

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Financial Statements and Certified Public Accountant's  
Audit Report  
Financial Years of 2021 and 2020  
(Stock Code: 1626)

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*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

Airmate (Cayman) International Co Limited and Subsidiaries

Consolidated Financial Report and Certified Public Accountant's Audit Report for the Financial Years of 2021

and 2020

Table of Contents

<u>Items</u>	<u>Pages</u>
1. Cover	1
2. Contents	2-3
3. Declaration	4
4. Certified Public Accountant's Audit Report	5-10
5. Consolidated Balance Sheets	11-14
6. Consolidated Statement of Comprehensive Income	15-16
7. Consolidated Statement of Changes in Equity	17-18
8. Consolidated Statement of Cash Flows	19-22
9. Notes to the Consolidated Financial Statements	23-95
(1) Company History	23
(2) Date and Procedures of the Approval of the Financial Statements	23
(3) Application of Newly Issued and Revised Standards and Interpretation	23-25
(4) Summary Description of Material Accounting Policies	25-40
(5) The Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions	40
(6) Explanation on Important Accounting Items	40-78

<u>Items</u>	<u>Pages</u>
(7) Related Party Transactions	78-79
(8) Pledged Assets	80
(9) Significant Contingent Liabilities and Unrecognized Contractual Commitments	80
(10) Material Disaster Losses	80
(11) Subsequent Events	80
(12) Others	81-92
(13) Supplementary Disclosures	92-93
1. Information on Significant Transactions	92-93
2. Information on Investees	93
3. Information on Investment in Mainland China	93
4. Information on Major Shareholders	93
(14) Segment Information	93-95

Airmate (Cayman) International Co Limited

Declaration on the Consolidated Financial Statements of Affiliated Enterprises

The entities that are required to be included in the Consolidated Financial Statements of the Company for the year of 2021 (from January 1, 2021 to December 31, 2021) pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the Consolidated Financial Statements of the Parent and Subsidiary Companies in accordance with International Financial Reporting Standards No. 10. The relevant information which are required to be disclosed in the Consolidated Financial Statements of the Affiliates Enterprises has been disclosed in the aforementioned Consolidated Financial Statements of the Parent and Subsidiary Companies, hence, separate Consolidated Financial Statements of the Affiliates Enterprises will not be prepared separately.

Hereby declared by

Company Name: Airmate (Cayman) International Co  
Limited

Responsible person: Rui-Bin, Shih

March 21, 2022

## Certified Public Accountant's Audit Report

(22) Financial-Audit No. 21003611

Airmate (Cayman) International Co Limited:

### **Audit Opinion**

We, the Certified Public Accountant, have audited the Consolidated Balance Sheets of Airmate (Cayman) International Co Limited and its Subsidiaries (hereinafter referred to as the “Airmate Group”) as of December 31, 2021, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Equity, the Consolidated Statements of Cash Flows, and the Notes to the Consolidated Financial Statements (including the Summary of Material Accounting Policies) for the period from January 1 to December 31, 2021.

In our opinion, the aforesaid Consolidated Financial statements have been prepared in all material respects in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee, which are approved by the Financial Supervisory Committee and the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and are sufficient to fairly represent the consolidated financial position of the Airmate Group as of December 31, 2021 and the consolidated financial performance and consolidated cash flows for the period from January 1 to December 31, 2021.

### **Basis of Audit Opinion**

The Certified Public Accountant has carried out the audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. Our firm is independent of the Airmate (Cayman) International Co Limited and Subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. The Certified Public Accountant believes that sufficient and appropriate evidences for the audit have been obtained as the basis for expressing opinion.

### **Key Audit Matters**

Key audit matters refer to those matters that, in the professional judgment of the Certified Public Accountant, are of the utmost significance for the audit of the 2021 Consolidated Financial Statements of the Airmate Group. These matters have been addressed in the process of our audit on the overall Consolidated Financial Statements, and in forming our opinion thereon. Hence, we will not provide a separate opinion on these matters.

The Key Audit Matters of the 2021 Consolidated Financial Statements of the Airmate Group are as follows:

### **The Existence of the Recognition of Revenue from the Top Ten Sales Customers**

#### Description of the Key Audit Matter

For details on the accounting policy on revenue recognition, please refer to Note 4 (32) of the Consolidated Financial Statements. For details on the accounting items of operating income, please refer to Note 6 (25) of the Consolidated Financial Statements.

The operating income of the Airmate Group is derived from customer contract revenue. The Company principally engaged in the manufacture and sale of household appliances. The operating income is one of the main indicators for the evaluation of business performance of Management and is a matter of concern to users or recipients of reports. Therefore, the existence of recognition of revenue from the top ten customers is listed as one of the key items to be audited in the current year by the Certified Public Accountant.

#### Corresponding audit procedures

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

1. Understand, evaluate and test the design and implementation of internal control procedures for the recognition of sales revenue from the top ten customers.
2. Obtain the details of the sales revenue from the top ten customers, and sample customer orders, delivery documents, sales invoices, and collection records.
3. Review the details of any sales returns and discounts of the top ten customers that occurred after the specific period and relevant supporting documents.
4. In respect of the balances of accounts receivable of the top ten customers at the end of the period, sample the letters issued, and reconcile or alternatively review the reply letters and non-responded letters.

### **Estimation on the Impairment of Accounts Receivable**

#### Description of the Key Audit Matter

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

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

### Corresponding audit procedures

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

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

### **Provision for Inventory Falling Price Loss**

#### Description of the Key Audit Matter

For details on the accounting policy for inventory valuation, please refer to Note 4 (13) of the Consolidated Financial Statements; for the accounting estimates for inventory valuation and the explanation of the uncertainty of assumptions, please refer to Note 5 of the Consolidated Financial Statements; and for the explanation of important accounting items for inventory, please refer to Note 6 (7) of the Consolidated Financial Statements.

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

#### Corresponding audit procedures

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

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

### **Other matters – Audit by other Certified Public Accountants in the preceding periods**

The Consolidated Financial Statements of the Airmate Group for the year 2020 were audited by other Certified Public Accountant and an unqualified audit report was issued on March 15, 2021.

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

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

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

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

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

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

The Certified Public Accountant uses professional judgment and maintains professional suspicion when carrying out the audit in accordance with the Generally Accepted Auditing Standards



of the Republic of China. The Certified Public Accountant will also perform the following duties:

1. Identify and evaluate the risk of material misstatements in the Consolidated Financial Statements due to fraud or error; design and carry out appropriate countermeasures on the evaluated risk; and obtain sufficient and appropriate evidence as the basis for the audit opinion. The risk of not being able to detect a misstatement that is caused by fraud is higher than that caused by mistakes because fraud may involve conspiracy, forgery, intentional omission, false statement or overstepping internal control.
2. Understanding internal control relevant to the audit in order to design audit procedures that are appropriate in that particular circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Airmate Group.
3. Evaluating the appropriateness of the accounting policy adopted by the Management and the reasonableness of the accounting estimates and related disclosures made accordingly.
4. Concluding on the appropriateness of the Management's use of going concern basis of accounting, and determining whether there existed events or circumstances that might cast significant uncertainty over Airmate Group's ability to continue operation as a going concern based on the audit evidence obtained. If the Certified Public Accountant is of the opinion that a material uncertainty exists, the users of the Consolidated Financial Statements should be reminded to pay attention to the relevant disclosures in the Consolidated Financial Statements, or modify the audit opinion when the disclosures are inappropriate. The Certified Public Accountant's conclusions are based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause Airmate Group to no longer have the capacity to operate as a going concern.
5. Assessing the overall presentation, structure and content of the Consolidated Financial Statements (including the related Notes) and whether the Consolidated Financial Statements appropriately represented the related transactions and events.
6. Obtaining adequate and appropriate audit evidence of the financial information of the Group's constituent entities so as to express an opinion on the Consolidated Financial Statements. The Certified Public Accountant is responsible for the guidance, supervision, and execution of the audit on the Airmate Group and is responsible for forming audit opinions on the Airmate Group.

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

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

From the matters communicated with the governing bodies, the Certified Public Accountant has determined the Key Audit Matters of the 2021 Consolidated Financial Statements of the Airmate Group. The accountant has stated those items in the audit report unless the law does not allow public disclosure of certain matters, or under extreme rare cases, the accountant decided not to communicate specific matters in the audit report because it can reasonably assume the negative impact of communication is greater than the promoted public interest.

PricewaterhouseCoopers Taiwan

Guo-hua, Wang

Certified Public Accountant

Zi-Meng, Liu

Former Ministry of Finance Securities and Futures Commission  
Approval Certificate No.: (87) Taiwan-Finance-Certificate (VI)  
No. 68790

Former Ministry of Finance Securities Regulatory Commission  
Approval Certificate No.: (84) Taiwan-Finance-Certificate (VI)  
No. 29174

March 21, 2022

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2021 and 2020

Unit: Thousand NTD

Assets		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
<b>Current Assets</b>						
1100	Cash and Cash Equivalents	6(1)	\$ 449,654	5	\$ 443,712	5
1110	Financial Assets at Fair Value	6(2)				
	through Profit or Loss -					
	Current		4,477	-	72,010	1
1136	Financial Assets at Amortized	6(3) and 8				
	Cost - Current		440,290	4	223,214	2
1150	Net Amount of Notes	6(4), 7 and 8				
	Receivable		1,322,860	13	621,196	7
1170	Net Amount of Accounts	6(4) and 7				
	Receivable		1,165,669	12	1,562,302	17
1200	Other Receivables	6(5) and (6)	29,055	-	32,149	-
130X	Inventories	5 and 6(7)	2,704,450	27	2,127,184	23
1410	Advance Payment	6(8)	258,719	3	220,103	2
1479	Other Current Assets - Others	6(2)	35,890	-	59,623	1
1481	Rights of Pending Returning	6(25)				
	Products - Current		65,266	1	104,021	1
11XX	<b>Total Current Assets</b>		6,476,330	65	5,465,514	59
<b>Non-current Assets</b>						
1510	Financial Assets at Fair Value	6(2) and (19)				
	through Profit or Loss - Non-					
	current		36	-	150	-
1535	Financial Assets at Amortized	6(3) and 8				
	Cost - Non-current		-	-	106,396	1
1550	Investments Accounted for	6(9)				
	Using the Equity Method		31,342	-	27,258	-
1600	Property, Plant and Equipment	6(10) and 8	2,901,797	29	3,135,215	34
1755	Right-of-use Assets	6(11)	204,682	2	210,874	2

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2021 and 2020

Unit: Thousand NTD

1780	Intangible Assets	6(12)	5,556	-	7,749	-
1840	Deferred Income Tax Assets	6(31)	233,231	3	177,912	2
1990	Other Non-current Assets -	6(13) and 8				
	Others		96,746	1	122,274	2
15XX	<b>Total Non-current Assets</b>		3,473,390	35	3,787,828	41
1XXX	<b>Total Assets</b>		\$ 9,949,720	100	\$ 9,253,342	100

(Continued on the next page)

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2021 and 2020

Unit: Thousand NTD

Liabilities and Equities		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
<b>Current Liabilities</b>						
2100	Short-term loans	6(14) and 8	\$ 759,392	8	\$ 315,302	3
2120	Financial Liabilities at Fair Value through Profit or Loss - Current	6(2)	-	-	178	-
2130	Contract Liabilities - Current	6(25)	252,743	2	309,422	3
2150	Notes Payable	6(15) and 8	1,795,376	18	1,774,409	19
2170	Accounts Payable	7	2,247,637	23	1,251,435	14
2200	Other Payables	6(16) and 7	548,801	5	669,542	7
2230	Current Income Tax Liabilities		293	-	117,788	1
2250	Provision - Current	6(17)	27,975	-	42,265	1
2320	Long-term Liabilities Due within One Year or One Operating Cycle	6(18), (19) and 8	298,402	3	-	-
2365	Refund Liabilities - Current	6(25)	94,350	1	141,676	2
2399	Other Current Liabilities - Others		3,957	-	-	-
21XX	<b>Total Current Liabilities</b>		<u>6,028,926</u>	<u>60</u>	<u>4,622,017</u>	<u>50</u>
<b>Non-current Liabilities</b>						
2530	Corporate Bonds Payable	6(19) and 8	348,814	4	679,997	8
2540	Long-term Loans	6(18)	8,030	-	-	-
2640	Net Defined Benefit Liabilities - Non-current	6(20)	34,716	-	32,625	-
2645	Security Deposits Received		110,870	1	111,485	1
2670	Other Non-current Liabilities - Others	6(21) and 12	661,440	7	668,302	7
25XX	<b>Total Non-current Liabilities</b>		<u>1,163,870</u>	<u>12</u>	<u>1,492,409</u>	<u>16</u>
2XXX	<b>Total Liabilities</b>		<u>7,192,796</u>	<u>72</u>	<u>6,114,426</u>	<u>66</u>
<b>Equities Attributable to Owners of Parent Company</b>						
Share Capital						
3110	Common Stock	6(22)	1,455,445	15	1,395,876	15
3200	Capital Surplus	6(23)	1,231,625	12	1,224,541	13
3310	Legal Reserve	6(24)	179,704	2	164,618	2
3320	Special Reserve		261,489	3	363,822	4

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

Chairman of the Board: Rui-Bin, Shih

Manager: Rui-Bin, Shih

Accounting Supervisor: Mei-Hsiu, Ho

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2021 and 2020

Unit: Thousand NTD

3350	Undistributed Earnings	(	110,158)	(	1)	251,548	3		
	Other Equities								
3400	Other Equities	(	261,181)	(	3)	(	261,489)	(	3)
3XXX	<b>Total Equities</b>		<u>2,756,924</u>	<u>28</u>		<u>3,138,916</u>	<u>34</u>		
	Significant Contingent								
	Liabilities and Unrecognized								
	Contractual Commitments								
	Significant Events after the								
	Balance Sheet Date								
3X2X	<b>Total Liabilities and Equities</b>	\$	<u>9,949,720</u>	<u>100</u>	\$	<u>9,253,342</u>	<u>100</u>		

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

Chairman of the Board: Rui-Bin, Shih

Manager: Rui-Bin, Shih

Accounting Supervisor: Mei-Hsiu, Ho

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD  
(Except for the Earnings (Loss) per share in NTD)

Item	Note	2021		2020	
		Amount	%	Amount	%
4000 Operating Income	6(25) and 7	\$ 10,156,591	100	\$ 9,207,346	100
5000 Operating Cost	6(7), (12), (20), (29), (30) and 7	( 9,039,549)	( 89)	( 7,641,207)	( 83)
5900 Gross Profit		1,117,042	11	1,566,139	17
5910 Unrealized Sales Profit	6(9)	( 24,801)	-	( 8,936)	-
5920 Realized Sales Profit	6(9)	30,159	-	13,285	-
5950 Net Operating Profit		1,122,400	11	1,570,488	17
Operating Expenses	6(12), (20), (29), (30) , 7 and 12				
6100 Selling Expenses		( 1,037,332)	( 10)	( 897,510)	( 10)
6200 Administrative Expenses		( 284,693)	( 3)	( 342,834)	( 3)
6300 Research and Development Expense		( 119,531)	( 1)	( 107,717)	( 1)
6450 Expected Credit Loss		( 46,358)	-	( 1,521)	-
6000 Total Operating Expenses		( 1,487,914)	( 14)	( 1,349,582)	( 14)
6900 Operating Profit (Loss)		( 365,514)	( 3)	220,906	3
Non-operating Income and Expenses					
7100 Interest Income		18,023	-	34,079	-
7010 Other Incomes	6(26)	63,126	-	70,495	1
7020 Other Gains and Losses	6(27) and 12	( 38,051)	-	( 56,119)	( 1)
7050 Finance Costs	6(28)	( 29,285)	-	( 42,740)	-
7060 Share of Profit or Loss of Associates and Joint Ventures Recognized under Equity Method	6(9)	( 1,128)	-	( 2,742)	-
7000 Total Non-operating Income and Expenses		12,685	-	2,973	-
7900 <b>Net Profit (Loss) Before Tax</b>		( 352,829)	( 3)	223,879	3
7950 Income Tax Profit (Expense)	6(31)	45,602	-	( 67,640)	( 1)
8200 <b>Net Profit (Loss)</b>		(\$ 307,227)	( 3)	\$ 156,239	2
<b>Other Comprehensive Income Items not Reclassified to Profit or Loss:</b>					
8311 Re-measurements of Defined Benefit Plans	6(20)	\$ 368	-	(\$ 1,728)	-
<b>Items that may Subsequently be Reclassified to Profit or Loss:</b>					
8361 Exchange Differences from Translation of Financial		308	-	102,334	1

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

Chairman of the Board: Rui-Bin, Shih

Manager: Rui-Bin, Shih

Accounting Supervisor: Mei-Hsiu,  
Ho

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD  
(Except for the Earnings (Loss) per share in NTD)

	Statements of Foreign Operating Entities				
8300	<b>Other Comprehensive Profit or Loss (Net)</b>	\$	676	-	\$ 100,606
8500	<b>Total Comprehensive Income</b>	(\$	306,551)	( 3)	\$ 256,845
	Net Profit (Loss) attributable to:				
8610	Owners of Parent Company	(\$	307,227)	( 3)	\$ 156,239
	Total Comprehensive Income Attributable to:				
8710	Owners of Parent Company	(\$	306,551)	( 3)	\$ 256,845
	Earnings (Loss) Per Share				
9750	Basic			2.11)	\$ 1.08
9850	Diluted			2.11)	\$ 1.07

