

Airmate (Cayman) International Co Limited and  
Subsidiaries  
Consolidated Financial Statements and CPA's Audit Report  
Quarter 2 of 2023 and 2022  
(Stock Code: 1626)

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*Notice to Reader:*

*For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by*

*independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.*

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Financial Report and Certified Public Accountant's Audit Report for the  
Financial Years of Quarter 2 of 2023 and 2022

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## Independent Auditors' Report

(23) CSBZ No. 23001151

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 June 30, 2023 and 2022; the Consolidated Statements of Comprehensive Income for the periods from April 1, 2023 to June 30, 2023 and from January 1, 2023 to June 30, 2023; the Consolidated Statements of Changes in Equity for the period from January 1, 2023 to June 30, 2023; the Consolidated Cash Flow Statements, and the accompanying Notes to the Consolidated Financial Statements (including Summary of Material Accounting Policies).

In the opinion of the Accountants, the above Consolidated Financial Statements have been prepared in accordance with the Financial Reporting Standards for Securities Issuers and the International Accounting Standard No. 34 "Interim Financial Reporting" recognized and issued by the Financial Supervisory Commission, and are sufficient to fairly present the consolidated financial position of Airmate Group as of June 30, 2023 and 2022, the consolidated financial performance for the period from April 1, 2023 to June 30, 2023 and 2022, and the consolidated cash flows for the period from January 1, 2023 to June 30, 2023 and 2022.

### Basis of Audit Opinion

The Certified Public Accountants have carried out the audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. Our firm is 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 Certified Public Accountant believes that sufficient and appropriate evidences for the audit have been obtained as the basis for expressing opinion.

### Key Audit Matters

Key audit matters refer to those matters that, in the professional judgment of the Certified Public Accountant, are of the utmost significance for the audit of the Q2 2023 Consolidated Financial Statements of the Airmate Group. These matters have been addressed in the process of our audit on the overall Consolidated Financial Statements, and in forming our opinion thereon. Hence, we will not provide a separate opinion on these matters.

The Key Audit Matters of the Q2 2023 Consolidated Financial Statements of the Airmate Group are as follows:

#### **Impairment assessment of accounts receivable**

##### Description of the Key Audit Matter

For details on the accounting policy for accounts receivable, please refer to Note 4 (10) of the 2022 Consolidated Financial Statements. For details on the accounting estimates for impairment losses on accounts receivable and the explanation on the uncertainty of assumptions, please refer to Note 5 of the 2022 Consolidated Financial Statements. For details on the information on the credit risk of accounts receivable, please refer to Note 12 (2) of the Consolidated Financial Statements.

The Airmate Group makes provision for expected credit losses in accordance with the established

policy on accounts receivable allowance for doubtful debts. The valuation method includes the customer's credit risk and historical credit loss experience and a reasonable estimate of the customer's future economic conditions. Since the aforementioned valuation method involves the subjective judgment of the Management, it has a significant impact on the measurement of expected credit losses from accounts receivable. Therefore, the Certified Public Accountant has included the impairment assessment of accounts receivable as one of the Key Audit Matters for the year.

In response to the auditing procedures:

The main corresponding procedures executed by the Certified Public Accountant on the above-mentioned Key Audit Matter are summarized as follows:

1. Based on the understanding on the operation and sales counterparties of the Airmate Group, assess the reasonableness of the policies and procedures on the provision for losses on accounts receivable, including the identification of individual major customers, the differentiation of similar credit risk groups, and objective evidence in the determination of expected credit losses.
2. Understand the design and the effectiveness of implementation of internal control procedures for the credit management of the Airmate Group and the assessment of expected credit losses during the subsistence period of the creditor's rights.
3. Evaluate the reasonableness of Management's assessment of the amounts of individually recognized significant expected credit losses and expected credit losses based on similar credit risk groups.
4. Test the collection of accounts receivable after the execution period for expected credit losses that occur only in response to the time value of currency to assess the reasonableness of expected credit losses.

**Assessment of allowance for inventory valuation loss**

Description of the Key Audit Matter

For details on the accounting policy for inventory valuation, please refer to Note 4 (14) of the 2022 Consolidated Financial Statements; for the accounting estimates for inventory valuation and the explanation of the uncertainty of assumptions, please refer to Note 5 of the 2022 Consolidated Financial Statements; and for the explanation of important accounting items for inventory, please refer to Note 6, (7) of the Consolidated Financial Statements.

The Airmate Group measures the value of the inventory by the lower of cost and net realizable value. Due to the large number and type of inventory items in the Airmate Group and the fact that the net realizable value used in the individual recognition of obsolescence or damage and its valuation often involves subjective judgment, hence, there is uncertainty in the estimation. Therefore, the Certified Public Accountant has identified the assessment of allowance for inventory valuation loss as one of the key audit matters for the current year.

In response to the auditing procedures:

The main corresponding procedures executed by the Certified Public Accountant on the above-mentioned Key Audit Matter are summarized as follows:

1. Based on the understanding on the nature of the operations and industry of the Airmate Group, assess the reasonableness of the policies and procedures adopted for the provision for inventory valuation loss, including the degree of inventory depreciation, the reasonableness of the assessment of obsolete and outdated inventory items, and the consistency of accounting estimation methods.
2. Verify that the information in the inventory valuation loss statement used by the Airmate Group is consistent with its policy; randomly check the individual inventory item numbers to verify the degree of inventory devaluation, and then evaluate the appropriateness of the Airmate Group's provision for valuation loss.

## **Responsibilities of the Management and the Governing Body for the Consolidated Financial Statements**

The responsibilities of Management are to prepare an appropriately represented Consolidated Financial Report in accordance with International Accounting Standards No. 34 "Interim Financial Reporting" 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 Statements does not contain material misrepresentation due to fraud or error.

In preparing the Consolidated Financial Statements, the Management's responsibilities also include assessing the ability of the Airmate Group to continue operating as a going concern, disclosing related matters, and continuing to adopt the going concern accounting basis, unless the Management intends to liquidate the Airmate Group or cease operations, or there is no practicable alternative other than liquidation or cessation of operation.

The governing bodies of the Airmate Group (including the Audit Committee) are responsible to oversee the financial reporting procedures.

## **The Certified Public Accountants' Responsibilities in the Audit of the Consolidated Financial Statements**

The objective of the audit on the Consolidated Financial Statements is to attain a reasonable assurance as to whether the Consolidated Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an Audit Report that includes our opinion. Reasonable assurance is a high level of assurance, but the audit work performed in accordance with the Auditing Standards of the Republic of China cannot guarantee that all material misstatements in the Consolidated Financial Statements can be detected. Misstatement may be caused by fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could reasonably have influence on the economic decisions made by the users of the Consolidated Financial Statements, they shall be deemed as material.

The Certified Public Accountant has exercised professional judgment and professional skepticism during the audit in accordance with the Auditing Standards of the Republic of China. The Certified Public Accountant will also perform the following duties:

1. Identify and evaluate the risk of material misstatements in the Consolidated Financial Statements due to fraud or error; design and carry out appropriate countermeasures on the evaluated risk; and obtain sufficient and appropriate evidence as the basis for the audit opinion. 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. Understanding internal control relevant to the audit in order to design audit procedures that are appropriate in that particular circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Airmate Group.
3. Evaluating the appropriateness of the accounting policy adopted by the Management and the reasonableness of the accounting estimates 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 the Airmate Group's ability to continue

operation as a going concern based on the audit evidence obtained. If the Certified Public Accountant is of the opinion that a material uncertainty exists, the users of the Consolidated Financial Statements should be reminded to pay attention to the relevant disclosures in the Consolidated Financial Statements, or modify the audit opinion when the disclosures are inappropriate. The Certified Public Accountant's conclusions are based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause the Airmate Group to no longer have the capacity to operate as a going concern.

5. Assessing the overall presentation, structure and content of the Consolidated Financial Statements (including the related Notes) and whether the Consolidated Financial Statements appropriately represented the related transactions and events.
6. Obtaining adequate and appropriate audit evidence of the financial information of the Group's constituent entities so as to express an opinion on the Consolidated Financial Statements. The Certified Public Accountant is responsible for the guidance, supervision, and execution of the audit on the Airmate Group and is responsible for forming audit opinions on the Airmate Group.

The matters communicated with the governing bodies includes the planned scope and timing of the audit, as well as the significant audit findings (including any significant deficiencies in internal control identified during the audit).

The Certified Public Accountant has also provided the governing bodies with a declaration on the independence of the accounting firm's personnel in compliance with the Code of Ethics of Accountants in the Republic of China and has communicated with the governing bodies on all relationships and other matters (including relevant safeguards) that may be deemed to affect the independence of the Certified Public Accountant.

From the matters communicated with the governing bodies, the Certified Public Accountant has determined the Key Audit Matters of the Q2 2023 Consolidated Financial Statements of the Airmate Group. The accountant 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 accountant 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.

PricewaterhouseCoopers Taiwan

Guo-hua, Wang

Certified Public Accountant

Wu Jian zhi

Former Ministry of Finance Securities and Futures

Management Committee

Approval number: (87) Taiwan Finance Certificate (VI) No.  
68790

Financial Supervisory Commission

Approval number: Financial Supervisory  
Commission (FSC) No. 1030027246

August 09, 2023



Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Balance Sheets  
June 30, 2023, December 31, and June 30, 2022

Unit: NT\$ Thousands

Assets	Note	June 30, 2023		December 31, 2022		June 30, 2022		
		Amount	%	Amount	%	Amount	%	
<b>Current Assets</b>								
1100	Cash and Cash Equivalents	6(1)	\$ 1,120,204	12	\$ 898,784	10	\$ 910,754	9
1110	Financial Assets at Fair Value through Profit or Loss - Current	6(2)	-	-	43,956	-	-	-
1136	Financial Assets at Amortized Cost - Current	6(3) and 8	380,932	4	263,019	3	353,119	3
1150	Net Amount of Notes Receivable	6(4), 7 and 8	1,036,784	11	842,396	10	1,124,347	11
1170	Net Amount of Accounts Receivable	6(4) and 7	1,796,176	18	919,776	10	2,117,140	20
1200	Other Receivables	6(5)(6)	25,149	-	137,575	2	26,715	-
130X	Inventories	6(7)	1,955,055	20	2,174,374	25	2,141,415	21
1410	Advance Payment	6(8)	207,570	2	174,534	2	174,452	2
1479	Other Current Assets - Others		13,947	-	60,468	1	53,403	-
1481	Rights of Pending Returning Products - Current	6(27)	81,869	1	34,280	-	67,101	1
11XX	<b>Total Current Assets</b>		<u>6,617,686</u>	<u>68</u>	<u>5,549,162</u>	<u>63</u>	<u>6,968,446</u>	<u>67</u>
<b>Non-current Assets</b>								
1517	Financial Assets at Fair Value through Other Comprehensive Income- Non-current	6(9)	2,328	-	-	-	-	-
1550	Investments Accounted for Using the Equity Method	6(10)	33,385	-	33,440	-	31,069	-
1600	Property, Plant and Equipment	6(11) (12) and 8 12(4)	2,612,327	27	2,787,713	32	2,928,432	28
1755	Right-of-use Assets	6(12) and 8	197,013	2	203,685	2	206,762	2
1760	Net amount of investment properties	6(12) (13) and 12 (4)	8,740	-	9,307	-	9,482	-
1780	Intangible Assets	6(14)	6,579	-	4,195	-	4,500	-
1840	Deferred Income Tax Assets		167,085	2	197,543	2	144,368	2
1990	Other Non-current Assets - Others	6(15) and 8	63,564	1	39,810	1	55,682	1
15XX	<b>Total Non-current Assets</b>		<u>3,091,021</u>	<u>32</u>	<u>3,275,693</u>	<u>37</u>	<u>3,380,295</u>	<u>33</u>
1XXX	<b>Total Assets</b>		<u>\$ 9,708,707</u>	<u>100</u>	<u>\$ 8,824,855</u>	<u>100</u>	<u>\$ 10,348,741</u>	<u>100</u>

(Continued on the next page)

**Airmate (Cayman) International Co Limited and Subsidiaries**  
**Consolidated Balance Sheets**  
**June 30, 2023, December 31, and June 30, 2022**

Unit: NT\$ Thousands

Liabilities and Equities	Note	June 30, 2023		December 31, 2022		June 30, 2022		
		Amount	%	Amount	%	Amount	%	
<b>Current Liabilities</b>								
2100	Short-term loans	6(16) and 8	\$ 500,191	5	\$ 556,523	6	\$ 937,183	9
2120	Financial Liabilities at Fair Value through Profit or Loss - Current	6(2)	3,228	-	-	-	5,291	-
2130	Contract Liabilities - Current	6(27)	172,220	2	365,995	4	169,644	2
2150	Notes Payable	6(17) and 8	1,493,346	15	1,433,202	16	1,283,386	13
2170	Accounts Payable		2,298,085	24	1,739,558	20	2,408,910	23
2200	Other Payables	6(18), 7						
		And 8	1,244,444	13	814,340	9	1,044,279	10
2230	Current Income Tax Liabilities		15,940	-	3,240	-	5,111	-
2250	Provision - Current	6(19) and	65,610	1	22,354	-	41,280	-
2320	Long-term Liabilities Due within One Year or One Operating Cycle	6(20)						
		(21) and 8	351,195	4	353,566	4	299,556	3
2365	Refund Liabilities - Current	6(27)	122,473	1	52,146	1	95,358	1
2399	Other Current Liabilities - Others		15,814	-	28,525	1	13,660	-
21XX	<b>Total Current Liabilities</b>		<u>6,282,546</u>	<u>65</u>	<u>5,369,449</u>	<u>61</u>	<u>6,303,658</u>	<u>61</u>
<b>Non-current Liabilities</b>								
2530	Corporate Bonds Payable	6(21) and 8	-	-	-	-	351,182	4
2540	Long-term Loans	6(20) and 8	-	-	-	-	7,929	-
2570	Deferred income tax liabilities		27,535	-	24,357	-	24,832	-
2640	Net Defined Benefit Liabilities - Non-current		38,058	-	36,727	1	38,040	-
2645	Security Deposits Received		121,385	1	105,457	1	111,354	1
2670	Other Non-current Liabilities - Others	6(23)						
		(28)	70,798	1	73,960	1	75,915	1
25XX	<b>Total Non-current Liabilities</b>		<u>257,776</u>	<u>2</u>	<u>240,501</u>	<u>3</u>	<u>609,252</u>	<u>6</u>
2XXX	<b>Total Liabilities</b>		<u>6,540,322</u>	<u>67</u>	<u>5,609,950</u>	<u>64</u>	<u>6,912,910</u>	<u>67</u>
<b>Equities Attributable to Owners of Parent Company</b>								
Share Capital								
		6(24)						
3110	Common Stock		1,455,445	15	1,455,445	16	1,455,445	14
3150	Stock dividends held for distribution		72,772	1	-	-	-	-
Capital Surplus								
		6(25)						
3200	Capital Surplus		1,228,578	13	1,228,726	14	1,231,625	12
Retained Earnings								
		6(26)						
3310	Legal Reserve		117,657	1	69,854	1	69,854	1
3320	Special Reserve		278,317	3	261,181	3	261,181	2
3350	Undistributed Earnings		405,566	4	478,016	5	646,445	6
Other Equities								
3400	Other Equities		( 389,950)	( 4)	( 278,317)	( 3)	( 228,719)	( 2)
3XXX	<b>Total Equities</b>		<u>3,168,385</u>	<u>33</u>	<u>3,214,905</u>	<u>36</u>	<u>3,435,831</u>	<u>33</u>
Subsequent Events								
		11						
3X2X	<b>Total Liabilities and Equities</b>		<u>\$ 9,708,707</u>	<u>100</u>	<u>\$ 8,824,855</u>	<u>100</u>	<u>\$ 10,348,741</u>	<u>100</u>

Please refer to the accompanying Notes to the Consolidated Financial Statements which are part of the consolidated financial report.

Chairman: Shih, Jui Pin

Manager: Shih, Jui Pin

Accounting Supervisor: Ho, Mei Hsiu

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to June 30, 2022 and 2023

Unit: NT\$ Thousands  
(Except earnings per share is NTD)

Items	Note	April 01, 2023 to June 30		April 01, 2022 to June 30		January 01, 2023 to June 30		January 01, 2022 to June 30	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating Income	6(12)	\$ 3,611,446	100	\$ 3,916,739	100	\$ 5,457,311	100	\$ 5,845,880	100
5000 Operating Cost	6(7), (12), (14), (22), (31), (32)	( 2,755,237)	( 76)	( 3,213,461)	( 82)	( 4,277,623)	( 78)	( 4,890,991)	( 84)
5900 Gross Profit		856,209	24	703,278	18	1,179,688	22	954,889	16
5910 Unrealized Sales Profit	6(10)	( 3,053)	-	( 5,062)	-	( 5,746)	-	( 8,708)	-
5920 Realized Sales Profit	6(10)	2,651	-	3,691	-	5,788	-	8,270	-
5950 Net Operating Profit		855,807	24	701,907	18	1,179,730	22	954,451	16
Operating Expenses	6(14), (22), (31), (32) and 7								
6100 Selling Expenses		( 564,463)	( 16)	( 390,400)	( 10)	( 802,404)	( 15)	( 658,738)	( 11)
6200 Administrative Expenses		( 88,631)	( 2)	( 96,120)	( 2)	( 164,869)	( 3)	( 214,417)	( 4)
6300 Research and Development Expense		( 30,472)	( 1)	( 28,105)	( 1)	( 62,877)	( 1)	( 55,212)	( 1)
6450 Expected Credit Gain (Loss)	12(2)	( 2,617)	-	8,524	-	3,019	-	( 14,176)	-
6000 Total Operating Expenses		( 686,183)	( 19)	( 506,101)	( 13)	( 1,027,131)	( 19)	( 942,543)	( 16)
6900 Operating Profit		169,624	5	195,806	5	152,599	3	11,908	-
Non-operating Income and Expenses									
7100 Interest Income		3,711	-	11,595	-	8,747	-	16,324	-
7010 Other Incomes	6(12), (28)	8,078	-	16,830	-	21,700	-	24,715	-
7020 Other Gains and Losses	6(29) and 12(4)	48,977	1	28,716	1	22,826	-	737,482	13
7050 Finance Costs	6(16), (20), (21), (30)	( 12,337)	-	( 12,104)	-	( 22,137)	-	( 22,090)	-
7060 Share of Profit or Loss of Associates and Joint Ventures Recognized under Equity Method	6(10)	1,114	-	535	-	663	-	( 477)	-
7000 Total Non-operating Income and Expenses		49,543	1	45,572	1	31,799	-	755,954	13
7900 Net profit before tax		219,167	6	241,378	6	184,398	3	767,862	13
7950 Income Tax Expense	6(33)	( 49,532)	( 1)	( 30,469)	-	( 46,365)	( 1)	( 121,417)	( 2)
8200 Net Profit of the Current Period		\$ 169,635	5	\$ 210,909	6	\$ 138,033	2	\$ 646,445	11
<b>Other Comprehensive Income</b>									
<b>Items that may Subsequently be Reclassified to Profit or Loss:</b>									
8361 Exchange Differences from Translation of Financial Statements of Foreign Operating Entities		( \$ 147,303)	( 4)	( \$ 108,237)	( 3)	( \$ 111,633)	( 2)	\$ 32,462	1
8300 <b>Other Comprehensive Profit or Loss (Net)</b>		( \$ 147,303)	( 4)	( \$ 108,237)	( 3)	( \$ 111,633)	( 2)	\$ 32,462	1
8500 <b>Total Comprehensive Income</b>		\$ 22,332	1	\$ 102,672	3	\$ 26,400	-	\$ 678,907	12
Net Profit Attributed to:									
8610 Owners of Parent Company Total Comprehensive Income Attributable to:		\$ 169,635	5	\$ 210,909	6	\$ 138,033	2	\$ 646,445	11
8710 Owners of Parent Company		\$ 22,332	1	\$ 102,672	3	\$ 26,400	-	\$ 678,907	12
Earning Per Share	6(34)								
9750 Basic		\$ 1.17		\$ 1.45		\$ 0.95		\$ 4.44	
9850 Diluted		\$ 1.06		\$ 1.23		\$ 0.87		\$ 3.77	

Please refer to the accompanying Notes to the Consolidated Financial Statements which are part of the consolidated financial report.

