced parts to reduce overall costs and enhance core competitiveness. Global procurement has broken regional restrictions, giving companies the opportunity to enter the international market through a global procurement platform and obtain more business opportunities. The trend of global procurement has created good development opportunities for home appliance companies and urges them to continuously improve themselves, which is conducive to the development and growth of enterprises in the industry.

#### (4) Competitive niches

##### A. Balanced development of export and domestic sales

Over the past three years, the Company's exports and domestic sales have been maintained at a rate of approximately 50%. In the face of an ever-changing economic environment, the Company is able to adapt better; in addition, resources for exports and domestic sales are shared to reduce the research and development expenses and costs of production.

##### B. Long-term cooperation with customers for export business

The Company's customers for export business are brands or distributors with enormous potentiality in developed countries. In addition to providing products with excellent quality, stable delivery, and high additional value, the Company develops new products for export and domestic sales through tailor-made industrial designs and provides flexible scheduling and distribution services for different types of containers to minimize the overall operating costs of customers and improve their competitiveness. Although the Company's export quotations are higher than other manufacturers', the comprehensive costs of customers are lower, coupled with the stable and timely supply of products. Therefore, the customers for export business have maintained long-term cooperation with the Company.

##### C. Robust growth of AIRMATE products in China

- a. The Company's main products sold in China include quality electric fans and electric heaters. At present, new categories of products, including air improvement products (humidifiers, air purifiers, and dehumidifiers), kitchen appliances (high-speed food processors, induction cookers, electric pressure cookers, and electric cookers), and ventilation products (ventilating fans and integrated ceiling systems) have been developed. In the future, the Company will develop household appliances.
- b. The Airmate brand is positioned in China's mid-to-high-end market, and continuously launches a variety of innovative, fashionable, and energy-saving new products.
- c. Since the founding of its own brand in 1997, it has already owned more than 240

first-tier distributors with stable cooperation (more than 50% of them have cooperated with Airmate for more than five years), more than 400 repair channels, and more than 12,000 terminal malls. It has maintained good relationship with offline retail systems such as Suning and Gome, and online e-commerce platforms such as Tmall, JD.com, Suning.com, etc. In addition to online platforms, it has been also actively operating special diversified channels such as TV shopping, gift group buying, OEM and engineering, in order to expand brand visibility and market share.

- d. Through long-term media publicity, promotion activities and word-of-mouth communication, the Company has established the brand images of “fashion, eco-friendliness, energy conservation, innovation, high quality, and integrity” in the minds of consumers, the media, and the industry.

In summary, the Company's good brand image, channel relationship and distribution team have created a highway for Airmate to gallop in Chinese market. The increase in China's consumption power in the next ten years will also penetrate the Airmate brand and products to a wider county and township level. In addition, the rich experience in operating in Chinese market will also bring more opportunities for Airmate to cooperate with foreign brands.

#### D. Balanced and flexible production

The Company's main products are electric fans and electric heaters sold in China, Japan, South Korea, Europe, and the U.S. Other products for all seasons include induction cookers, electric cookers, electric pressure cookers, high-speed juicers, and air purifiers. The Company adopts the balanced production of electric fans and electric heaters to cut down overtime and management overheads, maintain the consistent quality of products, and reduce time spent in training for new employees and possible reworking.

In addition, the Company has versatile production equipment and labor that are not limited to the production of specific products and can adapt to different specifications and products at any time. The Company is able to manufacture electric fans, electric heaters or other products based on the market needs, weather, and customers' needs to maximize the production efficiency.

#### E. Excellent capacity for research and development

The Company's Research and Development Department is capable of developing 200 kinds of products every year with a new product launched every two years on average. New products have been widely recognized, showing that the Company dominates the high-end small home appliance market in terms of technology or quality. As to hardware, the Company has invested in the establishment of a testing laboratory and passed the certification of advanced technology enterprises and their technology centers in Shenzhen.

The Company's customers for export business and domestic sales provide the latest information on the markets and technologies, while the Industrial Design Department and the Research and Development Department develop new products that drive market demand. The Company and customers share the expenses and results of research and development. The Company is keen to develop new products with higher risk. The Company can either develop and sell products in China first to strengthen confidence of customers for export business or develop products with customers for export business to reduce the costs of development. Advanced technology, craft, and design overseas can also be sold to China through the development of customers for export business to keep AIRMATE products well-designed and technology-leading.

## F. Combination of OBM, ODM, and OEM

The Company has worked with international major brands (Sanyo, Hitachi, Sharp, Toshiba, TOTO, Samsung, and SEB) as an OEM/ODM for many years and honed the quality of AIRMATE products at the same time. The Company has also sold AIRMATE products in the domestic market. In response to the exports and domestic sales, the Company has expanded the production line and scale of business and cut down the costs of production at the same time, allowing the Company to offer quality products at affordable prices and secure its position in the small home appliance market in China.

### a. OBM

The Company has developed AIRMATE products for nearly 20 years. In the top 500 Chinese brands published on the website of 2009 World Brand Summit, the Company has an estimated brand value of RMB1.31 billion; in addition, the domestic sales volume of AIRMATE products grows year by year, showing that AIRMATE has been widely recognized.

### b. ODM/OEM

The Company's niches are products with high unit prices and high quality. Operating revenue in Japan and South Korea account for nearly 60% of the Company's total export revenue. As an ODM/OEM, the Company has been improving the quality of products and operations, and only trades with customers having their own brands and sales channels; in addition, the Company provides highly efficient in-depth services for customers, resulting in the repair rate of less than 0.5%. The Company also strives to fully control the timeliness of product launches for customers to stay preemptive, with the entire process, from industrial design, R&D, and molding to trial production, mass production, and delivery, taking only 4~6 months to complete.

## G. Energy conservation and carbon reduction

The Company has launched a series of low-carbon electric fans and ultra energy-saving fans with brushless DC motors. The Company's energy conservation performance far exceeds the national level 1 energy efficiency standards. The Company is China's first electric heater manufacturer to develop various high-tech heaters, including European fast heaters, electric film heaters, and multi-functional fast heaters. Compared with traditional electric heaters, these high-tech heaters prevail with fast heating, long constant temperature, energy conservation, and safety.

## H. Upstream and downstream integration

The Company adopts the SRM system to deal with suppliers, 210 of which provide JIT to significantly reduce the Company's inventory; the CRM system is adopted for domestic sales. The Company adopts the SRM and CRM systems to maintain the close cooperation with suppliers and customers so that inventories and payments can be managed more efficiently.

## (5) Positive and negative factors for future development and response measures

### A. Positive factors

#### a. The spending power improves as the economy in China grows rapidly

The income level of urban households in China has gradually increased since 1995. The annual average disposable income of urban households has increased from RMB 11,795 in 2006 to RMB 32,189 in 2020. This shows that the Chinese government is actively growing the domestic demand. With the increase in

consumption power, the market for small home appliances and other necessities of people's livelihood will inevitably expand, so there is still a lot of rooms for growth in the small home appliance market.

b. The industry meets the trend of environmental protection and government policies

With an increasing awareness of environmental protection and hike in energy prices, energy conservation and carbon reduction is currently a global issue of concern. To improve the utilization of resources and protect the environment, the government of China has successively promulgated environmental laws and regulations. The government made a green declaration in the 2010 China Small Home Appliances Fair to propose manufacturing, distributing, and purchasing low-carbon products. Over the past years, the Company took the initiative to add green materials to the design, production, logistics, and sale of small home appliances to reduce carbon emissions; in addition, the Company has developed products with longer service life to extend the replacement of out-of-date and damaged products and reduce electronic wastage. The Company has also reduced manufacturing processes and set up energy-saving equipment and recycling equipment. With years of experience in green manufacturing, the Company is poised for the green requirements in the small home appliance market.

c. Home appliances of fine quality is a trend

Small home appliances have become intelligent and quality-oriented, showing that manufacturers have transformed themselves into high-end small home appliance manufacturers while seeking high profitability. High-end products mainly feature smart and human-oriented functions and artistic design. With high additional value, high-end products mainly attract the young generation and white-collar households. At present, the gross margin of traditional home appliances is about 10%~25%, the gross margin of small home appliances is about 30%~60%, and the gross margin of high-end small home appliances is even higher. Although the expenses of research and development are relatively high, they can be apportioned by the production volume, so the gross margin is high.

As mentioned above, the small home appliance market is gradually moving towards the home appliances of fine quality, which is same as the Company's position. Boasting the well-established capacity for research and development, the Company has developed quality small home appliances highly recognized by customers, regardless of higher prices. The future trend of high-end small home appliances can rule out low-end small manufacturers and create the barriers to entry; it can also benefit the sales of the Company's quality home appliances. Although China's major home appliance manufacturers have begun to tap into the small home appliance market, they are relatively weak in this field. It will take some time for them to seize the high-end small home appliance market. Therefore, the future trend of small home appliances remains conducive to the Company.

B. Negative factors and response measures

a. Wage change

At present, the processing and assembly of small home appliances still depend on human resources. After the implementation of the Labor Contract Law of the People's Republic of China, labor costs in China rise year by year, resulting in an increase in the Company's production costs.

Response measures:

The Company has invested in Jiangxi Jiujiang Plant, which was put into mass production in October 2014. In addition to the low labor cost, the Company

has strived to improve the manufacturing process and automated manufacturing rate, so as to increase the productivity and reduce dependence on labor. The Company has also enhanced the utilization of employees by improving their capacity for research and development and production design and providing continuing education and training in order to reduce the need of labor in the manufacturing process and increase the added value of products.

b. Prices of raw materials rise

In recent years, raw materials required for the production of home appliances, such as steel, aluminum, and copper, have increased year by year, and it is estimated that the same trend will continue in the future with relative large fluctuations in prices. As international oil prices have increased in recent years, the cost of plastics required by the Company has also increased year by year. If suppliers choose to default when the prices of raw materials rise, the liquidated damages generated are also lower than the rise; therefore, the chance that suppliers choose to default and stop delivering increases.

Response measures:

To prevent suppliers from defaulting in response to the increasing prices of raw materials and to reduce the cost of inventory in case of emergencies, the Company has actively sought cooperation with larger international raw material suppliers because of their stable supply and credibility. In addition, the Company makes price forecasts in response to customers' needs and supply of raw materials. When the raw material market price is about to rise, the Company will reserve the supply in advance to reduce the impact of price fluctuations; the Company also sources from different suppliers and prepares materials in advance to ensure the orders and shipments regardless of the availability of raw materials. The Company has continuously required suppliers to improve the quality of raw materials and develop alternative materials, so as to reduce the risk of hikes in raw material prices and increase the additional value of products.

c. Exchange rates fluctuate significantly

As China's economy has grown stably in recent years, RMB is subject to depreciation. With abundant foreign exchange savings, the government of China can control the RMB exchange rates, but it still cannot compete with the market mechanism. It is estimated that RMB will continue to depreciate slowly, but it will have a limited contribution to the exchange gains on exports of Chinese manufacturers.

Response measures:

The Company has been committed to the development of the domestic market in China for many years and has achieved remarkable results. As domestic demand in China continues to increase, the Company will continue to expand the sales channels in China in the future to reduce the risk of exchange rate fluctuations. In addition to trading in the same currency to reduce exchange losses, the Company has also urged the financial and accounting personnel to strengthen their understanding of hedging and pay attention to the news and reports on real-time exchange rates online and from investment banks. When signing sales contracts with customers, the Company should also pay attention to possible exchange gains or losses at any time to adjust the transaction prices.

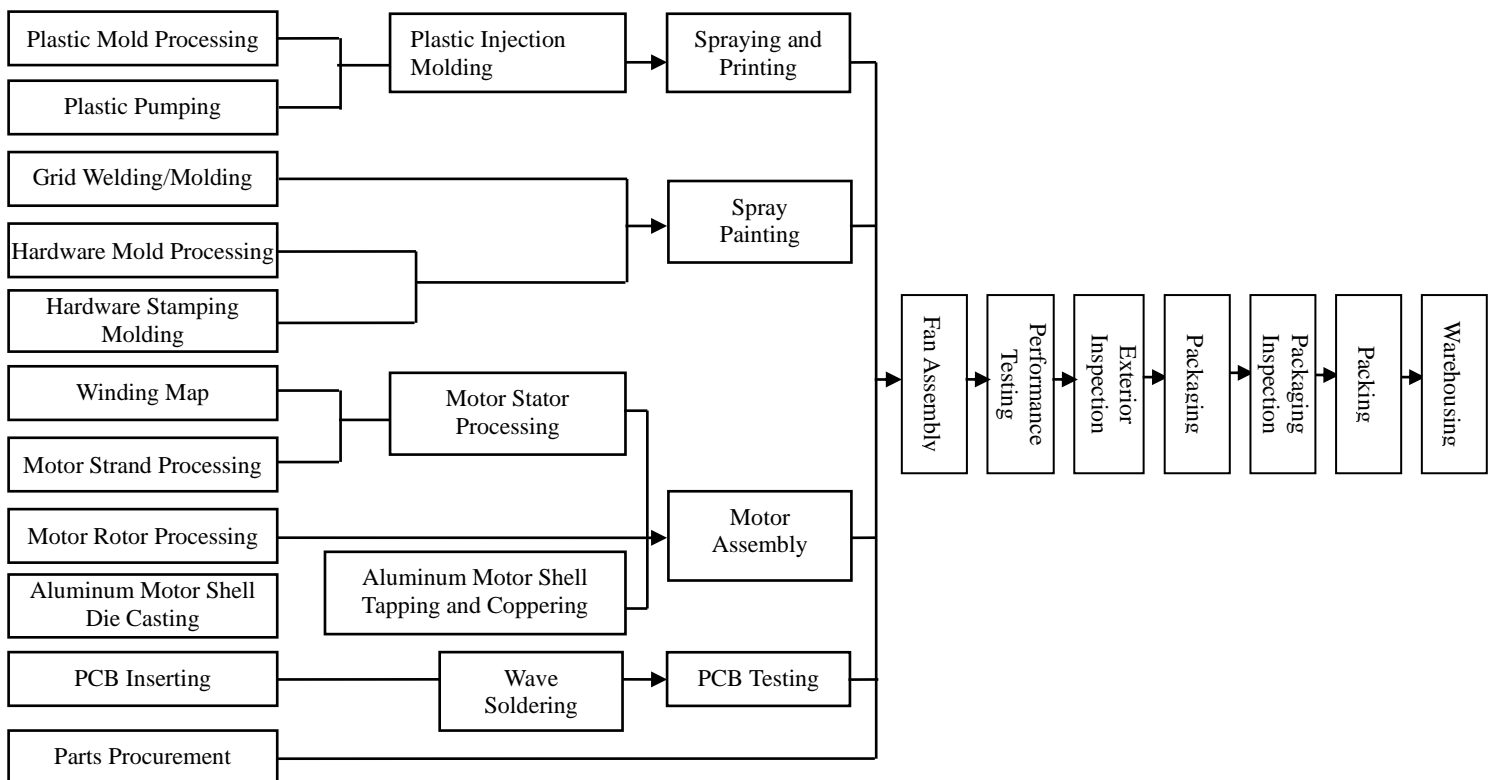
(II) Usage and Manufacturing Processes of Main Products

(1) Usage of main products

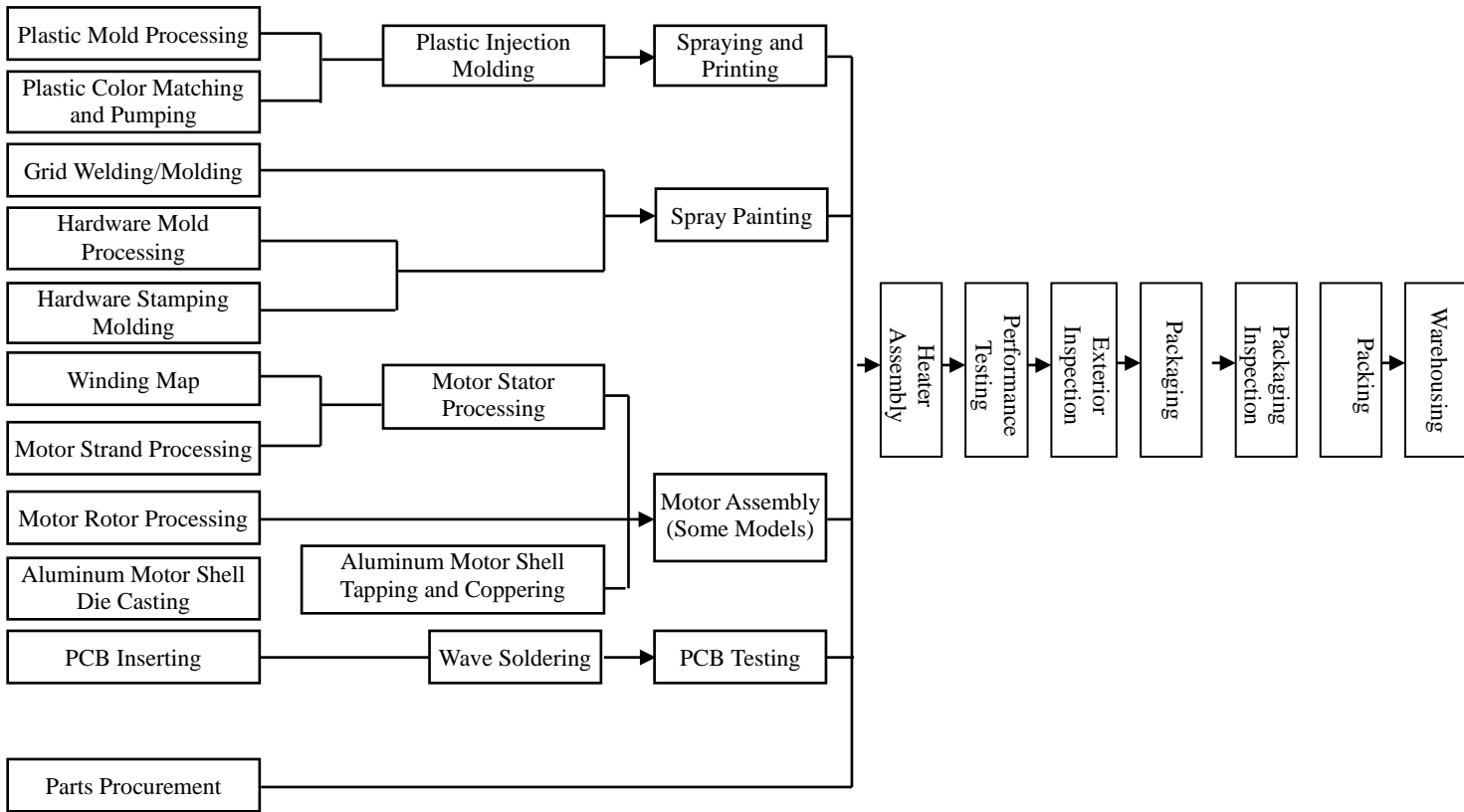
Main Product	Usage
Electric fans	Cooling, ventilation, humidification, reduction in electricity used in air conditioners, and energy conservation and carbon reduction.
Electric heaters	Fast warming and physiotherapy.

(2) Manufacturing processes of main products

A. Electric fans



## B. Electric heaters





(III) Supply Situation of Major Raw Materials

Major Raw Material	Major Suppliers	Supply Situation
Plastics	LG, CNOOC and Shell Petrochemicals Company Limited, LCY Chemical Corporation, Chi Mei Corporation, and SINOPEC Fuel Oil Sales Corporation Limited East China Branch	Good
Copper wires	Xinlong Enamelled Wire Co., Ltd., Dongguan Yulong Electric Material Co., Ltd., and Feng Ching Metal Corporation	Good
Silicon steel plates	Dynamic Steel Industrial Co., Ltd., Leicong Industrial Co., Ltd, Shenzhen Hongyuan Metal Industry Co., Ltd., and Shenzhen Chun Yuan Steel Industry Co., Ltd.	Good
Power cable	Shenzhen Yuxin Wire & Cable Co., Ltd., Ming Tak Electrical Wiring Co., Ltd., and Shenzhen Baoyuanda Electronics Co., Ltd.	Good

(IV) Names of customers who accounted for more than 10% of the total amount of purchases and sales in any year of the recent two years and the amount and proportion of purchases and sales, together with the reasons for the increase or decrease Codes may be used for parties that may not be disclosed pursuant to a contract term or that are a non-related party individual.

1. The Company has thousands of raw materials. To maintain the stability and quality of supply, the Company sources from more than two suppliers. In the most recent two years, there has been no supplier accounting for more than 10% of the Company's total procurement amount.
2. The Company has been expanding the domestic market in China, and customers are dispersed. In the most recent two years, there has been no customer accounting for more than 10% of the Company's total sales amount.

(V) Production Volume and Value for the Most Recent Two Years

Unit: Thousand units; thousand NT\$

Year	2019			2020		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Main Product						
Electric fans	2,024	603	4,956,251	1,531	514	4,512,929
Electric heaters	568	179	1,453,946	246	88	684,931
Electrical products	125	66	282,677	118	59	252,039
Small home appliances	79	28	361,079	103	36	428,591
Total	2,796	876	7,053,953	1,998	698	5,878,490

Change analysis:

The reduction in production capacity and output in 2020 was mainly due to the impact of the global COVID-19 epidemic and the reduction in total order demand, so the output and output value were reduced for rational reason.

**(VI) Sales Volume and Value for the Most Recent Two Years**

Unit: Thousand units/pieces; thousand NT\$

Sales Volume and Value Main Product	Year		2019				2020			
			Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value		
Electric fans	4,665	3,302,279	4,020	3,258,429	4,729	2,936,510	3,968	2,955,986		
Electric heaters	2,095	1,783,742	991	774,439	2,227	1,414,949	706	522,040		
Small home appliances	46	41,891	272	388,692	465	256,370	407	577,075		
Electrical products	553	214,764	317	107,812	658	263,101	315	94,521		
Others (Note)	-	36,002	-	234,730	-	39,703	-	147,091		
<b>Total</b>	<b>7,359</b>	<b>5,378,679</b>	<b>5,599</b>	<b>4,764,102</b>	<b>8,079</b>	<b>4,910,633</b>	<b>5,395</b>	<b>4,296,713</b>		

Note: Including materials, spare parts, molds, etc.

**Change analysis:**

The decline in the Company's domestic and overseas sales turnover and sales volume in 2020 was mainly due to the decline in domestic and overseas orders due to the impact of the COVID-19 epidemic. Among them, affected by the epidemic, domestic consumers have responded to the epidemic prevention policy to reduce going out. The "home economy" of e-commerce platforms has caused home kitchen appliances and disinfection, sterilization appliances and other sweeping products to grow against the trend.

**III. Employee Information in the Last Two Years Up to the Printing of the Report**

Unit: Person

Year		2019	2020	Wednesday, March 31, 2021
Number of employees	Regular	3,241	2,760	2,772
	Temporary	1,305	1,403	1,965
	Total	4,546	4,163	4,737
Average age		32.64	34.79	35.55
Average year of service		3.67	6.54	5.80
Educational distribution ratio (%)	Ph.D.	-	-	-
	Master's degree	0.13	0.17	0.15
	Junior college's degree	13.62	13.62	12.12
	Senior high school	13.20	12.20	10.15
	Below senior high school	73.05	74.01	77.34

**IV. Information on Environmental Protection Expenditure**

The losses suffered due to environmental pollution in the most recent fiscal year up to the publication date of this annual report (including compensation and environmental protection inspection results in violation of the environmental protection laws and regulations, and the punishment date, punishment name, violated provision of laws and regulations, content of violated laws and regulations, and punishment content shall be specified), and the estimated

amount for current and possible future occurrences and response measures are disclosed. If the amount cannot be reasonably estimated, the reason should be clarified. None.

## V. Labor Relations

- (I) The Company's various employee welfare measures, education, training and retirement systems and their implementation status, as well as the agreements between employees and employer and the measures taken to safeguard the rights and interests of employees:

### 1. Employees' welfare measures and their implementation

Talent is the Company's most cherished important asset. We carefully cultivate, cherish and care for every employee, so that employees can achieve a balanced development in work, life and leisure. The Company also upholds profit sharing and a sound performance appraisal system to formulate remuneration policies in order to provide a complete welfare system. The principles and examples are as follows: (Note: Depending on the needs of employees in various regions and local conditions).

- A. Comply with the labor insurance system of the local government.
- B. Social insurance, housing provident fund, work injury insurance, endowment insurance, medical insurance, unemployment insurance, maternity insurance, etc.
- C. Paid annual leave in accordance with relevant laws and regulations.
- D. Various subsidies for weddings, funerals, and celebrations, and regular tours for employees to promote emotional exchanges among employees.
- E. The Company provides staff dormitories and implements hierarchical management, provides clean and hygienic meals, and has local employees organize labor unions to supervise and review employee meals
- F. Various subsidies for weddings, funerals, and celebrations, and regular tours for employees to promote emotional exchanges among employees.
- G. Obtained ISO45001:2018 Occupational safety and health management system.

### 2. Staff education and training:

Talents are the Company's most important and competitive resource. The Company uses continuous education and training to stimulate employees' personal potential and enhance their knowledge, so that cohesion and professionalism can be effectively improved, thereby improving the Company's overall operating performance and achieving the Company's operating goals. The measures to implement the staff training policy are as follows:

- A. Staff training and development: In 2020, the total number of education and training hours of the Group reached 64,699 hours, with an average of 15.54 hours per person. The topics of training courses included the improvement of middle-level management skills, research and development, human resources administration, business marketing, financial management and other functional majors and general management training content.
- B. Training for new recruits: After the new recruits join the Company, they will be guided and led by the commissioner of the HR Department. In addition to familiarizing the new recruits with the working environment, it also strengthens their recognition and understanding of the Company. Various departments also plan basic training courses for new recruits to help them learn relevant knowledge about their jobs. It includes company introduction, company organization structure, employee handbook, environmental protection knowledge, quality/environmental policies and company rules and regulations, salary and benefits, education and training, performance appraisal, production safety and health, 6S, quality assurance and various related systems.

- C. On-the-job training (OJT): The HR Department draws up a training course plan for the next year at the end of each year. The plan includes internal training courses and external training courses for the Company; internal training courses can be taught by internal lecturers or engaged external experts, such as professional skill knowledge and techniques, machine operation, etc. For the external training part, professional institutions will be appointed to assist in the training as required.
- D. Management training: The Company arranges various management skills training for each level of executives according to their characteristics, and establishes a team's common vision and business consensus.
- E. Online training: The Company's WeChat office platform has an online training system. All company employees can learn online after registration. According to the needs of the positions, there are various types of courses, divided into management, technology, finance, information and quality control and so on.
- F. Training of associate trainees: In order to meet the Company's demand for talents and continuously improve the overall quality of personnel, so as to create business pioneers that meet the Company's needs and professionals who recognize the Company's culture, industry-university-construction-education cooperation will also provide sufficient talent reserve pipeline for the Company's sustainable development in the future.

### 3. Retirement system and its implementation

- (1) After the promulgation of the Labor Pension Regulations on July 4, 2007, the Company has provided employees who have already been applicable to the Labor Standards Act with the option of continuing to apply to the Labor Standards Act or to apply to the Labor Pension Regulations. 2 people chose to continue to follow the retirement pension provisions of the Labor Standards Act, 8 people chose to follow the retirement pension provisions of the Labor Standards Act before 2007, and adopt the Labor Pension Regulations after 2007.
- (2) With regard to the aforesaid employees applicable to the aforementioned pension provisions of the Labor Standards Act, when they voluntarily retire according to Article 53 of the Labor Standards Act: "1. Having worked for at least 15 years and be at least 55 years of age. 2. Having worked for at least 25 years. 3. Having worked for at least ten years and be at least 60 years old", or are retired compulsively according to Article 54 of the Labor Standards Act: "1. At least sixty-five years old; 2. Mentally or physically disabled and unable to perform the job", Article 55 of the Labor Standards Act shall prevail:
  - I. Two bases are given for every one full year, and one base is given for every full year for those who have worked for more than fifteen years,
  - II. The total number of base units shall be limited to 45. Those who have been employed for less than half a year will be counted as half a year; those who have been employed for more than half a year will be counted as one year. II. According to subparagraph 2, paragraph 1 of Article 54, the laborers who have retired compulsively and have mental loss or physical disability caused by the performance of their duties shall be additionally paid 20% of the pension in accordance with the provisions of the preceding paragraph.
- (3) In order to support the retirement pension under the Labor Standards Act, the Company has allocated the corresponding amount to the special labor retirement reserve account designated by the Ministry of Labor in accordance with Article 56 of the Labor Standards Act, with special funds for exclusive purpose.
- (4) For the employees who joined the Company after July 4, 2007, the Company deposits 6% of the employee's salary each month in accordance with Article 14 of the Labor Pension Regulations to each employee's pension account. In compliance with the voluntary retirement or forced retirement stipulated in the Labor Standards Act, the

pension fund that has been deposited can be withdrawn from the special account once or monthly.

4. Labor agreements and measures to protect the rights and interests of employees

- A. Establishment of labor union: The Company follows the regulations on labor union of the country where it operates. After the establishment of the labor union, it will hold regular meetings and invite the capital side to participate in order to promote labor-capital relations. Capital side representatives should listen to and respond to employees' opinions and requirements, care about the lives of employees, help employees to solve their difficulties and let them participate in the formulation of welfare policies and rules and regulations. So far, the members of the labor union have been willing to devote themselves fully to give full play to their functions and create a win-win situation for both employees and the Company.
- B. Suggestion box: there is a dedicated person for the management of the employee appeal and complaint channel. Employees are encouraged to express suggestions as a reference for the continuous improvement of the Company's policies.

5. Employee conduct and ethics code

The Company has formulated an employee manual as the basis for employees' usual work and ethical conduct.

