

Airmate (Cayman) International Co Limited and
Subsidiaries
Consolidated Financial Statements and CPA's
Audit Report
Quarter 1 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 1 of 2023 and 2022

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CPA's Audit Report

(23) CSBZ No. 23000077

To Airmate (Cayman) International Co Limited:

Foreword

We have audited the Consolidated Balance Sheets of Airmate (Cayman) International Co Limited and its subsidiaries (hereinafter referred to as "Airmate Group") as of March 31, 2023 and 2022, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Material Accounting Policies) for the annual period from January 1 to March 31, 2023 and 2022. The responsibilities of Management are to prepare appropriately represented Consolidated Financial Statements 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 published by the Financial Supervisory Commission. The responsibility of Certified Public Accountants is to draw a conclusion on the Consolidated Financial Statements based on the review results.

Scope

The Certified Public Accountants (CPA) review in accordance with the TWSRE2410 "Review of Financial Statements." The procedures performed during the review of the Consolidated Financial Statements include inquiries (mainly inquiring the personnel responsible for financial and accounting matters), analytical procedures, and other review procedures. The scope of review is significantly narrower than that of an audit, and therefore, the CPA may not be able to detect all significant matters that could be identified through an audit. As a result, the CPA cannot express an opinion.

Conclusion

In the review results of the Accountants, no significant non-compliance 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, was found in the Consolidated Financial Statements mentioned above, which may be unable to reasonably express the consolidated financial conditions of Emmet Group as of March 31, 2023 and 2022, and the consolidated financial performance and consolidated statements of cash flow as of January 1 to March 31, 2023 and 2022.

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

May 10, 2023

Airmate (Cayman) International Co Limited and Subsidiaries

Consolidated Balance Sheets

March 31, 2023, December 31, March 31, 2022

(The consolidated balance sheets in 2023 and on March 31, 2022, have been reviewed but not audited in accordance with the auditing standards.)
Unit: NT\$ Thousands

Assets	Note	March 31 , 2023		December 31, 2022		March 31 , 2022		
		Amount	%	Amount	%	Amount	%	
Current Assets								
1100	Cash and Cash Equivalents	6(1)	\$ 634,281	7	\$ 898,784	10	\$ 290,238	3
1110	Financial Assets at Fair Value through Profit or Loss - Current	6(2)	35,753	-	43,956	-	13,984	-
1136	Financial Assets at Amortized Cost - Current	6(3) and 8	351,198	4	263,019	3	458,233	5
1150	Net Amount of Notes Receivable	6(4), 7 and 8	769,150	8	842,396	10	946,256	9
1170	Net Amount of Accounts Receivable	6(4) and 7	1,244,677	14	919,776	10	1,661,623	16
1200	Other Receivables	6(5)(6)	13,729	-	137,575	2	31,050	-
130X	Inventories	6(7)	2,544,344	28	2,174,374	25	2,884,747	28
1410	Advance Payment	6(8)	155,867	2	174,534	2	237,733	2
1479	Other Current Assets - Others		16,139	-	60,468	1	48,670	1
1481	Rights of Pending Returning Products - Current	6(26)	60,859	1	34,280	-	52,630	1
11XX	Total Current Assets		<u>5,825,997</u>	<u>64</u>	<u>5,549,162</u>	<u>63</u>	<u>6,625,164</u>	<u>65</u>
Non-current Assets								
1550	Investments Accounted for Using the Equity Method	6(9)	33,605	1	33,440	-	32,469	-
1600	Property, Plant and Equipment	6(10), 8 and 12(4)	2,744,700	30	2,787,713	32	3,061,107	30
1755	Right-of-use Assets	6(11) and 8	203,333	2	203,685	2	211,243	2
1760	Net amount of investment properties	6(12) and 12(4)	9,290	-	9,307	-	9,716	-
1780	Intangible Assets	6(13)	3,808	-	4,195	-	5,139	-
1840	Deferred Income Tax Assets		200,131	2	197,543	2	177,695	2
1990	Other Non-current Assets - Others	6(14) and 8	114,931	1	39,810	1	101,768	1
15XX	Total Non-current Assets		<u>3,309,798</u>	<u>36</u>	<u>3,275,693</u>	<u>37</u>	<u>3,599,137</u>	<u>35</u>
1XXX	Total Assets		<u>\$ 9,135,795</u>	<u>100</u>	<u>\$ 8,824,855</u>	<u>100</u>	<u>\$ 10,224,301</u>	<u>100</u>

(Continued on next page)

Liabilities and Equities	Note	March 31 , 2023		December 31, 2022		March 31 , 2022		
		Amount	%	Amount	%	Amount	%	
Current Liabilities								
2100	Short-term loans	6(15) and 8	\$ 885,441	10	\$ 556,523	6	\$ 1,166,120	11
2130	Contract Liabilities - Current	6(26)	168,366	2	365,995	4	167,372	2
2150	Notes Payable	6(16) and 8	1,525,717	17	1,433,202	16	1,649,568	16
2170	Accounts Payable		1,847,340	20	1,739,558	20	2,120,059	21
2200	Other Payables	6(17), 7 And 8	747,402	8	814,340	9	757,276	7
2230	Current Income Tax Liabilities		926	-	3,240	-	5,250	-
2250	Provision - Current	6(18)	31,891	-	22,354	-	31,028	-
2320	Long-term Liabilities Due within One Year or One Operating Cycle	6(19) and (20) and 8	354,764	4	353,566	4	298,993	3
2365	Refund Liabilities - Current	6(26)	87,448	1	52,146	1	76,435	1
2399	Other Current Liabilities - Others		15,280	-	28,525	1	7,525	-
21XX	Total Current Liabilities		<u>5,664,575</u>	<u>62</u>	<u>5,369,449</u>	<u>61</u>	<u>6,279,626</u>	<u>61</u>
Non-current Liabilities								
2530	Corporate Bonds Payable	6(20) and 8	-	-	-	-	349,996	4
2540	Long-term Loans	6(19) and 8	-	-	-	-	8,204	-
2570	Deferred income tax liabilities		24,303	-	24,357	-	25,455	-
2640	Net Defined Benefit Liabilities - Non-current		36,665	1	36,727	1	36,232	-
2645	Security Deposits Received		117,716	1	105,457	1	113,519	1
2670	Other Non-current Liabilities - Others	6(22)	73,563	1	73,960	1	78,110	1
25XX	Total Non-current Liabilities		<u>252,247</u>	<u>3</u>	<u>240,501</u>	<u>3</u>	<u>611,516</u>	<u>6</u>
2XXX	Total Liabilities		<u>5,916,822</u>	<u>65</u>	<u>5,609,950</u>	<u>64</u>	<u>6,891,142</u>	<u>67</u>
Equities Attributable to Owners of Parent Company								
Share Capital								
3110	Common Stock	6(23)	1,455,445	16	1,455,445	16	1,455,445	14
Capital Surplus								
3200	Capital Surplus	6(24)	1,228,726	13	1,228,726	14	1,231,625	12
Retained Earnings								
3310	Legal Reserve	6(25)	69,854	1	69,854	1	179,704	2
3320	Special Reserve		261,181	3	261,181	3	261,489	3
3350	Undistributed Earnings		446,414	5	478,016	5	325,378	3
Other Equities								
3400	Other Equities		(242,647)	(3)	(278,317)	(3)	(120,482)	(1)
3XXX	Total Equities		<u>3,218,973</u>	<u>35</u>	<u>3,214,905</u>	<u>36</u>	<u>3,333,159</u>	<u>33</u>
3X2X	Total Liabilities and Equities		<u>\$ 9,135,795</u>	<u>100</u>	<u>\$ 8,824,855</u>	<u>100</u>	<u>\$ 10,224,301</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 March 31, 2023 and 2022
(Reviewed but not audited in accordance with the auditing standards)

Unit: NT\$ Thousands
(Except for the Earnings (Loss) per share in NTD)

Item	Note	January 1 to March 31, 2023		January 1 to March 31, 2022	
		Amount	%	Amount	%
4000 Operating Income	6(11) (26) and 7	\$ 1,845,865	100	\$ 1,929,141	100
5000 Operating Cost	6(7)(11) (13)(21) (30)(31)	(1,522,386)	(82)	(1,677,530)	(87)
5900 Gross Profit		323,479	18	251,611	13
5910 Unrealized Sales Profit	6(9)	(2,693)	-	(3,646)	-
5920 Realized Sales Profit	6(9)	3,137	-	4,579	-
5950 Net Operating Profit		323,923	18	252,544	13
Operating Expenses	6(13) (21)(30) (31) and 7				
6100 Selling Expenses		(237,941)	(13)	(268,338)	(14)
6200 Administrative Expenses		(76,238)	(4)	(118,297)	(6)
6300 Research and Development Expense		(32,405)	(2)	(27,107)	(1)
6450 Expected Credit Gain (Loss)	12(2)	5,636	-	(22,700)	(1)
6000 Total Operating Expenses		(340,948)	(19)	(436,442)	(22)
6900 Operating loss		(17,025)	(1)	(183,898)	(9)
Non-operating Income and Expenses					
7100 Interest Income		5,036	-	4,729	-
7010 Other Incomes	6(27)	13,622	1	7,885	-
7020 Other Gains and Losses	6(28) and 12(4)	(26,151)	(1)	708,766	37
7050 Finance Costs	6(15)(19) (20)(29)	(9,800)	(1)	(9,986)	-
7060 Share of Profit or Loss of Associates and Joint Ventures Recognized under Equity Method	6(9)	(451)	-	(1,012)	-
7000 Total Non-operating Income and Expenses		(17,744)	(1)	710,382	37
7900 Net Profit (Loss) Before Tax		(34,769)	(2)	526,484	28
7950 Income Tax Profit (Expense)	6(32)	3,167	-	(90,948)	(5)
8200 Net Profit (Loss)		\$ 31,602	(2)	\$ 435,536	23
Other Comprehensive Income					
Items that may Subsequently be Reclassified to Profit or Loss:					
8361 Exchange Differences from Translation of Financial Statements of Foreign Operating Entities		\$ 35,670	2	\$ 140,699	7
8300 Other Comprehensive Profit or Loss (Net)		\$ 35,670	2	\$ 140,699	7
8500 Total Comprehensive Income		\$ 4,068	-	\$ 576,235	30
Net Profit (Loss) attributable to:					
8610 Owners of Parent Company		\$ 31,602	(2)	\$ 435,536	23
Total Comprehensive Income Attributable to:					
8710 Owners of Parent Company		\$ 4,068	-	\$ 576,235	30
Earnings (Loss) Per Share	6(33)				
9750 Basic		(\$ 0.22)		\$ 2.99	
9850 Diluted		(\$ 0.22)		\$ 2.55	