Chairman : Shih, Jui Pin

Manager : Shih, Jui Pin

Accounting Supervisor: Ho, Mei Hsiu

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to June 30, 2022 and 2023

Unit: NT\$ Thousands

Note	Equities Attributable to Owners of Parent Company							Exchange Differences from Translation of Financial Statements of Foreign Operating Entities	Total Equity
	Share Capital			Retained Earnings			Undistributed Earnings		
	Common Stock	Stock dividends held for distribution	Capital Surplus	Legal Reserve	Special Reserve				
<u>January 1 to June 30, 2022</u>									
Balance on January 1, 2022	\$ 1,455,445	\$ -	\$ 1,231,625	\$ 179,704	\$ 261,489	(\$ 110,158)	(\$ 261,181)	\$ 2,756,924	
Net Profit of the Current Period	-	-	-	-	-	646,445	-	646,445	
Other Comprehensive Income of the Current Period	-	-	-	-	-	-	32,462	32,462	
Total Comprehensive Income	-	-	-	-	-	646,445	32,462	678,907	
Appropriation and Distribution of 2021 Retained Earnings:									
Reversal of Special Reserve	-	-	-	-	( 308 )	308	-	-	
Statutory surplus reserve to make up for the deficit 6(26)	-	-	-	( 109,850 )	-	109,850	-	-	
Balance on June 30, 2022	\$ 1,455,445	\$ -	\$ 1,231,625	\$ 69,854	\$ 261,181	\$ 646,445	(\$ 228,719)	\$ 3,435,831	
<u>January 1 to June 30, 2023</u>									
Balance on January 1, 2023	\$ 1,455,445	\$ -	\$ 1,228,726	\$ 69,854	\$ 261,181	\$ 478,016	(\$ 278,317)	\$ 3,214,905	
Net Profit of the Current Period	-	-	-	-	-	138,033	-	138,033	
Other Comprehensive Income of the Current Period	-	-	-	-	-	-	( 111,633 )	( 111,633 )	
Total Comprehensive Income	-	-	-	-	-	138,033	( 111,633 )	26,400	
Appropriation and Distribution of 2022 Retained Earnings:									
Setting Aside Legal Reserve	-	-	-	47,803	-	( 47,803 )	-	-	
Setting Aside Special Reserve	-	-	-	-	17,136	( 17,136 )	-	-	
Cash Dividends for Ordinary Shares 6(26)	-	-	-	-	-	( 72,772 )	-	( 72,772 )	
Share Dividend for Ordinary Shares 6(24)(26)	-	72,772	-	-	-	( 72,772 )	-	-	
Redemption of Convertible Corporate Bonds 6(21)(25)	-	-	( 148 )	-	-	-	-	( 148 )	
Balance on June 30, 2023	\$ 1,455,445	\$ 72,772	\$ 1,228,578	\$ 117,657	\$ 278,317	\$ 405,566	(\$ 389,950)	\$ 3,168,385	

Please refer to the accompanying Notes to the Consolidated Financial Statements which are part of the consolidated financial report.

Chairman: Shih, Jui Pin

Manager: Shih, Jui Pin

Accounting Supervisor: Ho, Mei Hsiu

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to June 30, 2022 and 2023

Unit: NT\$ Thousands

	Note	January 1 to June 30, 2023	January 1 to June 30, 2022
<u>Cash Flows from Operating Activities</u>			
Net profit before tax in the current period		\$ 184,398	\$ 767,862
Adjustment Items:			
Revenue and Expense Items			
Expected Credit Loss (Gain)	12(2)	( 3,019 )	14,176
Depreciation Expense	6(11)( 12)		
	(13)(31)	189,191	208,923
Amortization Expense	6(14)		
	(31)	836	1,707
Interest Expense	6(30)	22,137	22,090
Interest Income		( 8,747 )	( 16,324 )
Share of Profit or Loss of Associates and Joint Ventures Recognized under Equity Method	6(10)	( 663 )	477
Net Loss on Financial Assets and Liabilities Measured at Fair Value through Profit or Loss	6(29)	2,402	9,776
Gains on disposal of property, plant and equipment	6(29)	( 12,026 )	( 1,519 )
Gain on disposal of assets	6(29)	-	( 706,367 )
Gain on Redemption of Convertible Corporate Bonds	6(21) and (29)	( 202 )	-
Unrealized Sales Profit	6(10)	5,746	8,708
Realized Sales Profit	6(10)	( 5,788 )	( 8,270 )
Unrealized gain on foreign currency exchange		( 8,373 )	( 1,554 )
Amortization of Long-term Deferred Income	6(28)	( 1,553 )	( 1,669 )
Changes in Assets/Liabilities related to Operating Activities			
Net Changes in Assets related to Operating Activities			
Financial Assets at Fair Value through Profit or Loss		44,729	-
Net Amount of Notes Receivable		( 217,990 )	225,742
Net Amount of Accounts Receivable		( 898,218 )	( 914,293 )
Other Receivables		111,396	3,358
Inventories		172,522	611,878
Advance Payment		( 37,810 )	89,931
Other current assets — other		( 3,681 )	( 15,479 )
Net Changes in Liabilities related to Operating Activities			
Contract liabilities — current		( 188,607 )	( 91,025 )
Notes Payable		88,622	( 511,990 )
Accounts Payable		610,106	114,010
Other Payables		382,223	487,317
Provision - Current		44,754	12,749
Refund Liabilities - Current		73,121	( 918 )
Other Current Liabilities - Others		( 12,598 )	9,630
Net Defined Benefit Liabilities - Non-current		1,331	3,324
Cash Inflow Generated from Operations		534,239	322,250
Interest Received		9,274	16,263
Interest Paid		( 19,739 )	( 22,025 )
Income Tax Acquired (Paid)		42,813	( 11,263 )
Net Cash Inflow from Operating Activities		566,587	305,225

(Continued on the next page)

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to June 30, 2022 and 2023

Unit: NT\$ Thousands

	Note	January 1 to June 30, 2023	January 1 to June 30, 2022
<u>Cash Flows from Investment Activities</u>			
Acquisition of Financial Assets at Amortized Cost		( \$ 582,253 )	( \$ 718,967 )
Disposal of Financial Assets at Amortized Cost		440,791	810,622
Acquisition of Property, Plant and Equipment	6(35)	( 76,698 )	( 76,041 )
Increase in Advance Payments for Equipment		( 27,057 )	( 15,523 )
Disposal of Property, Plant, and Equipment		22,795	19,030
Acquisition of Intangible Assets	6(14)	( 3,370 )	( 537 )
Other Non-current Assets - Other Decrease (Increase)		( 2,483 )	44,622
Net Cash (Outflow) Inflow from Investment Activities		( 228,275 )	63,206
<u>Cash Flows from Financing Activities</u>			
Proceeds from Short-term Loans	6(36)	984,023	1,666,500
Repayment of Short-term Loans	6(36)	( 1,035,579 )	( 1,527,061 )
Repayment of Long-term Loans	6(36)	-	( 266 )
Redemption of Convertible Corporate Bonds	6(21)	( 4,718 )	-
Deposit margin increase (decrease)	6(36)	18,691	( 1,779 )
Other non-current liabilities - other decrease	6(36)	-	( 1,854 )
Net cash (outflow) inflow from financing activities		( 37,583 )	135,540
Effect of Exchange Rate Changes on Cash and Cash Equivalents		( 79,309 )	( 42,871 )
Increase in Cash and Cash Equivalents in the Current Period		221,420	461,100
Cash and Cash Equivalents at Beginning of the Current Period	6(1)	898,784	449,654
Cash and Cash Equivalents at End of the Current Period	6(1)	<u>\$ 1,120,204</u>	<u>\$ 910,754</u>

Please refer to the accompanying Notes to the Consolidated Financial Statements which are part of the consolidated financial report.

Chairman: Shih, Jui Pin

Manager: Shih, Jui Pin

Accounting Supervisor: Ho, Mei Hsiu

Airmate (Cayman) International Co Limited and Subsidiaries  
Notes to Consolidated Financial Statements  
Quarter 2 of 2023 and 2022

Unit: NT\$ Thousands  
(Unless otherwise specified)

I. Overview

Airmate (Cayman) International Co Limited (hereinafter referred to as the “Company”) is an overseas holding company incorporated in the British Cayman Islands in March 2004. The main business of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) is the manufacture of household appliances and precision mold treatment. The shares of the Company were officially listed and traded on the Taiwan Stock Exchange since March 21, 2013.

II. Date and Procedures for the Approval of Financial Statements

This consolidated financial report has been issued upon approval by the Board of Directors on August 09, 2023.

III. Application of New Publication and Amendments of Guidelines and Interpretations

(I) The impact of the newly issued or revised International Financial Reporting Standards adopted and effective, as approved and published by the Financial Supervisory Commission (FSC)

The following table summarizes the new, revised, and amended International Financial Reporting Standards and Interpretations that are applicable for the year 2023, as approved and published by the Financial Supervisory Commission (FSC):

New, Revised and Amended Standards or Interpretations	International Accounting Standards Board effective date of issue
Amendment to IAS 1 (Disclosure of Accounting Policies)	January 01, 2023
Amendment to IAS 8 (Definition of Accounting Estimates)	January 01, 2023
Amendments to International Accounting Standard 12 “Deferred tax related to assets and liabilities arising from a single transaction”	January 01, 2023

The Group has assessed that the above Standards and Interpretations have no material impact on the financial position and financial performance of the Group.

(II) Impact of Yet to Adopt Newly Issued and Revised IFRSs approved by FSC

Nil.

(III) Impact of International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”) but Yet to be Approved by the FSC

The following table summarizes the Standards and Interpretations for New Issuance, Amendments and Revisions to the International Financial Reporting Standards issued by the IASB but yet to be approved by the FSC:

<u>New, Revised and Amended Standards or Interpretations</u>	<u>International Accounting Standards Board effective date of issue</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by the International Accounting Standards Board
Amendments to IFRS 16 “Lease liabilities in after-sales leaseback”	January 01, 2024
IFRS 17 (Insurance Contracts)	January 01, 2023
Amendments to IFRS 17 (Insurance Contracts)	January 01, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information”	January 01, 2023
Amendment to IAS 1 (Classification of Liabilities as Current or Non-Current)	January 01, 2024
Amendments to IAS 1 “Non-current liabilities with contractual terms”	January 01, 2024
Amendments to IAS 7 and IFRS 7 “Supplier finance arrangements”	January 01, 2024
Amendments to IAS 12 “International tax reform - pillar two model rules”	May 23, 2023

The Group has assessed that the above Standards and Interpretations have no material impact on the financial position and financial performance of the Group.

#### IV. Summary Description of Material Accounting Policies

For material accounting policies, in addition to the following explanations of the compliance declaration, the basis of preparation, the basis of consolidation and the additional sections, the rest are the same as Note 4 of the Consolidated Financial Statements in 2022. Unless otherwise stated, these policies apply consistently throughout the reporting period.

##### (I) Compliance Declaration

1. The Consolidated Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards No. 34 "Interim Financial Reporting" recognized and issued by the Financial Supervisory Commission.
2. The Consolidated Financial Statements should be read together with the Consolidated Financial Statements in 2022.

##### (II) Basis of Preparation

1. Except for the following important items, this consolidated financial report is prepared at historical cost:
  - (1) Financial assets and liabilities (including derivatives) measured at fair value through profit or loss at fair value.
  - (2) Financial assets measured at fair value through other comprehensive profit or loss measured at fair value.
  - (3) Defined benefit liabilities recognized on the basis of net present value of retirement



fund assets less defined benefit obligations.

- The preparation of financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (hereinafter referred to as "IFRSs"), as approved and published by FSC requires the use of a number of significant accounting estimates and the Management's judgment in the application of the Group's accounting policies, and involve a high degree of judgment or complex items, or items involving material assumptions and estimates in the Consolidated Financial Statements, as detailed in Note 5.

### (III) Basis of Consolidation

#### 1. Preparation Principle of Consolidated Financial Reports

The principle of preparation of the Consolidated Financial Statements should be the same as the Consolidated Financial Statements in 2022.

#### 2. Subsidiaries included in the consolidated financial report:

Name of Investor	Name of Subsidiary	Nature of Business	Percentage of shareholding			Explanation
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	Airmate International Holdings Limited (abbreviated as "Airmate International")	Overseas holding company	100%	100%	100%	
Airmate International	Airmate China International Limited (abbreviated as "Airmate China")	Overseas holding company	100%	100%	100%	
Airmate China	Wacon Development Limited (abbreviated as Wacon Company)	Trade business	100%	100%	100%	
Wacon Company	Airmate Electric (Shenzhen) Co., Ltd. (abbreviated as Shenzhen Airmate)	Production and sale of household appliances and processing of precision mold	100%	100%	100%	
Wacon Company/Shenzhen Airmate	Airmate Electrical Appliances (Jiujiang) Co., Limited (abbreviated as "Jiujiang Airmate")	Production and sale of household appliances and processing of precision mold	100%	100%	100%	Note 1
Shenzhen Airmate	Airmate Technology (Shenzhen) Co., Limited (abbreviated as "Airmate Technology")	Sales, research and development of household appliances	100%	100%	100%	
Shenzhen Airmate	Airmate e-Commerce (Shenzhen) Co., Ltd. (abbreviated as "Airmate e-Commerce")	Sales of household appliances	100%	100%	100%	
Shenzhen Airmate	Material Technology (Foshan) Co., Ltd. (hereinafter referred to as Material Technology)	Sales of household appliances	100%	100%	-	Note 2

Note 1: Waon Company and Shenzhen Airmate respectively reinvested in Jiujiang Airmate, holding 90% and 10% of equity interests.

Note 2: The subsidiary invested in and gained control of the newly established company during July 2022.

3. Subsidiaries not included in the Consolidated Financial Report: Nil.
4. Different accounting adjustment and treatment modes by subsidiaries during the accounting period: Nil.
5. Material limitation: Nil.
6. Non-controlling interests in subsidiaries that are material to the Group: Nil.

(IV) Financial Assets at Fair Value through Other Comprehensive Income

1. Refers to equity investments not held for trading, for which the entity has irrevocably elected at initial recognition to present changes in fair value in other comprehensive income, or investments in debt instruments that meet all of the following conditions:
  - (1) The financial assets are held under a business model with the purpose of collecting contractual cash flows and disposals.
  - (2) The contractual terms of the financial asset generate cash flows at a specified date, which are exclusively for the payment of principal and interest on the outstanding principal amount.
2. The Group adopts the trading day accounting for financial assets measured at fair value through other comprehensive profit or loss in accordance with trading practices.
3. The initial recognition of the Group is measured at fair value plus transaction costs and subsequently at fair value:
  - (1) Changes in fair value of equity instruments are recognized in other comprehensive profit or loss. At the time of the derecognition, the cumulative gains or losses previously recognized in other comprehensive profit or loss will not be reclassified from equity to profit or loss and transferred under retained earnings. When the right to receive dividends is established, and when the economic benefits related to dividends are highly likely to flow in, and the amount of dividends can be reliably measured, the Group recognizes dividend income in profit and loss.
  - (2) Changes in fair value of debt instruments are recognized in other comprehensive profit or loss. The impairment losses, interest income and gains and losses on foreign currency exchange are recognized in profit or loss before the derecognition. At the time of the derecognition, the cumulative gains or losses previously recognized in other comprehensive profit or loss will be reclassified from equity to profit or loss.

(V) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year. If there are significant market changes, significant reductions, liquidations, or other significant one-time events after the end of the period, they will be adjusted. Relevant information will be disclosed in accordance with the aforementioned policies.

(VI) Income Tax

The income tax expense for the interim period is calculated by applying the estimated annual average effective tax rate to the pre-tax profit of the interim period. Relevant information is disclosed in accordance with the aforementioned policies.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

There are no significant changes in the current period. Please refer to Note 5 of the Consolidated Financial Statements in 2022.

VI. Description of Important Accounting Items

(I) Cash and Cash Equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash On Hand	\$ 1,223	\$ 1,454	\$ 1,148
Cheques and Demand Deposits	1,118,981	897,330	909,606
	<u>\$ 1,120,204</u>	<u>\$ 898,784</u>	<u>\$ 910,754</u>

1. The financial institutions with which the Group engages has good credit quality, and the Group engages in transactions with a number of financial institutions to diversify credit risk. The likelihood of default is very low.

2. The Group does not provide cash and cash equivalents as pledge guarantee.

(II) Financial assets and liabilities at fair value through profit or loss

Items	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets at fair value through profit or loss - current:			
Wealth management products	<u>\$ -</u>	<u>\$ 43,956</u>	<u>\$ -</u>
Financial liabilities held for trading- current:			
Derivatives - forward exchange agreement	<u>\$ 3,228</u>	<u>\$ -</u>	<u>\$ 5,291</u>

1. Please refer to Note 6 (29) Other gains and losses for the amount of financial assets and liabilities at fair value through profit or loss recognized in profit or loss.

2. The transactions and contractual information of derivative financial assets and debts not subject to hedge accounting undertaken by the Group are as follows:

		June 30, 2023		
		Contract amount (NTD thousand)	Explanation	Maturity period
Buy forward foreign exchange	USD\$	7,000	USD to RMB	2023.07-2023.08
		June 30, 2022		
		Contract amount (NTD thousand)	Explanation	Maturity period
Buy forward foreign exchange	USD\$	16,000	USD to RMB	2022.07-2022.10

The forward foreign exchange transactions entered into by the Group are to avoid the exchange rate risk which the operating activities are exposed to, the hence hedging accounting is not applied.

There was no such incident on December 31, 2022.

3. The Group does not provide any financial assets measured at fair value through profit or loss as pledge guarantee.
4. Please refer to Note 12(2) for information on the credit risk of financial assets measured at fair value through profit or loss.
5. Please refer to Note 6 (21) for the issuance conditions of convertible corporate bonds by the Group.

(III) Financial Assets at Amortized Cost

	June 30, 2023	December 31, 2022	June 30, 2022
Current items:			
Reimbursement accounts and pledged time deposits	\$ 380,932	\$ 263,019	\$ 353,119

1. Interest income recognized on financial assets measured at amortized cost is recorded under interest income.
2. Without taking into account the collateral or other credit enhancements held, the financial assets at amortized cost that best represents the Group at the maximum exposure to credit risk were NTD380,932, NTD263,019 and NTD353,119 on June 30, 2023, December 31 and June 30, 2022, respectively.
3. Please refer to Note 8 for the conditions of the provision of financial assets measured at amortized cost as pledge guarantees for details.
4. Please refer to Note 12(2) for information on the credit risk of financial assets measured at amortized cost.