- (II) The losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report are listed (including labor inspection results in violation of the Labor Standards Act, punishment date, punishment name, violated provision of laws and regulations, content of violated laws and regulations, and punishment content), and the estimated amount for current and possible future occurrences and response measures are disclosed. If the amount cannot be reasonably estimated, the reason should be clarified. Our Labor relations have always been harmonious. In the last two years and up to the date of publication of the prospectus, we have suffered no loss due to Labor disputes.

## VI. Important Contracts

Contracting Party, Major Content, Restrictive Clause, and Commencement Date and Expiration Date of Supply/Distribution Contracts, Technical Cooperation Contracts, Engineering/Construction Contracts, Long-term Loan Contracts, and Other Contracts that Would Affect Shareholders' Equity, where the Contracts Were either Effective as of the Date of Publication of the Annual Report or Expired in the Most Recent Year

Important Contract

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive clauses
Distribution contract	Shanghai Winhome E-commerce Limited	2020.12.01~2021.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Shanghai Winhome E-commerce Limited	2020.08.01~2021.4.30	Sale of AIRMATE electric heaters	None
Distribution contract	Beijing Xinzhongding Network Technology Limited	2020.12.01~2021.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Beijing Xinzhongding Network Technology Limited	2020.08.01~2021.4.30	Sale of AIRMATE electric heaters	None
Distribution contract	Wenzhou Huaan Economic and Trade Limited	2020.12.01~2021.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Wenzhou Huaan Economic and Trade Limited	2020.08.01~2021.4.30	Sale of AIRMATE electric heaters	None
Distribution contract	Zhejiang Airmate Electric Appliances Sales Co. Limited	2020.12.01~2021.09.30	Sale of AIRMATE electric fans	None
Distribution contract	Zhejiang Airmate Electric Appliances Sales Co. Limited	2020.08.01~2020.4.30	Sale of AIRMATE electric heaters	None
Loan contract	Bank of China, Longhua Sub-branch	2020.09.24~2021.09.30	Airmate Electric (Shenzhen) Co., Ltd. has applied to banks for a total credit line of RMB 360 million, including short-term loans and working capital of RMB 100 million, bank acceptance draft line of RMB 250 million, non-financing letter of guarantee line of 3.5 million, and counterpart credit risk line of RMB 1.5 million, a trade financing line of RMB 5 million, and Airmate (Shenzhen) provides buildings and attachments as guarantees, while Airmate Electric (Jiujiang) Co., Ltd. also provides joint guarantee obligations.	None

## Chapter 6 Financial Information

### I. Condensed Balance Sheet, Statement of Comprehensive Income and Independent Auditors' Opinions of the Most Recent Five Years

#### (I) Condensed Financial Statements

##### 1. Condensed balance sheet

Unit: NT\$1,000

Items	Year	Financial Information in the Most Recent Five Years					Current year as at March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020	
Current Assets		4,796,553	4,432,077	4,979,684	5,067,249	5,465,514	6,177,442
Property, Plant and Equipment		2,591,489	2,426,397	2,206,928	1,886,835	3,135,215	3,058,230
Intangible Assets		34,712	31,775	20,033	11,697	7,749	6,563
Other Assets		272,860	942,887	1,159,507	1,935,235	644,864	662,538
Total Assets		7,695,614	7,833,136	8,366,152	8,901,016	9,253,342	9,904,773
Current liabilities	Before distribution	4,797,191	4,027,148	5,068,804	4,858,844	4,622,017	5,354,971
	After distribution	4,919,593	4,039,307	5,068,804	4,968,324	Not yet distributed	Not yet distributed
Non-current liabilities		192,028	1,208,846	824,315	1,033,079	1,492,409	1,469,659
Total Liabilities	Before distribution	4,989,219	5,235,994	5,893,119	5,891,923	6,114,426	6,824,630
	After distribution	5,111,621	5,248,153	5,893,119	6,001,403	Not yet distributed	Not yet distributed
Equity attributable to owners of parent company		2,688,781	2,582,747	2,462,371	2,993,805	3,138,916	3,080,143
Capital Stock		1,228,436	1,228,436	1,228,436	1,368,506	1,395,876	1,396,099
Capital Surplus		966,919	979,283	979,283	1,223,135	1,224,541	1,224,744
Retained Earnings	Before distribution	624,909	500,369	501,835	765,987	779,988	743,674
	After distribution	502,507	488,210	501,835	656,507	Not yet distributed	Not yet distributed
Other equities		(120,258)	(104,764)	(214,132)	(363,823)	(261,489)	(282,650)
Treasury stock		(11,225)	(20,577)	(33,051)	-	-	(1,724)
non-controlling interests		17,614	14,395	10,662	15,288	-	-
Total equity	Before distribution	2,706,395	2,597,142	2,473,033	3,009,093	3,138,916	3,080,143
	After distribution	2,583,993	2,584,983	2,473,033	2,899,613	Not yet distributed	Not yet distributed

Note 1: The financial report for the first quarter of 2021 has been reviewed by CPAs.

## 2. Condensed statement of comprehensive income

Unit: NT\$ thousands (except for earnings per share)

Year	Financial Information in the Most Recent Five Years					Current year as at March 31, 2021 (Note 1)	
	2016	2017	2018	2019	2020		
Operating Revenue	11,032,005	10,024,202	10,614,940	10,142,781	9,207,346	2,543,532	
Gross Profit	2,291,399	1,736,363	1,809,931	1,972,712	1,570,488	331,918	
Operating income (loss)	341,281	(46,001)	68,437	289,876	220,906	(42,485)	
Non-Operating Income and Expenses	16,191	53,336	3,830	32,948	2,973	(4,109)	
Net Profit Before Tax	357,472	7,335	72,267	322,824	223,879	(46,594)	
Net income from continuing operations	276,946	1,354	(18,083)	257,159	156,239	(36,314)	
Loss from discontinued operations	-	-	-	-	-	-	
Net income (loss) of the period	276,946	1,354	(18,083)	257,159	156,239	(36,314)	
Other Comprehensive Net Income After Tax	(319,020)	8,783	(81,393)	(138,072)	100,606	(21,161)	
Total comprehensive income (loss)	(42,074)	10,137	(99,476)	119,087	256,845	(57,475)	
Net income attributable to owners of parent	282,300	4,262	(14,599)	251,919	156,239	(36,314)	
Net income attributable to non-controlling interests	(5,354)	(2,908)	(3,484)	5,240	-	-	
Total comprehensive income attributable to owners of parent	(36,720)	13,356	(95,743)	114,461	256,845	(57,475)	
Total comprehensive income attributable to non-controlling interests	(5,354)	(3,219)	(3,733)	4,626	-	-	
Earnings per share	Before distribution	2.31	0.03	(0.12)	2.05	1.12	(0.26)
	After distribution	2.31	0.03	(0.12)	2.01	Not yet distributed	Not yet distributed

Note 1: The financial report for the first quarter of 2021 has been reviewed by CPAs.

### (II) Names of CPAs and audit opinions

#### 1. Names and audit opinions of CPAs for the most recent five years

Year	Name of Accounting Firm	Name of CPA	Opinion
2016	Ethan Chuang, Astor Kou	KPMG	Unqualified opinion
2017	Ethan Chuang, Astor Kou	KPMG	Standard unqualified opinion
2018	Isabel Lee, Anna Lu	KPMG	Unqualified opinion
2019	Derek Hsu, Anna Lu,	KPMG	Unqualified opinion
2020	Ethan Chuang,	KPMG	Standard unqualified



2. If the CPAs have been changed in the most recent five years, the Company shall list the reasons for replacing the former CPAs with the successor ones: Due to internal rotation of the CPA firm.

## II. Financial Analysis of the Most Recent Five Years

### 1. Financial analysis

Item		Year	Financial Information in the Most Recent Five Years (Note 1)					Current year as at March 31, 2021 (Note 2)
			2016	2017	2018	2019	2020	
Financial structure (%)	Debt ratio		64.83	66.84	70.44	66.19	66.08	68.90
	Long-term fund to property, plant and equipment ratio		111.16	156.26	148.93	213.42	147.72	148.77
Solvency (%)	Current ratio		99.99	112.79	98.28	104.29	118.25	115.36
	Quick ratio		49.13	50.26	55.45	61.01	71.41	72.40
	Times interest earned		6.83	1.10	1.66	4.67	6.24	-4.97
Operating performance	Average collection turnover (times)		7.28	6.90	6.73	5.78	4.68	4.05
	Days sales outstanding		50	53	54	63	78.04	90.04
	Inventory turnover (times)		3.59	3.39	3.82	3.88	3.64	4.03
	Average payment turnover (times)		4.17	4.17	4.22	3.38	2.66	2.82
	Average inventory turnover days		102	108	95	94	100.35	90.64
	Property, Plant and Equipment Turnover (Times)		4.26	4.13	4.81	5.38	2.94	3.33
	Total assets turnover (times)		1.43	1.28	1.27	1.14	1.00	1.03
Profitability	Return on assets (%)		4.20	0.86	0.97	3.78	2.12	-1.24
	Return on equity (%)		10.30	0.16	-0.58	9.23	5.10	-4.67
	Net income before income tax to paid-in capital ratio (%)		29.10	0.60	5.88	23.59	16.04	-13.35
	Net margin (%)		2.56	0.04	-0.14	2.48	1.70	-1.43
	Earnings per share (NT\$) (Note 1)		2.31	0.03	-0.12	2.05	1.12	-0.26
Cash flow	Cash flow ratio (%)		43.41	8.75	13.26	29.97	8.47	-1.77
	Cash flow adequacy ratio (%)		85.26	78.95	100.97	236.35	251.40	156.22
	Cash flow reinvestment ratio (%)		71.84	6.04	20.01	36.03	6.09	-2.08
Leverage	Operating leverage		4.37	-22.09	16.85	4.56	4.62	-2.58
	Financial leverage		1.22	0.39	-1.64	1.14	1.24	0.84

Reasons for changes in financial ratios in the most recent two years (Analysis is not required if the change is within 20%).

The ratio of long-term fund to real estate, plant and equipment decreased from the previous period, mainly due to the acquisition of the Jiujiang plant in 2020.

The increase in interest coverage ratio compared to the previous period was mainly due to the decrease in interest expenses due to the decrease in bank financing in 2020.

The average number of cash collection days increased compared to the previous period, mainly due to the increase in the slightly delayed collection of accounts affected by the COVID-19 epidemic in 2020.

The turnover rate of payables decreased compared with the previous period, mainly due to the delay in payment due to the impact of the COVID-19 epidemic in 2020.

The turnover of real estate, plant and equipment decreased compared with the previous period, mainly due to the decrease in sales affected by the epidemic and the acquisition of the Jiujiang plant in 2020.

The return on assets decreased from the previous period, mainly due to the decrease in profits affected by the epidemic in 2020

The return on shareholders' equity decreased from the previous period, mainly due to the decrease in profits affected by the epidemic in 2020

The ratio of pre-tax net profit to paid-in capital decreased from the previous period, mainly due to the decrease in pre-tax profit due to the impact of the epidemic in 2020

The net profit ratio decreased from the previous period, mainly due to the decrease in net profits affected by the epidemic in 2020

The earning per share decreased from the previous period, mainly due to the decrease in after-tax net profit affected by the epidemic in 2020.

The cash flow ratio decreased from the previous period, mainly due to the significant decrease in cash inflow from operating activities in 2020.

The cash reinvestment ratio decreased from the previous period, mainly due to the decrease in cash inflow from operating activities in 2020 and the acquisition of the Jiujiang plant in 2020.

Note 1: 2016~2020 consolidated financial report verified by CPAs.

Note 2: The financial report for the first quarter of 2021 has been reviewed by CPAs.

Note 3: The following lists the formulas used for performing the financial analysis:

1. Financial structure

(1) Debt ratio = Total liabilities / total assets.

(2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities)/Net Property, Plant and Equipment.

2. Liquidity analysis

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

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities.

(3) Times interest earned = Earnings before interests and taxes / Interest expenses over this period.

3. Operating performance

(1) Average collection turnover (including accounts receivable and notes receivable resulting from business operations) = Net sales / Average receivable of the period (including accounts receivable and notes receivable resulting from business operations).

(2) Days sales outstanding = 365 / Average collection turnover.

(3) Inventory turnover = Cost of sales / Average inventories.

(4) Average payment turnover (including accounts payable and notes payable resulting from business operations) = Cost of sales / Average payable of the period (including accounts payable and notes payable resulting from business operations).

(5) Average inventory turnover days = 365 / Inventory turnover.

(6) Property, plant and equipment turnover = Net sale / Net property, factory and equipment.

(7) Total assets turnover = Net sales / Total assets.

4. Profitability

(1) Return on assets = (Net income (loss) + Interest expenses \* (1 - Tax rate)) / Average total assets.

(2) Return on equity = Net income (loss) / Average total equity.

(3) Net margin = Net income (loss) / Net sales.

(4) Earnings per share = (Net income - Preferred stock dividend) / Weighted average number of shares outstanding.

5. Cash flow

(1) Cash flow ratio = Net cash generated by operating activities / Current liabilities.

(2) Cash flow adequacy ratio = Net cash generated by operating activities in the most recent five years / (Capital expenditure + Inventory increase + Cash dividends) in the most recent five years.

(3) Cash flow reinvestment ratio = (Net cash generated by operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other assets + Working capital).

#### 6. Leverage

(1) Operation leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.

(2) Financial leverage = Operating income / (Operating income - Interest expenses).

Note 5: Special attention shall be paid to the following matters when using the formula of earnings per share above:

1. It shall be based on the weighted average number of common stocks rather than the number of outstanding shares at the end of the year.
2. Where there is capital increase by cash or treasury share transaction, the circulation period shall be considered when calculating the weighted average number of shares.
3. Where there is capital increase by earnings or by capital surplus, the annual and semi-annual earnings per share of previous years shall be retrospectively adjusted in accordance with the proportion of capital increase without considering the issuance period of such capital increase.
4. If the preferred stocks are inconvertible cumulative preferred stocks, dividends of the year (whether paid or not) shall be deducted from net income or included in the net loss. If the preferred stocks are not cumulative, preferred stock dividends shall be deducted from the net income (if any), and no adjustment is required in the case of net loss.

Note 6: Special attention shall be paid to the following matters for cash flow analysis:

1. Net cash generated by operating activities is the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure is the annual cash outflow of capital investment.
3. The increase in inventories is included only when the ending balance is greater than the beginning balance. If the year-end inventory balance decreases, it is counted as zero.
4. Cash dividends include the cash dividends of common and preferred stocks.
5. Gross property, plant and equipment shall refer to the balance of property, plant and equipment before deducting accumulated depreciation.

Note 7: The issuer shall classify operating costs and operating expenses as fixed or variable by their nature. If estimation or subjective judgment is involved, attention shall be paid to its reasonableness and consistency.

### **III. Supervisors' or Audit Committee's Review Report of the Most Recent Year**

#### **Consent Report by Audit Committee**

The 2020 consolidated financial statements of the Group have been consented by the Audit Committee and approved by the board of directors, and have been audited by KPMG Taiwan, which has issued a standard unqualified audit report.

The Audit Committee has the responsibility for overseeing the Company's financial reporting procedures.

The CPAs have certified the 2020 consolidated financial statements of the Group and communicated with the Audit Committee on the following matters:

1. There was no significant discovery concerning the audit by the CPAs within the planned audit scope and time period.
2. The CPAs have provided the Audit Committee with a statement providing that the personnel of the CPAs' accounting firm have complied with the independence provisions of the Code of Ethics for Accountants, and no other relationship or other matters that may be considered to affect the CPAs' independence.
3. In the communication with the CPAs regarding key audit items, the Audit Committee found no key audit items that have the need to be communicated in the audit report.

The Group's 2020 consolidated financial statements have been approved by the Audit Committee and the board of directors, and are in compliance with relevant laws and regulations, which are reported as above in accordance with Article 219 of the Company Act.

Best regards.

Sincerely,

2021 regular meeting of shareholders of AIRMATE (CAYMAN) INTERNATIONAL CO.  
LIMITED

Audit Committee Convener: FAN, CHIN-HWA

March 15, 2021

- IV. Financial Statements of the Most Recent Year, Including Independent Auditors' Audit Reports, Balance Sheets and Statements of Comprehensive Income, Changes in Equity and Cash Flows with Two-Year Data Available for Comparison, and Notes or Tables: Please refer to page 134 to 206 of this annual report.**
- V. Individual Financial Report of the Company Audited and Certified by CPAs for the Most Recent Year, Excluding Statements of Significant Accounts: NA.**
- VI. Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Year up to the Date of Publication of This Annual Report, and Their Impact on the Company's Financial Position: None.**

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

### I. Analysis of Financial Status

Unit: NT\$1,000

Item	Year	2020	2019	Difference	
				Amount	%
Current Assets		5,465,514	5,067,249	398,265	8%
Property, Plant and Equipment		3,135,215	1,886,835	1,248,380	66%
Intangible Assets		7,749	11,697	-3,948	-34%
Other Assets		644,864	1,935,235	-1,290,371	-67%
Total Assets		9,253,342	8,901,016	352,326	4%
Current liabilities		4,622,017	4,858,844	-236,827	-5%
Non-current liabilities		1,492,409	1,033,079	459,330	44%
Total Liabilities		6,114,426	5,891,923	222,503	4%
Capital Stock		1,395,876	1,368,506	27,370	2%
Capital Surplus		1,224,541	1,223,135	1,406	0%
Retained Earnings		779,988	765,987	14,001	2%
Other equities		(261,489)	(363,823)	102,334	-28%
Treasury stock		-	-	-	-
non-controlling interests		-	-	-	-
Total Shareholders' Equity		3,138,916	3,009,093	129,823	4%
<p>Explanation of the difference if the assets, liabilities and shareholders' equity changed by more than 20% in the last two years and the amount reached NT \$92 million (approximately 1% of total assets) in the most recent two years:</p> <ol style="list-style-type: none"> <li>1. Real estate, plant and equipment This is mainly due to the acquisition of the Jiujiang plant in 2020.</li> <li>2. Other assets: mainly due to the fact that there was no land payment for 2019 in 2020.</li> <li>3. Non-current liabilities: Mainly due to the issuance of the fourth unsecured convertible corporate bonds in 2020.</li> <li>4. Other rights and interests: Mainly due to the increase in the exchange difference converted from the financial reports of foreign operating institutions in 2020.</li> </ol>					

## II. Financial Performance

Material changes over the most recent 2 fiscal years in operating revenue, operating income, and income before tax; forecast the company's expected sales volume and provide the basis for the forecast; and describe the possible impact of such changes upon the company's financial and business affairs, and how the company plans to respond

- (I) Reasons for any material changes over the most recent 2 fiscal years in operating revenue, operating income, and income before tax

### 1. Comparison Table for Operating Results

Unit: NT\$1,000

Item	Year	2020	2019	Difference	
				Amount	%
Net Operating Revenue		9,207,346	10,142,781	-935,435	-9.22%
Operating Cost		7,641,207	8,166,237	-525,030	-6.43%
Gross Profit		1,570,488	1,972,712	-402,224	-20.39%
Operating Expenses		1,349,582	1,682,836	-333,254	-19.80%
Operating Profit		220,906	289,876	-68,970	-23.79%
Non-Operating Income and Expenses		2,973	32,948	-29,975	-90.98%
Net Profit Before Tax		223,879	322,824	-98,945	-30.65%
Income tax expense		67,640	65,665	1,975	3.01%
Net Income		156,239	257,159	-100,920	-39.24%
Other Comprehensive Net Income After Tax		100,606	(138,072)	238,678	-172.86%
Total comprehensive income (loss)		256,845	119,087	137,758	115.68%
Net income attributable to owners of parent		156,239	251,919	-95,680	-37.98%
Total comprehensive income attributable to owners of parent		256,845	114,461	142,384	124.40%
<p>If the increase/decrease ratio has changed by more than 20% and the amount has reached NT\$92 million (approximately 1% of total assets), the analysis and explanation are as follows:</p> <ol style="list-style-type: none"> <li>The operating gross profit and operating profit decreased compared with last year: mainly due to the decline in sales orders due to the impact of the COVID-19 epidemic in 2020, but the cost of sales did not decrease year-on-year in accordance with the decline in sales revenue.</li> <li>Non-operating incomes and expenses decreased compared with the previous year: mainly due to the great fluctuation of exchange rate due to the COVID-19 epidemic, which leads to an increase in foreign currency exchange losses.</li> <li>The net profit before tax and the net profit for the current periods decreased compared with the previous year: please refer to the descriptions of items 1 and 2.</li> <li>The other composite gains or losses of the current period and the total composite gains or losses of the current period decreased compared with last year: mainly due to the increase in the exchange difference in the conversion of the financial statements of foreign operating institutions in 2020.</li> <li>Net income attributable to owner of the parent company decreased compared with last year: please refer to the description in item 1.</li> </ol>					

Item	Year	2020	2019	Difference	
				Amount	%
6. The complex profit or loss attributable to the owner of the parent company increased compared to last year: please refer to item 4 for details.					

## 2. Forecast of the expected sales volume and the basis for the forecast

In 2021, due to a slight slowdown in the impact of the epidemic, the domestic market in mainland China and the market for major export customers have gradually recovered. The Company expects that the sales volume in the next year will increase compared with last year.

## 3. Possible impact of such changes upon the company's financial and business affairs, and how the company plans to respond

In 2021, there are still many challenges to the economy of both China and the whole world. In the face of the qualitative and quantitative changes in the fast-moving domestic market and the fierce competition in the small home appliance industry, the Company will continue to steadily expand the scale of group operations and strengthen the operation management of each company, reasonably control the cost and expense and achieve overall synergistic effect, actively explore the market blue ocean and deepen the whole process of customer service, closely cooperate and grow with major customers, in order to build a competitive, core value and sustainable enterprise.

### III. Cash Flow

#### (I) Liquidity Analysis for the Most Recent Two Years

##### 1. Cash Flow Analysis for the Current Year

Unit: NT\$1,000

Item	Year	2020	2019	Difference	
				Increases (decreases)	Variance %
Net cash flow from operating activities:		391,665	1,456,592	-1,064,927	-73%
Net cash flow from investment:		(56,179)	(1,253,175)	1,196,996	-96%
Net cash flow from financing activities		(379,485)	(101,245)	-278,240	275%
Analysis of financial ratio change:					
1. Cash flow from operating activities: Mainly due to the decrease in the Company's pre-tax profit in 2020, the extension of the payment period for accounts receivable and accounts payable due to the impact of the COVID-19 epidemic, and the increase in inventory.					
2. Cash flow from investment activities: Mainly due to the decrease in the matured CB2 corporate bond guarantee and the increase in the payment of land use rights by Jiujiang Company in 2019, but there is no such case in 2020.					
3. Cash flow from financing activities: Mainly due to the repayment of corporate bonds and the distribution of cash dividends in 2020.					

##### 1. Improvement Plan for Insufficient Liquidity: The Company does not suffer from insufficient liquidity.



## 2. Liquidity Analysis for the Coming Year:

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)		Cash Surplus (Deficit) (1) + (2) - (3)	Remedy for Cash Inadequacy	
		Investment activities	Financing activities		Investment activities	Financing activity
443,712	460,535	(224,545)	(112,807)	566,895	None	None
<p>1. Cash Flow Analysis for the Coming Year:            (1) Operating activities: Mainly refer to the net cash inflow from the Company's operations.            (2) Investment activities: Mainly refer to net cash outflow for the purchase of operating equipment.            (3) Financing activities: Mainly due to the net cash outflow for buying back corporate bonds and bank repayments.</p> <p>2. Remedy for Cash Deficit and Liquidity Analysis: Not applicable.</p>						

## IV. Impact of Major Capital Expenditures on Corporate Finances and Business for the Most Recent Year

The amount of fixed assets purchased by the Company from 2016 to 2020 was NT\$636,863 thousand, NT\$349,247 thousand, NT\$421,150 thousand, NT\$401,667 thousand and NT\$247,465 thousand, respectively, mainly due to the Company's continuous expansion of capacity and replacement of old assets in response to the market demands. The comparison of the fixed assets and total asset turnover from 2015 to 2019 is shown below, showing that the Company's capital expenditure increase has not resulted in any negative impact on financial operations.

Turnover rate	2016	2017	2018	2019	2020
Property, Plant and Equipment Turnover (Times)	4.26	4.13	4.81	5.38	3.33
Total assets turnover (times)	1.43	1.28	1.27	1.14	1.03

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

### 1. Investment Policy in the Last Year

Besides complying with the investment cycle regulations from the internal control systems, the Company's investment management follows the Guidelines for Business and Financial Operations for the Group, Specific Companies and Related Parties, Operational Procedures for the Supervision of Subsidiaries" and the Operational Procedures for the Management of Subsidiaries' Operations while taking into account the local laws and regulations of each invested company and the actual operating conditions and assisting each invested company in establishing an appropriate internal control system. In terms of organizational structure, the directors of the invested companies shall be elected in accordance with local laws and regulations. and appointed by the parent company. In addition, regarding the management of each invested company (with more than 50% of the shareholding), the General Managers shall be appointed by the parent company, and the invested companies shall be authorized to appoint or recruit other managers. For the financial manager however, it does not have to be reported to the parent company for approval or appointment. In addition, the Company regularly obtains financial statements, operational reports and financial statements audited by CPAs from the invested companies for the analysis of the operations and profitability. The Company's internal auditing unit shall also conduct regular audits of the subsidiaries, as well as formulating

relevant auditing plans and submitting audit reports to track the flaws and improvement of the internal control systems.

## 2. Main Causes for the Profits or Losses from Investment in the Most Recent Year

Investment	Profits or Losses from Investment in the Most Recent Year	Description
Airmate International Holding Co. Limited	227,617	Recognition of the investment profits of Airmate China International Limited (BVI) and Waon Development Limited.
Airmate International Co. Limited China	227,688	Recognition of the investment profits of Airmate Electrical (Shenzhen) Limited and Waon Development Limited
Waon Development Co. Limited	248,749	Mainly due to the recognition of the investment interest and operating profit of Airmate Electric (Jiujiang) Co., Ltd.
Airmate Electric Appliances (Shenzhen) Co. Limited	(15,329)	Mainly due to the impact of the COVID-19 epidemic, there was no profit in 2020.
Zhejiang Airmate Electric Appliances Sales Co. Limited	(2,741)	Mainly due to the impact of the COVID-19 epidemic, there was no profit in 2020.
Airmate Electric Appliances (Jiujiang) Co. Limited	10,761	Profits were generated by reaching the economies of scale.
Airmate Technology (Shenzhen) Co. Limited	7,222	Mainly due to the increase in sales of small home appliances affected by the epidemic, resulting in profits.
Emmett e-commerce (Shenzhen) Co., Ltd.	374	There are profits mainly due to the low preliminary operating costs for operating small home appliances online.

3. Investment Plans for the Coming Year: None.

## VI. Analysis of Risk Management for the Most Recent Year up to the Printing Date of the Annual Report

### (I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

#### 1. Interest Rate

The Company's interest expenses for 2020 and 2019 were NT\$42,740 thousand and NT\$87,882 thousand, respectively, which accounted for 0.46% and 0.86% of net operating incomes for the year, respectively. The ratios were very small, so the changes in interest rates have little impact on the Company. Although the interest rate at the currency market has been slowly climbing in recent years, it is still on the low end, so there has been no material change in the Company's loan interest rate. If the interest rate trend sees material fluctuations in the future and the Company has continuous needs for loans, apart from adopting other capital market financing tools to raise funds, the Company will also observe the interest rate trend and choose to borrow at a fixed rate or a floating rate to avoid the risk of interest rate fluctuations.

#### 2. Foreign Exchange Rates

Since 53% of the Company's sales in recent years comes from mainland China, and are dominated in RMB; About 47% are mainly from Europe, America, Japan, and South Korea, which are mainly denominated in USD and JPY; while the purchase part is mainly denominated in RMB. Therefore, except the natural hedging of RMB due to the

offset of purchases and sales, the exchange rate changes of other currencies are also offset.

In addition to natural hedging, the Company also uses forward foreign exchange transactions to hedge as necessary. The Company's 2020 and 2019 exchange (losses) gains were NT\$(39,558) thousand and NT\$18,390 thousand, respectively, which accounted for 0.43% and 0.18% of the net operating incomes for the current period. The impact ratios are extremely low, and generally speaking there is no significant exchange risk. However, with future growth of operations, the holding position of foreign currencies by the Company will continue to increase. Moreover, both the domestic financing and future distribution of dividends to domestic investors will also need to be converted in USD. Therefore, exchange rate risks of USD to NTD will arise. The Company will strengthen control over foreign exchange position, and the possible measures are as follows:

- A. Continue to strengthen the concept of exchange hedging among the financial staff, make judgment regarding the exchange rate trend through online real-time system over exchange rates and close contact with financial institutions as the basis for reference.
- B. Use the sales revenue in the same currency as much as possible to support the expenditures for procurement and so on to achieve natural hedging.
- C. Decide whether to adopt derivatives for hedging to avoid exchange rate risks according to the Company's operational status.

### 3. Inflation/Deflation

With the 2008 financial crisis and the recent European debt crisis, the global economic activities have been slowing down. However, the pressure of inflation has been eased with the governments maintaining order of the financial market order and price stability. The Company will continue to maintain close interactions with its suppliers and customers in order to make timely adjustments of the procurement and sales strategies, as well as staying abreast of market price fluctuations and upstream material prices to mitigate the impact of inflation on the Company's profit and loss. There has been no significant change in the financial market and prices in the most recent year up to the publication date of this annual report, nor has there been any significant impact on the Company's profit and loss.

#### (II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company has always focused on growing the business without engaging in high-risk and high-leveraged investments and transactions. The priority of the financial policy is staying prudent. Therefore, relevant risks are limited. The Company's policies and procedures for handling loans to other parties, endorsements and guarantees and derivative transactions are conducted in accordance with the Company's "Operational Procedures for Acquisition or Disposal of Assets", "Operational Procedures for Loaning Funds and Making Endorsements and Guarantees for Others" and "Operational Procedures for the Supervision of Subsidiaries."