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

Chairman of the Board: Rui-Bin, Shih

Manager: Rui-Bin, Shih

Accounting Supervisor: Mei-Hsiu,  
Ho



Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

Note	Equities Attributable to Owners of Parent Company						Foreign Operating Entities Financial Statement Currency Translation Differences	Treasury Shares	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Undistributed Earnings	Retained Earnings					
<b>2020</b>											
Balance as of January 1, 2020	\$ 1,368,50	\$ 1,223,1	\$ 139,420	\$ 362,40	\$ 264,15	(\$ 363,82)	\$ -	\$ 2,993,80	\$ 15,28	\$ 3,009,093	
Net Profit of the Current Period	-	-	-	-	156,239	-	-	156,239	-	156,239	
Other Comprehensive Income of the Current Period	-	-	-	-	( 1,728)	102,334	-	100,606	-	100,606	
Total Comprehensive Income	-	-	-	-	154,511	102,334	-	256,845	-	256,845	
Appropriation and Distribution of 2019 Retained Earnings:											
Setting Aside Legal Reserve	-	-	25,192	-	( 25,192)	-	-	-	-	-	
Setting Aside Special Reserve	-	-	-	1,413	( 1,413)	-	-	-	-	-	
Cash Dividends for Ordinary Shares 6(24)	-	-	-	-	( 109,480)	-	-	( 109,480)	-	( 109,480)	
Share Dividend for Ordinary Shares 6(22) and (24)	27,370	-	-	-	( 27,370)	-	-	-	-	-	
Issuance of Convertible Corporate Bonds 6(19) and (23)	-	12,365	-	-	-	-	-	12,365	-	12,365	
Redemption of Convertible Corporate Bonds 6(19) and (23)	-	( 10,959)	-	-	-	-	-	( 10,959)	-	( 10,959)	
Difference between the Price Received from Acquisition or Disposal of Interest in Subsidiaries and the Book Value 6(33)	-	-	-	-	( 3,660)	-	-	( 3,660)	15,288	( 18,948)	
Balance as of December 31, 2020	\$ 1,395,87	\$ 1,224,5	\$ 164,618	\$ 363,82	\$ 251,548	(\$ 261,48)	\$ -	\$ 3,138,91	\$ -	\$ 3,138,916	
<b>2021</b>											
Balance as of January 1, 2021	\$ 1,395,87	\$ 1,224,5	\$ 164,618	\$ 363,82	\$ 251,548	(\$ 261,48)	\$ -	\$ 3,138,91	\$ -	\$ 3,138,916	
Net Loss of the Current Period	-	-	-	-	( 307,227)	-	-	( 307,227)	-	( 307,227)	
Other Comprehensive Income of the Current Period	-	-	-	-	368	308	-	676	-	676	

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

Chairman of the Board: Rui-Bin, Shih

Manager: Rui-Bin, Shih

Accounting Supervisor: Mei-Hsiu, Ho

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Note	Equities Attributable to Owners of Parent Company						Foreign Operating Entities Financial Statement Currency Translation Differences	Treasury Shares	Total	Non- controlling Interests	Total Equity
		Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Undistributed Earnings	Retained Earnings					
Total Comprehensive Income		-	-	-	-	( 306,859 )	308	-	( 306,551 )	-	( 306,551 )	
Appropriation and Distribution of 2020 Retained Earnings:												
Setting Aside Legal Reserve		-	-	15,086	-	( 15,086 )	-	-	-	-	-	
Reversal of Special Reserve		-	-	-	( 102,333 )	102,333	-	-	-	-	-	
Cash Dividends for Ordinary Shares	6(24)	-	-	-	-	( 83,753 )	-	-	( 83,753 )	-	( 83,753 )	
Share Dividend for Ordinary Shares	6(22) and (24)	55,835	-	-	-	( 55,835 )	-	-	-	-	-	
Conversion of Convertible Corporate Bonds	6(19), (22) and (23)	13,704	22,022	-	-	-	-	-	35,726	-	35,726	
Redemption of Convertible Corporate Bonds	6(19) and (23)	-	( 152 )	-	-	-	-	-	( 152 )	-	( 152 )	
Repurchase of Treasury Shares	6(22)	-	-	-	-	-	-	27,262	( 27,262 )	-	( 27,262 )	
Write-off of Treasury Shares	6(22) and (23)	( 9,970 )	( 14,786 )	-	-	( 2,506 )	-	27,262	-	-	-	
Balance as of December 31, 2021		<u>\$ 1,455,44</u>	<u>\$ 1,231,6</u>	<u>\$ 179,70</u>	<u>\$ 261,48</u>	<u>( \$ 110,15</u>	<u>( \$ 261,18</u>	<u>\$ -</u>	<u>\$ 2,756,92</u>	<u>\$ -</u>	<u>\$ 2,756,924</u>	

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

Chairman of the Board: Rui-Bin, Shih

Manager: Rui-Bin, Shih

Accounting Supervisor: Mei-Hsiu,  
Ho

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Note	2021	2020
<u>Cash Flows from Operating Activities</u>			
Net Profit (Loss) Before Tax for the Current Period		(\$ 352,829 )	\$ 223,879
Adjustment Items:			
Revenue and Expense Items			
Expected Credit Loss	12	46,358	1,521
Depreciation Expense	6(10), (11), and (29)	410,642	340,639
Amortization Expense	6(12) and (29)	4,993	5,663
Interest Expense	6(28)	29,285	42,740
Interest Income		( 18,023 )	( 34,079 )
Share of Profit or Loss of Associates and Joint Ventures Recognized under Equity Method	6(9)	1,128	2,742
Net Loss (Gain) on Financial Assets and Liabilities Measured at Fair Value through Profit or Loss	6(27)	( 4,588 )	554
Loss (Gain) on Disposal of Property, Plant and Equipment	6(27)	( 775 )	7,663
Expenses for Transfer and Reclassification of Property, Plant and Equipment	6(10)	25,437	33,149
Gain on Redemption of Convertible Corporate Bonds	6(19) and (27)	( 297 )	( 10,959 )
Unrealized Sales Profit	6(9)	24,801	8,936
Realized Sales Profit	6(9)	( 30,159 )	( 13,285 )
Unrealized Foreign Currency Exchange Loss		( 579 )	3,170
Amortization of Long-term Deferred Income	6(26)	( 3,267 )	( 3,222 )
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		71,626	( 70,519 )
Notes Receivable		( 705,044 )	( 105,307 )
Accounts Receivable		332,921	( 342,238 )
Other Receivables		3,446	-
Inventories		( 587,482 )	( 52,691 )
Advance Payment		( 40,768 )	-
Other Current Assets		60,348	( 36,762 )
Net Changes in Liabilities related to Operating Activities			
Contract Liabilities		( 53,170 )	88,451
Notes Payable		20,967	166,334
Accounts Payable		1,004,062	122,993

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Note	2021	2020
Other Payables	(	109,951 )	( 2,185 )
Provision - Current	(	14,064 )	21,709
Refund Liabilities - Current	(	46,566 )	44,405
Other Current Liabilities - Others		3,957	-
Net Defined Benefit Liabilities - Non-current		2,459	2,180
Cash Inflow Generated from Operations		74,868	445,481
Interest Received		17,945	34,079
Interest Paid	(	29,083 )	( 45,360 )
Income Tax Paid	(	23,549 )	( 42,535 )
Net Cash Inflow from Operating Activities		40,181	391,665

(Continued on the next page)

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Note	2021	2020
<u>Cash Flows from Investment Activities</u>			
Acquisition of Financial Assets at Amortized			
Cost		(\$ 1,313,195)	\$ -
Disposal of Financial Assets at Amortized			
Cost		1,198,742	151,551
Acquisition of Property, Plant and Equipment	6(10)	( 180,826 )	( 166,584 )
Disposal of Property, Plant, and Equipment		31,198	54,553
Acquisition of Intangible Assets	6(12)	( 2,207 )	( 1,627 )
Acquisition of Right-of-use Assets	6(11)	-	( 84,008 )
Increase in Advance Payments for Equipment		( 41,304 )	-
Other Non-current Assets - Other Decrease			
(Increase)		1,787	( 10,064 )
Net Cash Outflow from Investment		305,805	( 56,179 )
Activities		( 305,805 )	( 56,179 )
<u>Cash Flows from Financing Activities</u>			
Proceeds from Short-term Loans	6(35)	2,779,632	1,770,858
Repayment of Short-term Loans	6(35)	( 2,330,118 )	( 1,993,948 )
Proceeds from Long-term Loans	6(35)	8,683	-
Repayment of Long-term Loans	6(35)	( 132 )	( 42,730 )
Issuance of Convertible Corporate Bonds	6(35)	-	396,572
Redemption of Convertible Corporate Bonds	6(19) and (35)	( 4,567 )	( 443,200 )
Increase (Decrease) in Security Deposits	6(35)		
Received		( 15 )	15,517
Other Non-current Liabilities - Other Increase	6(35)	-	45,874
Repurchase of Treasury Shares	6(22)	( 27,262 )	-

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

Chairman of the Board: Rui-Bin, Shih

Manager: Rui-Bin, Shih

Accounting Supervisor: Mei-Hsiu,  
Ho

Airmate (Cayman) International Co Limited and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to December 31, 2021 and 2020

Unit: Thousand NTD

	Note	2021	2020
Cash Dividends Paid	6(24)	( 83,753 )	( 109,480 )
Acquisition of Non-controlling Interests	6(33)	-	( 18,948 )
Net Cash Inflow (Outflow) from Financing Activities		342,468	( 379,485 )
Effect of Exchange Rate Changes on Cash and Cash Equivalents		( 70,902 )	74,772
Increase in Cash and Cash Equivalents in the Current Period		5,942	30,773
Cash and Cash Equivalents at Beginning of the Current Period	6(1)	443,712	412,939
Cash and Cash Equivalents at End of the Current Period	6(1)	\$ 449,654	\$ 443,712

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

Chairman of the Board: Rui-Bin, Shih

Manager: Rui-Bin, Shih

Accounting Supervisor: Mei-Hsiu, Ho

Airmate (Cayman) International Co Limited and Subsidiaries  
Notes to the Consolidated Financial Statements  
Financial Years of 2021 and 2020

Unit: Thousand NTD  
(Unless otherwise specified)

1、 Company History

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.

2、 Date and Procedures for the Approval of Financial Statements

This Consolidated Financial Report were issued upon approval by the Board of Directors on March 21, 2022.

3、 Application of Newly Issued and Revised Standards and Interpretations

(1) Impact of adopting the new and amended International Financial Reporting Standards approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC")

The following table summarizes the Standards and Interpretations for New Issuance, Amendments and Revisions to the International Financial Reporting Standards applicable in 2021, as approved by the FSC:

<u>New, Revised and Amended Standards or Interpretations</u>	<u>Effective Date Announced by the International Accounting Standards Board</u>
Amendment to IFRS 4 (Extension of the Temporary Exemption from Applying IFRS 9)	January 1, 2021
Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform)	January 1, 2021
Amendment to IFRS 16 (Covid-19-Related Rent Concessions)	April 1, 2021 (Note)

Note: The Financial Supervisory Commission allows early application commencing January 1, 2021.

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

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

The following table summarizes the Standards and Interpretations for New Issuance, Amendments and Revisions to the International Financial Reporting Standards applicable in 2022, as approved by the FSC:

<u>New, Revised and Amended Standards or Interpretations</u>	<u>Effective Date Announced by the International Accounting Standards Board</u>
Amendment to IFRS 3 (Reference to the Conceptual Framework)	January 1, 2022
Amendment to IAS 16 (Property, Plant and Equipment: Proceeds before Intended Use)	January 1, 2022
Amendment to IAS 37 (Onerous Contracts — Cost of Fulfilling a Contract)	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

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

(3) 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>Effective Date Announced by the International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28 (Sale or Investment of Assets between an Investors and its Associate or Joint Venture)	To be determined by the International Accounting Standards Board
IFRS 17 (Insurance Contracts)	January 1, 2023
Amendments to IFRS 17 (Insurance Contracts)	January 1, 2023
Amendment to IFRS 17 (Initial Application of IFRS 17 and IFRS 9 — Comparative Information)	January 1, 2023
Amendment to IAS 1 (Classification of Liabilities as Current or Non-Current)	January 1, 2023
Amendment to IAS 1 (Disclosure of Accounting Policies)	January 1, 2023
Amendment to IAS 8 (Definition of Accounting Estimates)	January 1, 2023
Amendment to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	January 1, 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.

#### 4、 Summary Description of Material Accounting Policies

The material accounting policies used in the preparation of this Consolidated Financial Report are set out below. Unless otherwise stated, these policies apply consistently throughout the reporting period.

##### (1) Compliance Declaration

The Consolidated Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 by FSC.

##### (2) Basis of Preparation

1. Save for the following important items, this Consolidated Financial Report is prepared on the basis of historical cost:
  - (1) Financial assets and liabilities (including derivatives) measured at fair value through profit or loss.
  - (2) Financial assets measured at fair value through other comprehensive income.
  - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of 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 by FSC requires the use of a number of significant accounting estimates and the Management's judgement in the application of the Group's accounting policies, and involve a high degree of judgement or complex items, or items involving material assumptions and estimates in the Consolidated Financial Statements, as detailed in Note 5.

##### (3) Basis of Consolidation

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

- (1) The Group includes all its subsidiaries as the subjects of the Consolidated Financial Report. Subsidiary means an entity controlled by the Group. When the Group is exposed to the variable returns from the participation of the entity or has a right on such variable returns, and has the ability to influence such returns through its power over such entity, the Group is

controlling that entity. Subsidiaries are included in the Consolidated Financial Report from the date when the Group acquires control and cease from consolidation from the date when control is lost.

- (2) Intercompany transactions, balances and unrealized gains and losses between Group companies have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary to conform to those adopted by the Group.
- (3) The components of profit or loss and other comprehensive income are attributable to the owners of the Parent Company and non-controlling interests; the total comprehensive profit or loss is also attributable to the owners of the Parent Company and non-controlling interests, even if this results in deficit balance in the non-controlling interests.
- (4) Changes in the holding of shares in subsidiaries that do not result in a loss of control (transactions with non-controlling interests) are treated as equity transactions, i.e. transactions with the owners. The difference between the adjusted amount of the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity.

## 2. Subsidiaries included in the Consolidated Financial Report:

<u>Name of Investment Company</u>	<u>Name of Subsidiary</u>	<u>Nature of Business</u>	<u>Shareholding</u>		<u>Description</u>
			<u>December 31, 2021</u>	<u>December 31, 2020</u>	
The Company	Airmate International Holdings Limited (abbreviated as "Airmate International")	Overseas holding company	100%	100%	-
Airmate International	Airmate China International Limited (abbreviated as "Airmate China")	Overseas holding company	100%	100%	-
Airmate China	Waon Development Company Limited (abbreviated as "Waon Company")	Trade business	100%	100%	-

<u>Name of Investment Company</u>	<u>Name of Subsidiary</u>	<u>Nature of Business</u>	<u>Shareholding</u>		<u>Description</u>
			<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Waon Company	Airmate Electrical (Shenzhen) Limited (abbreviated as "Shenzhen Airmate")	Production and sale of household appliances and processing of precision mold	100%	100%	-
Waon Company/ Shenzhen Airmate	Emmett Electrical Appliances (Jiujiang) Co., Limited (abbreviated as "Jiujiang Airmate")	Production and sale of household appliances and processing of precision mold	100%	100%	Note 1
Shenzhen Airmate	Airmate Technology (Shenzhen) Co., Limited (abbreviated as "Airmate Technology")	Sales, research and development of household appliances	100%	100%	Note 2
Shenzhen Airmate	Airmate e-Commerce (Shenzhen) Co., Ltd. (abbreviated as "Airmate e-Commerce")	Sales of household appliances	100%	100%	-

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

Note 2: On January 6, 2020, Shenzhen Airmate has completed the acquisition of the remaining 49% equity interest in Airmate Technology (formerly known as Airmate Technology Co., Limited) and has completed the change of company name to Airmate Technology (Shenzhen) Co., Limited.

3. Subsidiaries not included in the Consolidated Financial Report: Nil.

4. Different accounting adjustment and treatment by subsidiaries during the accounting period: Nil.

5. Significant limitations: Nil.

6. Non-controlling interests in subsidiaries that are material to the Group: Nil.

#### (4) Foreign Currency Translation

The items presented in the financial statements of each individual entity within the Group are measured in the currency of the primary economic environment in which the individual entity operates (i.e. the functional currency). The Consolidated Financial Report are presented in the functional currency of the Company, "NTD" (presentation currency).

##### 1. Foreign currency transactions and balances

(1) Transactions in foreign currencies are translated into functional currencies using exchange rates on the date of the transaction or valuation. The translation differences resulting from the translation of such transactions are recognized in profit or loss for the current period.

- (2) The balance of foreign currency monetary assets and liabilities is adjusted based on the currency exchange rate on the balance sheet date. The translation difference resulting from the adjustment is recognized in profit or loss for the current period.
- (3) For the balance of foreign currency non-monetary assets and liabilities, if the balance is measured at fair value through profit or loss, it is adjusted based on the exchange rate on the balance sheet date and the translation differences arising from the adjustment are recognized in the profit or loss for the current period; if the balance is measured at fair value through other comprehensive income, it is adjusted based on the exchange rate on the balance sheet date and the translation differences arising from the adjustment are recognized in other comprehensive income or loss. For those not measured at fair value, the balances are measured at the historical exchange rate on the initial trading date.
- (4) All exchange gains and losses are presented in “Other Gains and Losses” in the Statement of Comprehensive Income.

## 2. Translation of Foreign Operating Entities

- (1) For Group entities, Associates and Joint Ventures whose functional currencies differ from the presentation currency, the operating performance and financial position are translated into the presentation currency in the following manner:
  - A. The assets and liabilities presented in each Balance Sheet are translated at the closing exchange rate on the balance sheet date;
  - B. The gains and losses expressed in each Statement of Comprehensive Income are translated at the prevailing average exchange rate; and
  - C. All translation differences arising from translation are recognized as other comprehensive income.
- (2) Where the foreign operating entity partly disposed or sold is an Associate or Joint Venture, the translation difference under other comprehensive income is reclassified proportionately to the profit or loss for the current period as part of the profit or loss on sale. However, even if the Group retains some interest in the former Associate or Joint Venture, but it has lost significant influence over the foreign operating entity associate or lost joint control over the foreign operating entity joint venture, it shall be treated as disposal of the entire interest in the foreign operating entity.
- (3) When the partially disposed or sold foreign operating entity is a subsidiary, the cumulative translation difference that will be recognized proportionately as other comprehensive profit or income is attributed to the non-controlling interest of the foreign operating entity. However, even if the Group retains some interest in the former Subsidiary, but it has lost control over the foreign operating entity subsidiary, it shall be treated as disposal of the entire interest in the foreign operating entity.