(IV) Notes receivable and accounts receivable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Notes Receivable	\$ 1,361,550	\$ 1,187,470	\$ 1,711,975
Less: Discount on notes receivable	-	-	( 201,666)
Notes receivable transfer	( 342,556)	( 357,011)	( 406,604)
Allowance loss	-	-	-
Net Amount of Notes Receivable	1,018,994	830,459	1,103,705
Notes receivable - related parties	17,790	11,937	20,642
	<u>\$ 1,036,784</u>	<u>\$ 842,396</u>	<u>\$ 1,124,347</u>

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts Receivable	\$ 1,803,199	\$ 964,364	\$ 2,147,332
Lease payments receivable	18,181	-	-
Less: Provision	( 51,772)	( 61,334)	( 62,358)
Net Amount of Accounts Receivable	1,769,608	903,030	2,084,974
Accounts receivable - related parties	26,568	16,746	32,166
	<u>\$ 1,796,176</u>	<u>\$ 919,776</u>	<u>\$ 2,117,140</u>

Please refer to Note 6 (12) Lease Transaction for the explanation of lease payments receivable and please refer to Note 7 for information on related party transaction.

1. The aging analysis of accounts receivable and notes receivable are as follows:

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>
Not Overdue	\$ 1,036,784	\$ 1,558,800	\$ 842,396	\$ 731,307	\$ 1,124,347	\$ 1,751,649
Due date:						
Within 30 days	-	185,856	-	144,422	-	91,608
31~60 days	-	8,522	-	17,668	-	258,401
61~90 days	-	49,362	-	-	-	16,888
91~180 days	-	6,915	-	31,420	-	9,324
181~270 days	-	398	-	7,726	-	12,680
271~365 days	-	75	-	5,584	-	33,501
More than 366 days	-	38,020	-	42,983	-	5,447
	<u>\$ 1,036,784</u>	<u>\$ 1,847,948</u>	<u>\$ 842,396</u>	<u>\$ 981,110</u>	<u>\$ 1,124,347</u>	<u>\$ 2,179,498</u>

The above aging analysis is based on the number of days overdue.

2. The balances of accounts and notes receivable as of June 30, 2023, December 31 and June 30, 2022 were generated from customer contracts, and the balance of accounts receivable under customer contracts as of January 1, 2022 was NTD 2,563,123.
3. The bills receivable transferred by the Group are all bank acceptance bills given by the customer. According to a FAQ issued by Securities and Futures Bureau 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.
4. Without taking into account the collateral or other credit enhancements held, the accounts and notes receivable that best represents the Group at the maximum exposure to credit risk were NTD 2,832,960, NTD 1,762,172 and NTD 3,241,487 as at June 30, 2023, December 31 and June 30, 2022 respectively.
5. As at June 30, 2023, December 31 and June 30, 2022, the Group had financial assets measured at fair value through other comprehensive income in projected sales receivables of NTD 6,939, NTD 2,272 and NTD 20,597, respectively.
6. For information on the transfer of financial assets, please refer to Note 6 (5) for details.
7. For aging analysis and credit risk information of accounts and notes receivable, please refer to Note 12, (2) and (3) for details.
8. The Group provides notes and accounts receivable as pledge guarantee. Please refer to the explanation in Note 8.

(V) Transfer of financial assets

The Group has entered into contracts with financial institutions for the sale of accounts receivable. According to the contract, the Group is not required to bear the risk of irrecoverability of these transferred accounts receivable, but is only required to bear the losses caused by commercial disputes. The Group does not have any further involvement in these transferred accounts receivable. Therefore, the Group excludes the accounts receivable transferred, and the relevant information of those which have not yet matured are as follows:

June 30, 2023

Amount of accounts receivable sold	Underwriting limit	Derecognized amount	Advanced amount	Interest range
US\$95,580	US\$1,000,000	\$ 2,976 (US\$95,580)	\$ -	-

December 31, 2022

<u>Amount of accounts receivable sold</u>	<u>Underwriting limit</u>	<u>Derecognized amount</u>	<u>Advanced amount</u>	<u>Interest range</u>
US\$215,589	US\$1,000,000	\$ 6,625 (US\$215,589)	\$ -	-

June 30, 2022

<u>Amount of accounts receivable sold</u>	<u>Underwriting limit</u>	<u>Derecognized amount</u>	<u>Advanced amount</u>	<u>Interest range</u>
US\$350,000	US\$1,000,000	\$ 10,402 (US\$350,000)	\$ -	-

The above amount of accounts receivable sold has been removed from accounts receivable and transferred to "other receivables". Please refer to Note 6(6) for details.

(VI) Other Receivables

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Claims receivable sold	\$ 2,976	\$ 6,625	\$ 10,402
Subsidy receivable (Note)	-	120,776	-
Other receivables - collections	111,453	117,704	116,600
Other receivables - others	22,173	10,174	16,313
	136,602	255,279	143,315
Less: Provision	( 111,453)	( 117,704)	( 116,600)
	<u>\$ 25,149</u>	<u>\$ 137,575</u>	<u>\$ 26,715</u>

Note: It is a special subsidy provided by the Jiujiang Economic and Technological Development Zone Management Committee for the return of taxes required by the local tax bureau to the Group for the period before the acquisition of property rights.

(VII) Inventories

	<u>June 30, 2023</u>		
	<u>Cost</u>	<u>Provision for loss on valuation</u>	<u>at the end of the period</u>
Raw materials	\$ 456,392	(\$ 46,230)	\$ 410,162
Work-in-process	269,989	( 18,124)	251,865
Finished product	1,461,763	( 168,735)	1,293,028
	<u>\$ 2,188,144</u>	<u>(\$ 233,089)</u>	<u>\$ 1,955,055</u>

	December 31, 2022		
	Cost	Provision for loss on valuation	at the end of the period
Raw materials	\$ 611,166	(\$ 44,049)	\$ 567,117
Work-in-process	340,963	( 23,107)	317,856
Finished product	<u>1,475,128</u>	<u>( 185,727)</u>	<u>1,289,401</u>
	<u>\$ 2,427,257</u>	<u>(\$ 252,883)</u>	<u>\$ 2,174,374</u>

	June 30, 2022		
	Cost	Provision for loss on valuation	at the end of the period
Raw materials	\$ 557,810	(\$ 34,750)	\$ 523,060
Work-in-process	350,631	( 22,859)	327,772
Finished product	<u>1,446,573</u>	<u>( 155,990)</u>	<u>1,290,583</u>
	<u>\$ 2,355,014</u>	<u>(\$ 213,599)</u>	<u>\$ 2,141,415</u>

1. Inventory cost recognized as expenses by the Group in the current period:

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Cost of inventories sold	\$ 2,767,942	\$ 3,216,398
Recovery gain	( 14,985)	( 17,780)
Others	<u>2,280</u>	<u>14,843</u>
	<u>\$ 2,755,237</u>	<u>\$ 3,213,461</u>
	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Cost of inventories sold	\$ 4,279,626	\$ 4,913,274
Recovery gain	( 14,497)	( 47,504)
Others	<u>12,494</u>	<u>25,221</u>
	<u>\$ 4,277,623</u>	<u>\$ 4,890,991</u>

2. Recovery of the net realizable value of inventories due to de-stocking of inventories originally provided as inventory valuation loss is recognized as decrease in costs of goods sold from April 1 to June 30, 2022 and 2023 and January 1 to June 30, 2022, and 2023.

3. The Group does not provide inventory as pledge guarantee.



(VIII) Advance Payment

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Prepayment	\$ 65,157	\$ 34,844	\$ 25,360
Prepaid Expenses	54,249	51,935	46,655
Retained tax amount	<u>88,164</u>	<u>87,755</u>	<u>102,437</u>
	<u>\$ 207,570</u>	<u>\$ 174,534</u>	<u>\$ 174,452</u>

(IX) Financial Assets at Fair Value through Other Comprehensive Income

<u>Items</u>	<u>June 30, 2023</u>
Non-current items:	
Equity instruments	
Stocks from unlisted companies	\$ 2,328
Valuation adjustments	<u>-</u>
	<u>\$ 2,328</u>

There are no such cases on December 31, 2022, and June 30, 2022.

1. The Group has chosen to classify its investments in stocks from unlisted companies, which are strategic investments, as financial assets measured at fair value through other comprehensive income. The fair value of these investments on June 30, 2023, was NTD2,328.
2. Without taking into account the collateral or other credit enhancements held, the financial assets at fair value through other comprehensive income that best represents the Group at the maximum exposure to credit risk were NTD2,328 on 30 June 2023.
3. The Group did not provide any financial assets measured at fair value through other comprehensive income as pledge guarantee.
4. Please refer to Note 12(2) for information on the credit risk of financial assets measured at fair value through other comprehensive income.

(X) Investments Accounted for Using the Equity Method

	<u>2023</u>		<u>2022</u>	
1 January	\$	33,440	\$	31,342
Share of Investments Accounted for Using the Equity Method		663 (		477)
Net Unrealized Profit and Loss from the Sidestream Transactions Arising from Sales		42 (		438)
Net exchange differences	(	760)		642
June 30	\$	<u>33,385</u>	\$	<u>31,069</u>

Associates in which the Group adopts equity method are individual non-material ones, whose financial information was as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
The book amount of equity at the end of the current period of individual non-material associates	\$ <u>33,385</u>	\$ <u>33,440</u>	\$ <u>31,069</u>

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Share attributable to the Consolidated Company: Total comprehensive revenue amount of continuous operation units	\$ <u>1,114</u>	\$ <u>535</u>
	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Share attributable to the Consolidated Company: Total comprehensive revenue amount of continuous operation units	\$ <u>663</u>	(\$ <u>477</u> )

1. The Group holds 40% of the shares of Zhejiang AirmateElectric Sales Co., Ltd. (hereinafter referred to as Zhejiang AirmateCompany). Because other single major shareholders (not related parties) hold 60% of the shares, it shows that the Group has no actual ability to lead related activities, so it is judged that it has no control over the

company and only has a significant impact.

2. The realized (unrealized) gross profit from the sidestream transactions of the Group from April 1 to June 30, 2023 and 2022, and January 1 to June 30, 2023 and 2022 arising from the sales to the associates company Zhejiang Airmate Company are as follows:

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Unrealized gross profit from sidestream sales	(\$ 3,053)	(\$ 5,062)
Realized gross profit from sidestream sales	<u>2,651</u>	<u>3,691</u>
	<u>(\$ 402)</u>	<u>(\$ 1,371)</u>
	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Unrealized gross profit from sidestream sales	(\$ 5,746)	(\$ 8,708)
Realized gross profit from sidestream sales	<u>5,788</u>	<u>8,270</u>
	<u>\$ 42</u>	<u>(\$ 438)</u>

3. The Group does not provide any investment using the equity method as pledge guarantee.

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(XI) Property, Plant and Equipment

	<u>Houses and Buildings</u>			Machinery and Equipment	Transportation Facilities	Office Equipment	Other Equipment	Unfinished works and equipment to be inspected	Total
	For personal use	For lease	Subtotal						
<u>January 1, 2023</u>									
Cost	\$ 2,619,198	\$62,102	\$ 2,681,300	\$ 909,443	\$ 49,548	\$ 241,828	\$ 2,575,403	\$ 41,699	\$ 6,499,221
Accumulated depreciation and impairment	( 466,227)	( 30,094)	( 496,321)	( 693,856)	( 39,592)	( 218,703)	( 2,263,036)	-	( 3,711,508)
	<u>\$ 2,152,971</u>	<u>\$32,008</u>	<u>\$ 2,184,979</u>	<u>\$ 215,587</u>	<u>\$ 9,956</u>	<u>\$ 23,125</u>	<u>\$ 312,367</u>	<u>\$ 41,699</u>	<u>\$ 2,787,713</u>
<u>2023</u>									
1 January	\$ 2,152,971	\$32,008	\$ 2,184,979	\$ 215,587	\$ 9,956	\$ 23,125	\$ 312,367	\$ 41,699	\$ 2,787,713
Additions	27,417	-	27,417	1,074	1,313	6,090	6,498	34,306	76,698
Reclassification	( 22,313)	22,552	239	-	-	2,420	50,737	( 48,816)	4,580
Depreciation Expense	( 27,390)	( 9,386)	( 36,776)	( 42,451)	( 1,859)	( 5,390)	( 100,128)	-	( 186,604)
Disposal – Cost	( 670)	-	( 670)	( 128,143)	( 390)	( 12,143)	( 14,921)	-	( 156,267)
Disposal – Accumulated Depreciation	317	-	317	118,115	359	11,787	14,920	-	145,498
Net exchange differences	( 47,270)	( 1,006)	( 48,276)	( 3,643)	( 209)	( 576)	( 5,984)	( 603)	( 59,291)
June 30	<u>\$ 2,083,062</u>	<u>\$44,168</u>	<u>\$ 2,127,230</u>	<u>\$ 160,539</u>	<u>\$ 9,170</u>	<u>\$ 25,313</u>	<u>\$ 263,489</u>	<u>\$ 26,586</u>	<u>\$ 2,612,327</u>
<u>June 30, 2023</u>									
Cost	\$ 2,556,711	\$91,552	\$ 2,648,263	\$ 742,148	\$ 48,948	\$ 228,143	\$ 2,338,721	\$ 26,586	\$ 6,032,809
Accumulated depreciation and impairment	( 473,649)	( 47,384)	( 521,033)	( 581,609)	( 39,778)	( 202,830)	( 2,075,232)	-	( 3,420,482)
	<u>\$ 2,083,062</u>	<u>\$44,168</u>	<u>\$ 2,127,230</u>	<u>\$ 160,539</u>	<u>\$ 9,170</u>	<u>\$ 25,313</u>	<u>\$ 263,489</u>	<u>\$ 26,586</u>	<u>\$ 2,612,327</u>

	Houses and Buildings			Machinery and Equipment	Transportation Facilities	Office Equipment	Other Equipment	Unfinished works and equipment to be inspected	Total
	For personal use	For lease	Subtotal						
<u>January 1, 2022</u>									
Cost	\$ 2,535,086	\$ 468	\$ 2,535,554	\$ 1,004,492	\$ 49,559	\$ 239,054	\$ 2,699,013	\$ 32,642	\$ 6,560,314
Accumulated depreciation and impairment	( 416,713)	( 204)	( 416,917)	( 712,852)	( 40,026)	( 209,078)	( 2,279,644)	-	( 3,658,517)
	<u>\$ 2,118,373</u>	<u>\$ 264</u>	<u>\$ 2,118,637</u>	<u>\$ 291,640</u>	<u>\$ 9,533</u>	<u>\$ 29,976</u>	<u>\$ 419,369</u>	<u>\$ 32,642</u>	<u>\$ 2,901,797</u>
<u>2022</u>									
1 January	\$ 2,118,373	\$ 264	\$ 2,118,637	\$ 291,640	\$ 9,533	\$ 29,976	\$ 419,369	\$ 32,642	\$ 2,901,797
Additions	109,142	-	109,142	7,081	236	1,353	18,879	39,988	176,679
Reclassification	( 6,617)	6,617	-	502	-	-	64,142	( 50,151)	14,493
Depreciation Expense	( 33,952)	( 2,591)	( 36,543)	( 40,491)	( 1,819)	( 6,942)	( 120,584)	-	( 206,379)
Disposal – Cost	( 2,664)	-	( 2,664)	( 29,484)	( 1,098)	( 292)	( 2,997)	( 6,998)	( 43,533)
Disposal – Accumulated Depreciation	-	-	-	22,656	1,005	289	2,072	-	26,022
Net exchange differences	43,248	-	43,248	5,992	196	621	8,667	629	59,353
June 30	<u>\$ 2,227,530</u>	<u>\$ 4,290</u>	<u>\$ 2,231,820</u>	<u>\$ 257,896</u>	<u>\$ 8,053</u>	<u>\$ 25,005</u>	<u>\$ 389,548</u>	<u>\$ 16,110</u>	<u>\$ 2,928,432</u>
<u>June 30, 2022</u>									
Cost	\$ 2,686,752	\$ 7,087	\$ 2,693,839	\$ 996,616	\$ 49,702	\$ 244,332	\$ 2,709,282	\$ 16,110	\$ 6,709,881
Accumulated depreciation and impairment	( 459,222)	( 2,797)	( 462,019)	( 738,720)	( 41,649)	( 219,327)	( 2,319,734)	-	( 3,781,449)
	<u>\$ 2,227,530</u>	<u>\$ 4,290</u>	<u>\$ 2,231,820</u>	<u>\$ 257,896</u>	<u>\$ 8,053</u>	<u>\$ 25,005</u>	<u>\$ 389,548</u>	<u>\$ 16,110</u>	<u>\$ 2,928,432</u>

1. There is no capitalization of borrowing cost for the Group's property, plant and equipment from January 1 to June 30, 2023 and 2022.
2. The significant components of the Group's houses and buildings include the building and its ancillary works. The buildings are depreciated on a 35-year and 50-year basis respectively while the ancillary works are depreciated on a 10-year and 35-year basis respectively.

3. The development of the Group's old plant has been completed, and a real estate ownership certificate is obtained in January 2022, and part of the converted real estate is used as the operating office. Please refer to Note 12 (4) for details
4. For the information on guarantees in the form of property, plant and equipment provided by the Group, refer to Note 8 for details.

(XII) Lease Transaction

1. Lessee

(1) The Group has 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 term of the lease contract commence from year 2001 to 2051 for a total of 50 years; and with the Land and Resources Bureau of Jiujiang Municipality to acquire the target plant and its land use right of Jiujiang Economic and Technological Development Zone for the construction of target plants and employee dormitories. The term of the lease contract commence from year 2020 to 2070 for a total of 50 years. 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 term of the lease contract commence from year 1976 to 2051 for a total of 75 years.

(2) Changes in the Group's right-of-use assets in 2023 and January 1 to June 30, 2022 are as follows:

	Land use right	
	2023	2022
1 January	\$ 203,685	\$ 204,682
Depreciation Expense	( 2,458)	( 2,462)
Net exchange differences	( 4,214)	4,542
June 30	<u>\$ 197,013</u>	<u>\$ 206,762</u>

(3) The information on the profit and loss items and total cash outflow from lease in relation to lease contracts are as follows:

	April 1 to June 30, 2023	April 1 to June 30, 2022
<u>Items that affect the profit and loss of the current period</u>		
Expenses attributable to short-term lease contracts	\$ 4,265	\$ 5,801
Expenses attributable to the lease of low-value assets	<u>32</u>	<u>33</u>
Total cash outflow from lease	<u>\$ 4,297</u>	<u>\$ 5,834</u>
	January 1 to June 30, 2023	January 1 to June 30, 2022
<u>Items that affect the profit and loss of the current period</u>		
Expenses attributable to short-term lease contracts	\$ 8,661	\$ 11,072
Expenses attributable to the lease of low-value assets	<u>64</u>	<u>107</u>
Total cash outflow from lease	<u>\$ 8,725</u>	<u>\$ 11,179</u>

(4) For the information on guarantees in the form of the right-of-use assets, refer to Note 8 for details.

2. Lessor

(1) The leased assets of the Group include land use rights and buildings. The lease contracts usually range from 2 years to 11 years. They are individually negotiated, containing various terms and conditions.

(2) From January 1 to June 30, 2023, and 2022, the Group recognized hire income of NTD32,006 and NTD1,831, respectively, based on the operating lease contracts. There were no changes in lease payments.

