

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

**Consolidated Financial Statements and
CPA's Audit Report**

For Years Ended December 31, 2020 and 2019

Company Address: The office of Codan Trust Company (Cayman) Limited,
Century Yard, Cricket Square, Hutchins Drive, P.O.Box
2681 GT, George Town, Grand Cayman, British West
Indies.

Contact Info: 8675527655988-755-27655988

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.

Table of Contents

Items	Pages
1. Cover Page	1
2. Table of Contents	2
3. Declaration	3
4. CPA's Audit Report	4-7
5. Consolidated Balance Sheets	8
6. Consolidated Statement of Comprehensive Income	9
7. Consolidated Statement of Changes in Equity	10
8. Consolidated Statement of Cash Flows	11-12
9. Notes to Consolidated Financial Statements	
a. Overview	13
b. Date and Procedures of Approving Financial Statements	13
c. Application of New Publication and Amendments of Guidelines and Interpretation	13-14
d. Summary Description of Material Accounting Policies	14-29
e. The Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions	29-30
f. Description of Important Accounting Items	31-63
g. Related Party Transaction	63-64
h. Pledged Assets	65
i. Significant Commitments and Contingencies	65
j. Material Disaster Losses	65
k. Subsequent Events	65
l. Others	65-66
m. Note Disclosure	66-72
1. Information on Significant Transactions	66-70
2. Information on Investees	70-71
3. Information of Investment in Mainland China	71
4. Information of Major Shareholder	72
n. Segment Information	72-73

Representation Letter

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

Hereby Declared by

Company name: AIRMATE (CAYMAN)
INTERNATIONAL CO LIMITED

President: Rui-Bin Shih

Date: March 15, 2021

Independent Auditors' Report

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

Opinion

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

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

Basis of Audit Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of Key Audit Matters:

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

evaluated items when the CPA is auditing Airmate Group.

In response to the auditing procedures:

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

2. Notes receivable and accounts receivable and impairment evaluation

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

Description of Key Audit Matters:

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

In response to the auditing procedures:

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

3. Inventory Valuation

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

Description of Key Audit Matters:

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

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

In response to the auditing procedures:

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

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

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

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

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

Accountant's responsibility in auditing consolidated financial statement

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

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

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

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

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

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

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

KPMG

CPA: Chun-Wei Chuang
Kuan-Wen Lu

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

March 15, 2021

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

Unit: NT\$ thousands

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

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

President: Rui-Bin Shih

General Manager: Yong-Chang Lin

Accounting Manager: Mei-Hsiu Ho

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

Unit: NT\$ thousands

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

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

President: Rui-Bin Shih

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

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

Unit: NT\$ thousands

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

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

President: Rui-Bin Shih

General Manager: Yong-Chang Lin

Accounting Manager: Mei-Hsiu Ho

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

Unit: NT\$ thousands

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

President: Rui-Bin Shih

**General Manager:
Yong-Chang Lin**

**Accounting Manager:
Mei-Hsiu Ho**

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

Unit: NT\$ thousands

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

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

President: Rui-Bin Shih

General Manager:
Yong-Chang Lin

Accounting Manager:
Mei-Hsiu Ho

Airmate (Cayman) International Co Limited and Subsidiaries

Notes to Consolidated Financial Statements

For Years Ended December 31, 2020 and 2019

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

1. Company History

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

2. Approval Date and Procedures of Financial Statements

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

3. Application of Newly Released and modified Guidelines and Interpretations

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

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

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

- b. Impacts for yet to adopt IFRS recognized by FSC

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

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

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

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

New or amended standards	Major amended contents	Effective date of releases by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	The amendments are to promote consistency in applying the standards by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current in the balance sheet. The amendments also clarify the classification rules for debts companies might settle by converting them into equity.	2023.1.1
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	The amendments stated that the cost of fulfilling a contract comprises the costs that relate directly to the contract. The costs include: • The incremental costs of fulfilling the contract - e.g. direct labor and raw materials; and • An allocation of other costs that relate directly to fulfilling the contracts - e.g. the allocation of depreciation expense of property, plant, and equipment used in fulfilling the contract.	2022.1.1

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

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

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

4. Summary Description of Material Accounting Policies

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

a. Compliance to announcement

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

b. Basis of Preparation

1) Basis of measurement

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

- a) Financial assets measured at fair value through profit or loss; and
- b) Net determined benefit liability (or asset), which means the fair value of retirement fund asset less the present value of defined benefit obligations

2) Functional currency and presentation currency

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

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

c. Basis of consolidation

1) Principle of consolidated financial report preparation

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

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

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

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

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

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

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

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

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

d. Foreign Currency

1) Foreign currency transaction

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

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

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

2) Foreign operations

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

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

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

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

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

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

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

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

f. Cash and cash equivalents

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

g. Financial instruments

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

1) Financial assets

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

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

a) Financial assets measured at amortized cost

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

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

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

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

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

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

c) Impairments of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Derecognition of financial assets

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

2) Financial liabilities and equity instruments

a) Classification of liabilities or equities

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

b) Equity transactions

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

c) Treasury stock

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

d) Composite financial instruments

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

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

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

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

e) Financial liabilities

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

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

f) Derecognition of financial liabilities

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

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

g) Offsetting of financial assets and liabilities

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

3) Derivative financial instruments

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

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

h. Inventory

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

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

i. Investment in the associates

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

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

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

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

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

j. Property, plant and equipment

a) Recognition and measurement

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

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

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

b) Subsequent cost

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

c) Depreciation

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

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

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

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

k. Lease

1) Determination of a lease

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

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

2) Lessee

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

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

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

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

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

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

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

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

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

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

For short-term leases of the operation lease rented domicile, plant and storage and leases of low-value assets, the consolidated company has elected not to recognize the right-of-use assets and lease liabilities, and the lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

l. Intangible assets

a) Recognition and measurement

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

b) Subsequent expenses

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

c) Amortization

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

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

- 1) Computer software and network engineering works: 5 years
- 2) Golf license: 10 years.

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

m. Impairments of non-financial assets

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

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

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

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

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

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

n. Liability provision

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

Warranty

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

o. Revenue recognition

Revenue from Contracts with Customers

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

1) Sales of goods

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

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

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

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

2) Financial components

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

p. Government grants

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

q. Employee benefits

1) Defined promotion plan

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

2) Defined benefit plan

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

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

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

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

3) Short-term employee benefits

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

r. Share-based payment transactions

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

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

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

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

s. Income taxes

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

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

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

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

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

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

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

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

t. Earnings per share

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

u. Segment information

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

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

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

The management has to continuously check the estimate and basic assumptions, and the accounting estimate is recognized during the period of change and during the future influenced period.

Uncertainty of the following assumptions and estimates carries a significant risk of major adjustments of the resulting asset and liability carrying amount in the next financial year. It has already reflected the impact of the COVID-19 pandemic. The information is as follows:

a) Allowance for doubtful accounts receivable

The allowance for doubtful accounts receivable for the consolidated company is estimated on the basis of assumption upon default risk and expected loss rate. The consolidated company judges upon the adoption of assumption and selection of input in calculating impairment by considering historical experience, current market status and prospective estimate on every reporting date. Please refer to Note 6(3) for details of relevant assumptions and input.

b) Inventory Valuation

As inventory shall be measured based on the cost or realizable value, whichever is lower; if on the consolidated company's evaluation report date, the inventory has suffered normal wear and tear, is outdated or has no market value, the inventory cost shall be offset to net realizable value. The assessment of this inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes. See Note 6(5) for details of inventory valuation.

The accounting policy and disclosure of the consolidated company include adopting fair value to measure financial, non-financial assets and liabilities. The consolidated company has established internal control system for fair value measurement. It includes establishing a valuation team to take charge of the re-checking of all material fair value measurement (including third level fair value) and the team will directly report to the chief financial officer. The valuation team will regularly re-check major input and adjustments that are unobservable. If the input for measurement of fair value is to apply third-party information (such as broker or pricing service institution), the valuation team will evaluate the evidence for supporting the input provided by the third party, so as to determine whether the valuation and fair value level classification conforms to the provisions of IFRS. The valuation team will report major valuation topics to the audit committee of the consolidated company.

In measuring the assets and liabilities, the consolidated company will try its best to use market observable input. The level of fair value is classified as follows according to the input used by valuation technique.

- a) First level: open quotation of the same asset or liability on the active market (without adjustment).
- b) Second level: except for the open quotation covered by the first level, the input parameters of assets or liabilities are directly (price) or indirectly (obtained through price deduction) observable.
- c) Third level: the input parameters of assets or liabilities is not based on observable market data (unobservable parameters).

If there is any transition event or situation among the levels of fair value, the consolidated company shall recognize it on the reporting date.

See Note 6(25), Financial Instruments, for details about assumptions adopted for measurement of fair value.

6. Description of major accounting items

a. Cash and Cash Equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash in treasury	\$ 1,227	1,766
Cheque and demand deposit	442,485	411,173
Cash and cash equivalents listed in consolidated cash flow statement	<u>\$ 443,712</u>	<u>412,939</u>

Refer to Note 6(25) for the details on interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

b. Financial Assets and Liabilities Measured at FVTPL

	<u>2020.12.31</u>	<u>2019.12.31</u>
Financial assets mandatory at FVTPL-current		
Structured deposits	\$ 72,010	-
Corporate bonds reverse repurchase right and redemption right (Note 6(16))	-	44
Non-hedging derivatives - forward exchange contract	-	1,763
	<u>\$ 72,010</u>	<u>1,807</u>
Financial assets mandatory at FVTPL - non-current:		
Corporate bonds reverse repurchase right and redemption right (Note 6(16))	<u>\$ 150</u>	<u>330</u>
Financial liabilities held for transaction - current		
Non-hedging derivatives - forward exchange contract	\$ (171)	-
Non-hedging derivatives - option contract	(7)	-
Financial liabilities at FVTPL	<u>\$ (178)</u>	<u>-</u>

Engaging in derivative financial instrument transactions is used to avoid the risk of changes in exchange rates and raw material market prices due to business activities. The consolidated company, on December 31, 2020 and 2019, reports it as a financial asset that is mandatorily measured at FVTPL and financial liability held for trading due to not being applicable for hedge accounting. The breakdown of derivatives is as follows:

Forward exchange contracts:

	<u>2020.12.31</u>		
	<u>Contract amount (NT\$ thousand)</u>	<u>Currency</u>	<u>Maturity period</u>
Option contract purchased	US\$2,000	JPY to USD	2020.1
Buying forward	CNY 78,560	USD to CNY	2021.1~2021.3
	<u>2019.12.31</u>		
	<u>Contract amount (NT\$ thousand)</u>	<u>Currency</u>	<u>Maturity period</u>
Buying forward	US\$1,000	JPY to USD	2020.1
Buying forward	US\$5,000	CNY to USD	2020.1~2020.2
Buying forward	CNY 28,061	USD to CNY	2020.1~2020.3

Fair value remeasurement was recognized in profit or loss. Refer to Note 6(24) for details.

As of December 31, 2020 and 2019, there is no provision of a pledge guarantee for financial assets at FVTPL in the consolidated company.

c. Notes Receivable and Accounts Receivable

	2020.12.31	2019.12.31
Notes receivable	\$ 1,363,829	1,573,200
Less: discount on notes receivable	(153,045)	(262,325)
Transfer on notes receivable	(596,243)	(801,641)
Notes receivable (net)	614,541	509,234
Accounts receivable - measured at amortized cost	1,583,021	1,211,376
Less: allowance for loss	(31,884)	(55,791)
Accounts receivable (net)	1,551,137	1,155,585
Accounts receivable from related parties (net)	17,820	88,997
	\$ 2,183,498	1,753,816

All bills receivable discounted by the consolidated company are bank acceptance bills given by customers. Based on historical experience, financial institutions have not refused to pay, so the discounted bills receivable are reported as a reduction of bills receivable.

The bills receivable transferred by the consolidated company are all bank acceptance bills given by the customer. According to a FAQ issued by SFB on December 26, 2018, "Whether the transfer of notes receivable in Mainland China can be derecognized?", assess the credit rating of the accepting bank that received the banker's acceptance. Banker's acceptances with a higher credit rating of the accepting bank usually have less credit risk and late payment risk. The main risk associated with a banker's acceptance is interest rate risk, and interest rate risk has been transferred with an endorsement of notes. It is able to judge that almost all risks and rewards of ownership of banker's acceptances have been transferred. Therefore, the endorsement of the banker's acceptance transferred to the supplier is eligible for derecognition. The discounted and transferred notes are reported as a deduction for notes receivable.

