# AAEON Technology Inc and Subsidiaries

# Consolidated Financial Statements

# With Independent Auditor's Report Thereon

# December 31, 2021 and 2020

# (Stock Code: 6579)

Company Address: 5F., No. 135, Ln. 235, Baoqiao Rd., Xindian Dist., New Taipei City, Taiwan (R.O.C.)

Contact Number: (02)8919-1234

The independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

AAEON Technology Inc. and Subsidiaries

Consolidated Financial Statements

With Independent Auditors'Report Thereon December 31, 2021 and 2020

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AAEON Technology Inc. and Subsidiaries

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as those included in the consolidated financial statements of AAEON Technology Inc. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10“Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of AAEON Technology Inc. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Hereby certify.

Company Name: AAEON Technology Inc.

Representative: Yung-Shun Chuang

February 25, 2022

INDEPENDENT AUDITORS' REPORT

(2022) Tsai-Shen-Bao-Tzi No.21003230

To the Board of Directors and Shareholders of
AAEON Technology Inc.:

## Opinion

We have audited the accompanying consolidated balance sheets of AAEON Technology Inc. and its subsidiaries (the "Group") as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, (please refer to the "Other Matters"), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

## Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS") for the year ended December 31, 2021; Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements in the current period are stated as follows:

**Existence for incorporating the revenues of top ten sales customers newly listed**

Description

Refer to Note 4(29) for the accounting policies on revenue recognition, and Note 6(18) for the details of operating revenue.

The Group is primarily engaged in design, manufacturing and sales of industrial computers, medical computers and peripherals. Since product orders are affected by project cycles, needs to focus on entering new markets and accepting orders of new projects, there will be changes in the top ten customers. After comparing the top ten sales customers in the Taiwan in 2021 and 2020, the top ten sales customers newly listed has a significant impact on the consolidated operating revenue. With that, we listed the existence for incorporating the revenues of the Group’s top ten sales customers newly listed as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assess and test the financial statements, the internal control procedures of sales transactions are based on the Group’s internal control system.
2. View the relevant industry background information of newly listed top ten sales customers.
3. Obtain and select relevant vouchers for the transactions involving operating revenue of the newly listed top ten sales customers.

**Evaluation of inventories**

Description

Refer to Note 4(12) for the accounting policies on the evaluation of inventories; Note 5 for the uncertainty of accounting estimate and assumptions for evaluation of inventories, and Note 6(5) for the details of inventory.

The Group is primarily engaged in design, manufacturing and sales of industrial computers, medical computers and peripherals. Given long production cycle of industrial computer and medical computer products, some products or spare parts have long inventory period due to long-term supply and maintenance needs of customers. The order adjustments or lower-than-expected market conditions may lead to fluctuations in product prices or low inventory correction, which may result in higher risk in inventory devaluation or obsolescence. The Group’s inventories are measured at the lower of inventory cost and net realizable value. For the inventories that exceeds its age and are individually identified to be out of date and obsolete, losses based on the policy of allowance for inventory impairment are recognized through individual assessment.

Corresponding the sales market and development strategies, the Group readily adjusts its stocking demands, with significant inventory balances as industrial computers and medical computers are the main products. In addition, given high uncertainty from the management’s subjective estimates on the net realizable value used in evaluating obsolete inventories, the allowance for inventory devaluation is listed as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assess the policy on allowance for inventory valuation loss based on our understanding of the operations and industry of the Group.
2. Inspect the managements individually identified out-of-date inventory list and checked the related supporting documents.
3. Test the basis of market value used in calculating the net realizable valued of inventory and validated the accuracy of net realizable value calculation of selected samples.

**Impairment loss on investments accounted for under equity method**

Description

Refer to Note 4(13) for accounting policies on investments accounted for under equity method; refer to Note 5 for the uncertainty of accounting estimates and assumptions of investments accounted for under equity method; refer to Note 6 (6) for the details of investments accounted for under equity method.

The Group’s investment on IBASE TECHNOLOGY INC. (hereinafter referred to as “IBASE”) under equity method is the recoverable amount estimated by calculating the value in use, and is used as the basis for impairment assessment. Since the assessment of value in use involves the management’s subjective estimates of future cash flows and discounted cash flows at the appropriate discount rate. We believe that the aforementioned estimation of future cash flows and discount rates involves future forecasts, with high estimation uncertainty from the assumption which have a significant impact on the value of use. With that, the investment under equity method - IBASE’s assessment on reduced premium is listed as one of the key audit matters.

How our audit addressed the matter

1. Understand and measure the corresponding policies and precedures of management for impairment loss, includes collecting internal and external resourse, long and short-term operational prospect mearsurement and industry change situation.
2. Obtain valuation report issued by the expert’s nominated by the management of the Company, and performed audit procedures as follows:
   (1) Review the expert qualification for assessing their independency, objectivity and competency.
   (2) Assess the valuation model adopted by expert and the reasonableness of future cash flow based on our understanding of the operations and industry of IBASE.
   (3) Assess the relevance and reasonableness of material assumption adopted by expert (including estimated revenue growth, gross profit margin, operating expense ratio and discount rate), and inspect the accuracy of calculation.

**Other matters – Reference to the audits of other independent auditors**

We did not audit the financial statement of certain investments accounted for under equity method. These investments accounted for under equity method amountded to $3,922,180 thousand and $3,969,157 thousand, constituting 38.35% and 41.44% of total assets as of December 31, 2021 and 2020, respectively, and the comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to $76,303 thousand and $1,569 thousand, respectively, constituting for 15.27% and 0.33% of total comprehensive income for the years ended December 31,2021 and 2020, respectively. The financial statements of these investments accounted for under equity method were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

**Other matters – Parent company only financial reports**

We have audited and expressed an unmodified opinion with Other Matters section on the parent company only financial statements of AAEON Technology Inc. as of and for the years ended December 31, 2021 and 2020.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, as endorsed by Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

## Independent auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain 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 the Group and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Certified Public Accountant

Weng, Shih-Rong

Lin, Chun-Yao

Securities and Futures Commission, Ministry of Finance
Approval reference: (1999) Tai-Tsai-Cheng (VI) No. 95577

Securities Commission, Ministry of Finance
Approval reference: (1996) Tai-Tsai-Cheng (VI) No. 68702

February 25, 2022

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the Consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdoctions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

AAEON Technology Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2021 AND 2020
(Expressed In Thousands of New Taiwan Dollars)