(3) The lease payments analyzed at maturity for the operating leases leased by the Group are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Within 1 year	\$ 51,829	\$ 32,872	\$ 23,129
More than 1 years but not exceeding 2 years	60,070	26,693	35,898
More than 2 years but not exceeding 3 years	51,545	3,879	11,727
More than 3 years but not exceeding 4 years	53,776	1,150	1,530
More than 4 years but not exceeding 5 years	53,251	141	528
More than 5 years	289,037	-	-
	<u>\$ 559,508</u>	<u>\$ 64,735</u>	<u>\$ 72,812</u>

(XIII) Investment properties

	Right-of-use assets - land	
	2023	2022
1 January	\$ 9,307	\$ -
Reclassification (Note)	( 239)	9,574
Depreciation Expense	( 129)	( 82)
Net exchange differences	( 199)	( 10)
June 30	<u>\$ 8,740</u>	<u>\$ 9,482</u>

Note: Changes in purposes respectively are transferred to real estate for its own use. Please refer to Note 6 (11) Property, Plant, and Equipment for details. The development of the Group's old plant has been completed, and a real estate ownership certificate was obtained in January 2022, and part of the converted real estate was used for sales. Please refer to Note 12, (4) for details.

The investment properties held by the Group are state-owned construction land use rights and buildings located in Shiyuan Street (Haigu Science and Technology Building), Bao 'an District, Shenzhen, China. The fair values of the investment properties on December 31,



2022 and December 31, 2021 are RMB659,160 thousand (converted as NTD 2,841,112) and RMB760,552 thousand (converted as NTD 3,278,132), respectively, based on the evaluation results of independent evaluation experts, which are assessed by reference to the comparison method and income method recently adopted for similar real estate, and are fair values at the third level. On June 30, 2023, and June 30, 2022, there were no significant changes in fair value compared to December 31, 2022, and December 31, 2021.

(XIV) Intangible Assets

		2023		
		Computer Software and Network Engineering	Golf license	Total
1 January	Cost	\$ 131,096	\$ 18,889	\$ 149,985
	Accumulated amortization and impairment	( 126,975)	( 18,815)	( 145,790)
		\$ 4,121	\$ 74	\$ 4,195
1 January	Cost	\$ 4,121	\$ 74	\$ 4,195
	Additions	3,370	-	3,370
	Amortization Expense	( 763)	( 73)	( 836)
	Net exchange differences	( 149)	( 1)	( 150)
June 30		\$ 6,579	\$ -	\$ 6,579
June 30	Cost	\$ 131,477	\$ 18,468	\$ 149,945
	Accumulated amortization and impairment	( 124,898)	( 18,468)	( 143,366)
		\$ 6,579	\$ -	\$ 6,579
		2022		
		Computer Software and Network Engineering	Golf license	Total
1 January	Cost	\$ 127,825	\$ 18,599	\$ 146,424
	Accumulated amortization and impairment	( 122,559)	( 18,309)	( 140,868)
		\$ 5,266	\$ 290	\$ 5,556
1 January	Cost	\$ 5,266	\$ 290	\$ 5,556
	Additions	537	-	537
	Amortization Expense	( 1,596)	( 111)	( 1,707)
	Net exchange differences	109	5	114
June 30		\$ 4,316	\$ 184	\$ 4,500
June 30	Cost	\$ 130,969	\$ 18,977	\$ 149,946
	Accumulated amortization and impairment	( 126,653)	( 18,793)	( 145,446)
		\$ 4,316	\$ 184	\$ 4,500

1. Details on the amortization of intangible assets are as follows:

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Operating Cost	\$ 97	\$ 274
Operating Expenses	<u>329</u>	<u>554</u>
	<u>\$ 426</u>	<u>\$ 828</u>
	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Operating Cost	\$ 196	\$ 546
Operating Expenses	<u>640</u>	<u>1,161</u>
	<u>\$ 836</u>	<u>\$ 1,707</u>

2. The Group does not provide any intangible asset as pledge guarantee.

(XV) Other non-current assets

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Advance payment for equipment	\$ 40,710	\$ 18,922	\$ 34,052
Refundable Deposits	21,320	20,258	18,004
Others	<u>1,534</u>	<u>630</u>	<u>3,626</u>
	<u>\$ 63,564</u>	<u>\$ 39,810</u>	<u>\$ 55,682</u>

For details on payment of security deposits as pledge guarantee, please refer to Note 8.

(XVI) Short-term loans

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Bank loans			
Unsecured loans	\$ 201,561	\$ 166,349	\$ 566,395
Secured loans	<u>298,630</u>	<u>390,174</u>	<u>370,788</u>
	<u>\$ 500,191</u>	<u>\$ 556,523</u>	<u>\$ 937,183</u>
Unutilized line of credit	<u>\$ 2,069,207</u>	<u>\$ 2,167,809</u>	<u>\$ 1,493,246</u>
Interest range	<u>3.21%~5.88%</u>	<u>3.75%~5.85%</u>	<u>0.55%~4.35%</u>

1. Interest expense recognized in profit or loss from April 1 to June 30, 2023, and 2022, and January 1 to June 30, 2023 and 2022 was NTD11,135, NTD10,258, NTD19,737 and NTD18,396, respectively.
2. Please refer to Note 8 for details of collateral for bank loans.

(XVII) Notes Payable

1. As on June 30, 2023, December 31, 2022, and June 30, 2022, the Group's notes payable with guarantees or commitments from financial institutions were NTD1,493,346, NTD1,432,389 and NTD1,283,386, respectively.
2. Please refer to Note 8 for details of collateral for notes payable.

(XVIII) Other Payables

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Payables for salary and incentives	\$ 248,634	\$ 276,018	\$ 288,179
Compensation payable to directors	11,593	8,628	16,504
Payable contribution expense	682,829	373,750	454,150
Payable transportation expense	92,080	47,305	96,824
Dividends payable	72,772	-	-
Payable tax	53,562	12,004	38,828
Liabilities from discount on notes receivable	-	-	41,193
Other expenses payable	57,833	64,623	89,248
Other Payables	<u>25,141</u>	<u>32,012</u>	<u>19,353</u>
	<u>\$ 1,244,444</u>	<u>\$ 814,340</u>	<u>\$ 1,044,279</u>

(XIX) Provision - Current (Warranty liabilities)

	2023		2022	
1 January	\$	22,354	\$	27,975
Additional provisions made in the current period		64,694		46,998
Provision amounts used during the current period	(	20,941)	(	34,263)
Net exchange differences	(	497)		570
June 30	\$	<u>65,610</u>	\$	<u>41,280</u>

The Group's provision for warranty liabilities is mainly related to the sale of electronic appliances by distributors in Mainland China and the export of home appliances, and is estimated based on historical warranty information for similar product transactions. The Group anticipates that most of these liabilities will incur in the year following the sale.

(XX) Long-term Loans and Long-term Liabilities Due within One Year or One Operating Cycle

Nature of loan	Loan period and repayment method	Interest range	June 30, 2022	
Long-term bank loans				
Secured loans	From September 2021 to September 2023, the interest shall be paid monthly, the principal shall be repaid monthly at a fixed rate of 0.5%, and the balance shall be settled upon maturity.	4.20%	\$	8,461
Less: Long-term loans due within one year or one operating cycle			(	532)
			\$	<u>7,929</u>

As of June 30, 2023 and December 31, 2022, this is no such case.

1. Interest expense recognized in profit or loss from April 1 to June 30, 2022, and January 1 to June 30, 2022, was NTD88 and NTD183, respectively. There are no such cases from January 1 to June 30, 2023.
2. Please refer to Note 8 for the details of collateral for long-term bank loans.

(XXI) Corporate bonds payable and long-term liabilities due within one year or one operating cycle

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Secured convertible bonds	\$ -	\$ -	\$ 300,000
Unsecured convertible bonds	353,300	358,100	358,100
Less: Discount on corporate bonds payable	( 2,105)	( 4,534)	( 7,894)
	351,195	353,566	650,206
Less: Corporate bonds due within one year or one operating cycle	( 351,195)	( 353,566)	( 299,024)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,182</u>
Equity component - conversion rights (recognized under capital surplus - stock options)	<u>\$ 10,922</u>	<u>\$ 11,070</u>	<u>\$ 13,969</u>

April 1 to June 30, 2023

Embedded derivatives - gain on valuation of redemption rights (recognized under net gain on financial assets and liabilities measured at fair value through profit or loss)	<u>\$ -</u>
Interest Expense	<u>\$ 1,202</u>

January 1 to June 30, 2023

Embedded derivatives - gain on valuation of redemption rights (recognized under net gain on financial assets and liabilities measured at fair value through profit or loss)	<u>\$ -</u>
Interest Expense	<u>\$ 2,400</u>

1. The following is the Company's issuance conditions for the third secured convertible bonds issued domestically in the Republic of China:

- (1) Issue period: 3 years, from December 4, 2019 to December 4, 2022.
- (2) The total amount of the issuance is NT\$ 300,000, with a nominal value of NT\$100 each, issued in nominal value. A total of 3,000 copies were issued.
- (3) The coupon rate is 0%, and the effective interest rate is 0.0639%.
- (4) Conversion period:  
From the next day following three months after issuance of convertible corporate bonds (March 05, 2020) to the maturity date (December 04, 2022).
- (5) Redemption method:

From the next day following three months after issuance of convertible corporate bonds (March 05, 2020) to forty days before the expiry of the issuance period (October 25, 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 for 30 business days continuously, 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 the redemption request, the convertible corporate bonds shall be redeemed from the bondholders with cash according to face value within five business days after the bond's redemption record date.

(6) Reverse repurchase method: Nil.

(7) Conversion price and adjustment:

A. The conversion price at the time of issue is NT \$32.

B. 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. The Convertible Bonds has matured on December 04, 2022. The conversion price upon expiration of the conversion is NTD 28.4.

(8) Conversion status:

From the date of issuance until the maturity date, there were no conversions.

(9) Redemption and repurchase:

The third secured convertible corporate bonds were due to redeem 3,000 corporate bonds on December 4, 2022. The redemption price was NT\$ 304,530, resulting a capital surplus reduction of NT\$ 2,899. The redemption gain arising from the foregoing is NT\$ 1,631, which is listed under "Other gains and losses".

2. The following is the Company's issuance conditions for the third secured convertible bonds issued domestically in the Republic of China::

(1) Issue period: 3 years, from December 10, 2020 to December 10, 2023.

(2) The total amount of the issuance is NT\$400,000, with a nominal value of NT\$100 each, issued in nominal value. A total of 4,000 copies were issued.

(3) The coupon rate is 0%, and the effective interest rate is 0.1128%.

(4) 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).

(5) 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 for 30 business days continuously, 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 the redemption request, the convertible corporate bonds shall be redeemed from the bondholders

with cash according to face value within five business days after the bond's redemption record date.

(6) Reverse repurchase method: Nil.

(7) Conversion price and adjustment:

A. The conversion price at the time of issue is NT \$27.

B. 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 June 30, 2023, the conversion price was NT \$25.3.

(8) Conversion status:

From the date of issuance of convertible bonds to June 30, 2023, bondholders have applied for the conversion of 1,370,000 ordinary shares of the Company, and the face amount of corporate bonds conversion is NTD 37,000. The decrease in capital reserve due to conversion was NTD 1,143. From January 1 to June 30, 2023, and 2022, there were no conversions.

(9) Redemption and repurchase:

97 corporate bonds of the fourth unsecured convertible corporate bonds were redeemed from the date of issuance to June 30, 2023 at the redemption price of NTD9,285, resulting a capital surplus reduction of NTD300. The redemption gain arising from the foregoing is NTD499, which is listed under "Other gains and losses"

3. For details of the Company's assets provided as a guarantee for the issuance of the Company's bonds, please refer to Note 8.

## (XXII) Pensions

### 1. Defined benefit plan

(1) In accordance with the provisions of the "Labor Standards Act", the Group's Waon Company and its Taiwan Branch company have established defined benefit of retirement pension that apply to the service years of all permanent employees before the implementation of the "Labor Pension Act" on July 1, 2005, as well as to the subsequent service years that continue to apply the Labor Standards Law after the implementation of the "Labor Pension Act". If an employee meets the retirement conditions, the payment of the retirement pension is calculated based on the service years and the average salary of the 6 months before retirement. For service years within 15 years (inclusive), two base amounts are given for each full year of service, and the service years beyond 15 years, one base amount is given for each full year of service, provided that the cumulative maximum is 45 base amounts. Waon Company and its Taiwan Branch allocate 2% of the total salary to the Retirement Fund on a monthly basis. The Fund is deposited with the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. In addition, before the end of each year, Waon Company and its Taiwan branch shall estimate the balance of the designated account for the Labor Retirement Reserve mentioned in the preceding paragraph. If the balance falls short of the amount of the retirement pension calculated according to the foregoing calculation for the employees who meet the retirement conditions within the next year of

payment, the differences shall be contributed in one payment before the end of March of the following year.

- (2) From April 1 to June 30, 2023, and 2022 and January 1 to June 30, 2023 and 2022, the Group recognized pension costs of NT\$489, NT\$487, NT\$987, and NT\$976 under the above pension scheme, respectively.
- (3) The Group's anticipated contribution for retirement plans within the next one year is NTD40.

## 2. Defined contribution plan

- (1) The Waon Company allocates pensions to designated account of the provident fund in accordance with the Mandatory Provident Fund Schemes Ordinance of Hong Kong.
- (2) The Taiwan Branch of Waon Company contributes 6% of the salary sum to the designated account for Labor Retirement Fund of the Bureau of Labor Insurance in accordance with the Labor Pension Act. The payment of the employee's retirement pension is based on the individual employee's retirement pension account and the amount of accumulated income by monthly payment or in a lump sum.
- (3) Airmate Shenzhen, Airmate Jiujiang and Airmate Technology shall allocate pension insurance premiums in accordance with the pension insurance system stipulated by the Government of the People's Republic of China at a fixed rate based on the total salary of local employees every month. Retirement benefits for each employee are managed and arranged by the Government, and the Group has no further obligations other than the monthly contribution.
- (4) From April 1 to June 30, 2023, and 2023, and January 1 to June 30, 2023 and 2022, the Group recognized pension costs of NT\$10,725, NT\$14,346, NT\$20,635 and NT\$29,282 under the above pension scheme, respectively.

## (XXIII) Other Non-current Liabilities

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Long-term deferred income	\$ 70,798	\$ 73,960	\$ 75,915

Long-term deferred income is incentives for the purchase of housing tax provided by the Jiujiang Economic and Technological Development Zone Management Committee, which is amortized as other income for the period of 5 to 50 years. The changes in the current period are as follows:

	<u>2023</u>	<u>2022</u>
1 January	\$ 73,960	\$ 76,031
Amortization in the current period	( 1,553)	( 1,669)
Net exchange differences	<u>( 1,609)</u>	<u>1,553</u>



June 30 \$ 70,798    \$ 75,915

The above long-term deferred income amortization is listed under "Other income", please refer to Note 6 (28) for details.

(XXIV) Share Capital

- As of June 30, 2023, the Company had an authorized capital of NTD 2,162,500 divided into 216,250,000 shares. The paid-up capital is NTD 1,455,445 with a nominal value of NTD 10 per share. The issued shares capital of the Company have been received.
- The adjustment of the number of the Company ordinary shares in circulation at the beginning and end of the period are as follows:

Unit: Thousand shares

	2023	2022
January 1 (that is, June 30)	<u>145,545</u>	<u>145,545</u>

- On June 19, 2023, the Company resolved at the Ordinary Shareholders' Meeting to allocate share dividends of NTD72,772 from the 2022 distributable earnings, increasing the capital by issue of 7,277,000 new shares, with a par value of NTD10 per share, and allocate 50 shares per 1000 shares free of charge according to the shareholding ratio of the shareholders recorded in the register of shareholders on the base date of issuance of the new shares. The Board of Directors was authorized to set a base date and issuance date to allot and issue new shares, as well as other related matters. As of June 30, 2023, the process of legal capital increase has not yet been completed and, therefore, is included under "Stock dividends held for distribution."

(XXV) Capital Surplus

In accordance with the Company Act, the capital surplus from the excess amount of the shares issued in excess of the par value and the capital surplus received from gifts shall be used to compensate for losses, and when the Company has no cumulative losses, it shall be distributed as new shares or cash in proportion to the original shareholding ratio of the shareholders. In addition, in accordance with the relevant provisions of the Securities and Exchange Act, when the above capital surplus is allocated to the capital, the total amount of the capital surplus shall not exceed 10% of the paid-up capital each year. The Company shall not use the capital surplus to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

The details of the Company's capital surplus are as follows:

	2023		
	Issuance premium	Overdue expiration of employee share option	Share option of convertible corporate bonds
	Total		
1 January	\$ 1,210,231	\$ 7,425	\$ 11,070
	<u>\$ 1,228,726</u>		

Redemption of Convertible Corporate Bonds	-	-	( 148)	( 148)
June 30	<u>\$ 1,210,231</u>	<u>\$ 7,425</u>	<u>\$ 10,922</u>	<u>\$ 1,228,578</u>

	2022			
	Issuance premium	Overdue expiration of employee share option	Share option of convertible corporate bonds	Total
January 1 (that is, June 30)	<u>\$ 1,210,231</u>	<u>\$ 7,425</u>	<u>\$ 13,969</u>	<u>\$ 1,231,625</u>

(XXVI) Retained Earnings

1. In accordance with the Articles of Incorporation of the Company, during the period when the Company's shares are listed for sale on a trading platform or are listed on the Stock Exchange, the Board of Directors shall, when proposing the distribution of surplus earnings, make provision for the following from the surplus earnings of each fiscal year:
  - (i) Provision for the payment of the relevant tax for the fiscal year;
  - (ii) Amount to offset past losses;
  - (iii) 10% surplus reserve (referred to as "statutory surplus reserve" below) (unless the statutory surplus reserve has reached the paid-in capital of the Company); and
  - (iv) Special Reserve as required by the securities supervisory authority in accordance with the rules on company with public issuance.

When the Company is required to set aside special reserves by the securities supervisory authority in accordance with the rules on company with public issuance, the net amount of other equity deductions and the net increase in the fair value of investment properties held by the Company recognized in previous cumulations should set aside the same amount of special reserve as the undistributed earnings from the previous period. If it is insufficient, the amount of undistributed earnings in the current period shall be set aside by including net profit after tax plus other items other than net profit after tax in the current period.

The Company's dividend distribution policy takes into account factors such as the current and future investment environment, capital requirements, industry competition, and capital budget. It aims to balance shareholder's interests with the Company's long-term financial planning. The principle of dividend distribution is not less than 25% of the "distributable earnings in the current period" (this percentage is referred to as the "dividend distribution base ratio"). Dividends are then distributed to shareholders based on their shareholding ratio. Dividends distributed to shareholders shall be a combination of stock dividends and cash dividends; however, the proportion of cash dividend shall not be less than 10% of the total dividend distributed. However, (i) when the Board of Directors, after considering the aforementioned factors, deems it appropriate to adopt a conservative dividend policy for the current year, dividends may be distributed to shareholders within a range not

lower than 50% of the aforementioned dividend distribution base ratio, with the proportion of cash dividend not less than 10% of the total dividend distribution. (ii) If the “distributable earnings in the current period” is less than 5% of the paid-in capital, no distribution shall be made, and this shall be submitted for resolution at the shareholders’ meeting.