The consolidated company adopted a simplified method to estimate expected credit loss for notes receivable and accounts receivable, namely measurement through lifetime expected credit loss. For this purpose of measurement, the notes receivable and accounts receivable are grouped by the joint credit risk characteristics of the ability to pay the due amount according to the contract terms of representative customers, and incorporated into prospective information like historical credit loss experience and a reasonable expectation of future economic conditions. The analysis of the consolidated company's expected credit losses on notes and accounts receivable outside the Mainland China is as follows:

	2020.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not overdue	\$ 301,743	-	-
Overdue for 1-30 days	16,049	-	-
Overdue for 31-60 days	26	0.06%	-
Overdue for 61-90 days	-	1.06%	-
Overdue for 91-180 days	-	8.56%	-
Overdue for 181-270 days	-	15.64%	-
Overdue for 271-365 days	-	35.85%	-
Overdue for more than 365 Days	-	100%	-
	\$ 317,818		-

	2019.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not overdue	\$ 310,750	0.15%	467
Overdue for 1-90 days	30,784	3.70%	1,138
Overdue for 91-180 days	1,932	12.21%	236
Overdue for 181-270 days	-	18.92%	-
Overdue for 271-365 days	-	51.25%	-
Overdue for more than 365 Days	957	100%	957
	<u>\$ 344,423</u>		<u>2,798</u>

The analysis of the consolidated company's expected credit losses on notes and accounts receivable in the Mainland China is as follows:

	2020.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not overdue	\$ 1,617,618	0.06%	935
Overdue for 1-30 days	156,182	0.75%	1,166
Overdue for 31-60 days	39,754	1.44%	571
Overdue for 61-90 days	13,260	3.99%	528
Overdue for 91-180 days	29,560	18.96%	5,603
Overdue for 181-270 days	19,091	34.14%	6,518
Overdue for 271-365 days	11,293	50.98%	5,757
Overdue for more than 365 Days	10,806	100%	10,806
	<u>\$ 1,897,564</u>		<u>31,884</u>

	2019.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not overdue	\$ 1,243,643	0.24%	2,930
Overdue for 1-90 days	153,230	1.62%	2,481
Overdue for 91-180 days	8,529	14.64%	1,248
Overdue for 181-270 days	18,285	39.17%	7,162
Overdue for 271-365 days	11,609	79.97%	9,284
Overdue for more than 365 Days	29,888	100%	29,888
	<u>\$ 1,465,184</u>		<u>52,993</u>

The table of changes in allowance for doubtful notes receivable and accounts receivable of the consolidated company was as follows:

	2020	2019
Beginning balance	\$ 55,791	57,849
Provision for impairment loss	60,170	48,189
Impairment loss return	(58,649)	(31,701)
Reclassified to allowance for uncollectible accounts	(38,250)	(16,276)
Write-off of unrecoverable accounts	(3,227)	(129)
Effect of Exchange Rate Changes	16,049	(2,141)
Closing balance	<u>\$ 31,884</u>	<u>55,791</u>

Please refer to Note 6(25) for details of remaining credit risk information.

The accounts receivable factoring contract without right of recourse signed between the consolidated company and financial institutions stipulates that the former does not need to bear the risk of non-recoverability of accounts receivable, so it meets the condition of financial assets derecognition. Relevant information about undue factoring accounts receivable on the reporting date was as follows:

2020.12.31								
Underwriter	Resale amount	Underwriting limit	Advanced amount	Contract period	Interest rate range	Guarantee items provided	Material transfer terms	Derecognized amount
Chinatrust Commercial Bank Hong Kong Branch	USD\$21,371	USD\$500,000	-	2020.07.30~2021.05.31	-	-	• Underwriting without right of recourse • Handling fee 0.6% • Loan-to-value ratio: 85%	USD\$21,371 (NT\$615 thousand)
2019.12.31								
Underwriter	Resale amount	Underwriting limit	Advanced amount	Contract period	Interest rate range	Guarantee items provided	Material transfer terms	Derecognized amount
Chinatrust Commercial Bank Hong Kong Branch	USD\$443,746	USD\$1,000,000	-	2019.07.24~2020.05.31	-	-	• Underwriting without right of recourse • Handling fee 0.6% • Loan-to-value ratio: 85%	USD\$443,746 (NT\$13,390 thousand)

The amount of the above-mentioned accounts receivable has been derecognized from the accounts receivable. By December 31, 2020 and 2019, the amounts were USD\$21,371 (equivalent to NT\$615 thousand) and USD\$443,746 (equivalent to NT\$13,390 thousand), respectively and they were reclassified under "Other current assets-other receivables".

As of December 31, 2020 and 2019, there was no situation where the consolidated company provided a pledge guarantee to notes receivable and accounts receivable.

d. Other Receivables

	2020.12.31	2019.12.31
Claims receivable sold	\$ 615	13,390
Other receivables - collections	90,640	66,569
Other receivables - others	31,534	43,533
Allowance for loss	(90,640)	(66,569)
	\$ 32,149	56,923

Please refer to Note 6(25) for details of remaining credit risk information.

e. Inventory

1) The details are as follows:

	2020.12.31	2019.12.31
Finished products	\$ 1,341,943	1,389,907
Work in progress	339,037	290,706
Supplies	7,143	7,011
Raw materials	439,061	386,869
	\$ 2,127,184	2,074,493

- 2) The cost of goods sold in the relevant period is recognized as follows:

	<u>2020</u>	<u>2019</u>
Cost of Goods Sold	\$ 7,590,249	8,162,460
Inventory valuation losses (gains)	36,749	(13,420)
Others	14,209	17,197
	<u><u>\$ 7,641,207</u></u>	<u><u>8,166,237</u></u>

As of December 31, 2020 and 2019, there is no provision of a pledge guarantee for inventory in the consolidated company.

- f. Investments Accounted for Using Equity Method

- 1) Associates

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
The carrying amount of equity at the end of the period of individual non-material associates	<u><u>\$ 27,258</u></u>	<u><u>25,228</u></u>
	<u>2020</u>	<u>2019</u>
Share attributable to the consolidated company:		
Total comprehensive revenue amount of continuous operation units	<u><u>\$ (2,742)</u></u>	<u><u>5</u></u>

- 2) Guarantee

As of December 31, 2020 and 2019, there was no situation where the consolidated company provided a pledge guarantee to investments accounted for using the equity method.

- g. Changes in ownership equity of subsidiaries

On January 6, 2020, the consolidated company increased its shareholding in Shenzhen Airmate Technology Co., Ltd. for CNY 4,411 thousand (equivalent to NT\$18,948 thousand) in cash, increasing its equity from 51% to 100%. The consolidated company had no transaction with non-controlling interests in 2019.

The impact of interest changes of the consolidated company against the subsidiaries listed above on the equity attributable to the owner of the parent company is as follows:

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

h. Real estate, plants and equipment

The details of cost, depreciation, and impairment loss changes of property, plant, and equipment in 2020 and 2019 for the consolidated company were as follows:

	House and building	Machinery and equipment	Transportation equipment	Office facility	Other equipment	Equipment to be inspected and construction in progress	Total
Cost or identified cost:							
Balance as of January 1, 2020	\$ 1,065,804	1,213,048	55,362	243,851	2,547,223	59,794	5,185,082
Addition	-	5,018	915	11,657	56,202	92,792	166,584
Re-classification	1,470,464	-	-	-	90,945	(73,606)	1,487,803
Shifted expense	-	-	-	-	-	(33,149)	(33,149)
Disposal	(499)	(160,223)	(3,603)	(15,925)	(19,159)	-	(199,409)
Effects of changes in foreign exchange rates	16,456	(20,498)	60	2,060	(61,147)	1,953	(61,116)
Balance as of December 31, 2020	<u>\$ 2,552,225</u>	<u>1,037,345</u>	<u>52,734</u>	<u>241,643</u>	<u>2,614,064</u>	<u>47,784</u>	<u>6,545,795</u>
Balance as of January 1, 2019	\$ 1,097,068	1,356,555	57,522	252,513	2,632,283	54,785	5,450,726
Addition	12,844	23,615	1,513	9,662	98,570	101,261	247,465
Re-classification	-	-	-	-	40,963	(40,963)	-
Shifted expense	-	-	-	-	-	(51,215)	(51,215)
Disposal	(2,080)	(102,534)	(534)	(8,432)	(105,420)	-	(219,000)
Effects of changes in foreign exchange rates	(42,028)	(64,588)	(3,139)	(9,892)	(119,173)	(4,074)	(242,894)
Balance as of December 31, 2019	<u>\$ 1,065,804</u>	<u>1,213,048</u>	<u>55,362</u>	<u>243,851</u>	<u>2,547,223</u>	<u>59,794</u>	<u>5,185,082</u>
Depreciation and impairment loss:							
Balance as of January 1, 2020	\$ 313,326	759,205	42,005	203,268	1,980,443	-	3,298,247
Depreciation for the year	37,440	74,706	4,673	16,181	205,546	-	338,546
Re-classification	(3,003)	-	-	-	-	-	(3,003)
Disposal	(187)	(120,678)	(3,452)	(15,671)	2,795	-	(137,193)
Effects of changes in foreign exchange rates	5,434	(25,789)	(84)	1,586	(67,164)	-	(86,017)
Balance as of December 31, 2020	<u>\$ 353,010</u>	<u>687,444</u>	<u>43,142</u>	<u>205,364</u>	<u>2,121,620</u>	<u>-</u>	<u>3,410,580</u>
Balance as of January 1, 2019	\$ 298,035	794,134	39,046	195,872	1,916,711	-	3,243,798
Depreciation for the year	28,127	97,259	6,079	24,113	266,913	-	422,491
Disposal	(446)	(85,365)	(500)	(8,352)	(104,477)	-	(199,140)
Effects of changes in foreign exchange rates	(12,390)	(46,823)	(2,620)	(8,365)	(98,704)	-	(168,902)
Balance as of December 31, 2019	<u>\$ 313,326</u>	<u>759,205</u>	<u>42,005</u>	<u>203,268</u>	<u>1,980,443</u>	<u>-</u>	<u>3,298,247</u>
Carrying amount:							
December 31, 2020	<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>
January 1, 2019	<u>\$ 799,033</u>	<u>562,421</u>	<u>18,476</u>	<u>56,641</u>	<u>715,572</u>	<u>54,785</u>	<u>2,206,928</u>
December 31, 2019	<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>

The consolidated company and Jiujiang Economic Development Zone signed an investment project contract, met the contract terms, and paid in full with the contract price worth CNY 360 million (equivalent to NT\$1,571,133 thousand) on December 27, 2019. After obtaining the state-owned land use right certificate, the house cost of CNY 341,594 thousand (equivalent to NT\$1,490,806 thousand) is recognized based on the contract price. The house is transferred from the right-of-use assets to fixed assets. Please see Note 6(9) for details.

Please refer to Note 8 for details of short-term loan and financing limit guarantee as of December 31, 2020 and 2019.

i. Right-of-use assets

The details of the cost, depreciation and impairment loss of the leased land of the consolidated company were as follows:

	Land
Right-of-use asset cost:	
Balance as of January 1, 2020	\$ 1,596,800
Increase in the Period	84,008
Re-classification	(1,490,806)
Effects of changes in foreign exchange rates	24,549
Balance as of December 31, 2020	<u><u>\$ 214,551</u></u>
Balance as of January 1, 2019	\$ -
Reclassified from long-term prepaid rent	51,790
Increase in the Period	1,546,790
Effects of changes in foreign exchange rates	(1,780)
Balance as of December 31, 2019	<u><u>\$ 1,596,800</u></u>
Depreciation and impairment loss of right-of-use assets:	
Balance as of January 1, 2020	\$ 1,559
Depreciation	2,093
Effects of changes in foreign exchange rates	25
Balance as of December 31, 2020	<u><u>\$ 3,677</u></u>
Balance as of January 1, 2019	\$ -
Depreciation	1,618
Effects of changes in foreign exchange rates	(59)
Balance as of December 31, 2019	<u><u>\$ 1,559</u></u>
Carrying amount:	
December 31, 2020	<u><u>\$ 210,874</u></u>
December 31, 2019	<u><u>\$ 1,595,241</u></u>

The consolidated company signed contracts with Shenzhen Land Resources Bureau and Administrative Bureau of House Property Baoan Branch respectively to acquire land in the Huangfengling industrial zone for the construction of plants and employee dormitories. The land use right was obtained. Also, the land obtained from the local Hong Kong Land Registry and used as office space is at the Fortress Tower on King's Road, North Point, Hong Kong. The land use right was obtained. As of December 31, 2020, the service life of both is thirty-one years.