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 March 31, 2023 and 2022

Unit: NT\$ Thousands

	Equities Attributable to Owners of Parent Company						Exchange Differences from Translation of Financial Statements of Foreign Operating Entities	Total Equity
	Note	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Undistributed Earnings		
<u>January 1 to March 31, 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		-	-	-	-	435,536	-	435,536
Other Comprehensive Income of the Current Period		-	-	-	-	-	140,699	140,699
Total Comprehensive Income		-	-	-	-	435,536	140,699	576,235
Balance on March 31, 2022		\$ 1,455,445	\$ 1,231,625	\$ 179,704	\$ 261,489	\$ 325,378	(\$ 120,482)	\$ 3,333,159
<u>January 1 to March 31, 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 Loss of the Current Period		-	-	-	-	(31,602)	-	(31,602)
Other Comprehensive Income of the Current Period		-	-	-	-	-	35,670	35,670
Total Comprehensive Income		-	-	-	-	(31,602)	35,670	4,068
Balance on March 31, 2023		\$ 1,455,445	\$ 1,228,726	\$ 69,854	\$ 261,181	\$ 446,414	(\$ 242,647)	\$ 3,218,973

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 March 31, 2023 and 2022
(Reviewed but not audited in accordance with the auditing standards)

Unit: NT\$ Thousands

	Note	January 1 to March 31, 2023	January 1 to March 31, 2022
<u>Cash Flows from Operating Activities</u>			
Net Profit (Loss) Before Tax for the Current Period		(\$ 34,769)	\$ 526,484
Adjustment Items:			
Revenue and Expense Items			
Expected Credit Loss (Gain)	12(2)	(5,636)	22,700
Depreciation Expense	6(10)(11)	(12)(30)	98,296
Amortization Expense	6(13)(30)	410	879
Interest Expense	6(29)	9,800	9,986
Interest Income		(5,036)	(4,729)
Share of Profit or Loss of Associates and Joint Ventures Recognized under Equity Method	6(9)	451	1,012
Net gain on financial assets measured at fair value through profit or loss	6(28)	(535)	(9,149)
Gains on disposal of property, plant and equipment	6(28)	(6,572)	(85)
Gain on disposal of assets	6(28) and 12(4)	-	(702,462)
Unrealized Sales Profit	6(9)	2,693	3,646
Realized Sales Profit	6(9)	(3,137)	(4,579)
Unrealized gain on foreign currency exchange		4,788	4,687
Amortization of Long-term Deferred Income	6(27)	(782)	(830)
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		8,988	-
Net Amount of Notes Receivable		77,765	418,210
Net Amount of Accounts Receivable		(319,632)	(467,070)
Other Receivables		124,178	(932)
Inventories		(359,032)	(74,791)
Advance Payment		19,348	30,209
Other current assets — other		17,224	17,401
Net Changes in Liabilities related to Operating Activities			
Contract liabilities — current		(198,720)	(92,862)
Notes Payable		87,546	(145,808)
Accounts Payable		99,412	(209,137)
Other Payables		(70,625)	185,560
Provision - Current		9,442	3,053
Refund Liabilities - Current		35,108	(21,078)
Other Current Liabilities - Others		(13,849)	3,363
Net Defined Benefit Liabilities - Non-current		(62)	1,516
Cash Outflow Generated from Operations		(422,938)	(398,724)
Interest Received		5,535	4,660
Interest Paid		(8,476)	(9,821)
Income Tax Acquired (Paid)		43,612	(10,659)
Net Cash Outflow from Operating Activities		(382,267)	(414,544)

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	Note	January 1 to March 31, 2023	January 1 to March 31, 2022
<u>Cash Flows from Investment Activities</u>			
Acquisition of Financial Assets at Amortized Cost		(\$ 297,227)	(\$ 327,750)
Disposal of Financial Assets at Amortized Cost		197,630	309,414
Acquisition of Property, Plant and Equipment	6(34)	(43,878)	(44,995)
Increase in Advance Payments for Equipment		(18,199)	(12,761)
Disposal of Property, Plant, and Equipment		11,358	6,727
Acquisition of Intangible Assets	6(13)	-	(267)
Other Non-current Assets - Other Increase		(57,109)	(1,805)
Net Cash Outflow from Investment Activities		(207,425)	(71,437)
<u>Cash Flows from Financing Activities</u>			
Proceeds from Short-term Loans	6(35)	594,824	719,474
Repayment of Short-term Loans	6(35)	(264,978)	(338,499)
Repayment of Long-term Loans	6(35)	-	(133)
Deposit margin increase (decrease)	6(35)	11,739	(1,583)
Other non-current liabilities - other decrease	6(35)	-	(1,980)
Net cash inflow from financing activities		341,585	377,279
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(16,396)	(50,714)
Decrease in Cash and Cash Equivalents in the Current Period		(264,503)	(159,416)
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)	\$ 634,281	\$ 290,238

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 1 of 2023 and 2022
(Reviewed but not audited in accordance with the auditing standards)

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 May 10, 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):

<u>New, Revised and Amended Standards or Interpretations</u>	<u>International Accounting Standards Board effective date of issue</u>
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</u> <u>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

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.
2. 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:

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Nature of Business</u>	<u>March 31, 2023</u>	<u>Percentage of shareholding</u>		<u>Explanation</u>
				<u>December 31, 2022</u>	<u>March 31, 2022</u>	
The Company	Airmate International Holdings Limited (abbreviated as "Airmate International")	Overseas holding company	100%	100%	100%	
Airmate International	Airmate China International Co., Ltd. (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: Wacon 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) 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.

(V) 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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash On Hand	\$ 1,841	\$ 1,454	\$ 1,531
Cheques and Demand Deposits	<u>632,440</u>	<u>897,330</u>	<u>288,707</u>
	<u>\$ 634,281</u>	<u>\$ 898,784</u>	<u>\$ 290,238</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.

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

(II) Financial Assets at Fair Value through Profit or Loss

<u>Items</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial assets at fair value through profit or loss - current:			
Wealth management products	\$ 35,685	\$ 43,956	\$ -
Derivatives -			
Option contract	68	-	-
forward exchange agreement	<u>-</u>	<u>-</u>	<u>13,984</u>
	<u>\$ 35,753</u>	<u>\$ 43,956</u>	<u>\$ 13,984</u>

1. Please refer to Note 6 (27) Other gains and losses for the amount of financial assets at fair value through profit or loss recognized in profit or loss.
2. The transactions and contractual information of derivative financial assets not subject to hedge accounting undertaken by the Group are as follows:

	<u>March 31, 2023</u>		
	<u>Contract amount (NTD thousand)</u>	<u>Explanation</u>	<u>Maturity period</u>
Call option contract	USD\$ 2,000	Japanese Yen to US Dollar	2023.04
	<u>March 31, 2022</u>		
	<u>Contract amount (NTD thousand)</u>	<u>Explanation</u>	<u>Maturity period</u>
Buy forward foreign exchange	CNY\$ 70,293	USD to RMB	2022.04~2022.07
Buy forward foreign exchange	USD\$ 7,000	Japanese Yen to US Dollar	2022.04~2022.06

The option contracts and 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 (20) for the issuance conditions of convertible corporate bonds by the Group.

(III) Financial Assets at Amortized Cost

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Reimbursement accounts and pledged time deposits	<u>\$ 351,198</u>	<u>\$ 263,019</u>	<u>\$ 458,233</u>

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 NTD351,198, NTD263,019 and NTD458,233 on March 31, 2023, December 31 and March 31, 2022, respectively.
3. Please refer to Note 8 for the conditions of the provision of financial assets measured at amortised 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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes Receivable	\$ 910,643	\$ 1,187,470	\$ 1,426,383
Less: Discount on notes receivable	-	-	(187,866)
Notes receivable transfer	(164,667)	(357,011)	(298,913)
Allowance loss	<u>-</u>	<u>-</u>	<u>-</u>
Net Amount of Notes Receivable	745,976	830,459	939,604
Notes receivable - related parties	<u>23,174</u>	<u>11,937</u>	<u>6,652</u>
	<u>\$ 769,150</u>	<u>\$ 842,396</u>	<u>\$ 946,256</u>
Accounts Receivable	\$ 1,270,436	\$ 964,364	\$ 1,714,674
Less: Provision	<u>(50,628)</u>	<u>(61,334)</u>	<u>(72,086)</u>
Net Amount of Accounts Receivable	1,219,808	903,030	1,642,588
Accounts receivable - related parties	<u>24,869</u>	<u>16,746</u>	<u>19,035</u>
	<u>\$ 1,244,677</u>	<u>\$ 919,776</u>	<u>\$ 1,661,623</u>

Please refer to Note 7 for related party transaction for details.