| | Assets | Notes | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|---|
| | **Current asset** | | | | | |
| 1100 | Cash and cash equivalents | 6. (1) | $ 1,841,520 | 18 | $ 2,727,931 | 28 |
| 1110 | Financial asset at fair value through profit or loss - current | 6. (2) | 425,306 | 4 | 456,957 | 5 |
| 1150 | Net notes receivable | 6. (4) | 23,655 | - | 16,870 | - |
| 1170 | Net accounts receivable | 6. (4) | 1,174,099 | 11 | 661,456 | 7 |
| 1200 | Other receivables | | 57,692 | 1 | 21,773 | - |
| 1220 | Current tax assets | | 12,603 | | | |
| 130X | Inventories | 6. (5) | 1,518,035 | 15 | 826,311 | 9 |
| 1410 | Prepayments | | 89,415 | 1 | 67,079 | 1 |
| 1479 | Other current liabilities - other | 8 | 1,631 | - | 15,467 | - |
| 11XX | **Total current assets** | | 5,143,956 | 50 | 4,793,844 | 50 |
| | **Non-current assets** | | | | | |
| 1510 | Financial assets at fair value through profit or loss - non-current | 6. (2) | 65,217 | 1 | 68,639 | 1 |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6. (3) | 32,381 | - | 2,381 | - |
| 1550 | Investments accounted for under equity method | 6. (6) | 3,922,180 | 38 | 3,969,157 | 41 |
| 1600 | Property, plant and equipment | 6. (7), 8 | 800,321 | 8 | 564,531 | 6 |
| 1755 | Right-of-use assets | 6. (8) | 82,067 | 1 | 33,139 | - |
| 1760 | Investment property | | 79,758 | 1 | 54,057 | 1 |
| 1780 | Intangible assets | | 17,726 | - | 24,669 | - |
| 1840 | Deferred tax assets | 6. (24) | 57,557 | 1 | 50,626 | 1 |
| 1900 | Other non-current assets | 8 | 14,842 | - | 16,075 | - |
| 15XX | **Total non-current assets** | | 5,072,049 | 50 | 4,783,274 | 50 |
| 1XXX | **Total assets** | | $ 10,216,005 | 100 | $ 9,577,118 | 100 |

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AAEON Technology Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2021 AND 2020
(Expressed In Thousands of New Taiwan Dollars)

| | Liabilities and equity | Notes | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|---|
| | **Current liability** | | | | | |
| 2100 | Short-term borrowings | 6. (9), and 8 | $ 105,000 | 1 | $ 38,875 | 1 |
| 2130 | Contract liability - current | 6. (18) | 226,231 | 2 | 174,971 | 2 |
| 2150 | Notes payables | | - | - | 725 | - |
| 2170 | Accounts payables | 7 | 580,911 | 6 | 327,414 | 4 |
| 2200 | Other payables | 6. (12), and 7 | 433,117 | 4 | 385,235 | 4 |
| 2230 | Current tax liabilities | | 73,617 | 1 | 86,916 | 1 |
| 2250 | Provisions - current | | 27,411 | - | 27,366 | - |
| 2280 | Lease liability - current | | 29,303 | - | 20,509 | - |
| 2320 | Long-term liabilities-current Portion | 6. (11), 8 | 10,744 | - | - | - |
| 2399 | Other current liabilities - other | | 33,512 | 1 | 26,709 | - |
| 21XX | **Total current liabilities** | | 1,519,846 | 15 | 1,088,720 | 12 |
| | **Non-current liabilities** | | | | | |
| 2527 | Contract liability - non-current | 6. (18) | 47,341 | - | 59,844 | 1 |
| 2540 | Long-term borrowings | 6. (11), 8 | 155,043 | 2 | - | - |
| 2550 | Provisions - non-current | | 8,014 | - | 7,369 | - |
| 2570 | Deferred tax liabilities | 6. (24) | 39,438 | - | 33,389 | - |
| 2580 | Lease liability - non-current | | 53,639 | 1 | 13,560 | - |
| 2670 | Other non-current liabilities - other | | 2,156 | - | 1,783 | - |
| 25XX | **Total non-current liabilities** | | 305,631 | 3 | 115,945 | 1 |
| 2XXX | **Total liabilities** | | 1,825,477 | 18 | 1,204,665 | 13 |
| | **Equity** | | | | | |
| | **Equity attributable to owners of parent** | | | | | |
| | **Share capital** | 6. (15) | | | | |
| 3110 | Share capital-common stock | | 1,484,985 | 15 | 1,484,985 | 16 |
| 3140 | Advance receipts for share capital | | 1,200 | - | - | - |
| | **Capital surplus** | 6. (14) (16) | | | | |
| 3200 | Capital surplus | | 5,433,926 | 53 | 5,473,802 | 56 |
| | **Retained earnings** | 6. (17) | | | | |
| 3310 | Legal reserve | | 425,624 | 4 | 387,553 | 4 |
| 3320 | Special reserve | | 53,278 | 1 | 63,315 | 1 |
| 3350 | Undistributed retained earnings | | 534,550 | 5 | 484,744 | 5 |
| | **Other Equity** | | | | | |
| 3400 | Other Equity | | ( 64,805) | ( 1) | ( 53,278) | - |
| 31XX | **Total equity attributable to owners of parent** | | 7,868,758 | 77 | 7,841,121 | 82 |
| 36XX | **Non-controlling interests** | 4. (3) | 521,770 | 5 | 531,332 | 5 |
| 3XXX | **Total equity** | | 8,390,528 | 82 | 8,372,453 | 87 |
| | **Significant contingent liabilities and unrecognized contract commitments** | 9 | | | | |
| | **Significant events after the balance sheet date** | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 10,216,005 | 100 | $ 9,577,118 | 100 |

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Yung-Shun Chuang Manager: Chien-Hung Lin Accounting Supervisor: Jen-Chung Wang

AAEON Technology Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | Item | Notes | 2021 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|---|---|
| 4000 | **Operating income** | 6. (18), 7 | $ 6,347,704 | 100 | $ 5,898,185 | 100 |
| 5000 | **Operating cost** | 6. (5) (22) (23), and 7 | ( 4,492,653) | ( 71) | ( 3,967,732) | ( 67) |
| 5900 | **Operating profit** | | 1,855,051 | 29 | 1,930,453 | 33 |
| | **Operating expenses** | 6. (13)(22)(23) and 7 | | | | |
| 6100 | Selling expense | | ( 508,093) | ( 8) | ( 583,180) | ( 10) |
| 6200 | General and administrative expenses | | ( 301,043) | ( 4) | ( 269,815) | ( 4) |
| 6300 | Research and development expenses | | ( 495,114) | ( 8) | ( 464,753) | ( 8) |
| 6450 | Expected credit impairment (loss) or gain | 12. (2) | ( 2,160) | - | 7,887 | - |
| 6000 | **Total operating expense** | | ( 1,306,410) | ( 20) | ( 1,309,861) | ( 22) |
| 6900 | **Operating income** | | 548,641 | 9 | 620,592 | 11 |
| | **Non-operating income and expenses** | | | | | |
| 7100 | Interest income | | 4,724 | - | 7,124 | - |
| 7010 | Other income | 6. (19) | 33,096 | - | 28,871 | - |
| 7020 | Other gains and losses | 6. (20) | ( 29,963) | - | ( 34,744) | ( 1) |
| 7050 | Financial costs | 6. (21) | ( 4,871) | - | ( 3,536) | - |
| 7060 | Share of the profit of the associates and joint ventures accounted for under equity method | 6. (6) | 74,406 | 1 | ( 15,569) | - |
| 7000 | **Total non-operating income and expenses** | | 77,392 | 1 | ( 17,854) | ( 1) |
| 7900 | **Profit before income tax** | | 626,033 | 10 | 602,738 | 10 |
| 7950 | Income tax expense | 6. (24) | ( 112,280) | ( 2) | ( 138,567) | ( 2) |
| 8200 | **Profit for the year** | | $ 513,753 | 8 | $ 464,171 | 8 |

(Continued)