The consolidated company and Jiujiang Economic Development Zone signed an investment project contract, met the contract terms, and paid in full with the contract price worth CNY 360 million (equivalent to NT\$1,571,133 thousand) on December 27, 2019. On August 27, 2020, the consolidated company obtained the state-owned land-use rights at an auction price of CNY 480 million (equivalent to NT\$2,094,844 thousand). Because the contract condition is that if the initial selling price of the transfer exceeds the contract price of CNY 360 million (equivalent to NT\$1,571,133 thousand), Jiujiang Economical Development Zone shall unconditionally pay the consolidated company CNY 120 million (equivalent to NT\$523,711 thousand) as compensation. The consolidated company recognizes the subsidy received as an asset deduction. After obtaining the state-owned land use right certificate, it recognizes the land use right and housing cost based on the contract price, which were CNY 36,129 thousand (equivalent to NT\$157,676 thousand) and CNY 341,594,000 (equivalent to NT\$1,490,806 thousand), respectively. And according to the 50-year amortization of the land use right certificate, the house is transferred to fixed assets, please see Note 6(8) for details.

j. Intangible assets

The details of cost, amortization, and impairment loss of intangible assets in 2020 and 2019 of the consolidated company were as follows:

	Computer software and network	Golf license	Total
Cost:			
Balance as of January 1, 2020	\$ 122,113	18,410	140,523
Acquisition for the period	1,627	-	1,627
Effects of changes in foreign exchange rates	1,922	290	2,212
Balance as of December 31, 2020	\$ 125,662	18,700	144,362
Balance as of January 1, 2019	\$ 126,938	19,140	146,078
Effects of changes in foreign exchange rates	(4,825)	(730)	(5,555)
Balance as of December 31, 2019	\$ 122,113	18,410	140,523
Amortization and impairment loss:			
Balance as of January 1, 2020	\$ (111,457)	(17,369)	(128,826)
Amortization for the period	(5,177)	(486)	(5,663)
Effects of changes in foreign exchange rates	(1,843)	(281)	(2,124)
Balance as of December 31, 2020	\$ (118,477)	(18,136)	(136,613)
Balance as of January 1, 2019	\$ (108,575)	(17,470)	(126,045)
Amortization for the period	(8,566)	(589)	(9,155)
Effects of changes in foreign exchange rates	5,684	690	6,374
Balance as of December 31, 2019	\$ (111,457)	(17,369)	(128,826)
Carrying amount:			
December 31, 2020	\$ 7,185	564	7,749
January 1, 2019	\$ 18,363	1,670	20,033
December 31, 2019	\$ 10,656	1,041	11,697

1) Recognition of amortization and impairment

Amortization expense of intangible assets in 2020 and 2019 were respectively recognized under the following items of consolidated statements of comprehensive income:

	2020	2019
Operating Cost	\$ 1,861	2,070
Operating cost-various amortization	3,802	7,085
	\$ 5,663	9,155

2) Guarantee

As of December 31, 2020 and 2019, there was no provision of a pledge guarantee for intangible assets in the consolidated company.

k. Other current assets and other non-current assets

	<u>2020.12.31</u>	<u>2019.12.31</u>
Other receivables	\$ 32,149	56,923
Income tax assets for the period	3,318	3,641
Advance payment		
Advanced payment for goods	42,760	31,581
Advanced payment for fees	37,707	28,304
Retained tax amount	139,636	131,424
Other financial assets-current	279,501	501,347
Provisional payment	18	19
Total of other current assets	<u>\$ 535,089</u>	<u>753,239</u>
Right of products to be returned	<u>\$ 104,021</u>	<u>70,955</u>
	<u>2020.12.31</u>	<u>2019.12.31</u>
Advance payment for equipment	\$ 55,250	37,716
Refundable deposit	66,266	73,012
Other financial assets - non-current	106,396	36,101
Others	758	1,482
Total of other non-current assets	<u>\$ 228,670</u>	<u>148,311</u>

1) Other financial assets

These are mainly bank deposits which do not meet the definition of cash equivalents.

Please refer to Note 8 for details of the consolidated company's guarantee with assets as collateral for corporate bond lines, derivatives lines, bank loans, and notes payable, as of December 31, 2019, and 2018.

l. Short-term Borrowings

	<u>2020.12.31</u>	<u>2019.12.31</u>
Unsecured bank loans	\$ 314,060	286,907
Secured bank loan	1,242	253,720
Total	<u>\$ 315,302</u>	<u>540,627</u>
Unused limit	<u>\$ 1,536,196</u>	<u>1,450,079</u>
Interest rate range	<u>0.83%~5.22%</u>	<u>2.65%~5.22%</u>

Please refer to Note 6(25) for details of critical risk information of the consolidated company, like interest rate, exchange rate, and mobility risk.

Please refer to Note 8 for details of guarantee for the consolidated company to use assets to pledge for bank loan.

m. Notes payable, other payable and other current liabilities

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes payable	<u>\$ 1,774,409</u>	<u>1,608,075</u>
Salaries payable	\$ 198,963	200,530
Employees' compensation and directors' and supervisors' remuneration payable	16,851	20,900
Tax payable	4,710	8,053
Promotion fee payable	257,787	264,374
Transportation fee payable	31,607	32,832
Compensated absences payable	14,872	1,001
Other expenses payable	109,791	119,142
Other receivables	31,509	24,715
Total of other payables	<u>\$ 666,090</u>	<u>671,547</u>
Refund liability	<u>\$ 141,676</u>	<u>97,271</u>
Other compensation	\$ 588,575	579,455
Long-term deferred revenue	79,727	37,076
Total of other non-current liabilities	<u>\$ 668,302</u>	<u>616,531</u>

1) Notes payable

As of December 31, 2020 and 2019, the notes payable were respectively NT\$1,772,256 thousand and NT\$1,605,076 thousand, guaranteed or accepted by financial institutions.

The above notes payable and other payables are expected to be settled within one year.

2) Refund liability

The sales of goods return provision of the consolidated company is mainly related to domestic sales of electric appliances by distributors at Mainland China, and it is estimated according to the historical return data of similar products and services. The consolidated company estimates that the liability is mostly happening in the following year of sales.

3) Other compensation

Advance collection of compensation for old plant land development at Shenzhen industrial zone. Please refer to Note 12(3) for details.

4) Long-term deferred revenue

Mainly tax incentives from the Finance Bureau of the Economical Development Zone.

n. Provisions - current

	<u>Warranty</u>
Balance as of January 1, 2020	\$ 20,556
Additional provisions made in the period	96,361
Provision amounts used during the period	(74,652)
Balance as of December 31, 2020	<u>\$ 42,265</u>
Balance as of January 1, 2019	\$ 6,871
Additional provisions made in the period	100,600
Provision amounts used during the period	(86,915)
Balance as of December 31, 2019	<u>\$ 20,556</u>

The consolidated company's provision for warranties were mainly related to domestic sales in Mainland China and export sales of electric appliances by distributors, and they were estimated according to the historical warranty and return data of similar product and service. The consolidated company estimates that the liability is mostly happening in the following year of sales.

o. Long-Term Borrowings

The details, terms and conditions for long-term borrowings of the consolidated company were as follows:

	2019.12.31			
	Currency	Interest rate	Due year	Amount
Pledged loan	USD	2.91%	2020	\$ 44,954
Less: the current portion				(44,954)
Total				<u>\$ -</u>
Unused limit				<u><u>\$ -</u></u>

Please refer to Note 8 for details of guarantee for the consolidated company to use assets to pledge for bank loan.

p. Corporate Bonds Payable

Bonds payable of the consolidated company is as follows:

	2020.12.31	2019.12.31
Secured convertible bonds	\$ 300,000	800,000
Unsecured convertible bonds	400,000	-
Less: unamortized payable corporate bond discount	(20,003)	(10,976)
Cumulative converted amount	-	(56,800)
Payable corporate bond balance at the end of the period	679,997	732,224
Less: corporate bonds due within one year or one business cycle (Note 1)	-	(438,874)
	<u><u>\$ 679,997</u></u>	<u><u>293,350</u></u>
Embedded derivatives - repurchase rights and reverse repurchase rights (listed in financial (asset) liabilities measured at fair value through profit or loss)	\$ (150)	(374)
Less: corporate bonds due within one or one business cycle	-	44
	<u><u>\$ (150)</u></u>	<u><u>(330)</u></u>
Equity components - conversion right (recognized into capital surplus - subscription right)	<u><u>\$ 15,264</u></u>	<u><u>13,858</u></u>
	2020	2019
Embedded derivatives - reverse repurchase right/redemption right evaluation gain (loss) (recognized into financial liability gain (loss) at FVTPL)	<u><u>\$ 344</u></u>	<u><u>(7,594)</u></u>
Interest expense	<u><u>\$ 6,886</u></u>	<u><u>6,430</u></u>

Note 1: The Company has issued the domestic second secured convertible bonds, and according to the provisions of corporate bonds issuance term, the holders can exercise the reverse repurchase right on September 30, 2019 (two years after issuance). Therefore, the Company shifted the convertible bonds balance into "Corporate bonds for which the reverse repurchase right can be executed within one year"; relevant embedded derivative financial instruments were also reclassified to current liability.

- 1) The following is the Company's issuance conditions for the second secured convertible bonds within ROC:
 - a) Issuance period: three years, from September 30, 2017, to September 30, 2020.
 - b) Total amount of issuance and book value of every bond: NT\$500,000 thousand, and NT\$100 thousand for the book value of every bond; it is issued in sufficient face amount, and the number is 5,000.
 - c) Coupon rate and effective interest rate: 0% & 0.1090%
 - d) Conversion period:

From the next day following three months after issuance of convertible bonds (January 1, 2018) to the maturity date (September 30, 2020).
 - e) Redemption method:

From the next day following three months after issuance of convertible corporate bonds (January 1, 2018) to forty days before expiry of the issuance period (August 21, 2020), if the closing price of common stock of the Company at the Taipei Exchange goes over 30% (included) over the conversion price of convertible corporate bonds at the time, or the outstanding balance of convertible corporate bonds is lower than 10% of the total amount of issuance, redemption right will be exercised according to the provisions of the conversion method. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.
 - f) Reverse repurchase method:

Two years after issuance of convertible corporate bonds (September 30, 2019) is the reverse repurchase record date for creditors' reverse repurchase of convertible corporate bonds in advance. Creditors may require the Company for the redemption of held convertible bonds according to face amount plus interest compensation, and the interest compensation for two years is 101.0025% face amount (reverse repurchase right yield rate 0.50%). If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.
 - g) Conversion price and adjustment:
 - i. Conversion price at issuance was NT\$28.3.
 - ii. If the number of issued common stock increases after issuance of convertible bonds, the Company has to adjust the conversion price according to the formula listed in the prospectus. As of September 30, 2020, the conversion price was NT\$26.70.
 - h) Conversion status:

From the date of issuance of convertible bonds to September 30, 2020, bondholders have applied for the conversion of 2,007,000 ordinary shares of the Company, and the face amount of corporate bonds conversion is NT\$56,800 thousand. The decrease in capital reserve due to conversion was NT\$1,405 thousand. And in 2019, capital surplus generated by the premiums of new shares issuance from bond conversion was NT\$37,389 thousand. The stock capital generated by the bond conversion was NT\$20,070 thousand. Please refer to Note 6(19) for details.

- i) Situations of redemption and repurchase:

The second secured convertible corporate bonds were due to redeem 4,432 corporate bonds on September 30, 2020. The redemption price was NT\$443,200 thousand, resulting a capital surplus reduction of NT\$10,959 thousand. The redemption gain arising from the foregoing is RMB 10,959 thousand, which is listed under "Other gains and losses". Please see Note 6(24) for details.
- 2) The Company's issuance conditions for the third secured convertible bonds within ROC are as follows:
 - a) Issuance period: three years, from December 4, 2019 to December 4, 2022.
 - b) Total amount of issuance and book value of every bond: NT\$300,000 thousand, and NT\$100 thousand for the book value of every bond; it is issued in sufficient face amount, and the number is 3,000.
 - c) Coupon rate and effective interest rate: 0% & 0.0639%
 - d) Conversion period:

From the next day following three months after issuance of convertible bonds (March 5, 2020) to the maturity date (December 4, 2022).
 - e) Redemption method:

From the next day following three months after issuance of convertible bonds (March 5, 2020) to forty days before the expiry of the issuance period (October 25, 2022), if the closing price of common stock of the Company at the Taipei Exchange goes over 30% (included) over the conversion price of convertible corporate bonds at the time or the outstanding balance of convertible corporate bonds is lower than 10% of the total amount of issuance, redemption right will be exercised according to the provisions of the conversion method. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.
 - f) Reverse repurchase method: none.
 - g) Conversion price and adjustment:
 - i. Conversion price at issuance was NT\$32.
 - ii. If the number of issued common stock increases after issuance of convertible bonds, the Company has to adjust the conversion price according to the formula listed in the prospectus. As of December 31, 2020, the conversion price was NT\$30.20.
 - h) Conversion status:

As of December 31, 2020, there has been no conversion situation.
 - i) Situations of redemption and repurchase:

As of December 31, 2020, there has been no redemption and repurchase of the third secured convertible bond.
- 3) The Company's issuance conditions for the fourth unsecured convertible bonds within ROC are as follows:
 - a) Issuance period: three years, from December 10, 2020, to December 10, 2023.

- b) Total amount of issuance and book value of every bond: NT\$400,000 thousand, and NT\$100 thousand for the book value of every bond; it is issued in sufficient face amount, and the number is 4,000.
- c) Coupon rate and effective interest rate: 0% & 0.1128%
- d) Conversion period:
From the next day following three months after issuance of convertible corporate bonds (March 11, 2021) to the maturity date (December 10, 2023).
- e) Redemption method:
From the next day following three months after issuance of convertible corporate bonds (March 11, 2021) to forty days before the expiry of the issuance period (October 31, 2023), if the closing price of common stock of the Company at the Taipei Exchange goes over 30% (included) over the conversion price of convertible corporate bonds at the time or the outstanding balance of convertible corporate bonds is lower than 10% of the total amount of issuance, redemption right will be exercised according to the provisions of the conversion method. If the Company executes redeem request, the convertible corporate bonds shall be redeemed from bondholders with cash according to face value within five business days after the bond's redemption record date.
- f) Reverse repurchase method: none.
- g) Conversion price and adjustment:
- Conversion price at issuance was NT\$27.
 - If the number of issued common stock increases after issuance of convertible bonds, the Company has to adjust the conversion price according to the formula listed in the prospectus. As of December 31, 2020, the conversion price was NT\$27.
- h) Conversion status:
As of December 31, 2020, there has been no conversion situation.
- i) Situations of redemption and repurchase:
As of December 31, 2020, there has been no redemption and repurchase of the fourth unsecured convertible bond.
- 4) Please refer to Note 8 for details of the consolidated company's guarantee with assets as collateral for corporate bond lines, as of December 31, 2019, and 2018.
- q. Employee benefits
- Defined benefit plan
The present value of defined benefit obligations and the fair value adjustments of the plan assets for the Company were as follows:

	2020.12.31	2019.12.31
Present value of defined benefit obligations	\$ 34,171	31,569
Fair value of plan assets	(1,546)	(2,852)
Net defined benefit liabilities	\$ 32,625	28,717

The defined benefit plan of the consolidated company is contributed to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans covered by the Labor Standards Act entitle a retired employee to receive retirement benefits based on years of service and the average salary for the six months prior to retirement.

a) Components of plan assets

The retirement fund contributed by the consolidated company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds Utilization, Ministry of Labor (hereinafter referred to as Bureau of Labor Funds), and utilized according to the provisions of "Regulations on Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund"; with regard to the utilization of the funds, lowest earnings in final settlement shall not be less than the earnings attainable from two- year time deposits with interest rates offered by local banks.