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

	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 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	\$ 769,150	\$1,073,546	\$ 842,396	\$ 731,307	\$ 946,256	\$ 1,425,669
Due date:						
Within 30 days	-	37,513	-	144,422	-	27,210
31~60 days	-	109,243	-	17,668	-	44,077
61~90 days	-	15,339	-	-	-	47,070
91~180 days	-	1,015	-	31,420	-	112,301
181~270 days	-	15,065	-	7,726	-	40,983
271~365 days	-	523	-	5,584	-	29,674
More than 366 days	<u>-</u>	<u>43,061</u>	<u>-</u>	<u>42,983</u>	<u>-</u>	<u>6,725</u>
	<u>\$ 769,150</u>	<u>\$1,295,305</u>	<u>\$ 842,396</u>	<u>\$ 981,110</u>	<u>\$ 946,256</u>	<u>\$ 1,733,709</u>

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

2. The balances of accounts and notes receivable as of March 31, 2022, December 31, 2023 and March 31, 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 2,013,827, NTD 1,762,172 and NTD 2,607,879 as at March 31, 2023, December 31, 2022 and March 31, 2022 respectively.
5. As at March 31, 2023, December 31, 2022 and March 31, 2022, the Group had financial assets measured at fair value through other comprehensive income in projected sales receivables of NTD 5, NTD 2,272 and NTD 62,408, 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:

March 31, 2023

<u>Amount of accounts receivable sold</u>	<u>Underwriting limit</u>	<u>Derecognized amount</u>	<u>Advanced amount</u>	<u>Interest range</u>
US\$155,276	US\$1,000,000	\$ 4,728 (US\$155,276)	\$ -	-

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)	\$ -	-

March 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\$350,000	US\$1,000,000	\$ 9,752	\$ -	-
		(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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Claims receivable sold	\$ 4,728	\$ 6,625	\$ 9,752
Subsidy receivable (Note)	-	120,776	-
Other receivables - collections	118,312	117,704	118,663
Other receivables - others	<u>9,001</u>	<u>10,174</u>	<u>21,298</u>
	132,041	255,279	149,713
Less: Provision	(<u>118,312</u>)	(<u>117,704</u>)	(<u>118,663</u>)
	<u>\$ 13,729</u>	<u>\$ 137,575</u>	<u>\$ 31,050</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>March 31, 2023</u>		
	<u>Cost</u>	<u>Provision for loss on valuation</u>	<u>at the end of the period</u>
Raw materials	\$ 668,320	(\$ 43,240)	\$ 625,080
Work-in-process	439,839	(22,350)	417,489
Finished product	<u>1,690,861</u>	<u>(189,086)</u>	<u>1,501,775</u>
	<u>\$ 2,799,020</u>	<u>(\$ 254,676)</u>	<u>\$ 2,544,344</u>
	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Provision for loss on valuation</u>	<u>at the end of the period</u>
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>

		<u>March 31, 2022</u>	<u>at the end of the</u>
	<u>Cost</u>	<u>Provision for loss on</u>	<u>valuation</u>
			<u>period</u>
Raw materials	\$ 772,050	(\$ 40,412)	\$ 731,638
Work-in-process	575,689	(32,325)	543,364
Finished product	<u>1,772,302</u>	<u>(162,557)</u>	<u>1,609,745</u>
	<u>\$ 3,120,041</u>	<u>(\$ 235,294)</u>	<u>\$ 2,884,747</u>

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

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Cost of inventories sold	\$ 1,511,684	\$ 1,696,876
Loss on valuation (recovery gain)	488	(29,724)
Others	<u>10,214</u>	<u>10,378</u>
	<u>\$ 1,522,386</u>	<u>\$ 1,677,530</u>

2. Recovery of the net realisable 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 January 1 to December 31, 2022.

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

(VIII) Advance Payment

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Prepayment	\$ 18,255	\$ 34,844	\$ 32,536
Prepaid Expenses	47,362	51,935	36,646
Retained tax amount	<u>90,250</u>	<u>87,755</u>	<u>168,551</u>
	<u>\$ 155,867</u>	<u>\$ 174,534</u>	<u>\$ 237,733</u>

(IX) Investments Accounted for Using the Equity Method

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
The book amount of equity at the end of the current period of individual non-material associates	<u>\$ 33,605</u>	<u>\$ 33,440</u>	<u>\$ 32,469</u>

January 1 to March 31, 2023 January 1 to March 31, 2022

Share attributable to the Consolidated Company:

Total comprehensive revenue amount of continuous operation units	(\$ <u>451</u>)	(\$ <u>1,012</u>)
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1. The Group holds 40% of the shares of Zhejiang Airmate Electric Sales Co., Ltd. (hereinafter referred to as Zhejiang Airmate Company). 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 January 1 to March 31, 2023 and 2022 arising from the sales to the associates company Zhejiang Airmate Company are as follows:

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Unrealized gross profit from sidestream sales	(\$ 2,693)	(\$ 3,646)
Realized gross profit from sidestream sales	<u>3,137</u>	<u>4,579</u>
	<u>\$ 444</u>	<u>\$ 933</u>

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

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(X) Property, Plant and Equipment

	<u>Houses and Buildings</u>			<u>Machinery and Equipment</u>	<u>Transportation Facilities</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Unfinished works and equipment to be inspected</u>	<u>Total</u>
	<u>For personal use</u>	<u>For lease</u>	<u>Subtotal</u>						
<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>									
January 1	\$ 2,152,971	\$32,008	\$ 2,184,979	\$ 215,587	\$ 9,956	\$ 23,125	\$ 312,367	\$ 41,699	\$ 2,787,713
Additions	-	-	-	375	-	110	8,864	34,529	43,878
Reclassification	(8,740)	8,740	-	-	-	-	585	(173)	412
Depreciation Expense	(14,302)	(4,217)	(18,519)	(22,301)	(965)	(2,712)	(52,497)	-	(96,994)
Disposal – Cost	-	-	-	(35,045)	(113)	(2,223)	(14,023)	-	(51,404)
Disposal – Accumulated Depreciation	-	-	-		113	2,223	14,023	-	46,618
Net exchange differences	11,120	156	11,276	1,171	54	125	1,708	143	14,477
March 31	<u>\$ 2,141,049</u>	<u>\$36,687</u>	<u>\$ 2,177,736</u>	<u>\$ 190,046</u>	<u>\$ 9,045</u>	<u>\$ 20,648</u>	<u>\$ 271,027</u>	<u>\$ 76,198</u>	<u>\$ 2,744,700</u>
<u>March 31, 2023</u>									
Cost	\$ 2,622,650	\$71,787	\$ 2,694,437	\$ 855,439	\$ 49,253	\$ 234,314	\$ 2,356,364	\$ 76,198	\$ 6,266,005
Accumulated depreciation and impairment	(481,601)	(35,100)	(516,701)	(665,393)	(40,208)	(213,666)	(2,085,337)	-	(3,521,305)
	<u>\$ 2,141,049</u>	<u>\$36,687</u>	<u>\$ 2,177,736</u>	<u>\$ 190,046</u>	<u>\$ 9,045</u>	<u>\$ 20,648</u>	<u>\$ 271,027</u>	<u>\$ 76,198</u>	<u>\$ 2,744,700</u>

	<u>Houses and Buildings</u>			<u>Machinery and Equipment</u>	<u>Transportation Facilities</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Unfinished works and equipment to be inspected</u>	<u>Total</u>
	<u>For personal use</u>	<u>For lease</u>	<u>Subtotal</u>						
<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>									
January 1	\$ 2,118,373	\$ 264	\$ 2,118,637	\$ 291,640	\$ 9,533	\$ 29,976	\$ 419,369	\$ 32,642	\$ 2,901,797
Additions	108,538	-	108,538	6,648	194	337	9,023	20,336	145,076
Reclassification	-	-	-	511	-	-	32,572	(19,776)	13,307
Depreciation Expense	(18,048)	(3)	(18,051)	(20,802)	(934)	(3,621)	(61,431)	-	(104,839)
Disposal – Cost	(2,649)	-	(2,649)	(114)	(1,071)	(135)	(252)	(3,864)	(8,085)
Disposal – Accumulated Depreciation	-	-	-	54	1,002	135	252	-	1,443
Net exchange differences	83,465	9	83,474	10,909	348	1,078	14,975	1,624	112,408
March 31	<u>\$ 2,289,679</u>	<u>\$ 270</u>	<u>\$ 2,289,949</u>	<u>\$ 288,846</u>	<u>\$ 9,072</u>	<u>\$ 27,770</u>	<u>\$ 414,508</u>	<u>\$ 30,962</u>	<u>\$ 3,061,107</u>
<u>March 31, 2022</u>									
Cost	\$ 2,740,863	\$ 486	\$ 2,741,349	\$ 1,043,436	\$ 50,554	\$ 247,424	\$ 2,715,254	\$ 30,962	\$ 6,828,979
Accumulated depreciation and impairment	(451,184)	(216)	(451,400)	(754,590)	(41,482)	(219,654)	(2,300,746)	-	(3,767,872)
	<u>\$ 2,289,679</u>	<u>\$ 270</u>	<u>\$ 2,289,949</u>	<u>\$ 288,846</u>	<u>\$ 9,072</u>	<u>\$ 27,770</u>	<u>\$ 414,508</u>	<u>\$ 30,962</u>	<u>\$ 3,061,107</u>

1. There is no capitalisation of borrowing cost for the Group's property, plant and equipment from January 1 to March 31, 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.