(5) Classification Criteria of Current and Non-current Assets and Liabilities

1. Assets that meet any of the following conditions are classified as current asset:

- (1) It is anticipated that the asset will be realized in the ordinary course of business, or it is intended to be sold or consumed.
- (2) It is held primarily for trading purposes.
- (3) It is anticipated to be realized within twelve months after the balance sheet date.
- (4) Cash or cash equivalents, but shall not include those restricted for exchange or settlement of liabilities at least twelve months after the balance sheet date.

The Group classifies all assets that do not meet the above conditions as non-current.

2. Liabilities that meet any of the following conditions are classified as current liability:

- (1) It is anticipated to be settled in the ordinary course of business.
- (2) It is held primarily for trading purposes.
- (3) It is anticipated to mature within 12 months after the balance sheet date.
- (4) Its repayment period cannot be extended unconditionally to at least twelve months after the balance sheet date. Where the terms of a liability includes an option granted to the counterparty to liquidate by issuing equity instrument, its classification shall not be affected.

The Group classifies all liabilities that do not meet the above conditions as non-current.

(6) Cash equivalents

Approximate cash equivalents are short-term and highly liquid investments that can be converted at any time into certain amount of cash with minimal risk of change in value.

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

1. Refers to financial assets that are not measured at amortized cost or at fair value through other comprehensive income.
2. The Group uses trading day accounting for financial assets measured at fair value through profit or loss in accordance with established trade practice.
3. The initial recognition of the Group is measured at fair value and the related transaction cost is recognized in profit or loss, and subsequently measured in fair value and its gains or losses is recognized in profit or loss.

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

1. Debt instrument investments that also meet the following conditions:

- (1) The financial assets are held under an operating model with the purpose of receiving contractual cash flows and disposals.

- (2) The contractual terms of the financial asset generate cash flows at a specified date, which are exclusively for the payment of principal and interest on the outstanding principal amount.
2. The Group uses trading day accounting for financial assets measured at fair value through other comprehensive income in accordance with trading practices.
3. The initial recognition of the Group is measured at fair value plus transaction costs and subsequently at fair value. Changes in fair value of debt instruments are recognized in other comprehensive income. The impairment losses, interest income and gains and losses on foreign currency exchange are recognized in profit or loss before the derecognition. At the time of the derecognition, the cumulative gains or losses previously recognized in other comprehensive income will be reclassified from equity to profit or loss.

(?) Financial Assets at Amortized Cost

1. Refers to those which meet the following conditions at the same time:
  - (1) The financial assets are held under an operating model with the purpose of receiving contractual cash flows.
  - (2) The contractual terms of the financial asset generate cash flows at a specified date, which are exclusively for the payment of principal and interest on the outstanding principal amount.
2. The Group uses trading day accounting for financial assets measured at amortized cost in accordance with trading practices.
3. The initial recognition of the Group is measured at fair value plus transaction costs and subsequently the interest income and impairment losses during the circulation period are recognized using the effective interest method in accordance with the amortization procedures. At the time of the derecognition, the gains or losses are recognized in profit or loss.
4. Where the Group holds time deposits that do not meet the requirements for cash equivalents, due to the short holding period, the impact of discounting is insignificant and therefore is measured by the amount of investment.

(10) Accounts and Notes Receivable

1. Refers to the unconditional collection of accounts and notes for the consideration amount obtained from the transfer of commodities or labor in accordance with the contract.
2. For short-term accounts and notes receivable with unpaid interest, due to the impact of discounting is not significant, the Group thereby measure by the original invoice amount.
3. Where the operating model of the Group anticipates the sale of accounts receivable for the purpose of collecting contractual cash flows and sale, it shall be subsequently measured at fair value and the changes are recognized in other comprehensive income.

(11) Impairment of Financial Assets

At each balance sheet date, the Group makes allowance for 12 months' expected credit loss for debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost, where the credit risk has not significantly increased since initial recognition, taking into account all reasonable and proven information (including forward-looking information); where the credit risk has significantly increased since initial recognition, the allowance shall be measured according to the expected credit loss for the period of existence; but shall not include accounts receivable or contractual assets forming part of the significant financial component, which allowance is measured according to the expected credit loss for the period of existence.

(12) Derecognition of Financial Assets

The Group will derecognize the financial assets when one of the following conditions is met:

1. The contractual right to receive cash flows from the financial assets expires.
2. The contractual right to receive cash flows from the financial assets have been transferred, and almost all the risks and rewards of ownership of financial assets have been transferred.
3. The contractual right to receive cash flows from the financial assets have been transferred, but not retaining control over the financial assets.

(13) Inventories

Inventories are measured at the lower of cost and net realizable value, and costs are determined by the weighted average method. The cost of manufactured goods and work in progress includes raw materials, direct labor, other direct costs and manufacturing costs related to production which are divided according to actual production capacity, but excludes borrowing costs. When comparing the cost and net realizable value whichever is lower, the comparison is made by comparing each items. The net realizable value is the balance after deducting the estimated cost to be invested and the related variable selling expenses from the estimated selling price in the ordinary course of business.

(14) Investments using the Equity Method — Associates

1. Associates are all entities which the Group has significant influence but no control over, and the Group generally holds more than 20% of their voting shares directly or indirectly. The Group uses the equity method for investments in associates, which is recognized at cost during acquisition.
2. The Group's share of the profit or loss after the acquisition of the Associates is recognized in profit or loss for the current period, and its share of other comprehensive income after the acquisition is recognized in other comprehensive income. The Group does not recognise further losses if the Group's share of the loss to any Associates is equal to or greater than its interest in

the Associates (including any other unsecured receivables), unless the Group has a legal obligation, a constructive obligation or has paid on its behalf in respect of the Associates.

3. When there is any changes in equity in the Associates which is not due to profit or loss and other comprehensive income and the shareholding ratio of the Associates is not affected, the Group will recognize the changes in equity attributable to the Group under the share of the Associates as a “Capital Surplus” based on the shareholding ratio.
4. The unrealised gains and losses arising from the Group's transactions with the Associates have been eliminated in proportion to the equity interests in the Associates; unrealised losses shall also be eliminated unless the evidence shows that the assets transferred under that transaction have been impaired. The accounting policies of the Associates have been adjusted as necessary to conform to the policies adopted by the Group.
5. When the Group disposes of an Associate, if the significant influence on that Associate has lost, all amounts previously recognized in other comprehensive income in relation to the Associates are accounted for on the same basis as if the Group were to directly dispose of the relevant asset or liability, i.e., if the gain or loss previously recognized in other comprehensive income, it shall be reclassified to profit or loss at the time of the disposal of the relevant asset or liability, when the significant influence on the Associate has lost, the gain or loss is reclassified from equity to profit or loss. If the Group still has a significant influence on the Associate, only the proportionate amounts previously recognized in other comprehensive income will be transferred out in accordance with the abovementioned method.

(15) Property, Plant and Equipment

1. Property, plant and equipment are accounted for on the basis of acquisition cost, and the related interest during the acquisition period will be capitalized.
2. Subsequent costs are included in the carrying amount of an asset or are recognized as a separate asset only if there is a substantial likelihood that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. The carrying amount of the portion to be replaced shall be excluded. All other repair costs are recognized in profit or loss when incurred.
3. Property, plant and equipment is subsequently measured by cost, and depreciated using the straight-line method based on the estimated useful life. If the composition of property, plant and equipment is material, the depreciation is to be presented separately.
4. At the end of each financial year, the Group reviews the residual value, useful life and depreciation method of each asset. If the expected residual value and useful life differs from the previous estimates, or if there has been a material change in the expected consumption pattern of



the assets considering the future economic benefits, the change in accounting estimates will be treated in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” from the date of the change. The useful life of each class of assets is as follows:

Houses and Buildings	10	~	50	Years
Machinery and Equipment			10	Years
Transportation Facilities			6	Years
Office Equipment			5	Years
Other Equipment			5	Years

(16) Lease Transactions of Lessee - Right-of-use Assets/Lease Liabilities

1. Leased assets are recognized as right-of-use assets and lease liabilities on the date when they are available for use by the Group. For short-term lease or a low-value lease subject, the lease payment is recognized as an expense during the lease term using the straight-line method.
2. Lease liabilities are recognized at the present value of the outstanding lease payments from the commencement date of the lease, after discounting at the Group's incremental borrowing interest rate. Lease payments include:
  - (1) fixed payments less any lease incentives that may be received;
  - (2) variable lease payments depending on an index or rate;
  - (3) amount expected to be paid by the Group under the residual value guarantee; and
  - (4) the exercise price of the purchase option, if the Lessee can reasonably exercise that option; and
  - (5) the penalty payable for termination of the lease, if the term of the lease reflects the Lessee's option to terminate the lease.

Subsequent interest is measured by the amortized cost method, and interest expense is provisioned during the lease period. When non-contractual amendments result in changes in the lease term or lease payments, the lease liability is revalued and the right-of-use asset is adjusted by re-measurement.

3. The right-of-use assets are recognized at cost on the commencement date of the lease, including:
  - (1) the initial measurement of lease liabilities;
  - (2) any lease payments made on or before the lease commencement date;
  - (3) any initial direct costs incurred; and

- (4) The estimated cost of dismantling, removing the asset and restoring the premises where it is located, or restoring the asset to the condition required by the terms and conditions of the lease.

Subsequent measurement is by cost models and make provision for depreciation when the useful life of the right-of-use asset expires or the lease term expires, whichever is earlier. When a lease liability is revalued, the right-of-use asset will adjust the remeasurement value of the lease liability.

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

(17) Intangible Assets

Where the intangible assets are computer software and network engineering and golf licenses, it shall be recognized by acquisition cost, and amortize over an estimated useful life of 5 to 10 years using the straight-line method.

(18) Impairment of Non-financial Assets

For assets showing signs of impairment on the balance sheet date, the Group estimates its recoverable amount and recognises the impairment loss when the recoverable amount is lower than its carrying amount. The recoverable amount is the fair value of an asset less the cost of disposal or the value of its use, whichever is higher. When the impairment of an asset recognized in the previous year does not exist or decreases, the impairment loss is to be reversed, but the carrying amount of the asset increased by reversing the impairment loss does not exceed the carrying amount of the asset less depreciation or amortization when the impairment loss is not recognized.

(19) Loans

Refers to the long and short-term borrowings from the banks. The Group measured the loan at its fair value less transaction costs at the time of initial recognition and subsequently recognize interest expense in profit or loss for the period using the effective interest method in accordance with the amortization procedure in respect of any difference between the price after deduction of transaction costs and the redemption value.

(20) Accounts and Notes Payable

1. Refers to debts arising from the purchase of raw materials, goods or services and notes payable arising from operations and non-operating activities.
2. Outstanding short-term accounts and notes payable and notes are measured at the amount of the

original invoice due to the insignificant effect of the discount.

**(21) Financial Liabilities at Fair Value Through Profit or Loss**

1. Refers to financial liabilities incurred primarily for the purpose of repurchase in the short-term and held for trading other than derivatives designated as hedging instruments under hedge accounting.
2. The Group recognize the financial liabilities at fair value at the time of initial recognition, and the related transaction costs are recognized in profit or loss at fair value. Subsequently, the financial liabilities are measured at fair value and its gains or losses are recognized in profit or loss.

**(22) Convertible Corporate Bonds Payable**

Convertible corporate bonds payable issued by the Group are embedded with conversion rights (i.e. the right of the holder to elect to convert to ordinary shares of the Group where a fixed amount will be converted into a fixed amount of shares), put-back and buy-back rights. At the time of the initial issue, the issue price is divided into financial assets, financial liabilities or equity according to the terms of issue, which are treated as follows:

1. Embedded put-back and buy-back rights: At the time of initial recognition, the net book value of the financial assets or liabilities measured at fair value through profit or loss is recorded; subsequently valued at fair value on the balance sheet date, and the difference is recognized as the gain or loss on financial assets (liabilities) measured at fair value through profit or loss.
2. Main covenants for corporate bonds: The difference between the fair value at the time of initial recognition and the redemption value is recognized as a discount on corporate bonds payable. Subsequently, the effective interest method is adopted and recognized in profit or loss during the circulation period under the amortization procedure as an adjustment to the financial cost.
3. Embedded conversion rights (consistent with the definition of equity): At the time of initial recognition, the issuance amount is deducted from the financial assets or liabilities measured at fair value through profit or loss and corporate bonds payable, and the remaining value is recorded under capital surplus - stock options and is not remeasured thereafter.
4. Any transaction costs directly attributable to the issuance shall be distributed to the components of each liability and equity in proportion to the initial carrying amount of each of the aforementioned components.
5. When the holder converts, the book value of the liability component (including corporate bonds payable and financial assets or liabilities measured at fair value through profit or loss) is treated according to its subsequent measurement method, and the book value of the

aforementioned liability components plus the book value of the capital surplus - stock option is used as the issuance cost of the ordinary shares.

(23) Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when the contract obligations have been performed, cancelled or expired.

(24) Offsetting Financial Assets and Liabilities

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

(25) Non-hedging Derivatives and Embedded Derivatives

1. Non-hedging derivative instruments are measured at fair value at the date of the contract at the time of initial recognition, and recorded under financial assets or liabilities measured at fair value through profit or loss. Subsequently, it is measured at fair value and the gains or losses are recognized in profit or loss.
2. For financial assets hybrid contract embedded with derivative instruments, it is classified based on the contract terms as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost at the time of initial recognition.
3. For non-financial assets hybrid contract embedded with derivative instrument, it shall be determined at the time of initial recognition, whether the embedded derivatives are closely related to the economic characteristics and risks of the main contract to determine whether they should be administered separately. If it is closely related, the overall hybrid instrument is to be administered according to appropriate criteria depending on its nature. If it is not closely related, the derivative instrument is separated from the main contract and is treated as a derivative, while the main contract is treated by appropriate criteria according to its nature; or designated as a financial liability at fair value through profit or loss as a whole at the time of initial recognition.

(26) Provision

Provision (including warranties) represent current legal or constructive obligations arising from past events and are likely to require the release of economically effective resources to satisfy such obligations and the amount of such obligations can be reliably estimated and recognized. Provision are measured at the best estimated present value of expenses required to meet the obligation at the balance sheet date. The discount rate uses a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risk of the liability. The amortization of the discount is recognized as an interest expense. Future operating losses may not be recognized under the Provision.

## (27) Employee benefits

### 1. Short-term employee benefits

Short-term employee benefits are measured at the non-discounted amount expected to be paid and recognized as an expense when the relevant services are provided.

### 2. Pension

#### (1) Defined contribution plan

For defined contribution plan, the amount of the pension fund to be contributed is recognized as the pension cost for the current period on an accrual basis. Advance contributions are recognized as assets to the extent that they are refundable in cash or are reduced in future payments.

#### (2) Defined benefit plan

A. The net benefit obligation under the defined benefit plan is calculated by discounting the amount of future benefits earned by the employee in the current or past service and subtract the fair value of the plan assets from the present value of the defined benefit obligation at the balance sheet date. The net defined benefit obligation is calculated annually by the actuary using the projected unit benefit method. The discount rate is the market interest rate of government bonds that is consistent with the currency and period of the defined benefit plan at the balance sheet date.

B. The remeasurement of the defined benefit plan is recognized in other comprehensive income in the period in which the remeasurement occurs and is presented under retained earnings.

C. The expenses associated with prior period service costs are recognized immediately in profit or loss.

### 3. Termination benefits

Termination benefits are benefits provided when an employee's employment with the Company is terminated before the normal retirement date or the benefits provided when the employee decides to accept an offer of benefits from the Company in exchange for the termination of employment. The Group recognises expenses when the offer for termination benefits can no longer be revoked or when the relevant restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled in the 12 months following the balance sheet date should be discounted.

### 4. Employee' remuneration and directors' remuneration

Employee' remuneration and directors' remuneration are recognized as expenses and liabilities when it is legally or presumptively obligatory and the amount can reasonably be estimated. After the resolution, if there is a difference between the actual amount allocated and the estimated amount, it is treated as a change in accounting estimates. In addition, if the employee remuneration is distributed in the form of shares, the closing price of the day before the date of the resolution of the Board of Directors shall be used as the basis for

calculating the number of shares.

#### (28) Income Tax

1. Income tax expenses include current and deferred income tax. Except for income tax related to items included in other comprehensive income or directly included in equity, which shall be recorded under other comprehensive income or directly in equity, income tax is recognized in profit or loss.
2. The Group calculates its income tax for the current period based on the tax rates enacted under the legislation or substantive legislation of the countries in which it operates and generates taxable income as at the balance sheet date. The Management periodically assesses the status of income tax returns filing in relation to applicable income tax regulations and, where applicable, estimates income tax liabilities based on the taxes expected to be paid to tax authorities.
3. Deferred income tax adopts the balance sheet method, and is recognized based on the tax base of assets and liabilities and the temporary differences arising from their carrying amount in the Consolidated Balance Sheet. In the case of temporary differences arising from Investment Subsidiaries and Associates, the Group may control the point in time at which the temporary differences reversal occurs, and the temporary differences will not be recognized if it is probable that it will not reverse in the foreseeable future. Deferred income tax adopts the tax rates (and tax laws) that have been legislated or substantively legislated at the balance sheet date and are expected to apply when the relevant deferred income tax assets are realised or the deferred income tax liabilities are settled.
4. Deferred tax assets are recognized to the extent that temporary differences are likely to be used to offset future taxable income, and are revalued at each balance sheet date for unrecognized and recognized deferred tax assets.
5. The current income tax assets and current income tax liabilities shall only be offset when there is a statutory power of execution to offset the recognized amount of current income tax assets and liabilities against each other and there is an intention to settle or simultaneously realize the assets and liabilities on a net basis. The deferred income tax assets and liabilities shall only be offset when there is a statutory power of execution to offset the current income tax assets and current income tax liabilities, and the tax authorities intend to settle or simultaneously realize the assets and liabilities on a net basis, by the same tax-paying entity subject to the same or different taxing authorities.