CMP Group's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to NTD 1,545 thousand on the reporting date. The data for utilization of employee retirement fund includes fund yield rate and fund asset allocation. Please refer to the information released on the website of Bureau of Labor Funds for details.

b) Change in present value of defined benefit obligation

The changes in the present value of the defined benefit obligation in 2020 and 2019 of the consolidated company were as follows:

	2020	2019
Defined benefit obligation on January 1	\$ 31,569	41,963
Current service cost and interest	3,626	2,634
Remeasurements of the net defined benefit liability (asset)		
Actuarial gains or losses arising out of experience adjustments (excluding current interests)	28	(12,584)
Actuarial gains or losses arising out of changes in financial assumptions	1,807	459
Benefits paid on plan assets	(1,470)	(462)
Conversion difference of foreign plan	(1,389)	(441)
Defined benefit obligation as of December 31	<u>\$ 34,171</u>	<u>31,569</u>

c) Changes in fair value of plan assets

The changes in fair value of defined benefit plan assets of the consolidated company in 2020 and 2019 were as follows:

	2020	2019
Fair value of plan assets on January 1	\$ 2,852	3,113
Remeasurements of the net defined benefit liability (asset)		
Return on plan assets (excluding current interest)	107	108
Amount contributed to plan	41	61
Expected return on plan assets	16	32
Benefits paid on plan assets	(1,470)	(462)
Fair value of plan assets on December 31	<u>\$ 1,546</u>	<u>2,852</u>

d) Effects of changes in asset upper limit

In 2020 and 2019, the consolidated company saw no effects from the asset upper limit of defined benefit plan.

e) Expenses recognized as profit or loss

The details of recognition of gain or loss in 2020 and 2019 of the consolidated company were as follows:

	<u>2020</u>	<u>2019</u>
Service cost for the period	\$ 3,332	2,169
Net interest of net defined benefit liability	294	465
Expected return on plan assets	(16)	(32)
	<u>\$ 3,610</u>	<u>2,602</u>
 Selling expense	 \$ 146	 202
Administrative expense	3,464	2,400
	<u>\$ 3,610</u>	<u>2,602</u>

f) Re-measurements of the net defined benefit liability recognized as other comprehensive revenue

Re-measurements of net defined benefit liability recognized as other comprehensive revenue was as follows:

	<u>2020</u>	<u>2019</u>
Cumulative balance on January 1	\$ 38,494	26,261
Investment gain or loss	(1,728)	12,233
Cumulative balance on December 31	<u>\$ 36,766</u>	<u>38,494</u>

g) Actuarial assumption

The main actuarial assumptions adopted by Waon Company at the closing financial reporting date were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	0.500%	1.000%
Future salary increase	2.00%	2.00%

The main actuarial assumptions adopted by Waon Company Taiwan Branch at the closing financial reporting date were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	0.500%	0.750%
Future salary increase	2.00%	2.00%

The consolidated company is expected to make a contribution payment of NT\$3,635 thousand to the defined benefit plans for the one-year period after the reporting date of 2020.

The weighted average survival period of defined benefit plan is 9-16 years.

h) Sensitivity analysis

As of December 31, 2020 and 2019, the influence of changes in actuarial assumptions on the present value of the defined benefit obligations was as follows:

	Influence of Waon Company upon defined benefit obligation	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2020		
Discount rate	\$ (842)	878
Future salary increase	855	(825)
December 31, 2019		
Discount rate	(695)	727
Future salary increase	711	(683)

	Influence of Waon Company Taiwan Branch upon defined benefit obligation	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2020		
Discount rate	\$ (98)	101
Future salary increase	98	(95)
December 31, 2019		
Discount rate	(99)	102
Future salary increase	99	(96)

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

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

2) Define1d contribution plan

Waon Company Taiwan Branch, in determining the contribution plan, follows the provisions of employee retirement fund ordinance by paying 6% monthly salary to the individual special account with Bureau of Labor Insurance; the retirement fund payment obligation of Shenzhen Airmate falls into definite contribution system by contribution of insurance fund every month from the company to be deposited into the individual pension insurance special account. This account is completely detached from the Company, and will be transferred upon demission. The amount to be contributed is recognized as expense for the period; Waon Company also contributes retirement fund to special account of accumulation fund according to local ordinance of Hong Kong. Under this defined contribution plan, the consolidated company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2020 and 2019 amounted to NT\$55,556 thousand and NT\$78,472 thousand, respectively.

r. Income Tax

1) Income tax expenses

The details of expenses (gains) of the consolidated company in 2020 and 2019 were as follows:

	2020	2019
Current income tax		
Generation for the period	\$ 71,094	74,397
Adjust the current income tax of the previous period	8,333	(3,816)
	<u>79,427</u>	<u>70,581</u>
Deferred income tax benefits		
Occurrence and reversal of temporary differences	(11,787)	(4,916)
	<u>(11,787)</u>	<u>(4,916)</u>
Income tax expense	<u>\$ 67,640</u>	<u>65,665</u>

In 2020 and 2019, the Company did not need to pay income tax because the country in which it was located was not subject to income tax.

In accordance with the Hong Kong tax law, Waon Company shall apply the income tax rate of 16.5% if the source of income is derived from Hong Kong.

According to the tax law of the Republic of China, the profit-seeking enterprise income tax rate of Waon Company Taiwan Branch is 20%.

According to the tax law of Mainland China, if the tax preferences are not applied, the applicable income tax rate of Shenzhen Airmate and Airmate Technology is 25%.

On December 4, 2018, Jiujiang Airmate obtained preferential tax treatment for high-tech enterprises. The discount period is valid for three years and expires in 2020. The applicable tax rate is 15%.

The adjustment between the income tax expenses (benefits) of the consolidated company and the net loss before tax was as follows:

	2020	2019
Net Profit Before Tax	\$ 223,879	322,824
Income tax calculated according to the domestic tax rate where the Company is located	-	-
Effects of tax rate difference in foreign administrative areas	49,846	108,353
Non-creditable expense	5,125	2,277
Changes in unrecognized temporary differences (Note)	131	(31,403)
Previous (over) underestimation	8,333	(3,816)
Others	4,205	(9,746)
Income tax expense	<u>\$ 67,640</u>	<u>65,665</u>

2) Deferred tax asset and liability

a) Unrecognized deferred tax assets

The items that the consolidated company has not recognized as deferred tax assets were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Deductible temporary difference	<u>\$ 64,382</u>	<u>63,385</u>

(Note) As of December 31, 2020, the net profit related to the investment in subsidiaries was not recognized as deferred tax liabilities and the related tax effects were NT\$4,371 thousand. Because the consolidated company can control the reversal timing of the temporary difference, and is likely that it will not be reversed in the foreseeable future.

b) Recognized deferred tax assets

The changes in deferred tax asset in 2020 and 2019 were as follows:

Deferred tax asset:

	Receivable payment impairment loss recognition	Unrealized inventory valuation and obsolescence loss	Other compensati on	Others	Total
January 1, 2020	\$ 24,760	37,697	84,775	18,893	166,125
(Debit) credit income statement	382	5,281	1,334	4,790	11,787
December 31, 2020	<u>\$ 25,142</u>	<u>42,978</u>	<u>86,109</u>	<u>23,683</u>	<u>177,912</u>
Balance as of January 1, 2019	\$ 23,339	42,307	88,125	7,438	161,209
(Debit) credit income statement	1,421	(4,610)	(3,350)	11,455	4,916
Balance as of December 31, 2019	<u>\$ 24,760</u>	<u>37,697</u>	<u>84,775</u>	<u>18,893</u>	<u>166,125</u>

c) Situations of income tax verification

The corporate income tax of Waon Company, Shenzhen Airmate, and Jiujiang Airmate had been reported to local tax authorities up to 2019. The report of profitable business income tax for Waon Company Taiwan Branch had been reviewed by tax authority up to 2018.

s. Capital and other equity

On December 31, 2020 and 2019, the total number of authorized capital stock of the Company were both NT\$2,162,500 thousand; the par value per share was NT\$10; and the number of shares were both 216,250 thousand shares. The authorized capital stock above was only common stock, and the issued stocks were 139,588 thousand shares of common stocks and 136,851 thousand shares. The stock capital for issued stock had been all collected.

1) Issuance of common stock

The Company's Annual General Meeting held on 11 June 2000 has resolved that 2019 distributable earnings would appropriate NT\$27,370,000 as stock dividend, or increase capital by issuing 2,737 thousand new shares at a par value of NT\$10 per share. According to the shareholder's shareholding ratio recorded in the register of shareholders on the record date of issuance of new shares, 20 shares shall be distributed for every thousand shares free of charge. The capital increase was approved by the Financial Supervisory Commission and the Board of Directors resolved that the base record for the capital increase was July 27, 2020.

The Company issued 2,007 thousand new shares in 2019 due to the exercise of the conversion right by convertible bondholders.

The Company has passed the resolution of share issuance by the Board of Directors on August 8, 2019. It was estimated that it would issue new stocks with cash capital of NT\$300,000 thousand with the par value of NT\$10 per share, totaling 12,000 thousand shares and issue price per share of NT\$26. This capital increase case has been approved by the Financial Supervisory Commission R.O.C., and December 13,

2019 was the record date for capital increase. All issued shares were paid up upon issuance, the relevant statutory registration procedures have been completed and it was classified under equity.

The adjustment of the Company's outstanding shares in 2020 and 2019 was as follows:

(Expressed in thousand shares)

	Ordinary share	
	2020	2019
Beginning balance January 1	\$ 136,851	122,844
Capital Increase by Cash	-	12,000
Capital increase from retained earnings	2,737	-
Convertible bond conversion	-	2,007
Closing balance December 31	<u>\$ 139,588</u>	<u>136,851</u>

2) Capital surplus

The details of capital surplus were as follows:

	2020.12.31	2019.12.31
Share premium	\$ 1,195,688	1,195,688
Treasury stock transaction	6,164	6,164
Lapsed employee stock options of capital cash increase	7,425	7,425
Subscription right to convertible bonds	15,264	13,858
	<u>\$ 1,224,541</u>	<u>1,223,135</u>

In accordance with the Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The above-mentioned realized capital surplus includes overage from shares issuance over the face amount and acceptance of bestowal. In accordance with the processing standards regarding issuers collecting and issuing negotiable securities, the capital surplus for capital has to be appropriated, and the total amount of appropriation every year shall not exceed 10% of the paid-in capital.

3) Retained earnings

In accordance with the Articles of Association of the Company, during the period of over-the-counter transaction or the period listed at the stock exchange as well as in making the proposal for allocation of earnings by the Board of Directors, the following has to be recognized in advance from the earnings of every accounting year:

- Payment for provision of tax of relevant accounting period;
- Amount to offset previous loss;
- 10% earned surplus;
- Special reserve required by securities regulatory authority in accordance with the rules and regulations of companies with public issuance.

If there is surplus, it shall be combined with cumulative undistributed surpluses in part or whole over the previous years to be distributed to shareholders as dividend according to shareholding ratio in accordance with the previously formulated dividend policy confirmed by the Board of Directors under the precondition of following the Cayman Company Law, after the rewards to employees and bonuses to directors are contributed. Dividends distributed to shareholders are in the forms of share dividends and cash dividends, and the cash dividends shall not be less than fifty percent (50%)

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

a) Legal reserve

In accordance with provisions of the Company Act, the Company shall contribute 10% after-tax net profit as a legal reserve until equalization with the total amount of capital. When there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in capital.

b) Special reserve

The amount of interest arising out of retained earnings of cumulative translation adjustment generated due to financial statement translation of foreign operation under the item of shareholders equity by the Company when applying the exemption item in IFRS No.1 "First-time Adoption of International Financial Reporting Standards" was NT\$185,271 thousand. Besides, in accordance with the provision of FSC Jin-Guan-Zheng-Fa-Zi No. 1010012865 on April 6, 2012, the same amount was recognized as a special reserve, and when relevant assets are used, handled, and re-classified, the earnings are distributed according to the ratio of the original recognized special reserve.

In accordance with the above provisions, in distributing distributable earnings by the Company, the difference between the net amount recognized of other shareholders equity deduction occurred in the year and the special reserve balance mentioned above is supplementarily recognized as special reserve from current gain or loss and previous undistributed earnings; amount of other shareholders' equity deduction through previous cumulation is supplementarily recognized as special reserve that couldn't be distributed from previous undistributed earnings. Afterward, if other shareholders' equity deduction has been reversed, the reversal shall be applicable to earnings distribution. As of December 31, 2020 and 2019, the balance of the special reserve was NT\$363,822 thousand and NT\$362,409 thousand, respectively.

c) Earnings distribution

The Company had passed the earnings distribution plan for 2019 and the loss appropriation plan for 2018 through resolution by the Shareholders' Meeting on June 11, 2020, and June 6, 2019, respectively, and the amount distributed to owners as the dividend was as follows:

	2019		2018	
	<u>Dividend payout ratio (NT\$)</u>	<u>Amount</u>	<u>Dividend payout ratio (NT\$)</u>	<u>Amount</u>
Dividend distributed to common stock owners				
Cash dividend	\$ 0.80	109,480	-	-
Stock Dividend	0.20	27,370	-	-
Total		<u><u>\$ 136,850</u></u>		<u><u>-</u></u>

4) Treasury stock

- a) The Company's changes in treasury stock in 2019 were as follows (Unit: thousand shares):

Reason of recovery	2019							
	Opening number of shares	Opening amount	Number of increased shares	Increased amount	Reduced number of shares	Decreased amount	Closing number of shares	Closing amount
Treasury stock transferred to employees	1,258	\$ 33,051	-	-	1,258	33,051	-	-

- b) In accordance with the provisions of Securities Transaction Law, the treasury stock held by the Company cannot be pledged, and before transfer no right of shareholders shall be enjoyed.