(XI) 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 March 31, 2022 are as follows:

	<u>Land use right</u>	
	<u>2023</u>	<u>2022</u>
January 1	\$ 203,685	\$ 204,682
Depreciation Expense	(1,237)	(1,226)
Net exchange differences	885	7,787
March 31	<u>\$ 203,333</u>	<u>\$ 211,243</u>

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

	<u>January 1 to March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items that affect the profit and loss of the current period</u>		
Expenses attributable to short-term lease contracts	\$ 4,396	\$ 5,271
Expenses attributable to the lease of low-value assets	<u>32</u>	<u>74</u>
Total cash outflow from lease	<u>\$ 4,428</u>	<u>\$ 5,345</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 March 31, 2023, and 2022, the Group recognized hire income of NTD7,927 and NTD83, 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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Within 1 year	\$ 35,721	\$ 26,593	\$ 281
More than 1 year but not exceeding 2 years	63,053	17,383	281
More than 2 years but not exceeding 3 years	49,647	1,435	281
More than 3 years but not exceeding 4 years	53,289	737	281
More than 4 years but not exceeding 5 years	52,815	165	281
More than 5 years	<u>300,283</u>	<u>-</u>	<u>94</u>
	<u>\$ 554,808</u>	<u>\$ 46,313</u>	<u>\$ 1,499</u>

(XII) Investment properties

	<u>Right-of-use assets - land</u>			
	<u>2023</u>		<u>2022</u>	
January 1	\$	9,307	\$	-
Reclassification (Note)		-		9,733
Depreciation Expense	(65)	(17)
Net exchange differences		<u>48</u>		<u>-</u>
March 31	<u>\$</u>	<u>9,290</u>	<u>\$</u>	<u>9,716</u>

Note: 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 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 Shiyan 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 2,905,707) and RMB760,552 thousand (converted as NTD 3,428,453), 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 March 31, 2023, and March 31, 2022, there were no significant changes in fair value compared to December 31, 2022, and December 31, 2021.

(XIII) Intangible Assets

	<u>2023</u>		
	<u>Computer Software and Network Engineering</u>	<u>Golf license</u>	<u>Total</u>
January 1			
Cost	\$ 131,096	\$ 18,889	\$ 149,985
Accumulated amortization and impairment	(<u>126,975</u>)	(<u>18,815</u>)	(<u>145,790</u>)
	<u>\$ 4,121</u>	<u>\$ 74</u>	<u>\$ 4,195</u>
January 1	\$ 4,121	\$ 74	\$ 4,195
Amortization Expense	(354)	(56)	(410)
Net exchange differences	23	-	23
March 31	<u>\$ 3,790</u>	<u>\$ 18</u>	<u>\$ 3,808</u>
March 31			
Cost	\$ 131,774	\$ 18,986	\$ 150,760
Accumulated amortization and impairment	(<u>127,984</u>)	(<u>18,968</u>)	(<u>146,952</u>)
	<u>\$ 3,790</u>	<u>\$ 18</u>	<u>\$ 3,808</u>

	<u>2022</u>		
	<u>Computer Software and Network Engineering</u>	<u>Golf license</u>	<u>Total</u>
January 1			
Cost	\$ 127,825	\$ 18,599	\$ 146,424
Accumulated amortization and impairment	(<u>122,559</u>)	(<u>18,309</u>)	(<u>140,868</u>)
	<u>\$ 5,266</u>	<u>\$ 290</u>	<u>\$ 5,556</u>
January 1	\$ 5,266	\$ 290	\$ 5,556
Additions	267	-	267
Amortization Expense	(824)	(55)	(879)
Net exchange differences	185	10	195
March 31	<u>\$ 4,894</u>	<u>\$ 245</u>	<u>\$ 5,139</u>
March 31			
Cost	\$ 133,012	\$ 19,315	\$ 152,327
Accumulated amortization and impairment	(<u>128,118</u>)	(<u>19,070</u>)	(<u>147,188</u>)
	<u>\$ 4,894</u>	<u>\$ 245</u>	<u>\$ 5,139</u>

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

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Operating Cost	\$ 99	\$ 272
Operating cost-various amortization	<u>311</u>	<u>607</u>
	<u>\$ 410</u>	<u>\$ 879</u>

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

(XIV) Other non-current assets

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Advance payment for equipment	\$ 36,813	\$ 18,922	\$ 32,553
Refundable Deposits	77,312	20,258	63,877
Others	<u>806</u>	<u>630</u>	<u>5,338</u>
	<u>\$ 114,931</u>	<u>\$ 39,810</u>	<u>\$ 101,768</u>

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

(XV) Short-term loans

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Bank loans			
Unsecured loans	\$ 342,034	\$ 166,349	\$ 959,400
Secured loans	<u>543,407</u>	<u>390,174</u>	<u>206,720</u>
	<u>\$ 885,441</u>	<u>\$ 556,523</u>	<u>\$ 1,166,120</u>
Unutilised line of credit	<u>\$ 1,745,997</u>	<u>\$ 2,167,809</u>	<u>\$ 1,431,857</u>
Interest range	<u>3.45%~6.06%</u>	<u>3.75%~5.85%</u>	<u>0.93%~4.79%</u>

1. Interest expense recognized in profit or loss from January 1 to March 31, 2023 and 2022 was NTD8,602 and NTD8,138, respectively.

2. Please refer to Note 8 for details of collateral for bank loans.

(XVI) Notes Payable

1. As on March 31, 2023, December 31, and March 31, 2022, the Group's notes payable with guarantees or commitments from financial institutions were NTD1,524,923, NTD1,432,389 and NTD1,649,568, respectively.

2. Please refer to Note 8 for details of collateral for notes payable.

(XVII) Other Payables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Payables for salary and incentives	\$ 280,398	\$ 276,018	\$ 276,724

Compensation payable to directors	8,642	8,628	11,323
Payable contribution expense	308,746	373,750	262,459
Payable transportation expense	41,797	47,305	48,938
Payable tax	29,165	12,004	9,198
Liabilities from discount on notes receivable	-	-	51,389
Other expenses payable	53,839	64,623	79,868
Other Payables	24,815	32,012	17,377
	<u>\$ 747,402</u>	<u>\$ 814,340</u>	<u>\$ 757,276</u>

(XVIII) Provision - Current (Warranty liabilities)

		<u>2023</u>		<u>2022</u>
January 1	\$	22,354	\$	27,975
Additional provisions made in the current period		21,156		13,254
Provision amounts used during the current period	(11,733)	(11,278)
Net exchange differences		114		1,077
March 31	<u>\$</u>	<u>31,891</u>	<u>\$</u>	<u>31,028</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.

(XIX) Long-term Loans

<u>Nature of loan</u>	<u>Loan period and repayment method</u>	<u>Interest range</u>	<u>March 31, 2022</u>
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.	4.30%	\$ 8,745
Less: Long-term loans due within one year or one operating cycle			(<u>541</u>)
			<u>\$ 8,204</u>

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

1. Interest expense recognized in profit or loss from January 1 to March 31, 2023 and 2022 was NTD0 and NTD95, respectively.
2. Please refer to Note 8 for the details of collateral for long-term bank loans.

(XX) Corporate Bonds Payable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Secured convertible bonds	\$ -	\$ -	\$ 300,000
Unsecured convertible bonds	358,100	358,100	358,100
Less: Discount on corporate bonds payable	(3,336)	(4,534)	(9,652)
	354,764	353,566	648,448
Less: Corporate bonds due within one year or one operating cycle	(354,764)	(353,566)	(298,452)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,996</u>
Equity component - conversion rights (recognized under capital surplus - stock options)	<u>\$ 11,070</u>	<u>\$ 11,070</u>	<u>\$ 13,969</u>

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Embedded derivatives - gain on valuation of redemption rights (recognized under net gain on financial assets measured at fair value through profit or loss)	<u>\$ -</u>	<u>\$ 36</u>
Interest Expense	<u>\$ 1,198</u>	<u>\$ 1,753</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, 2022), if the closing price of common stock of the Company at the Taipei Exchange goes over 30% (included) over the conversion price of convertible corporate bonds at the time 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:

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

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:

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

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 March 31, 2023, the conversion price was NT \$25.3.

(8) Conversion status:

From the date of issuance of convertible bonds to March 31, 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 March 31, 2023, and 2022, there were no conversions.

(9) Redemption and repurchase:

49 corporate bonds of the fourth unsecured convertible corporate bonds were redeemed from the date of issuance to March 31, 2023, at the redemption price of NT\$4,567, resulting in a capital surplus reduction of NT\$152. The redemption gain arising from the foregoing is NT\$297. From January 1 to March 31, 2023, and 2022, there was no redemption and repurchase.

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.

(XXI) 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 "Labour 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 "Labour 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 January 1 to March 31, 2023 and 2022, the Group recognized pension costs of NT\$498 and NT\$489 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 Labour Insurance in accordance with the Labour 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 January 1 to March 31, 2023 and 2022, the Group recognized pension costs of NT\$9,910 and NT\$14,936 under the above pension scheme, respectively.

(XXII) Other Non-current Liabilities

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Long-term deferred income	<u>\$ 73,563</u>	<u>\$ 73,960</u>	<u>\$ 78,110</u>

Long-term deferred income is mainly 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>
January 1	\$ 73,960	\$ 76,031
Amortization in the current period	(782)	(830)
Net exchange differences	<u>385</u>	<u>2,909</u>
March 31	<u>\$ 73,563</u>	<u>\$ 78,110</u>

The above long-term deferred income amortization is listed under "Other income", please refer to Note 6 (27).

(XXIII) Share Capital

1. As of March 31, 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.
2. 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

	<u>2023</u>	<u>2022</u>
January 1 (and March 31)	<u>145,545</u>	<u>145,545</u>

- On March 15, 2023, the Company resolved at the Ordinary Shareholders' Meeting to allocate share dividends of NTD 72,77 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. As of the date of the report, it has not been resolved by the shareholders' meeting.