“Distributable earnings in the current period” mentioned in the previous paragraph refers to the earnings for the current year, which, as per the above regulations, the earnings after paying the taxes, offsetting previous years’ losses, setting aside legal reserve and special reserves and excluding the accumulated undistributed earnings from the beginning of the current period.

Dividends and bonuses, capital surplus or legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Company’s Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders’ meeting.

## 2. Legal Reserve

In accordance with provisions of the Company Act, the Company shall contribute 10% of the net profit after tax as a legal reserve unless the legal reserve has reached the paid-in capital of the Company. When there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution at the Shareholders’ Meeting, but shall be limited to the part of the reserve that has exceeded 25% of the paid-up capital.

On June 10, 2022, the Company passed a resolution at the ordinary shareholders’ meeting to adopt the 2021 loss appropriation to cover the loss with the statutory surplus reserve of NT\$109,850.

## 3. 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 NTD185,271 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 current year and the special reserve balance mentioned above is set aside as special reserve from current year profit or loss and previous undistributed earnings; the cumulative other shareholders’ equity deduction through previous cumulation is set aside as special reserve that could not be distributed from previous undistributed earnings. Afterward, if other shareholders’ equity deduction has been reversed, the reversal shall be applicable to earnings distribution.

## 4. Earnings distribution

- (1) On June 10, 2022, by the resolution of the Board of Directors, dividends will not be distributed due to the operation is at loss in year 2021.
- (2) On June 19, 2023, the Shareholders' Meeting resolved the profit distribution plan for year 2022. The details of the dividends distributed to owners of ordinary shares are as follows:

	2022	
	Shares allotment rate (NTD)	Amount
Cash	\$ 0.50	\$ 72,772
Stock Dividend	0.50	72,772
		<u>\$ 145,544</u>

(XXVII) Operating Income

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Customer contract revenue	\$ 3,587,367	\$ 3,916,739
Lease income (note)	24,079	-
	<u>\$ 3,611,446</u>	<u>\$ 3,916,739</u>
	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Customer contract revenue	\$ 5,425,337	\$ 5,845,880
Lease income (note)	31,974	-
	<u>\$ 5,457,311</u>	<u>\$ 5,845,880</u>

Note: Please refer to Note 6 (12). 2. Lease transaction- explanation of lessor.

1. Break down of customer contract revenue

The Group's income derived from the transfer of control over commodities to customers to meet performance obligations. Revenue can be broken down into the following geographical areas and main product lines:

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Main regional markets		
China	\$ 2,319,146	\$ 2,039,321
Other countries	1,268,221	1,877,418
	<u>\$ 3,587,367</u>	<u>\$ 3,916,739</u>
Main products:		
Electric fans	\$ 3,106,799	\$ 3,460,327
Electric heaters	174,489	51,872
Others	306,079	404,540
	<u>\$ 3,587,367</u>	<u>\$ 3,916,739</u>

	<u>January 1 to June 30, 2023</u>		<u>January 1 to June 30, 2022</u>	
Main regional markets				
China	\$	3,596,090	\$	3,241,746
Other countries		<u>1,829,247</u>		<u>2,604,134</u>
	\$	<u>5,425,337</u>	\$	<u>5,845,880</u>
Main products:				
Electric fans	\$	4,588,649	\$	5,013,578
Electric heaters		328,097		154,002
Others		<u>508,591</u>		<u>678,300</u>
	\$	<u>5,425,337</u>	\$	<u>5,845,880</u>

## 2. Contract Liabilities

The Group recognizes the contract liabilities related to the customer contract revenue as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	<u>January 1, 2022</u>
Contract Liabilities	\$ 172,220	\$ 365,995	\$ 169,644	\$ 252,743

### Income Recognized in the Current Period from the Contract Liabilities at the Beginning of the Period

From the opening balance of the Group's contract liabilities, the amounts of income recognized in 2023 and April 1 to June 30, 2023, and 2022, and January 1 to June 30 2023, and 2022 were NTD28,139, NTD38,442, NTD365,995, and NTD215,766, respectively.

## 3. Refund liabilities

The Group gives the right to return the goods to some domestic distributors of electrical appliances in mainland China. When the products are transferred to the distributors, the anticipated return sum from part of the consideration received is recognized as a refund liability. The right to recover the goods when the distributors return the goods is recognized as a right to the products to be returned. As at Friday, June 30, 2023, December 31, 2022 and Thursday, June 30, 2022, the balance of the Group's rights to products to be returned based on historical return information of similar product transactions was NTD81,869, NTD34,280 and NTD67,101, respectively, and the balance of the refund liabilities was NTD122,473, NTD52,146 and NTD95,358, respectively.

(XXVIII) Other Incomes

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Government subsidy income	\$ 4,438	\$ 3,678
System annual fee income	-	558
Amortization of Long-term Deferred Income	771	839
Other income derived from security deposit received	49	-
Hire income	-	1,748
Others	2,820	10,007
	<u>\$ 8,078</u>	<u>\$ 16,830</u>
	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Government subsidy income	\$ 8,000	\$ 5,252
System annual fee income	2,258	2,559
Amortization of Long-term Deferred Income	1,553	1,669
Other income derived from security deposit received	72	164
Hire income	32	1,831
Others	9,785	13,240
	<u>\$ 21,700</u>	<u>\$ 24,715</u>

(XXIX) Other Gains and Losses

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Gain on foreign currency exchange	\$ 50,907	\$ 45,035
Gains on disposal of property, plant and equipment	5,454	1,434
Gain on Redemption of Convertible Corporate Bonds	202	-
Gain on disposal of assets (Note)	-	3,905
Net Loss on Financial Assets and Liabilities Measured at Fair Value through Profit or Loss	( 2,937)	( 18,925)
Miscellaneous Disbursements	( 4,649)	( 2,733)
	<u>\$ 48,977</u>	<u>\$ 28,716</u>

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Gain on foreign currency exchange	\$ 28,449	\$ 45,036
Gains on disposal of property, plant and equipment	12,026	1,519
Gain on Redemption of Convertible Corporate Bonds	202	-
Gain on disposal of assets (Note)	-	706,367
Net Loss on Financial Assets and Liabilities Measured at Fair Value through Profit or Loss	( 2,402)	( 9,776)
Miscellaneous Disbursements	( 15,449)	( 5,664)
	<u>\$ 22,826</u>	<u>\$ 737,482</u>

Note: For disposal of assets and interests, please refer to Note 12, (4).

(XXX) Finance Costs

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Interest Expense		
Bank loans	\$ 11,135	\$ 10,346
Convertible Corporate Bonds	1,202	1,758
	<u>\$ 12,337</u>	<u>\$ 12,104</u>
	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Interest Expense		
Bank loans	\$ 19,737	\$ 18,579
Convertible Corporate Bonds	2,400	3,511
	<u>\$ 22,137</u>	<u>\$ 22,090</u>

(XXXI) Additional Information on the Nature of the Expense

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Employee Benefits Expenses	\$ 321,471	\$ 426,799
Depreciation expense for property, plant and equipment	89,610	101,540
Depreciation expense of right-of-use assets	1,221	1,236
Depreciation expense for investment properties	64	65
Amortization expense for intangible assets	426	828
	<u>\$ 412,792</u>	<u>\$ 530,468</u>



	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Employee Benefits Expenses	\$ 599,274	\$ 741,806
Depreciation expense for property, plant and equipment	186,604	206,379
Depreciation expense of right-of-use assets	2,458	2,462
Depreciation expense for investment properties	129	82
Amortization expense for intangible assets	<u>836</u>	<u>1,707</u>
	<u>\$ 789,301</u>	<u>\$ 952,436</u>

(XXXII) Employee Benefits Expenses

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Salary Expenses	\$ 300,029	\$ 396,274
Labor insurance expense (Note)	8,029	13,380
Retirement benefit Expenses	11,214	14,833
Other personnel costs	<u>2,199</u>	<u>2,312</u>
	<u>\$ 321,471</u>	<u>\$ 426,799</u>

  

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Salary Expenses	\$ 557,154	\$ 681,553
Labor insurance expense (Note)	16,053	25,546
Retirement benefit Expenses	21,622	30,258
Other personnel costs	<u>4,445</u>	<u>4,449</u>
	<u>\$ 599,274</u>	<u>\$ 741,806</u>

Note: Including insurances like local medicare, unemployment, work injury and birth for subsidiaries in Mainland China.

1. In accordance with the provisions of the Articles of Incorporation of the Company, unless otherwise provided by the Cayman Company Law, the Rules on Public Offering Company or Articles of Incorporation, if the Company is profitable at a particular fiscal year, the remuneration of employees and directors shall be allocated as follows. However, when the Company is at a cumulative loss, an amount shall first be retained to offset its loss.
  - (a) One percent to ten percent for the remuneration of employees, including employees of affiliated companies; and
  - (b) Not more than three percent for the remuneration of directors (not including independent directors).

Distribution of the employees' and directors' remuneration shall be resolved at Board of Directors' Meetings, with over two-thirds of directors in attendance and approved by over half of the directors present in the meeting, and reported at the Shareholder's Meeting. However, when the Company is at a cumulative loss, the make-up sum shall first be retained, and then allocate the employees' and directors' remunerations at the percentage mentioned above. The above "profit" refers to the net profit before tax of the Company. For the avoidance of doubt, net profit before tax refers to the amount before payment of remunerations for employees and directors.

Without violating the provisions of any applicable laws, the employees' remunerations shall be in the form of cash or shares.

- For April 1 to June 30, 2023, and 2022, and January 1 to June 30, 2023, and 2022, the estimated sum of the Company's employee compensation is NTD9,834, NTD12,948, NTD9,834, and NTD41,258. The estimated sum of directors' compensation is NTD2,950, NTD5,181, NTD2,950, and NTD16,504, which are included under Salary Expense.

The expenses of estimated employee compensation and director compensation from January 1 to June 30, 2022, were estimated based on a certain proportion of the amount of accumulated losses retained to make up for the profit situation in the current period.

The employees' and directors' compensation for year 2022, as resolved by the Board of Directors, were NTD 28,808 and NTD 8,642, respectively, which is not different from the amount recognized in employee compensation and director compensation of the 2022 Annual Financial Report.

Information on the remuneration of employees and directors passed by the Board of Directors of the Company can be found at the Market Observation Post System.

(XXXIII) Income Tax

Income tax expense component:

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Current income tax:		
Income tax generated from current income	\$ 13,148	\$ 2,087
Underestimation of income tax in the previous year	<u>106</u>	<u>1</u>
	13,254	2,088
Deferred income tax:		
Occurrence and reversal of temporary differences	<u>36,278</u>	<u>28,381</u>
Income Tax Expense	<u>\$ 49,532</u>	<u>\$ 30,469</u>

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Current income tax:		
Income tax generated from current income	\$ 13,786	\$ 6,948
Underestimation (overestimation) of income tax in the previous year	( 1,057)	1
	12,729	6,949
Deferred income tax:		
Occurrence and reversal of temporary differences	<u>33,636</u>	<u>114,468</u>
Income Tax Expense	<u>\$ 46,365</u>	<u>\$ 121,417</u>

1. The applicable tax rates for each entity consolidated are as follows:

- (1) For the Waon Company, in accordance with Hong Kong tax law, the income tax rates of 16.5% shall apply if the income is derived domestically in Hong Kong.
- (2) In accordance with the tax laws of the Republic of China, the income tax rate of the profit-making business of the Waon Company Taiwan Branch is 20%.
- (3) In accordance with the tax laws of Mainland China, the income tax rate applicable to Shenzhen Airmate, Airmate Technology, Airmate Electronic Commerce and Material Technology is 25% if the tax preference is not applied.

On November 2021, Jiujiang Airmate obtained the preferential tax treatment for high-tech enterprises at the applicable tax rate of 15%, which is valid for three years and expires in 2023.

2. Income Tax Audit

The corporate income tax of Jiujiang Airmate, Shenzhen Airmate and Airmate Electronic Commerce has been reported to the local tax authorities up to year 2022; Waon Company's corporate income tax has been reported to the local tax authorities and has been reviewed by the local tax authorities up to year 2021; Waon Company Taiwan Branch's profit-making business income tax return has been reviewed by the tax audit authority up to year 2021.

(XXXIV) Earning Per Share

	April 1 to June 30, 2023		
	After-tax amount	Weighted average number of foreign shares in thousand	Earning Per Share (NTD)
<u>Basic earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company	<u>\$ 169,635</u>	<u>145,545</u>	<u>\$ 1.17</u>
<u>Diluted earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company			
Influence of potential common stock with diluting effect	\$ 169,635	145,545	
Convertible Corporate Bonds	1,202	13,964	
Employee Remuneration	-	2,106	
	<u>\$ 170,837</u>	<u>161,615</u>	<u>\$ 1.06</u>
	April 1 to June 30, 2022		
	After-tax amount	Weighted average number of foreign shares in thousand	Earning Per Share (NTD)
<u>Basic earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company	<u>\$ 210,909</u>	<u>145,545</u>	<u>\$ 1.45</u>
<u>Diluted earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company			
Influence of potential common stock with diluting effect	\$ 210,909	145,545	
Convertible Corporate Bonds	1,758	24,718	
Employee Remuneration	-	2,371	
	<u>\$ 212,667</u>	<u>172,634</u>	<u>1.23</u>

January 1 to June 30, 2023			
	After-tax amount	Weighted average number of foreign shares in thousand	Earning Per Share (NTD)
<u>Basic earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company	\$ 138,033	145,545	\$ 0.95
<u>Diluted earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company			
Influence of potential common stock with diluting effect	\$ 138,033	145,545	
Convertible Corporate Bonds	2,400	13,964	
Employee Remuneration	-	2,106	
	\$ 140,433	161,615	\$ 0.87
January 1 to June 30, 2022			
	After-tax amount	Weighted average number of foreign shares in thousand	Earning Per Share (NTD)
<u>Basic earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company	\$ 646,445	145,545	\$ 4.44
<u>Diluted earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company			
Influence of potential common stock with diluting effect	\$ 646,445	145,545	
Convertible Corporate Bonds	3,547	24,718	
Employee Remuneration	-	2,371	
	\$ 649,992	172,634	3.77

The issuance of new shares through transfer of earnings to increase in capital was resolved by the Company's Board of Directors on June 19, 2023. The base date for the capital increase falls after the date of the financial report. Assuming that this transfer of earnings to increase in capital has been executed before the date of the financial report, the proposed retrospective adjustment to the earnings per share is as follows:

	April 1 to June 30, 2023		
	After-tax amount	Weighted average number of foreign shares in thousand	Earning Per Share (NTD)
<u>Basic earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company	<u>\$ 169,635</u>	<u>152,822</u>	<u>\$ 1.11</u>
<u>Diluted earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company			
Influence of potential common stock with diluting effect	\$ 169,635	152,822	
Convertible Corporate Bonds	1,202	13,964	
Employee Remuneration	-	2,106	
	<u>\$ 170,837</u>	<u>168,892</u>	<u>\$ 1.01</u>

	April 1 to June 30, 2022		
	After-tax amount	Weighted average number of foreign shares in thousand	Earning Per Share (NTD)
<u>Basic earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company	<u>\$ 210,909</u>	<u>152,822</u>	<u>\$ 1.38</u>
<u>Diluted earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company			
Influence of potential common stock with diluting effect	\$ 210,909	152,822	
Convertible Corporate Bonds	1,758	24,718	
Employee Remuneration	-	2,371	
	<u>\$ 212,667</u>	<u>179,911</u>	<u>1.18</u>

	January 1 to June 30, 2023		
	After-tax amount	Weighted average number of foreign shares in thousand	Earning Per Share (NTD)
<u>Basic earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company	\$ 138,033	152,822	\$ 0.90
<u>Diluted earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company			
Influence of potential common stock with diluting effect	\$ 138,033	152,822	
Convertible Corporate Bonds	2,400	13,964	
Employee Remuneration	-	2,106	
	<u>\$ 140,433</u>	<u>168,892</u>	<u>\$ 0.83</u>
	January 1 to June 30, 2022		
	After-tax amount	Weighted average number of foreign shares in thousand	Earning Per Share (NTD)
<u>Basic earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company	\$ 646,445	152,822	\$ 4.23
<u>Diluted earnings per share</u>			
Net profit in the current period attributable to common shareholders of the parent company			
Influence of potential common stock with diluting effect	\$ 646,445	152,822	
Convertible Corporate Bonds	3,547	24,718	
Employee Remuneration	-	2,371	
	<u>\$ 649,992</u>	<u>179,911</u>	<u>3.61</u>

(XXXV) Supplementary Information on Cash Flow

1. Investment activities with only partial cash payment:

	<u>January 1 to June 30, 2023</u>		<u>January 1 to June 30, 2022</u>
Purchase of property, plant and equipment	\$ 76,698	\$	176,679
Less: Acquisition of asset exchange transactions (Note)	-	(	100,638)
Cash paid for acquisition of property, plant and equipment	<u>\$ 76,698</u>	<u>\$</u>	<u>76,041</u>

Note: Please refer to Note 12, (4).

2. Investment and financing activities that do not affect cash flow:

	<u>January 1, 2023</u>		<u>January 1, 2022</u>
	<u>January 1 to June 30, 2023</u>		<u>January 1 to June 30, 2022</u>
Transfer of prepayments for equipment to property, plant and equipment	\$ 4,341	\$	14,493
Transfer of investment properties to property, plant and equipment	\$ 239	\$	-
Investment property transferred from asset exchange transactions	\$ -	\$	9,574
Corporate bonds payable and long term loans transferred to long-term liabilities due within one year or one operating cycle	\$ 351,195	\$	299,556
Payables for investment (Note)	\$ 2,328	\$	-
Declared but unpaid cash dividends	\$ 72,772	\$	-

Note: Listed under “Other Payables.”



(XXXVI) Changes in Liabilities due to Financing Activities

	January 1, 2023	Cash Flow	Non-cash changes/exchange rate changes	June 30, 2023
Short-term loans	\$ 556,523	(\$ 51,556)	(\$ 4,776)	\$ 500,191
Corporate bonds payable (including long-term liabilities due within one year)	353,566	( 4,718)	2,347	351,195
Security Deposits Received	105,457	18,691	( 2,763)	121,385
Dividends payable (Note)	-	-	72,772	72,772
Other Non-current Liabilities	73,960	-	( 3,162)	70,798
Total liabilities from financing activities	<u>\$ 1,089,506</u>	<u>(\$ 37,583)</u>	<u>\$ 64,418</u>	<u>\$ 1,116,341</u>

Note: Listed under “Other Payables,” other non-cash changes are declared as cash dividends to be paid.

	January 1, 2022	Cash Flow	Non-cash changes/exchange rate changes	June 30, 2022
Short-term loans	\$ 759,392	\$ 139,439	\$ 38,352	\$ 937,183
Long-term loans (including long-term liabilities due within one year)	8,551	( 266)	176	8,461
Corporate bonds payable (including long-term liabilities due within one year)	646,695	-	3,511	650,206
Security Deposits Received	110,870	( 1,779)	2,263	111,354
Other Non-current Liabilities	661,440	( 1,854)	( 583,671)	75,915
Total liabilities from financing activities	<u>\$ 2,186,948</u>	<u>\$ 135,540</u>	<u>(\$ 539,369)</u>	<u>\$ 1,783,119</u>

(XXXVII) Operation Seasonality

The primary products of the Group are electric fans and electric heaters, hence the operation is subject to seasonal fluctuation due to weather conditions. Among them, the sales of electric fan in the first quarter of each year is unfavorably influenced by winter weather conditions; downstream customers will order in advance in the second quarter to meet the demand of electric fan in summer and in the fourth quarter to meet the demand for electric heater in winter; in July it will depend on changes in the weather; while in August to September, the sale is stagnant. The Group tries to meet the supply demand for the period through flexible adjustment of the production of electric fans, electric heaters and other products according to the market adjustment, weather changes and customer demand, as well as inventory management satisfy the demand during these period to reduce the seasonal impact.