#### (29) Share Capital

When the Company repurchases the issued shares, the consideration paid, including any directly attributable incremental costs is to be recognized as a net post-tax decrease in shareholders' equity. During subsequent issue of the repurchased shares, the difference between the

consideration received, net of any directly attributable incremental costs and the effect of income tax, and the book value is recognized as an adjustment to shareholders' equity.

**(30) Dividend distribution**

The dividends distributed to the shareholders of the Company are recognized in the financial report at the time of the distribution of dividends is resolved by the Board of Shareholders of the Company, and the distribution in cash dividends are recognized as liabilities. The shares dividends are recognized as dividends held for distribution and classified as ordinary shares on the base date of issuance of new shares.

**(31) Government subsidy**

Government subsidies are recognized at fair value when there is a reasonable confidence that the company fulfills the conditions attached to the government subsidy and that such subsidy is receivable. If the nature of the government subsidy is to compensate the Group for expenses incurred, the government subsidy shall be recognized in profit or loss in the current period in accordance with the basis of the system during the period in which the relevant expenses were incurred. Government subsidies relating to property, plant and equipment are recognized as non-current liabilities and are recognized in profit or loss on a straight-line basis over the estimated useful life of the underlying assets.

**(32) Recognition of income - sale of products**

1. The Group manufactures and sells household appliances and mold-related products. Sales revenue is recognized when control of the products is transferred to the customer, that is, when the product is delivered to the customer in accordance with the agreed conditions, the customer has discretion over the use of the product, and the Group has no outstanding performance obligations. Delivery of products occurs when the product is shipped to the specified location, the risk of obsolescence and loss is transferred to the customer, and the customer accepts the products based on the sales contract, or there is objective evidence that all terms of acceptance have been complied with.
2. Revenue from the sale of products is recognized at the contract price, net of estimated sales returns and discounts. The Group recognizes the products expected to be returned as refund liabilities and the rights to the products to be returned respectively. Estimated sales returns are estimated at the point of sale based on historical experience using the expected value method for such returns. Sales discounts given to customers are generally calculated on the basis of cumulative sales volume over a year, and the Group estimates sales discounts based on historical experience using expected values. The Group has not adjusted the transaction price to reflect the monetary time value because the interval between the delivery of the promised products or services to the customer and the customer's payment has not exceeded one year.

3. The Group provides standard warranties for products sold, is obliged to refund for product defects, and the provision for warranty liabilities is recognized at the time of sale.
4. Accounts receivable are recognized when the products are delivered to the customer. Since then the Group has an unconditional right to the contract price from that point onwards, it can then collect the consideration from the customer after the passage of time.

(33) Operations Department

The information of the Group's operation departments are reported in a consistent manner by internal management reports to key operational decision makers. The key operational decision makers are responsible to allocate resources to operation departments and evaluate their performance.

5、 Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

At the time of preparation of the Group's Consolidated Financial Report, the Management has used its judgement to determine the accounting policies to be adopted and to make accounting estimates and assumptions based on the circumstances as at the balance sheet date and reasonable expectations of future events. The significant accounting estimates and assumptions made may differ from the actual results, and historical experience and other factors will be taken into account for the ongoing evaluation and adjustment. These estimates and assumptions carry the risk of material adjustment to the carrying amount of the assets and liabilities in the next financial year. Please find below a description of significant accounting judgments, estimates and assumptions uncertainty:

(1) Significant judgments on the adoption of accounting policies

Nil.

(2) Significant accounting estimates and assumptions

1. Provision for loss on accounts receivable

The Group's provision for impairment losses on accounts receivable is estimated on the basis of the assumptions upon default risk and expected loss rate. The Group determines upon the adoption of assumption and selection of input in calculating impairment by considering historical experience, current market status and prospective estimate on each reporting date. Please refer to Note 12(2) for a detailed explanation of the relevant assumptions and input.

2. Inventory valuation

As inventory shall be measured based on the cost or realizable value, whichever is lower; if on the consolidated company's evaluation report date, the inventory is obsolete, outdated or has no market value, the inventory cost shall be offset to net realizable value. The assessment of this inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may



have significant changes. For details on inventory valuation, please refer to Note 6(7).

6、 Explanation on Important Accounting Items

(1) Cash and Cash Equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash On Hand	\$ 1,439	\$ 1,227
Cheques and Demand Deposits	<u>448,215</u>	<u>442,485</u>
	<u>\$ 449,654</u>	<u>\$ 443,712</u>

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

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

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at Fair Value Through Profit or Loss - Current:		
Structured deposits	\$ -	\$ 72,010
Non-hedging derivatives - forward foreign exchange contracts	<u>4,477</u>	<u>-</u>
	<u>\$ 4,477</u>	<u>\$ 72,010</u>

Financial assets mandatorily measured at Fair Value Through Profit or Loss - Non-current:		
Corporate bond repurchase and redemption rights	<u>\$ 36</u>	<u>\$ 150</u>

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities held for transaction - current		
Non-hedging derivatives - forward foreign exchange contracts	\$ -	\$ 171

Non-hedging derivatives -  
option contracts

-	<u>7</u>
<u>\$ -</u>	<u>\$ 178</u>

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities held for transaction - current		
Non-hedging derivatives - forward foreign exchange contracts	\$ -	\$ 171
Non-hedging derivatives - option contracts	<u>-</u>	<u>7</u>
	<u>\$ -</u>	<u>\$ 178</u>

(1) Forward foreign exchange contracts and option transactions

The forward foreign exchange transactions and option contracts entered into by the Group to avoid the exchange rate risk and the risk of price changes in the raw materials market which the operating activities are exposed to, hence hedge accounting is not applied.

As at December 31, 2020, the margin balance retained in the futures account was NTD 56,287 (reported under Other current assets - other), of which the excess margin balance was NTD 0.

There was no such incident on December 31, 2021.

(2) Structured deposits

The structured products entered into by the Group with financial institutions are principal-guaranteed hybrid financial instruments.

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.

(3) Financial Assets at Amortized Cost

<u>December 31, 2021</u>	<u>December 31, 2020</u>
--------------------------	--------------------------

Current items:		
Reimbursement accounts and pledged time deposits	\$ 440,290	\$ 203,568
Restricted deposits (Note)	<u>-</u>	<u>19,646</u>
	<u>440,290</u>	<u>223,214</u>
Non-current items:		
Pledged time deposit	<u>-</u>	<u>106,396</u>
	<u>\$ 440,290</u>	<u>\$ 329,610</u>

Note: Bank deposits which were frozen due to the arbitration in respect of payment of goods between Airmate Electric Appliances (Jiujiang) Co., Limited., a subsidiary of the Group, and the suppliers were settled in April 2021. No additional losses were incurred and the relevant deposits were unfrozen.

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 NTD 440,290 and NTD 329,610 as at December 31, 2021 and 2020 respectively.
3. The Group's financial assets measured at amortized cost are provided as pledge guarantee for the issuance of guarantee lines for corporate bonds, bank loans and notes payable. Please refer to Note 8 for details.
4. Please refer to Note 12(2) for information on the credit risk of financial assets measured at amortized cost.

(4) Notes receivable and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes Receivable	\$ 1,898,891	\$ 1,363,829
Less: Discount on notes receivable	-	( 153,045)
Notes receivable transfer	( 578,246)	( 596,243)
Allowance loss	<u>-</u>	<u>-</u>
Notes receivable (net)	1,320,645	614,541
Notes receivable - related parties	<u>2,215</u>	<u>6,655</u>
	<u>\$ 1,322,860</u>	<u>\$ 621,196</u>
Accounts Receivable	\$ 1,233,028	\$ 1,583,021
Less: Provision	<u>( 74,594)</u>	<u>( 31,884)</u>
Net Amount of Accounts Receivable	1,158,434	1,551,137
Accounts receivable - related parties	<u>7,235</u>	<u>11,165</u>
	<u>\$ 1,165,669</u>	<u>\$ 1,562,302</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>
Not Overdue	\$ 1,322,860	\$ 693,447	\$ 621,196	\$ 1,298,165
Due date:				

Within 30 days	-	224,960	-	172,231
31-60 days	-	163,684	-	39,780
61-90 days	-	351	-	13,260
91-180 days	-	70,014	-	29,560
181-270 days	-	66,364	-	19,091
271-365 days	-	11,295	-	11,293
More than 366 days	-	<u>10,148</u>	-	<u>10,806</u>
	<u>\$ 1,322,860</u>	<u>\$ 1,240,263</u>	<u>\$ 621,196</u>	<u>\$ 1,594,186</u>

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

- The balances of accounts and notes receivable as of December 31, 2021 and 2020 were generated from customer contracts, and the balance of accounts receivable under customer contracts as of January 1, 2020 was NTD 1,809,607.
- 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.
- 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 2,488,529 and NTD 2,183,498 as at December 31, 2021 and 2020 respectively.
- As at December 31, 2021 and 2020, the Group had financial assets measured at fair value through other comprehensive income in projected sales receivables of NTD 18,410 and NTD 51,879 respectively.
- For information on the transfer of financial assets, please refer to Note 6(5) for details.
- For aging analysis and credit risk information of accounts and notes receivable, please refer to Note 12(2) and (3).
- The Group provides notes and accounts receivable as pledge guarantee. Please refer to the explanation in Note 8.

(5) 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:

December 31, 2021

<u>Amount of accounts receivable sold</u>	<u>Underwriting limit</u>	<u>Derecognized amount</u>	<u>Advanced amount</u>	<u>Advanced amount Interest Rate Range</u>
USD 190,578	USD 1,000,000	\$ 5,249 (USD 190,578)	\$ -	-

December 31, 2020

<u>Amount of accounts receivable sold</u>	<u>Underwriting limit</u>	<u>Derecognized amount</u>	<u>Advanced amount</u>	<u>Advanced amount Interest Rate Range</u>
USD 21,371	USD 1,000,000	\$ 615 (USD 21,371)	\$ -	-

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.

(6) Other Receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Claims receivable sold	\$ 5,249	\$ 615
Other receivables - collections	86,741	90,640
Other receivables - others	<u>23,806</u>	<u>31,534</u>
	115,796	122,789
Less: Provision	<u>( 86,741)</u>	<u>( 90,640)</u>
	<u>\$ 29,055</u>	<u>\$ 32,149</u>

(7) Inventories

December 31, 2021

	<u>Cost</u>	<u>Provision for loss on valuation</u>	<u>Book Amount</u>
Raw materials	\$ 777,849	(\$ 40,308)	\$ 737,541
Work-in-process	413,737	( 36,629)	377,108
Finished product	<u>1,768,697</u>	<u>( 178,896)</u>	<u>1,589,801</u>
	<u>\$ 2,960,283</u>	<u>(\$ 255,833)</u>	<u>\$ 2,704,450</u>

December 31, 2020

	<u>Cost</u>	<u>Provision for loss on valuation</u>	<u>Book Amount</u>
Raw materials	\$ 478,306	(\$ 32,102)	\$ 446,204
Work-in-process	368,532	( 29,495)	339,037
Finished product	<u>1,492,703</u>	<u>( 150,760)</u>	<u>1,341,943</u>
	<u>\$ 2,339,541</u>	<u>(\$ 212,357)</u>	<u>\$ 2,127,184</u>

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

	<u>2021</u>	<u>2020</u>
Cost of inventories sold	\$ 8,945,597	\$ 7,590,249
Loss on Inventory Shortage	44,621	36,749
Others	<u>49,331</u>	<u>14,209</u>
	<u>\$ 9,039,549</u>	<u>\$ 7,641,207</u>

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

(8) Advance Payment

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepayment	\$ 35,478	\$ 42,760
Prepaid Expenses	34,861	37,707
Retained tax amount	<u>188,380</u>	<u>139,636</u>
	<u>\$ 258,719</u>	<u>\$ 220,103</u>

(9) 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>December 31, 2021</u>	<u>December 31, 2020</u>
The book amount of equity at the end of the current period of individual non-	<u>\$ 31,342</u>	<u>\$ 27,258</u>

material associates

	<u>2021</u>	<u>2020</u>
Share attributable to the Consolidated Company:		
Total comprehensive revenue amount of continuous operation units	( <u>\$ 1,128</u> )	( <u>\$ 2,742</u> )

1. The Group holds a 40% equity interest in Zhejiang Airmate Electric Appliance Sales Co., Limited. (abbreviated as "Zhejiang Airmate Company"). As the other single major shareholder (Non-related party) holds 60% of the equity shares, thereby indicates that the Group has no actual ability to lead the relevant activities, it is determined that the Group has no control over the company and has only a significant impact.
2. The realized (unrealized) gross profit from the sidestream transactions of the Group in 2021 and 2020 arising from the sales to the associates company Zhejiang Airmate Company are as follows:

	<u>2021</u>	<u>2020</u>
Unrealized gross profit from sidestream sales	(\$ 24,801)	(\$ 8,936)
Realized gross profit from sidestream sales	<u>30,159</u>	<u>13,285</u>
	<u>\$ 5,358</u>	<u>\$ 4,349</u>

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

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(70) 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>Construction in Process and equipment to be tested</u>	<u>Total</u>
<u>January 1, 2021</u>							
Cost	\$ 2,552,225	\$ 1,037,345	\$ 52,734	\$ 241,643	\$ 2,614,064	\$ 47,784	\$ 6,545,795
Accumulated depreciation and impairment	( 353,010)	( 687,444)	( 43,142)	( 205,364)	( 2,121,620)	-	( 3,410,580)
	<u>\$ 2,199,215</u>	<u>\$ 349,901</u>	<u>\$ 9,592</u>	<u>\$ 36,279</u>	<u>\$ 492,444</u>	<u>\$ 47,784</u>	<u>\$ 3,135,215</u>
<u>2021</u>							
1 January	\$ 2,199,215	\$ 349,901	\$ 9,592	\$ 36,279	\$ 492,444	\$ 47,784	\$ 3,135,215
Additions	133	27,875	3,314	8,655	25,775	115,074	180,826
Reclassification	-	2,545	916	400	139,198	( 78,675)	64,384
Transfer Expenses	-	-	-	-	-	( 25,437)	( 25,437)
Depreciation Expenses	( 67,257)	( 84,468)	( 3,935)	( 14,963)	( 235,197)	-	( 405,820)
Disposal – Cost	( 2,938)	( 25,114)	( 7,079)	( 8,846)	( 35,822)	( 25,845)	( 105,644)
Disposal – Accumulated Depreciation	1,389	22,780	6,776	8,667	35,609	-	75,221
Net exchange differences	( 11,905)	( 1,879)	( 51)	( 216)	( 2,638)	( 259)	( 16,948)
31 December	<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>December 31, 2021</u>							
Cost	\$ 2,535,554	\$ 1,004,492	\$ 49,559	\$ 239,054	\$ 2,699,013	\$ 32,642	\$ 6,560,314
Accumulated depreciation and	( 416,917)	( 712,852)	( 40,026)	( 209,078)	( 2,279,644)	-	( 3,658,517)

impairment

\$ 2,118,637      \$ 291,640      \$ 9,533      \$ 29,976      \$ 419,369      \$ 32,642      \$ 2,901,797

	<u>Houses and Buildings</u>	<u>Machinery and Equipment</u>	<u>Transportation Facilities</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Construction in Process and equipment to be tested</u>	<u>Total</u>
<u>January 1, 2020</u>							
Cost	\$ 1,065,804	\$ 1,213,048	\$ 55,362	\$ 243,851	\$ 2,547,223	\$ 59,794	\$ 5,185,082
Accumulated depreciation and impairment	( 313,326)	( 759,205)	( 42,005)	( 203,268)	( 1,980,443)	-	( 3,298,247)
	<u>\$ 752,478</u>	<u>\$ 453,843</u>	<u>\$ 13,357</u>	<u>\$ 40,583</u>	<u>\$ 566,780</u>	<u>\$ 59,794</u>	<u>\$ 1,886,835</u>
<u>2020</u>							
1 January	\$ 752,478	\$ 453,843	\$ 13,357	\$ 40,583	\$ 566,780	\$ 59,794	\$ 1,886,835
Additions	-	5,018	915	11,657	56,202	92,792	166,584
Reclassification	1,473,467	-	-	-	90,945	( 73,606)	1,490,806
Transfer Expenses	-	-	-	-	-	( 33,149)	( 33,149)
Depreciation Expenses	( 37,440)	( 74,706)	( 4,673)	( 16,181)	( 205,546)	-	( 338,546)
Disposal – Cost	( 499)	( 160,223)	( 3,603)	( 15,925)	( 19,159)	-	( 199,409)
Disposal – Accumulated Depreciation	187	120,678	3,452	15,671	( 2,795)	-	137,193
Net exchange differences	<u>11,022</u>	<u>5,291</u>	<u>144</u>	<u>474</u>	<u>6,017</u>	<u>1,953</u>	<u>24,901</u>
31 December	<u>\$ 2,199,215</u>	<u>\$ 349,901</u>	<u>\$ 9,592</u>	<u>\$ 36,279</u>	<u>\$ 492,444</u>	<u>\$ 47,784</u>	<u>\$ 3,135,215</u>
<u>December 31, 2020</u>							
Cost	\$ 2,552,225	\$ 1,037,345	\$ 52,734	\$ 241,643	\$ 2,614,064	\$ 47,784	\$ 6,545,795
Accumulated depreciation and impairment	( 353,010)	( 687,444)	( 43,142)	( 205,364)	( 2,121,620)	-	( 3,410,580)

\$ 2,199,215      \$ 349,901      \$ 9,592      \$ 36,279      \$ 492,444      \$ 47,784      \$ 3,135,215

1. There is no capitalisation of borrowing cost for the Group's property, plant and equipment in 2021 and 2020.
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 Group's property, plant and equipment are not available for lease.
4. The Group transferred the right-of-use assets — houses to Property, Plant and Equipment in 2020. Please refer to Note 6(11) for details.
5. For information on the Group providing property, plant and equipment as security for short-term loans and financing lines, please refer to the explanation in Note 8.