(XXIV) 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:

		<u>2023</u>		
	<u>Issuance premium</u>	<u>Overdue expiration of employee share option</u>	<u>Share option of convertible corporate bonds</u>	<u>Total</u>
January 1 (and March 31)	<u>\$ 1,210,231</u>	<u>\$ 7,425</u>	<u>\$ 11,070</u>	<u>\$ 1,228,726</u>

		<u>2022</u>		
	<u>Issuance premium</u>	<u>Overdue expiration of employee share option</u>	<u>Share option of convertible corporate bonds</u>	<u>Total</u>
January 1 (and March 31)	<u>\$ 1,210,231</u>	<u>\$ 7,425</u>	<u>\$ 13,969</u>	<u>\$ 1,231,625</u>

(XXV) Retained Earnings

- 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:
 - Provision for the payment of the relevant tax for the fiscal year;
 - Amount to offset past losses;
 - 10% surplus reserve (also referred to as "statutory surplus reserve", unless the

statutory surplus reserve has reached the paid-in capital of the Company); and

- (d) Special Reserve as required by the securities supervisory authority in accordance with the rules on company with public issuance.

If there is remaining surplus, it shall be combined with cumulative undistributed surpluses over the previous years in part or whole and distribute to shareholders as dividend according to shareholding ratio, under the precondition of being in compliance with the Cayman Company Law, after setting aside the employees compensation and the amount to be distributed have been approved by the Board of Directors to be in line with the previously formulated dividend policy in line with the Articles of Incorporation. Dividends to be distributed to shareholders may be in the form of share dividends and cash dividends, provided that the cash dividend shall not be less than fifty percent of the dividend distributed to shareholders in accordance with the foregoing provision; unless otherwise decided by the Board of Directors and at the Shareholders' Meeting, any remaining profits shall be distributed as shareholders' dividends in accordance with the Cayman Company Law and the rules of the Public Offering Company, after taking into account financial, business and operational factors, and shall not be less than twenty-five percent of the profits after tax for the year.

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 until the amount of the reserve is equivalent with the total amount of capital. When there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution 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 March 15, 2023, the profit distribution plan for year 2020 is resolved by the Shareholders' Meeting, but yet to be reported at the Shareholders' Meeting. The details of the dividends distributed to owners of ordinary shares are as follows:

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

(XXVI) Operating Income

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Customer contract revenue	\$ 1,837,970	\$ 1,929,141
Lease income (note)	<u>7,895</u>	<u>-</u>
	<u>\$ 1,845,865</u>	<u>\$ 1,929,141</u>

Note: Please refer to Note 6, (11). 2. Lease transaction- explanation of lessor.

1. Break down of customer contract revenue

The Group's operating income mainly derived from customer contract revenue mainly 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>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Main regional markets		
China	\$ 1,276,944	\$ 1,202,425
Other countries	<u>561,026</u>	<u>726,716</u>
	<u>\$ 1,837,970</u>	<u>\$ 1,929,141</u>
Main products:		
Electric fans	\$ 1,481,850	\$ 1,553,251
Electric heaters	153,608	102,130
Others	<u>202,512</u>	<u>273,760</u>
	<u>\$ 1,837,970</u>	<u>\$ 1,929,141</u>

2. Contract Liabilities

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

follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>January 1, 2022</u>
Contract Liabilities	\$ 168,366	\$ 365,995	\$ 167,372	\$ 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 January 1 to March 31, 2022 were NTD 337,856 and NTD 252,743, 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 March 31, 2023, December 31, 2022 and March 31, 2022, the balance of the Group's rights to products to be returned based on historical return information of similar product transactions was NTD 60,859, NTD 34,280 and NTD 52,630, respectively, and the balance of the refund liabilities was NTD 87,448, NTD 52,146 and NTD 76,435, respectively.

(XXVII) Other Incomes

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Government subsidy income (Note)	\$ 3,562	\$ 1,574
System annual fee income	2,258	2,001
Amortization of Long-term Deferred Income	782	830
Hire income	32	83
Other income derived from security deposit received	23	164
Others	6,965	3,233
	<u>\$ 13,622</u>	<u>\$ 7,885</u>

Note: Government subsidy income refers to the vocational training subsidies, etc.

(XXVIII) Other Gains and Losses

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Gain on disposal of assets (Note)	\$ -	\$ 702,462
Gain (loss) on foreign currency exchange	(22,458)	1
Gains on disposal of property, plant and equipment	6,572	85
Net gain on financial assets measured at fair value through profit or loss	535	9,149
Miscellaneous Disbursements	(10,800)	(2,931)
	<u>(\$ 26,151)</u>	<u>\$ 708,766</u>

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

(XXIX) Finance Costs

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Interest Expense		
Bank loans	\$ 8,602	\$ 8,233
Convertible Corporate Bonds	<u>1,198</u>	<u>1,753</u>
	<u>\$ 9,800</u>	<u>\$ 9,986</u>

(XXX) Additional Information on the Nature of the Expense

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Employee Benefits Expenses	\$ 277,803	\$ 315,007
Depreciation expense for property, plant and equipment	96,994	104,839
Depreciation expense of right-of-use assets	1,237	1,226
Depreciation expense for investment properties	65	17
Amortization expense for intangible assets	<u>410</u>	<u>879</u>
	<u>\$ 376,509</u>	<u>\$ 421,968</u>

(XXXI) Employee Benefits Expenses

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Salary Expenses	\$ 257,125	\$ 285,279
Labor insurance expense (Note)	8,024	12,166
Retirement benefit Expenses	10,408	15,425
Other personnel costs	<u>2,246</u>	<u>2,137</u>
	<u>\$ 277,803</u>	<u>\$ 315,007</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 the Articles of Incorporation, if the Company is profitable at a particular fiscal year, the remuneration of employees and directors shall be allocated as follows:
 - (1) Five percent to Ten percent for the remuneration of employees, including employees of affiliated companies; and
 - (2) 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 above-mentioned employees' remunerations shall be in the form of cash or shares.

2. For January 1 to March 31, 2022, the estimated sum of the Company's employee compensation is NTD 28,310; the estimated sum of directors' compensation is NTD 11,323, which are included under Salary Expense. For January 1 to March 31, 2022, due to losses, no provision was made for employee compensation and director compensation.

The expenses of estimated employee compensation and director compensation from January 1 to March 31, 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.

(XXXII) Income Tax

Income tax expense (gain) component:

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Current income tax:		
Income tax generated from current income	\$ 638	\$ 4,861
Overestimation of income tax in the previous year	(1,163)	-
	(525)	4,861
Deferred income tax:		
Occurrence and reversal of temporary differences	(2,642)	86,087
Income Tax (Profit) Expense	<u>(\$ 3,167)</u>	<u>\$ 90,948</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 2021; 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.

(XXXIII) Earnings (Loss) Per Share

	<u>January 1 to March 31, 2023</u>		
	<u>After-tax amount</u>	<u>Weighted average number of foreign shares in thousand</u>	<u>Loss per share (NTD)</u>
<u>Basic loss per share</u>			
Net loss in the current period attributable to ordinary shareholders of the parent company	<u>(\$ 31,602)</u>	<u>145,545</u>	<u>(\$ 0.22)</u>

	<u>January 1 to March 31, 2022</u>		
	<u>After-tax amount</u>	<u>Weighted average number of foreign shares in thousand</u>	<u>Earning Per Share (NTD)</u>
<u>Basic earnings per share</u>			
Net profit in the current period attributable to common shareholders	<u>\$ 435,536</u>	<u>145,545</u>	<u>\$ 2.99</u>
<u>Diluted earnings per share</u>			
Net profit in the current period attributable to common shareholders			
Influence of potential common stock with diluting effect	\$ 435,536	145,545	
Convertible Corporate Bonds	1,789	24,718	
Employee Remuneration	<u>-</u>	<u>1,426</u>	
	<u>\$ 437,325</u>	<u>171,689</u>	<u>2.55</u>

The inclusion of the dilutive employee remuneration and convertible corporate bonds from January 1 to March 31, 2023 resulted in anti-dilution effect, hence it is therefore not included in the calculation of diluted losses per share.

(XXXIV) Supplementary Information on Cash Flow

1. Investment activities with only partial cash payment:

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Purchase of property, plant and equipment	\$ 43,878	\$ 145,076
Less: Acquisition of asset exchange transactions (Note)	<u>-</u>	<u>(100,081)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 43,878</u>	<u>\$ 44,995</u>

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

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

	<u>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Transfer of prepayments for equipment to property, plant and equipment	\$ 412	\$ 13,307
Investment property transferred from asset exchange transactions	\$ -	\$ 9,733
Corporate bonds payable and long term loans reclassified to long-term liabilities due within one year or one operating cycle	\$ 354,764	\$ 298,993

(XXXV) Changes in Liabilities due to Financing Activities

	<u>January 1, 2023</u>	<u>Cash Flow</u>	<u>Non-cash changes/exchange rate changes</u>	<u>March 31, 2023</u>
Short-term loans	\$ 556,523	\$ 329,846	(\$ 928)	\$ 885,441
Corporate bonds payable (including long-term liabilities due within one year)	353,566	-	1,198	354,764
Security Deposits Received	105,457	11,739	520	117,716
Other Non-current Liabilities	<u>73,960</u>	<u>-</u>	<u>(397)</u>	<u>73,563</u>
Total liabilities from financing activities	<u>\$ 1,089,506</u>	<u>\$ 341,585</u>	<u>\$ 393</u>	<u>\$ 1,431,484</u>
			<u>Non-cash changes/exchange rate changes</u>	
	<u>January 1, 2022</u>	<u>Cash Flow</u>	<u>rate changes</u>	<u>March 31, 2022</u>
Short-term loans	\$ 759,392	\$ 380,975	\$ 25,753	\$ 1,166,120
Long-term loans (including long-term liabilities due within one year)	8,551	(133)	327	8,745
Corporate bonds payable (including long-term liabilities due within one year)	646,695	-	1,753	648,448
Security Deposits Received	110,870	(1,583)	4,232	113,519
Other Non-current Liabilities	<u>661,440</u>	<u>(1,980)</u>	<u>(581,350)</u>	<u>78,110</u>
Total liabilities from financing activities	<u>\$ 2,186,948</u>	<u>\$ 377,279</u>	<u>(\$ 549,285)</u>	<u>\$ 2,014,942</u>