AAEON Technology Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | Item | Notes | 2021 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|---|---|
| | **Other comprehensive income (loss)** | | | | | |
| | **Components of other comprehensive income (loss) that will not be reclassified to profit or loss** | | | | | |
| 8320 | Share of other comprehensive income of associates and joint ventures accounted for under equity method - not to be reclassified to profit or loss in subsequent periods | 6. (6) | $ 6,410 | - | $ 20,672 | - |
| 8310 | **Total amount not to be reclassified to profit or loss in subsequent periods** | | 6,410 | - | 20,672 | - |
| | **To be reclassified to profit or loss in subsequent periods** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | ( 19,844) | - | ( 11,831) | - |
| 8370 | Share of other comprehensive income of associates and joint ventures accounted for under equity method - to be reclassified to profit or loss in subsequent periods | 6. (6) | ( 4,513) | - | ( 3,534) | - |
| 8399 | Income tax relating to the components of other comprehensive income | 6. (24) | 3,968 | - | 2,365 | - |
| 8360 | **Total amount to be reclassified to profit or loss in subsequent periods** | | ( 20,389) | - | ( 13,000) | - |
| 8500 | **Total comprehensive income** | | $ 499,774 | 8 | $ 471,843 | 8 |
| | **Net income attributable to:** | | | | | |
| 8610 | Shareholders of the parent | | $ 451,025 | 7 | $ 382,810 | 7 |
| 8620 | Non-controlling interest | | 62,728 | 1 | 81,361 | 1 |
| | | | $ 513,753 | 8 | $ 464,171 | 8 |
| | **Total comprehensive income attributable to:** | | | | | |
| 8710 | Shareholders of the parent | | $ 439,498 | 7 | $ 392,847 | 7 |
| 8720 | Non-controlling interest | | 60,276 | 1 | 78,996 | 1 |
| | | | $ 499,774 | 8 | $ 471,843 | 8 |
| | **Basic earnings per share** | 6. (25) | | | | |
| 9750 | **Total basic earnings per share** | | $ 4.22 | | $ 3.58 | |
| | **Diluted earnings per share** | 6. (25) | | | | |
| 9850 | **Total diluted earnings per share** | | $ 4.19 | | $ 3.56 | |

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Yung-Shun Chuang　Manager: Chien-Hung Lin　Accounting Supervisor: Jen-Chung Wang

AAEON Technology Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars)

| | | Equity attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share Capital | | | Retained Earnings | | | Other Equity | | | | | |
| | Notes | Common share capital | Advance receipts for share capital | Capital surplus | Legal reserve | Special reserve | Undistributed retained earnings | Financial statements translation differences of foreign operations | Unrealized gains (losses) form financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Total | Non-controlling interests | Total |
| For the year ended December 31, 2020 | | | | | | | | | | | | | |
| Balance at January 1, 2020 | | $ 1,484,985 | $ - | $ 5,348,750 | $ 332,568 | $ 45,314 | $ 652,212 | ($ 36,180) | ($ 25,004) | ($ 2,131) | $ 7,800,514 | $ 515,999 | $ 8,316,513 |
| Profit fo the period | | - | - | - | - | - | 382,810 | - | - | - | 382,810 | 81,361 | 464,171 |
| Other comprehensive income | | - | - | - | - | - | - | ( 11,137) | 21,174 | - | 10,037 | ( 2,365) | 7,672 |
| Total comprehensive income | | - | - | - | - | - | 382,810 | ( 11,137) | 21,174 | - | 392,847 | 78,996 | 471,843 |
| Appropriations of 2019 earnings: | 6. (17) | | | | | | | | | | | | |
| Legal reserve | | - | - | - | 54,985 | - | ( 54,985) | - | - | - | - | - | - |
| Reversal of special reserve | | - | - | - | - | 18,001 | ( 18,001) | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | ( 475,195) | - | - | - | ( 475,195) | - | ( 475,195) |
| Effect from long-term investment that has not been recognized based on shareholding percentage | 6. (6) (16) | - | - | ( 114) | - | - | - | - | - | - | ( 114) | - | ( 114) |
| Change in associates and joint ventures accounted for under equity method | 6. (6) (16) | - | - | 106,218 | - | - | - | - | - | - | 106,218 | - | 106,218 |
| Share-based Payment | 6. (14) (16) | - | - | 18,948 | - | - | ( 2,097) | - | - | - | 16,851 | 2,355 | 19,206 |
| Changes in non-controlling interests-cash dividends | 4 (3) | - | - | - | - | - | - | - | - | - | - | ( 66,018) | ( 66,018) |
| Balance at December 31, 2020 | | $ 1,484,985 | $ - | $ 5,473,802 | $ 387,553 | $ 63,315 | $ 484,744 | ($ 47,317) | ($ 3,830) | ($ 2,131) | $ 7,841,121 | $ 531,332 | $ 8,372,453 |
| For the year ended December 31, 2021 | | | | | | | | | | | | | |
| Balance at January 1, 2021 | | $ 1,484,985 | $ - | $ 5,473,802 | $ 387,553 | $ 63,315 | $ 484,744 | ($ 47,317) | ($ 3,830) | ($ 2,131) | $ 7,841,121 | $ 531,332 | $ 8,372,453 |
| Profit fo the period | | - | - | - | - | - | 451,025 | - | - | - | 451,025 | 62,728 | 513,753 |
| Other comprehensive income | | - | - | - | - | - | - | ( 18,090) | 6,563 | - | ( 11,527) | ( 2,452) | ( 13,979) |
| Total comprehensive income | | - | - | - | - | - | 451,025 | ( 18,090) | 6,563 | - | 439,498 | 60,276 | 499,774 |
| Appropriations of 2020 earnings: | 6. (17) | | | | | | | | | | | | |
| Legal reserve | | - | - | - | 38,071 | - | ( 38,071) | - | - | - | - | - | - |
| Special reserve | | - | - | - | - | ( 10,037) | 10,037 | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | ( 371,246) | - | - | - | ( 371,246) | - | ( 371,246) |
| Capital surplus-cash dividend | 6. (16) (17) | | - | ( 74,249) | - | - | - | - | - | - | ( 74,249) | - | ( 74,249) |
| Effect from long-term investment that has not been recognized based on shareholding percentage | 6. (6) (16) | - | - | ( 1,535) | - | - | - | - | - | - | ( 1,535) | - | ( 1,535) |
| Change in associates and joint ventures accounted for under equity method | 6. (6) (16) | - | - | 9,318 | - | - | - | - | - | - | 9,318 | - | 9,318 |
| Share-based Payment | 6. (14) (16) | - | - | 19,906 | - | - | ( 1,939) | - | - | - | 17,967 | 5,808 | 23,775 |
| Employee stock options exercised | | - | 1,200 | 6,684 | | | | | | | 7,884 | | 7,884 |
| Changes in non-controlling interests-cash dividends | 4 (3) | - | - | - | - | - | - | - | - | - | - | ( 75,646) | ( 75,646) |
| Balance at December 31, 2021 | | $ 1,484,985 | $ 1,200 | $ 5,433,926 | $ 425,624 | $ 53,278 | $ 534,550 | ($ 65,407) | $ 2,733 | ($ 2,131) | $ 7,868,758 | $ 521,770 | $ 8,390,528 |

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Yung-Shun Chuang　　Manager: Chien-Hung Lin　　Accounting Supervisor: Jen-Chung Wang