5) Other equity

	Exchange differences arising on translation of a foreign operation's financial statements
January 1, 2020	\$ (363,823)
Exchange differences on translation of foreign currency (after-tax net amount)	
Consolidated company	102,334
Balance as of December 31, 2020	<u>\$ (261,489)</u>
January 1, 2019	\$ (214,132)
Exchange differences on translation of foreign currency (after-tax net amount)	
Consolidated company	(149,691)
Balance as of December 31, 2019	<u>\$ (363,823)</u>

t. Share-based payment

As of December 31, 2019, the consolidated company had the following two share-based payment transactions:

	Cash delivery	Cash capital increase reserved for employee subscription
Grant date	Treasury stock transferred to employees	
Quantity Granted	2019.8.8	2019.12.13
Contract period	1,258 thousand shares	1,800 thousand shares
Granted to	-	-
Vesting Conditions	Employees of Consolidated Company Vested immediately	Employees of Consolidated Company Vested immediately

a) Measurement parameters of fair value on the grant date

The consolidated company used the Black-Scholes option evaluation model to estimate the fair value of the share-based payment on the grant date. The input values of this model were as follows:-

	2019	
	Treasury stock transferred to employees	Cash capital increase reserved for employee subscription
Grant date fair value	4.90	4.50
Grant date stock price	31.25	30.50
Strike Price	26.30	26.00
Expected fluctuation rate (%)	38.22%	38.23%
Expected dividend yield (%)	-	-
Risk-free interest rate (RFR) (%)	0.7012%	0.7074%
Expected volatility is based on a weighted average historical volatility, adjusted for expected changes from publicly available information; expected dividends and risk-free interest rates are based on government bonds.		

b) Information about employee stock option plans and treasury stock transfer measures

	Treasury stock transferred to employees		2019 cash capital increase options	
	Unit (thousand shares)	Exercise price (NTD)	Unit (thousand shares)	Exercise price (NTD)
Outstanding as of January 1	-	\$ -	-	\$ -
Granted in this period	1,258	26.3	1,800	26
Number of executions in this period	(1,258)	26.3	(150)	26
Number of divestment in this period	-	26.3	(1,650)	26
Outstanding as of December 31	-		-	

c) Employee expenses and liabilities

The expenses incurred by share-based payments of the consolidated company in 2019 were as follows:

	2019
Expenses due to transfer of treasury shares to employees	\$ 6,164
Expenses incurred due to the capital increase for employees' subscriptions	8,100
Total	\$ 14,264

u. Earnings per share

The net profit (loss) of basic earnings per share of the consolidated company attributable to common stockholders in 2020 and 2019 was respectively NT\$156,239 thousand and NT\$251,919 thousand, and the weighted average number of common shares outstanding was respectively 139,588 thousand shares and 125,338 thousand shares as a basis for calculation. The relevant calculation was as follows:

	2020	2019
Basic earnings per share		
Net profit attributable to the common stock holders of the Company	<u>\$ 156,239</u>	<u>251,919</u>
Weighted average number of common shares outstanding	139,588	125,338
Basic earnings per share (NT\$)	<u>\$ 1.12</u>	<u>2.01</u>
Diluted earnings per share		
Net income attributable to the Company	\$ 156,239	251,919
Influence of potential common stock with diluting effect		
Effects of interest expense on convertible bonds	-	(1,164)
Net profit attributable to the common stock holders of the Company	<u>\$ 156,239</u>	<u>250,755</u>
Weighted average number of common shares outstanding	139,588	125,338
Influence of potential common stock with diluting effect		
Influence of employees' share bonus	663	627
Influence of convertible bonds	-	1,639
Weighted average number of common shares outstanding (after adjusting the effects of diluting potential common stock)	<u>140,251</u>	<u>127,604</u>
Diluted earnings per share (NT\$)	<u>\$ 1.11</u>	<u>1.97</u>

The consolidated company's convertible bonds with diluting effect in 2020 has an anti-dilution effect, so it is not included in the calculation of the diluted earnings per share.

v. Revenue of customer contract

1) Details of revenue

	2020	2019
Main regional markets		
Mainland China	\$ 4,910,633	5,378,679
Other countries	4,296,713	4,764,102
	<u>\$ 9,207,346</u>	<u>10,142,781</u>
Main products:		
Electric fan	\$ 5,892,496	6,560,708
Electric heater	1,936,989	2,558,181
Others	1,377,861	1,023,892
	<u>\$ 9,207,346</u>	<u>10,142,781</u>

2) Contract balance

	2020.12.31	2019.12.31
Notes receivable	\$ 1,363,829	1,573,200
Less: discount on notes receivable	(153,045)	(262,325)
Transfer on notes receivable	(596,243)	(801,641)
Notes receivable (net)	614,541	509,234
Accounts receivable measured at amortized cost-	1,583,021	1,211,376
Less: allowance for loss	(31,884)	(55,791)
Accounts receivable (net)	1,551,137	1,155,585
Accounts receivable from related parties (net)	17,820	88,997
	<u>\$ 2,183,498</u>	<u>1,753,816</u>
Contract liabilities	<u>\$ 309,422</u>	<u>220,971</u>

Please refer to Note 6(3) for details of notes and accounts receivable as well as the impairment.

w. Remunerations for employees and directors

In accordance with the Company's Articles of Association, the Company has to contribute profit (defined afterwards), if any, in general final settlement for employees' and directors' remunerations, unless otherwise stipulated by Cayman Company Law, rules and regulations of companies with public issuance or the Articles of Association; only when there is cumulative loss in the Company, it shall be retained to fill the amount of loss.

Five percent (5%) to ten percent (10%) as employees' remunerations (hereinafter referred to as "employees' remunerations"), including employees in affiliated companies; and

No more than 3% as remuneration for the Directors (excluding Independent Directors, hereinafter referred to "directors' remunerations");

Distribution of the employees' and directors' remuneration shall be resolved at board meetings, with over two-thirds of directors in attendance and approved by over half of the attending directors, and reported to the shareholder's meeting. However, when there is cumulative loss to the Company, it shall be retained to fill the amount, and then contributed for employees' and directors' remunerations at the percentage mentioned above. The above "profit" refers to the net profit before tax of the Company. To eliminate doubt, net profit before tax refers to the amount before contribution to remunerations for employees and directors.

Without violating the provisions of prevalent law, the above-mentioned employees' remunerations shall be in cash or shares.

The estimated amount for employees' remunerations in 2020 and 2019 of the Company were respectively NT\$12,036 thousand and NT\$17,417 thousand, and that for directors' remunerations were respectively NT\$4,815 thousand and NT\$3,483 thousand. The estimate was based on the amount of net profit before tax without deduction for employee and director remunerations multiplied by the percentage for the same, and it was recognized as the operating cost or operating expense in 2020 and 2019. Relevant information can be inquired into at public information observation stations.

There was no difference between the amount of employees' and directors' remunerations distributed according to the resolution of the board meeting and the estimated amount in the consolidated financial report of 2019.

x. Non-operating income and expenses

1) Interest income

The details of the interest income of the consolidated company in 2020 and 2019 were as follows:

	2020	2019
Total Interest Income	<u>\$ 34,079</u>	<u>30,962</u>

2) Other income

The details of other income of the consolidated company in 2020 and 2019 were as follows:

	2020	2019
Government grants	\$ 49,281	35,932
Other income	21,214	30,463
Total other income	<u>\$ 70,495</u>	<u>66,395</u>

3) Other gains or losses

The details of other gains and losses of the consolidated company in 2020 and 2019 were as follows:

	2020	2019
Loss on disposal of property, plant and equipment	\$ (7,663)	(4,131)
Foreign exchange (loss) gain	(39,558)	18,390
Financial assets (liabilities) at fair value through profit or loss	(554)	9,976
Bonds redemption gain	10,959	-
Miscellaneous expenses	(19,303)	(12,602)
Net amount of other gain and loss	<u>\$ (56,119)</u>	<u>11,633</u>

4) Financial costs

The details of the financial costs of the consolidated company in 2020 and 2019 were as follows:

	2020	2019
Interest expense	<u>\$ 42,740</u>	<u>76,047</u>

y. Financial instruments

1) Credit risk

a) Credit risk exposure

The carrying amount of financial assets represents the maximal amount of credit risk exposure. The maximal amount of credit risk exposure as of December 31, 2020 and 2019 was NT\$3,187,018 thousand and NT\$2,839,935 thousand, respectively.

b) Credit risk concentration

The credit risk exposure of the consolidated company is influenced by the conditions of every individual customer. The management also considers the statistical data on the basis of consolidated company customers, including the default risk of industry and country, because these factors can also influence credit risk. The sales to a single transnational customer in revenue of the consolidated company for 2020 and 2019 didn't reach 10%, and 53% was concentrated in the region of Mainland China for both years.

2) Liquidity risk

The following table presents the due date of financial liability contract, including estimated interest to the exclusion of effects of net amount agreement.

	Carrying amount	Contract cash flow	Within 1 year	12 years-	23 years-	More than 3 years
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 315,302	325,304	325,304	-	-	-
Notes payable	1,774,409	1,774,409	1,774,409	-	-	-
Accounts payable	1,251,435	1,251,435	1,251,435	-	-	-
Other payables (including related party)	566,914	566,914	566,914	-	-	-
Corporate bonds payable (including current portion)	679,997	689,340	-	301,380	387,960	-
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss - current	178	178	178	-	-	-

	Carrying amount	Contract cash flow	Within 1 year	12 years-	23 years-	More than 3 years
December 31, 2019	\$ 4,588,235	4,607,580	3,918,240	301,380	387,960	-
Non-derivative financial liabilities						
Short-term borrowings	\$ 540,627	550,753	550,753	-	-	-
Notes payable	1,608,075	1,608,075	1,608,075	-	-	-
Accounts payable	1,111,646	1,111,646	1,111,646	-	-	-
Other payables (including related party)	458,802	458,802	458,802	-	-	-
Corporate bonds payable (including current portion)	732,224	738,538	441,028	297,510	-	-
Long-term borrowings (including current portion of long-term borrowings)	44,954	45,129	45,129	-	-	-
	\$ 4,496,328	4,512,943	4,215,433	297,510	-	-

The consolidated company does not expect that the occurrence timing of cash flow analyzed on due date would arrive significantly earlier, or the actual amount would significantly vary.

3) Exchange rate risk

a) Exchange rate risk exposure

The financial assets and liabilities (including monetary items denominated in non-functional currency already written off in the consolidated financial report) of the consolidated company exposed to material exchange rate risk were as follows:

	2020.12.31			2019.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items						
USD	\$ 128,564	28.4800	3,661,500	128,743	29.9800	3,859,712
JPY	292,782	0.2763	80,896	367,553	0.2760	101,445
RMB	787	4.2808	3,369	795	4.3050	3,422
HKD	199	3.6730	731	183	3.8490	704
<u>Financial liabilities</u>						
Monetary items						
USD	112,221	28.4800	3,196,054	112,524	29.9800	3,373,470
JPY	65,128	0.2763	17,995	74,731	0.2760	20,626
HKD	4,975	3.6730	18,273	6,470	3.8490	24,903

b) Sensitivity analysis

The exchange rate risks of the consolidated company mainly come from cash and cash equivalents denominated in foreign currency, accounts receivable and other receivables, loan, accounts payable and other payables, which will generate foreign currency conversion impairment upon translation. If the NTD depreciated or appreciated 5% to USD, HKD, or JPY on December 31, 2020 and 2019, other factors remaining constant, the net gain (loss) after tax would respectively increase or decrease by NT\$27,462 thousand and NT\$34,600 thousand. The analysis for the two periods adopted the same basis.

c) Conversion impairment of monetary items

As the consolidated company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange gains (losses), including both realized and unrealized, amounted to NT\$ (39,558) thousand and NT\$18,390 thousand, respectively.

4) Interest rate analysis

The interest rate risk exposure of financial assets and financial liabilities of the consolidated company is described in the liquidity risk management of this Note.

The following sensitivity analysis is determined by the interest rate risk exposure of derivative and non-derivative instruments on the reporting date. For floating interest rate liabilities, the analysis is based on the assumption that the liability amount circulating outside on the reporting date has been circulating outside all year round. In reporting the interest rate to senior management, the rate of change adopted is 50 basic points increase or decrease over the interest rate, which also represents the management evaluation of reasonable possible change scope of the interest rate.

If the interest rate increases or decreases by 0.55%, the consolidated company's net income will decrease /increase by NT\$180 thousand and NT\$56 thousand for the years ended December 31, 2020 and 2019, respectively, assuming all other variables remain constant. This is mainly due to CMP Group's variable rate borrowings.