VII. Related Party Transaction

(I) The Names and Relationships of the Related Parties

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	Associated Enterprises
Tung Fu Electric Co Limited	Other related party. The chairman of the Board of Directors of this company is the Chairman of the Board of Directors of the Company
Rui-Bin, Shih	Chairman of the Board of Directors of the Company
Zheng-Fu, Cai	Director of the Company

(II) Significant Transactions with Related Parties

1. Operating Income

	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>
Merchandise sales:		
Other related party	\$ 29,665	\$ 26,633
Associated Enterprises	<u>28,762</u>	<u>43,319</u>
	<u>\$ 58,427</u>	<u>\$ 69,952</u>

  

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Merchandise sales:		
Other related party	\$ 49,386	\$ 53,829
Associated Enterprises	<u>52,917</u>	<u>60,152</u>
	<u>\$ 102,303</u>	<u>\$ 113,981</u>

The transaction price and payment terms for the sale of goods are agreed upon by both parties. No guarantee or interest is received for receivables from related parties, and no provision for losses has been made after assessment.

## 2. Receivables from related parties

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Notes receivable:			
Associated Enterprises	\$ 17,790	\$ 11,937	\$ 20,642
Trade receivables:			
Other related party	26,568	16,746	16,927
Associated Enterprises	<u>-</u>	<u>-</u>	<u>15,239</u>
	<u>\$ 44,358</u>	<u>\$ 28,683</u>	<u>\$ 52,808</u>

## 3. Expenses paid to related parties

The related expenses incurred by the Group for the services rendered by the related parties are as follows:

	<u>Transaction amount</u>			
	<u>April 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Associated Enterprises	\$ 558	\$ 2,506	\$ 1,202	\$ 3,600
Other related party	111	139	274	277
	<u>\$ 669</u>	<u>\$ 2,645</u>	<u>\$ 1,476</u>	<u>\$ 3,877</u>

	<u>Other payable payment to related party</u>		
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Associated Enterprises	\$ 1,372	\$ 2,760	\$ 4,277
Other related party	6	6	6
	<u>\$ 1,378</u>	<u>\$ 2,766</u>	<u>\$ 4,283</u>

The outstanding balance with this type of related party shall be settled with cash within three months from the reporting date, and for common expenses, the payment shall be made within the same month. There is no significant difference between the transaction price and those with non-related parties.

## 4. Endorsement and Guarantee Provided by Related Parties

As on June 30, 2023, December 31, and June 30, 2022, some of the key Management of the Group act as joint guarantor for the Group's financing from financial institutions.

(III) Information on Remuneration of Key Management

	<u>April 1 to June 30, 2023</u>		<u>April 1 to June 30, 2022</u>	
Short-term Employee Benefits	\$	9,903	\$	10,382
Post-employment Benefits		7		7
	\$	9,910	\$	10,389
	<u>January 1 to June 30, 2023</u>		<u>January 1 to June 30, 2022</u>	
Short-term Employee Benefits	\$	15,088	\$	26,710
Post-employment Benefits		15		15
	\$	15,103	\$	26,725

VIII. Pledged Assets

The details of the carrying value of the assets pledged and guaranteed by the Group are as follows:

<u>Assets</u>	<u>Book value</u>			<u>Pledge guarantee object</u>
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	
Financial liabilities through				
amortized cost-current:				
Reimbursable account	\$ 374,334	\$ 256,696	\$ 169,917	Guarantee of acceptance on notes payable
Reimbursable account	6,598	6,323	5,946	Short-term loan and financing limit
Pledged time deposits and reimbursable accounts	-	-	177,256	Corporate bonds guarantee limit
Notes Receivable	-	-	41,193	Other Payables
Property, Plant and Equipment	1,451,642	1,509,882	979,850	Short-term loan and financing limit
Right-of-use Assets	84,920	88,038	89,653	Short-term loan and financing limit
Guarantee deposits (listed under "other non-current assets")	21,320	20,258	18,004	Long-term loans and performance bond
	<u>\$ 1,938,814</u>	<u>\$ 1,881,197</u>	<u>\$ 1,481,819</u>	

## IX. Significant Commitments and Contingencies

Nil.

## X. Material Disaster Losses

Nil.

## XI. Subsequent Events

- (I) To repay loans and improve the financial structure, new shares issued through increasing cash capital are resolved by the Company's Board of Directors on August 9, 2023. The maximum number of shares to be issued is limited to 200,000 thousand, with a par value of NT\$10 per share. The actual issue price and related matters will be handled in accordance with legal regulations once the application is effectively registered with the competent authority.
- (II) To meet the financing limit needs of Waon Development Co., Limited., the provision of an additional endorsement guarantee of USD 30,000 thousand was resolved by the Company's Board of Directors on August 9, 2023.

## XII. Others

### (I) Capital Management

The Group's capital management objectives are based on sound capital to maintain the confidence of investors, creditors and markets and to support the development of future operations. Capital includes the share capital, capital surplus, retained earnings and other equity interests of the Group. The Board of Directors controls the capital return rate and the ordinary shares dividend level.

The Group's debt-to-capital ratios as on June 30, 2023, December 31, and June 30, 2022 are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Total Liabilities	\$ 6,540,322	\$ 5,609,950	\$ 6,912,910
Less: cash and cash equivalents	( 1,120,204)	( 898,784)	( 910,754)
Net liability	<u>\$ 5,420,118</u>	<u>\$ 4,711,166</u>	<u>\$ 6,002,156</u>
Total Equity	<u>\$ 3,168,385</u>	<u>\$ 3,214,905</u>	<u>\$ 3,435,831</u>
Liability capital ratio	<u>171.07%</u>	<u>146.54%</u>	<u>174.69%</u>

(II) Financial Instruments

1. Types of financial instruments

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>at amortized cost</u>			
Financial Assets at Fair Value through Profit or Loss			
Financial assets mandatorily measured at fair value through profit or loss			
Wealth management products	\$ -	\$ 43,956	\$ -
Financial Assets at Fair Value through Other Comprehensive Income			
Accounts receivable expected to be sold	\$ 6,939	\$ 2,272	\$ 20,597
Investments in designated equity instruments chosen	2,328	-	-
	<u>\$ 9,267</u>	<u>\$ 2,272</u>	<u>\$ 20,597</u>
Financial Assets at Amortized Cost			
Cash and Cash Equivalents	\$ 1,120,204	\$ 898,784	\$ 910,754
Financial Assets at Amortized Cost	380,932	263,019	353,119
Notes Receivable	1,036,784	842,396	1,124,347
Accounts Receivable	1,789,237	917,504	2,096,543
Other Receivables	25,149	137,575	26,715
Refundable Deposits	21,320	20,258	18,004
	<u>\$ 4,373,626</u>	<u>\$ 3,079,536</u>	<u>\$ 4,529,482</u>

	June 30, 2023	December 31, 2022	June 30, 2022
Financial Liabilities			
Financial Liabilities at Fair Value Through Profit or Loss			
Financial liabilities held for trading			
Derivatives - forward foreign exchange contracts	\$ 3,228	\$ -	\$ 5,291
Financial liabilities through amortized cost			
Short-term loans	\$ 500,191	\$ 556,523	\$ 937,183
Notes Payable	1,493,346	1,433,202	1,283,386
Accounts Payable	2,298,085	1,739,558	2,408,910
Other Payables	1,244,444	814,340	1,044,279
Corporate bonds payable (including long-term liabilities due within one year)	351,195	353,566	650,206
Long-term loans (including long-term liabilities due within one year)	-	-	8,461
Security Deposits Received	121,385	105,457	111,354
	<u>\$ 6,008,646</u>	<u>\$ 5,002,646</u>	<u>\$ 6,443,779</u>

## 2. Risk Management Policy

The Group's financial management department provides services to various business units, coordinates access to domestic and international financial markets, and oversees and manages the financial risks associated with the Group's operations through internal risk reporting which analyzes the risk exposure according to their risk level and breadth. The Group uses derivative financial instruments to avoid exposure to risk in order to mitigate the impact of such risks. The use of derivative financial instruments is governed by the policies approved by the Board of Directors of the Group and is governed by the written principles of exchange rate risk, interest rate risk, credit risk,

the use of derivative and non-derivative financial instruments and the investment of residual liquidity. The Internal Auditors continuously review the conformity to policies and risk exposure limits. The Group does not deal in financial instruments (including derivative financial instruments) for speculative purposes.

### 3. Nature and extent of material financial risk

#### (1) Market risk

Market risk refers to the risk of changes in market prices, such as changes in exchange rates, interest rates and equity instruments, affecting the Group's earnings or the value of financial instruments held. The objective of market risk management lies in optimizing the investment return by controlling the market risk exposure within the acceptable range.

The Group manages market risk by engaging in derivative transactions and thereby generating financial liabilities. The execution of all transactions must abide by the designated staff authorized by the Board of Directors.

#### Exchange rate risk

A. The Group is exposed to exchange rate risk arising from sales, purchases and borrowing transactions that are not denominated in the functional currencies of each Group companies. The functional currency of the Group companies is mainly NTD, followed by RMB and HKD. The main currencies used in these transactions are denominated in NTD, RMB, JPY, USD and HKD.

The Group uses short-term loans and derivative financial instruments to hedge against exchange rate risk in order to avoid a decrease in the value of foreign currency assets and fluctuations in future cash flows due to changes in exchange rates. The use of such derivative financial instruments may assist the Group in reduction, but not the complete elimination of the effects of changes in foreign currency exchange rates. As 50% of the Group's sales region come from China in the recent years and are denominated in RMB, the other 50% mainly come from Europe, USA, Japan and South Korea, and mainly denominated in USD and JPY, while the import is mainly denominated in RMB. Therefore, in addition to the natural hedging of the RMB from the import and sales, the change in the exchange rate of the remaining different currencies still has an offsetting effect. In addition to the natural hedging, the Group also chooses to prevent exchange rate risk through forward foreign exchange contracts in due time. However, as the Group considers the growth of future operations, the holding of foreign currencies will continue to increase and domestic funds and future dividends distribution to domestic investors are required to be exchanged in USD, so the risk of exchange rate fluctuation of USD against the NTD will arise; therefore, the Group will strengthen the control over foreign exchange, and the possible response measures are as follows:

- (a) Continuously strengthen the concept of foreign exchange hedging among finance personnel, and determine the trend of exchange rate fluctuations using methods such as the real-time online exchange rate system and the strengthening contacts with financial institutions as the basis for reference.
- (b) To the extent possible, make payment for the purchase and related expenses by sales revenue in the same currency to achieve the natural hedging effect.



(c) Decide whether to adopt derivatives for hedging to avoid exchange rate risks according to the Company's operational status.

B. The Group's financial assets and liabilities which are exposed to significant foreign currency exchange rate risk (including monetary items in non-functional currency denominations that have been eliminated in the Consolidated Financial Statements) are as follows:

		June 30, 2023		
		Foreign currency (thousands)	Currency Exchange Rate	NTD
<u>(Foreign currency: functional currency) at amortized cost</u>				
<u>Monetary Items</u>				
USD	\$	93,564	31.1400	\$ 2,913,583
JPY		1,154,653	0.2150	248,250
RMB		768	4.3102	3,310
<u>Financial Liabilities</u>				
<u>Monetary Items</u>				
USD		79,923	31.1400	2,488,802
RMB		13,600	4.3102	58,619
HKD		326	3.9740	1,296
		December 31, 2022		
		Foreign currency (thousands)	Currency Exchange Rate	NTD
<u>at amortized cost</u>				
<u>Monetary Items</u>				
USD	\$	94,324	30.7100	\$ 2,896,690
JPY		1,145,651	0.2324	266,249
RMB		529	4.4084	2,332
<u>Financial Liabilities</u>				
<u>Monetary Items</u>				
USD		86,099	30.7100	2,644,100
HKD		1,282	3.9380	5,049

	June 30, 2022		
	Foreign currency (thousands)	Currency Exchange Rate	NTD
<u>at amortized cost</u>			
<u>Monetary Items</u>			
USD	\$ 118,341	29.7200	\$ 3,517,095
JPY	1,083,653	0.2182	236,453
RMB	526	4.4294	2,330
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	99,142	29.7200	2,946,500
JPY	24,935	0.2182	5,441
HKD	900	3.7880	3,409

C. The Group's exchange rate risk arises primarily from cash and cash equivalents, accounts receivable and other receivables, loans, accounts payable and other payables, etc. denominated in foreign currencies, which results in foreign currency exchange gains and losses in translation. From January 1 to June 30, 2023 and 2022, when the value of NTD depreciates or appreciates by 5% against USD, JPY, RMB and HKD, the net profit before tax from January 1 to June 30, 2023 and 2022 would increase or decrease by NTD30,821 and NTD40,026, respectively, using the same basis for both periods of analysis and all other factors remained unchanged.

D. The Group's exchange gains recognized in respect of monetary items from April 1 to June 30, 2023, and 2022, and January 1 to June 30, 2023, and 2022 due to exchange rate fluctuations (both realized and unrealized) totaled at NTD50,907, NTD45,035, NTD28,449, and NTD45,036, respectively.

#### Price risk

The Group's equity instruments exposed to price risk refer to financial assets measured at fair value through other comprehensive income. The prices of these equity instruments may be influenced by the uncertainty of the future value of the investment targets.

#### Interest rate risk

The Group's borrowings are measured at amortized cost and re-priced annually as contracted, thus exposing the Group to the risk of future changes in market interest rates. The Group's interest rate risk arises from loans at floating interest rates. Currency market interest rates have risen slowly in recent years but the changes in loan rate of the Group's loans is minimal. However, if there is a significant fluctuation in future interest rate trends, and the Group still has demand for loan, in addition to adopting other capital market financing instruments, the Group has to observe interest rate trends and choose to borrow at fixed or floating interest rates to avoid the risk of interest rate fluctuations. If the loan interest rate increases or decreases by 1% from January 1 to June 30, 2023 and 2022, with all other factors

remain unchanged, the increase or decrease in interest expense from the Group's loans floating interest rate will result in a decrease or increase in net profit after tax of NTD916 and NTD1,232 from January 1 to June 30, 2023 and 2022, respectively.

(2) Credit risk

The Group's credit risk is the risk of financial loss arising from the inability of a customer or counterparty to meet its contractual obligations, mainly arising from accounts receivable from customers of the Group.

Investment

The credit risk of bank deposits (including repayable accounts and pledged time deposits), fixed income investments and other financial instruments are measured and monitored by the Group's Finance Department. As the transacting party and the counterparties of the Group are banks with good creditworthiness and financial institutions with investment grade and above, corporate bodies and government agencies, there are no significant performance concerns and therefore no significant credit risks.

Notes receivable, accounts receivable and other receivables

- A. The Group's Finance Department together with the Market Department, establishes a credit policy under which the credit rating of each new customer is analyzed individually before standard payment and delivery terms and conditions are granted according to the policy. The Group's review includes external ratings (if available) and, in certain cases, bank notes. Customers who do not meet the Group's benchmark credit rating may only transact with the Group on an advance receipt basis.
- B. In monitoring the credit risk of customers, the Group categorizes the customers according to the credit characteristics of the customers, including whether they are individuals or legal entities; whether they are distributors, retailers or end customers; and the scale of operation, distributor target achievement rate and whether there were late payment. The Group's accounts receivable and other receivables are primarily attributed to the Group's customers who are distributors. 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 advance receipt basis.
- C. The Group has allocated an impairment loss allowance account to reflect the estimated loss on 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 losses already incurred yet unidentified within similar asset group. The portfolio loss allowance account is determined by historical payment statistical data of similar financial assets.
- D. In accordance with the credit risk management procedures of the Group, a breach of contract is deemed to have occurred when the counterparty fails to honor the agreement between the parties without consulting the Company.
- E. The Group applies a simplified approach to the estimation of expected credit losses for all notes receivable and accounts receivable, which are measured using the duration of the expected credit losses. For measurement purposes,

these notes receivable and accounts receivable are grouped according to the common credit risk characteristics of the ability to pay all amounts due on behalf of the customer in accordance with the terms of the contract, and have been included in the forward-looking information such as historical credit loss experience and reasonable expectations of future economic conditions.

The expected credit losses of the Group's notes receivable and accounts receivable are analyzed as follows:

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June 30, 2023  
Group A  
Number of days overdue

	Not Overdue	Within 30 days	31~60 days	61~90 days	91~180 days	181~270 days	271~365 days	More than 366 days	Total
Total book value (including related parties)	\$ 2,170,017	\$ 158,297	\$ 8,522	\$ 49,289	\$ 6,915	\$ 4	\$ 75	\$ -	\$ 2,393,119
Expected credit loss during the duration	( 2,878)	( 4,254)	( 689)	( 3,972)	( 1,354)	( 1)	( 35)	-	( 13,183)
	<u>\$ 2,167,139</u>	<u>\$ 154,043</u>	<u>\$ 7,833</u>	<u>\$ 45,317</u>	<u>\$ 5,561</u>	<u>\$ 3</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 2,379,936</u>
Expected Loss Rate	0%~0.15%	0%~2.11%	0%~3.93%	0%~8.35%	0%~10.56%	0%~21.07%	0%~49.85%	0%~100%	

Group B  
Number of days overdue

	Not Overdue	Within 30 days	31~60 days	61~90 days	91~180 days	181~270 days	271~365 days	More than 366 days	Total
Total book value (including related parties)	\$ 425,567	\$ 27,559	\$ -	\$ 73	\$ -	\$ 394	\$ -	\$ 38,020	\$ 491,613
Expected credit loss during the duration	-	( 175)	-	-	-	( 394)	-	( 38,020)	( 38,589)
	<u>\$ 425,567</u>	<u>\$ 27,384</u>	<u>\$ -</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,024</u>
Expected Loss Rate	0%	0%~1%	0%	0%	0%~25%	50%~100%	0%~75%	100%	

December 31, 2022  
Group A  
Number of days overdue

	Not Overdue	Within 30 days	31~60 days	61~90 days	91~180 days	181~270 days	271~365 days	More than 366 days	Total
Total book value (including related parties)	\$ 1,399,336	\$ 99,076	\$ 17,668	\$ -	\$ 28,153	\$ 7,726	\$ 5,556	\$ -	\$ 1,557,515
Expected credit loss during the duration	( 2,206)	( 2,580)	( 742)	-	( 1,627)	( 2,345)	( 5,556)	-	( 15,056)
	<u>\$ 1,397,130</u>	<u>\$ 96,496</u>	<u>\$ 16,926</u>	<u>\$ -</u>	<u>\$ 26,526</u>	<u>\$ 5,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,542,459</u>
Expected Loss Rate	0%~0.2%	0%~2.62%	0%~4.2%	0%~8.72%	0%~10.97%	0%~30.35%	0%~100%	0%~100%	

Group B  
Number of days overdue

	Not Overdue	Within 30 days	31~60 days	61~90 days	91~180 days	181~270 days	271~365 days	More than 366 days	Total
Total book value (including related parties)	\$ 174,367	\$ 45,346	\$ -	\$ -	\$ 3,267	\$ -	\$ 28	\$ 42,983	\$ 265,991
Expected credit loss during the duration	-	-	-	-	( 3,267)	-	( 28)	( 42,983)	( 46,278)
	<u>\$ 174,367</u>	<u>\$ 45,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,713</u>
Expected Loss Rate	0%	0%	0%	0%	25%~100%	50%	75%~100%	100%	

June 30, 2022  
Group A  
Number of days overdue

	<u>Not Overdue</u>	<u>Within 30 days</u>	<u>31~60 days</u>	<u>61~90 days</u>	<u>91~180 days</u>	<u>181~270 days</u>	<u>271~365 days</u>	<u>More than 366 days</u>	<u>Total</u>
Total book value (including related parties)	\$ 2,516,406	\$ 77,229	\$ 258,156	\$ 14,106	\$ 7,894	\$ 51	\$ 4	\$ 5,333	\$ 2,879,179
Expected credit loss during the duration	( 3,525)	( 2,154)	( 12,706)	( 1,419)	( 5,310)	-	( 3)	( 5,333)	( 30,450)
	<u>\$ 2,512,881</u>	<u>\$ 75,075</u>	<u>\$ 245,450</u>	<u>\$ 12,687</u>	<u>\$ 2,584</u>	<u>\$ 51</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,848,729</u>
Expected Loss Rate	0%~0.21%	0%~3.13%	0%~4.92%	0%~10.45%	0%~67.27%	0%	0%~77.28%	100%	

Group B  
Number of days overdue

	<u>Not Overdue</u>	<u>Within 30 days</u>	<u>31~60 days</u>	<u>61~90 days</u>	<u>91~180 days</u>	<u>181~270 days</u>	<u>271~365 days</u>	<u>More than 366 days</u>	<u>Total</u>
Total book value (including related parties)	\$ 359,590	\$ 14,379	\$ 245	\$ 2,782	\$ 1,430	\$ 12,629	\$ 33,497	\$ 114	\$ 424,666
Expected credit loss during the duration	-	-	-	-	( 357)	( 6,314)	( 25,123)	( 114)	( 31,908)
	<u>\$ 359,590</u>	<u>\$ 14,379</u>	<u>\$ 245</u>	<u>\$ 2,782</u>	<u>\$ 1,073</u>	<u>\$ 6,315</u>	<u>\$ 8,374</u>	<u>\$ -</u>	<u>\$ 392,758</u>
Expected Loss Rate	0%	0%	0%	0%	25%	50%	75%	100%	

Group A: General Distributors and Foreign Sales Customers.