AAEON Technology Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars)

| | Notes | For the years ended December 31, 2021 | For the years ended December 31, 2020 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit before tax | | $ 626,033 | $ 602,738 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation expense | 6 (7) (8) (22) | 79,308 | 89,401 |
| Amortization expenses | 6 (22) | 15,034 | 13,148 |
| Expected credit impairment losses (gains) | 12 (2) | 2,160 | ( 7,887 ) |
| Costs of share-based payment awards | 6 (14) | 23,775 | 19,206 |
| Interest income | | ( 4,724 ) | ( 7,124 ) |
| Dividends income | 6 (19) | ( 19,530 ) | ( 17,348 ) |
| Interest expenses | 6 (8) (9) (21) | 4,871 | 3,536 |
| Net loss from financial assets and liabilities at fair value through profit or loss | 6 (2) (10) (20) | 24,662 | 55,316 |
| Losses on disposal of property, plant and equipment | 6 (7) (20) | 809 | 27 |
| Transferred to expenses and losses | | 1,801 | - |
| Depreciation expense of investment property (other gains and losses) | 6 (20) | 6,191 | 5,177 |
| Share of profit of associates accounted for under equity method | 6 (6) | ( 74,406 ) | 15,569 |
| Gain on lease modification | 6. (8)(20) | ( 55 ) | - |
| Changes in operating assets and liabilities | | | |
| Net changes in operating assets | | | |
| Financial assets and liabilities at fair value through profit or loss | | ( 13,776 ) | ( 979 ) |
| Notes and accounts receivable | | ( 521,775 ) | 95,237 |
| Other receivables | | ( 35,138 ) | 628 |
| Inventories | | ( 691,724 ) | 112,666 |
| Prepayments | | ( 22,336 ) | ( 10,931 ) |
| Net changes in operating liabilities | | | |
| Contract liability | | 38,757 | 56,326 |
| Notes and accounts payable | | 252,772 | ( 155,341 ) |
| Other payables | | 46,366 | ( 840 ) |
| Other current liabilities | | 6,803 | 2,345 |
| Provisions for liabilities | | 690 | ( 10,843 ) |
| Other non-current liabilities | | 373 | ( 457 ) |
| Net cash from operating activities | | ( 253,059 ) | 859,570 |
| Interest received | | 4,724 | 7,124 |
| Interest paid | 6 (8) | ( 4,819 ) | ( 3,536 ) |
| Income taxes paid | | ( 135,878 ) | ( 139,458 ) |
| Net cash flows from operating activities | | ( 389,032 ) | 723,700 |

(Continued)

AAEON Technology Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars)

| | Notes | For the years ended December 31, 2021 | 2020 |
|---|---|---|---|
| Cash flows from investing activities | | | |
| Acquired financial assets at fair value through profit or loss | | ($ 8,769 ) | ($ 11,474 ) |
| Disposal of financial assets at fair value through profit or loss | | 32,956 | 3,865 |
| Acquired financial assets at fair value through other comprehensive income | | ( 30,000 ) | - |
| Decrease (increase) in other current assets | | 13,836 | ( 13,119 ) |
| Acquisition of investments accounted for under equity method | 6 (6) | ( 14,584 ) | ( 27,951 ) |
| Acquisition of property, plant and equipment | 6 (26) | ( 315,929 ) | ( 20,077 ) |
| Disposal of property, plant and equipment | 6 (7) | 1,078 | 354 |
| Acquisition of intangible asset | | ( 7,132 ) | ( 12,707 ) |
| Increase in other non-current assets | | ( 576 ) | ( 4,688 ) |
| Dividends received | | 165,177 | 171,307 |
| Net cash flows from investing activities | | ( 163,943 ) | 85,510 |
| Cash flows from financing activities | | | |
| Increase (decrease) in short-term borrowings | 6 (27) | 67,217 | ( 3,275 ) |
| Increase in long-term borrowings | 6 (27) | 172,000 | - |
| Reimbursement in long-term borrowings | 6 (27) | ( 6,213 ) | - |
| Repayment of lease principal | 6 (8) (27) | ( 38,945 ) | ( 45,766 ) |
| Acquired shareholding of subsidiary | | - | - |
| Changes in non-controlling interests - cash dividends for non-controlling interests | 4 (3) | ( 75,646 ) | ( 66,018 ) |
| Employee share options exercised | 6 (17) | ( 445,495 ) | ( 475,195 ) |
| Cash dividends paid | 6 (14) | 7,884 | - |
| Net cash flows from financing activities | | ( 319,198 ) | ( 590,254 ) |
| Effects due to changes in exchange rate | | ( 14,238 ) | ( 7,996 ) |
| Increase (decrease) in cash and cash equivalents | | ( 886,411 ) | 210,960 |
| Cash and cash equivalents at the beginning of periods | | 2,727,931 | 2,516,971 |
| Cash and cash equivalents at the end of periods | | $ 1,841,520 | $ 2,727,931 |

The accompanying notes are an integral part of these consolidated financial statements

Chairman: Yung-Shun Chuang　　Manager: Chien-Hung Lin　　Accounting Supervisor: Jen-Chung Wang

AAEON Technology Inc. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars, except as of otherwise indicated)

## I. Company Profile

AAEON Technology Co., Ltd. ("the Company") was established in the Republic of China. The main businesses of the company and its subsidiaries ("the Group") include the manufacturing, processing and imports and exports of computer peripherals, electronic components, computer test instruments, computer PCB functional testing, and radio telecommunication equipment and its components; the R&D, design, manufacturing, processing and trading of various industrial computers, medical computers, industrial controllers, quantity controllers and components; industrial computer automation design and services, as well as the import/export of related materials. The Company has been listed on Taiwan Stock Exchange since August 2017. Asustek Computer Co., Ltd. holds 40.69% of the Company's shares (including indirect holdings) and is the Group's ultimate parent company.

## II. Date and Procedures for the Authorization of Financial Reports

These consolidated financial reports were approved by the board of directors on February 25, 2022.

## III. New or Revised Standards and Applied Interpretation

### (I) The impact of adopting standards or interpretations issued, revised or amended by IASB which are endorsed by the Financial Supervisory Commission (hereinafter referred to as FSC)

Standards or interpretations issued, revised or amended by IASB which are endorsed by FSC at 2021 are listed below:

| Newly issued revised or amended standards and interpretations | Effective date issued by IASB |
|---|---|
| Amendments to IFRS 4, "Extension of the temporary exemption from applying IFRS 9" | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform - Phase 2" | January 1, 2021 |
| Amendment to IFRS 16, "Covid-19-related rent concessions beyond June 30, 2021" | April 1, 2021 (Note) |

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

### (II) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Group

New standards intrpretations and amendments endorsed by the FSC effective from 2022 are as follows:

| Newly issued revised or amended standards and interpretations | Effective date issued by IASB |
|---|---|
| Amendments to IFRS 3, "Reference to the conceptual framework" | January 1, 2022 |
| Amendments to IAS 16, "Property, plant and equipment: proceeds before intended use" | January 1, 2022 |
| Amendments to IAS 37, "Onerous contracts - cost of fulfilling a contract" | January 1, 2022 |
| Annual improvements to IFRS Standards 2018 - 2020 | January 1, 2022 |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(III) International Financial Reporting Standards issued by IASB but not yet endorsed by the FSC

Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC are as follows:

| New Standards, Interpretations and Amendments | Effective date by IASB |
|---|---|
| Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture" | To be determined by International Accounting Standards Board |
| IFRS 17, "Insurance contracts" | January 1, 2023 |
| Amendments to IFRS 17, "Insurance contracts" | January 1, 2023 |
| Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information' | January 1, 2023 |
| Amendments to IAS 1, "Classification of liabilities as current or noncurrent" | January 1, 2023 |
| Amendments to IAS 1, "Disclosure of accounting policies" | January 1, 2023 |
| Amendments to IAS 8, "Definition of accounting estimates" | January 1, 2023 |
| Amendments to IAS 12, "Deferred tax related to assets and liabilities arising from a single transaction" | January 1, 2023 |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

## IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### (I) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### (II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:

   (1) Financial assets and financial liabilities (including derivatives) that have been measured at fair value through profit of loss.