As of the date of printing, all endorsements, guarantees and loans have stayed between the Company and its subsidiaries or among subsidiaries. The above-mentioned endorsements and guarantees and capital loans are handled in accordance with the relevant operational procedures. In general, they have no significant impact on the consolidated profit and loss. Moreover, the Company has always focused on growing the business without engaging in high-risk and high-leveraged investments and transactions. The priority of the financial policy is staying prudent. Therefore, relevant risks are limited.

#### (III) Future Research & Development Projects and Corresponding Budget

The future R&D plans are focused on continuous innovation of the technologies related to small household appliances. The Company actively works towards developing energy-saving and smart home appliances, as well as becoming the world's top enterprise for green solutions that provides customers with diverse product design, applications and technologies. With rapid response to the market trend, we will strive to improve the production process capability, strengthen product functionality and reduce costs, as well as jointly developing products that meet the market demand and achieve mature production technologies.

The Company's R&D expenses for 2020 and 2019 were NT\$107,717 thousand and NT\$146,226 thousand, respectively, accounting for 1.17% and 1.44% of the revenue for the year. In the future, the Company will continue to invest in R&D resources depending on the product development plan, and the total R&D expenses are estimated to reach NT\$167 million. In addition to developing new products and core technologies, the Company will continue to make improvement and advancement as well as developing new products in accordance with the customer and market demands to become a supplier with sustainable operations.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company is registered in the Cayman Islands with the main operations in China and Hong Kong. The Cayman Islands' principal economic activity is financial service, and China is one of the world's major economies. The Company's business activities are conducted in accordance with the important domestic and foreign policies, laws and regulations. The Company shall always pay attention to the development trends and changes in domestic and foreign policies, laws and regulations. In case of changes, the Company's lawyers and accounts will be consulted or engaged in the evaluation and planning of measures to make appropriate responses in a timely manner. In the most recent year up to the publication date of this annual report, the Company has not experienced any significant impact on its financial operations due to changes in major local policies and laws in the Cayman Islands, China or Hong Kong.

(V) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

With the continuous improvement in the technology, appearance and build of small household appliances as well as the carbon reduction attempt all over the world, the Company has stayed updated with market trends and evaluated the impact on the Company's operations. The Company has had a close cooperation with many export customers who are leaders in small electronics products all over the world, and the Company is also a well-known brand in China. In the most recent year up to the publication date of this annual report, the Company has not experienced any significant adverse impact on its financial operations due to changes in technology or the industry.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has always been committed to the business philosophy of honesty, integrity, fairness and diligence since its establishment, the Company has continued to actively strengthen its internal management and quality management capabilities to build the company's brand image in order to further increase the customer trust. Therefore, there has been no impact of changes in corporate image.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

There has been no plan for merger and acquisition in the most recent year and up to the publication date of the prospectus.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

There has been no factory expansion plans in the most recent year and up to the publication

date of the prospectus.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

1. Purchases

The Company has thousands of raw materials. The main procurement items include plastic materials, copper wires, power cords, silicon sheets, printed circuit boards (PCB), paint, weight plates and carton packaging materials. For the procurement of major raw materials, the principle is purchasing from multiple suppliers to disperse the risks and ensure sufficient supply for production. Price inquiries and negotiations are conducted according to procurement and payment procedures. For the most recent year up to the publication date of the annual report, there has been no single supplier accounting for more than 10% of the total purchase amount; therefore. Therefore, there is no risk of excessive concentration of purchases as a whole.

2. Sales

The Company's sales strategy focuses on both the domestic and export markets. Own brand products are for the domestic markets while the ODM/OEM products are for export. Currently, the domestic sales network has over 10,000 channels in 31 provinces, autonomous regions and municipalities as well as 240 distributors. The export customers are located in 89 countries around the world with nearly 200 customers, most of which are internationally renowned manufacturers. In addition, no single customer accounts for more than 15% of the total sales in the most recent year and up to the printing date of the annual report. There is no risk of over-concentration in terms of sales, but the Company will continue to pay attention to and assess the credit risks of customers in order to make timely responses.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%  
In the most recent year up to the publication date of this annual report, the Company has not experienced any m

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights  
In the most recent year up to the date of publication of this annual report, the Company has not changed its management rights. However, in order to enhance corporate governance, the Company has introduced the systems of independent directors and the Audit Committee to protect the shareholders' interests. On the other hand, with the exception of independent directors, the Company's current directors and employees are mostly long-term partners that agree with the Company's development and directions. Therefore, the Company has maintained good operating performance in recent years. In the future, the Company will adhere to its business philosophy and good management ethics to create growth in the Company's operations and profits, in order to win the approval of all shareholders of the management team. In short, the Company's operations are stable and well-approved, so there is no risk of changes in management rights.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any its Director, Supervisor, General Manager, person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or any company controlled by the Company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of the Annual Report: None.

(XIII) Other material risks and responding measures:

**Information Security Risk**

The Company has established an internal control system for information management operations and personal data protection management operations to control network and information security, but it still cannot guarantee that the network and computer systems can completely avoid attacks from third parties. For the Company's internal information security, the Company has set up a full-time information section to check the safety of information system operations, control the usage, set daily backups of important data, and promote relevant information security concepts and correct operation methods.

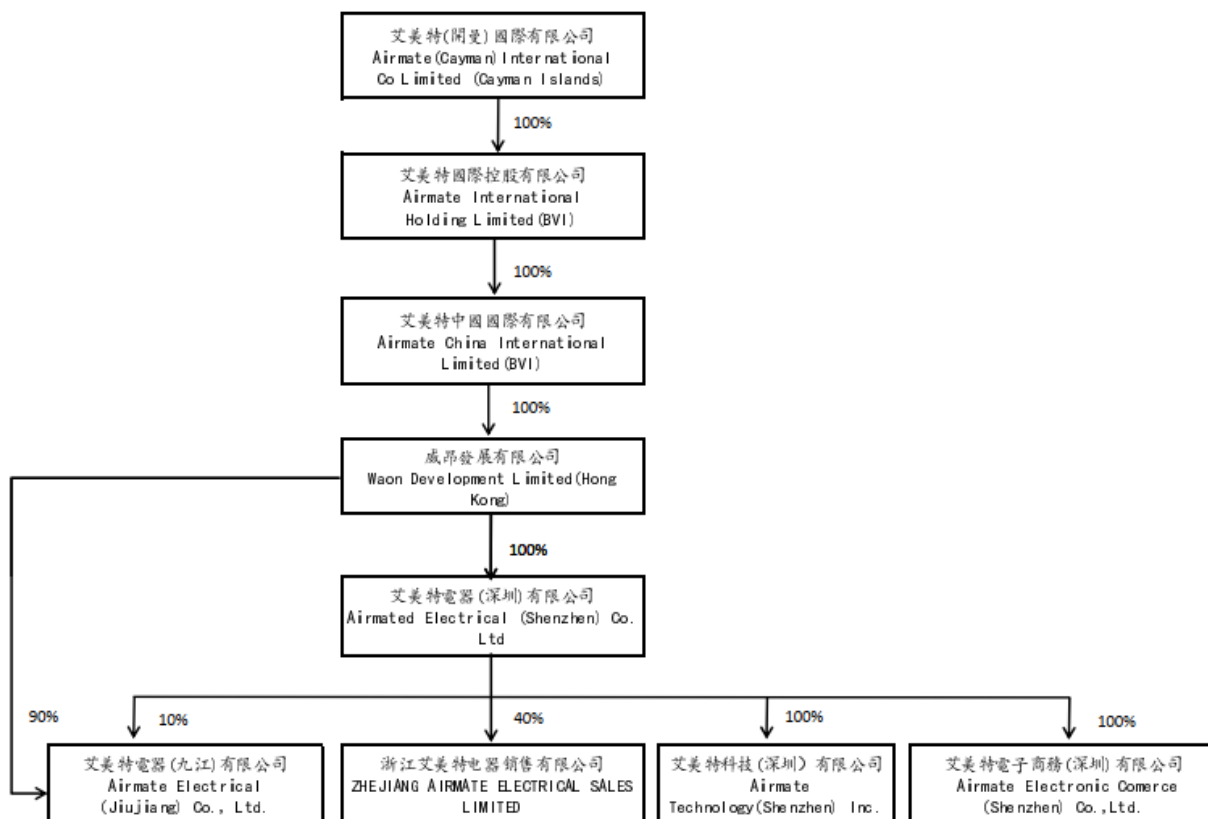
**VII. Other Important Matters: None.**

## Chapter 8 Special Disclosures

### I. Affiliated Companies:

#### (I) Consolidated Business Report of Affiliated Enterprises for the Most Recent Year

##### 1. Organization chart of associates



Note: Airmate Technology (Shenzhen) Co., Ltd. has acquired the remaining 49% equity on January 6, 2020 and completed the name change.

Note: Airmate E-commerce (Shenzhen) Co., Ltd. had been established on June 2020.

##### 2. Basic information of affiliates

As at December 31, 2020; Unit: NT\$ (foreign currency) 1,000

Name of Company	Date of Incorporation	Address	Paid-In Capital		Main Operations
			Type of currency	Amount	
AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED	2004.3	Cayman	NTD	139,588	Holding company
Airmate (Cayman) International Co Limited, Taiwan Branch	2017.10	Taiwan	-	-	Trading company
Airmate International Holding Co. Limited	1998.12	B.V.I	USD	63,974	Holding company
Airmate International Co. Limited China	1997.10	B.V.I	USD	69,761	Holding company
Waon Development Co. Limited	1990.10	H. K.	HKD	820,298	Trading company
Waon Development Limited, Taiwan Branch	1998.8	Taiwan	-	-	Trading company

Airmate Electric Appliances (Shenzhen) Co. Limited	1991.5	Mainland China	USD	32,000	Household appliances production and sales
Airmate Electric Appliances (Jiujiang) Co. Limited	2014.1	Mainland China	USD	72,800	Household appliances production and sales
Airmate Technology (Shenzhen) Co. Limited	2015.12	Mainland China	RMB	10,000	Research and development and sales of kitchen appliances
Emmett e-commerce (Shenzhen) Co., Ltd.	2020.6	Mainland China	RMB	10,000	Sales of home appliances

3. For companies defined as holding company and its subordinate, relevant Information on shareholders shall be listed: None.

#### 4. Operational Highlight of Affiliated Companies

Unit: NT\$1,000

Name of Company	Capital amount (Note 1)	Total Assets (Note 1)	Total Liabilities (Note 1)	Net Worth (Note 1)	Operating Revenue (Note 2)	Operating Profit (Note 2)	Current Profit and Loss (Note 2)	Earnings Per Share (NT\$)
AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED	1,395,876	9,253,342	6,114,426	3,138,196	9,207,346	220,906	156,239	1.12
Airmate (Cayman) International Co Limited, Taiwan Branch	-	34	3	31	-	-	-	-
Airmate International Holding Co. Limited	1,821,980	4,178,170	391	4,177,779	-	-	-	-
Airmate International Co. Limited China	1,986,793	4,178,472	363	4,178,109	-	-	-	-
Wacon Development Co. Limited	3,012,955	6,440,556	2,852,445	3,588,111	4,262,959	126,263	250,208	-
Wacon Development Limited, Taiwan Branch	-	3,748	4,258	(510)	10,193	(1,336)	(1,459)	-
Airmate Electric Appliances (Shenzhen) Co. Limited	911,360	5,261,078	3,012,711	2,248,367	4,499,625	(42,421)	(15,329)	-
Airmate Electric Appliances (Jiujiang) Co. Limited	2,073,344	6,062,841	3,822,612	2,240,229	5,111,739	36,931	10,716	-
Airmate Technology (Shenzhen) Co. Limited	43,643	73,759	38,855	34,904	187,141	6,959	7,222	-
Airmate E-commerce (Shenzhen) Co., Ltd.	43,643	44,022	-	44,022	-	(4)	374	-

Note 1: If the affiliate company is a foreign company, the liabilities in foreign currency shall be converted into NTD at the exchange rate at the reporting date. (CNY:HKD=1.1882; HKD:NTD=3.6730)

Note 2: If the affiliate company is a foreign company, the foreign exchange gains or losses shall be dominated in NT dollars converted at the average exchange rate of 2020. (CNY:HKD=1.1266; HKD:NTD =3.8093)

#### 5. Overall business scope of affiliated businesses

The business operations of the Company and its affiliates focus on the manufacturing and sales of household appliances. A small number of affiliated companies are engaged in investment. Overall, the division of labor between the companies is based on mutual support of technology, production capacity, marketing and services to create maximum synergy.

#### 6. Directors, Supervisors and General Managers of Affiliated Companies

Unit: Thousand Shares; %

Name of Company	Title	Name or Representative	Number of shares held/investment	
			Number of shares	Shareholding ratio



AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED	Chairman	Shih, Jui-Pin	1,009	0.72
	Director	Tsai, Cheng-Fu	4,010	2.85
	Director	Cheng, Li-Ping	3,157	2.24
	Director	Shih Li, Chueh-Chu	2,089	1.48
	Director	Shih, Jui-Lin	587	0.42
	Director	Chen, Yen-Fu	16	0.01
	Director	Chen, Shun-Loong	2,297	1.63
	Independent Director	Fan, Chin-Hwa	5	-
	Independent Director	Chiu, Shean-Bii	-	-
	Independent Director	Chi, Lai-Ping	-	-
	Independent Director	Cheng, Ming-Chang	-	-
Airmate International Holding Co. Limited	Director	Shih, Jui Pin (Representative of Airmate (Cayman) International Co Limited)	US\$63,974,000	100
Airmate International Co. Limited China	Director	Shih, Jui-Pin (Representative of Airmate International Holding Limited)	US\$69,761,000	100
Wacon Development Co. Limited	Chairman	Shih, Jui-Pin (Representative of Airmate China International Limited)	HK\$820,298,000	100
	Director	Cheng, Li-Ping (Representative of Airmate China International Limited)	HK\$820,298,000	100
	Director	Tsai, Cheng-Fu (Representative of Airmate China International Limited)	HK\$820,298,000	100
	Director	Shih Li, Chueh-Chu (Representative of Airmate China International Limited)	HK\$820,298,000	100
Wacon Development Limited, Taiwan Branch	-	-	-	-
Airmate Electric Appliances (Shenzhen) Co. Limited	Chairman	Shih, Jui-Pin (Representative of Wacon Development Limited)	US\$32,000,000	100
	Director	Tsai, Cheng-Fu (Representative of Wacon Development Limited)	US\$32,000,000	100
	Director	Ho, Mei-Hsiu (Representative of Wacon Development Limited)	US\$32,000,000	100
	Director	Shih, Jui-Lin (Representative of Wacon Development Limited)	US\$32,000,000	100
	Director	Chao Ting Tseng (Representative of Wacon Development Limited)	US\$32,000,000	100
Airmate Electric Appliances (Jiujiang) Co. Limited	Chairman	Tsai, Cheng-Fu (Representative of Wacon Development Limited)	US\$72,800,000	100
	Director	Shih, Jui-Pin (Representative of Wacon Development Limited)	US\$72,800,000	100
	Director	Cheng, Li-Ping (Representatives of Wacon Development Limited)	US\$72,800,000	100
	Director	Chao Ting Tseng (Representative of Wacon Development Limited)	US\$72,800,000	100
	Director	Huang, Ching-Tien (Representative of Wacon Development Limited)	US\$72,800,000	100
Airmate Technology (Shenzhen) Co. Limited	Executive Directors	Tsai, Cheng-Fu (Representative of Airmate Electrical (Shenzhen) Limited)	RMB 10,000 thousand	100
	Supervisor	Ho, Mei Hsiu (Representative of Airmate Electrical (Shenzhen) Limited)	RMB 10,000 thousand	100
Airmate E-commerce (Shenzhen) Co., Ltd.	Executive Directors	Shih, Jui-Pin (Representative of Airmate Electrical (Shenzhen) Limited)	RMB 10,000 thousand	100
	Supervisor	Ho, Mei Hsiu (Representative of Airmate Electrical (Shenzhen) Limited)	RMB 10,000 thousand	100

(II) Consolidated financial statements of affiliated companies: please refer to pages 134 to 206.

(III) Statement of the consolidated financial statements of the affiliated enterprises:

## Representation Letter

The entities that are required to be included in the consolidated financial statements of Airmate (Cayman) International Co. Limited (or "the Company") as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company does not prepare a separate set of combined financial statements.

Hereby Declared by

Company name: AIRMATE (CAYMAN)  
INTERNATIONAL CO LIMITED

President: Rui-Bin Shih

Date: March 15, 2021

(IV) Affiliation reports: Not applicable

**II. Private Placement of Securities of the Most Recent Year up to the Publication Date of this Annual Report: None.**

**III. Holding or Disposal of the Company's Shares by the Subsidiaries of the Most Recent Year up to the Date of Publication of This Report: None.**

**IV. Other Necessary Supplements: None.**

**V. Events of Considerable Impact on Shareholders' Equity or on Prices of Securities as Specified in Subparagraph 2, Paragraph 2 of Article 36 of the Securities and Exchange Act: None.**

**VI. Major Differences from the Domestic Protective Provisions for Shareholders' Equities:**

In accordance with the amendments to the Company's Articles of Association adopted by the Company's board of directors on March 12, 2020, without violating the laws of Cayman, the company has established the specific content to protect the exercise of shareholders' rights and interests in the Company's Articles of Association in accordance with the checklist for protection of shareholders' equities (hereinafter referred to as "Protection of Shareholders' Equities") prescribed by the Taiwan Stock Exchange.

The matters concerning the protection of shareholders' equities regarding the Supervisor's relevant powers and obligations are not applicable to the supervisor because the Company already has independent directors. In addition, because the following matters are inconsistent with the laws of Cayman, they cannot be established according to important matters for the protection of shareholders' equities:

Important Matters Related to Protection of Shareholders' Equity	Companies Laws of the Cayman Islands and description thereof	The Provisions Contained in the Articles of Incorporation and Differences
<p>For the following motions that relate to key rights of the shareholders, the motion may be adopted by a majority vote at a shareholders' meeting, wherein the meeting is attended by shareholders representing two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of the Company is less than the percentage of the total shareholdings required in the preceding paragraph, the resolution may be adopted by at least two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the Company.</p> <ol style="list-style-type: none"> <li>1. To form, change or terminate contracts related to leasing of the entire operation, commissioning others to manage, or forming of a long term joint management with others; Transfer the whole or principal part of the business or property; To accept the whole business or property given by others, which causing a significant influence over the operations of the Company</li> <li>2. Amendments to the Articles of Association</li> <li>3. Where amendments to the Articles of Association will damage the rights of shareholders holding preferred shares, a resolution of the preferred shareholders' meeting must be convened</li> <li>4. New shares issuance shall be used to</li> </ol>	<p>Article 60 of the Cayman Company Act provides that "Special Resolution" a resolution voted at a meeting of shareholders by voting,</p> <p>unless the Articles of Association provides for a higher number of votes, requiring the consent of not less than two thirds of the voting rights of shareholders who are entitled to exercise the voting rights at the shareholders' meeting in person or by proxy (if such shareholders' meeting allows the use of a proxy).</p> <p>According to Article 10 and Article 24 of the Cayman Company Act, amendments to the articles of association and the memorandum of the Company must be approved by a "special resolution";</p> <p>According to Article 90 of the Cayman Company Act, the resolution to dissolve the Company must be passed by a "special resolution".</p> <p>According to the Cayman Companies Law, the matters that should be subject to special resolutions must be adopted by the shareholders in accordance with the Articles of Association as "Special Resolutions".</p> <p>Resolutions made under the voting threshold for "Special Resolutions" under the Companies Law shall be invalid under the Cayman Company Law.</p>	<p>In principle, the Cayman Companies Law voting rights requirements for "special resolutions" are not lower than the requirements stipulated in Company Law of the Republic of China and Shareholders' Equities Protection Important Matters. Therefore, the Company's Articles of Association should have no adverse effect on shareholders' equities.</p>

<p>allocate the whole or part of share dividends or bonuses</p> <p>5. Resolutions for corporate dissolution, merger, or split</p>		
<p>If the Company transfers the shares to employees at a price lower than the average price of the shares actually repurchased, it shall be agreed by the latest shareholders' meeting attended by shareholders</p> <p>representing more than half of the outstanding shares and approved by more than two-thirds of the voting rights of the shareholders attending the meeting, and the following items shall be listed and stated in the convening purpose of the shareholders' meeting and shall not be proposed</p> <p>by provisional motion:</p> <ol style="list-style-type: none"> <li>1. The exercise price, the valuation percentage, the bases of calculations, and the reasonableness thereof.</li> <li>2. The number of shares to be transferred, the purpose, and the reasonableness thereof.</li> <li>3. Qualification requirements for warrant subscribers, and the number of shares they are allowed to subscribe for.</li> </ol> <p>Matters affecting shareholders' equity: the amount of possible expense and the dilution of the Company's earnings per share; description of the financial burden on the Company caused by the transfer of shares to employees at a price lower than the average repurchase price of the shares.</p> <p>For all successive instances where share transfers to employees as provided for in the preceding paragraph have been approved by shareholders meetings and the shares have been transferred, the cumulative number of shares thus transferred may not exceed 5 percent of the total issued shares of the company, and the cumulative number of shares thus subscribed by any single employee may not exceed 0.5 percent of the total issued shares of the company.</p> <p>With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares. For the resolutions at the shareholders' meeting, the number of shares of shareholders with no voting power shall not be included into the total number of</p>	<p>Pursuant to Article 37 of the amended Cayman Company Act on April 27, 2011, a Cayman company can repurchase or redeem the outstanding shares of the company through a resolution of the board of directors authorized by its articles of association.</p> <p>Until the outstanding shares are repurchased or redeemed, they shall be regarded as treasury shares.</p>	<p>The Cayman Islands has not made detailed regulations on the Company's purchase of treasury stock and its transfer to employees. The detailed provisions regarding the transfer of repurchased treasury shares to the Company's employees shall be stipulated in the Company's Articles of Association and shall have no adverse effect on shareholders' equities.</p>

issued shares.		
----------------	--	--

# Appendix

## **Independent Auditors' Report**

Presented to Board of Directors, Airmate (Cayman) International Co Limited

### **Opinion**

We have audited the Consolidated Balance Sheets of Airmate (Cayman) International Co Limited and its subsidiaries (hereinafter referred to as "Airmate Group") as of December 31, 2020 and 2019, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Material Accounting Policies) for the annual period from January 1 to December 31, 2020 and 2019.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Airmate Group as of December 31, 2020 and 2019, and its consolidated financial performance and consolidated cash flows for the annual periods ended December 31, 2020, and 2019 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

### **Basis of Audit Opinion**

We conducted our audit for 2020 consolidated financial statements in accordance with Regulations Governing Auditing and Generally Accepted Auditing Standards (GAAS); the 2019 consolidated financial statements were audited in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants, the Jin-Guan-Zheng-Shen-Zi No.1090360805 of FSC, and GAAS. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Airmate (Cayman) International Co Limited and Subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. The CPA believes that sufficient and appropriate evidence for the audit has been obtained as the basis for expressing opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 consolidated financial statements of Airmate Group. These matters have been dealt with in the process of auditing the overall consolidated financial report and forming a review opinion. The CPA does not express separate opinions on these matters. The CPA's judgment should communicate the key audit matters on the audit report as follows:

#### **1.Revenue recognition**

For the accounting policy of revenue recognition, please refer to the revenue of the customer contract in Note 4(15) of the consolidated financial statements. For the description of the revenue and expected return assessment, please refer to rights of pending returning products in Note 6(11), refund liabilities in Note 6(13), and revenue from customer contracts in Note 6(22) of the consolidated financial statements.

#### **Description of Key Audit Matters:**

Airmate Group is principally engaged in the sales of household appliances, and its operating revenue is one of the important items in the financial statement and is a matter of concern to users or recipients of the financial statement. Thus, revenue recognition is one of the important

evaluated items when the CPA is auditing Airmate Group.

In response to the auditing procedures:

The CPA's main auditing procedures for the above-mentioned key auditing matters, including: assess the recognition of revenue that are subject to the relevant accounting regulations and has been properly disclosed; test relevant manual controls of sales and collection operations cycle; review the sales contracts and terms of important subsidiaries and customers of the group, conduct analytical procedure on important customer changes and revenue changes based on product categories; check the relevant internal and external information of the sales transactions before and after the selected balance sheet date, and evaluate whether the sales revenue is covered in an appropriate period; obtain accrued sales allowance and returns set by the management of the group and check with relevant internal and external information to evaluate the rationality of relevant parameters and key assumptions; review the reasonableness of the estimates of allowance and returns of accrued sales in previous years to assess whether there are any significant abnormalities in the allowance and returns of accrued sales set by the management; understand whether there will be any major sales allowance and returns after the period.

## 2. Notes receivable and accounts receivable and impairment evaluation

For the accounting policies of impairment evaluation of accounts receivable, please refer to financial tools in Note 4(7) to the consolidated financial statements. For the descriptions of accounting estimates of the allowances loss for accounts receivable and uncertainty of the assumptions, please refer to Note 5(1) to the consolidated financial statements. For the impairment evaluation of notes receivable and accounts receivable, please refer to Note 6(3) to the consolidated financial statements.

Description of Key Audit Matters:

Airmate Group reserves expected credit losses in accordance with the stipulated accounts receivable allowance for bad debt policy. The reserves are conducted based on customer's credit risk and historical credit loss experience and reasonable expectations of customers' future economic conditions. Therefore, the evaluation of the notes receivable and the impairment evaluation of accounts receivable is one of the important evaluation items for the CPA to audit the consolidated financial statement.

In response to the auditing procedures:

The CPA's main audit procedures for the above-mentioned key audit matters, including: understand whether the rationality of the Airmate Group's policy on notes receivable and impairment loss allowance for account is handled in accordance with the relevant accounting standards; perform sampling procedures to check the correctness of the accounts receivable's aging schedule and analyze the changes in the age of accounts receivable in each period; execute sampling on letter of inquiry, and test the collection status of accounts receivable after the period to evaluate the reasonableness of impairment loss allowance and the amount of reserve.

## 3. Inventory Valuation

For the accounting policies of inventories, please refer to Note 4(8) of the consolidated financial statements; For the accounting estimates of the inventory evaluation and the description of the uncertainty of the assumptions, please refer to Note 5(2) of the consolidated financial statements; For the description of important accounting items in inventories, please refer to Note 6(5) to the consolidated financial statements.

Description of Key Audit Matters:

Inventory is measured by the lower of cost and net realizable value. Since the inventories of Airmate Group are mainly household appliances such as electric fans and electric heaters, the



characteristics of its products are affected by weather changes, which will result in unsalable inventory. The Group may sell its products at a lower price to reduce inventory. This may induce a risk that the cost of inventory is higher than the net realizable value. Therefore, inventory evaluation is one of the important evaluation items in the CPA's auditing on the financial review of Airmate Group.

In response to the auditing procedures:

The CPA understood the recognition policies of inventory depreciation loss of Airmate Group and assessed whether its inventory evaluation has been implemented in accordance with established accounting policies, including the implementation of sampling procedures to check the correctness of inventory age, and to analyze the changes in inventory age of each period; The reasonableness of past reserves for inventory depreciation loss withheld by the management was reviewed and was compared with the methods and assumptions on the reserves for inventory depreciation loss for the current period to assess whether the valuation method and assumptions of the reserves for inventory depreciation loss for the current period are appropriate. The inventory sales status after the period is reviewed to assess the reasonableness of the estimation of the reserves for inventory depreciation loss.

### **Responsibility of the management and the governing body for the Consolidated Financial Statements**

The responsibilities of management are to prepare an appropriately expressed consolidated financial report in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and standing interpretation recognized and published by the Financial Supervisory Commission, and maintain the necessary internal controls related to the preparation of the consolidated financial statements to ensure that the consolidated financial report does not contain significant misrepresentation due to fraud or error.

In preparing the Consolidated Financial Statements, the responsibility of management includes assessing Airmate Group ability to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Airmate Group or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Airmate Group (including the Audit Committee) have the responsibility to oversee the procedures for financial reporting.

### **Accountant's responsibility in auditing consolidated financial statement**

The purpose of our audit is to provide reasonable assurance that the Consolidated Financial Statements as a whole contains no material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement in consolidated financial statements when it exists. Misstatement may be caused by fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

When the accountant is auditing in accordance with GAAS, the CPA uses professional judgment and maintains professional suspicion. The CPA will also perform the following duties:

1. Identifying and assessing the risk of material misstatement in a consolidated financial statement due to fraud or error. Moreover, obtaining sufficient and appropriate audit evidence as the basis for the auditing. The risk of not being able to detect a misstatement that is caused by fraud is higher than that caused by mistakes because fraud may involve conspiracy, forgery, intentional omission, false statement or overstepping internal control.

2. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Airmate Group.
3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly.
4. Concluding on the appropriateness of the management's use of going concern basis of accounting, and determining whether there existed events or circumstances that might cast significant uncertainty over Airmate Group's ability to continue as a going concern. If the CPA believes that there are material uncertainties in the events or circumstances, it is necessary to remind the users of the consolidated financial statements to pay attention to the relevant disclosures of the consolidated financial statements in the audit report, or to amend the audit opinions when the disclosure is inappropriate. The CPA's conclusions are based on the audited evidence obtained as of the date of the audit report. However, future events or circumstances may cause Airmate Group to no longer have the capacity to function as a going concern.
5. Evaluating the overall expression, structure, and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events.
6. Obtained adequate and appropriate audit evidence regarding financial information of members of the Group so as to express opinions for the Consolidated Financial Statements. The CPA is responsible for the guidance, supervision, and implementation of Airmate Group's audit and responsible for forming audit opinions on Airmate Group.

Items that have been communicated by the CPA to the governance bodies, including the planned scope and timing of the audit, as well as major audit findings (including significant internal control deficiencies identified during the audit).