(11) Lease Transaction - 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. 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.

The Group and Jiujiang Economic Development Zone signed an investment project contract, met the contract terms, and paid in full with the contract price worth CNY 360 million (equivalent to NTD 1,571,133) on December 27, 2019. On August 27, 2020, the Group obtained the state-owned land-use rights at an auction price of CNY 480 million (equivalent to NTD 2,094,844). Due to the contract condition that if the initial selling price of the transfer exceeds the contract price of CNY 360 million (equivalent to NTD 1,571,133), Jiujiang Economical Development Zone shall unconditionally pay the Group CNY 120 million (equivalent to NTD 523,711) as compensation. The Group recognizes the subsidy received as an asset deduction. After obtaining the state-owned land use right certificate, the land use right and housing cost were recognized based on the contract price, which were CNY 36,129,000 (equivalent to NTD 157,676) and CNY 341,594,000 (equivalent to NTD 1,490,806) respectively. And according to the 50-year amortization of the land use right certificate, the house is transferred to be under Property, Plant and Equipment.

3. Changes in the Group's right-of-use assets in 2021 and 2020 are as follows:

	<u>Land use right</u>	
	<u>2021</u>	<u>2020</u>
1 January	\$ 210,874	\$ 1,595,241
Additions	-	84,008
Reclassification	-	( 1,490,806)
Depreciation Expenses	( 4,822)	( 2,093)
Net exchange differences	( 1,370)	24,524
31 December	<u>\$ 204,682</u>	<u>\$ 210,874</u>

4. The information on the profit and loss items in relation to lease contracts are as follows:

	<u>2021</u>	<u>2020</u>
<u>Items that affect the profit and loss of the current period</u>		
Expenses attributable to short-term lease contracts	\$ 38,471	\$ 41,123
Expenses attributable to the lease of low-value assets	<u>289</u>	<u>243</u>
	<u>\$ 38,760</u>	<u>\$ 41,366</u>

5. The Group's total lease cash outflows during year 2021 and 2020 were NTD 38,760 and NTD 41,366 respectively.

6. The Group does not provide any right-of-use assets as pledge guarantee.

(12) Intangible Assets

	<u>2021</u>		
	Computer software		
	<u>and network engineering</u>	<u>Golf license</u>	<u>Total</u>
1 January			
Cost	\$ 125,662	\$ 18,700	\$ 144,362
Accumulated amortization and impairment	( 118,477)	( 18,136)	( 136,613)
	<u>\$ 7,185</u>	<u>\$ 564</u>	<u>\$ 7,749</u>
1 January	\$ 7,185	\$ 564	\$ 7,749
Additions	2,207	-	2,207
Reclassification	634	-	634
Amortization Expenses	( 4,722)	( 271)	( 4,993)
Net exchange differences	( 38)	( 3)	( 41)
31 December	<u>\$ 5,266</u>	<u>\$ 290</u>	<u>\$ 5,556</u>
31 December			
Cost	\$ 127,825	\$ 18,599	\$ 146,424
Accumulated amortization and impairment	( 122,559)	( 18,309)	( 140,868)
	<u>\$ 5,266</u>	<u>\$ 290</u>	<u>\$ 5,556</u>
	<u>2020</u>		
	Computer software		
	<u>and network engineering</u>	<u>Golf license</u>	<u>Total</u>
1 January			
Cost	\$ 122,113	\$ 18,410	\$ 140,523
Accumulated amortization and impairment	( 111,457)	( 17,369)	( 128,826)
	<u>\$ 10,656</u>	<u>\$ 1,041</u>	<u>\$ 11,697</u>
1 January	\$ 10,656	\$ 1,041	\$ 11,697
Additions	1,627	-	1,627
Amortization Expenses	( 5,177)	( 486)	( 5,663)
Net exchange differences	79	9	88
31 December	<u>\$ 7,185</u>	<u>\$ 564</u>	<u>\$ 7,749</u>
31 December			
Cost	\$ 125,662	\$ 18,700	\$ 144,362
Accumulated amortization and impairment	( 118,477)	( 18,136)	( 136,613)
	<u>\$ 7,185</u>	<u>\$ 564</u>	<u>\$ 7,749</u>

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

	<u>2021</u>	<u>2020</u>
Operating Costs	\$ 1,539	\$ 1,861
Operating cost-various amortization	<u>3,454</u>	<u>3,802</u>
	<u>\$ 4,993</u>	<u>\$ 5,663</u>

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

(13) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Advance payment for equipment	\$ 31,872	\$ 55,250
Refundable Deposits	63,969	66,266
Others	<u>905</u>	<u>758</u>
	<u>\$ 96,746</u>	<u>\$ 122,274</u>

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

(14) Short-term loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank loans		
Unsecured loans	\$ 644,758	\$ 314,060
Secured loans	<u>114,634</u>	<u>1,242</u>
	<u>\$ 759,392</u>	<u>\$ 315,302</u>
Unutilised line of credit	<u>\$ 1,319,116</u>	<u>\$ 1,536,196</u>
Interest Rate Range	<u>0.86% ~ 4.79%</u>	<u>0.83% ~ 5.22%</u>

1. Interest expense recognized in profit or loss in 2021 and 2020 were NTD 22,037 and NTD 35,359 respectively.

2. Please refer to Note 8 for details on the collaterals for bank loans.

(15) Notes Payable

1. As at December 31, 2021 and 2020, the Group's notes payable with guarantees or commitments from financial institutions were NTD 1,788,547 and NTD 1,772,256 respectively.

2. Please refer to Note 8 for details on the collaterals for notes payable.

(16) Other Payables

<u>December 31, 2021</u>	<u>December 31, 2020</u>
--------------------------	--------------------------

Salaries and Wages Payable	\$	198,028	\$	198,963
Employees' compensation and directors' and supervisors' remuneration payable		-		16,851
Payable contribution expense		241,336		257,787
Payable transportation expense		5,621		31,607
Payable vacation payment		2,739		14,872
Payable tax		13,684		4,710
Other expenses payable		72,573		109,791
Other Payables		<u>14,820</u>		<u>34,961</u>
	\$	<u>548,801</u>	\$	<u>669,542</u>

(17) Provision - Current (Warranty liabilities)

	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ 42,265	\$ 20,556
Additional provisions made in the current period	94,748	96,361
Provision amounts used during the current period	( 108,811)	( 74,975)
Net exchange differences	<u>( 227)</u>	<u>323</u>
Balance on December 31	<u>\$ 27,975</u>	<u>\$ 42,265</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.

(18) Long-term Loans

<u>Nature of loan</u>	<u>Loan period and repayment method</u>	<u>Interest Rate Range</u>	<u>December 31, 2021</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% ~ 4.35%	\$ 8,551
Less: Long-term loans due within one year or one operating cycle			<u>( 521)</u>
			<u>\$ 8,030</u>

1. Interest expense recognized in profit or loss in 2021 and 2020 is NTD 101 and NTD 495 respectively.
2. Please refer to Note 8 for the details of collateral for long-term bank loans.
3. There was no such incident on December 31, 2020.

(19) Corporate Bonds Payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured convertible bonds	\$ 300,000	\$ 300,000
Unsecured convertible bonds	358,100	400,000
Less: Discount on corporate bonds payable	<u>( 11,405)</u>	<u>( 20,003)</u>
	646,695	679,997
Less: Corporate bonds due within one year or one operating cycle	<u>( 297,881)</u>	<u>-</u>
Payable corporate bond balance at the end of the current period	<u>\$ 348,814</u>	<u>\$ 679,997</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Embedded derivatives instruments - repurchase and redemption rights (recognized under "financial assets measured at fair value through profit or loss")	<u>(\$ 36)</u>	<u>(\$ 150)</u>
Equity component - conversion rights (recognized under capital surplus - subscription right)	<u>\$ 13,969</u>	<u>\$ 15,264</u>
	<u>2021</u>	<u>2020</u>
Embedded derivative instruments - gain on valuation of repurchase/redemption rights (recognized under gain or loss on financial liabilities measured at fair value through profit or loss)	<u>\$ 105</u>	<u>\$ 344</u>
Interest expenses	<u>\$ 7,147</u>	<u>\$ 6,886</u>



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

(1) Issuance period: 3 years, from September 30, 2017 to September 30, 2020.

(2) The total amount of the issuance is NTD 500,000, with a nominal value of NTD 100 each, issued in nominal value. A total of 5,000 copies were issued.

(3) The coupon rate is 0%, and the effective interest rate is 0.1090%.

(4) Conversion period:

From the day following 3 months after the date of issue of the convertible corporate bonds (January 1, 2018) until the maturity date (September 30, 2020).

(5) Redemption method:

From the next day following three months after issuance of convertible corporate bonds (January 1, 2018) to forty days before expiry of the issuance period (August 21, 2020), if the closing price of common stock of the Company at the Taipei Exchange goes over 30% (included) over the conversion price of convertible corporate bonds at the time for over 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:

Two years after issuance of convertible corporate bonds (September 30, 2019) is the reverse repurchase record date for creditors' reverse repurchase of convertible corporate bonds in advance. Creditors may require the Company for the redemption of held convertible bonds according to face amount plus interest compensation, and the interest compensation for two years is 101.0025% face amount (reverse repurchase right yield rate 0.50%). If the Company executes 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.

(7) Conversion price and adjustment:

① The conversion price at the time of issuance was NTD 28.30.

② 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 September 30, 2020. The conversion

price upon expiration of the conversion is NTD 26.7.

(8) Conversion status:

From the date of issuance of convertible bonds to September 30, 2020, bondholders have applied for the conversion of 2,007,000 ordinary shares of the Company, and the face amount of corporate bonds conversion is NTD 56,800. The decrease in capital reserve due to conversion was NTD 1,405. And in 2019, capital surplus generated by the premiums of new shares issuance from bond conversion was NTD 37,389. The share capital resulting from bond conversion was NTD 20,070.

(9) Status of redemption and repurchase:

The second secured convertible corporate bonds were due to redeem 4,432 corporate bonds on September 30, 2020. The redemption price was NTD 443,200, resulting a capital surplus reduction of NTD 10,959. The redemption gain arising from the foregoing is NTD 10,959, 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) Issuance period: 3 years, from December 4, 2019 to December 4, 2022.

(2) The total amount of the issuance is NTD 300,000, with a nominal value of NTD 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 bonds (March 5, 2020) to the maturity date (December 4, 2022)

(5) Redemption method:

From the next day following three months after issuance of convertible bonds (March 5, 2020) to forty days before the expiry of the issuance period (October 25, 2022), if the closing price of common stock of the Company at the Taipei Exchange goes over 30% (included) over the conversion price of convertible corporate bonds at the time for over 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:

- ① The conversion price at the time of issuance was NTD 32.
- ② If the number of issued common stock increases after issuance of convertible bonds, the Company has to adjust the conversion price according to the formula listed in the prospectus. As of December 31, 2021, the conversion price was NTD 28.4.

(8) Conversion status:

There were no conversion as of December 31, 2021 and 2020.

(9) Status of redemption and repurchase:

As of December 31, 2021 and 2020, there were no repurchases and redemptions of the third secured convertible corporate bonds.

3. The following is the Company's issuance conditions for the fourth unsecured convertible bonds issued domestically in the Republic of China:

- (1) Issuance period: 3 years, from December 10, 2020 to December 10, 2023.
- (2) The total amount of the issuance is NTD 400,000, with a nominal value of NTD 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:

- ① The conversion price at the time of issuance was NTD 27.
- ② If the number of issued common stock increases after issuance of convertible bonds, the Company has to adjust the conversion price according to the formula listed in the

prospectus. As of December 31, 2021, the conversion price was NTD 25.3.

(8) Conversion status:

From the date of issuance of convertible bonds to December 31, 2021, 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. And in 2021, capital surplus generated by the premiums of new shares issuance from bond conversion was NTD 23,165. The share capital resulting from bond conversion was NTD 13,704.

(9) Status of redemption and repurchase:

49 corporate bonds of the fourth unsecured convertible corporate bonds were redeemed in year 2021 at the redemption price of NTD 4,567, resulting a capital surplus reduction of NTD 152. The redemption gain arising from the foregoing is NTD 297, which is listed under "Other gains and losses"

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

(20) 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) The amount recognized in the balance sheet is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 36,330	\$ 34,171
Fair value of plan assets	( 1,614)	( 1,546)
Net liabilities of defined benefit	<u>\$ 34,716</u>	<u>\$ 32,625</u>

(3) Changes in net defined benefit liabilities are as follows:

	<u>2021</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net liabilities of defined benefit</u>
1 January	\$ 34,171	(\$ 1,546)	\$ 32,625
Current service cost	3,406	-	3,406
Interest income (expense)	<u>168</u>	<u>( 7)</u>	<u>161</u>
	<u>37,745</u>	<u>( 1,553)</u>	<u>36,192</u>
Remeasurement:			
	-	( 21)	( 21)
Return on plan assets (excluding amounts included in interest income or expenses)	1,131	-	1,131
Effect of changes in demographic assumptions			
Experience adjustment	<u>( 1,478)</u>	<u>-</u>	<u>( 1,478)</u>
	<u>( 347)</u>	<u>( 21)</u>	<u>( 368)</u>
Contribution to retirement fund	-	( 40)	( 40)
Exchange differences	<u>( 1,068)</u>	<u>-</u>	<u>( 1,068)</u>
31 December	<u>\$ 36,330</u>	<u>(\$ 1,614)</u>	<u>\$ 34,716</u>



	2020		
	<u>Defined benefit obligation</u>	<u>Fair value of the Plan Assets</u>	<u>Net defined benefit liabilities</u>
1 January	\$ 31,569	(\$ 2,852)	\$ 28,717
Past service cost	3,332	-	3,332
Interest (income) expenses	<u>294</u>	<u>(16)</u>	<u>278</u>
	<u>35,195</u>	<u>(2,868)</u>	<u>32,327</u>
Remeasurement:			
Return on Plan Assets (excluding amounts included in interest income or expenses)	-	(107)	(107)
Effect of changes in financial assumptions	1,807	-	1,807
Experience adjustments	<u>28</u>	<u>-</u>	<u>28</u>
	<u>1,835</u>	<u>(107)</u>	<u>1,728</u>
Provision for retirement funds	-	(41)	(41)
Pensions paid	(1,470)	1,470	-
Exchange differences	<u>(1,389)</u>	<u>-</u>	<u>(1,389)</u>
December 31	<u>\$ 34,171</u>	<u>(\$ 1,546)</u>	<u>\$ 32,625</u>

(4) The Company's defined benefit retirement plan Fund assets are entrusted to the Bank of Taiwan to operate in accordance with the proportion and amount of the entrusted operating projects specified in the annual investment and utilization plan of the Fund, in accordance with the provisions of Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (that is, to deposit with domestic and foreign financial institutions, to invest in domestic and foreign listed or privately placed equity securities, and to invest in domestic and foreign real estate securitized commodities, etc.). The relevant operation is supervised by the Labor Retirement Fund Supervisory Board. The minimum income to be allocated to the annual accounts of the Fund shall not be lower than the income calculated based on the two-year time deposit interest rate of the local bank. If there is any deficiency, it shall be supplemented by the national treasury upon the approval by the competent authority. Since the Company does not have the rights to participate in the operation and management of the Fund, hence it is not possible to disclose the classification of the fair value of the assets of the Plan in accordance with paragraph 142 of IAS 19. For details on the fair value of the Fund's total assets as of December 31, 2021 and December 31, 2020, please refer to the annual report on the operation of the Labor Retirement Fund published by the Government.

(5) The actuarial assumptions in relation to retirement benefits are summarized as follows:

	<u>2021</u>	<u>2020</u>
Discount Rate	<u>0.50%</u>	<u>0.50%</u>
Future salary increase rate	<u>2.00%</u>	<u>2.00%</u>

Future mortality assumptions for 2021 and 2020 are estimated based on the Sixth and Fifth

Experience Life Table of Taiwan Life Insurance.

The analysis of the present value of defined benefit obligations affected by changes in the main actuarial assumptions used is as follows:

Waon Company

	<u>Discount Rate</u>		<u>Future salary increase rate</u>	
	<u>Increase by</u>	<u>Decrease by</u>	<u>Increase by</u>	<u>Decrease by</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
Impact on the present value of defined benefit obligations				
December 31, 2021	<u>(\$ 878)</u>	<u>\$ 915</u>	<u>\$ 891</u>	<u>(\$ 860)</u>
December 31, 2020	<u>(\$ 842)</u>	<u>\$ 878</u>	<u>\$ 855</u>	<u>(\$ 825)</u>

Waon Company Taiwan Branch

	<u>Discount Rate</u>		<u>Future salary increase rate</u>	
	<u>Increase by</u>	<u>Decrease by</u>	<u>Increase by</u>	<u>Decrease by</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
Impact on the present value of defined benefit obligations				
December 31, 2021	<u>(\$ 92)</u>	<u>\$ 95</u>	<u>\$ 92</u>	<u>(\$ 90)</u>
December 31, 2020	<u>(\$ 98)</u>	<u>\$ 101</u>	<u>\$ 98</u>	<u>(\$ 95)</u>

The above sensitivity analysis is based on analyzing the influence of single assumption change with others remaining the same. In practice the change of many assumptions may be serial. Sensitivity analysis is conducted in the same method of calculating the net retirement fund liability in the balance sheet.

The method and assumptions used in preparing the sensitivity analysis for the period are the same as before.

- (6) The Group's anticipated contribution for retirement plans within the next one year is NTD 41.
- (7) As of December 31, 2021, the weighted average duration of the retirement plan was 9 to 15 years.



## 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 and Airmate Jiujiang 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) In 2021 and 2020, the Group recognized pension costs of NTD 41,286 and NTD 55,556 respectively, under the abovementioned pension schemes.