   (2) Financial assets and financial liabilities that have been measured at fair value through other comprehensive income.

2. For the preparation of financial statements in conformity with the IFRS, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, it requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 5.

### (III) Basis of consolidation

1. Preparation principle of consolidated financial statement:

   (1) All subsidiaries are included in the Group's consolidated financial statements.

Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies of subsidiaries have nee adjusted where necessary to ensure consistency with the policies adopted by the Group.

(3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests.

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(5) When the Group loses the control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associateor joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses preiously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. The subsidiaries included in the consolidated financial statements:

| | | | Ownership interest | | |
|---|---|---|---|---|---|
| Investor | Investee | Business | 2021/12/31 | 2020/12/31 | Notes |
| AAEON. | AAEON ELECTRONICS, INC. (AEI) | Sales of IPC and PC peripherals | 100% | 100% | |
| AAEON. | AAEON TECHNOLOGY CO., LTD (ATCL) | Investment of IPC and interface card | 100% | 100% | |
| AAEON. | AAEON TECHNOLOGY (EUROPE) B.V.(ANI) | Sales of IPC and PC peripherals | 100% | 100% | |
| AAEON. | AAEON INVESTMENT, CO., LTD. (AAEONI) | Investment of IPC and PC peripherals | 100% | 100% | |

| Investor | Investee | Business | Ownership interest 2021/12/31 | Ownership interest 2020/12/31 | Notes |
|---|---|---|---|---|---|
| AAEON. | ONYX HEALTHCARE INC. (ONYX) | Design, manufacture and sales of medical PC | 50.00% | 50.00% | |
| AAEON. | AAEON TECHNOLOGY SINGAPORE PTE. LTD (ASG) | Sales of IPC and PC peripherals | 100% | 100% | |
| ATCL | AAEON TECHNOLOGY (SUZHOU) INC.(ACI) | Production and sales of IPC and interface card | 100% | 100% | |
| ANI | AAEON TECHNOLOGY GMBH(AGI) | Sales of IPC and PC peripherals | 100% | 100% | |
| ONYX | ONYX HEALTHCARE EUROPE B.V. (ONI) | Marketing support and maintenance of medical PC and peripherals | 100% | 100% | |
| ONYX | ONYX HEALTHCARE USA, INC. (OHU) | Sales of medical PC and peripherals | 100% | 100% | |
| ONYX | ONYX HEALTHCARE (SHANGHAI) LTD (OCI) | Sales of medical PC and peripherals | 100% | 100% | |
| ONYX | IHELPER INC. (IHELPER) | R&D and sales of medical robots | 46.00% | 46.00% | Note |

Note : Although the Group does not hold more than 50% shareholding, it is included in the preparation of the consolidated financial report as it has control over the company's financial, operating and personnel policies

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different end of the financial reporting period: None.
5. Significant restrictions: None.
6. Subsidiaries that have non-controlling interests that are material to the Group:

The Group's total non-controlling interests as of December 31, 2021 and 2020 were $521,770 and $531,332, respectively. The Group's subsidiaries with significant non-controlling interests are as follows:

| | | Non-controlling interests 2021/12/31 | | Non-controlling interests 2020/12/31 | |
|---|---|---|---|---|---|
| Subsidiary Name | Main business location | Amount | Ownership interest | Amount | Ownership interest |
| ONYX | Taiwan | $ 512,899 | 50.00% | $ 521,419 | 50.00% |

Summarized financial information of subsidiaries:

Balance sheet

| | ONYX | |
|---|---|---|
| | 2021/12/31 | 2020/12/31 |
| Current asset | $ 698,415 | $ 763,280 |
| Non-current assets | 1,003,518 | 629,925 |
| Current liability | ( 431,310 ) | ( 279,181 ) |
| Non-current liabilities | ( 235,857 ) | ( 61,175 ) |
| Total Net Assets | $ 1,034,766 | $ 1,052,849 |

Statement of comprehensive income

| | ONYX | |
|---|---|---|
| | For the years ended December 31, | |
| | 2021 | 2020 |
| Income | $ 1,201,760 | $ 1,347,304 |
| Profit before tax | $ 140,112 | $ 202,612 |
| Income tax expense | ( 13,603 ) | ( 37,705 ) |
| Net income | 126,509 | 164,907 |
| Other comprehensive income (net amount after tax) | ( 4,903 ) | ( 4,730 ) |
| Total comprehensive income | $ 121,606 | $ 160,177 |
| Total comprehensive income attributable to non-controlling interests | $ 61,318 | $ 81,165 |
| Dividends paid to non-controlling interests | $ 75,646 | $ 66,018 |

Cash flow statement

| | ONYX | |
|---|---|---|
| | For the years ended December 31, | |
| | 2021 | 2020 |
| Net cash inflow (outflow) from operating activities | $ 17,128 | $ 191,106 |
| Net cash flows used in investing activities | ( 332,060 ) | ( 53,891 ) |
| Net cash flows from financing activities | 109,893 | ( 148,911 ) |
| Effects of exchange rate changes on cash and cash equivalents | ( 4,432 ) | ( 4,495 ) |
| Decrease in current cash and cash equivalents | ( 209,471 ) | ( 16,191 ) |
| Cash and cash equivalents at the beginning of periods | 392,364 | 408,555 |
| Cash and cash equivalents at the end of periods | $ 182,893 | $ 392,364 |

(IV) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "New Taiwan Dollars (NTD)", which is the Group's functional and presentation currency.

1. Foreign currency transaction and account balances

(1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions where items are

remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(2) Monetary assets and liabilities denominated in foreign currencies at the periodend are re-ranslated at the exchange rates prevailing at the balance sheet date. Exchange difference arising upon re-translation at the balance sheet date are recognized in profit or loss.

(3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(4) All foreign exchange gains and losses are presented in the statement of comprehensive income within “other gains and losses”.

2. Translation of foreign operations:

The operating results and financial position of all the group entities, associates and joint arrangement that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

C. All resulting exchange differences are recognized in other comprehensive income.

(V) <u>Classification of current and non-current items</u>

1. Assets that meet one of the following conditions are classified as current assets:

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(2) Assets held mainly for trading purposes.

(3) Assets that are expected to be realized within twelve months from the balance sheet date;

(4) Cash or a cash equivalent, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

(1) Liabilities that are expected to be settled within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

(3) Liabilities that are to be settled within twelve months from the balance sheet date;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current liabilities.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investment readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitmets in operations are classified as cash equivalents.

(VII) Financial assets at fair value through profit or loss

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
4. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(VIII) Financial asset at fair value through other comprehensive income

1. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
   (1) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
   (2) The assets'contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using transaction date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

   The changes in fair value of equity instruments are recognized as other comprehensive income, while all other gains and losses are recognized in other comprehensive income. Those amounts are derecognized without being reclassified to profit or loss and would be transferred to retained earnings. Dividends revenue should be recognized when the right to receive payment is established, provided that it is probable that the economic benefits will flow to the enterprise and the amount of revenue can be measured reliably.