We have also provided the statement pertaining to our accounting firm's personnel under the governance of independence to the governance unit and communicated with governance unit over relations and other items (including relevant protective measures) that could affect the CPA's independence.

From the matters communicated with those charged with governance, we determined the key audit matters of Airmate Group's 2020 consolidated financial statements. The CPA has stated those items in the audit report unless the law does not allow public disclosure of certain matters, or under extreme rare cases, the CPA decided not to communicate specific matters in the audit report because it can reasonably assume the negative impact of communication is greater than the promoted public interest.

KPMG

CPA: Chun-Wei Chuang  
Kuan-Wen Lu

Number of Certificate	: Jin-Guan-Zheng-Shen-Zi No.
Approved and Issued by	1040010193
Securities Competent Authority	Jin-Guan-Zheng-Liu-Zi No. 0940100754

March 15, 2021

**Airmate (Cayman) International Co Limited and Subsidiaries**  
**Consolidated Balance Sheets**  
**For the years ended December 31, 2020 and 2019**

Unit: NT\$ thousands

Assets		2020.12.31		2019.12.31		Liabilities and Equities		2020.12.31		2019.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current Assets:</b>						<b>Current Liabilities:</b>					
1100	Cash and cash equivalents (Note 6(1))	\$ 443,712	5	412,939	5	2100	Short-term borrowings (Notes 6(12) & 8)	\$ 315,302	4	540,627	6
1110	Financial Assets at Fair Value Through Profit or Loss - Current (Note 6(2))	72,010	1	1,807	-	2120	Financial liabilities at fair value through profit or loss - current (Notes				
1150	Amount of Notes Receivables, Net (Note 6(3))	614,541	7	509,234	6		6(2)(16))	178	-	-	-
1170	Amount of Accounts Receivable, Net (Note 6(3))	1,551,137	17	1,155,585	13	2130	Current contract liabilities (Note 6(22))	309,422	3	220,971	3
1180	Accounts Receivable from Related Parties, Net (Notes 6(3) and 7)	17,820	-	88,997	1	2150	Notes payable (Notes 6(13) & 8)	1,774,409	19	1,608,075	18
130x	Inventories (Note 6(5))	2,127,184	23	2,074,493	23	2170	Accounts payable	1,251,435	14	1,111,646	12
1470	Other Current Assets (Notes 6(3)(4)(11) and 8)	535,089	6	753,239	8	2200	Other payables (Note 6(13))	666,090	7	671,547	8
1481	Rights of Pending Returning Products - Current (Note 6(11))	104,021	1	70,955	1	2220	Other Payables to Related Parties (Note 7)	3,452	-	9,686	-
	<b>Total Current Assets</b>	<u>5,465,514</u>	<u>60</u>	<u>5,067,249</u>	<u>57</u>	2230	Current Tax Liabilities	117,788	1	94,637	1
<b>Non-current Assets:</b>						2250	Current provisions (Note 6(14))	42,265	-	20,556	-
1510	<b>Financial Assets at Fair Value through Profit or Loss - Non-current (Notes</b>					2300	Other current liabilities (Note 6(13))	141,676	2	97,271	1
	<b>6(2)(16))</b>	150	-	330	-	2321	Bonds Payable or Put Option Execution - Current Portion (Notes 6(2)(16))	-	-	438,874	5
1550	Investment accounted for using the equity method (Note 6(6))	27,258	-	25,228	-	2322	Long-Term Borrowings - Current Portion (Note 6(15))	-	-	44,954	1
1600	Property, plant, and equipment (Notes 6(8), 8, and 12(3))	3,135,215	34	1,886,835	21		<b>Total Current Liabilities</b>	<u>4,622,017</u>	<u>50</u>	<u>4,858,844</u>	<u>55</u>
1755	Right-of-use asset (Note 6(9))	210,874	2	1,595,241	18	<b>Non-current Liabilities:</b>					
1780	Intangible assets (Note 6(10))	7,749	-	11,697	-	2530	Bonds Payable (Note 6(16))	679,997	7	293,350	3
1840	Deferred tax assets (Note 6(18))	177,912	2	166,125	2	2640	Defined benefit liabilities, net - non-current (Note 6(17))	32,625	1	28,717	-
1900	Other Non-current Assets (Notes 6(11) & 8)	228,670	2	148,311	2	2645	Guarantee Deposits Received	111,485	1	94,481	1
	Total Non-current Assets	<u>3,787,828</u>	<u>40</u>	<u>3,833,767</u>	<u>43</u>	2600	Other non-current liabilities (Notes 6(13) & 12(3))	668,302	7	616,531	7
							<b>Total Non-current Liabilities</b>	<u>1,492,409</u>	<u>16</u>	<u>1,033,079</u>	<u>11</u>
							<b>Total Liabilities</b>	<u>6,114,426</u>	<u>66</u>	<u>5,891,923</u>	<u>66</u>
						<b>Equities Attributable to Owners of Parent Company (Note 6(19))</b>					
						3110	Common Stock	1,395,876	15	1,368,506	15
						3200	Capital Surplus	1,224,541	13	1,223,135	14
						3300	Retained Earnings	779,988	9	765,987	9
						3400	Other equities	(261,489)	(3)	(363,823)	(4)
							<b>Equities Attributable to Shareholders of the Company</b>	<u>3,138,916</u>	<u>34</u>	<u>2,993,805</u>	<u>34</u>
						36xx	Non-controlling interests (Note 6(7))	-	-	15,288	-
							<b>Total Equities</b>	<u>3,138,916</u>	<u>34</u>	<u>3,009,093</u>	<u>34</u>
<b>Total Assets</b>		<u>\$ 9,253,342</u>	<u>100</u>	<u>8,901,016</u>	<u>100</u>		<b>Total Liabilities and Equities</b>	<u>\$ 9,253,342</u>	<u>100</u>	<u>8,901,016</u>	<u>100</u>

(Please see the attached notes to the consolidated financial statements)

President: Rui-Bin Shih

General Manager: Yong-Chang Lin

Accounting Manager: Mei-Hsiu Ho

**Airmate (Cayman) International Co Limited and Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**For the years ended December 31, 2020 and 2019**

Unit: NT\$ thousands

		2020		2019	
		Amount	%	Amount	%
4000	<b>Operating Revenue (Notes 6 (22) &amp; 7)</b>	\$ 9,207,346	100	10,142,781	100
5000	<b>Operating Cost (Notes 6 (5) &amp; 7)</b>	7,641,207	83	8,166,237	81
	<b>Gross Profit</b>	1,566,139	17	1,976,544	19
5910	Less: Unrealized profit and loss on sales	8,936	-	13,868	-
5920	Gain: Realized profit and loss on sales	13,285	-	10,036	-
	<b>Realized Gross Profit</b>	1,570,488	17	1,972,712	19
	<b>Operating expenses:</b>				
6100	Selling expense (Notes 6(17) & 7)	897,510	10	1,090,678	11
6200	Administrative expense (Note 6(17))	342,834	4	429,444	4
6300	Research & development Expense	107,717	1	146,226	1
6450	Expected credit loss (Note 6(3))	1,521	-	16,488	-
	<b>Total Operating Expense</b>	1,349,582	15	1,682,836	16
	<b>Operating Profit</b>	220,906	2	289,876	3
	<b>Non-operating income and expenses:</b>				
7100	<b>Interest income (Note 6(24))</b>	34,079	-	30,962	-
7010	Other income (Note 6(24))	70,495	1	66,395	1
7020	Other gains and losses (Note 6(24))	(56,119)	-	11,633	-
7050	Finance costs (Note 6(24))	(42,740)	-	(76,047)	(1)
7060	Share of associates and joint ventures profit or loss accounted for using the equity method (Note 6(6))	(2,742)	-	5	-
	<b>Total non-operating income and expenses</b>	2,973	1	32,948	-
7900	<b>Net Profit Before Tax</b>	223,879	3	322,824	3
7950	<b>Less: Income Tax Expense (Note 6 (18))</b>	67,640	1	65,665	1
	<b>Net Income</b>	156,239	2	257,159	2
8300	<b>Other comprehensive gain or loss:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8311	Remeasurement of defined benefit plans (Note 6(17))	(1,728)	-	12,233	-
8349	Less: Income tax expenses (gains) related to items that are not reclassified subsequently to profit or loss:	-	-	-	-
		(1,728)	-	12,233	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences arising on translation of a foreign operation's financial statements (Note 6(19))	102,334	1	(150,305)	(1)
8399	Less: Income tax related to items that may be reclassified:	-	-	-	-
	<b>Total items that will may be reclassified subsequently to profit or loss:</b>	102,334	1	(150,305)	(1)
8300	<b>Other comprehensive income of the period</b>	100,606	1	(138,072)	(1)
	<b>Total comprehensive income (loss)</b>	<b>\$ 256,845</b>	<b>3</b>	<b>119,087</b>	<b>1</b>
	<b>Net Income Attributable to:</b>				
8610	Parent company	\$ 156,239	2	251,919	2
8620	non-controlling interests	-	-	5,240	-
	<b>Net Income</b>	<b>\$ 156,239</b>	<b>2</b>	<b>257,159</b>	<b>2</b>
	<b>Total Comprehensive Income Attributable to:</b>				
8710	Parent company	\$ 256,845	3	114,461	1
8720	Non-controlling interests	-	-	4,626	-
	<b>Total comprehensive income (loss)</b>	<b>\$ 256,845</b>	<b>3</b>	<b>119,087</b>	<b>1</b>
	<b>Earnings Per Share (Note 6(21)):</b>				
9750	<b>Basic EPS (Unit: NT\$)</b>	<b>\$ 1.12</b>		<b>2.01</b>	
9850	<b>Diluted EPS (Unit: NT\$)</b>	<b>\$ 1.11</b>		<b>1.97</b>	

(Please see the attached notes to the consolidated financial statements)

President: Rui-Bin Shih

General Manager: Yong-Chang Lin Accounting Manager: Mei-Hsiu Ho

**Airmate (Cayman) International Co Limited and Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**For the years ended December 31, 2020 and 2019**

Unit: NT\$ thousands

	Equity attributable to owners of parent company						Other Equity Item, Exchange differences arising on translation of financial statements of foreign operations	Treasury stock	Total owner equity attributable to the parent company	Non-controll ing Interests	Total equity
	Capital stock of common stocks	Capital surplus	Legal reserve	Special reserve	Undistribut ed surplus	Total					
<b>Balance as of January 1, 2019</b>	\$ 1,228,436	979,283	139,426	287,145	75,264	501,835	(214,132)	(33,051)	2,462,371	10,662	2,473,033
Net Income	-	-	-	-	251,919	251,919	-	-	251,919	5,240	257,159
Other comprehensive income of the period	-	-	-	-	12,233	12,233	(149,691)	-	(137,458)	(614)	(138,072)
Total comprehensive income (loss)	-	-	-	-	264,152	264,152	(149,691)	-	114,461	4,626	119,087
Appropriation and distribution of retained earnings (Note 6(18)):											
Legal reserve	-	-	-	75,264	(75,264)	-	-	-	-	-	-
Capital Increase by Cash	120,000	198,805	-	-	-	-	-	-	318,805	-	318,805
Issuance of convertible bond	-	2,899	-	-	-	-	-	-	2,899	-	2,899
Convertible bond conversion	20,070	35,984	-	-	-	-	-	-	56,054	-	56,054
Share-based payment transactions	-	6,164	-	-	-	-	-	33,051	39,215	-	39,215
<b>Balance as of December 31, 2019</b>	1,368,506	1,223,135	139,426	362,409	264,152	765,987	(363,823)	-	2,993,805	15,288	3,009,093
Net Income	-	-	-	-	156,239	156,239	-	-	156,239	-	156,239
Other comprehensive income of the period	-	-	-	-	(1,728)	(1,728)	102,334	-	100,606	-	100,606
Total comprehensive income (loss)	-	-	-	-	154,511	154,511	102,334	-	256,845	-	256,845
Appropriation and distribution of retained earnings (Note 6(18)):											
Legal reserve	-	-	25,192	-	(25,192)	-	-	-	-	-	-
Special reserve	-	-	-	1,413	(1,413)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(109,480)	(109,480)	-	-	(109,480)	-	(109,480)
Stock dividend on ordinary shares	27,370	-	-	-	(27,370)	(27,370)	-	-	-	-	-
Issuance of convertible bond	-	12,365	-	-	-	-	-	-	12,365	-	12,365
Redemption of convertible bond	-	(10,959)	-	-	-	-	-	-	(10,959)	-	(10,959)
Difference between the price received from acquisition or disposal of interest in subsidiaries and book value	-	-	-	-	(3,660)	(3,660)	-	-	(3,660)	(15,288)	(18,948)
<b>Balance as of December 31, 2020</b>	\$ 1,395,876	1,224,541	164,618	363,822	251,548	779,988	(261,489)	-	3,138,916	-	3,138,916

(Please see the attached notes to the consolidated financial statements)

President: Rui-Bin Shih

General Manager: Yong-Chang Lin

Accounting Manager: Mei-Hsiu Ho

**Airmate (Cayman) International Co Limited and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**For the years ended December 31, 2020 and 2019**

**Unit: NT\$ thousands**

	2020	2019
<b>Cash flow of operating activities:</b>		
<b>Profit before tax</b>	\$ 223,879	322,824
<b>Adjustment items:</b>		
<b>Revenue and expense items</b>		
Expected credit loss	1,521	16,488
Depreciation expense	340,639	424,109
Amortization expense	5,663	9,155
Interest expense	42,740	87,882
Interest income	(34,079)	(42,797)
Share of associates and joint ventures loss (gain) accounted for using the equity method	2,742	(5)
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	554	(9,976)
Loss on disposal and retirement of property, plant and equipment	7,663	4,131
Property, plant and equipment expenses transferred	33,149	51,215
Unrealized sales profit	8,936	13,868
Realized sales profit	(13,285)	(10,036)
Unrealized exchange loss (gain)	3,170	(2,316)
Redemption profit of corporate bonds	(10,959)	-
Other income	(3,222)	(2,117)
Revenue and expense items	385,232	539,601
Changes in assets and liabilities related to operating activities:		
Net changes in assets related to operating activities:		
(Increase) decrease in financial assets at fair value through profit or loss	(70,519)	128,911
Increase in notes receivable	(105,307)	(26,942)
Increase in accounts receivable	(413,415)	(28,242)
Decrease in accounts receivable to related parties	71,177	12,450
(Increase) decrease in inventories	(52,691)	56,121
Increase in other financial instruments - current	(36,762)	(67,173)
Net changes in assets of operating activities:	(607,517)	75,125
Net changes in liabilities related to operating activities:		
Increase in notes payable	166,334	430,589
Increase in accounts payable	122,993	214,982
Increase in other payables	4,049	159,192
(Decrease) increase in other payables - related parties	(6,234)	3,366
Increase in provisions	21,709	13,685
Increase (decrease) in contract liability	88,451	(145,056)
Increase in other current liabilities	44,405	19,223
Gain in net defined benefit liabilities	2,180	2,100
Net changes in liabilities related to operating activities	443,887	698,081
Net changes in assets and liabilities related to operating activities	(163,630)	773,206
Adjusted items	221,602	1,312,807

**President: Rui-Bin Shih**

**General Manager:  
Yong-Chang Lin**

**Accounting Manager:  
Mei-Hsiu Ho**

**Airmate (Cayman) International Co Limited and Subsidiaries**  
**Consolidated Statements of Cash Flows (Cont.)**  
**For the years ended December 31, 2020 and 2019**

**Unit: NT\$ thousands**

	<u>2020</u>	<u>2019</u>
<b>Cash generated from operations</b>	445,481	1,635,631
Interest received	34,079	42,797
Interest paid	(45,360)	(83,773)
Income tax paid	(42,535)	(138,063)
<b>Net cash inflow from operating activities</b>	<u>391,665</u>	<u>1,456,592</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(166,584)	(247,465)
Disposal of property, plant, and equipment	54,553	15,729
Acquisition of intangible assets	(1,627)	-
Acquisition of right-of-use assets	(84,008)	(773,395)
Decrease (increase) in other financial assets	151,551	(249,957)
Decrease (increase) in other non-current assets	(10,064)	1,913
Net cash outflow from investing activities	<u>(56,179)</u>	<u>(1,253,175)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	1,770,858	1,172,824
Repayments of short-term borrowings	(1,993,948)	(1,882,259)
Corporate bonds issued	396,572	295,780
Repayment of corporate bonds	(443,200)	-
Repayments of long-term borrowings	(42,730)	(45,295)
Increase in guarantee deposits received	15,517	13,500
Increase (decrease) in other non-current liabilities	45,874	(13,201)
Cash dividends	(109,480)	-
Cash capital increase	-	318,805
Employees exercise of share options	-	6,164
Employees purchase of treasury stock	-	33,051
Acquisition of shares of subsidiaries	(18,948)	-
Change in non-controlling equities	-	(614)
<b>Net cash outflows from financing activities</b>	<u>(379,485)</u>	<u>(101,245)</u>
Effects of changes in foreign exchange rates	74,772	(107,001)
Net increase (decrease) in cash and cash equivalents	30,773	(4,829)
Cash and cash equivalents at beginning of period	412,939	417,768
Cash and cash equivalents at end of period	<u><u>\$ 443,712</u></u>	<u><u>412,939</u></u>

**(Please see the attached notes to the consolidated financial statements)**

**President: Rui-Bin Shih**

**General Manager:  
Yong-Chang Lin**

**Accounting Manager:  
Mei-Hsiu Ho**

# **Airmate (Cayman) International Co Limited and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **For Years Ended December 31, 2020 and 2019**

**(The unit for all amounts expressed are in thousands of NTD unless otherwise stated)**

#### **1. Company History**

Airmate (Cayman) International Co. Limited (hereinafter referred to as the “Company”) was established in March 2004 as an overseas holding company in the Cayman Islands. The main businesses of the Company and its subsidiaries (hereinafter referred to as the “consolidated company”) are manufacturing household appliances and precision mold treatment. The shares of the Company have been listed on the Taiwan Stock Exchange since March 21, 2013.

#### **2. Approval Date and Procedures of Financial Statements**

The consolidated financial statements were published upon approval by the Board of Directors on March 15, 2021.

#### **3. Application of Newly Released and modified Guidelines and Interpretations**

a. Impact of adopting newly released and modified guidelines and interpretations by the Financial Supervisory Commission

The consolidated company has adopted the following newly amended IFRSs starting from January 1, 2020, which have not had a material impact on the consolidated financial statements.

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

b. Impacts for yet to adopt IFRS recognized by FSC

The consolidated company has assessed that the application of the following newly amended IFRSs starting from January 1, 2021, will not have a material impact on the consolidated financial statements.

- Amendments to IFRS 4 "Deferral of Effective Date of IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 "Interest Rate Benchmark Reform - Phase II"

c. The newly released and modified standards and interpretations have not yet received the endorsement of FSC

Impact to the consolidated company of IFRSs Issued by IASB but not yet endorsed by the FSC



<b>New or amended standards</b>	<b>Major amended contents</b>	<b>Effective date of releases by IASB</b>
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	The amendments are to promote consistency in applying the standards by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current in the balance sheet. The amendments also clarify the classification rules for debts companies might settle by converting them into equity.	2023.1.1
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	The amendments stated that the cost of fulfilling a contract comprises the costs that relate directly to the contract. The costs include: <ul style="list-style-type: none"> <li>·The incremental costs of fulfilling the contract - e.g. direct labor and raw materials; and</li> <li>·An allocation of other costs that relate directly to fulfilling the contracts - e.g. the allocation of depreciation expense of property, plant, and equipment used in fulfilling the contract.</li> </ul>	2022.1.1

The consolidated company is continuously assessing the effects on its financial position and financial performance of amendments to the standards and interpretations. Any relevant effect will be disclosed when the assessment is completed.

The consolidated company anticipates that the application of the following other newly published and amended but recognized IFRSs will not have a material impact on the consolidated financial statements.

- Amendment to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Annual Improvements to IFRSs 2018-2020 cycle
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

#### **4.Summary Description of Material Accounting Policies**

The material accounting policies applied for the consolidated financial report are as follows. Unless otherwise specified, the following accounting policies are consistently applied to all expression periods of the consolidated financial report

#### a. Compliance to announcement

The consolidated financial report is prepared in accordance with the Securities Issuer Financial Report Preparation Standard (hereinafter referred to as "Preparation Standard"), IFRS endorsed and issued into effect by FSC, IAS, interpretations, and announcement (hereinafter referred to as IFRS recognized by FSC).

#### b. Basis of Preparation

##### 1) Basis of measurement

Except for the important items in the following balance sheet, the consolidated financial report is prepared on the basis of historical cost:

a) Financial assets measured at fair value through profit or loss; and

b) Net determined benefit liability (or asset), which means the fair value of retirement fund asset less the present value of defined benefit obligations

##### 2) Functional currency and presentation currency

Every individual entity of the consolidated company takes the currency of the economic environment its operation domiciles are in as the functional currency.

The consolidated financial report presents NTD as the functional currency. All financial information presented in NTD is in thousands of NTD.

#### c. Basis of consolidation

##### 1) Principle of consolidated financial report preparation

The preparation subjects of the consolidated financial report include the Company and individuals controlled by it (that is, subsidiaries) When the Company is exposed to the varied remunerations participated by investees or is entitled to the varied remunerations and is capable of affecting the remunerations through the authority over the investees, the Company controls the individual entity.

From the date of exercising control over the subsidiary, the financial report will be incorporated into the consolidated financial report, until the control is lost. The transaction, balance and any unrealized revenue and expenses among consolidated companies have been eliminated at the time of preparation of the consolidated financial reports. A subsidiary's total comprehensive income is attributable to owners of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

The financial report of subsidiaries has been reorganized to bring uniformity in the accounting policies with the Consolidated Company.

If the change of ownership equity to subsidiaries by the consolidated company does not cause lost control over them, it will be considered equity transaction between shareholders. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or collected shall be directly recognized in equity attributable to owners of the Company.

2)Subsidiaries included in the consolidated financial statements were as follows:

Name of investing companies	Name of subsidiaries	Nature of business	Shareholding		Description
			2020.12.31	2019.12.31	
The Company	Airmate (Cayman) International Co Limited (hereinafter referred to as Airmate International)	Overseas holding company	100%	100%	
Airmate International	AIRMATE CHINA INTERNATIONAL LIMITED (BVI) (Airmate China)	Overseas holding company	100%	100%	
Airmate China	Wacon Development Company Limited (hereinafter referred to Wacon Company (including Taiwan branch))	Transaction business	100%	100%	
Wacon Company	AIRMATE ELECTRICAL (SHENZHEN) LIMITED (hereinafter referred to as Shenzhen Airmate)	Manufacturing and sales of household appliances and processing precision mold	100%	100%	
Wacon Company / Shenzhen Airmate	Airmate Electric Appliances (Jiujiang) Co. Limited (hereinafter referred to as Jiujiang Airmate)	Manufacturing and sales of household appliances and processing precision mold	100%	100%	
Shenzhen Airmate	Airmate Technology (Shenzhen) Co., Limited (hereinafter referred to as Airmate Technology)	Sales, research and development of household appliances	100%	51%	Note 1
Shenzhen Airmate	Airmate e-Commerce (Shenzhen) Co., Ltd. (hereinafter referred to as Airmate e-commerce)	Sales of household appliances	100%	- %	Note 2

Note 1.Airmate Electrical (Shenzhen) acquired the remaining 49% control of Shenzhen Airmate Technology Co., Limited (Airmate Technology) on January 6, 2020, and completed the change of company name to Airmate Technology (Shenzhen) Co., Limited.

Note 2.Airmate e-Commerce (Shenzhen) Co., Ltd. (hereinafter referred to as Airmate e-commerce) was founded in June 2020.

3)Subsidiaries not included into the consolidated financial report: none

d.Foreign Currency

1)Foreign currency transaction

Foreign currency transaction is translated into functional currency according to the exchange rate of the transaction date. The foreign currency items at the terminal date of report (hereinafter referred to as reporting date) are translated into functional currency according to the exchange rate of the date. Foreign currency items measured at fair value are re-translated into functional currency according to the exchange rate on the date of fair value, and foreign currency non-currency items measured through historical cost will be translated according to the exchange rate on the date of transaction.

Foreign currency exchange differences arising from translation will be generally recognized in profit or loss, but the following items will be recognized in other comprehensive profit or loss:

- a)Equity instruments designated and measured at fair value through other comprehensive income;
- b)Financial liabilities designated as net investment hedges for foreign operations within the effective hedge range; or
- c)Conforming cash flow hedge within the effective hedge range.

## 2) Foreign operations

The assets and liabilities of a foreign operation, including the goodwill and fair value adjustment, are translated into NTD according to the exchange rate on the reporting date; the revenue and expense items are translated into NTD according to the average exchange rate of the period. And the exchange difference amount will be recognized as other comprehensive income.

When the disposal of foreign operation leads to loss of control, joint control or material influence, the cumulative exchange difference amount related to them will be re-classified into profit or loss. When partially disposing of subsidiaries containing foreign operation, the cumulative exchange difference amount will be re-classified to non-controlling equity according to proportion. When partially disposing of associates or joint investments containing foreign operation, the cumulative exchange difference amount will be re-classified into profit or loss according to proportion.

For receivable or payable items denominated in the functional currency of a foreign operation, if there is no plan of paying off or it cannot be paid off in the foreseeable future, the foreign currency translation profit or loss arising therefrom will be deemed as part of the net investment of them and hence recognized as other comprehensive income.

### e. Assets and liabilities classified as current and non-current

Any asset meeting one of the following conditions is current asset, and other assets not falling into current asset are non-current asset.

- 1) The asset is expected to be realized within normal operation cycle, or it is intended to be sold or consumed;
- 2) The asset held for the purpose of transaction;
- 3) The asset is expected to be realized within twelve months after the reporting period; or
- 4) The asset is cash or cash equivalent, but it will be used for exchange or clearing off liability at least twelve months after the reporting period, unless otherwise limited.

Any liability meeting one of the following conditions is current liability, and other liabilities not falling into current liability are non-current liability:

- 1) Liabilities to be cleared off within the normal operation cycle;
- 2) Liabilities held primarily for the purpose of trading;
- 3) Liabilities that is due to be settled within twelve months after the reporting period; or
- 4) Liabilities whose settlement can be deterred unconditionally for at least twelve months after the reporting period. If the term of liability, at the discretion of transaction party, causes it to be cleared off by issuing equity instruments, the classification will not be influenced

### f. Cash and cash equivalents

Cash includes inventory cash and current deposit. Cash equivalents refer to the short-term and high-flow investment that can be converted into certain amount of cash at any time with low risk in change of value. Time deposits are classified as cash equivalents only when they satisfy the aforementioned definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## g. Financial instruments

Accounts receivable and debt securities issued were originally recognized when incurred. All other financial assets and financial liabilities were originally recognized when the consolidated company became a party to the terms of a financial instrument contract. Financial assets that are not measured at fair value through profit or loss (excluding accounts receivable that do not include significant financial components) or financial liabilities were originally measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable that do not include significant financial components were originally measured at transaction prices.

### 1) Financial assets

The purchase or sale of financial assets is in accordance with customary transactions. The consolidated company shall account for all purchases and sales of financial assets classified in the same manner on the transaction day or settlement date.

The financial assets of the initial recognition can be classified as: financial assets measured at amortized cost and financial assets measured at fair value through profit or loss. The consolidated company only re-classifies the influenced financial assets from the start day of the next reporting period when the operation mode of financial assets management is varied.

#### a) Financial assets measured at amortized cost

Financial assets meeting all of the following conditions and without being designated for measurement at fair value through profit or loss are to be measured at amortized cost:

- The financial assets are held under the operation mode with the purpose of collecting contract cash flow.
- The cash flow on certain date arising out of the contract term of the financial assets is completely for paying the capital and the interest of outstanding capital.

The subsequent measurement of these assets shall be based on the original recognition amount plus or minus the accumulated amortization calculated by the effective interest method, and adjust the amortized cost for any allowance for loss. Interest income, foreign currency profit or loss, and impairment loss are recognized as profit or loss. When derecognition, benefit or loss is recognized as profit or loss.

#### b) Financial assets measured at fair value through profit or loss

The aforementioned financial assets not measured at amortized cost are measured at fair value through profit or loss, including derivative financial assets. In initial recognition, the consolidated company has to irrevocably designate financial assets measured at amortized cost as financial assets measured at fair value through profit or loss, to remove or significantly lower accounting mismatch.

These assets are subsequently measured at fair value, and net gains and losses (including dividend and interest income) are recognized in profit or loss.

#### c) Impairments of financial assets

The expected credit loss for financial assets measured through amortized cost by the consolidated company (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, refundable deposit, and other financial assets, etc.) is recognized as allowance loss.

The credit risk of bank deposit means measurement of allowance loss with a 12-month expected credit loss amount, and the credit risk of financial assets measured through amortized cost is measured through lifetime expected credit losses except for cash and cash equivalents.

Allowance loss on accounts receivable is measured based on the lifetime expected credit losses.

In judging whether the credit risk has significantly increased after initial recognition, the consolidated company will consider reasonable and verifiable information (without the need of transition cost or input), including qualitative and quantitative information as well as analysis based on historical experience, credit evaluation and prospective information.

If the contract payment is overdue for more than ninety days, the consolidated company will assume that the credit risk of financial assets has significantly increased.

If the contract payment is overdue for more than one hundred and eighty days, the consolidated company will assume that the financial assets are in default.

Lifetime expected credit loss refers to the expected credit loss out of all possible defaults during the expected survival period of financial instruments

12 month expected credit loss refers to the expected credit loss of financial instruments out of possible defaults within 12 months after the reporting date (or within a shorter period, if the expected duration of financial instruments is shorter than 12 months).

The longest period for measurement of expected credit loss is the same with the longest contract period in which the consolidated company is exposed to credit risk.