### (21) Other Non-current Liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other compensation	\$ 585,409	\$ 588,575
Long-term deferred income	<u>76,031</u>	<u>79,727</u>
	<u>\$ 661,440</u>	<u>\$ 668,302</u>

1. Other compensation is the compensation received in advance for the land development plan of the old plant in Shenzhen Industrial Zone. Please refer to the explanation in Note 12(4).
2. Long-term deferred income is mainly the property purchase tax incentive provided by the Jiujiang Economic and Technological Development Zone Management Committee. It is amortized as other income based on the period of 5 to 50 years. The changes in the current period are as follows:

	<u>2021</u>	<u>2020</u>
1 January	\$ 79,727	\$ 37,076
Current acquisition	-	45,344
Amortization in the current period	( 3,267)	( 3,222)
Net exchange differences	<u>( 429)</u>	<u>529</u>
31 December	<u>\$ 76,031</u>	<u>\$ 79,727</u>

The above long-term deferred income amortization table is listed under "other income". Please refer to Note 6(26).

### (22) Share Capital

1. As of December 31, 2021, 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>2021</u>	<u>2020</u>
1 January	139,588	136,851
Distribution of share dividends	5,584	2,737
Conversion of Convertible Corporate Bonds	1,370	-
Retirement of treasury stock	( 997)	-
31 December	<u>145,545</u>	<u>139,588</u>

3. On August 5, 2021, the Company resolved at the Ordinary Shareholders' Meeting to allocate share dividends of NTD 55,835 from the 2020 distributable earnings, increasing the capital by issue of 5,584,000 new shares, with a par value of NTD10 per share, and allocate 40 shares per 1000 shares free of charge according to the shareholding ratio of the shareholders recorded in the register of shareholders on the base date of issuance of the new shares.

The proposed capital increase was approved by the Financial Supervisory Commission and the Chairman was authorized by resolution of the Board of Directors to fix the base date for the capital increase as September 21, 2021.

4. On June 11, 2020, the Company resolved at the Ordinary Shareholders' Meeting to allocate share dividends of NTD 27,370 from the 2019 distributable earnings. The Company issued 2,737,000 new shares with a par value of NTD 10 each and 20 shares per 1000 shares to be distributed free of charge according to the shareholding ratio of the shareholders recorded in the register of shareholders on the base date of issuance of new shares.

The proposed capital increase was approved by the Financial Supervisory Commission and the base date for capital increase approved by resolution of the Board of Directors is July 27, 2020.

#### 5. Treasury shares

- (1) The Securities and Exchange Act provides that the number of shares bought back by the Company may not exceed ten percent of the total number of issued and outstanding shares of the Company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.
- (2) In accordance with the Securities and Exchange Act, the treasury shares held by the Company may not be pledged or enjoy the rights of shareholders prior to being transferred.
- (3) Pursuant to the Securities and Exchange Act, the shares repurchased to protect the credit and shareholders' interests of the Company shall be registered for cancellation within six months from the date of repurchase.

(4) In order to protect the Company's credit and shareholders' interests, the Company repurchased 997,000 shares of the Company between March 16 to May 15, 2021, with a total acquisition cost of NTD 27,262. On August 18, 2021, the Board of Directors resolved to cancel 997,000 shares of treasury shares, with a capital reduction amount of NTD 9,970. On August 25, 2021, Taiwan Stock Exchange Co., Ltd. agreed to the same on record. As of December 31, 2021, all treasury shares held by the Company have been written off.

6. For the conversion of convertible corporate bonds, please refer to Note 6(19).

### (23) 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>2021</u>				<u>Total</u>
	<u>Issuance premium</u>	<u>Treasury Stock Transaction</u>	<u>Employees stock option Expired</u>	<u>Convertible corporate bonds Share option</u>	
1 January	\$ 1,195,688	\$ 6,164	\$ 7,425	\$ 15,264	\$ 1,224,541
Conversion of Convertible Corporate Bonds	23,165	-	-	( 1,143)	22,022
Redemption of Convertible Corporate Bonds	-	-	-	( 152)	( 152)
Retirement of treasury stock	<u>( 8,622)</u>	<u>( 6,164)</u>	<u>-</u>	<u>-</u>	<u>( 14,786)</u>
31 December	<u>\$ 1,210,231</u>	<u>\$ -</u>	<u>\$ 7,425</u>	<u>\$ 13,969</u>	<u>\$ 1,231,625</u>

	<u>2020</u>				<u>Total</u>
	<u>Issuance premium</u>	<u>Treasury Stock Transaction</u>	<u>Employees stock option Expired</u>	<u>Convertible corporate bonds Share option</u>	
1 January	\$ 1,195,688	\$ 6,164	\$ 7,425	\$ 13,858	\$ 1,223,135
Issuance of Convertible Corporate Bonds	-	-	-	12,365	12,365
Redemption of Convertible Corporate Bonds	-	-	-	( 10,959)	( 10,959)

31 December	<u>\$ 1,195,688</u>	<u>\$ 6,164</u>	<u>\$ 7,425</u>	<u>\$ 15,264</u>	<u>\$ 1,224,541</u>
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~~(24)~~ Retained Earnings

1. In accordance with the Articles of Incorporation of the Company, during the period when the Company's shares are listed for sale on a trading platform or are listed on the Stock Exchange, the Board of Directors shall, when proposing the distribution of surplus earnings, make provision for the following from the surplus earnings of each fiscal year:
  - (a) a provision for the payment of the relevant tax for the fiscal year;
  - (b) amount to offset past losses;
  - (c) Ten per cent surplus reserve;
  - (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.

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 August 5, 2021 and June 11, 2020, the Shareholders' Meeting resolved the profit distribution plan for year 2020 and 2019. The details of the dividends distributed to owners of ordinary shares are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Shares allotment rate (NTD)</u>	<u>Amount</u>	<u>Shares allotment rate (NTD)</u>	<u>Amount</u>
Cash	\$ 0.60	\$ 83,753	\$ 0.80	\$ 109,480
Stock Dividend	0.40	<u>55,835</u>	0.20	<u>27,370</u>
		<u>\$ 139,588</u>		<u>\$ 136,850</u>

(2) On March 21, 2022, by the resolution of the Board of Directors, but yet to be reported at the Shareholders' Meeting, dividends will not be distributed due to the operation is at loss in year 2021.

## (25) Operating Income

1. The Group's operating income is 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:

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	<u>2021</u>	<u>2020</u>
Main regional markets		
China	\$ 5,295,449	\$ 4,910,633
Other countries	<u>4,861,142</u>	<u>4,296,713</u>
	<u>\$ 10,156,591</u>	<u>\$ 9,207,346</u>
Main products:		
Electric fan	\$ 6,712,792	\$ 5,892,496
Electric heater	1,790,037	1,936,989
Others	<u>1,653,762</u>	<u>1,377,861</u>
	<u>\$ 10,156,591</u>	<u>\$ 9,207,346</u>

## 2. Contract Liabilities

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

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	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contractual liabilities	<u>\$ 252,743</u>	<u>\$ 309,422</u>	<u>\$ 220,971</u>

### 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 2021 and 2020 were NTD 309,422 and NTD 220,971, respectively.

## 3. Refund liability

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 December 31, 2021 and 2020, the balance of the Group's rights to products to be returned based on historical return information of similar

product transactions was NTD 65,266 and NTD 104,021, respectively, and the balance of the refund liabilities was NTD 94,350 and NTD 141,676, respectively.

(26) Other Incomes

	<u>2021</u>		<u>2020</u>
Government subsidy income (Note)	\$ 31,671		\$ 46,059
Amortization of long-term deferred income	3,267		3,222
Other income derived from security deposit received	2,663		2,877
System annual fee income	2,762		4,893
Others	<u>22,763</u>		<u>13,444</u>
	<u>\$ 63,126</u>		<u>\$ 70,495</u>

Note: Government subsidy income refers to the government compensation for acquisition of land and vocational training subsidies, etc.

(27) Other Gains and Losses

	<u>2021</u>		<u>2020</u>
Loss on foreign currency exchange(\$	32,953)		(\$ 39,558)
Net gain (loss) on financial assets and liabilities measured at fair value through profit or loss	4,588		( 554)
Bonds redemption gain	297		10,959
	775		( 7,663)
Gain (loss) on disposal of property, plant and equipment			
Miscellaneous Disbursements	<u>( 10,758)</u>		<u>( 19,303)</u>
	<u>(\$ 38,051)</u>		<u>(\$ 56,119)</u>

(28) Finance Costs

	<u>2021</u>		<u>2020</u>
Interest expense:			
Bank loans	\$ 22,138		\$ 35,854
Convertible bonds	<u>7,147</u>		<u>6,886</u>
	<u>\$ 29,285</u>		<u>\$ 42,740</u>

(29) Additional Information on the Nature of the Expense

	<u>2021</u>		<u>2020</u>
Employee Benefit Expenses	\$ 1,457,441		\$ 1,399,657
Depreciation expense of property, plant and equipment	405,820		338,546
Depreciation expense of right-of-use assets	4,822		2,093
Amortization expense for intangible assets	<u>4,993</u>		<u>5,663</u>
	<u>\$ 1,873,076</u>		<u>\$ 1,745,959</u>

(30) Employee Benefits Expenses

	<u>2021</u>	<u>2020</u>
Salary Expenses	\$ 1,358,574	\$ 1,292,204
Labor insurance expense (Note)	38,732	35,699
Retirement benefit Expenses	44,853	59,166
Other personnel costs	<u>15,282</u>	<u>12,588</u>
	<u>\$ 1,457,441</u>	<u>\$ 1,399,657</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. The Company did not make provision for employees' and directors' remuneration due to losses incurred in year 2021. For year 2020, the estimated sum of employee compensation is NTD 12,036; the estimated sum of directors' compensation is NTD 4,815, which are included under Salary Expense.

The employees' and directors' remuneration for year 2020, as resolved by the Board of Directors, were NTD 12,036 and NTD 4,815 respectively, which is not different from the amount recognized in the 2020 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.

(31) Income Tax

1. Income tax expense (gain)

(1) Income tax expense (gain) component:

	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax generated from current income	\$ 2,653	\$ 71,094
Underestimation of income tax in the previous year	<u>7,064</u>	<u>8,333</u>
	9,717	79,427
Deferred income tax:		
Occurrence and reversal of temporary differences	<u>( 55,319)</u>	<u>( 11,787)</u>
Income tax (profit) expense	<u>(\$ 45,602)</u>	<u>\$ 67,640</u>

(2) Relationship between income tax expense (gain) and accounting profit

	<u>2021</u>	<u>2020</u>
Current income tax:		
	\$ -	\$ -
Income tax calculated based on the domestic tax rate where the Company is located		
Impact of tax rate difference in foreign administrative areas	( 126,745)	49,846
Non-creditable expense	106	5,125
Changes in unrecognized temporary differences	57,924	131
Unrecognized deferred income tax asset from tax loss	20,039	-
Underestimation of income tax in the previous year	7,064	8,333
Others	<u>( 3,990)</u>	<u>4,205</u>
Income tax (profit) expense	<u>(\$ 45,602)</u>	<u>\$ 67,640</u>

2. Deferred income tax assets arising from temporary differences and tax losses are as follows:

	<u>2021</u>		
	<u>1 January</u>	<u>Recognized in profit or loss</u>	<u>31 December</u>
Deferred income tax assets:			
Temporary differences:			
Expected credit impairment losses	\$ 25,142	\$ 4,830	\$ 29,972
Loss on Inventory Shortage	42,978	7,488	50,466

Other compensation	86,109	( 1,071)	85,038
Others	23,683	1,821	25,504
Levy duty loss	-	42,251	42,251
	<u>\$ 177,912</u>	<u>\$ 55,319</u>	<u>\$ 233,231</u>

2020

	<u>1 January</u>	<u>Recognized in profit or loss</u>	<u>31 December</u>
Deferred income tax assets:			
Temporary differences:			
Expected credit impairment losses	\$ 24,760	\$ 382	\$ 25,142
Loss on Inventory Shortage	37,697	5,281	42,978
Other compensation	84,775	1,334	86,109
Others	18,893	4,790	23,683
	<u>\$ 166,125</u>	<u>\$ 11,787</u>	<u>\$ 177,912</u>

3. The expiration date of the Group's unused tax losses and the relevant amounts of unrecognized deferred income tax assets are as follows:

December 31, 2021

<u>Year of</u>	<u>No. of</u>	<u>Amount of</u>	<u>unrecognized</u>	<u>deferred</u>	<u>income tax</u>	<u>Last Year of Deduction</u>
<u>Region</u>	<u>Occurrence</u>	<u>No. of Approvals</u>	<u>Amount yet to be offset</u>	<u>assets</u>		
China	2021	No. of declarations	\$ 338,855	\$ 80,157	2026	

4. 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 and Airmate Technology is 25% if the tax preference is not applied.

On December 4, 2018, Jiujiang Airmate obtained the preferential tax treatment for high-tech enterprises, which is valid for three years and expires in 2020. Plus, in November 2021, Jiujiang Airmate once again 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.

## 5. Income Tax Audit

Jiujiang Airmate and Shenzhen Airmate's corporate income tax has been reported to the local tax authorities up to year 2020; 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 2020; Waon Company Taiwan Branch's profit-making business income tax return has been reviewed by the tax audit authority up to year 2019.

### (32) Earnings (Loss) Per Share

2021

Weighted average current

After-tax amount Number of foreign shares in thousand Loss per share (NTD)

#### Basic and diluted loss per share

Net loss in the current period attributable to common shareholders

(\$ 307,227)	145,743	(\$ 2.11)
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2020

Weighted average current

After-tax amount Number of foreign shares in thousand Earning Per Share (NTD)

#### Basic earnings per share

Net profit in the current period attributable to common shareholders

\$ 156,239	145,156	\$ 1.08
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#### Diluted earnings per share

Net profit in the current period attributable to common shareholders

\$ 156,239	145,156
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Influence of potential common stock with diluting effect

Employee Remuneration	—	<u>663</u>
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Net profit in the current period plus effect of potential common shares attributable to common shareholders	<u>\$ 156,239</u>	<u>145,819</u>	<u>\$ 1.07</u>
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The above weighted average number of outstanding shares has been retrospectively adjusted based on the profit-to-capital ratio on September 21, 2021, and the basic earnings per share for year 2020 has been recalculated.

The inclusion of the dilutive employee remuneration and convertible corporate bonds in year 2021 resulted in anti-dilution effect, hence it is therefore not included in the calculation of diluted losses per share.

(33) Transactions with Non-controlling Interests

Acquisition of Additional Interests in Subsidiaries

The Group acquired 49% interest in Airmate Technology on January 6, 2020 in cash at the amount of RMB 4,410,000 (translated into NTD18,948,000), after which the Group held a 100% interest in Airmate Technology. The effect of changes in equity of Airmate Technology in year 2020 on the equity attributable to the owners of the Parent Company is as follows:

Book amount of non-controlling interests acquired	\$ 15,288
Consideration paid to non-controlling interests	<u>(18,948)</u>
Retained earnings - the difference between the price received from acquisition of a subsidiary and its book value	<u>(\$ 3,660)</u>

The Group did not transact with non-controlling interests in 2021.

(34) Supplementary Information on Cash Flow

1. Investment activities that do not affect cash flow:

	<u>2021</u>	<u>2020</u>
Transfer of prepayments for equipment to property, plant and equipment	<u>\$ 64,384</u>	<u>\$ -</u>
Transfer of prepayments for equipment to intangible assets	<u>\$ 634</u>	<u>\$ -</u>
	<u>2021</u>	<u>2020</u>
Transfer of right-of-use assets to property, plant and equipment	<u>\$ -</u>	<u>\$ 1,490,806</u>

2. Financing activities that do not affect cash flow:

	<u>2021</u>	<u>2020</u>
Convertible corporate bonds converted into share capital and capital surplus	<u>\$ 35,726</u>	<u>\$ 12,365</u>

(35) Changes in Liabilities due to Financing Activities

	<u>January 1, 2021</u>	<u>Cash Flow</u>	<u>Changes in Non-cash Items</u>	
			<u>/Changes in exchange rates</u>	<u>December 31, 2021</u>
Short-term loans	\$ 315,302	\$ 449,514	(\$ 5,424)	\$ 759,392
	-	8,551	-	8,551
Long-term loans (including long-term liabilities due within one year)	679,997	( 4,567)	( 28,735)	646,695
Corporate bonds payable (including long-term liabilities due within one year)				
Security Deposits Received	111,485	( 15)	( 600)	110,870
Other Non-current Liabilities	<u>668,302</u>	<u>-</u>	<u>( 6,862)</u>	<u>661,440</u>
Total liabilities from financing activities	<u>\$ 1,775,086</u>	<u>\$ 453,483</u>	<u>(\$ 41,621)</u>	<u>\$ 2,186,948</u>
			<u>Changes in Non-cash Items</u>	
	<u>January 1, 2020</u>	<u>Cash Flow</u>	<u>/Changes in exchange rates</u>	<u>December 31, 2020</u>
Short-term loans	\$ 540,627	(\$ 223,090)	(\$ 2,235)	\$ 315,302

Long-term loans (including long-term liabilities due within one year)	44,954	( 42,730)	( 2,224)	-
Corporate bonds payable (including long-term liabilities due within one year)	732,224	( 46,628)	( 5,599)	679,997
Security Deposits Received	94,481	15,517	1,487	111,485
Other Non-current Liabilities	<u>616,531</u>	<u>45,874</u>	<u>5,897</u>	<u>668,302</u>
Total liabilities from financing activities	<u>\$ 2,028,817</u>	<u>(\$ 251,057)</u>	<u>(\$ 2,674)</u>	<u>\$ 1,775,086</u>

(36) 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.

7、 Related Party Transaction

(1) 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

(2) Significant Transactions with Related Parties

1. Operation Income

	<u>2021</u>	<u>2020</u>
Merchandise sales:		
Other related party	\$ 101,372	\$ 79,107
Associated Enterprises	<u>65,659</u>	<u>93,381</u>
	<u>\$ 167,031</u>	<u>\$ 172,488</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. Purchases

	<u>2021</u>	<u>2020</u>
Product Purchase:		
Other related party	<u>\$ 783</u>	<u>\$ -</u>

The transaction price of the Company's purchase of goods from related parties are agreed upon by both parties, and the payment is to be settled within 30 days.