5) Fair value

a) Type and fair value of financial instruments

The financial assets and liabilities at FVTPL of the consolidated company are measured at fair value on the basis of repetition. The carrying amount and fair value of various financial assets and financial liabilities (including fair value level information; the carrying amount of financial instruments not measured at fair value is the reasonable approximate of fair value does not have to be revealed according to provisions) are listed as follows:

2020.12.31					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Structured deposits	\$ 72,010	-	72,010	-	72,010
Convertible bonds - repurchase right and redemption right	150	-	150	-	150
Total	\$ 72,160	-	72,160	-	72,160
Financial liabilities at FVTPL					
Derivative financials - forward exchange contract	\$ 171	-	171	-	171
Derivative financials - option contract	7	-	7	-	7
Total	\$ 178	-	178	-	178
Financial liabilities measured at amortized cost					
Convertible bonds-liability components	\$ 679,997	-	689,340	-	689,340
2019.12.31					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Convertible bonds - repurchase right and redemption right	\$ 374	-	374	-	374
Derivative financials - forward exchange contract	1,763	-	1,763	-	1,763
Total	\$ 2,137	-	2,137	-	2,137
Financial liabilities measured at amortized cost					
Convertible bonds-liability components	\$ 732,224	-	738,538	-	738,538

b) Fair value evaluation technique of financial instruments at fair value

i. Non-derivative financial instruments

If there is open quotation to financial instruments at active market, then the open quotation will be taken as fair value. The market price released by the central government bonds over-the-counter market for popular bonds as judged by major stock exchange serves as the basis for the fair value of public (counter) equity instruments and liability instruments with open quotation at active market.

If the open quotation can be timely and regularly obtained from the stock exchange, broker, underwriter, industrial union, pricing service institution or competent authority, and the price represents actual and regular transaction at a fair market, then the financial instrument is deemed to have open quotation at the active market. If the above conditions are not met, the market is deemed not active. Generally speaking, large difference in buying and selling price, significant increase of buying and selling price, and few transactions are indexes of market not active.

If the financial instruments held by the consolidated company fall into the active market, the type and nature according to fair value are listed as follows:

The public redeemable corporate bonds are financial assets and financial liabilities traded on an active market according to standard terms and conditions, and the fair value is determined by reference to market quotation.

Except for the financial instruments at an active market, the fair value of remaining financial instruments is obtained through the evaluation technique or reference to the quotation of the other transaction party. The fair value obtained through evaluation technique can refer to the current fair value, cash flow discount method or other evaluation techniques for financial instruments with similar conditions and characteristics in essence, including utilization of market information model for calculation on the consolidated reporting date (for example, the over-the-counter market can refer to the yield rate curve and average quotation of Reuters commercial promissory note interest rate).

ii. Derivative financial instruments

It is evaluated with evaluation model widely accepted by market users, such as discount method and option pricing model. The forward exchange contract is evaluated according to the current forward exchange rate.

There is no event of fair value level shift of financial assets and financial liabilities in 2020 and 2019.

z. Financial risk management

1) Overview

The consolidated company is exposed to the following risks due to use of financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

The Note represents the above risk exposure information, objectives of risk measurement and management, policies and procedures. Please refer to the Note in the consolidated financial report for further quantitative information.

2) Risk management framework

The financial management department of the consolidated company provides service to businesses, plans, and coordinates operations in the domestic and international financial market, and supervises and manages financial risks related to operation according to internal risk report of risk degree and risk exposure. The consolidated company mitigates risk exposure through derivative financial instruments, to ease the influence. The utilization of derivative financial instruments is regulated by policies passed by the board meeting of the consolidated company, which serve as the written principle for utilization of exchange rate risk, interest rate risk, credit risk, derivative financial instruments, and non-derivative financial instruments as well as the investment of remaining working capital. Internal audit staff will continuously review the conformity to policies and risk exposure limits. The consolidated company hasn't conducted any transaction of financial instruments (including derivative financial instruments) for the purpose of speculation.

3) Credit risk

Credit risk refers to the risk of financial loss arising out of the failure to perform contract obligations on the part of the customer or the other transaction party of financial instruments, mainly from accounts receivable from customers.

a) Accounts receivable and other receivables

The finance department will establish credit granting policy with the Market Department, and conduct analysis of the credit rating of every individual customer before the consolidated company makes standard payment and delivery conditions and terms. The consolidated company review includes external ratings, if any, and under some conditions, bank notes. Customers not conforming to the standard credit rating of the Group can only conduct transaction with the consolidated company on the receivable in advance basis.

In monitoring the credit risk of customers, the consolidated company will group according to the credit characteristics of customers, including whether they are individual person or legal person; whether they are dealer, retailer or final customer; and operation scale, goal realization rate of dealers, whether there is delayed payment. The main subject for accounts receivable and other receivables of the consolidated company is Group dealers. Customers rated with high risk will be included into the list of restricted customers and put under the monitoring of market department, and future sales with this type of customers will be conducted on the receivable in advance basis.

The consolidated company sets up an account of allowance for impairment loss to reflect the estimated incurred loss in accounts receivable and other receivables. The main components of allowance account include specific loss components related to individual material risk exposure and portfolio loss components for already incurred yet unidentified loss in the similar asset groups. The portfolio loss allowance account is determined by historical payment statistical data of similar financial assets.

b) Investment

The credit risks of bank deposit, fixed-revenue investment, and other financial instruments are measured and monitored by the financial department of the consolidated company. Given that the counterparty and other contract performing parties are banks with sound credit, financial institutions with investment level or above, corporate organizations and government authorities, there is no material credit risk for no material doubt about contract performance.

c) Guarantee

The policy of consolidated company stipulates that financial guarantee can only be provided to fully-owned affiliated companies and companies with business interaction. Please refer to Note 13(1) for details of endorsement or guarantee information for others by the consolidated company as of December 31, 2020.

4) Liquidity risk

Liquidity risk refers to the risk of the consolidated company's failure to deliver cash or its financial assets to settle financial liabilities or failure to perform relevant obligations. The method of the consolidated company in management of liquidity lies in ensuring as much as possible sufficient working capital to pay for due liabilities under normal and pressuring conditions, instead of undergoing unacceptable loss or risk of business reputation damage.

Generally speaking, the consolidated company ensures to have sufficient cash to pay for expected operation expense demand for 60 days, including the performance of financial obligations, but the potential influence that cannot be reasonably expected under extreme conditions is excluded, such as a natural disaster. Besides, the unused loan limit as of December 31, 2020 and 2019 of the consolidated company was respectively NT\$1,536,196 thousand and NT\$1,450,079 thousand.

5) Market risk

Market risk refers to the risk of the value of revenue or held financial instruments being influenced by market price changes, such as exchange rate, interest rate, changes in the price of equity instruments. The objective of market risk management lies in optimizing the investment return by controlling the market risk exposure within the bearable scope.

The consolidated company engages in transaction of derivative instruments to manage market risk, hence generating financial liabilities. The execution of all transactions must abide by the designated and authorized staff by the Board of Directors.

a) Exchange rate risk

The consolidated company is exposed to exchange rate risk arising out of sales, procurement and loan transactions denominated in the functional currency of the Group enterprises. The functional currency of the Group enterprises is mainly NTD, followed by CNY and HKD. The main denomination currency for this type of transaction includes NTD, JPY, USD and HKD.

To avoid decrease of foreign currency asset value and fluctuation of future cash flow caused by exchange rate change, the consolidated company uses short-term borrowings and derivative financial instruments to avert it. The use of this type of derivative financial instruments can assist the consolidated company in lowering but not completely eliminating the effects of changes in foreign exchange rates. In recent years, 50% of sales by region of the consolidated company come from China was denominated in CNY while the other 50% come from Europe, America, Japan

and South Korea was denominated in USD and JPY; however, the purchase is mostly denominated in CNY, so apart from the natural hedge between sales and purchase for CNY, there is same effect for changes of exchange rate in different currencies. Apart from the natural hedge, the consolidated company still enters into forward exchange contracts for hedging purpose from time to time. However, with the future growth of operation, the holding part of foreign currency by the consolidated company will continue to increase, and the domestic financing and future distribution of dividend to domestic investors will also need conversion in USD, so there will arise the exchange rate change risk of USD to NT\$. Therefore, the consolidated company will enhance the control over foreign exchange, and the possible measures were as follows:

- i. Continue to enhance the concept of exchange hedge among financial staff, make judgement upon the exchange rate trend through online real-time system over exchange rate and relation with financial institutions as the basis for reference.
- ii. Use the sales revenue in the same currency as much as possible to support the expenditures for procurement and other expenses, to reach the effect of natural hedge.
- iii. Decide whether to adopt derivative financial instruments with hedge nature to mitigate exchange rate risk according to the Company's operation status.

b) Interest rate risk

The interest rate risk of the consolidated company mainly comes from fixed-interest rate loan. Although the interest rate at the currency market slowly climbs in recent years, it is still in the low end, so the loan interest rate of the consolidated company doesn't have material change. Only if the interest rate trend sees material fluctuation in the future and the consolidated company has continuous demand for loan, the consolidated company, apart from adopting other financing instruments at the capital market, has to also select fixed interest rate or floating interest rate loan to mitigate the risk of interest rate fluctuation.

aa. Capital management

The objective of capital management of the consolidated company lies in perfecting fundamental basis, maintaining the confidence of investors, creditors and market, and supporting the development of future operation. Capital includes the stock capital, capital surplus, retained earnings and other equity of the consolidated company. The Board of Directors controls the capital return rate and the common stock dividend level.

The capital management strategy of the consolidated company in 2020 was the same as in 2019. The liability capital ratio as of December 31, 2020 and 2019 were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Total Liabilities	\$ 6,114,426	5,891,923
Less: cash and cash equivalents	(443,712)	(412,939)
Net liability	<u>\$ 5,670,714</u>	<u>5,478,984</u>
Total equity	<u>\$ 3,138,916</u>	<u>3,009,093</u>
Liability capital ratio	<u>180.66%</u>	<u>182.08%</u>

bb. Financing activities for non-cash transaction

The relevant information on the consolidated company's non-cash transaction investment and financing activities in 2020 and 2019 were as follows:

	2020	2019
Conversion of convertible bonds into ordinary shares (including premium on convertible bonds)	\$ -	<u>56,054</u>

The adjustment of liabilities from financing activities is as follows:

	2020.1.1	Cash flow	Non-cash changes Changes in foreign exchange rates	2020.12.31
Short-term borrowings	\$ 540,627	(223,090)	(2,235)	315,302
Long-term borrowings (including current portion of long-term borrowings)	44,954	(42,730)	(2,224)	-
Guarantee deposits received	94,481	15,517	1,487	111,485
Total amount of liability out of self-financing activities	<u>\$ 680,062</u>	<u>(250,303)</u>	<u>(2,972)</u>	<u>426,787</u>

	2019.1.1	Cash flow	Non-cash changes Changes in foreign exchange rates	2019.12.31
Short-term borrowings	\$ 1,289,239	(709,435)	(39,177)	540,627
Long-term borrowings (including current portion of long-term borrowings)	92,142	(45,295)	(1,893)	44,954
Guarantee deposits received	84,181	13,500	(3,200)	94,481
Total amount of liability out of self-financing activities	<u>\$ 1,465,562</u>	<u>(741,230)</u>	<u>(44,270)</u>	<u>680,062</u>

7. Related Party Transaction

a. Parent Company and Ultimate Controller

The Company is the ultimate controller of the consolidated company.

b. Name and Relation of Related Party

Name of related party	Relationship with the consolidated company
Zhejiang Airmate Electric Appliances Sales Co. Limited (hereinafter referred to as Zhejiang Airmate)	Associates invested by the consolidated company through the equity method
Tung Fu Electric Co Limited (hereinafter referred to as Tung Fu Electric)	It's Chairman of Board is the same for the Company.
All directors, supervisors, main management such as the general manager and deputy general manager of the Consolidated Company	

c. Substantial Transaction with Related Party

1) Operation revenue

The substantial sales amount of the consolidated company to related party were as follows:

	2020	2019
Associates		
Zhejiang Airmate	\$ 93,381	213,158
Other related parties		
Tung Fu Electric	79,107	42,067
	<u><u>\$ 172,488</u></u>	<u><u>255,225</u></u>

The consolidated company's sales conditions for sales to related parties have no significant difference from the general selling prices. Its collection period has no significant difference from that of general dealers. Accounts receivable among the related parties, for which no collateral security has been received, does not need to be recognized into impairment loss after evaluation.

2) Accounts receivable from related party

The details of accounts receivable from related party by the consolidated company were as follows:

Recognition items	Type of related party	2020.12.31	2019.12.31
Notes receivable and accounts receivable	Associates	\$ 14,310	87,920
Notes receivable and accounts receivable	Other related parties	3,510	1,077
		<u><u>\$ 17,820</u></u>	<u><u>88,997</u></u>

3) Advance paid to related party

Relevant expenses arising from services provided by related party to the consolidated company were as follows:

	Transaction amount		Other payables to related party	
	2020	2019	2020.12.31	2019.12.31
Associates	\$ 10,067	15,211	3,446	9,680
Other related parties	68	68	6	6
	<u><u>\$ 10,135</u></u>	<u><u>15,279</u></u>	<u><u>3,452</u></u>	<u><u>9,686</u></u>

The outstanding balance with this type of related party shall be settled with cash three months within the reporting date, and for general expenses, the payment has to be made in that same month. There is no significant difference between the transaction price and general transaction.