Expected credit loss refers to the weighted estimate of credit loss probability during the expected survival period of financial instruments. Credit loss is measured by the current value of all cash deficiency, namely difference between cash flow receivable by consolidated company according to contract and the cash flow expected to be received by consolidated company. Expected credit loss is discounted at the effective interest rate of financial assets.

The consolidated company evaluates whether there is credit impairment in measuring financial assets measured at amortized cost on every reporting date. When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. The evidences for credit impairment of financial assets include the observable data for the following events:

- Material financial hardship for borrower or issuer;
- Default, such as arrearage or delinquency for more than ninety days;
- Compromise made by consolidated company to borrower that would not be considered before, because of economic or contract reason related to borrower's financial difficulty;
- The borrower is most likely to file for bankruptcy or conduct other financial arrangement; or
- Disappearance of active market for the financial asset due to financial difficulty.

The allowance loss of financial assets measured at amortized cost is deducted from the carrying amount of assets.

When the consolidated company fails to carry out a reasonable expectation of recovery of financial assets in whole or in part, the total carrying amount of the financial assets directly decreases. For companies, the consolidated company analyzes the timing and amount of write-offs individually based on whether it is reasonably expected to be recoverable. The consolidated company expects that the written off amount will not be materially reversed. However, the financial assets that have been written off can still be mandatorily executed to comply with the procedures of the consolidated company in recovering overdue amounts.

#### d) Derecognition of financial assets

The consolidated company will only derecognize the financial assets at the termination of contractual rights from the cash flow of the asset, or when the financial assets have been transferred and almost all risks and rewards of ownership of the assets have been transferred to other enterprises, or when the financial assets have not been transferred, and almost all risks and rewards of ownership of the assets have not been retained nor control of the financial asset.

### 2) Financial liabilities and equity instruments

#### a) Classification of liabilities or equities

The consolidated company classifies its issuance of debts and financial instruments as financial liabilities or equity in accordance with the definition of financial liabilities and equity instruments, as well as the contractual substance.

#### b) Equity transactions

Equity instruments refer to any contracts containing the consolidated company's residual interest after subtracting liabilities from assets. Equity instruments issued by the consolidated company are recognized as the net of proceeds less direct issuance costs.

#### c) Treasury stock

When buying back the equity instruments recognized by the consolidated company, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The repurchased shares are classified as treasury stocks. For subsequent sales or re-issuance of treasury stocks, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a capital reserve or retained surplus (if the capital surplus is insufficient for the offsetting).

#### d) Composite financial instruments

The composite financial instruments issued by the consolidated company refer to corporate bonds (denominated in NTD) for which holders enjoy the option to convert them into capital, and the number of issued shares will not change with variation of fair value.

For the components of composite financial instruments liability, the originally recognized amount is measured at fair value through similar liability of equity conversion option. For the components of equity, the originally recognized amount is measured by the difference between fair value of overall composite financial instruments and fair value of components of liability. Any directly attributable transaction cost will be amortized to liability and equity components according to the carrying amount ratio of original liability and equity.

After initial recognition, the liability components of composite financial instruments are measured through amortized cost with effective interest method. The components of composite financial instruments will not be re-measured after initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liability is reclassified as equity upon conversion without being recognized as profit or loss.

#### e) Financial liabilities

Financial liabilities are classified as amortized cost or measured at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value and the related net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently assessed at amortized cost employing an effective interest method. Interest expenses and exchange profit or loss are recognized in profit or loss. Any benefits or losses at the time of derecognition are also recognized in profit or loss.

#### f) Derecognition of financial liabilities

The consolidated company derecognizes financial liabilities when the contract obligations have been performed, cancelled or expired. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the revised liabilities, the original financial liabilities will be derecognized and new financial liabilities will be recognized at fair value based on the revised terms.

When a financial liability is derecognized, the difference between the carrying amount of financial liability derecognized and the consideration paid or payable (including any non-cash asset transferred or liability assumed) should be recorded into profits or losses of the current period.

#### g) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset when the consolidated company currently has the legally enforceable right and the intention for netting settlement or realization of assets and liabilities clearing happen at the same time, and the net amount is represented in the balance sheet.

### 3) Derivative financial instruments

The consolidated company holds derivative financial instruments to mitigate risks of foreign currency and interest rates. Embedded derivatives are processed separately from the main contract when they meet certain conditions and the main contract is not a financial asset.



Derivative instruments are initially measured at fair value when they are recognized; subsequent measurement is based on fair value and the benefits or losses arising from reassessment are directly included in profit or loss.

#### h. Inventory

Inventory is measured by the lower of cost and net realizable value. Cost includes acquisition, production or processing costs incurred to bring it to a saleable state and location, and is calculated using the weighted average method. The cost of finished products and work in progress inventory includes the overhead properly allocated according to normal capacity utilization.

Net realizable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale.

#### i. Investment in the associates

Associates refer to those for which the consolidated company has material influence upon their financial and operation policies but without controlling or joint controlling.

The consolidated company's investments in associates are accounted for using the equity method. Under equity method, it is recognized through cost in original acquisition, and investment cost includes transaction cost. The carrying amount of invested associates includes identified goodwill at original investment less any cumulative impairment loss.

The consolidated financial report includes recognition of profit or loss and other comprehensive income amounts of invested associates by the consolidated company according to shareholding after adjustment for consistency of accounting policies from the date of material influence to the date of losing such influence. When associates undergo non-equity or other comprehensive income equity changes without influencing the shareholding proportion of the consolidated company, the consolidated company will recognize the equity change in the share of affiliated enterprises attributable to it as capital surplus according to shareholding proportion.

The unrealized benefits and losses arising from the transaction between the consolidated company and the associates are recognized as corporate financial statements only within the scope of the non-related parties' interest in the associates.

When the loss percentage of associates to be recognized by the consolidated company is equal to or over its equity in them, the recognition of the loss is suspended, and only in the case of legal obligations, constructive obligations or within the scope of making payment for the investee company, additional loss or relevant liability will be recognized.

#### j. Property, plant and equipment

##### a) Recognition and measurement

Property, plant, and equipment should be measured by cost less cumulative depreciation and cumulative impairment.

When the service years of material part of property, plant, and equipment vary, they are deemed as independent items (main components) for treatment.

The disposal profit or loss of property, plant, and equipment are recognized in profit or loss.

##### b) Subsequent cost

Subsequent expense will only be capitalized when its future economic benefits are most likely to flow into the consolidated company.

### c) Depreciation

The depreciation is calculated by capital cost less scrap value and is recognized in profit or loss based on the estimated service years of each component using the straight-line method.

Estimated service years of the current period and comparative periods are as follows:

- 1) House and building: 5-50 years;
- 2) Machinery and equipment: 5-10 years
- 3) Transportation equipment: 3-6 years
- 4) Office facilities: 2-5 years;
- 5) Other equipment: 5 years.

The Consolidated Company shall review the depreciation method, useful life, and residual value on each reporting date, and make appropriate adjustments as necessary.

### k. Lease

#### 1) Determination of a lease

At inception of a contract, the consolidated company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the consolidated company evaluates whether:

- a) The contract involves the use of an identified asset - this may be explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- b) The client has the right to obtain substantially all of the economic benefits from use of an identified asset; and
- c) The client has the right to direct the use of the assets during the entire use period when one of the following conditions is met:
  - The customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - The relevant decisions about the use method and purpose of use of the asset are determined in advance, and:
    - The client has the right to operate the asset for the entire period of use, and the supplier has no right to change these operating instructions; or
    - The client designed the asset in a way the predetermined how and for what purpose it will be used.

#### 2) Lessee

The consolidated company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the consolidated company periodically assesses whether the right-of-use asset is reduced by impairment losses, if any, and adjusts the right-of-use asset for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. If interest rate implicit in the lease is easy to determined, the discount rate is used; if the rate cannot be reliably determined, the incremental borrowing rate of the consolidated company is used. Generally, the consolidated company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) Fixed benefits, including substantially fixed benefits;
- b) Variable lease payments depending on an index or a rate, initially measured using the index or rate at the commencement date;
- c) Amount expected to be payable under residual value guarantee; and
- d) The exercise price or penalty payable when the purchase option or lease termination option is reasonably determined to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- a) There is a change in future lease payments arising from the change in an index or rate; or
- b) There is a change in the consolidated company's estimate of the amount expected to be payable under a residual value guarantee; or
- c) There is a change of its assessment on whether it will exercise a purchase; or
- d) There is a change of its assessment on whether it will exercise an extension or termination option, and the evaluation of the lease period is changed; or
- e) There is any modifications on leased object, scope or other terms.

When the lease liability is remeasured due to the aforementioned changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset shall be adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between it and the remeasurement amount of the lease liability is recognized in profit or loss.

The consolidated company presents the right-of-use assets and lease liabilities that do not meet the definition of investment as a separate line item respectively in the balance sheet.

For short-term leases of the operation lease rented domicile, plant and storage and leases of low-value assets, the consolidated company has elected not to recognize the right-of-use assets and lease liabilities, and the lease payments associated with these

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

## I. Intangible assets

### a) Recognition and measurement

The acquisition of other intangible assets with finite useful lives by the consolidated company is measured by cost less cumulative amortization and cumulative impairment.

### b) Subsequent expenses

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognized as profit or loss upon occurrence.

### c) Amortization

Except for goodwill, amortization is calculated based on the cost of assets less estimated residual values and is recognized as profit or loss over the estimated useful life of the intangible asset from the point at which the intangible assets are ready for use.

Estimated service years of the current period and comparative periods are as follows:

1) Computer software and network engineering works: 5 years

2) Golf license: 10 years.

The consolidated company reviews the amortization method, service life, and residual value of intangible assets at each reporting date and adjusts appropriately if necessary.

## m. Impairments of non-financial assets

The consolidated company assesses at each reporting date whether there is any indication that the carrying amount of non-financial assets (except for assets arising out of inventory, deferred tax assets and employees welfare) may be impaired. If there is any sign, an estimate is made of its recoverable amount.

For the impairment test, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is regarded as the smallest identifiable asset group. Goodwill acquired in a business combination is allocated to each cash-generating unit (CGU) or group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. When assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks of the asset or CGU.

If carrying amount of the unit exceeds the recoverable amount of the unit, impairment losses are recognized.

The impairment loss is recognized immediately in profit or loss, firstly by reducing the carrying amount of any goodwill allocated to the CGU, and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU.

Non-financial assets except for goodwill are reversed only to the extent that they do not exceed the carrying amount (minus depreciation or amortization) determined if the asset had not recognized impairment losses in previous years.

#### n. Liability provision

The recognition of liability provision means current obligation for past events, so that in the future the consolidated company is most likely to outflow resources with economic benefits to settle it, and the amount of the obligation can be reliably estimated. Liability provision is discounted by the before tax discounting rate of reflecting the current market to the time value of currency and evaluation of certain risk in liability, and the amortization of discount is recognized as interest expense.

##### Warranty

Warranty liability provision is recognized at selling products or services. The liability provision is measured by relevant probability weight according to historical warranty data and all possible results.

#### o. Revenue recognition

##### Revenue from Contracts with Customers

The income is measured by the expected consideration in transferring products or labor. The consolidated company recognizes the income when the control over product or labor is transferred to the customer meeting the performance of an obligation. The main income items of consolidated company are described as follows:

##### 1) Sales of goods

The consolidated company recognizes the income upon transfer of control over product. The transfer of control over product means delivery of product to customer, and complete decision by customer for the sales channel and price, without influencing the unperformed obligation for the customer to accept the product. Delivery means conveying the product to designated place, whereby its outdatedness and loss risk has been transferred to customer, and the customer has accepted the product according to sales contract while the acceptance inspection term goes invalid, or the consolidated company has objective evidences to believe that all acceptance inspection conditions have been met.

The consolidated company grants a sales return period to a customer, so the expected return part has to be adjusted in recognizing income and return liability and the right of the product to be returned is recognized as well. The consolidated company estimates the expected return at the timing of sales by adopting cumulative past experience. The consolidated company re-evaluates the estimate of expected return on every reporting date.

The consolidated company undertakes the obligation of defect refund for provision of the standard warranty, and the obligation is recognized as warranty liability provision. Please refer to Note 6(14) for details.

The consolidated company recognizes accounts receivable upon delivery of goods, because it enjoys the entitlement of collecting consideration unconditionally at this timing.

##### 2) Financial components

The interval between the expected time of transferring commodity or labor to a customer by the consolidated company and the time of a customer in making payment for the commodity or labor cannot exceed one year, so the consolidated company will not adjust the time value of currency for transaction price.

p. Government grants

The consolidated company recognized asset-related government subsidies with no conditions attached as other income when the subsidies became receivable. For other asset-related grants, the consolidated company recognizes the asset deduction at fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The deferred income is recognized as a reduction of depreciation expense over the useful life of the asset on a systematic basis. Government grants intended to compensate expenses incurred or losses of the consolidated company were recognized in profit or loss in the same period as relevant expenses on a systematic basis.

q. Employee benefits

1) Defined promotion plan

The obligation of the defined contribution plan is recognized as an expense during the period of service provided by the employees. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

2) Defined benefit plan

The consolidated company's net obligation of the defined benefit plan is to calculate the present value of each benefit plan based on the future benefit amount earned by employees in the current or previous period and subtract the fair value of any plan assets.

The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. When the calculation result may be beneficial to the consolidated company, the recognized assets are limited to the present value of any economic benefits that can be obtained in the form of contributions refund or reduction in future payments of the plan. In calculating the present value of economic benefits, any minimum contribution requirements are considered.

The remeasurement of the net defined benefit liability, including actuarial gains and losses, planned asset returns (excluding interest), and any changes in the asset cap effects (excluding interest) are recognized immediately in other comprehensive income and accumulated in retained earnings. The consolidated company's decision to determine the net interest expense (income) of the defined benefit liability (asset) is to use the net defined benefit liability (asset) and discount rate determined at the beginning of the annual reporting period. Net interest expenses and other expenses to defined benefit plans are recognized in profit or loss.

When the plan is revised or reduced, the number of changes in benefits related to the past service costs or reduced benefits or losses is immediately recognized as profit or loss. The consolidated company recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

3) Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when services are provided. If the consolidated company has a current statutory or constructive payment obligation due to employees' past service, and the obligation can be estimated reliably, the amount is recognized as a liability.

#### r.Share-based payment transactions

During the vesting period of the reward, the grant-date fair value of the share-based payment arrangement for equity settlement is recognized as expenses with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The fair value of the cash-settled share appreciation right payable to employees is recognized as expenses with a corresponding increase in liabilities during the period when employees reach unconditional remuneration. The liability is remeasured at the reporting date and settlement date based on the fair value of the share appreciation right, and any changes are recognized as profit or loss.

The share-based payment date of the consolidated company is the date when the consolidated company and its employees reach a consensus on the subscription price and the number of shares that can be subscribed.

#### s.Income taxes

Income taxes include current and deferred income taxes. Except for items related to the consolidated company and directly recognized into equity or other comprehensive income, current and deferred income taxes shall be recognized as profit or loss.

The current income tax includes the estimated income tax payable or income tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to the income tax payable or income tax refund receivable in previous year. The amount is the best estimate of the amount expected to be paid or received based on the statutory tax rate or substantive legislation tax rate at the reporting date.

Deferred income tax is measured and recognized through the temporary difference between the carrying amount of liabilities and assets for the purpose of financial reporting and the levy duty basis. The temporary difference for the following conditions will not be recognized as deferred income tax:

- 1)Originally recognized asset or liability not falling to the transaction of corporate consolidation, without influencing accounting profit and levy duty gain (loss) at the transaction.
- 2)Temporary differences arising from the investment in subsidiary, associate, and joint venture equity, the consolidated company can control the reversal timing of the temporary difference and is unlikely to be reversed in the foreseeable future; and
- 3)Taxable temporary differences arising from the original recognition of goodwill.

Deferred income tax is measured at the tax rate at which temporary differences are expected to reverse, using the statutory tax rate or the substantial legislative tax rate at the reporting date.

The consolidated company only offsets the deferred tax asset and deferred tax liability for meeting the following conditions at the same time.



- a) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- b) The deferred tax asset and liability is related to one of the tax-paying subjects of income tax for the same tax authority.
  - i. Same tax-paying subject; or
  - ii. Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

At the late period of unused levy duty loss and unused income tax deduction, the deductible temporary difference is recognized as deferred tax asset within the usable scope of most likely future levy duty gain. It will be re-evaluated at each reporting date to reduce the relevant tax benefits to the extent that it is unlikely to be realized or to reverse the original reduced amount to the extent that it is likely to have sufficient taxable income.

t. Earnings per share

The consolidated company presents the basic and diluted earnings per share of shareholders of common stock equity. The consolidated company's basic earnings per share signify that the profit and loss of the common shareholders of the Company divided by the weighted average number of common shares outstanding during the period. The diluted earnings per share is calculated by adjusting the influence of all potential diluted common shares with profit or loss of the Company's common stock holders and weighted average number of common shares outstanding. Dilutive potential ordinary shares of the consolidated company include convertible bonds and stock options for employees.

u. Segment information

The operating segment, as part of the consolidated company, is engaged in operating activities for gaining income or incurring expenses (including income and expense related to the transaction with other departments in the company). The operation results of all operating segments are regularly re-checked by major operation decision-makers of the consolidated company, to make decisions on resources allocation and assess the performance. Every operating segment possesses independent financial information.

**5. The Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions**

When preparing the consolidated financial statements according to preparation standards and IFRS recognized by FSC, the management may have to make judgment, estimate, and assumption, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, income, and expenses. Therefore, actual results and estimates may have disparities.

The management has to continuously check the estimate and basic assumptions, and the accounting estimate is recognized during the period of change and during the future influenced period.

Uncertainty of the following assumptions and estimates carries a significant risk of major adjustments of the resulting asset and liability carrying amount in the next financial year. It has already reflected the impact of the COVID-19 pandemic. The information is as follows:

a) Allowance for doubtful accounts receivable

The allowance for doubtful accounts receivable for the consolidated company is estimated on the basis of assumption upon default risk and expected loss rate. The consolidated company judges upon the adoption of assumption and selection of input in calculating impairment by considering historical experience, current market status and prospective estimate on every reporting date. Please refer to Note 6(3) for details of relevant assumptions and input.

b) Inventory Valuation

As inventory shall be measured based on the cost or realizable value, whichever is lower; if on the consolidated company's evaluation report date, the inventory has suffered normal wear and tear, is outdated or has no market value, the inventory cost shall be offset to net realizable value. The assessment of this inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes. See Note 6(5) for details of inventory valuation.

The accounting policy and disclosure of the consolidated company include adopting fair value to measure financial, non-financial assets and liabilities. The consolidated company has established internal control system for fair value measurement. It includes establishing a valuation team to take charge of the re-checking of all material fair value measurement (including third level fair value) and the team will directly report to the chief financial officer. The valuation team will regularly re-check major input and adjustments that are unobservable. If the input for measurement of fair value is to apply third-party information (such as broker or pricing service institution), the valuation team will evaluate the evidence for supporting the input provided by the third party, so as to determine whether the valuation and fair value level classification conforms to the provisions of IFRS. The valuation team will report major valuation topics to the audit committee of the consolidated company.

In measuring the assets and liabilities, the consolidated company will try its best to use market observable input. The level of fair value is classified as follows according to the input used by valuation technique.

- a) First level: open quotation of the same asset or liability on the active market (without adjustment).
- b) Second level: except for the open quotation covered by the first level, the input parameters of assets or liabilities are directly (price) or indirectly (obtained through price deduction) observable.
- c) Third level: the input parameters of assets or liabilities is not based on observable market data (unobservable parameters).

If there is any transition event or situation among the levels of fair value, the consolidated company shall recognize it on the reporting date.

See Note 6(25), Financial Instruments, for details about assumptions adopted for measurement of fair value.

## 6. Description of major accounting items

### a. Cash and Cash Equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash in treasury	\$ 1,227	1,766
Cheque and demand deposit	442,485	411,173
Cash and cash equivalents listed in consolidated cash flow statement	<u>\$ 443,712</u>	<u>412,939</u>

Refer to Note 6(25) for the details on interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

### b. Financial Assets and Liabilities Measured at FVTPL

	<u>2020.12.31</u>	<u>2019.12.31</u>
<b>Financial assets mandatory at FVTPL-current</b>		
Structured deposits	\$ 72,010	-
Corporate bonds reverse repurchase right and redemption right (Note 6(16))	-	44
Non-hedging derivatives - forward exchange contract	-	1,763
	<u>\$ 72,010</u>	<u>1,807</u>
<b>Financial assets mandatory at FVTPL - non-current:</b>		
Corporate bonds reverse repurchase right and redemption right (Note 6(16))	<u>\$ 150</u>	<u>330</u>
<b>Financial liabilities held for transaction - current</b>		
Non-hedging derivatives - forward exchange contract	\$ (171)	-
Non-hedging derivatives - option contract	(7)	-
Financial liabilities at FVTPL	<u>\$ (178)</u>	<u>-</u>

Engaging in derivative financial instrument transactions is used to avoid the risk of changes in exchange rates and raw material market prices due to business activities. The consolidated company, on December 31, 2020 and 2019, reports it as a financial asset that is mandatorily measured at FVTPL and financial liability held for trading due to not being applicable for hedge accounting. The breakdown of derivatives is as follows:

Forward exchange contracts:

	<u>2020.12.31</u>		
	<u>Contract amount (NT\$ thousand)</u>	<u>Currency</u>	<u>Maturity period</u>
Option contract purchased	US\$2,000	JPY to USD	2020.1
Buying forward	CNY 78,560	USD to CNY	2021.1~2021.3
	<u>2019.12.31</u>		
	<u>Contract amount (NT\$ thousand)</u>	<u>Currency</u>	<u>Maturity period</u>
Buying forward	US\$1,000	JPY to USD	2020.1
Buying forward	US\$5,000	CNY to USD	2020.1~2020.2
Buying forward	CNY 28,061	USD to CNY	2020.1~2020.3

Fair value remeasurement was recognized in profit or loss. Refer to Note 6(24) for details.

As of December 31, 2020 and 2019, there is no provision of a pledge guarantee for financial assets at FVTPL in the consolidated company.

c. Notes Receivable and Accounts Receivable

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable	\$ 1,363,829	1,573,200
Less: discount on notes receivable	(153,045)	(262,325)
Transfer on notes receivable	(596,243)	(801,641)
Notes receivable (net)	<u>614,541</u>	<u>509,234</u>
Accounts receivable - measured at amortized cost	1,583,021	1,211,376
Less: allowance for loss	(31,884)	(55,791)
Accounts receivable (net)	<u>1,551,137</u>	<u>1,155,585</u>
Accounts receivable from related parties (net)	17,820	88,997
	<u>\$ 2,183,498</u>	<u>1,753,816</u>

All bills receivable discounted by the consolidated company are bank acceptance bills given by customers. Based on historical experience, financial institutions have not refused to pay, so the discounted bills receivable are reported as a reduction of bills receivable.

The bills receivable transferred by the consolidated company are all bank acceptance bills given by the customer. According to a FAQ issued by SFB on December 26, 2018, "Whether the transfer of notes receivable in Mainland China can be derecognized?", assess the credit rating of the accepting bank that received the banker's acceptance. Banker's acceptances with a higher credit rating of the accepting bank usually have less credit risk and late payment risk. The main risk associated with a banker's acceptance is interest rate risk, and interest rate risk has been transferred with an endorsement of notes. It is able to judge that almost all risks and rewards of ownership of banker's acceptances have been transferred. Therefore, the endorsement of the banker's acceptance transferred to the supplier is eligible for derecognition. The discounted and transferred notes are reported as a deduction for notes receivable.

The consolidated company adopted a simplified method to estimate expected credit loss for notes receivable and accounts receivable, namely measurement through lifetime expected credit loss. For this purpose of measurement, the notes receivable and accounts receivable are grouped by the joint credit risk characteristics of the ability to pay the due amount according to the contract terms of representative customers, and incorporated into prospective information like historical credit loss experience and a reasonable expectation of future economic conditions. The analysis of the consolidated company's expected credit losses on notes and accounts receivable outside the Mainland China is as follows:

	<u>2020.12.31</u>		
	<u>Carrying amount of notes receivable and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance for lifetime expected credit losses</u>
Not overdue	\$ 301,743	-	-
Overdue for 1-30 days	16,049	-	-
Overdue for 31-60 days	26	0.06%	-
Overdue for 61-90 days	-	1.06%	-
Overdue for 91-180 days	-	8.56%	-
Overdue for 181-270 days	-	15.64%	-
Overdue for 271-365 days	-	35.85%	-
Overdue for more than 365 Days	-	100%	-

\$ 317,818 -

	<b>2019.12.31</b>		
	<b>Carrying amount of notes receivable and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Not overdue	\$ 310,750	0.15%	467
Overdue for 1-90 days	30,784	3.70%	1,138
Overdue for 91-180 days	1,932	12.21%	236
Overdue for 181-270 days	-	18.92%	-
Overdue for 271-365 days	-	51.25%	-
Overdue for more than 365 Days	957	100%	957
	<b>\$ 344,423</b>		<b>2,798</b>

The analysis of the consolidated company's expected credit losses on notes and accounts receivable in the Mainland China is as follows:

	<b>2020.12.31</b>		
	<b>Carrying amount of notes receivable and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Not overdue	\$ 1,617,618	0.06%	935
Overdue for 1-30 days	156,182	0.75%	1,166
Overdue for 31-60 days	39,754	1.44%	571
Overdue for 61-90 days	13,260	3.99%	528
Overdue for 91-180 days	29,560	18.96%	5,603
Overdue for 181-270 days	19,091	34.14%	6,518
Overdue for 271-365 days	11,293	50.98%	5,757
Overdue for more than 365 Days	10,806	100%	10,806
	<b>\$ 1,897,564</b>		<b>31,884</b>

	<b>2019.12.31</b>		
	<b>Carrying amount of notes receivable and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Not overdue	\$ 1,243,643	0.24%	2,930
Overdue for 1-90 days	153,230	1.62%	2,481
Overdue for 91-180 days	8,529	14.64%	1,248
Overdue for 181-270 days	18,285	39.17%	7,162
Overdue for 271-365 days	11,609	79.97%	9,284
Overdue for more than 365 Days	29,888	100%	29,888
	<b>\$ 1,465,184</b>		<b>52,993</b>

The table of changes in allowance for doubtful notes receivable and accounts receivable of the consolidated company was as follows:

	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 55,791	57,849
Provision for impairment loss	60,170	48,189
Impairment loss return	(58,649)	(31,701)
Reclassified to allowance for uncollectible accounts	(38,250)	(16,276)
Write-off of unrecoverable accounts	(3,227)	(129)
Effect of Exchange Rate Changes	16,049	(2,141)
Closing balance	<b>\$ 31,884</b>	<b>55,791</b>

Please refer to Note 6(25) for details of remaining credit risk information.

The accounts receivable factoring contract without right of recourse signed between the consolidated company and financial institutions stipulates that the former does not need to bear the risk of non-recoverability of accounts receivable, so it meets the condition of financial assets derecognition. Relevant information about undue factoring accounts receivable on the reporting date was as follows:

2020.12.31								
Underwriter	Resale amount	Underwriting limit	Advanced amount	Contract period	Interest rate range	Guarantee items provided	Material transfer terms	Derecognized amount
Chinatrust Commercial Bank Hong Kong Branch	USD\$21,371	USD\$500,000	-	2020.07.30~2021.05.31	-	-	·Underwriting without right of recourse ·Handling fee 0.6% ·Loan-to-value ratio: 85%	USD\$21,371 (NT\$615 thousand)
2019.12.31								
Underwriter	Resale amount	Underwriting limit	Advanced amount	Contract period	Interest rate range	Guarantee items provided	Material transfer terms	Derecognized amount
Chinatrust Commercial Bank Hong Kong Branch	USD\$443,746	USD\$1,000,000	-	2019.07.24~2020.05.31	-	-	·Underwriting without right of recourse ·Handling fee 0.6% ·Loan-to-value ratio: 85%	USD\$443,746 (NT\$13,390 thousand)

The amount of the above-mentioned accounts receivable has been derecognized from the accounts receivable. By December 31, 2020 and 2019, the amounts were USD\$21,371 (equivalent to NT\$615 thousand) and USD\$443,746 (equivalent to NT\$13,390 thousand), respectively and they were reclassified under "Other current assets-other receivables".

As of December 31, 2020 and 2019, there was no situation where the consolidated company provided a pledge guarantee to notes receivable and accounts receivable.

#### d.Other Receivables

	<u>2020.12.31</u>	<u>2019.12.31</u>
Claims receivable sold	\$ 615	13,390
Other receivables - collections	90,640	66,569
Other receivables - others	31,534	43,533
Allowance for loss	(90,640)	(66,569)
	<u><b>\$ 32,149</b></u>	<u><b>56,923</b></u>

Please refer to Note 6(25) for details of remaining credit risk information.

#### e.Inventory

1)The details are as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Finished products	\$ 1,341,943	1,389,907
Work in progress	339,037	290,706
Supplies	7,143	7,011
Raw materials	439,061	386,869
	<u><b>\$ 2,127,184</b></u>	<u><b>2,074,493</b></u>

2)The cost of goods sold in the relevant period is recognized as follows:

	<u>2020</u>	<u>2019</u>
Cost of Goods Sold	\$ 7,590,249	8,162,460
Inventory valuation losses (gains)	36,749	(13,420)
Others	14,209	17,197
	<u>\$ 7,641,207</u>	<u>8,166,237</u>

As of December 31, 2020 and 2019, there is no provision of a pledge guarantee for inventory in the consolidated company.

#### f.Investments Accounted for Using Equity Method

##### 1)Associates

Associates in which the consolidated company adopts equity method are individual non-material ones, whose financial information was as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
The carrying amount of equity at the end of the period of individual non-material associates	<u>\$ 27,258</u>	<u>25,228</u>
	<u>2020</u>	<u>2019</u>
Share attributable to the consolidated company:		
Total comprehensive revenue amount of continuous operation units	<u>\$ (2,742)</u>	<u>5</u>

##### 2)Guarantee

As of December 31, 2020 and 2019, there was no situation where the consolidated company provided a pledge guarantee to investments accounted for using the equity method.