(XXXVI) 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>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Merchandise sales:		
Associated Enterprises	\$ 24,155	\$ 16,833
Other related party	19,721	27,196
	<u>\$ 43,876</u>	<u>\$ 44,029</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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable:			
Associated Enterprises	\$ 23,174	\$ 11,937	\$ 6,652
Trade receivables:			
Other related party	20,048	16,746	19,035
Associated Enterprises	<u>4,821</u>	<u>-</u>	<u>-</u>
	<u>\$ 48,043</u>	<u>\$ 28,683</u>	<u>\$ 25,687</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>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Associated Enterprises	\$ 644	\$ 1,094
Other related party	<u>163</u>	<u>138</u>
	<u>\$ 807</u>	<u>\$ 1,232</u>

Other payable payment to related party

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Associated Enterprises	\$ 1,606	\$ 2,760	\$ 4,544
Other related party	<u>3</u>	<u>6</u>	<u>3</u>
	<u>\$ 1,609</u>	<u>\$ 2,766</u>	<u>\$ 4,547</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 March 31, 2023, December 31, and March 31, 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>January 1 to March 31, 2023</u>	<u>January 1 to March 31, 2022</u>
Short-term Employee Benefits	\$ 5,185	\$ 16,328
Post-employment Benefits	8	8
	<u>\$ 5,193</u>	<u>\$ 16,336</u>

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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	
Financial liabilities through amortized cost- current:				
Reimbursable account	\$ 344,937	\$ 256,696	\$ 270,411	Guarantee of acceptance on notes payable
Reimbursable account	6,261	6,323	17,175	Short-term loan and financing limit
Pledged time deposits and reimbursable accounts	-	-	170,647	Corporate bonds guarantee limit
Notes Receivable	-	-	51,389	Other Payables
Property, Plant and Equipment	1,504,904	1,509,882	1,005,681	Short-term loan and financing limit
Right-of-use Assets	87,897	88,038	72,234	Short-term loan and financing limit
Guarantee deposits (listed under "other non-current assets")	77,312	20,258	63,877	Long-term loans and performance bond
	<u>\$ 2,021,311</u>	<u>\$ 1,881,197</u>	<u>\$ 1,651,414</u>	

IX. Significant Commitments and Contingencies

Nil.

X. Material Disaster Losses

Nil.

XI. Subsequent Events

Nil.

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 March 31, 2023, December 31, and March 31, 2022 are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Total Liabilities	\$ 5,916,822	\$ 5,609,950	\$ 6,891,142
Less: cash and cash equivalents	(634,281)	(898,784)	(290,238)
Net liability	<u>\$ 5,282,541</u>	<u>\$ 4,711,166</u>	<u>\$ 6,600,904</u>
Total Equity	<u>\$ 3,218,973</u>	<u>\$ 3,214,905</u>	<u>\$ 3,333,159</u>
Liability capital ratio	<u>164.11%</u>	<u>146.54%</u>	<u>198.04%</u>

(II) Financial Instruments

1. Types of financial instruments

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 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	\$ 35,685	\$ 43,956	\$ -
Derivatives - Option contract	68	-	-
Derivatives — forward foreign exchange contracts	-	-	13,984
	<u>\$ 35,753</u>	<u>\$ 43,956</u>	<u>\$ 13,984</u>
Financial Assets at Fair Value through Other Comprehensive Income			
Accounts receivable expected to be sold	<u>\$ 5</u>	<u>\$ 2,272</u>	<u>\$ 62,408</u>

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial Assets at Amortized Cost			
Cash and Cash Equivalents	\$ 634,281	\$ 898,784	\$ 290,238
Financial Assets at Amortized Cost	351,198	263,019	458,233
Notes Receivable	769,150	842,396	946,256
Accounts Receivable	1,244,672	917,504	1,599,215
Other Receivables	13,729	137,575	31,050
Refundable Deposits	77,312	20,258	63,877
	<u>\$ 3,090,342</u>	<u>\$ 3,079,536</u>	<u>\$ 3,388,869</u>
Financial liabilities through amortized cost			
Short-term loans	\$ 885,441	\$ 556,523	\$ 1,166,120
Notes Payable	1,525,717	1,433,202	1,649,568
Accounts Payable	1,847,340	1,739,558	2,120,059
Other Payables	747,402	814,340	757,276
Corporate bonds payable (including long-term liabilities due within one year)	354,764	353,566	648,448
Long-term loans (including long-term liabilities due within one year)	-	-	8,745
Security Deposits Received	117,716	105,457	113,519
	<u>\$ 5,478,380</u>	<u>\$ 5,002,646</u>	<u>\$ 6,463,735</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 and exchange rate option 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

	<u>March 31, 2023</u>		
	<u>Foreign currency</u>	<u>Currency</u>	
	<u>(thousands)</u>	<u>Exchange Rate</u>	<u>NTD</u>
(Foreign currency: functional currency) at amortized cost			
<u>Monetary Items</u>			
USD	\$ 92,936	30.4500	\$ 2,829,901
JPY	893,555	0.2288	204,445
RMB	565	4.4311	2,504
HKD	186	3.8790	721
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	89,983	30.4500	2,739,982
JPY	2,563	0.2288	586
RMB	6,800	4.4311	30,131
HKD	326	3.8790	1,265

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:

	<u>December 31, 2022</u>		
	<u>Foreign currency</u>	<u>Currency</u>	
	<u>(thousands)</u>	<u>Exchange Rate</u>	<u>NTD</u>
at amortized cost			
<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
HKD	189	3.9380	744
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	86,099	30.7100	2,644,100
JPY	3,400	0.2324	790
HKD	1,282	3.9380	5,049

		<u>March 31, 2022</u>	
	<u>Foreign currency</u>	<u>Currency</u>	<u>NTD</u>
	<u>(thousands)</u>	<u>Exchange Rate</u>	
<u>at amortized cost</u>			
<u>Monetary Items</u>			
USD	\$ 44,260	28.6250	\$ 1,266,943
JPY	618,063	0.2353	145,430
RMB	6,201	4.5078	27,953
HKD	190	3.6560	695
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	50,575	28.6250	1,447,709
JPY	33,239	0.2353	7,821
HKD	235	3.6560	859

- 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 March 31, 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 March 31, 2023 and 2022 would increase or decrease by NTD 13,280 and NTD 768, respectively, using the same basis for both periods of analysis and all other factors remained unchanged.
- D. The Group's exchange gains (losses) recognized in respect of monetary items from January 1 to March 31, 2023 and 2022 due to exchange rate fluctuations (both realized and unrealized) totalled at (NTD 22,458) and NTD 1,

Interest rate risk

The Group's borrowings are measured at amortised 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 March 31, 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 NTD 609 and NTD 87 from January 1 to March 31, 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 analysed 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 categorises 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 honour 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:

March 31, 2023

Group A

	Number of days overdue								Total
	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 book value (including related parties)	\$ 1,697,800	\$ 15,883	\$ 60,092	\$ 11,964	\$ 1,015	\$ 15,065	\$ 523	\$ -	\$ 1,802,342
Expected credit loss during the duration	(2,545)	(299)	(1,402)	(948)	(350)	(1,713)	(310)	-	(7,567)
	<u>\$ 1,695,255</u>	<u>\$ 15,584</u>	<u>\$ 58,690</u>	<u>\$ 11,016</u>	<u>\$ 665</u>	<u>\$ 13,352</u>	<u>\$ 213</u>	<u>\$ -</u>	<u>\$ 1,794,775</u>
Expected Loss Rate	0%~0.42%	0%~2.38%	0%~3.93%	0%~8.36%	0%~10.56%	0%~24.14%	0%~59.40%	0%~100%	

Group B

	Number of days overdue								Total
	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 book value (including related parties)	\$ 144,896	\$ 21,630	\$ 49,151	\$ 3,375	\$ -	\$ -	\$ -	\$ 43,061	\$ 262,113
Expected credit loss during the duration	-	-	-	-	-	-	-	(43,061)	(43,061)
	<u>\$ 144,896</u>	<u>\$ 21,630</u>	<u>\$ 49,151</u>	<u>\$ 3,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,052</u>
Expected Loss Rate	0%	0%	0%	0%	25%	50%	75%	100%	

December 31, 2022

Group A

	Number of days overdue								Total
	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 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								Total
	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 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%	

March 31, 2022

Group A

	Number of days overdue								Total
	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 book value (including related parties)	\$ 2,170,426	\$ 16,650	\$ 18,182	\$ 32,895	\$ 99,402	\$ 7,733	\$ 30	\$ 6,614	\$ 2,351,932
Expected credit loss during the duration	(3,847)	(289)	(516)	(2,909)	(12,599)	(3,118)	-	(6,614)	(29,892)
	<u>\$ 2,166,579</u>	<u>\$ 16,361</u>	<u>\$ 17,666</u>	<u>\$ 29,986</u>	<u>\$ 86,803</u>	<u>\$ 4,615</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 2,322,040</u>
Expected Loss Rate	0.23%	3.16%	4.99%	10.59%	13.11%	40.32%	0.00%	100.00%	

Group B

	Number of days overdue								Total
	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 book value (including related parties)	\$ 201,499	\$ 10,560	\$ 25,895	\$ 14,175	\$ 12,899	\$ 33,250	\$ 29,644	\$ 111	\$ 328,033
Expected credit loss during the duration	-	-	-	-	(3,225)	(16,625)	(22,233)	(111)	(42,194)
	<u>\$ 201,499</u>	<u>\$ 10,560</u>	<u>\$ 25,895</u>	<u>\$ 14,175</u>	<u>\$ 9,674</u>	<u>\$ 16,625</u>	<u>\$ 7,411</u>	<u>\$ -</u>	<u>\$ 285,839</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:

	January 1 to March 31, 2023	January 1 to March 31, 2022
Opening Balance	\$ 61,334	\$ 74,594
(Reversal) Provision for impairment loss	(5,636)	22,700
Reclassified to collections provisions	-	(27,961)
Amount written off due to irrecoverability	(5,283)	-
Effect of Exchange Rate Changes	213	2,753
Closing balance	<u>\$ 50,628</u>	<u>\$ 72,086</u>

The Group recognized impairment losses of (NTD 5,636) and NTD 22,700 on receivables arising from customer contracts from January 1 to March 31, 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 as on March 31, 2023, December 31, and March 31, 2022, totalled at NTD 1,745,997, NTD 2,167,809 and NTD 1,432,127 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.