4) For the financing from financial institutions as of December 31, 2020 and 2019 by the consolidated company, its main management, and other related parties act as the joint guarantor.

d. Key management personnel transactions

Remuneration of major managers includes:

	2020	2019
Short-term employee benefits	\$ 51,715	56,159
After-retirement benefits	157	5,427
	<u><u>\$ 51,872</u></u>	<u><u>61,586</u></u>

8. Pledged Assets

The details of the carrying value of pledged assets by the consolidated company were as follows:

Name of assets	Pledge guarantee object	2020.12.31	2019.12.31
Other current assets:			
Other financial assets - current (account for compensation)	Short-term borrowings and financing facility	\$ 11,395	8,593
Other financial assets - current (account for compensation)	Notes payable	211,720	140,681
Other financial assets - current (pledged time deposit and account for compensation)	Corporate bonds guarantee limit	99	352,073
Other financial assets - current	Derivatives	56,287	-
Property, Plant and Equipment	Short-term borrowings and financing facility	254,905	281,893
Other Non-current Assets:			
Other financial assets - non-current (pledged time deposit)-	Corporate bonds guarantee limit	106,396	36,101
Refundable deposit	Long-term borrowings (including current portion of long-term borrowings)	-	13,819
		<u>\$ 640,802</u>	<u>833,160</u>

9. Significant contingent liability and unrecognized contract commitment

a. Significant unrecognized contract commitment: None

b. Endorsement and guarantee of obligations:

The amount of endorsement and guarantee provided by the consolidated company to the Company and subsidiaries was as follows:

	2020.12.31	2019.12.31
Endorsement and guarantee limit	<u>\$ 7,115,868</u>	<u>6,800,387</u>
Actual disbursement amount	<u>\$ 2,367,409</u>	<u>2,363,110</u>

10. Material Disaster Loss: None

11. Material Subsequent Events: None

12. Others

a. A summary of personnel costs, depreciation, depletion, and amortization according to type of function was as follows:

Type of function Type of nature	2020			2019		
	Falling into operation cost	Falling into operation expense	Total	Falling into operation cost	Falling into operation expense	Total
Employee benefit expense						
Salary expense	859,420	432,784	1,292,204	1,087,308	490,632	1,577,940
Labor protection expense	13,379	22,320	35,699	19,259	29,678	48,937
Retirement fund expense	35,414	23,752	59,166	53,801	27,273	81,074
Other employee benefit expenses	1,655	10,933	12,588	2,277	10,516	12,793
Depreciation expense	287,414	53,225	340,639	365,892	58,217	424,109
Amortization expense	1,861	3,802	5,663	2,070	7,085	9,155

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

b. Operation Seasonality:

The consolidated company is mainly engaged in sales of bi-seasonal products like the electric fan and electric heater, so it will see seasonal fluctuation for the influence of the weather. Among them, the sales of electric fan in Q1 every year is unfavorably influenced by winter weather conditions; downstream customers will order in advance in Q2 for the demand of electric fan in summer and in Q4 for the demand of electric heater in winter; in July it will depend on the weather changes; and from August to December, it will maintain flat. The consolidated company has flexibly adjusted the production of the electric fan, electric heater, and other categories according to market adjustment, weather changes, and customer demand, and attempted to satisfy the market demand via inventory management and to lower the seasonal influence.

c. Old plant land development project

The consolidated company signed the Shenzhen industrial zone old plant land development plan with Shenzhen Baoan TCL Haichuanggu Technological Park Development Co Limited (hereinafter referred to as TCL Haichuanggu) and Shenzhen TCL Real Estate Co Limited for joint cooperation and development on June 3, 2016, and would collect compensation of CNY 200 million (or NT\$872,852 thousand), for moving resettlement, transition resettlement, property relocation and production loss.

In accordance with the provisions of "Questions about the Accounting Treatment of Participating in Urban Renewal" in IFRS Q&A set released by Accounting Research Development Foundation on October 2, 2017, the carrying amount of old buildings and demolition compensation and resettlement expenses collected from construction company is calculated as right transformation expense to be undertaken (offset by distributed land and building discount after it), and based on returnable building and the land, so it falls into part of urban renewal with participation of landholders in essence, and enterprise has to adjust it as old land carrying amount. Therefore, as of December 30, 2020, the consolidated company after the commencement of the development project would expect to collect in advance compensation CNY 200,000 thousand (NT\$872,852 thousand) from for Shenzhen industrial zone old plant land development project and the carrying amount of deferred development cost for fixed assets old building CNY 20,435 thousand (NT\$89,185 thousand), long-term advanced rent CNY 2,159 thousand (NT\$9,422 thousand) and the carrying amount of other input costs for relevant development project CNY 42,543 thousand (NT\$185,670 thousand), which should be represented into other non-current liability-others as a net amount. Please refer to Note 6(13) for details.--

13. Note of Disclosures

a. Information about significant transactions:

Relevant information about significant transactions to be re-disclosed by the consolidated company in 2020 in accordance with the securities issuer financial report preparation standards was as follows:

1) Capital loaned to others

Unit: NT\$ thousands

No. (Note 1)	Lending company	Participants	Accounts	Whether it is a related party	Highest endorsement or guarantee amount for current period	Closing balance	Actual disbursement amount	Interest rate range	Nature of Financing (Note 2)	Transaction Amount	Reason for Financing	Record an allowance for doubtful accounts	Collateral security		Limit on Loans to a Single Party (Notes 3 & 4)	Total Loan Limit (Notes 3 & 4)
													Name	Value		
1	Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co. Limited	Long-term receivables - related party	Yes	468,745	441,383	441,383	2-2.5%	2	-	Operating turnover	-		-	2,089,055	4,178,109
2	Wacon Development Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Long-term receivables - related party	Yes	1,050,855	1,047,422	1,047,422	2-2.5%	2	-	Operating turnover	-		-	1,793,350	3,586,699
2	Wacon Development Co. Limited	The Company	Other receivables - related party	Yes	900,000	900,000	279,848	-	2	-	Operating turnover	-		-	1,434,680	3,586,699

Note 1. The numbering rule is as follows:

1. Fill 0 for company.
2. The investee company is numbered according to type from the Arabic number 1 in sequence.

Note 2. The filling method of capital loan is as follows:

- Fill 1 for business transaction.
- Fill 2 for necessary short-term financing capital.

Note 3. The highest limit of capital loan is 40% net value in the latest financial report of the Company, and the limit of capital loan for single enterprise cannot go over 20% net value of the Company. In affiliated companies where the Company directly or indirectly holds voting shares, for the same loan subject the authorization from the chairman has to be obtained for not going over 40% net value of the Company. Among the subsidiaries where the Company directly or indirectly holds 100% voting shares, the capital loan and limit are not restricted by the above provision, but the financing amount cannot go over 100% net value in the latest financial statement; only for some subjects, the financing amount cannot go over 50% net value in the latest financial statement of the loan company to a period of 10 years. In the event of business transactions with the Company, the individual capital loan and amount is limited by the capital loan and business transaction amount in the latest one year or in the same year between the two parties. The business transaction amount refers to the purchase or sales amount between them, whichever is higher.

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

2) Endorsement or guarantee for others

Unit: NT\$ thousands

No. (Note 1)	Endorsements/guarantees Provider Company Name	Subject of endorsement or guarantee (Note 2)		Limit of Endorsements/guarantees for a Single Entity (Note 3)	Outstanding Endorsements/guarantees - Maximum in current period	Outstanding Endorsements/guarantees at the end of the period (Note 4)	Actual disbursement amount	Endorsements/guarantees Secured with Collateral	Ratio of Cumulative Endorsements/guarantees to the Net Equity Stated in the Latest Financial Statements	Limit of Endorsements/guarantees (Note 3)	Endorsements/guarantees Provided by Parent for Subsidiary	Endorsements/guarantees Provided by Subsidiary for Parent	Endorsements/guarantees for Entities in China
		Name of company	Relation										
0	The Company	Wacon Development Co. Limited	2	6,277,832	2,085,525 (USD\$ 69,000 thousand)	1,879,680 (USD\$ 66,000 thousand)	143,585	-	59.88%	15,694,580	Y		
0	The Company	Airmate Electric Appliances (Shenzhen) Co. Limited	2	6,277,832	205,606 (CNY 40,000 thousand, USD 1,000 thousand)	203,050 (CNY 40,000 thousand, USD 1,000 thousand)	21,821	-	6.47%	15,694,580	Y		Y
0	The Company	Airmate Electric Appliances (Shenzhen) Co. Limited, Airmate Electric Appliances (Jiujiang) Co. Limited	2	6,277,832	218,928 (CNY 50,000 thousand)	218,213 (CNY 50,000 thousand)	43,643	-	6.95%	15,694,580	Y		Y
0	The Company	Airmate Electric Appliances (Jiujiang) Co. Limited	2	6,277,832	78,373 (CNY 10,000 thousand, USD 1,200 thousand)	77,819 (CNY 10,000 thousand, USD 1,200 thousand)	34,176	-	2.48%	15,694,580	Y		Y
1	Airmate Electric Appliances (Shenzhen) Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	4	4,496,732	2,824,173 (CNY 645,000 thousand)	2,688,383 (CNY 616,000 thousand)	783,714	-	119.57%	11,241,830			Y
2	Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co. Limited	4	4,480,462	1,751,425 (CNY 400,000 thousand)	1,745,703 (CNY 400,000 thousand)	1,037,450	-	77.93%	11,201,155			Y
3	Wacon Development Co. Limited	AIRIMATE (CAYMAN) INTERNATIONAL CO. LIMITED	3	7,173,398	705,527	303,020	303,020	-	8.45%	17,933,495		Y	

Note 1. The numbering rule is as follows:

1. Fill 0 for company.
2. The investee company is numbered according to type from the Arabic number 1 in sequence.

Note 2. The relation between endorsement guarantor and the subject of endorsement or guarantee is as follows:

1. Companies with business transactions.
2. Companies where the Company directly or indirectly holds over 50% voting shares.
3. Companies which directly or indirectly hold over 50% voting shares in the Company.
4. Among companies where the Company directly or indirectly holds over 90% voting shares.
5. Companies endorsement guaranteed by all contributing shareholders according to their shareholding ratio for joint investment relations.
6. Mutually guaranteed companies among counterparts or co-constructors based on the need for undertaking projects.
7. Joint and several guarantees for performance in engaging in preselling house contracts among counterparts in accordance with consumer protection law.

Note 3. For companies with business transaction, the ceiling of endorsement or guarantee is 40% net value in the latest financial report of the Company, and for individual subjects it is the amount of business transaction; the total amount of endorsement or guarantee for companies where the Company directly or indirectly holds over 50% voting shares, it is limited by 40% net value of the Company, and for individual subjects, it is limited by the investment amount. Among the subsidiaries, 100% invested by the Company, the endorsement or guarantee limit is 500% net value in the latest financial report, and for individual subjects, it is 200% net value in the latest financial report. For those with business transaction with the Company, individual endorsement or guarantee amount is limited by the amount of business transaction among them. The above mentioned amount of business transaction refers to purchase or sales amount, whichever is higher.

Note 4. The exchange rates on the financial report date were USD:NTD = 1:28.4800, CNY:HKD = 1:1.1882, HKD:NTD = 1:3.6730.

- 3) The holding of negotiable securities at the end of the period (excluding the part of invested subsidiary, associate, and joint venture equity): none.
- 4) Cumulative amount of buying or selling negotiable securities to reach NT\$300 million or 20% of paid-in capital or more: none.
- 5) The amount of acquiring property to reach NT\$300 million or 20% of paid-in capital or more: none.
- 6) The amount of disposing of property to reach NT\$300 million or 20% of paid-in capital or more: none.
- 7) The amount of purchase and sales with related party to reach NT\$100 million or 20% of paid-in capital or more:

Unit: NT\$ thousands

Purchase (sales) companies	Counterparty	Relation	Transaction situation				Situation and reason for difference between transaction condition and common transaction		Notes and accounts receivable (payable)		Note
			Purchase (Sales)	Amount	Ratio to Total Purchase (Sales)	Credit period	Unit price	Credit period	Balance	Ratio in total notes and accounts receivable (payable)	
Airmate Electric Appliances (Shenzhen) Co. Limited	Wacon Development Co. Limited	Parent-subsidiary company	Sales	(3,830,057)	(85) %	Collection according to operation status	-		2,172,463	95%	
Airmate Electric Appliances (Shenzhen) Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Affiliated companies	Sales	(613,175)	(14) %	Collection according to operation status	-		-	-%	
Airmate Electric Appliances (Jiujiang) Co. Limited	Zhejiang Airmate Electric Appliances Sales Co. Limited	investee companies where the affiliated companies hold 40% equity	Sales	(93,381)	(2) %	Net 30-90 days	-		14,310	1%	

Purchase (sales) companies	Counterparty	Relation	Transaction situation				Situation and reason for difference between transaction condition and common transaction		Notes and accounts receivable (payable)		Note
			Purchase (Sales)	Amount	Ratio to Total Purchase (Sales)	Credit period	Unit price	Credit period	Balance	Ratio in total notes and accounts receivable (payable)	
Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co. Limited	Affiliated companies	Sales	(215,189)	(4) %	Collection according to operation status	-		-	-%	
Airmate Electric Appliances (Jiujiang) Co. Limited	Wacon Development Co. Limited	Parent-subsidiary company	Sales	(191,375)	(4) %	Collection according to operation status	-		24,967	1%	
Wacon Development Co. Limited	Airmate Electric Appliances (Shenzhen) Co. Limited	Parent-subsidiary company	Purchase	3,830,057	85 %	Payment according to operation status	-		(2,172,463)	(84)%	
Airmate Electric Appliances (Jiujiang) Co. Limited	Airmate Electric Appliances (Shenzhen) Co. Limited	Affiliated companies	Purchase	613,175	20 %	Collection according to operation status	-		-	-%	
Zhejiang Airmate Electric Appliances Sales Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	investee companies where the affiliated companies hold 40% equity	Purchase	93,381	62 %	Net 30-90 days	-		(14,310)	(18)%	
Airmate Electric Appliances (Shenzhen) Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Affiliated companies	Purchase	215,189	8 %	Collection according to operation status	-		-	-%	
Wacon Development Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Parent-subsidiary company	Purchase	191,375	4 %	Payment according to operation status	-		(24,967)	(1)%	

Note: The above transactions, except for Zhejiang Airmate Electric Appliances Sales Co. Limited, had been written off in preparing the consolidated financial report.