#### g.Changes in ownership equity of subsidiaries

On January 6, 2020, the consolidated company increased its shareholding in Shenzhen Airmate Technology Co., Ltd. for CNY 4,411 thousand (equivalent to NT\$18,948 thousand) in cash, increasing its equity from 51% to 100%. The consolidated company had no transaction with non-controlling interests in 2019.

The impact of interest changes of the consolidated company against the subsidiaries listed above on the equity attributable to the owner of the parent company is as follows:

Carrying amount of non-controlling interests acquired	\$ 15,288
Consideration paid to non-controlling interests	(18,948)
Retained earnings - the difference between the price received from acquisition of a subsidiary and its book value	<u>\$ (3,660)</u>

## h.Real estate, plants and equipment

The details of cost, depreciation, and impairment loss changes of property, plant, and equipment in 2020 and 2019 for the consolidated company were as follows:

	House and building	Machinery and equipment	Transportation equipment	Office facility	Other equipment	Equipment to be inspected and construction in progress	Total
Cost or identified cost:							
Balance as of January 1, 2020	\$ 1,065,804	1,213,048	55,362	243,851	2,547,223	59,794	5,185,082
Addition	-	5,018	915	11,657	56,202	92,792	166,584
Re-classification	1,470,464	-	-	-	90,945	(73,606)	1,487,803
Shifted expense	-	-	-	-	-	(33,149)	(33,149)
Disposal	(499)	(160,223)	(3,603)	(15,925)	(19,159)	-	(199,409)
Effects of changes in foreign exchange rates	16,456	(20,498)	60	2,060	(61,147)	1,953	(61,116)
Balance as of December 31, 2020	<b>\$ 2,552,225</b>	<b>1,037,345</b>	<b>52,734</b>	<b>241,643</b>	<b>2,614,064</b>	<b>47,784</b>	<b>6,545,795</b>
Balance as of January 1, 2019	\$ 1,097,068	1,356,555	57,522	252,513	2,632,283	54,785	5,450,726
Addition	12,844	23,615	1,513	9,662	98,570	101,261	247,465
Re-classification	-	-	-	-	40,963	(40,963)	-
Shifted expense	-	-	-	-	-	(51,215)	(51,215)
Disposal	(2,080)	(102,534)	(534)	(8,432)	(105,420)	-	(219,000)
Effects of changes in foreign exchange rates	(42,028)	(64,588)	(3,139)	(9,892)	(119,173)	(4,074)	(242,894)
Balance as of December 31, 2019	<b>\$ 1,065,804</b>	<b>1,213,048</b>	<b>55,362</b>	<b>243,851</b>	<b>2,547,223</b>	<b>59,794</b>	<b>5,185,082</b>
Depreciation and impairment loss:							
Balance as of January 1, 2020	\$ 313,326	759,205	42,005	203,268	1,980,443	-	3,298,247
Depreciation for the year	37,440	74,706	4,673	16,181	205,546	-	338,546
Re-classification	(3,003)	-	-	-	-	-	(3,003)
Disposal	(187)	(120,678)	(3,452)	(15,671)	2,795	-	(137,193)
Effects of changes in foreign exchange rates	5,434	(25,789)	(84)	1,586	(67,164)	-	(86,017)
Balance as of December 31, 2020	<b>\$ 353,010</b>	<b>687,444</b>	<b>43,142</b>	<b>205,364</b>	<b>2,121,620</b>	<b>-</b>	<b>3,410,580</b>
Balance as of January 1, 2019	\$ 298,035	794,134	39,046	195,872	1,916,711	-	3,243,798
Depreciation for the year	28,127	97,259	6,079	24,113	266,913	-	422,491
Disposal	(446)	(85,365)	(500)	(8,352)	(104,477)	-	(199,140)
Effects of changes in foreign exchange rates	(12,390)	(46,823)	(2,620)	(8,365)	(98,704)	-	(168,902)
Balance as of December 31, 2019	<b>\$ 313,326</b>	<b>759,205</b>	<b>42,005</b>	<b>203,268</b>	<b>1,980,443</b>	<b>-</b>	<b>3,298,247</b>
Carrying amount:							
December 31, 2020	<b>\$ 2,199,215</b>	<b>349,901</b>	<b>9,592</b>	<b>36,279</b>	<b>492,444</b>	<b>47,784</b>	<b>3,135,215</b>
January 1, 2019	<b>\$ 799,033</b>	<b>562,421</b>	<b>18,476</b>	<b>56,641</b>	<b>715,572</b>	<b>54,785</b>	<b>2,206,928</b>
December 31, 2019	<b>\$ 752,478</b>	<b>453,843</b>	<b>13,357</b>	<b>40,583</b>	<b>566,780</b>	<b>59,794</b>	<b>1,886,835</b>

The consolidated company and Jiujiang Economic Development Zone signed an investment project contract, met the contract terms, and paid in full with the contract price worth CNY 360 million (equivalent to NT\$1,571,133 thousand) on December 27, 2019. After obtaining the state-owned land use right certificate, the house cost of CNY 341,594 thousand (equivalent to NT\$1,490,806 thousand) is recognized based on the contract price. The house is transferred from the right-of-use assets to fixed assets. Please see Note 6(9) for details.

Please refer to Note 8 for details of short-term loan and financing limit guarantee as of December 31, 2020 and 2019.



i.Right-of-use assets

The details of the cost, depreciation and impairment loss of the leased land of the consolidated company were as follows:

	<u>Land</u>
Right-of-use asset cost:	
Balance as of January 1, 2020	\$ 1,596,800
Increase in the Period	84,008
Re-classification	(1,490,806)
Effects of changes in foreign exchange rates	24,549
Balance as of December 31, 2020	<u>\$ 214,551</u>
Balance as of January 1, 2019	\$ -
Reclassified from long-term prepaid rent	51,790
Increase in the Period	1,546,790
Effects of changes in foreign exchange rates	(1,780)
Balance as of December 31, 2019	<u>\$ 1,596,800</u>
Depreciation and impairment loss of right-of-use assets:	
Balance as of January 1, 2020	\$ 1,559
Depreciation	2,093
Effects of changes in foreign exchange rates	25
Balance as of December 31, 2020	<u>\$ 3,677</u>
Balance as of January 1, 2019	\$ -
Depreciation	1,618
Effects of changes in foreign exchange rates	(59)
Balance as of December 31, 2019	<u>\$ 1,559</u>
Carrying amount:	
December 31, 2020	<u>\$ 210,874</u>
December 31, 2019	<u>\$ 1,595,241</u>

The consolidated company signed contracts with Shenzhen Land Resources Bureau and Administrative Bureau of House Property Baoan Branch respectively to acquire land in the Huangfengling industrial zone for the construction of plants and employee dormitories. The land use right was obtained. Also, the land obtained from the local Hong Kong Land Registry and used as office space is at the Fortress Tower on King's Road, North Point, Hong Kong. The land use right was obtained. As of December 31, 2020, the service life of both is thirty-one years.

The consolidated company and Jiujiang Economic Development Zone signed an investment project contract, met the contract terms, and paid in full with the contract price worth CNY 360 million (equivalent to NT\$1,571,133 thousand) on December 27, 2019. On August 27, 2020, the consolidated company obtained the state-owned land-use rights at an auction price of CNY 480 million (equivalent to NT\$2,094,844 thousand). Because the contract condition is that if the initial selling price of the transfer exceeds the contract price of CNY 360 million (equivalent to NT\$1,571,133 thousand), Jiujiang Economical Development Zone shall unconditionally pay the consolidated company CNY 120 million (equivalent to NT\$523,711 thousand) as compensation. The consolidated company recognizes the subsidy received as an asset deduction. After obtaining the state-owned land use right certificate, it recognizes the land use right and housing cost based on the contract price, which were CNY 36,129 thousand (equivalent to NT\$157,676 thousand) and CNY 341,594,000 (equivalent to NT\$1,490,806 thousand), respectively. And according to the 50-year amortization of the land use right certificate, the house is transferred to fixed assets, please see Note 6(8) for details.

j. Intangible assets

The details of cost, amortization, and impairment loss of intangible assets in 2020 and 2019 of the consolidated company were as follows:

	<b>Computer software and network</b>	<b>Golf license</b>	<b>Total</b>
Cost:			
Balance as of January 1, 2020	\$ 122,113	18,410	140,523
Acquisition for the period	1,627	-	1,627
Effects of changes in foreign exchange rates	1,922	290	2,212
Balance as of December 31, 2020	<b>\$ 125,662</b>	<b>18,700</b>	<b>144,362</b>
Balance as of January 1, 2019	\$ 126,938	19,140	146,078
Effects of changes in foreign exchange rates	(4,825)	(730)	(5,555)
Balance as of December 31, 2019	<b>\$ 122,113</b>	<b>18,410</b>	<b>140,523</b>
Amortization and impairment loss:			
Balance as of January 1, 2020	\$ (111,457)	(17,369)	(128,826)
Amortization for the period	(5,177)	(486)	(5,663)
Effects of changes in foreign exchange rates	(1,843)	(281)	(2,124)
Balance as of December 31, 2020	<b>\$ (118,477)</b>	<b>(18,136)</b>	<b>(136,613)</b>
Balance as of January 1, 2019	\$ (108,575)	(17,470)	(126,045)
Amortization for the period	(8,566)	(589)	(9,155)
Effects of changes in foreign exchange rates	5,684	690	6,374
Balance as of December 31, 2019	<b>\$ (111,457)</b>	<b>(17,369)</b>	<b>(128,826)</b>
Carrying amount:			
December 31, 2020	<b>\$ 7,185</b>	<b>564</b>	<b>7,749</b>
January 1, 2019	<b>\$ 18,363</b>	<b>1,670</b>	<b>20,033</b>
December 31, 2019	<b>\$ 10,656</b>	<b>1,041</b>	<b>11,697</b>

1) Recognition of amortization and impairment

Amortization expense of intangible assets in 2020 and 2019 were respectively recognized under the following items of consolidated statements of comprehensive income:

	<b>2020</b>	<b>2019</b>
Operating Cost	\$ 1,861	2,070
Operating cost-various amortization	3,802	7,085
	<b>\$ 5,663</b>	<b>9,155</b>

2) Guarantee

As of December 31, 2020 and 2019, there was no provision of a pledge guarantee for intangible assets in the consolidated company.

k. Other current assets and other non-current assets

	<u>2020.12.31</u>	<u>2019.12.31</u>
Other receivables	\$ 32,149	56,923
Income tax assets for the period	3,318	3,641
Advance payment		
Advanced payment for goods	42,760	31,581
Advanced payment for fees	37,707	28,304
Retained tax amount	139,636	131,424
Other financial assets-current	279,501	501,347
Provisional payment	18	19
Total of other current assets	<u>\$ 535,089</u>	<u>753,239</u>
Right of products to be returned	<u>\$ 104,021</u>	<u>70,955</u>
	<u>2020.12.31</u>	<u>2019.12.31</u>
Advance payment for equipment	\$ 55,250	37,716
Refundable deposit	66,266	73,012
Other financial assets - non-current	106,396	36,101
Others	758	1,482
Total of other non-current assets	<u>\$ 228,670</u>	<u>148,311</u>

1) Other financial assets

These are mainly bank deposits which do not meet the definition of cash equivalents.

Please refer to Note 8 for details of the consolidated company's guarantee with assets as collateral for corporate bond lines, derivatives lines, bank loans, and notes payable, as of December 31, 2019, and 2018.

l. Short-term Borrowings

	<u>2020.12.31</u>	<u>2019.12.31</u>
Unsecured bank loans	\$ 314,060	286,907
Secured bank loan	1,242	253,720
Total	<u>\$ 315,302</u>	<u>540,627</u>
Unused limit	<u>\$ 1,536,196</u>	<u>1,450,079</u>
Interest rate range	<u>0.83%~5.22%</u>	<u>2.65%~5.22%</u>

Please refer to Note 6(25) for details of critical risk information of the consolidated company, like interest rate, exchange rate, and mobility risk.

Please refer to Note 8 for details of guarantee for the consolidated company to use assets to pledge for bank loan.

m. Notes payable, other payable and other current liabilities

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes payable	<u>\$ 1,774,409</u>	<u>1,608,075</u>
Salaries payable	\$ 198,963	200,530
Employees' compensation and directors' and supervisors' remuneration payable	16,851	20,900
Tax payable	4,710	8,053
Promotion fee payable	257,787	264,374
Transportation fee payable	31,607	32,832
Compensated absences payable	14,872	1,001
Other expenses payable	109,791	119,142
Other receivables	31,509	24,715
Total of other payables	<u>\$ 666,090</u>	<u>671,547</u>
Refund liability	<u>\$ 141,676</u>	<u>97,271</u>
Other compensation	\$ 588,575	579,455
Long-term deferred revenue	79,727	37,076
Total of other non-current liabilities	<u>\$ 668,302</u>	<u>616,531</u>

1) Notes payable

As of December 31, 2020 and 2019, the notes payable were respectively NT\$1,772,256 thousand and NT\$1,605,076 thousand, guaranteed or accepted by financial institutions.

The above notes payable and other payables are expected to be settled within one year.

2) Refund liability

The sales of goods return provision of the consolidated company is mainly related to domestic sales of electric appliances by distributors at Mainland China, and it is estimated according to the historical return data of similar products and services. The consolidated company estimates that the liability is mostly happening in the following year of sales.

3) Other compensation

Advance collection of compensation for old plant land development at Shenzhen industrial zone. Please refer to Note 12(3) for details.

4) Long-term deferred revenue

Mainly tax incentives from the Finance Bureau of the Economical Development Zone.

n. Provisions - current

	<u>Warranty</u>
Balance as of January 1, 2020	\$ 20,556
Additional provisions made in the period	96,361
Provision amounts used during the period	(74,652)
Balance as of December 31, 2020	<u>\$ 42,265</u>
Balance as of January 1, 2019	\$ 6,871
Additional provisions made in the period	100,600
Provision amounts used during the period	(86,915)
Balance as of December 31, 2019	<u>\$ 20,556</u>

The consolidated company's provision for warranties were mainly related to domestic sales in Mainland China and export sales of electric appliances by distributors, and they were estimated according to the historical warranty and return data of similar product and service. The consolidated company estimates that the liability is mostly happening in the following year of sales.

o. Long-Term Borrowings

The details, terms and conditions for long-term borrowings of the consolidated company were as follows:

	<b>2019.12.31</b>			
	<b>Currency</b>	<b>Interest rate</b>	<b>Due year</b>	<b>Amount</b>
Pledged loan	USD	2.91%	2020	\$ 44,954
Less: the current portion				(44,954)
Total				<u>\$ -</u>
Unused limit				<u>\$ -</u>

Please refer to Note 8 for details of guarantee for the consolidated company to use assets to pledge for bank loan.

p. Corporate Bonds Payable

Bonds payable of the consolidated company is as follows:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Secured convertible bonds	\$ 300,000	800,000
Unsecured convertible bonds	400,000	-
Less: unamortized payable corporate bond discount	(20,003)	(10,976)
Cumulative converted amount	-	(56,800)
Payable corporate bond balance at the end of the period	<u>679,997</u>	<u>732,224</u>
Less: corporate bonds due within one year or one business cycle (Note 1)	-	(438,874)
	<u><b>\$ 679,997</b></u>	<u><b>293,350</b></u>
Embedded derivatives - repurchase rights and reverse repurchase rights (listed in financial (asset) liabilities measured at fair value through profit or loss)	\$ (150)	(374)
Less: corporate bonds due within one or one business cycle	-	44
	<u><b>\$ (150)</b></u>	<u><b>(330)</b></u>
Equity components - conversion right (recognized into capital surplus - subscription right)	<u><b>\$ 15,264</b></u>	<u><b>13,858</b></u>
	<u><b>2020</b></u>	<u><b>2019</b></u>
Embedded derivatives - reverse repurchase right/redemption right evaluation gain (loss) (recognized into financial liability gain (loss) at FVTPL)	<u><b>\$ 344</b></u>	<u><b>(7,594)</b></u>
Interest expense	<u><b>\$ 6,886</b></u>	<u><b>6,430</b></u>

Note 1: The Company has issued the domestic second secured convertible bonds, and according to the provisions of corporate bonds issuance term, the holders can exercise the reverse repurchase right on September 30, 2019 (two years after issuance). Therefore, the Company shifted the convertible bonds balance into "Corporate bonds for which the reverse repurchase right can be executed within one year"; relevant embedded derivative financial instruments were also reclassified to current

liability.

1)The following is the Company's issuance conditions for the second secured convertible bonds within ROC:

a)Issuance period: three years, from September 30, 2017, to September 30, 2020.

b)Total amount of issuance and book value of every bond: NT\$500,000 thousand, and NT\$100 thousand for the book value of every bond; it is issued in sufficient face amount, and the number is 5,000.

c)Coupon rate and effective interest rate: 0% & 0.1090%

d)Conversion period:

From the next day following three months after issuance of convertible bonds (January 1, 2018) to the maturity date (September 30, 2020).

e)Redemption method:

From the next day following three months after issuance of convertible corporate bonds (January 1, 2018) to forty days before expiry of the issuance period (August 21, 2020), if the closing price of common stock of the Company at the Taipei Exchange goes over 30% (included) over the conversion price of convertible corporate bonds at the time, or the outstanding balance of convertible corporate bonds is lower than 10% of the total amount of issuance, redemption right will be exercised according to the provisions of the conversion method. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.

f)Reverse repurchase method:

Two years after issuance of convertible corporate bonds (September 30, 2019) is the reverse repurchase record date for creditors' reverse repurchase of convertible corporate bonds in advance. Creditors may require the Company for the redemption of held convertible bonds according to face amount plus interest compensation, and the interest compensation for two years is 101.0025% face amount (reverse repurchase right yield rate 0.50%). If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.

g)Conversion price and adjustment:

i.Conversion price at issuance was NT\$28.3.

ii.If the number of issued common stock increases after issuance of convertible bonds, the Company has to adjust the conversion price according to the formula listed in the prospectus. As of September 30, 2020, the conversion price was NT\$26.70.

h)Conversion status:

From the date of issuance of convertible bonds to September 30, 2020, bondholders have applied for the conversion of 2,007,000 ordinary shares of the Company, and the face amount of corporate bonds conversion is NT\$56,800 thousand. The decrease in capital reserve due to conversion was NT\$1,405 thousand. And in 2019, capital surplus generated by the premiums of new shares issuance from bond conversion was NT\$37,389 thousand. The stock capital generated by the bond conversion was NT\$20,070 thousand. Please refer to Note 6(19) for details.

i) Situations of redemption and repurchase:

The second secured convertible corporate bonds were due to redeem 4,432 corporate bonds on September 30, 2020. The redemption price was NT\$443,200 thousand, resulting a capital surplus reduction of NT\$10,959 thousand. The redemption gain arising from the foregoing is RMB 10,959 thousand, which is listed under "Other gains and losses". Please see Note 6(24) for details.

2) The Company's issuance conditions for the third secured convertible bonds within ROC are as follows:

a) Issuance period: three years, from December 4, 2019 to December 4, 2022.

b) Total amount of issuance and book value of every bond: NT\$300,000 thousand, and NT\$100 thousand for the book value of every bond; it is issued in sufficient face amount, and the number is 3,000.

c) Coupon rate and effective interest rate: 0% & 0.0639%

d) Conversion period:

From the next day following three months after issuance of convertible bonds (March 5, 2020) to the maturity date (December 4, 2022).

e) Redemption method:

From the next day following three months after issuance of convertible bonds (March 5, 2020) to forty days before the expiry of the issuance period (October 25, 2022), if the closing price of common stock of the Company at the Taipei Exchange goes over 30% (included) over the conversion price of convertible corporate bonds at the time or the outstanding balance of convertible corporate bonds is lower than 10% of the total amount of issuance, redemption right will be exercised according to the provisions of the conversion method. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.

f) Reverse repurchase method: none.

g) Conversion price and adjustment:

i. Conversion price at issuance was NT\$32.

ii. If the number of issued common stock increases after issuance of convertible bonds, the Company has to adjust the conversion price according to the formula listed in the prospectus. As of December 31, 2020, the conversion price was NT\$30.20.

h) Conversion status:

As of December 31, 2020, there has been no conversion situation.

i) Situations of redemption and repurchase:

As of December 31, 2020, there has been no redemption and repurchase of the third secured convertible bond.

3) The Company's issuance conditions for the fourth unsecured convertible bonds within ROC are as follows:

a) Issuance period: three years, from December 10, 2020, to December 10, 2023.



b) Total amount of issuance and book value of every bond: NT\$400,000 thousand, and NT\$100 thousand for the book value of every bond; it is issued in sufficient face amount, and the number is 4,000.

c) Coupon rate and effective interest rate: 0% & 0.1128%

d) Conversion period:

From the next day following three months after issuance of convertible corporate bonds (March 11, 2021) to the maturity date (December 10, 2023).

e) Redemption method:

From the next day following three months after issuance of convertible corporate bonds (March 11, 2021) to forty days before the expiry of the issuance period (October 31, 2023), if the closing price of common stock of the Company at the Taipei Exchange goes over 30% (included) over the conversion price of convertible corporate bonds at the time or the outstanding balance of convertible corporate bonds is lower than 10% of the total amount of issuance, redemption right will be exercised according to the provisions of the conversion method. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.

f) Reverse repurchase method: none.

g) Conversion price and adjustment:

i. Conversion price at issuance was NT\$27.

ii. If the number of issued common stock increases after issuance of convertible bonds, the Company has to adjust the conversion price according to the formula listed in the prospectus. As of December 31, 2020, the conversion price was NT\$27.

h) Conversion status:

As of December 31, 2020, there has been no conversion situation.

i) Situations of redemption and repurchase:

As of December 31, 2020, there has been no redemption and repurchase of the fourth unsecured convertible bond.

4) Please refer to Note 8 for details of the consolidated company's guarantee with assets as collateral for corporate bond lines, as of December 31, 2019, and 2018.

q. Employee benefits

1) Defined benefit plan

The present value of defined benefit obligations and the fair value adjustments of the plan assets for the Company were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Present value of defined benefit obligations	\$ 34,171	31,569
Fair value of plan assets	(1,546)	(2,852)
Net defined benefit liabilities	<u>\$ 32,625</u>	<u>28,717</u>

The defined benefit plan of the consolidated company is contributed to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans covered by the Labor Standards Act entitle a retired employee to receive retirement benefits based on years of service and the average salary for the six months prior to retirement.

a) Components of plan assets

The retirement fund contributed by the consolidated company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds Utilization, Ministry of Labor (hereinafter referred to as Bureau of Labor Funds), and utilized according to the provisions of "Regulations on Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund"; with regard to the utilization of the funds, lowest earnings in final settlement shall not be less than the earnings attainable from two- year time deposits with interest rates offered by local banks.

CMP Group's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to NTD 1,545 thousand on the reporting date. The data for utilization of employee retirement fund includes fund yield rate and fund asset allocation. Please refer to the information released on the website of Bureau of Labor Funds for details.

b) Change in present value of defined benefit obligation

The changes in the present value of the defined benefit obligation in 2020 and 2019 of the consolidated company were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation on January 1	\$ 31,569	41,963
Current service cost and interest	3,626	2,634
Remeasurements of the net defined benefit liability (asset)		
Actuarial gains or losses arising out of experience adjustments (excluding current interests)	28	(12,584)
Actuarial gains or losses arising out of changes in financial assumptions	1,807	459
Benefits paid on plan assets	(1,470)	(462)
Conversion difference of foreign plan	(1,389)	(441)
Defined benefit obligation as of December 31	<u>\$ 34,171</u>	<u>31,569</u>

c) Changes in fair value of plan assets

The changes in fair value of defined benefit plan assets of the consolidated company in 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets on January 1	\$ 2,852	3,113
Remeasurements of the net defined benefit liability (asset)		
Return on plan assets (excluding current interest)	107	108
Amount contributed to plan	41	61
Expected return on plan assets	16	32
Benefits paid on plan assets	(1,470)	(462)
Fair value of plan assets on December 31	<u>\$ 1,546</u>	<u>2,852</u>

d)Effects of changes in asset upper limit

In 2020 and 2019, the consolidated company saw no effects from the asset upper limit of defined benefit plan.

e)Expenses recognized as profit or loss

The details of recognition of gain or loss in 2020 and 2019 of the consolidated company were as follows:

	<u>2020</u>	<u>2019</u>
Service cost for the period	\$ 3,332	2,169
Net interest of net defined benefit liability	294	465
Expected return on plan assets	(16)	(32)
	<u><b>\$ 3,610</b></u>	<u><b>2,602</b></u>
Selling expense	\$ 146	202
Administrative expense	3,464	2,400
	<u><b>\$ 3,610</b></u>	<u><b>2,602</b></u>

f)Re-measurements of the net defined benefit liability recognized as other comprehensive revenue

Re-measurements of net defined benefit liability recognized as other comprehensive revenue was as follows:

	<u>2020</u>	<u>2019</u>
Cumulative balance on January 1	\$ 38,494	26,261
Investment gain or loss	(1,728)	12,233
Cumulative balance on December 31	<u><b>\$ 36,766</b></u>	<u><b>38,494</b></u>

g)Actuarial assumption

The main actuarial assumptions adopted by Waon Company at the closing financial reporting date were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	0.500%	1.000%
Future salary increase	2.00%	2.00%

The main actuarial assumptions adopted by Waon Company Taiwan Branch at the closing financial reporting date were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	0.500%	0.750%
Future salary increase	2.00%	2.00%

The consolidated company is expected to make a contribution payment of NT\$3,635 thousand to the defined benefit plans for the one-year period after the reporting date of 2020.

The weighted average survival period of defined benefit plan is 9-16 years.

h)Sensitivity analysis

As of December 31, 2020 and 2019, the influence of changes in actuarial assumptions on the present value of the defined benefit obligations was as follows:

	<b>Influence of Waon Company upon defined benefit obligation</b>	
	Increase by	Decrease by
	0.25%	0.25%
December 31, 2020		
Discount rate	\$ (842)	878
Future salary increase	855	(825)
December 31, 2019		
Discount rate	(695)	727
Future salary increase	711	(683)

	<b>Influence of Waon Company Taiwan Branch upon defined benefit obligation</b>	
	Increase by	Decrease by
	0.25%	0.25%
December 31, 2020		
Discount rate	\$ (98)	101
Future salary increase	98	(95)
December 31, 2019		
Discount rate	(99)	102
Future salary increase	99	(96)

The above sensitivity analysis is based on analyzing the influence of single assumption change with others remaining the same. In practice the change of many assumptions may be serial. Sensitivity analysis is conducted in the same method of calculating the net retirement fund liability in the balance sheet.

The method and assumptions used in preparing the sensitivity analysis for the period are the same as before.

## 2) Defined contribution plan

Waon Company Taiwan Branch, in determining the contribution plan, follows the provisions of employee retirement fund ordinance by paying 6% monthly salary to the individual special account with Bureau of Labor Insurance; the retirement fund payment obligation of Shenzhen Airmate falls into definite contribution system by contribution of insurance fund every month from the company to be deposited into the individual pension insurance special account. This account is completely detached from the Company, and will be transferred upon demission. The amount to be contributed is recognized as expense for the period; Waon Company also contributes retirement fund to special account of accumulation fund according to local ordinance of Hong Kong. Under this defined contribution plan, the consolidated company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2020 and 2019 amounted to NT\$55,556 thousand and NT\$78,472 thousand, respectively.

## r. Income Tax

### 1) Income tax expenses

The details of expenses (gains) of the consolidated company in 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current income tax		
Generation for the period	\$ 71,094	74,397
Adjust the current income tax of the previous period	<u>8,333</u>	<u>(3,816)</u>
	<u>79,427</u>	<u>70,581</u>
Deferred income tax benefits		
Occurrence and reversal of temporary differences	<u>(11,787)</u>	<u>(4,916)</u>
	<u>(11,787)</u>	<u>(4,916)</u>
Income tax expense	<u><b>\$ 67,640</b></u>	<u><b>65,665</b></u>

In 2020 and 2019, the Company did not need to pay income tax because the country in which it was located was not subject to income tax.

In accordance with the Hong Kong tax law, Waon Company shall apply the income tax rate of 16.5% if the source of income is derived from Hong Kong.

According to the tax law of the Republic of China, the profit-seeking enterprise income tax rate of Waon Company Taiwan Branch is 20%.

According to the tax law of Mainland China, if the tax preferences are not applied, the applicable income tax rate of Shenzhen Airmate and Airmate Technology is 25%.

On December 4, 2018, Jiujiang Airmate obtained preferential tax treatment for high-tech enterprises. The discount period is valid for three years and expires in 2020. The applicable tax rate is 15%.