Group B: Customers such as e-commerce platforms and mass sales channels.

F. Changes in impairment losses on accounts receivable and notes receivable adopted by the Group in a simplified manner are as follows:

	<u>January 1 to June 30, 2023</u>	<u>January 1 to June 30, 2022</u>
Opening Balance	\$ 61,334	\$ 74,594
(Reversal) Provision for impairment loss	( 3,019)	14,176
Reclassified to collections provisions	-	( 28,121)
Amount written off due to irrecoverability	( 5,309)	-
Effect of Exchange Rate Changes	( 1,234)	1,709
Closing balance	<u>\$ 51,772</u>	<u>\$ 62,358</u>

The Group recognized impairment gains (losses) of (NTD2,617), NTD8,524, NTD3,019, and (NTD14,176) on receivables arising from customer contracts from April 1 to June 30, 2023, and 2022, and January 1 to June 30, 2023 and 2022, respectively.

G. The Group's credit risk exposure is mainly affected by the individual circumstances of each customer. However, the Management also considers the statistical information of the Group's customer base, including the risk of default in the customer's industry and country, as these factors may affect credit risk.

### (3) Liquidity risk

- A. Liquidity risk is the risk that the Group will not be able to settle its financial liabilities in cash or other financial assets and not able to meet the relevant obligations. The Group's approach to managing liquidity is to ensure, to the extent possible, that the Group has sufficient liquidity to meet its liabilities as they fall due under both normal and pressuring circumstances, without incurring unacceptable losses or exposing the Group to reputational damage.
- B. The Group ensures that sufficient cash is available to meet the anticipated operating expense requirements for 60 days, including the fulfilment of financial obligations, but excludes potential impacts that cannot be reasonably expected in extreme circumstances, such as natural disasters. In addition, the Group's unused lines of credit on June 30, 2023, December 31, 2022, and June 30, 2022, totaled NTD2,069,207, NTD2,167,809, and NTD1,493,246, respectively.
- C. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities closed on a net or aggregate basis, grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to the contract maturity date; derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to the expected maturity date. The amounts of contractual cash flows disclosed in the following table is the undiscounted amounts.



June 30, 2023

	<u>Within 1 year</u>	<u>1~2 years</u>	<u>2~3 years</u>	<u>More than 3 years</u>
<u>Non-derivative financial liabilities:</u>				
Short-term loans	\$ 510,004	\$ -	\$ -	\$ -
Notes Payable	1,493,346	-	-	-
Accounts Payable	2,298,085	-	-	-
Other Payables	1,244,444	-	-	-
Corporate Bonds Payable	<u>353,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,899,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	<u>Within 1 year</u>	<u>1~2 years</u>	<u>2~3 years</u>	<u>More than 3 years</u>
<u>Non-derivative financial liabilities:</u>				
Short-term loans	\$ 557,557	\$ -	\$ -	\$ -
Notes Payable	1,433,202	-	-	-
Accounts Payable	1,739,558	-	-	-
Other Payables	814,340	-	-	-
Corporate Bonds Payable	<u>358,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,902,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2022

	<u>Within 1 year</u>	<u>1~2 years</u>	<u>2~3 years</u>	<u>More than 3 years</u>
<u>Non-derivative financial liabilities:</u>				
Short-term loans	\$ 947,817	\$ -	\$ -	\$ -
Notes Payable	1,283,386	-	-	-
Accounts Payable	2,408,910	-	-	-
Other Payables	1,044,279	-	-	-
Corporate Bonds Payable	300,000	358,100	-	-
Long-term Loans	<u>877</u>	<u>8,011</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,985,269</u>	<u>\$ 366,111</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2022, the principal of loans due "within 1 year" and "1~2 years" amounted to NT\$7,893. the principal and interest repaid by the Company in

advance in September 2022 amounted to NT\$8,362. In addition, the Group does not anticipate the timing of cash flows analyzed at maturity to be materially earlier or the actual amount to be materially different.

(III) Information on Fair Value

1. The hierarchy of valuation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: quoted prices (unadjusted) in the active market for the same assets or liabilities that an enterprise may acquire at the measurement date. An active market is a market in where assets or liabilities are traded with sufficient frequency and quantity to provide pricing information on a continuing basis. The wealth management products invested by the Group is included.

Level 2: The observable input value of the asset or liability, directly or indirectly, except for the quotation included in Level 1. The fair values of hybrid instruments, derivatives and accounts receivable expected to be sold invested by the Company are all included.

Level 3: non-observable input value of the asset or liability. The equity instruments with no active market invested by the Group are all included.

2. For the fair value information of investment property measured at cost, please refer to Note 6, (13).

3. Financial instruments not measured at fair value

Includes cash and cash equivalents, assets measured at amortized cost, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables, corporate bonds payable (including those maturing within one year or one operating cycle), long-term loans (including those maturing within one year or one operating cycle), and the carrying amount of security deposits received is a reasonable approximation of fair value.

4. The Group classified financial and non-financial instruments measured at fair value according to the nature, characteristics and risks of assets and liabilities and fair value level. The relevant information is as follows:

(1) The Group's classification based on the nature of assets and liabilities, the relevant information is as follows:

June 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial Assets at Fair Value through Other Comprehensive Income				
Accounts receivable expected to be sold	\$ -	\$ 6,939	\$ -	\$ 6,939
Investments in designated equity instruments chosen	-	-	2,328	2,328
	<u>\$ -</u>	<u>\$ 6,939</u>	<u>\$ 2,328</u>	<u>\$ 9,267</u>
Liability				
<u>Repetitive fair value</u>				
Financial Liabilities at Fair Value Through Profit or Loss				
Derivative financial instruments - forward foreign exchange contracts	\$ -	\$ 3,228	\$ -	\$ 3,228

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Repetitive fair value				
Financial Assets at Fair Value through Profit or Loss				
Wealth management products	\$ 43,956	\$ -	\$ -	\$ 43,956
Financial Assets at Fair Value through Other Comprehensive Income				
Accounts receivable expected to be sold	-	2,272	-	2,272
	<u>\$ 43,956</u>	<u>\$ 2,272</u>	<u>\$ -</u>	<u>\$ 46,228</u>
Liabilities: None.				

June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial Assets at Fair Value through Other Comprehensive Income				
Accounts receivable expected to be sold	<u>\$ -</u>	<u>\$ 20,597</u>	<u>\$ -</u>	<u>\$ 20,597</u>
Liability				
<u>Repetitive fair value</u>				
Financial Liabilities at Fair Value Through Profit or Loss				
Derivative financial instruments - forward foreign exchange contracts	<u>\$ -</u>	<u>\$ 5,291</u>	<u>\$ -</u>	<u>\$ 5,291</u>

(2) The methods and assumptions used by the Group to measure fair value are described as follows:

- A. When evaluating non-standard and less complex financial instruments, such as debt instruments with no active market, the Group employs valuation techniques widely used by market participants. The parameters used in the evaluation model of such financial instruments are generally market-observable information.
  - B. The evaluation of wealth management products is to use the net value of the market price as the input value of the fair value (that is, the first level).
  - C. The valuation of derivative financial instruments is based on valuation models that are widely accepted by market users, such as the discounting method and the option pricing model. Forward foreign exchange contracts are usually evaluated based on the current forward foreign exchange rate.
  - D. The Group incorporates credit risk valuation adjustments into the fair value calculation of financial and non-financial instruments to reflect the credit risk of counterparties and the Group's credit quality respectively.
  - E. The Group's equity investments with fair value classified as Level 3 are mainly investments in domestic unlisted companies. The valuation process for these investments is carried out by the Finance Department, which regularly uses the net asset value method for valuation and measurement.
5. There were no transfers between Level 1 and Level 2 from April 1 to June 30, 2023, and 2022, and January 1 to June 30, 2023 and 2022.
  6. There were no transfers in or out of Level 3 from April 1 to June 30, 2023, and 2022, and January 1 to June 30, 2023 and 2022.

#### (IV) Old Plant Land Development Plan

On June 3, 2016, the Group signed a joint development agreement with Shenzhen Baoan TCL Haichuang Valley Technology Park Development Co., Ltd. (hereinafter referred to as TCL Haichuang Valley) and Shenzhen TCL Real Estate Co., Ltd. for the land development of the old factory in Shenzhen Industrial Zone. The land development project of the old factory has been completed and a real estate title certificate was obtained in January 2022; the real estate transferred, part of which is intended for the Group's own use and part will be sold at an appropriate time in the future; the recognition of relevant income in the first half of 2022 is as follows, please also refer to Note 6 (11) Real estate, plant, and equipment, (13) Investment property, and (29) Other gains and losses.

Nature of earnings	Recognized income amount	Explanation
Compensation income	\$ 605,729	1
Converted property - for own use	100,638	2
Converted property - to be sold	-	3
Total	\$ 706,367	

1. The Group had previously received RMB200,000 thousand (equivalent to NT\$886,843) of land development compensation for the old Shenzhen Industrial Zone after deducting the deferred development cost — book value of the old fixed asset building of RMB20,435 thousand (equivalent to NT\$90,614) and other related development investment costs OF RMB42,961 thousand (equivalent to NT\$190,500). The balance was RMB136,604 thousand (equivalent to NT\$605,729). As the land development of the old Shenzhen Industrial Zone was completed and the real estate title certificate was obtained in January 2022, the Group transferred the relevant compensation income to income.
2. In accordance with the IFRS Question and Answer Collection "Accounting Treatment of Joint Construction and Allocation of Housing Units" issued by the Accounting Research and Development Foundation on July 25, 2019, the landlord shall, upon completion of the construction, account for the allocation of the transferred houses and the exchanged land interests in accordance with the agreed proportions, and shall be the self-user according to the intended use, when the construction is completed and exchanged, In exchange for housing and land ownership transactions, the part of land exchanged for housing has commercial real disposal gains and losses; because the land development case of the old factory has been completed and a real estate title certificate has been obtained in January 2022, the Group has, in accordance with the above provisions, converted the use of the house for its own use, and its cost is measured at the fair value of the house. Asset gain of RMB22,695 thousand (converted into NT\$100,638).
3. In accordance with the IFRS Question and Answer Collection "Accounting Treatment of Joint Construction and Allocation of Housing Units" issued by the Accounting Research and Development Foundation on July 25, 2019, the landlord is the seller according to the expected use for the accounting treatment of the houses transferred and the land shares exchanged after the completion of the joint construction according to the agreed proportion. Since the landlord's exchange of the land into the house and the land

ownership transaction is an exchange for the sale of future premises, the real estate exchange should be considered in conjunction with the subsequent sale of the premises; since the land development case of the old factory has been completed and a real estate title certificate has been obtained in January 2022, the Group will exchange the purpose of the house for the proposed seller in accordance with the above provisions. In the future, it will be sold to a third party, and the relevant disposal interests will be recognized.

In addition, the Group's book value of RMB2,159 thousand (converted into NT\$9,574) in exchange for land use rights belonging to future sellers, is shown under investment real estate items, please refer to Note 6 (13) Investment property items.

### XIII. Note Disclosure

#### (I) Information on Significant Transactions

1. Funds Loaned to Others: Please refer to Schedule I.
2. Endorsement or Guarantee for Others: Please refer to Schedule II.
3. Marketable securities held at the end of the period (excluding parts controlled by investment subsidiaries, Associates and Joint Venture): Please refer to Schedule III.
4. Cumulative amount of buying or selling negotiable securities to reach NTD 300 million or over 20% of the paid-up capital: None
5. The amount of acquiring property to reach NTD 300 million or over 20% of the paid-up capital: None
6. The amount of disposing of property to reach NTD 300 million or over 20% of the paid-up capital: None
7. The amount of goods purchased and sold transacted with related parties amounted to NTD 100 million or over 20% of the paid-up capital: Please refer to Schedule IV.
8. Receivables from related parties amounted to NTD 100 million or over 20% of the paid-up capital: Please refer to Schedule V.
9. Engagement in derivative instrument transactions: Please refer to the explanation in Note 6(2).
10. Significant transactions and amounts of business relationships between the Parent Company and the Subsidiaries and between Subsidiaries: Please refer to Schedule VI.

#### (II) Information on Investees

Relevant information such as the name and location of the investee company (excluding the investee companies in Mainland China): Please refer to the Schedule VII.

#### (III) Information on Investments in Mainland China

1. Basic information: Please refer to Schedule VIII.
2. Significant transactions that occurred directly or indirectly through third-region undertakings and reinvestment in investee companies in Mainland China: Nil.

#### (IV) Information of Major Shareholders

Information on Major Shareholders: Please refer to Schedule X.

#### XIV. Segment Information

##### (I) General Information

The reportable departments of the Group are categorized into the Domestic Market and Export market. The Domestic Market is the business unit responsible for sales in Mainland China. The Export Market is the business unit responsible for sales in Northeast Asia, Europe, and America.

##### (II) Information on the Reporting Department's profit and loss, assets, liabilities and measurement basis and adjustment

The Group uses the departmental pre-tax profit and loss (excluding income tax, non-frequently occurring profit or loss, gains and losses on financial assets measured at fair value and exchange gains and losses) in internal management reports reviewed by the key operational decision makers as the basis for resource allocation and performance evaluation. The information and adjustment of operating segments of the consolidated company were as follows:

	April 1 to June 30, 2023				
	Domestic sales market	Export sales market	Others	Adjustment and elimination	Total
Revenue:					
Revenue from external customers	\$ 2,319,146	\$ 1,268,221	\$ 24,07	\$ -	\$ 3,611,446
Inter-departmental revenue	254,277	1,166,741		( 1,421,018)	-
Total revenue	\$ 2,573,423	\$ 2,434,962	\$ 24,07	(\$ 1,421,018)	\$ 3,611,446
Report department profit or loss	\$ 47,713	\$ 99,891	\$ 23,39	\$ 48,172	\$ 219,167

	April 1 to June 30, 2022				
	Domestic sales market	Export sales market	Others	Adjustment and elimination	Total
Revenue:					
Revenue from external customers	\$ 2,039,321	\$ 1,877,418	\$	\$ -	\$ 3,916,739
Inter-departmental revenue	204,805	1,819,082		( 2,023,887)	-
Total revenue	\$ 2,244,126	\$ 3,696,500	\$	(\$ 2,023,887)	\$ 3,916,739
Report department profit or loss	\$ 121,711	\$ 89,652	\$	\$ 30,015	\$ 241,378

	January 1 to June 30, 2023				
	Domestic sales market	Export sales market	Others	Adjustment and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,596,090	\$ 1,829,247	\$ 31,97	\$ -	\$ 5,457,311
Inter-departmental revenue	415,320	1,691,226		( 2,106,546)	-
Total revenue	\$ 4,011,410	\$ 3,520,473	\$ 31,97	(\$ 2,106,546)	\$ 5,457,311
Report department profit or loss	\$ 87,438	\$ 40,029	\$ 30,68	\$ 26,249	\$ 184,398
Report department assets	\$ 7,908,022	\$ 15,794,980	\$	(\$ 13,994,295)	\$ 9,708,707

	January 1 to June 30, 2022				
	Domestic sales market	Export sales market	Others	Adjustment and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,241,746	\$ 2,604,134	\$	\$ -	\$ 5,845,880
Inter-departmental revenue	361,340	2,504,522		( 2,865,862)	-
Total revenue	\$ 3,603,086	\$ 5,108,656	\$	(\$ 2,865,862)	\$ 5,845,880
Report department profit or loss	\$ 32,659	(\$ 6,424)	\$	\$ 741,627	\$ 767,862
Report department assets	\$ 7,570,754	\$ 16,964,645	\$	(\$ 14,186,658)	\$ 10,348,741

In 2023, April 1 to June 30, 2023, and 2022, and January 1 to June 30, 2023, and 2022, the total reported department revenue should be written off, excluding interdepartmental income of NTD1,421,018, NTD2,023,887, NTD2,106,546, and NTD2,865,862. In 2023, April 1 to June 30, 2023, and 2022, and January 1 to June 30, 2023, and 2022, the reported departmental profit and loss adjustment items are the net loss on financial assets and liabilities measured at fair value through profit or loss, foreign currency exchange gains, bond redemption income and disposal asset income of NTD48,172, NTD30,015, NTD26,249, and NTD741,627, respectively.