- 8) The receivables from related party to reach NT\$100 million or 20% of paid-in capital or more:

Unit: NT\$ thousands

The companies that record such transactions as receivables	Counterparty	Relation	Accounts Receivable from Related Parties (Note)	Turnover rate	Overdue receivables from related party		Subsequently Recovered Amount from Related Party	Record an allowance for doubtful accounts
					Amount	Disposal means		
Wacon Development Co. Limited	The Company	Parent-subsidiary company	279,848	-	-		-	-
Wacon Development Co. Limited	Airmate Electric Appliances (Jiujiang) Co. Limited	Parent-subsidiary company	1,095,955	-	-	-	-	-
Airmate International Co. Limited China	Airmate Electric Appliances (Shenzhen) Co. Limited	Parent-subsidiary company	591,710	-	-	-	-	-
Airmate Electric Appliances (Shenzhen) Co. Limited	Wacon Development Co. Limited	Parent-subsidiary company	2,172,463	42.00%	-		745,402	-

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

- 9) Engagement in derivative instruments transaction:

For details please refer to Note 6(2) to the consolidated financial statements.

10) Parent-subsidiary company business relation and important transactions:

No.	Name of transaction party	Transaction subject	Relationship with the transaction party	Transaction Status			
				Accounts	Amount	Transaction condition	Ratio in total revenue or assets
0	The Company	Wacon Company	1	Other receivables	279,848	Collection according to its own collection	3%
1	Airmate China	Shenzhen Airmate	1	Long-term receivables	591,710	Collection according to its own collection	6%
1	Airmate China	Shenzhen Airmate	1	Interest income	9,629	Collection according to its own collection	-%
2	Shenzhen Airmate	Jiujiang Airmate	3	Sales	613,175	Collection according to its own collection	7%
2	Shenzhen Airmate	Jiujiang Airmate	3	Other income	260,836	Collection according to its own collection	1%
2	Shenzhen Airmate	Jiujiang Airmate	1	Other expenses	157,679	Collection according to its own collection	2%
2	Shenzhen Airmate	Wacon Company	2	Sales	3,830,057	Collection according to its own collection	42%
2	Shenzhen Airmate	Wacon Company	2	Accounts receivable	2,172,463	Collection according to its own collection	23%
3	Wacon Company	Airmate International	2	Other receivables	391	Collection according to its own collection	-%
3	Wacon Company	Airmate China	2	Other receivables	363	Collection according to its own collection	-%
3	Wacon Company	Shenzhen Airmate	1	Accounts payable	2,172,463	Collection according to its own collection	23%
3	Wacon Company	Shenzhen Airmate	1	Other receivables	259,786	Collection according to its own collection	3%
3	Wacon Company	Jiujiang Airmate	1	Long-term receivables	1,095,955	Collection according to its own collection	12%
3	Wacon Company	Jiujiang Airmate	1	Other receivables	36,488	Collection according to its own collection	-%
4	Jiujiang Airmate	Shenzhen Airmate	3	Sales	215,189	Collection according to its own collection	2%
4	Jiujiang Airmate	Wacon Company	2	Sales	191,375	Collection according to its own collection	2%
4	Jiujiang Airmate	Wacon Company	2	Accounts receivable	24,967	Collection according to its own collection	-%

Note 1. The numbering rule is as follows:

- 0 represents the parent company.
- The subsidiaries are coded from "1" in the order presented in the table above.

Note 2. The type of relations with transaction party is marked as follows:

- Parent company to subsidiary.
- Subsidiary to parent company.
- Subsidiary to subsidiary.

Note 3. For business relations and important transactions between parent-subsidiary companies, only the date about sales and accounts receivable is disclosed, to the exclusion of the other party's sales and accounts receivable.

b. Relevant information about investees

The information about investees of the consolidated company in 2020 (excluding investee companies in Mainland China) is as follows:

Unit: NT\$ thousands/thousand shares

Name of investing companies	Investee Companies	Location	Main Operations	Initial investment amount		Holding at the end of the period			Highest during the period or Contribution	Profit or Loss of investee Company in the Current Period (Note 4)	Investment Profit/Loss Recognized in the Current Period (Note 2)	Note
				At the end of the period (Note 1)	End of last year (Note 1)	Number of shares	Ratio	Carrying amount (Note 2)				
The Company Airmate International Holding Co. Limited Airmate International Co. Limited Airmate International Co. Limited China	Airmate International Holding Co. Limited	Virgin Islands	Holding company	1,821,980 (USD\$63,974 thousand)	1,821,980 (USD\$63,974 thousand)	63,974	100.00%	4,177,779	100.00%	227,617	227,617	Directly invested subsidiaries of the Company
	Airmate International Co. Limited	Virgin Islands	Holding company	1,986,793 (USD\$69,761 thousand)	1,986,793 (USD\$69,761 thousand)	69,761	100.00%	4,178,109	100.00%	227,688	227,688	Indirectly invested subsidiaries of the Company
	Wacon Development Co. Limited	Hong Kong	Trading company	3,012,955 (HKD 820,298 thousand)	3,012,955 (HKD 820,298 thousand)	-	100.00%	3,586,699	100.00%	248,749	248,749	Indirectly invested subsidiaries of the Company

Note 1. The exchange rates on the financial reporting date were USD:NTD = 1:28.4800, CNY:HKD = 1:1.1882, HKD:NTD = 1:3.6730.

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

c. Mainland China investment information:

1) Relevant information about name, main business items of investee companies in Mainland China

Unit: NT\$ thousands

Investee Companies in Mainland China	Main Operations	Paid-in Capital (Note 4)	Investment method (Notes 1 & 5)	Cumulative Investment Amount Remitted from Taiwan at the Beginning of the Period (Note 2)	Remitted or recovered investment amount for the period		Cumulative Investment Amount Remitted from Taiwan at the End of the Period (Note 2)	Profit or Loss of Investee Company in the Current Period	Percentage of Ownership through the Company's Direct or Indirect Investment	Maximum shareholding or contribution during the period	Investment Gains (Losses) Recognized for the Current Period (Notes 3 & 6)	Carrying Amount at the End of the Period (Note 6)	Investment Gains Repatriated by the End of the Current Period
					Remittance	Recovery							
Airmate Electric Appliances (Shenzhen) Co. Limited	Manufacturing and sales of household appliances and processing precision mold	NT\$911,360 (USD\$32,000 thousand)	(II)	-	-	-	-	(15,329)	100.00%	100.00%	(15,329)	2,248,366	-
Zhejiang Airmate Electric Appliances Sales Co. Limited	Sales of electric appliances	NT\$45,825 (CNY 10,500 thousand)	(III)	-	-	-	-	(6,853)	40.00%	40.00%	(2,741)	27,258	-
Airmate Electric Appliances (Jiujiang) Co. Limited	Manufacturing and sales of household appliances and processing precision mold	NT\$2,073,344 (USD\$72,800 thousand)	(II) (III)	-	-	-	-	10,761	100.00%	100.00%	10,761	2,240,231	-
Airmate Technology (Shenzhen) Co. Limited	Sales, research and development of household appliances	NT\$43,643 thousand (CNY 10,000 thousand)	(III)	-	-	-	-	7,222	100.00%	100.00%	7,222	34,898	-
Emmett e-commerce (Shenzhen) Co., Ltd.	Sales of household appliances	NT\$43,643 thousand (CNY 10,000 thousand)	(III)	-	-	-	-	374	100.00%	100.00%	374	44,022	-

2) Investment ceiling in Mainland China

Cumulative investment amount remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by Investment Review Committee of Ministry of Economy	Investment ceiling in Mainland China according to provisions of Investment Review Committee of Ministry of Economy
(Note 2)	(Note 2)	(Note 2)

Note 1. Investment methods can be divided into the following three types:

1. Going directly to Mainland China for investment.
2. Reinvestment in Mainland China through a third region (Waon Development Co. Limited).
3. Other methods

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

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

Note 4. The exchange rates on the financial reporting date were USD:NTD = 1:28.4800, CNY:HKD = 1:1.1882, HKD:NTD = 1:3.6730.

Note 5. For the above transactions, the investment toward Airmate Electric Appliances (Jiujiang) Co. Limited included: (II) reinvestment in Mainland China through a third region (Waon Development Co. Limited) and (III) other methods (i.e. reinvestment through Airmate Electric Appliances (Shenzhen) Co. Limited).

Note 6. The above transactions, except for Zhejiang Airmate Electric Appliances Sales Co. Limited, had been written off in preparing the consolidated financial report.

3) Substantial transactions:

Please refer to the description of "relevant information about substantial transactions" and "business relation and substantial transactions between parent-subsidiary companies" for direct or indirect substantial transactions between the consolidated company and investee companies in Mainland China in 2020.

- d. List of major shareholders:

Unit: shares

Name of Major Shareholders	Shares	Shareholding (Shares)	Shareholding ratio
Pearl Place Holding		26,104,350	18.70%

14. Segment Information

- a. General information

The consolidated company has two reportable segments: domestic market and export market, with the former responsible for sales in Mainland China. The latter is responsible for sales in Northeast Asia, Europe, and America.

- b. Information involving profit or loss, asset, liability, and measurement basis and adjustment of reportable segment

The consolidated company takes the departmental before-tax profit or loss (excluding income tax, non-frequently occurring profit or loss, financial asset (liability) profit or loss at fair value and exchange profit or loss) in internal management report reviewed by major operation decision-makers as the basis for resources allocation and evaluation of performance by the management. Because the income tax, non-frequently occurring profit or loss, financial asset (liability) profit or loss at fair value and exchange profit or loss are managed on the Group basis, so the consolidated company has not apportioned them to reportable segments. The reported amount is consistent with report used by operation decision-makers.

The accounting policies of the operating segments are the same as the "summary description of material accounting policies" in Note 4. Transfer pricing among segments of the consolidated company is based on similar conventional transaction with a third party.

The information and adjustment of operating segments of the consolidated company were as follows:

	2020			
	Domestic market	Export market	Adjustment and elimination	Total
Revenue:				
Revenue from external customers	\$ 4,910,633	4,296,713	-	9,207,346
Intersegment sales	828,364	4,025,753	(4,854,117)	-
Interest income	30,921	12,786	(9,628)	34,079
Total revenue	\$ 5,769,918	8,335,252	(4,863,745)	9,241,425
Interest expense	\$ (35,749)	(16,619)	9,628	(42,740)
Depreciation and amortization	\$ (180,325)	(165,977)	-	(346,302)
Share of affiliates and joint ventures profit or loss using equity method	\$ (2,472)	-	-	(2,472)
Reportable segment profit or loss	\$ 120,240	65,152	(29,153)	156,239
Reportable segment assets	\$ 11,362,781	18,982,461	(21,091,900)	9,253,342

	2019			
	Domestic market	Export market	Adjustment and elimination	Total
Revenue:				
Revenue from external customers	\$ 5,378,679	4,764,102	-	10,142,781
Intersegment sales	739,060	4,295,093	(5,034,153)	-
Interest income	27,080	15,497	(11,615)	30,962
Total revenue	\$ 6,144,819	9,074,692	(5,045,768)	10,173,743
Interest expense	\$ (53,975)	(33,687)	11,615	(76,047)
Depreciation and amortization	\$ (250,185)	(183,079)	-	(433,264)
Share of affiliates and joint ventures profit or loss using equity method	\$ 5	-	-	5
Reportable segment profit or loss	\$ 144,432	84,361	28,366	257,159
Reportable segment assets	\$ 10,893,792	18,016,965	(20,009,741)	8,901,016

The total revenue of reportable segment in 2020 and 2019 should eliminate inter-departmental revenue NT\$4,863,745 thousand and NT\$5,045,768 thousand, respectively; the profit or loss adjustment item of reportable segment in 2019 and 2018 was financial asset net loss at fair value and exchange gain (loss) amounting to respectively NT\$(29,153) thousand and NT\$28,366 thousand.

c. Information of product category

The information of revenue from external customers for the consolidated company was as follows:

Product name	2020	2019
Electric fans	\$ 5,892,496	6,560,708
Electric heaters	1,936,989	2,558,181
Others	1,377,861	1,023,892
	\$ 9,207,346	10,142,781

d. Geographic information

Region	2020	2019
Revenue from external customers:		
Mainland China	\$ 4,910,633	5,378,679
Japan	1,295,271	1,416,386
South Korea	1,242,811	1,498,561
Other countries	1,758,631	1,849,155
Total	\$ 9,207,346	10,142,781
Non-current Assets:		
Mainland China and Hong Kong	\$ 3,609,766	3,667,312

The non-current assets include investments accounted for using the equity method, property, plants and equipment, right-of-use assets, intangible assets and other assets, and exclude financial instruments and deferred tax assets.

e. Information of major customers

	2020	2019
Customer of export market segment	\$ 944,373	881,220