(IX) Accounts and notes receivable

1. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts and notes receivables without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(X) Impairment of financial assets

For accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(XI) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

1. The contractual rights to receive the cash flows from the financial assets expire.
2. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
3. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(XII) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XIII) Investments accounted for under equity method

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
2. The Group’s share of its associates’ post-acquisition profits or losses or other comprehensive income is recognized as current profit or loss or other comprehensive income as appropriate. When the Group’s share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
3. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group’s ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in “capital surplus” in proportion to its ownership.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. When the affiliate issues additional shares, if the Group does not subscribe or acquire based on the proportion, which lead to a change in investment proportion but still with significant influence, the increase or decrease in net equity value are adjusted against the “capital reserve” and “investments accounted for using the equity method”. If the Group’s investment is reduced, apart from the above adjustments, the Group reclassifies to profit or loss the proportion of the gain or loss previously recognized in other comprehensive income relative to that reduction in ownership interest.
6. Upon loss of significant influence over an associate, the Group remeasures any

investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

7. When the Group loses significant influence at the disposal of an affiliate, the Group shall account for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Group would be reclassified to profit or loss on the disposal of the related assets or liabilities, the gain or loss from equity is reclassified to profit or loss when the Group loses significant influence. If the Group still has significant influence on the affiliate, the proportionate amount of the gains or losses previously recognized in other comprehensive income is reclassified.
8. When the Group loses significant influence at the disposal of an affiliate, the related capital reserve shall be recognized as profit or loss; if the Group still has significant influence on the affiliate, capital reserve are transferred to profit or loss based on disposal ratio.
9. For the reciprocal investments between the Company and another company, investment income or loss was recognized under equity method based on the amount prior to recognition of profit or loss.

(XIV) Property, plant and equipment

1. Property, plant and equipment are stated at cost, and the amount of interest incurred during the construction period are capitalized.
2. Subsequent costs are included in the carrying amount of an asset or recognized as an asset only if it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced shall be derecognized. All other repair and maintenance costs are recognized in profit or loss as incurred.
3. Except for land which is not depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it should be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of the financial reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated economic lives of various assets are as follows:

| | |
|---|---|
| Buildings | 40~50 years |
| Machinery and equipment | 3~10 years |
| Other equipment | 3~10 years |

(XV) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

1. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease

payments are fixed payment, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

3. At the commencement date, the right-of-use asset is stated at cost comprising the following:

   (1) The amount of the initial measurement of lease liability;

   (2) Any initial direct costs incurred by the lessee.

   The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

4. With regard to the modification on reducing lease scope, lessee would decrease the carrying amount of right of use asset to reflect the termination of partial or overall lease contract, the difference in carrying amount and the amount of lease liability remeasurement is recognized in profit or loss.

(XVI) Investment property

Investment properties are measured initially at cost, and are subsequently measured using the cost model. Except for land, investment property is depreciated on a straight-line basis over its useful life of 50 years.

(XVII) Intangible assets

Computer software is recognized at acquisition cost and amortized using the straight-line method over its useful life of 1-5 years.

(XVIII) Impairment of non-financial assets

The Group assesses at the end of the financial reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or decrease, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. However, the reversal should not exceed the carrying amount, net of depreciation or amortization had the impairment not been recognized.

(XIX) Borrowings

Borrowings is recognized initially at fair value, net of transaction costs incurred. after deducting transaction costs at initial recognition. Subsequently, any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(XX) Accounts and notes payable

1. Liabilities incurred for purchase of materials or supplies, goods, or services on credit, as well as other notes payables arising from non-operating activities.
2. Short-term accounts and notes payables with no stated interest rate may be measured at the original invoice amount as the effect of discounting is immaterial.

(XXI) Financial liabilities at fair value through profit or loss

1. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
2. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(XXII) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

(XXIII) Non-hedging derivatives

Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

(XXIV) Provisions

Provisions (warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(XXV) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.
2. Pension funds - Defined contribution plans

   In defined contribution plans, the allocated pension fund is recognized as current pension cost on an accrual basis. Prepayments are recognized as an asset to the extent that it will lead to a cash refund or a reduction in future payments.
3. Employee compensation and remuneration for directors and supervisors

   Employee compensation and remuneration for directors and supervisors are recognized as expenses and liabilities when the Group has a present legal or constructive obligation to make such payments and a reliable estimate of the obligation can be made. The deviation between estimated and actual distribution amount of employee bonus and compensation to directors and supervisors shall be treated as a change in accounting estimates. In addition, for employee bonuses paid by shares, the closing price on the day before the board resolution shall form the basis for the calculation.

(XXVI) Share-based payment for employees

The equity-settled share-based payment arrangement equals the grant-date fair value of equity instruments based on the employee's services, and is recognized as compensation costs over the vested period with relative adjustments in equity. Fair value reflects the effect of changes in vesting and non-vesting conditions of market price when they take place. Recognition of compensation costs are adjusted with the number of awards which will meet service conditions and non-market vesting conditions. The final measure of compensation cost is recognized as the vesting quantity on the vesting date.

(XXVII) <u>Income tax</u>

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of the financial reporting period, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVIII) <u>Dividend</u>

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(XXIX) Revenue recognition

1. Sales of products

(1) The Group manufactures and sells products related to industrial computers and medical computers, and sales revenue is recognized when control is transferred to the customer, that is, upon delivery of the product. The wholesaler has full discretion over the channel and price to sell the products, and there is no unsatisfied performance obligations that could affect the wholesaler’s acceptance of products. Delivery does not occur until the products have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(2) Revenues from sales of products related to industrial computers and medical computers are recorded based on the contract price net of the estimated volume discounts and returns at the time of sale. The quantity discounts and sales discounts given to customers are usually calculated on the basis of 6 months of cumulative sales. The Group estimates sales discounts based on historical experience under the expected value method, with revenue amount included to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur, while estimates are updated at the end of the reporting period. The estimated sales discount provided to customers as of the end of the reporting period is recognized as refund liability. The terms for sales transactions are payment 30-60 days EOM. As the interval between transfer of the promised goods or services and payment by the customer is less than 12 months, the Group has not adjusted transaction price to reflect the time value of money.

(3) The Group provides product warranty for the goods sold, and has the obligation to provide refund for the defective goods sold, while the provisions for sales return should be recognized.

(4) Accounts receivable is recorded when the Group has the unconditional right to the consideration at that time since payment is due based only upon the passage of time.

2. Warrant income

The Group’s services for advance warranty income for extended warranties are reclassified as revenue based on length of the remaining warranty period.

(XXX) Government grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received, recognized in fair value. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expense for the related costs for which the grants are intended to compensate.

(XXXI) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, identified as the Board, is responsible for allocating resources and assessing the performance of the Group's operating segments.

## V. Significant Accounting Judgments, Estimations and Major Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group’s accounting policies and make critical assumptions at the end of the financial reporting period and estimates concerning future events. The resulting accounting estimates and assumptions might be different from the actual results, and will be continually evaluated and adjusted based on historical experience and other factors; These estimates and assumptions have the risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

Significant Accounting Estimations

1. Evaluation of inventories

   Since inventory should be valued at the lower of cost and net realizable value, the Group must judge and estimate net realizable value of inventories at the reporting period. Due to the rapidly changing technology, the Group assesses the amount of inventories at the end of the reporting period due to normal wear and tear, obsolescence or no market value and write down inventories to net realizable value. Inventory evaluation is mainly based on the estimate of product demand during a specific future period, which may lead to significant changes.