March 31, 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	\$ 896,635	\$ -	\$ -	\$ -
Notes Payable	1,525,717	-	-	-
Accounts Payable	1,847,340	-	-	-
Other Payables	747,402	-	-	-
Corporate Bonds Payable	358,100	-	-	-
	<u>\$ 5,375,194</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	358,100	-	-	-
	<u>\$ 4,902,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

March 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	\$ 1,177,218	\$ -	\$ -	\$ -
Notes Payable	1,649,568	-	-	-
Accounts Payable	2,120,059	-	-	-
Other Payables	757,276	-	-	-
Corporate Bonds Payable	300,000	358,100	-	-
Long-term Loans	<u>911</u>	<u>8,380</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,005,032</u>	<u>\$ 366,480</u>	<u>\$ -</u>	<u>\$ -</u>

As of March 31, 2022, the principal of loans due "within 1 year" and "1~2 years" amounted to NT\$8,083. the principal and interest repaid by the Company in advance in September 2022 amounted to NT\$8,422. In addition, the Group does not anticipate the timing of cash flows analysed 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.

2. For the fair value information of investment property measured at cost, please refer to Note 6, (12).
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:

March 31, 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 Profit or Loss				
Wealth management products	\$ 35,685	\$ -	\$ -	\$ 35,685
Derivatives - Option contract	-	68	-	68
Financial Assets at Fair Value through Other Comprehensive Income				
Accounts receivable expected to be sold	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
	<u>\$ 35,685</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 35,758</u>
Liabilities: None.				

December 31, 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 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.				

March 31, 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 Profit or Loss				
Derivatives - forward exchange agreement	\$ -	\$ 13,984	\$ -	13,984
Financial Assets at Fair Value through Other Comprehensive Income				
Accounts receivable expected to be sold	<u>-</u>	<u>62,408</u>	<u>-</u>	<u>62,408</u>
	<u>\$ -</u>	<u>\$ 76,392</u>	<u>\$ -</u>	<u>\$ 76,392</u>
Liabilities: None.				

- (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.
5. There were no transfers between Level 1 and Level 2 from January 1 to March 31, 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 quarter 1 of 2022 is as follows, please also refer to Note 6 (10) Real estate, plant, and equipment, (12) Investment property, and (28) Other gains and losses.

Nature of earnings	Recognized income amount	Explanation
Compensation income	\$ 605,047	1
Converted property - for own use	100,524	2
Converted property - to be sold	-	3
Total	\$ 705,571	

1. The Group had previously received RMB200,000 thousand (equivalent to NT\$885,844) 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\$90,512) and other related development investment costs OF RMB42,961 thousand (equivalent to NT\$190,285). The balance was RMB136,604 thousand (equivalent to NT\$605,047). 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\$100,524).
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\$9,563) in exchange for land use rights belonging to future sellers, is shown under investment real estate items, please refer to Note 6. (12) 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:

	<u>January 1 to March 31, 2023</u>				<u>Total</u>
	<u>Domestic sales market</u>	<u>Export sales market</u>	<u>Others</u>	<u>Adjustment and elimination</u>	
Revenue:					
Revenue from external customers	\$ 1,276,944	\$ 561,026	\$ 7,895	\$ -	\$ 1,845,865
Inter-departmental revenue	<u>161,043</u>	<u>524,485</u>	<u>-</u>	<u>(685,528)</u>	<u>-</u>
Total revenue	<u>\$ 1,437,987</u>	<u>\$ 1,085,511</u>	<u>\$ 7,895</u>	<u>(\$ 685,528)</u>	<u>\$ 1,845,865</u>
Report department profit or loss	<u>\$ 39,725</u>	<u>(\$ 59,862)</u>	<u>\$ 7,291</u>	<u>(\$ 21,923)</u>	<u>(\$ 34,769)</u>
Report department assets	<u>\$ 6,980,348</u>	<u>\$ 16,010,092</u>	<u>\$ -</u>	<u>(\$ 13,854,645)</u>	<u>\$ 9,135,795</u>

January 1 to March 31, 2022

	<u>Domestic sales market</u>	<u>Export sales market</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue:				
Revenue from external customers	\$ 1,202,425	\$ 726,716	\$ -	\$ 1,929,141
Inter-departmental revenue	<u>156,535</u>	<u>685,440</u>	<u>(841,975)</u>	<u>-</u>
Total revenue	<u>\$ 1,358,960</u>	<u>\$ 1,412,156</u>	<u>(\$ 841,975)</u>	<u>\$ 1,929,141</u>
Report department profit or loss	<u>(\$ 89,052)</u>	<u>(\$ 96,076)</u>	<u>\$ 711,612</u>	<u>\$ 526,484</u>
Report department assets	<u>\$ 7,092,737</u>	<u>\$ 16,925,774</u>	<u>(\$ 13,794,210)</u>	<u>\$ 10,224,301</u>

In 2023 and January 1 to March 31, 2022, the total reported department revenue should be written off, excluding interdepartmental income of NTD685,528 and NTD841,975; in 2023 and January 1 to March 31, 2022, the reported departmental profit and loss adjustment items are the net (loss) income of financial assets measured at fair value through profit or loss, foreign currency exchange gain (loss), bond redemption (loss) income, and disposal asset income of (NTD21,923) and NTD711,612 , respectively.

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Airmate (Cayman) International Co Limited and Subsidiaries
Funds Loaned to Others
January 1 to March 31, 2023

Table 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		Capital loans and its nature (Note 2)	Amount of business transactions	Reasons for the need for short-term financing	Appropriate d amount for loss allowance	Collateral		Loan limit for individual objects	Capital loans and total limits	Rema rk
							disbursement amount	Interest range					Name	Value			
1	Airmate International Co Limited China	Airmate Electric Appliances (Shenzhen) Co Limited	Long-term receivables - related parties	Yes	\$ 475,871	\$ 471,950	\$ 471,950	2%~2.5%	2	\$ -	Business turnover	\$ -	Nil	\$ -	\$2,183,845	\$ 4,367,690	Note 3
2	Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	Long-term receivables - related parties	Yes	1,065,815	1,063,436	1,063,436	2%~2.5%	2	-	Business turnover	-	Nil	-	1,857,165	3,714,330	Note 3
2	Wacon Development Co Limited	The Company	Other receivables - related parties	Yes	800,000	800,000	750,343	-	2	-	Business turnover	-	Nil	-	1,485,732	3,714,330	Note 3
3	Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	Other receivables - related parties	Yes	44,409	44,310	-	-	2	-	Operating turnover	-	Nil	-	1,090,444	2,726,110	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,
- (5) 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 March 31, 2023

Table 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
		Relationship (Note 2)	Company name											
0	The Company	2	Waon Development Co Limited	\$ 6,437,946	\$ 2,180,410 (USD 71,000 thousand)	\$ 2,161,950 (USD 71,000 thousand)	\$ 403,277 (USD 13,244 thousand)	\$ -	67.16%	\$16,094,865	Y	N	N	Note 3
0	The Company	2	Airmate Electric Appliances (Jiujiang) Co. Limited	6,437,946	399,880 (US \$1,200 thousand) (RMB 82,000 thousand)	399,880 (US \$1,200 thousand) (RMB 82,000 thousand)	44,753 (RMB 10,100 thousand)	-	12.42%	16,094,865	Y	N	Y	Note 3, note 4
0	The Company	2	Airmate Electric Appliances (Shenzhen) Co Limited	6,437,946	429,716 (USD \$1,000 thousand) (RMB 90,000 thousand)	398,788 (RMB 90,000 thousand)	31,017 (RMB 7,000 thousand)	-	12.39%	16,094,865	Y	N	Y	Note 3, note 5
1	Airmate Electric Appliances (Shenzhen) Co Limited	4	Airmate Electric Appliances (Jiujiang) Co. Limited	5,452,220	1,851,853 (RMB 417,000 thousand)	1,798,979 (RMB 406,000 thousand)	1,015,487 (RMB 229,179 thousand)	-	65.99%	13,630,550	N	N	Y	Note 3
2	Airmate Electric Appliances (Jiujiang) Co. Limited	4	Airmate Electric Appliances (Shenzhen) Co Limited	3,939,872	1,998,403 (RMB 450,000 thousand)	1,993,942 (RMB 450,000 thousand)	800,961 (RMB 180,764 thousand)	-	101.22%	9,849,680	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 NTD 332,323, which is the bank financing limit shared with Airmate Electric (Shenzhen) Co., Ltd., totaling to not more than NTD 398,788; the actual disbursement amounted to NTD 44,753.