### 3. Receivables from Related Parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable:		
Associated Enterprises	\$ <u>2,215</u>	\$ <u>6,655</u>
Trade receivables:		
Other related party	7,235	3,510
Associated Enterprises	<u>-</u>	<u>7,655</u>
	<u>7,235</u>	<u>11,165</u>
	<u>\$ 9,450</u>	<u>\$ 17,820</u>

### 4. 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>2021</u>	<u>2020</u>
Associated Enterprises	\$ 3,732	\$ 10,067
Other related party	<u>548</u>	<u>68</u>
	<u>\$ 4,280</u>	<u>\$ 10,135</u>

	<u>Other payable payment to related party</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associated Enterprises	\$ 3,536	\$ 3,446
Other related party	<u>6</u>	<u>6</u>
	<u>\$ 3,542</u>	<u>\$ 3,452</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.

### 5. Endorsement and Guarantee Provided by Related Parties

As at December 31, 2021 and 2020, some of the key Management of the Group act as joint guarantor for the Group's financing from financial institutions.

#### (3) Information on Remuneration of Key Management

	<u>2021</u>	<u>2020</u>
Short-term Employee Benefits	\$ 34,277	\$ 51,715
Post-employment Benefits	<u>66</u>	<u>157</u>
	<u>\$ 34,343</u>	<u>\$ 51,872</u>

## 8、 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>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>Pledge guarantee object</u>
Financial assets measured at amortized cost – Current:			
Reimbursable account	\$ 5,535	\$ 11,395	Short-term loan and financing limit
Reimbursable account	269,799	192,074	Notes payable
Pledged time deposits and reimbursable accounts	164,956	99	Corporate bonds guarantee limit
Restricted deposits	-	19,646	Provision of guarantee deposit for litigation case
Refundable security deposits paid (listed under "Other Current assets ")	-	56,287	Guarantee deposit for futures account
Financial assets measured at amortized cost – Non-current:			
Pledged time deposit	-	106,396	Corporate bonds guarantee limit
Property, Plant, and Equipment	242,098	254,905	Short-term loan and financing limit
Refundable security deposits paid (listed under "Other Non-current assets ")	63,969	66,266	Long-term loans and performance bond
	<u>\$ 746,357</u>	<u>\$ 707,068</u>	

## 9、 Significant Contingent Liabilities and Unrecognized Contractual Commitments

Nil.

## 10、 Significant Disaster Loss

Nil.

## 11、 Significant Events after the Balance Sheet Date

On June 3, 2016, the Group entered into a land development plan for the old plant land in Shenzhen Industrial Zone with Shenzhen Bao 'an TCL Haichuanggu Technology Park Development Co., Ltd. (TCL Haichuanggu) and Shenzhen TCL Property Co., Ltd., which was fully completed in January 2022, and the real estate ownership certificate has been obtained. Please refer to Note 12(4) for details.

12、 Others

(7) 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 at December 31, 2021 and 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total Liabilities	\$ 7,192,796	\$ 6,114,426
Less: cash and cash equivalents	( 449,654)	( 443,712)
Net liability	<u>\$ 6,743,142</u>	<u>\$ 5,670,714</u>
Total Equity	<u>\$ 2,756,924</u>	<u>\$ 3,138,916</u>
Liability capital ratio	<u>244.59%</u>	<u>180.66%</u>

(8) Financial Instruments

1. Types of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>at amortized cost</u>		
Gain (loss) on financial assets and financial liabilities		
Financial assets at fair value through profit or loss		
Structured deposits	\$ -	\$ 72,010
Derivative financial instruments - forward foreign exchange contracts	4,477	-
Convertible corporate bonds - repurchase and redemption rights	<u>36</u>	<u>150</u>
	<u>\$ 4,513</u>	<u>\$ 72,160</u>
<u>at amortized cost</u>		
Financial assets at fair value through other comprehensive income		
Accounts receivable expected to be sold	<u>\$ 18,410</u>	<u>\$ 51,879</u>
Financial assets at amortized cost		
Cash and Cash Equivalents	\$ 449,654	\$ 443,712
Financial assets at amortized cost	440,290	329,610
Notes Receivable	1,322,860	621,196
Accounts Receivable	1,147,259	1,510,423
Other Receivables	29,055	32,149
Refundable Deposits	<u>63,969</u>	<u>66,266</u>
	<u>\$ 3,453,087</u>	<u>\$ 3,003,356</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial Liabilities</u>		
Financial Liabilities at Fair Value Through Profit or Loss		
Financial liabilities held for trading		
Derivative financial instruments - forward foreign exchange contracts	\$ -	\$ 171
Derivative financial instruments - Option contracts	<u>-</u>	<u>7</u>
	<u>\$ -</u>	<u>\$ 178</u>
Financial liabilities through amortized cost		
Short-term loans	\$ 759,392	\$ 315,302
Notes payable	1,795,376	1,774,409
Accounts payable	2,247,637	1,251,435
Other Payables	548,801	669,542
Corporate Bonds Payable	646,695	679,997
Long-term Loans	8,551	-
Security Deposits Received	<u>110,870</u>	<u>111,485</u>
	<u>\$ 6,117,322</u>	<u>\$ 4,802,170</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 Significant Financial Risks

### (1) Market risk

Market risk is the risk of changes in market prices, such as exchange rates, interest rates, and prices of equity instruments, which will affect 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) Depending on the Company's operation, to determine whether to use of hedging derivative financial instruments to hedge exchange rate risk.
- B. The Group's financial assets and liabilities which are exposed to significant foreign currency exchange rate risk ( including monetary items in non-functional currency denominations that have been eliminated in the Consolidated Financial Statements) are as follows:

December 31, 2021

Foreign currency (thousands) Currency Exchange Rate NTD

Financial AssetsMonetary Items

USD	\$ 102,574	27.6800	\$ 2,839,248
JPY	510,503	0.2405	122,776
RMB	3,039	4.3408	13,192
HKD	191	3.5490	678

Financial LiabilitiesMonetary Items

USD	103,535	27.6800	2,865,849
JPY	12,495	0.2405	3,005
HKD	235	3.5490	834

December 31, 2020Foreign currency (thousands) Currency Exchange Rate NTDFinancial AssetsMonetary Items

USD	\$ 128,564	28.4800	\$ 3,661,500
JPY	292,782	0.2763	80,896
RMB	787	4.2808	3,369
HKD	199	3.6730	731

Financial LiabilitiesMonetary Items

USD	112,221	28.4800	3,196,054
JPY	65,128	0.2763	17,995
HKD	4,975	3.6730	18,273

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. As at December 31, 2021 and 2020, when the value of NTD depreciates or appreciates by 5% against USD, HKD and JPY, the net profit before tax for 2021 and 2020 would increase or decrease by NTD 5,310 and NTD 27,462 respectively, using the same basis for both periods of analysis and all other factors remained unchanged.

D. The Group's exchange losses recognized in respect of monetary items in 2021 and 2020 due to exchange rate fluctuations (both realised and unrealised) totalled at NTD 32,953 and NTD 39,558, respectively.

Interest rate risk

The Group's interest rate risk arises from long-term loans at floating interest rates. Currency market interest rates have risen slowly in recent years but remain at a relatively low level, therefore, 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% in year 2021 and 2020, 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 86 and NTD 0 in 2021 and 2020 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.

### 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 categories 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:

December 31, 2021

Group A

	<u>Number of days overdue</u>								Total
	<u>Not Overdue</u>	<u>Within 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>271-365 days</u>	<u>More than 366 days</u>	
Total book value (including related parties)	\$ 1,932,041	\$ 143,099	\$ 153,523	\$ 7	\$ 22,116	\$ 12,023	\$ 11,295	\$ 10,041	\$ 2,284,145
Expected credit losses during the current period	( 1,813)	( 3,653)	( 6,969)	-	( 1,055)	( 4,333)	( 7,477)	( 10,041)	( 35,341)
	<u>\$ 1,930,228</u>	<u>\$ 139,446</u>	<u>\$ 146,554</u>	<u>\$ 7</u>	<u>\$ 21,061</u>	<u>\$ 7,690</u>	<u>\$ 3,818</u>	<u>\$ -</u>	<u>\$ 2,248,804</u>
Expected Loss Rate	0%~0.11%	0%~2.88%	0%~4.54%	0%~9.65%	0%~12.03%	0%~36.13%	0%~66.20%	100%	

Group B

	<u>Number of days overdue</u>								Total
	<u>Not Overdue</u>	<u>Within 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>271-365 days</u>	<u>More than 366 days</u>	
Total book value (including related parties)	\$ 84,266	\$ 81,861	\$ 10,161	\$ 344	\$ 47,898	\$ 54,341	\$ -	\$ 107	\$ 278,978
Expected credit losses during the current period	-	-	-	-	( 11,975)	( 27,171)	-	( 107)	( 39,253)
	<u>\$ 84,266</u>	<u>\$ 81,861</u>	<u>\$ 10,161</u>	<u>\$ 344</u>	<u>\$ 35,923</u>	<u>\$ 27,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,725</u>
Expected Loss Rate	0%	0%	0%	0%	25%	50%	75%	100%	

December 31, 2020

Group A

	<u>Number of days overdue</u>								Total
	<u>Not Overdue</u>	<u>Within 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>271-365 days</u>	<u>More than 366 days</u>	
Total book value (including related parties)	\$ 1,527,690	\$ 149,533	\$ 35,306	\$ 13,145	\$ 8,601	\$ 14,258	\$ 11,293	\$ 10,806	\$ 1,770,632
Expected credit losses during the current period	( 935)	( 1,166)	( 571)	( 528)	( 364)	( 4,101)	( 5,757)	( 10,806)	( 24,228)
	<u>\$ 1,526,755</u>	<u>\$ 148,367</u>	<u>\$ 34,735</u>	<u>\$ 12,617</u>	<u>\$ 8,237</u>	<u>\$ 10,157</u>	<u>\$ 5,536</u>	<u>\$ -</u>	<u>\$ 1,746,404</u>
Expected Loss Rate	0%~0.06%	0%~0.78%	0%~1.62%	0%~4.02%	0%~4.23%	0%~28.76%	0%~50.98%	100%	

Group B

	<u>Number of days overdue</u>								Total
	<u>Not Overdue</u>	<u>Within 30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>271-365 days</u>	<u>More than 366 days</u>	
Total book value (including related parties)	\$ 391,670	\$ 22,698	\$ 4,475	\$ 115	\$ 20,959	\$ 4,833	\$ -	\$ -	\$ 444,750
Expected credit losses during the current period	-	-	-	-	( 5,240)	( 2,416)	-	-	( 7,656)
	<u>\$ 391,670</u>	<u>\$ 22,698</u>	<u>\$ 4,475</u>	<u>\$ 115</u>	<u>\$ 15,719</u>	<u>\$ 2,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,094</u>
Expected Loss Rate	0%	0%	0%	0%	25%	50%	75%	100%	

Group A: General Distributors and Foreign Sales Customers.

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

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

	<u>2021</u>		<u>2020</u>
Opening Balance	\$ 31,884		\$ 55,791
Provision for impairment loss	46,358		1,521
Reclassified to collections provisions	( 207)		( 38,250)
Amount written off due to irrecoverability	( 3,267)		( 3,227)
Effect of Exchange Rate Changes	<u>( 174)</u>		<u>16,049</u>
Closing Balance	<u>\$ 74,594</u>		<u>\$ 31,884</u>

The Group recognized impairment losses of NTD 46,358 and NTD 1,521 on receivables arising from customer contracts in 2021 and 2020 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 at December 31, 2021 and 2020 totalled at NTD 1,319,246 and NTD 1,536,196 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.

December 31, 2021

	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2 to 3 years</u>	<u>More than 3 years</u>
<u>Non-derivative financial liabilities:</u>				
Short-term loans	\$ 769,660	\$ -	\$ -	\$ -
Notes payable	1,795,376	-	-	-
Accounts payable	2,247,637	-	-	-
Other Payables	548,801	-	-	-
Corporate Bonds Payable	303,090	349,900	-	-
Long-term Loans	<u>882</u>	<u>8,287</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,665,446</u>	<u>\$ 358,187</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2 to 3 years</u>	<u>More than 3 years</u>
<u>Non-derivative financial liabilities:</u>				
Short-term loans	\$ 325,304	\$ -	\$ -	\$ -
Notes payable	1,774,409	-	-	-
Accounts payable	1,251,435	-	-	-
Other Payables	669,542	-	-	-
Corporate Bonds Payable	<u>-</u>	<u>301,380</u>	<u>387,960</u>	<u>-</u>
	<u>\$ 4,020,690</u>	<u>\$ 301,380</u>	<u>\$ 387,960</u>	<u>\$ -</u>
<u>Derivative financial liabilities:</u>				
Forward foreign exchange contract	\$ 341,760	\$ -	\$ -	\$ -
Option contract	<u>56,835</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 398,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

(3) 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.

Level 2: The observable input value of the asset or liability, directly or indirectly, except for the

quotation included in Level 1. The fair value of the Group's investments in derivatives falls under this category.

Level 3: non-observable input value of the asset or liability.

2. 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.

3. 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:

December 31, 2021

	<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				
Convertible corporate bonds - repurchase and redemption rights	\$ -	\$ 36	\$ -	\$ 36
Derivative financial instruments - forward foreign exchange contracts	-	4,477	-	4,477
Financial assets at fair value through other comprehensive income				
Accounts receivable expected to be sold	<u>-</u>	<u>18,410</u>	<u>-</u>	<u>18,410</u>
	<u>\$ -</u>	<u>\$ 22,923</u>	<u>\$ -</u>	<u>\$ 22,923</u>

December 31, 2020

	<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				
Structured deposits	\$ -	\$ 72,010	\$ -	\$ 72,010

Convertible corporate bonds - repurchase and redemption rights	-	150	-	150
Financial assets at fair value through other comprehensive income				
Accounts receivable expected to be sold	<u>-</u>	<u>51,879</u>	<u>-</u>	<u>51,879</u>
	<u>\$ -</u>	<u>\$124,039</u>	<u>\$ -</u>	<u>\$124,039</u>
<u>December 31, 2020</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Repetitive fair value</u>				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments - forward foreign exchange contracts	\$ -	\$ 171	\$ -	\$ 171
- Option contracts	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
	<u>\$ -</u>	<u>\$ 178</u>	<u>\$ -</u>	<u>\$ 178</u>

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

- A. When evaluating non-standard and less complex financial instruments, such as debt instruments with no active market, the Group employs valuation techniques widely used by market participants. The parameters used in the evaluation model of such financial instruments are generally market-observable information.
- B. The valuation of structured deposits is derived by reference to the calculation of product returns provided by counterparties.
- 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.

4. There were no transfers between Level 1 and Level 2 in year 2021 and 2020.

(4) Old Plant Land Development Plan

On June 3, 2016, the Group signed the Shenzhen Industrial Zone Old Plant Land Development

Plan with Shenzhen Bao 'an TCL Haichuanggu Technology Park Development Co., Ltd. (TCL Haichuanggu) and Shenzhen TCL Property Co., Ltd., for joint development, and used the compensation of RMB 200,000,000 (translated into NTD 868,156) for relocation and resettlement, transitional resettlement expenses, asset relocation expenses, production losses, etc.

In accordance with the provisions of "Questions about the Accounting Treatment of Participating in Urban Renewal" in IFRS Q&A set released by Accounting Research Development Foundation on October 2, 2017, the carrying amount of old buildings and demolition compensation and resettlement expenses collected from construction company is calculated as right transformation expense to be undertaken (offset by distributed land and building discount after it), and based on returnable building and the land, so it falls into part of urban renewal with participation of landholders in essence, and enterprise has to adjust it as old land carrying amount.

As of December 31, 2021, the Group had received advance compensation of RMB 200,000,000 (translated into NTD 868,156) for the land development of the old plant in the Shenzhen Industrial Zone after the commencement of the development project and the carrying amount of RMB 20,435,000 (translated into NTD 88,703) for deferred development costs - fixed assets old buildings, RMB 2,159,000 (translated into NTD 9,372) for long-term prepaid rent and other related development investment costs amounting to RMB 42,543,000 (translated into NTD 184,672) as a net amount of other non-current liabilities - other. Please refer to Note 6(21) for details.

The Group's Old Plant Land Development Project was fully completed in January 2022 and the Certificate of Real Estate Ownership was obtained.

(5) Explanation on the impact of the COVID-19 pandemic on the Group's operations in 2021

Due to the impact of the COVID-19 pandemic and a number of preventive measures implemented by government entities, the Group has taken timely corresponding measures and closely liaised with suppliers and customers to adjust the delivery strategy and arrange the delivery time. The COVID-19 pandemic has not caused a material impact on the Group's overall operations and financial position. The Group will continue to follow the development of the pandemic and adjust the strategy in a timely manner.

13、 Supplementary Disclosures

(1) 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): Nil.

4. Cumulative amount of buying or selling negotiable securities to reach NTD 300 million or over 20% of the paid-up capital: Nil.
5. The amount of acquiring property to reach NTD 300 million or over 20% of the paid-up capital: Nil.
6. The amount of disposing of property to reach NTD 300 million or over 20% of the paid-up capital: Nil.
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 III.
8. Receivables from related parties amounted to NTD 100 million or over 20% of the paid-up capital: Please refer to Schedule IV.
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 V.

(2) Information on Reinvestment

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

(3) Information on Investments in Mainland China

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

(4) Information on Major Shareholders

Information on Major Shareholders: Please refer to Schedule VIII.

14、 Segmental Information

(1) 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.