Airmate (Cayman) International Co Limited and Subsidiaries  
Funds Loaned to Others  
January 1 to June 30, 2023

Schedule 1 Unit: NTS Thousands  
(Unless otherwise specified)

No. (Note 1)	Companies that lend funds	Counterparty	Transaction item	Is it a related party	Maximum amount in the current period	Closing balance	Actual disbursement amount	Interest range	Capital loans and its nature (Note 2)	Amount of business transactions	Reasons for the need for short-term financing	Appropriated amount for loss allowance	Collateral		Loan limit for individual objects	Capital loans and total limits	Remark
													Name	Value			
1	Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co Limited	Long-term receivables - related parties	Yes	\$ 482,742	\$ 482,742	\$ 482,742	2%~2.5%	2	\$ -	Business turnover	\$ -	Nil	\$ -	\$2,205,587	\$ 4,411,175	Note 3
2	Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Long-term receivables - related parties	Yes	1,065,815	1,034,448	1,034,448	2%~2.5%	2	-	Business turnover	-	Nil	-	1,870,230	3,740,461	Note 3
2	Wacon Development Co Limited	The Company	Other receivables - related parties	Yes	800,000	800,000	759,508	-	2	-	Business turnover	-	Nil	-	1,496,184	3,740,461	Note 3
3	Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	Other receivables - related parties	Yes	44,409	-	-	-	2	-	Operating turnover	-	Nil	-	1,098,274	2,745,685	Note 3

Note 1: The explanation for this column is as follows:

(1) Fill 0 for the issuer.

(2) The investee company is numbered sequentially starting with Arabic numeral 1 for each entity.

Note 2: Capital loans and its nature code:

(1) Companies with business transactions

(2) Company which requires short-term financing.

Note 3: The operating procedures for fund lending to others are as follows:

(1) The amount of individual loans for the company or bank which has business transactions with the company lending funds shall not exceed the amount of business transactions between the two parties. The term "business transaction" refers to the purchase or sale of goods by both parties.

(2) The amount of individual loans for the company or bank with short-term financing funds necessary shall be limited to 40% of the net value of the company lending funds.

(3) The amount of financing for individual counterparty which engages in capital lending to the subsidiaries with the company lending funds shall be limited to no more than 50% of the net value of the company's latest financial statements.

(4) The total loan and amount of the company lending funds shall not exceed 40% of the net value of the company lending funds; provided, however, that the total amount of the loan does not exceed 100% of the net value of the company lending funds between foreign companies directly or indirectly holding 100% of the voting shares of the parent company, or 100% of the voting shares held directly or indirectly by the parent company.

Note 4: The above transactions had been written off in preparing the consolidated financial report.

Airmate (Cayman) International Co Limited and Subsidiaries  
Endorsement or Guarantee for Others  
January 1 to June 30, 2023

Schedule 2 Unit: NTS Thousands  
(Unless otherwise specified)

No. (Note 1)	Endorsement Guarantor Company Name	Recipient of endorsements/guarantees		Endorsement guarantee limit for single enterprise	Maximum endorsement guarantee balance for the current period	Endorsement guarantee balance at the end of the period	Actual disbursement amount	Endorsement guarantee amount secured by property.	Ratio of accumulated endorsement guarantee amount to the net value of the latest financial statements	Maximum limit of endorsement Guarantee	Endorsement guarantee to the subsidiary by the parent company	Endorsement guarantee to the parent company by a subsidiary	Endorsement Guarantee to Mainland China	Remark
		Company name	Relationship (Note 2)											
0	The Company	Wacon Development Co Limited	2	\$ 6,336,770	\$ 2,210,940 (USD 71,000 thousand)	\$ 2,210,940 (USD 71,000 thousand)	\$ 201,374 (USD 6,467 thousand)	\$ -	69.78%	\$ 15,841,925	Y	N	N	Note 3
0	The Company	Airmate Electric Appliances (Jiujiang) Co. Limited	2	6,336,770	445,224 (US \$1,200 thousand) (RMB 92,000 thousand)	433,906 (US \$1,200 thousand) (RMB 92,000 thousand)	13,362 (RMB 3,100 thousand)	-	13.69%	15,841,925	Y	N	Y	Note 3, note 4
0	The Company	Airmate Electric Appliances (Shenzhen) Co Limited	2	6,336,770	429,716 (USD \$1,000 thousand) (RMB 90,000 thousand)	387,918 (RMB 92,000 thousand)	90,514 (RMB 21,000 thousand)	-	12.24%	15,841,925	Y	N	Y	Note 3, note 5
1	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	4	5,491,370	1,851,853 (RMB 417,000 thousand)	1,749,941 (RMB 406,000 thousand)	1,030,360 (RMB 239,052 thousand)	-	63.73%	13,728,425	N	N	Y	Note 3
2	Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co Limited	4	4,061,696	1,998,403 (RMB 450,000 thousand)	1,939,590 (RMB 450,000 thousand)	522,183 (RMB 121,151 thousand)	-	95.51%	10,154,240	N	N	Y	Note 3

Note 1: The explanation for this column is as follows:

- (1) Fill 0 for the issuer.
- (2) The investee company is numbered sequentially starting with Arabic numeral 1 for each entity.

Note 2: There are 7 types of relationship between the endorsement guarantor and the endorsee as follows, please specify the type:

- (1) Companies with business dealings.
- (2) Companies where the Company directly or indirectly holds over 50% voting shares.
- (3) Companies that directly or indirectly hold more than 50% of the voting rights in the company.
- (4) The Company directly and indirectly holds more than 90% of the voting shares of the company.
- (5) Companies that are mutually guaranteed by the contract between peers or co-contractors based on the needs of the underwriting project.
- (6) Companies to which all investing shareholders endorse a guarantee based on its shareholding ratio as a result of the joint investment relationship.
- (7) Joint and several guarantees of performance bonds for pre-sale housing sales contracts with peers in the same industry in accordance with the regulations of the Consumer Protection Act.

Note 3: The Company's endorsement and guarantee procedures are as follows:

- (1) For companies with business transaction, the total amount of endorsement guarantee shall not exceed 40% of the net value of the company, and individual objects shall not exceed the amount of business transactions.
- (2) The total amount of the endorsement guarantee of the company exceeding 50% of the shares directly and indirectly held by the company shall not exceed 40% of the net value of the company, and the individual counterparty shall not exceed the amount of their investment.
- (3) The total amount of the Company's overall external endorsement guarantee is limited to not more than 40 percent of the net value of the latest financial statements; and the limit for a single enterprise is limited to 40 percent of its net value.  
For subsidiaries which the Company holds 100% voting shares and between subsidiaries, the endorsement guarantee shall not exceed 500% of the net value based on the latest financial report. For each individual counterparty, the amount of endorsement guarantee shall not exceed 200% of the net value based on the latest financial report. And the project shall be reported to the board of directors for review.

Note 4: Wherein the balance endorsement guarantee at the end of the period amounted to NTD366,367, which is the bank financing limit shared with Airmate Electric (Shenzhen) Co., Ltd., totaling to not more than NTD387,918; the actual disbursement amounted to NTD431.

Note 5: Wherein the balance endorsement guarantee at the end of the period amounted to NTS301,714, which is the bank financing limit shared with Airmate Electric (Jiujiang) Co., Ltd., totaling to not more than \$387,918; the actual disbursement amounted to NTS90,514.

Note 6: The above transactions had been written off in preparing the consolidated financial report.

Airmate (Cayman) International Co Limited and Subsidiaries  
Marketable securities held at the end of the period (excluding parts controlled by investment subsidiaries, Associates and Joint Venture)  
January 1 to June 30, 2023

Schedule 3 Unit: NTS Thousands

Company held	Types and names of negotiable securities	Relationship with Securities Issuer	Account Columns	End of the period				Remark
				Number of shares (thousand shares)	at the end of the period	Percentage of Ownership	Fair value	
Airmate Electric Appliances (Shenzhen) Co Limited	Capital contribution- Dongguan Airmate Intelligent Technology Co Limited	-	Financial Assets at Fair Value through Other Comprehensive Income	Note	\$ 2,328	18	\$ 2,328	

Note: Refers to Limited Company, therefore it is not applicable.

Airmate (Cayman) International Co Limited and Subsidiaries  
The amount of goods purchased and sold transacted with related parties amounted to NTD 100 million or over 20% of the paid-up capital  
January 1 to June 30, 2023

Schedule 4 Unit: NTS Thousands  
(Unless otherwise specified)

Supplier (Buyer) Company	Transaction counterparty	Relationship	Transaction details				Circumstances and Reasons where Transaction conditions are different from general transactions		Notes and Accounts Receivable (Payable)		Remark
			Purchase/Sale	Amount	Ratio to total inputs (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total notes receivable (paid) to accounts receivable	
Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	Parent/Subsidiary Company	(Sales)	\$ 814,643	(78%)	According to mutual agreement	Note	Note	\$ 1,929,899	95%	
Airmate Electric Appliances (Jiujiang) Co. Limited	Wacon Development Co Limited	Parent/Subsidiary Company	(Sales)	( 863,244)	(20%)	According to mutual agreement	Note	Note	929,304	28%	
Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Affiliated companies	(Sales)	( 172,885)	(17%)	According to mutual agreement	Note	Note	102,715	5%	
Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate e-Commerce (Shenzhen) Co., Ltd.	Affiliated companies	(Sales)	( 132,335)	(3%)	According to mutual agreement	Note	Note	3,544	0%	
Wacon Development Co Limited	Airmate Electric Appliances (Shenzhen) Co Limited	Parent/Subsidiary Company	Purchase	814,643	48%	According to mutual agreement	Note	Note	( 1,929,899)	(59%)	
Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Parent/Subsidiary Company	Purchase	863,244	45%	According to mutual agreement	Note	Note	( 929,304)	(29%)	
Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co Limited	Affiliated companies	Purchase	172,885	6%	According to mutual agreement	Note	Note	( 102,715)	(3%)	
Airmate e-Commerce (Shenzhen) Co., Ltd.	Airmate Electric Appliances (Jiujiang) Co. Limited	Affiliated companies	Purchase	132,335	100%	According to mutual agreement	Note	Note	( 3,544)	(93%)	

Note: Except where there were no similar transactions as precedence, the trading conditions were determined by negotiation between the parties, while the remaining are not materially different from normal trading conditions.

Airmate (Cayman) International Co Limited and Subsidiaries  
Receivables from related parties amounted to NTD 100 million or over 20% of the paid-up capital  
June 30, 2023

Schedule 5 Unit: NTS Thousands

(Unless otherwise specified)

The companies that record such transactions as receivables	Transaction counterparty	Relationship	Accounts receivable balance from related parties	Turnover	Overdue accounts receivable from related party		Amount collected after the due date for accounts receivable from related parties	Appropriated amount for loss allowance
					Amount	Handling method		
Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	Parent/Subsidiary Company	\$ 2,327,744	0.45	\$ -	-	\$ 92,546	\$ -
Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Affiliated companies	194,240	1.12	-	-	-	-
Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Parent/Subsidiary Company	1,171,986	-	-	-	-	-
Wacon Development Co Limited	The Company	Parent/Subsidiary Company	759,508	-	-	-	-	-
Airmate Electric Appliances (Jiujiang) Co. Limited	Wacon Development Co Limited	Parent/Subsidiary Company	929,304	1.03	-	-	92,488	-
Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co Limited	Parent/Subsidiary Company	671,292	-	-	-	-	-

Note: the above transactions had been written off in preparing the consolidated financial report.

Airmate (Cayman) International Co Limited and Subsidiaries  
Significant transactions and amounts of business relationships between the Parent Company and the Subsidiaries and between Subsidiaries  
January 1 to June 30, 2023

Schedule 6 Unit: NTS Thousands  
(Unless otherwise specified)

Where the amount of transactions between the parent company and its subsidiaries or between subsidiaries exceeds NTD 10,000,000 and is disclosed in Note 3, its counterparty transactions will not be repeated.

No. (Note 1)	Name of transacting party	Transacting party	Relationship with counterparty (Note 2)	Transaction terms		Ratio to total consolidated revenue or total assets	
				Account	Amount		
0	The Company	Wacon Development Co Limited	1	Other payables - capital loans	\$ 759,508	Administered according to mutual agreement	8%
1	Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co Limited	1	Long-term receivables - capital loans (Note 4)	671,292	Administered according to mutual agreement	7%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	3	Sales	172,885	Administered according to mutual agreement	3%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	3	Accounts Receivable	102,715	Administered according to mutual agreement	1%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	3	Other Receivables	91,525	Administered according to mutual agreement	1%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	3	Other Incomes	72,820	Administered according to mutual agreement	1%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	2	Sales	814,643	Administered according to mutual agreement	15%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	2	Accounts Receivable	1,929,899	Administered according to mutual agreement	20%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	2	Other Receivables	397,845	Administered according to mutual agreement	4%
3	Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	1	Long-term receivables - capital loans (Note 5)	1,140,568	Administered according to mutual agreement	12%
3	Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	1	Other Receivables	31,418	Administered according to mutual agreement	0%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co Limited	3	Sales	63,358	Administered according to mutual agreement	1%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co Limited	3	Notes Receivable	47,877	Administered according to mutual agreement	0%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Wacon Development Co Limited	2	Sales	863,244	Administered according to mutual agreement	16%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Wacon Development Co Limited	2	Accounts Receivable	929,304	Administered according to mutual agreement	10%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate e-Commerce (Shenzhen) Co., Ltd.	3	Sales	132,335	Administered according to mutual agreement	2%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Material Technology (Foshan) Co., Ltd.	3	Sales	55,369	Administered according to mutual agreement	1%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	3	Sales	52,917	Administered according to mutual agreement	1%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	3	Notes Receivable	17,790	Administered according to mutual agreement	0%

Note 1: Fill in the numbers as follows:

(1) 0 stands for parent company.

(2) Subsidiaries are numbered sequentially starting with Arabic numeral 1 by company.

Note 2: The transaction was carried out in accordance with the agreement between the two parties and was not materially different from the ordinary transaction.

(1) Parent to Subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to Subsidiary.

Note 3: Only the information on the sale of goods and accounts receivable from the business relationship and significant transactions between the parent company and the subsidiary are disclosed, while the purchase of goods and accounts payable by the counterparty will not be described herein.

Note 4: The long-term receivables of Airmate International Co. Limited China from Airmate Electric Appliances (Shenzhen) Co Limited is NTD482,742 in capital loans and NTD188,550 in interest.

Note 5: The long-term receivables of Wacon Development Co., Limited. from Airmate Electric Appliances (Jiujiang) Co. Limited is NTD1,034,448 in capital loans and NTD106,120 in interest.

Airmate (Cayman) International Co Limited and Subsidiaries  
 Relevant information such as the name and location of the investee company (excluding the investee companies in Mainland China)  
January 1 to June 30, 2023

Name of Investor	Name of investee	Location	Main business items	Initial Investment (Note 1)		Number of Shares			Profit or loss of investee for the current period	Recognized gains and losses on investments for the current period (Note 2)	Remark
				End of the current period	End of previous year	Held at the end of the Period	Ratio	at the end of the period			
The Company	Airmate International Holding Limited	British Virgin Islands	Holding company	\$ 1,992,166 (USD 63,974 thousand)	\$ 1,992,166 (USD 63,974 thousand)	63,974,492	100%	\$ 4,410,565	\$ 166,467	\$ 166,467	Directly invested subsidiary companies of the Company
Airmate International Holding Limited	Airmate International Co. Limited China	British Virgin Islands	Holding company	2,172,364 (USD 69,761 thousand)	2,172,364 (USD 69,761 thousand)	69,761,220	100%	4,411,175	166,473	166,473	Directly invested subsidiary companies of the Company
Airmate International Co. Limited China	Wacon Development Co Limited	Hong Kong	Trading company	3,259,864 (HK \$820,298 thousand)	3,259,864 (HK \$820,298 thousand)	-	100%	3,740,461	152,165	152,165	Directly invested subsidiary companies of the Company

Note 1: Converted using the exchange rate of USD: NTD: 1: 31.1400, RMB: HKD: 1: 1.0846, HKD: NTD: 1: 3.9740 at the date of the financial report.

Note 2: The above transactions had been written off in preparing the consolidated financial report.

Airmate (Cayman) International Co Limited and Subsidiaries  
Information on Investments in Mainland China - Basic Information  
January 1 to June 30, 2023

Schedule 8 Unit: NT\$ Thousands  
(Unless otherwise specified)

Name of investee company in Mainland China	Main business items	Paid-up capital (Note 4)	Investment method (Note 1)	Cumulative investment amount transferred from Taiwan at the beginning of the current period	Exported or recovered investment amount for the current period (Note 2)		Cumulative investment amount transferred from Taiwan at the end of the current period	Profit or loss of investee for the current period	Shareholding ratio of the Company's direct or indirect investment	Profit or loss on investment recognized in the current period	Book value of investments at the end of the period	Investment income recovered as of the current period	Remark
					Remit	Recovered							
Airmate Electric Appliances (Shenzhen) Co Limited	Production and sale of household appliances and processing of precision mold	\$ 996,480	(2)	\$ -	\$ -	\$ -	\$ -	\$ 4,141	100%	\$ 4,141	\$ 2,745,685	\$ -	Note 3 and 5
Airmate Electric Appliances (Jiujiang) Co. Limited	Production and sale of household appliances and processing of precision mold	2,266,992	(2)及(3)	-	-	-	-	157,424	100%	157,424	2,030,848	-	Note 3 and 5
Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	Sales of electric appliances	45,257	(3)	-	-	-	-	1,658	40%	663	33,385	-	Note 3 and 5
Airmate Technology (Shenzhen) Co. Limited	Sales, research and development of household appliances	43,102	(3)	-	-	-	( 539)		100%	( 539)	52,681	-	Note 3 and 5
Airmate e-Commerce (Shenzhen) Co., Ltd.	Sales of household appliances	43,102	(3)	-	-	-	-	31,698	100%	31,698	88,348	-	Note 3 and 5
Material Technology (Foshan) Co., Ltd.	Sales of household appliances	2,155	(3)	-	-	-	( 3,602)		100%	( 3,602)	( 3,459)	-	Note 3 and 5
Company name (Note 2)		Accumulated amount of investment remitted from Taiwan to Mainland China at the end of the current period		Investment amount approved by the Investment Review Committee of the Ministry of Economic Affairs			Quota for investment in mainland China according to the Investment Review Committee of the Ministry of Economic Affairs						
		-		-			-						

Note 1: The investment methods are divided into the following three types. Please indicate the type as follows:

- (1) Direct investment in mainland China.
- (2) Reinvestment in Mainland China through a third region (Wacon Development Co Limited).
- (3) Other method, reinvestment through Airmate Electric Appliances (Shenzhen) Co Limited

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 invested company during the same period will be recognized.

Note 4: Converted using the exchange rate of USD: NTD: 1: 31.1400, RMB: HKD: 1: 1.0846, HKD: NTD: 1: 3.9740 at the date of the financial report.

Note 5: Except for Zhejiang Airmate Electrical Appliance Sales Co., Ltd., the above transactions have been written off during the preparation of the Consolidated Financial Report.



Airmate (Cayman) International Co Limited and Subsidiaries  
Information of Major Shareholders  
June 30, 2023

Schedule 9 Unit: shares

Name of Major Shareholders	Shareholding	
	Shares Held	Percentage of Ownership
Pearl Place Holding	27,145,738	18.65%

Note 1: This above information was calculated based on the shareholdings of the shareholders who holds more than 5% of the total common shares and preference shares of the Company (including treasury share) which has completed the non-physical registration and delivery as at the last business day of each quarter.

Note 2: For the above information, if the shares are held by a trust, it shall be disclosed by the name of the settlor who sets up the trust.

Note 3: The principle of preparation of this table is to calculate the distribution of the balance of each credit transaction with reference to the register of securities owners (short-selling not included) when the trading has been suspended by the extraordinary shareholders' meeting.

Note 4: Shareholding ratio (%) = the total number of shares held by the shareholder/the total number of shares delivered after completing the non-physical registration and delivery.

Note 5: The total number of shares (including treasury shares) that have been delivered and registered is 145,544,496 shares = 145,544,496 (common shares) + 0 (preference shares).