The adjustment between the income tax expenses (benefits) of the consolidated company and the net loss before tax was as follows:

	<u>2020</u>	<u>2019</u>
Net Profit Before Tax	\$ 223,879	322,824
Income tax calculated according to the domestic tax rate where the Company is located	-	-
Effects of tax rate difference in foreign administrative areas	49,846	108,353
Non-creditable expense	5,125	2,277
Changes in unrecognized temporary differences (Note)	131	(31,403)
Previous (over) underestimation	8,333	(3,816)
Others	4,205	(9,746)
Income tax expense	<u><b>\$ 67,640</b></u>	<u><b>65,665</b></u>

### 2) Deferred tax asset and liability

#### a) Unrecognized deferred tax assets

The items that the consolidated company has not recognized as deferred tax assets were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Deductible temporary difference	<u>\$ 64,382</u>	<u>63,385</u>

(Note) As of December 31, 2020, the net profit related to the investment in subsidiaries was not recognized as deferred tax liabilities and the related tax effects were NT\$4,371 thousand. Because the consolidated company can control the reversal timing of the temporary difference, and is likely that it will not be reversed in the foreseeable future.

b) Recognized deferred tax assets

The changes in deferred tax asset in 2020 and 2019 were as follows:

Deferred tax asset:

	Receivable payment impairment loss recognition	Unrealized inventory valuation and obsolescence loss	Other compensati on	Others	Total
<b>January 1, 2020</b>	\$ 24,760	37,697	84,775	18,893	166,125
(Debit) credit income statement	382	5,281	1,334	4,790	11,787
<b>December 31, 2020</b>	<u>\$ 25,142</u>	<u>42,978</u>	<u>86,109</u>	<u>23,683</u>	<u>177,912</u>
<b>Balance as of January 1, 2019</b>	\$ 23,339	42,307	88,125	7,438	161,209
(Debit) credit income statement	1,421	(4,610)	(3,350)	11,455	4,916
<b>Balance as of December 31, 2019</b>	<u>\$ 24,760</u>	<u>37,697</u>	<u>84,775</u>	<u>18,893</u>	<u>166,125</u>

c) Situations of income tax verification

The corporate income tax of Waon Company, Shenzhen Airmate, and Jiujiang Airmate had been reported to local tax authorities up to 2019. The report of profitable business income tax for Waon Company Taiwan Branch had been reviewed by tax authority up to 2018.

s. Capital and other equity

On December 31, 2020 and 2019, the total number of authorized capital stock of the Company were both NT\$2,162,500 thousand; the par value per share was NT\$10; and the number of shares were both 216,250 thousand shares. The authorized capital stock above was only common stock, and the issued stocks were 139,588 thousand shares of common stocks and 136,851 thousand shares. The stock capital for issued stock had been all collected.

1) Issuance of common stock

The Company's Annual General Meeting held on 11 June 2000 has resolved that 2019 distributable earnings would appropriate NT\$27,370,000 as stock dividend, or increase capital by issuing 2,737 thousand new shares at a par value of NT\$10 per share. According to the shareholder's shareholding ratio recorded in the register of shareholders on the record date of issuance of new shares, 20 shares shall be distributed for every thousand shares free of charge. The capital increase was approved by the Financial Supervisory Commission and the Board of Directors resolved that the base record for the capital increase was July 27, 2020.

The Company issued 2,007 thousand new shares in 2019 due to the exercise of the conversion right by convertible bondholders.

The Company has passed the resolution of share issuance by the Board of Directors on August 8, 2019. It was estimated that it would issue new stocks with cash capital of NT\$300,000 thousand with the par value of NT\$10 per share, totaling 12,000 thousand shares and issue price per share of NT\$26. This capital increase case has

been approved by the Financial Supervisory Commission R.O.C., and December 13, 2019 was the record date for capital increase. All issued shares were paid up upon issuance, the relevant statutory registration procedures have been completed and it was classified under equity.

The adjustment of the Company's outstanding shares in 2020 and 2019 was as follows:

(Expressed in thousand shares)

	<b>Ordinary share</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance January 1	\$ 136,851	122,844
Capital Increase by Cash	-	12,000
Capital increase from retained earnings	2,737	-
Convertible bond conversion	-	2,007
Closing balance December 31	<b><u>\$ 139,588</u></b>	<b><u>136,851</u></b>

## 2)Capital surplus

The details of capital surplus were as follows:

	<b><u>2020.12.31</u></b>	<b><u>2019.12.31</u></b>
Share premium	\$ 1,195,688	1,195,688
Treasury stock transaction	6,164	6,164
Lapsed employee stock options of capital cash increase	7,425	7,425
Subscription right to convertible bonds	15,264	13,858
	<b><u>\$ 1,224,541</u></b>	<b><u>1,223,135</u></b>

In accordance with the Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The above-mentioned realized capital surplus includes overage from shares issuance over the face amount and acceptance of bestowal. In accordance with the processing standards regarding issuers collecting and issuing negotiable securities, the capital surplus for capital has to be appropriated, and the total amount of appropriation every year shall not exceed 10% of the paid-in capital.

## 3)Retained earnings

In accordance with the Articles of Association of the Company, during the period of over-the-counter transaction or the period listed at the stock exchange as well as in making the proposal for allocation of earnings by the Board of Directors, the following has to be recognized in advance from the earnings of every accounting year:

- a)Payment for provision of tax of relevant accounting period;
- b)Amount to offset previous loss;
- c)10% earned surplus;
- d)Special reserve required by securities regulatory authority in accordance with the rules and regulations of companies with public issuance.

If there is surplus, it shall be combined with cumulative undistributed surpluses in part or whole over the previous years to be distributed to shareholders as dividend according to shareholding ratio in accordance with the previously formulated dividend policy confirmed by the Board of Directors under the precondition of following the Cayman Company Law, after the rewards to employees and bonuses to directors are contributed. Dividends distributed to shareholders are in the forms of share dividends

and cash dividends, and the cash dividends shall not be less than fifty percent (50%) shareholders dividends distributed according to the above. Unless otherwise resolved by the Board of Directors and the Shareholders' Meeting, any remaining profit, which shall not be less than twenty-five percent (25%) of the after-tax earnings of the year, is distributed as shareholders dividends in accordance with Cayman Company Law and rules and regulations of companies with public issuance after considering factors of finance, business and operation.

a)Legal reserve

In accordance with provisions of the Company Act, the Company shall contribute 10% after-tax net profit as a legal reserve until equalization with the total amount of capital. When there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in capital.

b)Special reserve

The amount of interest arising out of retained earnings of cumulative translation adjustment generated due to financial statement translation of foreign operation under the item of shareholders equity by the Company when applying the exemption item in IFRS No.1 "First-time Adoption of International Financial Reporting Standards" was NT\$185,271 thousand. Besides, in accordance with the provision of FSC Jin-Guan-Zheng-Fa-Zi No. 1010012865 on April 6, 2012, the same amount was recognized as a special reserve, and when relevant assets are used, handled, and re-classified, the earnings are distributed according to the ratio of the original recognized special reserve.

In accordance with the above provisions, in distributing distributable earnings by the Company, the difference between the net amount recognized of other shareholders equity deduction occurred in the year and the special reserve balance mentioned above is supplementarily recognized as special reserve from current gain or loss and previous undistributed earnings; amount of other shareholders' equity deduction through previous cumulation is supplementarily recognized as special reserve that couldn't be distributed from previous undistributed earnings. Afterward, if other shareholders' equity deduction has been reversed, the reversal shall be applicable to earnings distribution. As of December 31, 2020 and 2019, the balance of the special reserve was NT\$363,822 thousand and NT\$362,409 thousand, respectively.

c)Earnings distribution

The Company had passed the earnings distribution plan for 2019 and the loss appropriation plan for 2018 through resolution by the Shareholders' Meeting on June 11, 2020, and June 6, 2019, respectively, and the amount distributed to owners as the dividend was as follows:

	2019		2018	
	Dividend payout ratio (NT\$)	Amount	Dividend payout ratio (NT\$)	Amount
Dividend distributed to common stock owners				
Cash dividend	\$ 0.80	109,480	-	-
Stock Dividend	0.20	27,370	-	-
Total		<u>\$ 136,850</u>		<u>-</u>



#### 4)Treasury stock

a)The Company's changes in treasury stock in 2019 were as follows (Unit: thousand shares):

Reason of recovery	2019							
	Opening number of shares	Opening amount	Number of increased shares	Increased amount	Reduced number of shares	Decreased amount	Closing number of shares	Closing amount
Treasury stock transferred to employees	1,258	\$ 33,051	-	-	1,258	33,051	-	-

b)In accordance with the provisions of Securities Transaction Law, the treasury stock held by the Company cannot be pledged, and before transfer no right of shareholders shall be enjoyed.

#### 5)Other equity

	<b>Exchange differences arising on translation of a foreign operation's financial statements</b>
January 1, 2020	\$ (363,823)
Exchange differences on translation of foreign currency (after-tax net amount)	
Consolidated company	102,334
Balance as of December 31, 2020	<b>\$ (261,489)</b>
January 1, 2019	\$ (214,132)
Exchange differences on translation of foreign currency (after-tax net amount)	
Consolidated company	(149,691)
Balance as of December 31, 2019	<b>\$ (363,823)</b>

#### t.Share-based payment

As of December 31, 2019, the consolidated company had the following two share-based payment transactions:

	<b>Cash delivery</b>	<b>Cash capital increase reserved for employee subscription</b>
Grant date	2019.8.8	2019.12.13
Quantity Granted	1,258 thousand shares	1,800 thousand shares
Contract period	-	-
Granted to	Employees of Consolidated Company	Employees of Consolidated Company
Vesting Conditions	Vested immediately	Vested immediately

a) Measurement parameters of fair value on the grant date

The consolidated company used the Black-Scholes option evaluation model to estimate the fair value of the share-based payment on the grant date. The input values of this model were as follows:-

	<b>2019</b>	
	<b>Treasury stock transferred to employees</b>	<b>Cash capital increase reserved for employee subscription</b>
Grant date fair value	4.90	4.50
Grant date stock price	31.25	30.50
Strike Price	26.30	26.00
Expected fluctuation rate (%)	38.22%	38.23%
Expected dividend yield (%)	-	-
Risk-free interest rate (RFR) (%)	0.7012%	0.7074%

Expected volatility is based on a weighted average historical volatility, adjusted for expected changes from publicly available information; expected dividends and risk-free interest rates are based on government bonds.

b) Information about employee stock option plans and treasury stock transfer measures

	<b>Treasury stock transferred to employees</b>		<b>2019 cash capital increase options</b>	
	<b>Unit (thousand shares)</b>	<b>Exercise price (NTD)</b>	<b>Unit (thousand shares)</b>	<b>Exercise price (NTD)</b>
Outstanding as of January 1	-	\$ -	-	\$ -
Granted in this period	1,258	26.3	1,800	26
Number of executions in this period	(1,258)	26.3	(150)	26
Number of divestment in this period	-	26.3	(1,650)	26
Outstanding as of December 31	<u>-</u>		<u>-</u>	

c) Employee expenses and liabilities

The expenses incurred by share-based payments of the consolidated company in 2019 were as follows:

	<b>2019</b>
Expenses due to transfer of treasury shares to employees	\$ 6,164
Expenses incurred due to the capital increase for employees' subscriptions	<u>8,100</u>
Total	<b><u>\$ 14,264</u></b>

u. Earnings per share

The net profit (loss) of basic earnings per share of the consolidated company attributable to common stockholders in 2020 and 2019 was respectively NT\$156,239 thousand and NT\$251,919 thousand, and the weighted average number of common shares outstanding was respectively 139,588 thousand shares and 125,338 thousand shares as a basis for calculation. The relevant calculation was as follows:

	<u>2020</u>	<u>2019</u>
<b>Basic earnings per share</b>		
Net profit attributable to the common stock holders of the Company	<u>\$ 156,239</u>	<u>251,919</u>
Weighted average number of common shares outstanding	139,588	125,338
Basic earnings per share (NT\$)	<u>\$ 1.12</u>	<u>2.01</u>
<b>Diluted earnings per share</b>		
Net income attributable to the Company	\$ 156,239	251,919
Influence of potential common stock with diluting effect		
Effects of interest expense on convertible bonds	-	(1,164)
Net profit attributable to the common stock holders of the Company	<u>\$ 156,239</u>	<u>250,755</u>
Weighted average number of common shares outstanding	139,588	125,338
Influence of potential common stock with diluting effect		
Influence of employees' share bonus	663	627
Influence of convertible bonds	-	1,639
Weighted average number of common shares outstanding (after adjusting the effects of diluting potential common stock)	<u>140,251</u>	<u>127,604</u>
Diluted earnings per share (NT\$)	<u>\$ 1.11</u>	<u>1.97</u>

The consolidated company's convertible bonds with diluting effect in 2020 has an anti-dilution effect, so it is not included in the calculation of the diluted earnings per share.

v.Revenue of customer contract

1)Details of revenue

	<u>2020</u>	<u>2019</u>
Main regional markets		
Mainland China	\$ 4,910,633	5,378,679
Other countries	4,296,713	4,764,102
	<u>\$ 9,207,346</u>	<u>10,142,781</u>
Main products:		
Electric fan	\$ 5,892,496	6,560,708
Electric heater	1,936,989	2,558,181
Others	1,377,861	1,023,892
	<u>\$ 9,207,346</u>	<u>10,142,781</u>

2)Contract balance

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable	\$ 1,363,829	1,573,200
Less: discount on notes receivable	(153,045)	(262,325)
Transfer on notes receivable	(596,243)	(801,641)
Notes receivable (net)	614,541	509,234
Accounts receivable measured at amortized cost-	1,583,021	1,211,376
Less: allowance for loss	(31,884)	(55,791)
Accounts receivable (net)	1,551,137	1,155,585
Accounts receivable from related parties (net)	17,820	88,997
	<u>\$ 2,183,498</u>	<u>1,753,816</u>
Contract liabilities	<u>\$ 309,422</u>	<u>220,971</u>

Please refer to Note 6(3) for details of notes and accounts receivable as well as the impairment.

w. Remunerations for employees and directors

In accordance with the Company's Articles of Association, the Company has to contribute profit (defined afterwards), if any, in general final settlement for employees' and directors' remunerations, unless otherwise stipulated by Cayman Company Law, rules and regulations of companies with public issuance or the Articles of Association; only when there is cumulative loss in the Company, it shall be retained to fill the amount of loss.

Five percent (5%) to ten percent (10%) as employees' remunerations (hereinafter referred to as "employees' remunerations"), including employees in affiliated companies; and

No more than 3% as remuneration for the Directors (excluding Independent Directors, hereinafter referred to "directors' remunerations");

Distribution of the employees' and directors' remuneration shall be resolved at board meetings, with over two-thirds of directors in attendance and approved by over half of the attending directors, and reported to the shareholder's meeting. However, when there is cumulative loss to the Company, it shall be retained to fill the amount, and then contributed for employees' and directors' remunerations at the percentage mentioned above. The above "profit" refers to the net profit before tax of the Company. To eliminate doubt, net profit before tax refers to the amount before contribution to remunerations for employees and directors.

Without violating the provisions of prevalent law, the above-mentioned employees' remunerations shall be in cash or shares.

The estimated amount for employees' remunerations in 2020 and 2019 of the Company were respectively NT\$12,036 thousand and NT\$17,417 thousand, and that for directors' remunerations were respectively NT\$4,815 thousand and NT\$3,483 thousand. The estimate was based on the amount of net profit before tax without deduction for employee and director remunerations multiplied by the percentage for the same, and it was recognized as the operating cost or operating expense in 2020 and 2019. Relevant information can be inquired into at public information observation stations.

There was no difference between the amount of employees' and directors' remunerations distributed according to the resolution of the board meeting and the estimated amount in the consolidated financial report of 2019.

x. Non-operating income and expenses

1) Interest income

The details of the interest income of the consolidated company in 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Total Interest Income	<u>\$ 34,079</u>	<u>30,962</u>

2) Other income

The details of other income of the consolidated company in 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Government grants	\$ 49,281	35,932
Other income	<u>21,214</u>	<u>30,463</u>

Total other income	<b>\$ 70,495</b>	<b>66,395</b>
--------------------	------------------	---------------

### 3) Other gains or losses

The details of other gains and losses of the consolidated company in 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Loss on disposal of property, plant and equipment	\$ (7,663)	(4,131)
Foreign exchange (loss) gain	(39,558)	18,390
Financial assets (liabilities) at fair value through profit or loss	(554)	9,976
Bonds redemption gain	10,959	-
Miscellaneous expenses	(19,303)	(12,602)
Net amount of other gain and loss	<b>\$ (56,119)</b>	<b>11,633</b>

### 4) Financial costs

The details of the financial costs of the consolidated company in 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Interest expense	<b>\$ 42,740</b>	<b>76,047</b>

## y. Financial instruments

### 1) Credit risk

#### a) Credit risk exposure

The carrying amount of financial assets represents the maximal amount of credit risk exposure. The maximal amount of credit risk exposure as of December 31, 2020 and 2019 was NT\$3,187,018 thousand and NT\$2,839,935 thousand, respectively.

#### b) Credit risk concentration

The credit risk exposure of the consolidated company is influenced by the conditions of every individual customer. The management also considers the statistical data on the basis of consolidated company customers, including the default risk of industry and country, because these factors can also influence credit risk. The sales to a single transnational customer in revenue of the consolidated company for 2020 and 2019 didn't reach 10%, and 53% was concentrated in the region of Mainland China for both years.

### 2) Liquidity risk

The following table presents the due date of financial liability contract, including estimated interest to the exclusion of effects of net amount agreement.

	<u>Carrying amount</u>	<u>Contract cash flow</u>	<u>Within 1 year</u>	<u>12 years-</u>	<u>23 years-</u>	<u>More than 3 years</u>
<b>December 31, 2020</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 315,302	325,304	325,304	-	-	-
Notes payable	1,774,409	1,774,409	1,774,409	-	-	-
Accounts payable	1,251,435	1,251,435	1,251,435	-	-	-
Other payables (including related party)	566,914	566,914	566,914	-	-	-
Corporate bonds payable (including current portion)	679,997	689,340	-	301,380	387,960	-
Derivative financial liabilities						
Financial liabilities at fair value through profit	178	178	178	-	-	-

	Carrying amount	Contract cash flow	Within 1 year	12 years-	23 years-	More than 3 years
or loss - current						
	<b>\$ 4,588,235</b>	<b>4,607,580</b>	<b>3,918,240</b>	<b>301,380</b>	<b>387,960</b>	<b>-</b>
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 540,627	550,753	550,753	-	-	-
Notes payable	1,608,075	1,608,075	1,608,075	-	-	-
Accounts payable	1,111,646	1,111,646	1,111,646	-	-	-
Other payables (including related party)	458,802	458,802	458,802	-	-	-
Corporate bonds payable (including current portion)	732,224	738,538	441,028	297,510	-	-
Long-term borrowings (including current portion of long-term borrowings)	44,954	45,129	45,129	-	-	-
	<b>\$ 4,496,328</b>	<b>4,512,943</b>	<b>4,215,433</b>	<b>297,510</b>	<b>-</b>	<b>-</b>

The consolidated company does not expect that the occurrence timing of cash flow analyzed on due date would arrive significantly earlier, or the actual amount would significantly vary.

### 3) Exchange rate risk

#### a) Exchange rate risk exposure

The financial assets and liabilities (including monetary items denominated in non-functional currency already written off in the consolidated financial report) of the consolidated company exposed to material exchange rate risk were as follows:

	2020.12.31			2019.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items						
USD	\$ 128,564	28.4800	3,661,500	128,743	29.9800	3,859,712
JPY	292,782	0.2763	80,896	367,553	0.2760	101,445
RMB	787	4.2808	3,369	795	4.3050	3,422
HKD	199	3.6730	731	183	3.8490	704
<u>Financial liabilities</u>						
Monetary items						
USD	112,221	28.4800	3,196,054	112,524	29.9800	3,373,470
JPY	65,128	0.2763	17,995	74,731	0.2760	20,626
HKD	4,975	3.6730	18,273	6,470	3.8490	24,903

#### b) Sensitivity analysis

The exchange rate risks of the consolidated company mainly come from cash and cash equivalents denominated in foreign currency, accounts receivable and other receivables, loan, accounts payable and other payables, which will generate foreign currency conversion impairment upon translation. If the NTD depreciated or appreciated 5% to USD, HKD, or JPY on December 31, 2020 and 2019, other factors remaining constant, the net gain (loss) after tax would respectively increase or decrease by NT\$27,462 thousand and NT\$34,600 thousand. The analysis for the two periods adopted the same basis.

#### c) Conversion impairment of monetary items

As the consolidated company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange gains (losses), including both realized and unrealized, amounted to NT\$ (39,558) thousand and NT\$18,390 thousand, respectively.

### 4) Interest rate analysis



components

## b) Fair value evaluation technique of financial instruments at fair value

### i. Non-derivative financial instruments

If there is open quotation to financial instruments at active market, then the open quotation will be taken as fair value. The market price released by the central government bonds over-the-counter market for popular bonds as judged by major stock exchange serves as the basis for the fair value of public (counter) equity instruments and liability instruments with open quotation at active market.

If the open quotation can be timely and regularly obtained from the stock exchange, broker, underwriter, industrial union, pricing service institution or competent authority, and the price represents actual and regular transaction at a fair market, then the financial instrument is deemed to have open quotation at the active market. If the above conditions are not met, the market is deemed not active. Generally speaking, large difference in buying and selling price, significant increase of buying and selling price, and few transactions are indexes of market not active.

If the financial instruments held by the consolidated company fall into the active market, the type and nature according to fair value are listed as follows:

The public redeemable corporate bonds are financial assets and financial liabilities traded on an active market according to standard terms and conditions, and the fair value is determined by reference to market quotation.

Except for the financial instruments at an active market, the fair value of remaining financial instruments is obtained through the evaluation technique or reference to the quotation of the other transaction party. The fair value obtained through evaluation technique can refer to the current fair value, cash flow discount method or other evaluation techniques for financial instruments with similar conditions and characteristics in essence, including utilization of market information model for calculation on the consolidated reporting date (for example, the over-the-counter market can refer to the yield rate curve and average quotation of Reuters commercial promissory note interest rate).

### ii. Derivative financial instruments

It is evaluated with evaluation model widely accepted by market users, such as discount method and option pricing model. The forward exchange contract is evaluated according to the current forward exchange rate.

There is no event of fair value level shift of financial assets and financial liabilities in 2020 and 2019.

## z. Financial risk management

### 1) Overview

The consolidated company is exposed to the following risks due to use of financial instruments:

a) Credit risk

b) Liquidity risk

c) Market risk



The Note represents the above risk exposure information, objectives of risk measurement and management, policies and procedures. Please refer to the Note in the consolidated financial report for further quantitative information.

## 2) Risk management framework

The financial management department of the consolidated company provides service to businesses, plans, and coordinates operations in the domestic and international financial market, and supervises and manages financial risks related to operation according to internal risk report of risk degree and risk exposure. The consolidated company mitigates risk exposure through derivative financial instruments, to ease the influence. The utilization of derivative financial instruments is regulated by policies passed by the board meeting of the consolidated company, which serve as the written principle for utilization of exchange rate risk, interest rate risk, credit risk, derivative financial instruments, and non-derivative financial instruments as well as the investment of remaining working capital. Internal audit staff will continuously review the conformity to policies and risk exposure limits. The consolidated company hasn't conducted any transaction of financial instruments (including derivative financial instruments) for the purpose of speculation.

## 3) Credit risk

Credit risk refers to the risk of financial loss arising out of the failure to perform contract obligations on the part of the customer or the other transaction party of financial instruments, mainly from accounts receivable from customers.

### a) Accounts receivable and other receivables

The finance department will establish credit granting policy with the Market Department, and conduct analysis of the credit rating of every individual customer before the consolidated company makes standard payment and delivery conditions and terms. The consolidated company review includes external ratings, if any, and under some conditions, bank notes. Customers not conforming to the standard credit rating of the Group can only conduct transaction with the consolidated company on the receivable in advance basis.

In monitoring the credit risk of customers, the consolidated company will group according to the credit characteristics of customers, including whether they are individual person or legal person; whether they are dealer, retailer or final customer; and operation scale, goal realization rate of dealers, whether there is delayed payment. The main subject for accounts receivable and other receivables of the consolidated company is Group dealers. Customers rated with high risk will be included into the list of restricted customers and put under the monitoring of market department, and future sales with this type of customers will be conducted on the receivable in advance basis.

The consolidated company sets up an account of allowance for impairment loss to reflect the estimated incurred loss in accounts receivable and other receivables. The main components of allowance account include specific loss components related to individual material risk exposure and portfolio loss components for already incurred yet unidentified loss in the similar asset groups. The portfolio loss allowance account is determined by historical payment statistical data of similar financial assets.

#### b)Investment

The credit risks of bank deposit, fixed-revenue investment, and other financial instruments are measured and monitored by the financial department of the consolidated company. Given that the counterparty and other contract performing parties are banks with sound credit, financial institutions with investment level or above, corporate organizations and government authorities, there is no material credit risk for no material doubt about contract performance.

#### c)Guarantee

The policy of consolidated company stipulates that financial guarantee can only be provided to fully-owned affiliated companies and companies with business interaction. Please refer to Note 13(1) for details of endorsement or guarantee information for others by the consolidated company as of December 31, 2020.

#### 4)Liquidity risk

Liquidity risk refers to the risk of the consolidated company's failure to deliver cash or its financial assets to settle financial liabilities or failure to perform relevant obligations. The method of the consolidated company in management of liquidity lies in ensuring as much as possible sufficient working capital to pay for due liabilities under normal and pressuring conditions, instead of undergoing unacceptable loss or risk of business reputation damage.

Generally speaking, the consolidated company ensures to have sufficient cash to pay for expected operation expense demand for 60 days, including the performance of financial obligations, but the potential influence that cannot be reasonably expected under extreme conditions is excluded, such as a natural disaster. Besides, the unused loan limit as of December 31, 2020 and 2019 of the consolidated company was respectively NT\$1,536,196 thousand and NT\$1,450,079 thousand.

#### 5)Market risk

Market risk refers to the risk of the value of revenue or held financial instruments being influenced by market price changes, such as exchange rate, interest rate, changes in the price of equity instruments. The objective of market risk management lies in optimizing the investment return by controlling the market risk exposure within the bearable scope.

The consolidated company engages in transaction of derivative instruments to manage market risk, hence generating financial liabilities. The execution of all transactions must abide by the designated and authorized staff by the Board of Directors.

#### a)Exchange rate risk

The consolidated company is exposed to exchange rate risk arising out of sales, procurement and loan transactions denominated in the functional currency of the Group enterprises. The functional currency of the Group enterprises is mainly NTD, followed by CNY and HKD. The main denomination currency for this type of transaction includes NTD, JPY, USD and HKD.

To avoid decrease of foreign currency asset value and fluctuation of future cash flow caused by exchange rate change, the consolidated company uses short-term borrowings and derivative financial instruments to avert it. The use of this type of derivative financial instruments can assist the consolidated company in lowering but not completely eliminating the effects of changes in foreign exchange rates. In recent years, 50% of sales by region of the consolidated company come from China

was denominated in CNY while the other 50% come from Europe, America, Japan and South Korea was denominated in USD and JPY; however, the purchase is mostly denominated in CNY, so apart from the natural hedge between sales and purchase for CNY, there is same effect for changes of exchange rate in different currencies. Apart from the natural hedge, the consolidated company still enters into forward exchange contracts for hedging purpose from time to time. However, with the future growth of operation, the holding part of foreign currency by the consolidated company will continue to increase, and the domestic financing and future distribution of dividend to domestic investors will also need conversion in USD, so there will arise the exchange rate change risk of USD to NT\$. Therefore, the consolidated company will enhance the control over foreign exchange, and the possible measures were as follows:

- i. Continue to enhance the concept of exchange hedge among financial staff, make judgement upon the exchange rate trend through online real-time system over exchange rate and relation with financial institutions as the basis for reference.
- ii. Use the sales revenue in the same currency as much as possible to support the expenditures for procurement and other expenses, to reach the effect of natural hedge.
- iii. Decide whether to adopt derivative financial instruments with hedge nature to mitigate exchange rate risk according to the Company's operation status.

b) Interest rate risk

The interest rate risk of the consolidated company mainly comes from fixed-interest rate loan. Although the interest rate at the currency market slowly climbs in recent years, it is still in the low end, so the loan interest rate of the consolidated company doesn't have material change. Only if the interest rate trend sees material fluctuation in the future and the consolidated company has continuous demand for loan, the consolidated company, apart from adopting other financing instruments at the capital market, has to also select fixed interest rate or floating interest rate loan to mitigate the risk of interest rate fluctuation.

aa. Capital management

The objective of capital management of the consolidated company lies in perfecting fundamental basis, maintaining the confidence of investors, creditors and market, and supporting the development of future operation. Capital includes the stock capital, capital surplus, retained earnings and other equity of the consolidated company. The Board of Directors controls the capital return rate and the common stock dividend level.

The capital management strategy of the consolidated company in 2020 was the same as in 2019. The liability capital ratio as of December 31, 2020 and 2019 were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Total Liabilities	\$ 6,114,426	5,891,923
Less: cash and cash equivalents	(443,712)	(412,939)
Net liability	<u>\$ 5,670,714</u>	<u>5,478,984</u>
Total equity	<u>\$ 3,138,916</u>	<u>3,009,093</u>
Liability capital ratio	<u>180.66%</u>	<u>182.08%</u>

bb. Financing activities for non-cash transaction

The relevant information on the consolidated company's non-cash transaction investment and financing activities in 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Conversion of convertible bonds into ordinary shares (including premium on convertible bonds)	<u>\$ -</u>	<u>56,054</u>

The adjustment of liabilities from financing activities is as follows:

	<u>2020.1.1</u>	<u>Cash flow</u>	<u>Non-cash changes Changes in foreign exchange rates</u>	<u>2020.12.31</u>
Short-term borrowings	\$ 540,627	(223,090)	(2,235)	315,302
Long-term borrowings (including current portion of long-term borrowings)	44,954	(42,730)	(2,224)	-
Guarantee deposits received	94,481	15,517	1,487	111,485
Total amount of liability out of self-financing activities	<u>\$ 680,062</u>	<u>(250,303)</u>	<u>(2,972)</u>	<u>426,787</u>

	<u>2019.1.1</u>	<u>Cash flow</u>	<u>Non-cash changes Changes in foreign exchange rates</u>	<u>2019.12.31</u>
Short-term borrowings	\$ 1,289,239	(709,435)	(39,177)	540,627
Long-term borrowings (including current portion of long-term borrowings)	92,142	(45,295)	(1,893)	44,954
Guarantee deposits received	84,181	13,500	(3,200)	94,481
Total amount of liability out of self-financing activities	<u>\$ 1,465,562</u>	<u>(741,230)</u>	<u>(44,270)</u>	<u>680,062</u>

## 7. Related Party Transaction

a. Parent Company and Ultimate Controller

The Company is the ultimate controller of the consolidated company.

b. Name and Relation of Related Party

<u>Name of related party</u>	<u>Relationship with the consolidated company</u>
Zhejiang Airmate Electric Appliances Sales Co. Limited (hereinafter referred to as Zhejiang Airmate)	Associates invested by the consolidated company through the equity method
Tung Fu Electric Co Limited (hereinafter referred to as Tung Fu Electric)	It's Chairman of Board is the same for the Company.
All directors, supervisors, main management such as the general manager and deputy general manager of the Consolidated Company	

c. Substantial Transaction with Related Party

1) Operation revenue

The substantial sales amount of the consolidated company to related party were as follows:

	<u>2020</u>	<u>2019</u>
Associates		
Zhejiang Airmate	\$ 93,381	213,158
Other related parties		
Tung Fu Electric	79,107	42,067
	<u>\$ 172,488</u>	<u>255,225</u>

The consolidated company's sales conditions for sales to related parties have no significant difference from the general selling prices. Its collection period has no significant difference from that of general dealers. Accounts receivable among the related parties, for which no collateral security has been received, does not need to be recognized into impairment loss after evaluation.