(2) 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 (liabilities) 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 adjustments of the Group's operation departments are as follows:

2021

Domestic sales market Export sales market Adjustment and elimination Total

Revenue:

Revenue from external customers	\$ 5,295,449	\$ 4,861,142	\$ -	\$ 10,156,591
Inter-departmental revenue	<u>1,013,704</u>	<u>4,724,085</u>	<u>( 5,737,789)</u>	<u>-</u>
Total revenue	<u>\$ 6,309,153</u>	<u>\$ 9,585,227</u>	<u>(\$ 5,737,789)</u>	<u>\$ 10,156,591</u>
Report department profit or loss	<u>(\$ 62,288)</u>	<u>(\$ 216,870)</u>	<u>(\$ 28,069)</u>	<u>(\$ 307,227)</u>
Report department assets	<u>\$ 6,967,462</u>	<u>\$ 14,891,932</u>	<u>(\$ 11,909,674)</u>	<u>\$ 9,949,720</u>

2020

Domestic sales market Export sales market Adjustment and elimination Total

Revenue:

Revenue from external customers	\$ 4,910,633	\$ 4,296,713	\$ -	\$ 9,207,346
Inter-departmental revenue	<u>828,364</u>	<u>4,025,753</u>	<u>( 4,854,117)</u>	<u>-</u>
Total revenue	<u>\$ 5,738,997</u>	<u>\$ 8,322,466</u>	<u>(\$ 4,854,117)</u>	<u>\$ 9,207,346</u>
Report department profit or loss	<u>\$ 120,240</u>	<u>\$ 65,152</u>	<u>(\$ 29,153)</u>	<u>\$ 156,239</u>
Report department assets	<u>\$ 11,362,781</u>	<u>\$ 18,982,461</u>	<u>(\$ 21,091,900)</u>	<u>\$ 9,253,342</u>

Reconciliations of profit and loss of the reporting departments for net loss on financial assets measured at fair value and loss on foreign currency exchange of year 2021 and 2020 were NTD 28,068 and NTD 29,153 respectively.

(3) Information by Product or Service Segment

Please refer to Note 6(25) for details.

(4) Information by Geographical Segment

The Group's breakdown by geographical locations for 2021 and 2020 are as follows:



	<u>2021</u>		<u>2020</u>	
	<u>Revenue</u>	<u>Non-current Assets</u>	<u>Revenue</u>	<u>Non-current Assets</u>
China	\$ 5,295,449	\$ 3,240,123	\$ 4,910,633	\$ 3,609,766
Japan	1,609,564	-	1,295,271	-
South Korea	1,441,321	-	1,242,811	-
Others	<u>1,810,257</u>	<u>-</u>	<u>1,758,631</u>	<u>-</u>
Total	<u>\$ 10,156,591</u>	<u>\$ 3,240,123</u>	<u>\$ 9,207,346</u>	<u>\$ 3,609,766</u>

(5) Information of Major Customers

The Group's major customers information for 2021 and 2020 are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Revenue</u>	<u>Percentage of total sales</u>	<u>Revenue</u>	<u>Percentage of total sales</u>
From a customer in the Export Market Department	<u>\$ 1,040,212</u>	10%	<u>\$ 944,373</u>	10%

Airmate (Cayman) International Co Limited and Subsidiaries

Funds Loaned to Others

January 1 to December 31, 2021

Schedule 1

Unit: Thousand NTD  
(Unless otherwise specified)

No.	Lending Company	Counterparty	Item	Whether it is Related parties	Current Period		Actual disbursement		Interest range	Loan Nature (Note 2)	Business Transaction Amount	Short-term financing		Collateral		Individual Loan limit	Loan Total limit	Remark
					Maximum Amount	Closing balance	Amount	Funds necessary				Loss amount	Name	Value				
(Note 1) 1	Airmate China International Co., Ltd.	Airmate Electric Appliances (Shenzhen) Co., Ltd.	Long-term receivables - Related parties	Yes	\$ 442,290	\$ 428,971	\$ 428,971	2%-2.5%	2	\$ -	-	Business turnover	\$ -	Nil	\$ -	\$ 1,914,285	\$ 3,828,570	Note 3
2	Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co., Ltd.	Long-term receivables - Related parties	Yes	1,052,786	1,041,788	1,041,788	2%-2.5%	2	-	-	Business turnover	-	Nil	-	1,622,638	3,245,275	Note 3
2	Wacon Development Co Limited	The Company	Other receivables - Related parties	Yes	900,000	600,000	423,157	-	2	-	-	Business turnover	-	Nil	-	1,298,110	3,245,275	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: Code for Nature of Financing:

- (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 maximum amount of fund lending shall be limited to 40% of the net value of the Company reported in the latest financial report, and the maximum amount of fund lending to a single enterprise shall not exceed 20% of the net value of the Company.
- (2) For subsidiaries in which the Company directly and indirectly holds voting shares, the Chairman may be authorised to grant the loan not exceeding 10% of the Company's net value.
- (3) Between subsidiaries which the Company directly and indirectly holds 100% of the voting shares, the amount of capital loan is not restricted by the preceding paragraph, but the amount of financing shall not exceed 100% of the net value of the Company based on the latest financial statements.

However, the amount of financing for each individual counterparty shall not exceed 50% of the net value of the Lending Company based on the latest financial statements and the financing period shall be limited to 10 years.

- (4) In the case of company with business transactions with the Company, the amount of each individual loans shall not exceed the amount of business transactions between the two parties in the most recent year or the current year up to the time of the loan, and the amount of business transactions refers to the purchase or sales amount, whichever is higher.

Note 4: The above transactions have been written off during the preparation of the Consolidated Financial Report.

Airmate (Cayman) International Co Limited and Subsidiaries

Endorsement or Guarantee for Others

January 1 to December 31, 2021

Schedule 2

Unit: Thousand NTD  
(Unless otherwise specified)

No.	Endorsement Guarantor	Recipient of endorsements/guarantees		Relationship or a single enterprise	Amount for current endorsements/guarantees	Actual disbursement	Amount	Amount	Endorsement guaranteed by prop	the Net Equity	Stat/Mainland China Ent	Parent Compa	by Subsidiary	endorsement guarantee	Remark
		Company name	Company name												
(Note 1)	Company name	Company name	(Note 2)	Endorsement Guarantee Limit	Endorsement or guarantee balance	at the end of period	Amount	Amount	in the Latest Financial Statements	endorsements/guarantees	to Parent Company	to Parent Company	for China Entities	Remark	
0	Cheng Mei Materials Tech	Cheng Hwei Trading Co., Ltd.	4	\$ 4,829,381	\$ 1,199,200	\$ 1,199,200	\$ -	\$ -	12.42	\$ 9,658,762	Y	N	N	Note 3, Note 4	
0	The Company	Wacon Development Co Limited	2	\$ 5,513,848	\$ 1,911,845	\$ 1,854,560	\$ 528,012	\$ -	67.27%	\$ 13,784,620	Y	N	N	Note 3	
0	The Company	Airmate Electric Appliances (Jiujiang) Co., Ltd.	2	5,513,848	360,069	358,775	98,328	-	13.01%	13,784,620	Y	N	Y	Note 3, Note 4	
0	The Company	Airmate Electric Appliances (Shenzhen) Co., Ltd.	2	5,513,848	440,658	439,079	76,624	-	15.93%	13,784,620	Y	N	Y	Note 3, Note 5	
1	Airmate Electric Appliances (Shenzhen) Co., Ltd.	Airmate Electric Appliances (Jiujiang) Co., Ltd.	4	4,261,646	2,711,529	1,949,011	835,931	-	91.47%	10,654,115	N	N	Y	Note 3	
2	Airmate Electric Appliances (Jiujiang) Co., Ltd.	Airmate Electric Appliances (Shenzhen) Co., Ltd.	4	3,960,198	1,823,038	1,816,617	1,188,124	-	91.74%	9,900,495	N	N	Y	Note 3	
3	Wacon Development Co Limited	The Company	3	6,490,550	303,020	303,020	303,020	-	9.34%	16,226,375	N	Y	N	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 which directly or indirectly hold over 50% voting shares 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 transactions, the maximum amount of endorsement guarantee is 40% of the net value of the Company based on the latest financial report, and for each individual counterparty, it shall not exceed the amount of business transactions with them.  
For endorsement guarantee on subsidiaries which the Company directly or indirectly holds over 50% voting shares, it is limited by 40% of the Company's net value, and for each individual counterparty, it shall not exceed the investment amount.
- (2) 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.
- (3) In the case of company with business transactions with the Company, the amount of each individual endorsement guarantee shall not exceed the amount of business transactions between the two parties, and the amount of business transactions refers to the purchase or sales amount, whichever is higher.

Note 4: Wherein the balance endorsement guarantee at the end of the period amounted to NTD 325,558, which is the bank financing limit shared with Airmate Electric Appliances (Shenzhen) Co., Ltd., totaling to not more than NTD 405,863; the actual disbursement amounted to \$65,112.

Note 5: Of this amount, the balance of the endorsement guarantee at the end of the period amounted to \$319,048, which is a bank financing facility shared with Emmett Electric (Jiujiang) Co., Ltd., totaling no more than \$405,863; its actual disbursement amount is NTD 43,408.

Note 6: The above transactions have been written off during the preparation of the Consolidated Financial Report.

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 December 31, 2021

Schedule 3

Unit: Thousand NTD  
(Unless otherwise specified)

Supplier (Buyer) Company	Transaction counterparty	Relationship	Purchase/Sale		Ratio to Total		Circumstances and Reasons where Transaction conditions are different from general transactions			Notes and Accounts Receivable (Payable)		Ratio to Total	Remark
			(Sales)	(Amount)	(Sales)	(Amount)	Unit price	Credit period	Balance	(payable)			
Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	Parent/Subsidiary Company	(Sales)	( \$ 4,385,754)	(85%)		According to mutual agreement	Note	Note	\$ 1,951,955	84%		
Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	Affiliated companies	(Sales)	( 722,630)	(14%)		According to mutual agreement	Note	Note	375,195	16%		
Airmate Electric Appliances (Jiujiang) Co. Limited	Wacon Development Co Limited	Parent/Subsidiary Company	(Sales)	( 338,332)	( 6%)		According to mutual agreement	Note	Note	20,873	1%		
Airmate Electric Appliances (Jiujiang) Co Limited	Airmate Electric Appliances (Shenzhen) Co Limited	Affiliated companies	(Sales)	( 244,019)	( 4%)		According to mutual agreement	Note	Note	-	-		
Airmate Electric Appliances (Jiujiang) Co. Limited	Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	Affiliates hold 40% of Invested company's interest	(Sales)	( 19,407)	( 1%)		According to mutual agreement	Note	Note	31,247	1%		
Wacon Development Co Limited	Airmate Electric Appliances (Shenzhen) Co Limited	Parent/Subsidiary Company	Purchase	4,385,754	91%		According to mutual agreement	Note	Note	( 1,951,955)	(84%)		
Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Parent/Subsidiary Company	Purchases	338,332	6%		According to mutual agreement	Note	Note	( 20,873)	(1%)		
Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	Affiliated companies	Purchases	244,019	7%		According to mutual agreement	Note	Note	-	-		
Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co Limited	Affiliated companies	Purchases	722,630	18%		According to mutual agreement	Note	Note	( 375,195)	(13%)		
Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	Airmate Electric Appliances (Jiujiang) Co. Limited	Affiliates hold 40% of Invested company's interest	Purchase	19,407	76%		According to mutual agreement	Note 1	Note 1	( 31,247)	(92%)		

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

December 31, 2021

Schedule 4

Unit: Thousand NTD

(Unless otherwise specified)

<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>Receivables from related parties</u>	
					<u>Amount</u>	<u>Handling method</u>	<u>Recovered amount after the period</u>	<u>Appropriated amount for loss allowance</u>
Wacon Development Co Limited	The Company	Parent/Subsidiary Company	\$ 423,157	-	\$ -	-	\$ -	\$ -
Wacon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	Parent/Subsidiary Company	1,146,546	-	-	-	-	-
Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co Limited	Parent/Subsidiary Company	583,649	-	-	-	-	-
Airmate Electric Appliances (Shenzhen) Co Limited	Wacon Development Co Limited	Parent/Subsidiary Company	2,291,290	1.97	-	-	1,564,958	-
Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	Affiliated companies	559,729	1.29	-	-	157,354	-

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 December 31, 2021

Schedule 5

Unit: Thousand NTD  
(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 against total
							or total asset
0	The Company	Waon Development Co Limited	1	Other Payables	\$ 423,157	Administered according to mutual agreement	4%
1	Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co Limited	1	Long-term receivables (Note 4)	583,649	Administered according to mutual agreement	6%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	3	Sales	722,630	Administered according to mutual agreement	7%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	3	Accounts Receivable	375,195	Administered according to mutual agreement	4%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	3	Other Receivables	184,534	Administered according to mutual agreement	2%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	3	Other Incomes	299,971	Administered according to mutual agreement	3%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Waon Development Co Limited	2	Sales	4,385,754	Administered according to mutual agreement	43%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Waon Development Co Limited	2	Accounts Receivable	1,951,955	Administered according to mutual agreement	20%
2	Airmate Electric Appliances (Shenzhen) Co Limited	Waon Development Co Limited	2	Other Receivables	339,335	Administered according to mutual agreement	3%
3	Waon Development Co Limited	Airmate Electric Appliances (Shenzhen) Co Limited	1	Purchasing agent	330,890	Administered according to mutual agreement	5%
3	Waon Development Co Limited	Airmate Electric Appliances (Shenzhen) Co Limited	1	Purchasing agent	14,950	Administered according to mutual agreement	0%
3	Waon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	1	Long-term receivables (Note 5)	1,113,500	Administered according to mutual agreement	11%
3	Waon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	1	Other Receivables	33,046	Administered according to mutual agreement	-
3	Waon Development Co Limited	Airmate Electric Appliances (Jiujiang) Co Limited	1	Interest Income	23,798	Administered according to mutual agreement	-
4	Airmate Electric Appliances (Jiujiang) Co Limited	Airmate Electric Appliances (Shenzhen) Co Limited	3	Sales	244,019	Administered according to mutual agreement	2%
4	Airmate Electric Appliances (Jiujiang) Co Limited	Waon Development Co Limited	2	Sales	338,332	Administered according to mutual agreement	3%
4	Airmate Electric Appliances (Jiujiang) Co Limited	Waon Development Co Limited	2	Accounts Receivable	20,873	Administered according to mutual agreement	-

Note 1: The serial number is filled in 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 company 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 428,971 in capital loans and NTD 154,678 in interest.

Note 5: The long-term receivables of Waon Development Co., Limited. from Airmate Electric Appliances (Jiujiang) Co. Limited is NTD 1,041,788 in capital loans and NTD 71,712 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 December 31, 2021

Schedule 6

Unit: Thousand NTD  
(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>Ratio</u>	<u>Carrying amount</u>	<u>Investee Company Profit or Loss</u>	<u>Investee Company Profit or Loss recognized for this period</u>	<u>Remark</u>
				<u>End of the current period</u>	<u>End of previous year</u>						
The Company	Airmate International Holding Limited	Virgin Islands	Holding company	\$ 1,770,814 (USD 63,974,000)	\$ 1,770,814 (USD 63,974,000)	63,974,492	100%	\$ 3,828,188	(\$ 350,267)	(\$ 350,267)	Directly invested subsidiary companies of the Company
Airmate International Holding Limited	Airmate International Co. Limited China	Virgin Islands	Holding company	1,930,991 (USD 69,761,000)	1,930,991 (USD 69,761,000)	69,761,220	100%	3,828,570	( 350,215)	( 350,215)	Directly invested subsidiary companies of the Company
Airmate International Co. Limited China	Wacon Development Co Limited	Hong Kong	Trading company	2,911,238 (HK \$820,298,000)	2,911,238 (HK \$820,298,000)	-	100%	3,245,275	( 342,100)	( 342,100)	Directly invested subsidiary companies of the Company

Note 1: Converted using the exchange rate of USD: NTD: 1: 27.6800, RMB: HKD: 1: 1.2231, HKD: NTD: 1: 3.5490 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 December 31, 2021

Schedule 7

Unit: Thousand NTD  
(Unless otherwise specified)

Name of investee company in Mainland China	Main business items	Paid-up Capital (Note 4)	Investment method (Note 1)	Accumulated Investment Amount				Investment amount related Investment Amount				Shareholding ratio	Investment gain or loss value of investment income recovered	Remark	
				From Taiwan	Reinvested in the Current period	Reinvested from Taiwan	Book value for directly or indirectly	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered				
				Beginning of the period	Reinvested	Reinvested	End of the period	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered	Investment gain or loss value of investment income recovered
Airmate Electric Appliances (Shenzhen) Co Limited	Production and sale of household appliances and precision mold processing	\$ 885,760	(2)	\$ -	\$ -	\$ -	\$ -	(\$ 105,455)	100%	(\$ 105,455)	\$ 2,130,823	\$ -	Note 3 and 5		
Airmate Electric Appliances (Jiujiang) Co. Limited	Production and sale of household appliances and precision mold processing	2,015,104	(2) and (3)	-	-	-	-	( 248,092)	100%	( 248,092)	1,980,099	-	Note 3 and 5		
Zhejiang Airmate Electrical Appliance Sales Co., Ltd.	Sales of electric appliances	45,579	(3)	-	-	-	-	( 2,943)	40%	( 1,177)	31,342	-	Note 3 and 5		
Airmate Technology (Shenzhen) Co. Limited	Sales, research and development of household appliances	43,409	(3)	-	-	-	-	6,285	100%	6,285	41,001	-	Note 3 and 5		
Airmate e-Commerce (Shenzhen) Co., Ltd.	Sales of household appliances	43,409	(3)	-	-	-	-	3,231	100%	3,231	47,017	-	Note 3 and 5		
	Accumulated investment amount		Investment Limit												
	from Taiwan to Mainland China		mittee of the Mainland China												
			According to												
			Ministry of												
			Economic Affairs												
			Investment												
			Commission												
<u>Company name</u>	<u>at the end of the current Period</u>	<u>Approved investment amount</u>	<u>Investment Commission</u>												
(Note 2)	-	-	-												

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

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

Note 2: The Company is an overseas company, so it is not bound by the limitations of "review principles on investment or technological cooperation in Mainland China".

Note 3: The financial reports audited by CPAs of the invested company during the same period will be recognized.

Note 4: Converted using the exchange rate of USD: NTD: 1: 27.6800, RMB: HKD: 1: 1.2231, HKD: NTD: 1: 3.5490 at the date of the financial report.

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



Airmate (Cayman) International Co Limited and Subsidiaries

Information on Major Shareholders

December 31, 2021

Schedule 8

Unit: shares

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