   As of December 31, 2021, the carrying amount of the Group's inventory was $1,518,035.

2. Impairment loss on investments accounted for under equity method

   For investments under equity method that show signs of being impaired, the carrying amount may not be recovered, and the investment is immediately assessed for impairment. The Group assesses the recoverable amount based on present value of the investee's expected future cash flows, and analyzes the reasonableness of relevant assumptions.

   As of December 31, 2021, the carrying amount of the Gropu's investment on IBASE TECHNOLOGY INC. under equity method was $3,257,009.

## VI. Details of significant accounts

### (I) Cash and cash equivalents

| | 2021/12/31 | | 2020/12/31 | |
|---|---|---|---|---|
| Cash on hand and petty cash | $ | 1,082 | $ | 1,554 |
| Checking accounts and demand deposits | | 1,806,751 | | 2,676,577 |
| Time deposit | | 33,687 | | 49,800 |
| Total | $ | 1,841,520 | $ | 2,727,931 |

1. Due to good credit quality of the Group's principal financial institutions and the Group's relationships with multiple financial institutions, the exposure to a diversified set of risks would lower the probability of a default.
2. Please refer to Note 8 for the Group's collateral provision in the form of cash and cash equivalent guarantees.

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

| Item | 2021/12/31 | 2020/12/31 |
|---|---|---|
| Current: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Listed and OTC stocks | $ 159,125 | $ 173,171 |
| Emerging stocks | 3,000 | 3,000 |
| Unlisted and non-OTC stocks | 73,744 | 77,744 |
| Beneficiary certificates | 25,000 | 31,141 |
| | 260,869 | 285,056 |
| Valuation adjustment | 164,437 | 171,901 |
| Subtotal | $ 425,306 | $ 456,957 |

| Item | 2021/12/31 | 2020/12/31 |
|---|---|---|
| Non-current: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Unlisted and non-OTC stocks | $ 59,070 | $ 59,070 |
| Hybrid instrument | 10,832 | 10,832 |
| | 69,902 | 69,902 |
| Valuation adjustment | ( 4,685 ) | ( 1,263 ) |
| Subtotal | $ 65,217 | $ 68,639 |

1. The hybrid instrument is a contract that contains both a host contract and embedded options of the unlisted company V-net AAEON Corporation Ltd. (hereinafter referred to as V-net). The options provide original shareholders the right to resell/repurchase stocks of the Company and V-net at the original transaction price. Please refer to Note 12 (3) 8 for the fair value as of December 31, 2021 and 2020.
2. Amounts recognized in profit of loss in relation to financial assets at fair value through profit or loss are listed below:

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instrument | ($ 23,041 ) | ( $ 54,508 ) |
| Beneficiary certificates | 1 | 334 |
| Derivatives | - | ( 20 ) |
| Hybrid instrument | ( 1,566 ) | 90 |
| Total | ($ 24,606 ) | ( $ 54,104 ) |

3. The Group has no financial assets measured at fair value through profit or loss pledged as collaterals.

## (III) Financial asset at fair value through other comprehensive income

| Item | 2021/12/31 | 2020/12/31 |
|---|---|---|
| Non-current: | | |
| Equity instrument | | |
| Unlisted and non-OTC stocks | $ 69,334 | $ 39,334 |
| Valuation adjustment | ( 36,953 ) | ( 36,953 ) |
| Total | $ 32,381 | $ 2,381 |

1. The Group has elected to clasify investment on MELTEN CONNECTED HEALTHCARE INC.and PROTECTLIFE INTERNATIONAL BIOMEDICAL INC , which are considered to be strategic investments as financial assets measured at fair value through other comprehensive income. The fair value of the investments amounted to $32,381, $2,381 on December 31, 2021, and 2020 separtely.
2. Financial assets at fair value through other comprehensive income has no income and comprehensive income recognized for the year ended December 31,2021 and 2020.
3. The Group has no financial assets measured at fair value through other comprehensive income pledged to others.

## (IV) Notes and accounts receivable

| | 2021/12/31 | 2020/12/31 |
|---|---|---|
| Notes receivable | $ 23,655 | $ 16,870 |
| | | |
| Accounts receivable | $ 1,192,502 | $ 677,886 |
| Less: Loss allowance | ( 18,403 ) | ( 16,430 ) |
| | $ 1,174,099 | $ 661,456 |

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

| | 2021/12/31 | | 2020/12/31 | |
|---|---|---|---|---|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due | $ 1,030,420 | $ 23,655 | $ 555,375 | $ 16,870 |
| Within 30 days | 131,116 | - | 95,411 | - |
| 31-60 days | 7,938 | - | 10,086 | - |
| 61-90 days | 4,725 | - | 689 | - |
| 91-180 days | 1,687 | - | 1,132 | - |
| Over 181 days | 16,616 | - | 15,193 | - |
| | $ 1,192,502 | $ 23,655 | $ 677,886 | $ 16,870 |

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

2. The Group does not hold any financial assets as security for accounts and notes receivables.
3. Balances of accounts and notes receivable as of December 31, 2021 and 2020 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2020 were $789,648 and $24,144, respectively.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2021, and 2020 were $23,655, $16,870, respectively, and the maximum exposure to the credit risk of accounts receivable

as of December 31, 2021 and 2020 were $1,174,099 and $661,456, respectively.

5. Please refer to Note 12 (2) for credit risk information of notes and accounts receivable.

(V) Inventories

| | 2021/12/31 | | |
|---|---|---|---|
| | Cost | Valuation allowance | Carrying amount |
| Raw material | $ 853,735 | ($ 57,921) | $ 795,814 |
| Work in progress | 470,638 | ( 18,213) | 452,425 |
| Finished good | 263,637 | ( 30,021) | 233,616 |
| Merchandise Inventories | 36,793 | ( 1,917) | 34,876 |
| Inventories in transit | 1,304 | - | 1,304 |
| Total | $ 1,626,107 | ($ 108,072) | $ 1,518,035 |

| | 2020/12/31 | | |
|---|---|---|---|
| | Cost | Valuation allowance | Carrying amount |
| Raw material | $ 413,125 | ($ 54,872) | $ 358,253 |
| Work in progress | 301,854 | ( 28,088) | 273,766 |
| Finished good | 206,927 | ( 25,081) | 181,846 |
| Merchandise Inventories | 14,348 | ( 1,902) | 12,446 |
| Total | $ 936,254 | ($ 109,943) | $ 826,311 |

The Group's cost of inventories recognized as expenses of the current period:

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Cost of inventory sold | $ 4,448,504 | $ 3,971,694 |
| Inventories obsolescence and devaluation loss | 62,569 | 13,473 |
| Losses on disposal of inventories | 4,044 | 8,029 |
| Compensation income from inventories | ( 22,537) | ( 24,574) |
| Others | 73 | ( 890) |
| | $ 4,492,653 | $ 3,967,732 |