Note 5: Wherein the balance endorsement guarantee at the end of the period amounted to NTD 310,169, which is the bank financing limit shared with Airmate Electric (Jiujiang) Co., Ltd., totaling to not more than NTD 398,788; the actual disbursement amounted to NTD 31,017.

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 March 31, 2023

Table 3

Unit: NTS Thousands
(Unless otherwise specified)

<u>Company held</u>	<u>Types and names of negotiable securities</u>	<u>Relationship with Securities</u>		<u>Account Columns</u>	<u>Number of shares (thousand shares)</u>	<u>End of the period at the end of the period</u>		<u>Fair value</u>	<u>Remark</u>
		<u>Issuer</u>				<u>Percentage of Ownership</u>			
Airmate e-Commerce (Shenzhen) Co., Ltd.	Bank of China wealth management - (3 months) shortest holding period net bond wealth management products	Nil		Financial Assets at Fair Value through Profit or Loss - Current	2,956	\$ 13,389	-	\$ 13,389	
Airmate e-Commerce (Shenzhen) Co., Ltd.	Bank of China wealth management - (6 months) shortest holding period net bond wealth management products	Nil		Financial Assets at Fair Value through Profit or Loss - Current	4,922	22,296	-	22,296	

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 March 31, 2023

Table 4

				<u>Transaction details</u>		<u>Cases and Reasons for Different Trading Conditions from General Trading</u>		<u>Notes and Accounts Receivable (Payable)</u>		Unit: NTS Thousands (Unless otherwise specified)	
<u>Supplier (Buyer) Company</u>	<u>Transaction counterparty</u>	<u>Relationship</u>	<u>Purchase/Sale</u>	<u>Amount</u>	<u>Ratio to total inputs (sales)</u>	<u>Credit period</u>	<u>Unit price</u>	<u>Credit period</u>	<u>Balance</u>	<u>Ratio of total notes receivable (paid) to accounts receivable</u>	<u>Remark</u>
Airmate Electric Appliances (Shenzhen) Co Limited	Waon Development Co Limited	Parent/Subsidiary Company	(Sales)	(\$ 262,970)	(70%)	According to mutual agreement	Note	Note	\$ 1,902,497	93%	
Airmate Electric Appliances (Jiujiang) Co. Limited	Waon Development Co Limited	Parent/Subsidiary Company	(Sales)	(252,512)	(16%)	According to mutual agreement	Note	Note	605,777	27%	
Waon Development Co Limited	Airmate Electric Appliances (Shenzhen) Co Limited	Parent/Subsidiary Company	Purchase	262,970	51%	According to mutual agreement	Note	Note	(1,902,497)	(65%)	
Waon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Parent/Subsidiary Company	Purchase	252,512	42%	According to mutual agreement	Note	Note	(605,777)	(21%)	

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
March 31, 2023

Table 5

<u>The companies that record such transactions as receivables</u>		<u>Transaction counterparty</u>	<u>Relationship</u>	<u>Accounts receivable balance from related parties</u>	<u>Turnover</u>	<u>Overdue accounts receivable from related party</u>		<u>Amount collected after the due date for accounts receivable from related parties</u>		<u>Appropriated amount for loss allowance</u>
						<u>Amount</u>	<u>Handling method</u>	<u>Amount</u>	<u>Amount</u>	
Airmate Electric Appliances (Shenzhen) Co Limited	Waon Development Co Limited	Parent/Subsidiary Company	\$ 2,282,519	0.15	\$ -	-	\$ 181,945	\$ -	-	
Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Affiliated companies	351,079	4.02	-	-	-	-	-	
Waon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Parent/Subsidiary Company	1,178,900	-	-	-	-	-	-	
Waon Development Co Limited	The Company	Parent/Subsidiary Company	750,343	-	-	-	-	-	-	
Airmate Electric Appliances (Jiujiang) Co. Limited	Waon Development Co Limited	Parent/Subsidiary Company	605,777	0.37	-	-	91,630	-	-	
Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co Limited	Parent/Subsidiary Company	653,925	-	-	-	-	-	-	

Unit: NTS Thousands
(Unless otherwise specified)

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 March 31, 2023

Table 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)	Account	Amount	Transaction terms	Ratio to total consolidated revenue or total assets
						Transaction terms	
0	The Company	Wacon Development Co Limited	1	Other payables - capital loans	\$ 750,343	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)	653,925	Administered according to mutual agreement	7%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	3	Sales	90,746	Administered according to mutual agreement	5%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	3	Accounts Receivable	138,011	Administered according to mutual agreement	2%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	3	Other Receivables	213,068	Administered according to mutual agreement	2%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	3	Other Incomes	35,593	Administered according to mutual agreement	2%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	2	Sales	262,970	Administered according to mutual agreement	14%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	2	Accounts Receivable	1,902,497	Administered according to mutual agreement	21%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	2	Other Receivables	380,022	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)	1,166,547	Administered according to mutual agreement	13%
3	Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	1	Other Receivables	12,353	Administered according to mutual agreement	0%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co Limited	3	Sales	41,465	Administered according to mutual agreement	2%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co Limited	3	Notes Receivable	51,433	Administered according to mutual agreement	1%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Wacon Development Co Limited	2	Sales	252,512	Administered according to mutual agreement	14%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Wacon Development Co Limited	2	Accounts Receivable	605,777	Administered according to mutual agreement	7%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate e-Commerce (Shenzhen) Co., Ltd.	3	Sales	18,940	Administered according to mutual agreement	1%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	3	Sales	24,155	Administered according to mutual agreement	1%
4	Airmate Electric Appliances (Jiujiang) Co. Limited	Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	3	Notes Receivable	23,174	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 NTD 471,950 in capital loans and NTD 181,975 in interest.

Note 5: The long-term receivables of Waon Development Co., Limited. from Airmate Electric Appliances (Jiujiang) Co. Limited is NTD 1,063,436 in capital loans and NTD 103,111 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 March 31, 2023

Table 7

Unit: NT\$ Thousands (Unless otherwise specified)												
<u>Name of Investor</u>	<u>Name of investee</u>	<u>Location</u>	<u>Main business items</u>	<u>Initial Investment (Note 1)</u>		<u>Number of Shares</u>			<u>Profit or loss of investee for the current period</u>		<u>Recognized gains and losses on investments for the current period</u>	<u>Remark</u>
				<u>End of the current period</u>	<u>End of previous year</u>	<u>Held at the end of the Period</u>	<u>Ratio</u>	<u>at the end of the period</u>	<u>current period</u>	<u>(Note 2)</u>		
The Company	Airmate International Holding Limited	British Virgin Islands	Holding company	\$ 1,948,023 (USD 63,974 thousand)	\$ 1,948,023 (USD 63,974 thousand)	63,974,492	100%	\$ 4,367,094	(\$ 24,307)	(\$ 24,307)		Directly invested subsidiary companies of the Company
Airmate International Holding Limited	Airmate International Co. Limited China	British Virgin Islands	Holding company	2,124,229 (USD 69,761 thousand)	2,124,229 (USD 69,761 thousand)	69,761,220	100%	4,367,690	(24,316)	(24,316)		Directly invested subsidiary companies of the Company
Airmate International Co. Limited China	Waon Development Co Limited	Hong Kong	Trading company	3,181,936 (HK \$820,298 thousand)	3,181,936 (HK \$820,298 thousand)	-	100%	3,714,330	(21,271)	(21,271)		Directly invested subsidiary companies of the Company

Note 1: Converted using the exchange rate of USD: NTD: 1: 30.4500, RMB: HKD: 1: 1.1423, HKD: NTD: 1: 3.8790 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 March 31, 2023

Table 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	Exported or recovered investment amount for the current period	Cumulative investment amount	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	Remark
				transferred from Taiwan at the beginning of the current period	Remitted (Note 2)	transferred from Taiwan at the end of the current period					the current period	
Airmate Electric Appliances (Shenzhen) Co Limited	Production and sale of household appliances and processing of precision mold	\$ 974,400	(2)	\$ -	\$ -	\$ -	(\$ 92,552)	100%	(\$ 92,552)	\$ 2,726,110	\$ -	Note 3 and 5
Airmate Electric Appliances (Jiujiang) Co. Limited	Production and sale of household appliances and processing of precision mold	2,216,760	(2) and (3)	-	-	-	40,482	100%	40,482	1,969,936	-	Note 3 and 5
Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	Sales of electric appliances	46,525	(3)	-	-	-	(1,128)	40%	(451)	33,605	-	Note 3 and 5
Airmate Technology (Shenzhen) Co. Limited	Sales, research and development of household appliances	44,310	(3)	-	-	-	(614)	100%	(614)	54,085	-	Note 3 and 5
Airmate e-Commerce (Shenzhen) Co., Ltd.	Sales of household appliances	44,310	(3)	-	-	-	4,508	100%	4,508	63,465	-	Note 3 and 5
Material Technology (Foshan) Co., Ltd.	Sales of household appliances	2,215	(3)	-	-	-	(1,659)	100%	(1,659)	(1,591)	-	Note 3, 5, 6

Company name (Note 2)	Accumulated investment amount from Taiwan to Mainland China at the end of the current Period	Investment Review Committee of the Ministry of Economic Affairs Approved investment amount	Investment Limit Onto Mainland China According to Ministry of Economic Affairs Investment Commission
-	-	-	-

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 (Waon 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: 30.4500, RMB: HKD: 1: 1.1423, HKD: NTD: 1: 3.8790 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. Note 6: It was newly established in July 2022 and is still in operation.

Airmate (Cayman) International Co Limited and Subsidiaries

Information of Major Shareholders

March 31, 2023

Table 9

Unit: shares

	<u>Name of Major Shareholders</u>	<u>Shareholding</u>	
		<u>Shares Held</u>	<u>Percentage of Ownership</u>
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).