#### 2)Accounts receivable from related party

The details of accounts receivable from related party by the consolidated company were as follows:

<u>Recognition items</u>	<u>Type of related party</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable and accounts receivable	Associates	\$ 14,310	87,920
Notes receivable and accounts receivable	Other related parties	3,510	1,077
		<u>\$ 17,820</u>	<u>88,997</u>

#### 3)Advance paid to related party

Relevant expenses arising from services provided by related party to the consolidated company were as follows:

	<u>Transaction amount</u>		<u>Other payables to related party</u>	
	<u>2020</u>	<u>2019</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Associates	\$ 10,067	15,211	3,446	9,680
Other related parties	68	68	6	6
	<u>\$ 10,135</u>	<u>15,279</u>	<u>3,452</u>	<u>9,686</u>

The outstanding balance with this type of related party shall be settled with cash three months within the reporting date, and for general expenses, the payment has to be made in that same month. There is no significant difference between the transaction price and general transaction.

#### 4)For the financing from financial institutions as of December 31, 2020 and 2019 by the consolidated company, its main management, and other related parties act as the joint guarantor.

#### d.Key management personnel transactions

Remuneration of major managers includes:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 51,715	56,159
After-retirement benefits	157	5,427
	<u>\$ 51,872</u>	<u>61,586</u>

## 8.Pledged Assets

The details of the carrying value of pledged assets by the consolidated company were as follows:

Name of assets	Pledge guarantee object	2020.12.31	2019.12.31
Other current assets:			
Other financial assets - current (account for compensation)	Short-term borrowings and financing facility	\$ 11,395	8,593
Other financial assets - current (account for compensation)	Notes payable	211,720	140,681
Other financial assets - current (pledged time deposit and account for compensation)	Corporate bonds guarantee limit	99	352,073
Other financial assets - current	Derivatives	56,287	-
Property, Plant and Equipment	Short-term borrowings and financing facility	254,905	281,893
Other Non-current Assets:			
Other financial assets - non-current (pledged time deposit)-	Corporate bonds guarantee limit	106,396	36,101
Refundable deposit	Long-term borrowings (including current portion of long-term borrowings)	-	13,819
		\$ 640,802	833,160

## 9.Significant contingent liability and unrecognized contract commitment

a.Significant unrecognized contract commitment: None

b.Endorsement and guarantee of obligations:

The amount of endorsement and guarantee provided by the consolidated company to the Company and subsidiaries was as follows:

	2020.12.31	2019.12.31
Endorsement and guarantee limit	\$ 7,115,868	6,800,387
Actual disbursement amount	\$ 2,367,409	2,363,110

## 10.Material Disaster Loss: None

## 11.Material Subsequent Events: None

## 12.Others

a.A summary of personnel costs, depreciation, depletion, and amortization according to type of function was as follows:

Type of function Type of nature	2020			2019		
	Falling into operation cost	Falling into operation expense	Total	Falling into operation cost	Falling into operation expense	Total
Employee benefit expense						
Salary expense	859,420	432,784	1,292,204	1,087,308	490,632	1,577,940
Labor protection expense	13,379	22,320	35,699	19,259	29,678	48,937
Retirement fund expense	35,414	23,752	59,166	53,801	27,273	81,074
Other employee benefit expenses	1,655	10,933	12,588	2,277	10,516	12,793
Depreciation expense	287,414	53,225	340,639	365,892	58,217	424,109
Amortization expense	1,861	3,802	5,663	2,070	7,085	9,155

(Note): including insurances like local medicare, unemployment, work injury and birth for subsidiaries in Mainland China.

b. Operation Seasonality:

The consolidated company is mainly engaged in sales of bi-seasonal products like the electric fan and electric heater, so it will see seasonal fluctuation for the influence of the weather. Among them, the sales of electric fan in Q1 every year is unfavorably influenced by winter weather conditions; downstream customers will order in advance in Q2 for the demand of electric fan in summer and in Q4 for the demand of electric heater in winter; in July it will depend on the weather changes; and from August to December, it will maintain flat. The consolidated company has flexibly adjusted the production of the electric fan, electric heater, and other categories according to market adjustment, weather changes, and customer demand, and attempted to satisfy the market demand via inventory management and to lower the seasonal influence.

c. Old plant land development project

The consolidated company signed the Shenzhen industrial zone old plant land development plan with Shenzhen Baoan TCL Haichuanggu Technological Park Development Co Limited (hereinafter referred to as TCL Haichuanggu) and Shenzhen TCL Real Estate Co Limited for joint cooperation and development on June 3, 2016, and would collect compensation of CNY 200 million (or NT\$872,852 thousand), for moving resettlement, transition resettlement, property relocation and production loss.

In accordance with the provisions of "Questions about the Accounting Treatment of Participating in Urban Renewal" in IFRS Q&A set released by Accounting Research Development Foundation on October 2, 2017, the carrying amount of old buildings and demolition compensation and resettlement expenses collected from construction company is calculated as right transformation expense to be undertaken (offset by distributed land and building discount after it), and based on returnable building and the land, so it falls into part of urban renewal with participation of landholders in essence, and enterprise has to adjust it as old land carrying amount. Therefore, as of December 30, 2020, the consolidated company after the commencement of the development project would expect to collect in advance compensation CNY 200,000 thousand (NT\$872,852 thousand) from for Shenzhen industrial zone old plant land development project and the carrying amount of deferred development cost for fixed assets old building CNY 20,435 thousand (NT\$89,185 thousand), long-term advanced rent CNY 2,159 thousand (NT\$9,422 thousand) and the carrying amount of other input costs for relevant development project CNY 42,543 thousand (NT\$185,670 thousand), which should be represented into other non-current liability-others as a net amount. Please refer to Note 6(13) for details.--

### 13. Note of Disclosures

a. Information about significant transactions:

Relevant information about significant transactions to be re-disclosed by the consolidated company in 2020 in accordance with the securities issuer financial report preparation standards was as follows:

## 1)Capital loaned to others

Unit: NT\$ thousands

No. (Note 1)	Lending company	Participants	Accounts	Whether it is a related party	Highest endorsement or guarantee amount for current period	Closing balance	Actual disbursement amount	Interest rate range	Nature of Financing (Note 2)	Transaction Amount	Reason for Financing	Record an allowance for doubtful accounts	Collateral security		Limit on Loans to a Single Party (Notes 3 & 4)	Total Loan Limit (Notes 3 & 4)
													Name	Value		
1	Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co. Limited	Long-term receivables - related party	Yes	468,745	441,383	441,383	2-2.5%	2	-	Operating turnover	-		-	2,089,055	4,178,109
2	Wacon Development Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Long-term receivables - related party	Yes	1,050,855	1,047,422	1,047,422	2-2.5%	2	-	Operating turnover	-		-	1,793,350	3,586,699
2	Wacon Development Co. Limited	The Company	Other receivables - related party	Yes	900,000	900,000	279,848	-	2	-	Operating turnover	-		-	1,434,680	3,586,699

Note 1.The numbering rule is as follows:

- 1.Fill 0 for company.
- 2.The investee company is numbered according to type from the Arabic number 1 in sequence.

Note 2.The filling method of capital loan is as follows:

- Fill 1 for business transaction.
- Fill 2 for necessary short-term financing capital.

Note 3.The highest limit of capital loan is 40% net value in the latest financial report of the Company, and the limit of capital loan for single enterprise cannot go over 20% net value of the Company. In affiliated companies where the Company directly or indirectly holds voting shares, for the same loan subject the authorization from the chairman has to be obtained for not going over 40% net value of the Company. Among the subsidiaries where the Company directly or indirectly holds 100% voting shares, the capital loan and limit are not restricted by the above provision, but the financing amount cannot go over 100% net value in the latest financial statement; only for some subjects, the financing amount cannot go over 50% net value in the latest financial statement of the loan company to a period of 10 years. In the event of business transactions with the Company, the individual capital loan and amount is limited by the capital loan and business transaction amount in the latest one year or in the same year between the two parties. The business transaction amount refers to the purchase or sales amount between them, whichever is higher.

Note 4.The above transactions have been written off in preparing the consolidated financial report.

## 2)Endorsement or guarantee for others

Unit: NT\$ thousands

No. (Note 1)	Endorsements/guarantees Provider Company Name	Subject of endorsement or guarantee (Note 2)		Limit of Endorsements /guarantees for a Single Entity (Note 3)	Outstanding Endorsements/ guarantees - Maximum in current period	Outstanding Endorsements/ Guarantees at the end of the period (Note 4)	Actual disbursement amount	Endorsements/guarantees Secured with Collateral	Ratio of Cumulative Endorsements/guarantees to the Net Equity Stated in the Latest Financial Statements	Limit of Endorsements/guarantees (Note 3)	Endorsements/guarantees Provided by Parent for Subsidiary	Endorsements/guarantees Provided by Subsidiary for Parent	Endorsements/guarantees for Entities in China
		Name of company	Relation										
0	The Company	Wacon Development Co. Limited	2	6,277,832	2,085,525 (USDS 69,000 thousand)	1,879,680 (USDS 66,000 thousand)	143,583	-	59.88%	15,694,580	Y		
0	The Company	Airmate Electric Appliances (Shenzhen) Co. Limited	2	6,277,832	205,606 (CNY 40,000 thousand, USD 1,000 thousand)	203,050 (CNY 40,000 thousand, USD 1,000 thousand)	21,821	-	6.47%	15,694,580	Y		Y
0	The Company	Airmate Electric Appliances (Shenzhen) Co. Limited, Airmate Electric Appliances (Jiujiang) Co. Limited	2	6,277,832	218,928 (CNY 50,000 thousand)	218,213 (CNY 50,000 thousand)	43,643	-	6.95%	15,694,580	Y		Y
0	The Company	Airmate Electric Appliances (Jiujiang) Co. Limited	2	6,277,832	78,373 (CNY 10,000 thousand, USD 1,200 thousand)	77,819 (CNY 10,000 thousand, USD 1,200 thousand)	34,176	-	2.48%	15,694,580	Y		Y
1	Airmate Electric Appliances (Shenzhen) Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	4	4,496,732	2,824,173 (CNY 645,000 thousand)	2,688,383 (CNY 616,000 thousand)	783,714	-	119.57%	11,241,830			Y
2	Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co. Limited	4	4,480,462	1,751,425 (CNY 400,000 thousand)	1,745,703 (CNY 400,000 thousand)	1,037,458	-	77.93%	11,201,155			Y
3	Wacon Development Co. Limited	AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED	3	7,173,398	705,527	303,020	303,020	-	8.45%	17,933,495		Y	

Note 1.The numbering rule is as follows:

- 1.Fill 0 for company.
- 2.The investee company is numbered according to type from the Arabic number 1 in sequence.

Note 2.The relation between endorsement guarantor and the subject of endorsement or guarantee is as follows:



- 1.Companies with business transactions.
- 2.Companies where the Company directly or indirectly holds over 50% voting shares.
- 3.Companies which directly or indirectly hold over 50% voting shares in the Company.
- 4.Among companies where the Company directly or indirectly holds over 90% voting shares.
- 5.Companies endorsement guaranteed by all contributing shareholders according to their shareholding ratio for joint investment relations.
- 6.Mutually guaranteed companies among counterparts or co-constructors based on the need for undertaking projects.
- 7.Joint and several guarantees for performance in engaging in preselling house contracts among counterparts in accordance with consumer protection law.

Note 3.For companies with business transaction, the ceiling of endorsement or guarantee is 40% net value in the latest financial report of the Company, and for individual subjects it is the amount of business transaction; the total amount of endorsement or guarantee for companies where the Company directly or indirectly holds over 50% voting shares, it is limited by 40% net value of the Company, and for individual subjects, it is limited by the investment amount. Among the subsidiaries, 100% invested by the Company, the endorsement or guarantee limit is 500% net value in the latest financial report, and for individual subjects, it is 200% net value in the latest financial report. For those with business transaction with the Company, individual endorsement or guarantee amount is limited by the amount of business transaction among them. The above mentioned amount of business transaction refers to purchase or sales amount, whichever is higher.

Note 4.The exchange rates on the financial report date were USD:NTD = 1:28.4800, CNY:HKD = 1:1.1882, HKD:NTD = 1:3.6730.

- 3)The holding of negotiable securities at the end of the period (excluding the part of invested subsidiary, associate, and joint venture equity): none.
- 4)Cumulative amount of buying or selling negotiable securities to reach NT\$300 million or 20% of paid-in capital or more: none.
- 5)The amount of acquiring property to reach NT\$300 million or 20% of paid-in capital or more: none.
- 6)The amount of disposing of property to reach NT\$300 million or 20% of paid-in capital or more: none.
- 7)The amount of purchase and sales with related party to reach NT\$100 million or 20% of paid-in capital or more:

Unit: NT\$ thousands

Purchase (sales) companies	Counterparty	Relation	Transaction situation				Situation and reason for difference between transaction condition and common transaction		Notes and accounts receivable (payable)		Note
			Purchase (Sales)	Amount	Ratio to Total Purchase (Sales)	Credit period	Unit price	Credit period	Balance	Ratio in total notes and accounts receivable (payable)	
Airmate Electric Appliances (Shenzhen) Co. Limited	Wacon Development Co. Limited	Parent-subsidiary company	Sales	(3,830,057)	(85) %	Collection according to operation status	-		2,172,463	95%	
Airmate Electric Appliances (Shenzhen) Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Affiliated companies	Sales	(613,175)	(14) %	Collection according to operation status	-		-	-%	
Airmate Electric Appliances (Jiujiang) Co. Limited	Zhejiang Airmate Electric Appliances Sales Co. Limited	investee companies where the affiliated companies hold 40% equity	Sales	(93,381)	(2) %	Net 30-90 days	-		14,310	1%	

Purchase (sales) companies	Counterparty	Relation	Transaction situation				Situation and reason for difference between transaction condition and common transaction		Notes and accounts receivable (payable)		Note
			Purchase (Sales)	Amount	Ratio to Total Purchase (Sales)	Credit period	Unit price	Credit period	Balance	Ratio in total notes and accounts receivable (payable)	
Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co. Limited	Affiliated companies	Sales	(215,189)	(4) %	Collection according to operation status	-		-	-%	
Airmate Electric Appliances (Jiujiang) Co. Limited	Wacon Development Co. Limited	Parent-subsidiary company	Sales	(191,375)	(4) %	Collection according to operation status	-		24,967	1%	
Wacon Development Co. Limited	Airmate Electric Appliances (Shenzhen) Co. Limited	Parent-subsidiary company	Purchase	3,830,057	85 %	Payment according to operation status	-		(2,172,463)	(84)%	
Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co. Limited	Affiliated companies	Purchase	613,175	20 %	Collection according to operation status	-		-	-%	
Zhejiang Airmate Electric Appliances Sales Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	investee companies where the affiliated companies hold 40% equity	Purchase	93,381	62 %	Net 30-90 days	-		(14,310)	(18)%	
Airmate Electric Appliances (Shenzhen) Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Affiliated companies	Purchase	215,189	8 %	Collection according to operation status	-		-	-%	
Wacon Development Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Parent-subsidiary company	Purchase	191,375	4 %	Payment according to operation status	-		(24,967)	(1)%	

Note: The above transactions, except for Zhejiang Airmate Electric Appliances Sales Co. Limited, had been written off in preparing the consolidated financial report.

8)The receivables from related party to reach NT\$100 million or 20% of paid-in capital or more:

Unit: NT\$ thousands

The companies that record such transactions as receivables	Counterparty	Relation	Accounts Receivable from Related Parties (Note)	Turnover rate	Overdue receivables from related party		Subsequently Recovered Amount from Related Party	Record an allowance for doubtful accounts
					Amount	Disposal means		
Wacon Development Co. Limited	The Company	Parent-subsidiary company	279,848	-	-	-	-	-
Wacon Development Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Parent-subsidiary company	1,095,955	-	-	-	-	-
Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co. Limited	Parent-subsidiary company	591,710	-	-	-	-	-
Airmate Electric Appliances (Shenzhen) Co. Limited	Wacon Development Co. Limited	Parent-subsidiary company	2,172,463	42.00%	-	-	745,402	-

Note: the above transactions had been written off in preparing the consolidated financial report.

9)Engagement in derivative instruments transaction:

For details please refer to Note 6(2) to the consolidated financial statements.

10) Parent-subsidary company business relation and important transactions:

No.	Name of transaction party	Transaction subject	Relationship with the transaction party	Transaction Status			
				Accounts	Amount	Transaction condition	Ratio in total revenue or assets
0	The Company	Waon Company	1	Other receivables	279,848	Collection according to its own collection	3%
1	Airmate China	Shenzhen Airmate	1	Long-term receivables	591,710	Collection according to its own collection	6%
1	Airmate China	Shenzhen Airmate	1	Interest income	9,629	Collection according to its own collection	-%
2	Shenzhen Airmate	Jiujiang Airmate	3	Sales	613,175	Collection according to its own collection	7%
2	Shenzhen Airmate	Jiujiang Airmate	3	Other income	260,836	Collection according to its own collection	1%
2	Shenzhen Airmate	Jiujiang Airmate	1	Other expenses	157,679	Collection according to its own collection	2%
2	Shenzhen Airmate	Waon Company	2	Sales	3,830,057	Collection according to its own collection	42%
2	Shenzhen Airmate	Waon Company	2	Accounts receivable	2,172,463	Collection according to its own collection	23%
3	Waon Company	Airmate International	2	Other receivables	391	Collection according to its own collection	-%
3	Waon Company	Airmate China	2	Other receivables	363	Collection according to its own collection	-%
3	Waon Company	Shenzhen Airmate	1	Accounts payable	2,172,463	Collection according to its own collection	23%
3	Waon Company	Shenzhen Airmate	1	Other receivables	259,786	Collection according to its own collection	3%
3	Waon Company	Jiujiang Airmate	1	Long-term receivables	1,095,955	Collection according to its own collection	12%
3	Waon Company	Jiujiang Airmate	1	Other receivables	36,488	Collection according to its own collection	-%
4	Jiujiang Airmate	Shenzhen Airmate	3	Sales	215,189	Collection according to its own collection	2%
4	Jiujiang Airmate	Waon Company	2	Sales	191,375	Collection according to its own collection	2%
4	Jiujiang Airmate	Waon Company	2	Accounts receivable	24,967	Collection according to its own collection	-%

Note 1.The numbering rule is as follows:

- 1.0 represents the parent company.
- 2.The subsidiaries are coded from "1" in the order presented in the table above.

Note 2.The type of relations with transaction party is marked as follows:

- 1.Parent company to subsidiary.
- 2.Subsidiary to parent company.
- 3.Subsidiary to subsidiary.

Note 3.For business relations and important transactions between parent-subsidary companies, only the date about sales and accounts receivable is disclosed, to the exclusion of the other party's sales and accounts receivable.

b.Relevant information about investees

The information about investees of the consolidated company in 2020 (excluding investee companies in Mainland China) is as follows:

Unit: NT\$ thousands/thousand shares

Name of investing companies	Investee Companies	Location	Main Operations	Initial investment amount		Holding at the end of the period			Highest during the period or Contribution	Profit or Loss of investee Company in the Current Period (Note 4)	Investment Profit/Loss Recognized in the Current Period (Note 2)	Note
				At the end of the period (Note 1)	End of last year (Note 1)	Number of shares	Ratio	Carrying amount (Note 2)				
The Company	Airmate International Holding Co. Limited	Virgin Islands	Holding company	1,821,980 (USD\$63,974 thousand)	1,821,980 (USD\$63,974 thousand)	63,974	100.00%	4,177,779	100.00%	227,617	227,617	Directly invested subsidiaries of the Company
Airmate International Holding Co. Limited	Airmate International Co. Limited China	Virgin Islands	Holding company	1,986,793 (USD\$69,761 thousand)	1,986,793 (USD\$69,761 thousand)	69,761	100.00%	4,178,109	100.00%	227,688	227,688	Indirectly invested subsidiaries of the Company
Airmate International Co. Limited China	Waon Development Co. Limited	Hong Kong	Trading company	3,012,955 (HKD 820,298 thousand)	3,012,955 (HKD 820,298 thousand)	-	100.00%	3,586,699	100.00%	248,749	248,749	Indirectly invested subsidiaries of the Company

Note 1.The exchange rates on the financial reporting date were USD:NTD = 1:28.4800, CNY:HKD = 1:1.1882, HKD:NTD = 1:3.6730.

Note 2.The above transactions had been written off in preparing the consolidated financial report.

c.Mainland China investment information:

1)Relevant information about name, main business items of investee companies in Mainland China

Unit: NT\$ thousands

Investee Companies in Mainland China	Main Operations	Paid-in Capital (Note 4)	Investment method (Notes 1 & 5)	Cumulative Investment Amount Remitted from Taiwan at the Beginning of the Period (Note 2)	Remitted or recovered investment amount for the period		Cumulative Investment Amount Remitted from Taiwan at the End of the Period (Note 2)	Profit or Loss of Investee Company in the Current Period	Percentage of Ownership through the Company's Direct or Indirect Investment	Maximum shareholding or contribution during the period	Investment Gains (Losses) Recognized for the Current Period (Notes 3 & 6)	Carrying Amount at the End of the Period (Note 6)	Investment Gains Repatriated by the End of the Current Period
					Remittance	Recovery							
Airmate Electric Appliances (Shenzhen) Co. Limited	Manufacturing and sales of household appliances and processing precision mold	NT\$911,360 (USD\$32,000 thousand)	(II)	-	-	-	-	(15,329)	100.00%	100.00%	(15,329)	2,248,366	-
Zhejiang Airmate Electric Appliances Sales Co. Limited	Sales of electric appliances	NT\$45,825 (CNY 10,500 thousand)	(III)	-	-	-	-	(6,853)	40.00%	40.00%	(2,741)	27,258	-
Airmate Electric Appliances (Jiujiang) Co. Limited	Manufacturing and sales of household appliances and processing precision mold	NT\$2,073,344 (USD\$72,800 thousand)	(II) (III)	-	-	-	-	10,761	100.00%	100.00%	10,761	2,240,231	-
Airmate Technology (Shenzhen) Co. Limited	Sales, research and development of household appliances	NT\$43,643 thousand (CNY 10,000 thousand)	(III)	-	-	-	-	7,222	100.00%	100.00%	7,222	34,898	-
Emmett e-commerce (Shenzhen) Co., Ltd.	Sales of household appliances	NT\$43,643 thousand (CNY 10,000 thousand)	(III)	-	-	-	-	374	100.00%	100.00%	374	44,022	-

2)Investment ceiling in Mainland China

Cumulative investment amount remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by Investment Review Committee of Ministry of Economy	Investment ceiling in Mainland China according to provisions of Investment Review Committee of Ministry of Economy
(Note 2)	(Note 2)	(Note 2)

Note 1.Investment methods can be divided into the following three types:

- 1.Going directly to Mainland China for investment.
- 2.Reinvestment in Mainland China through a third region (Waon Development Co. Limited).
- 3.Other methods

Note 2.The Company is an overseas company, so it is not bound by the limitations of "review principles on investment or technological cooperation in Mainland China".

Note 3.The financial reports audited by CPAs of the investee company during the same period will be recognized.

Note 4.The exchange rates on the financial reporting date were USD:NTD = 1:28.4800, CNY:HKD = 1:1.1882, HKD:NTD = 1:3.6730.

Note 5.For the above transactions, the investment toward Airmate Electric Appliances (Jiujiang) Co. Limited included: (II) reinvestment in Mainland China through a third region (Waon Development Co. Limited) and (III) other methods (i.e. reinvestment through Airmate Electric Appliances (Shenzhen) Co. Limited).

Note 6.The above transactions, except for Zhejiang Airmate Electric Appliances Sales Co. Limited, had been written off in preparing the consolidated financial report.

3)Substantial transactions:

Please refer to the description of "relevant information about substantial transactions" and "business relation and substantial transactions between parent-subsidiary companies" for direct or indirect substantial transactions between the consolidated company and investee companies in Mainland China in 2020.

d.List of major shareholders:

Unit: shares

Name of Major Shareholders	Shares	Shareholding (Shares)	Shareholding ratio
Pearl Place Holding		26,104,350	18.70%

## 14.Segment Information

### a.General information

The consolidated company has two reportable segments: domestic market and export market, with the former responsible for sales in Mainland China. The latter is responsible for sales in Northeast Asia, Europe, and America.

### b.Information involving profit or loss, asset, liability, and measurement basis and adjustment of reportable segment

The consolidated company takes the departmental before-tax profit or loss (excluding income tax, non-frequently occurring profit or loss, financial asset (liability) profit or loss at fair value and exchange profit or loss) in internal management report reviewed by major operation decision-makers as the basis for resources allocation and evaluation of performance by the management. Because the income tax, non-frequently occurring profit or loss, financial asset (liability) profit or loss at fair value and exchange profit or loss are managed on the Group basis, so the consolidated company has not apportioned them to reportable segments. The reported amount is consistent with report used by operation decision-makers.

The accounting policies of the operating segments are the same as the "summary description of material accounting policies" in Note 4. Transfer pricing among segments of the consolidated company is based on similar conventional transaction with a third party.

The information and adjustment of operating segments of the consolidated company were as follows:

	2020			
	Domestic market	Export market	Adjustment and elimination	Total
<b>Revenue:</b>				
Revenue from external customers	\$ 4,910,633	4,296,713	-	9,207,346
Intersegment sales	828,364	4,025,753	(4,854,117)	-
Interest income	30,921	12,786	(9,628)	34,079
<b>Total revenue</b>	<b>\$ 5,769,918</b>	<b>8,335,252</b>	<b>(4,863,745)</b>	<b>9,241,425</b>
Interest expense	\$ (35,749)	(16,619)	9,628	(42,740)
Depreciation and amortization	\$ (180,325)	(165,977)	-	(346,302)
Share of affiliates and joint ventures profit or loss using equity method	\$ (2,472)	-	-	(2,472)
<b>Reportable segment profit or loss</b>	<b>\$ 120,240</b>	<b>65,152</b>	<b>(29,153)</b>	<b>156,239</b>
<b>Reportable segment assets</b>	<b>\$ 11,362,781</b>	<b>18,982,461</b>	<b>(21,091,900)</b>	<b>9,253,342</b>

	2019			Total
	Domestic market	Export market	Adjustment and elimination	
<b>Revenue:</b>				
Revenue from external customers	\$ 5,378,679	4,764,102	-	10,142,781
Intersegment sales	739,060	4,295,093	(5,034,153)	-
Interest income	27,080	15,497	(11,615)	30,962
<b>Total revenue</b>	<b>\$ 6,144,819</b>	<b>9,074,692</b>	<b>(5,045,768)</b>	<b>10,173,743</b>
Interest expense	\$ (53,975)	(33,687)	11,615	(76,047)
Depreciation and amortization	\$ (250,185)	(183,079)	-	(433,264)
Share of affiliates and joint ventures profit or loss using equity method	\$ 5	-	-	5
<b>Reportable segment profit or loss</b>	<b>\$ 144,432</b>	<b>84,361</b>	<b>28,366</b>	<b>257,159</b>
<b>Reportable segment assets</b>	<b>\$ 10,893,792</b>	<b>18,016,965</b>	<b>(20,009,741)</b>	<b>8,901,016</b>

The total revenue of reportable segment in 2020 and 2019 should eliminate inter-departmental revenue NT\$4,863,745 thousand and NT\$5,045,768 thousand, respectively; the profit or loss adjustment item of reportable segment in 2019 and 2018 was financial asset net loss at fair value and exchange gain (loss) amounting to respectively NT\$(29,153) thousand and NT\$28,366 thousand.

c. Information of product category

The information of revenue from external customers for the consolidated company was as follows:

Product name	2020	2019
Electric fans	\$ 5,892,496	6,560,708
Electric heaters	1,936,989	2,558,181
Others	1,377,861	1,023,892
	<b>\$ 9,207,346</b>	<b>10,142,781</b>

d. Geographic information

Region	2020	2019
Revenue from external customers:		
Mainland China	\$ 4,910,633	5,378,679
Japan	1,295,271	1,416,386
South Korea	1,242,811	1,498,561
Other countries	1,758,631	1,849,155
Total	<b>\$ 9,207,346</b>	<b>10,142,781</b>
Non-current Assets:		
Mainland China and Hong Kong	<b>\$ 3,609,766</b>	<b>3,667,312</b>

The non-current assets include investments accounted for using the equity method, property, plants and equipment, right-of-use assets, intangible assets and other assets, and exclude financial instruments and deferred tax assets.

e. Information of major customers

	2020	2019
Customer of export market segment	<b>\$ 944,373</b>	<b>881,220</b>



**AIRMATE (CAYMAN) INTERNATIONAL CO LIMITED**