(VI) Investments accounted for under equity method

| | 2021 | 2020 |
|---|---|---|
| At January 1 | $ 3,969,157 | $ 3,987,493 |
| Increase in investments accounted for under equity method | 14,584 | 27,951 |
| Share of investment income accounted for under equity method | 74,406 | ( 15,569) |
| Distribution of investment income accounted for under equity method | ( 145,647) | ( 153,958) |
| Changes in capital surplus and retained earnings | 7,783 | 106,104 |
| Changes in other equity | 1,897 | 17,136 |
| At December 31 | $ 3,922,180 | $ 3,969,157 |

| Investee | 2021/12/31 Ownership (%) | 2021/12/31 Book value | 2020/12/31 Ownership (%) | 2020/12/31 Book value |
|---|---|---|---|---|
| LITEMAX ELECTRONICS INC. | 11.99 | $ 103,896 | 12.00 | $ 101,813 |
| IBASE TECHNOLOGY INC. | 31.91 | 3,257,009 | 30.79 | 3,330,242 |
| WINMATE INC. | 13.85 | 561,275 | 13.60 | 537,102 |
| | | $ 3,922,180 | | $ 3,969,157 |

1. On June 11, 2018, the Company signed a share exchange agreement with IBASE TECHNOLOGY INC. and increased its capital by issuing 41,698 thousand new shares for the exchange of 52,922 thousand common shares from IBASE TECHNOLOGY INC. The record date of the share exchange was September 29, 2018. The share exchange entitles the Group holds 30% equity interest and significant influence in IBASE; for this reason, IBASE has been accounted using the equity method since then. According to the share exchange agreement, the two parties agree to notify the other party of the transaction terms and conditions in writing, providing the preferential right of subscription for the following changes in shareholdings:
   (1) Either party wishes to reduce shares of the other party which are acquired based on the share exchange agreement.
   (2) Either party wishes to increase its shareholding in the other party within three years after the contract is signed.
2. Summarized aggregated financial information of the Group's share in these associates is as follows:

   Balance sheet

| | IBASE TECHNOLOGY INC. 2021/12/31 | IBASE TECHNOLOGY INC. 2020/12/31 |
|---|---|---|
| Current asset | $ 5,503,123 | $ 4,432,800 |
| Non-current assets | 5,047,175 | 5,552,039 |
| Current liability | ( 3,034,399 ) | ( 1,129,958 ) |
| Non-current liabilities | ( 1,699,749 ) | ( 2,972,518 ) |
| Net assets fair value of trade marks, other intangible and tangible assets adjustment | 2,306,129 | 2,589,452 |
| Adjusted net assets | $ 8,122,279 | $ 8,471,815 |
| | | |
| Share of net assets of the affiliate | $ 2,278,591 | $ 2,351,824 |
| Goodwill | 978,418 | 978,418 |
| Book value of affiliates | $ 3,257,009 | $ 3,330,242 |

Statement of comprehensive income

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Income | $ 5,706,855 | $ 4,239,154 |
| Net income of continuing operations | 220,759 | 60,386 |
| Other comprehensive income (net amount after tax) | 9,144 | 63,344 |
| Total comprehensive income | 229,903 | 123,730 |
| Fair value adjustment | ( 152,535 ) | ( 152,535 ) |
| Adjusted total comprehensive income | $ 77,368 | ( $ 28,805 ) |
| Dividends received from associates | $ 96,952 | $ 106,275 |

3. The Group's share of their operating results of associates that are individually not significant to the Group:

| | For the years enden December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Net income of continuing operations | $ 62,797 | $ 42,383 |
| Other comprehensive income (net amount after tax) | ( 894 ) | ( 1,205 ) |
| Total comprehensive income | $ 61,903 | $ 41,178 |

4. The fair value of the Group’s associates which have quoted market price ia as follows:

| | 2021/12/31 | 2020/12/31 |
|---|---|---|
| LITEMAX ELECTRONICS INC. | $ 185,808 | $ 191,073 |
| IBASE TECHNOLOGY INC. | 2,156,566 | 2,048,076 |
| WINMATE INC. | 787,214 | 739,360 |
| | $ 3,129,588 | $ 2,978,509 |

5. Although the Group holds less than 20% of the voting power of Litemax Electronics Inc., it has significant influence to Litemax and has adopted the equity method for evaluation as its shareholding percentage is the highest, and has also been serving as a director of Litemax.

6. Although the Group holds less than 20% of the voting power of Winmate Inc., it has adopted the equity method for evaluation as its subsidiary Onyx has served as a director of Winmate Inc.

7. The Group holds 31.91% of the votting power of IBASE TECHNOLOGY INC., as the single largest shareholder. Considering the participation of other shareholders in the previous shareholders' meeting and the voting rights of major proposals, the Group has no actual ability to direct relevant activities. Therefore, the Group has no control over the company and only has a significant influence.

   The Group holds 11.99% of the votting power of LITEMAX ELECTRONICS INC., as the single largest shareholder. Considering that the remaining 88.01% of LITEMAX’s equity is concentrated in investors from other parties, the number of votes for the minority voting rights holders to act together has surpassed that of the Group, Therefore, the Group has no control over the company and only has significant influence on LITEMAX.

## (VII) Property, Plant and Equipment

| 2021 | Land | Buildings | Machinery and equipment | Other equipment | Construction in progress and equipment under installation | Total |
|---|---|---|---|---|---|---|
| January 1 | | | | | | |
| Cost | $ 284,334 | $ 320,442 | $ 79,157 | $ 174,157 | $ 5,083 | $ 863,173 |
| Accumulated depreciation and impairment | - | ( 117,284 ) | ( 48,051 ) | ( 133,307 ) | - | ( 298,642 ) |
| | $ 284,334 | $ 203,158 | $ 31,106 | $ 40,850 | $ 5,083 | $ 564,531 |
| January 1 | $ 284,334 | $ 203,158 | $ 31,106 | $ 40,850 | $ 5,083 | $ 564,531 |
| Additions (Note 1) | 229,660 | 48,955 | 1,438 | 33,131 | 4,209 | 317,393 |
| Disposal | - | - | ( 13 ) | ( 1,874 ) | - | ( 1,887 ) |
| Reclassification (Note 2) | - | ( 32,590 ) | 794 | 6,613 | ( 7,985 ) | ( 33,168 ) |
| Depreciation expense | - | ( 7,831 ) | ( 9,619 ) | ( 23,681 ) | - | ( 41,131 ) |
| Net exchange differences | ( 2,012 ) | ( 2,631 ) | ( 10 ) | ( 764 ) | - | ( 5,417 ) |
| December 31 | $ 511,982 | $ 209,061 | $ 23,696 | $ 54,275 | $ 1,307 | $ 800,321 |
| December 31 | | | | | | |
| Cost | $ 511,982 | $ 310,595 | $ 69,224 | $ 200,338 | $ 1,307 | $ 1,093,446 |
| Accumulated depreciation and impairment | - | ( 101,534 ) | ( 45,528 ) | ( 146,063 ) | - | ( 293,125 ) |
| | $ 511,982 | $ 209,061 | $ 23,696 | $ 54,275 | $ 1,307 | $ 800,321 |

| 2020 | Land | Buildings | Machinery and equipment | Other equipment | Construction in progress and equipment under installation | Total |
|---|---|---|---|---|---|---|
| January 1 | | | | | | |
| Cost | $ 288,107 | $ 329,469 | $ 117,843 | $ 185,198 | $ 7,501 | $ 928,118 |
| Accumulated depreciation and impairment | - | ( 113,508 ) | ( 80,189 ) | ( 138,539 ) | - | ( 332,236 ) |
| | $ 288,107 | $ 215,961 | $ 37,654 | $ 46,659 | $ 7,501 | $ 595,882 |
| January 1 | $ 288,107 | $ 215,961 | $ 37,654 | $ 46,659 | $ 7,501 | $ 595,882 |
| Additions | - | - | 1,618 | 9,853 | 7,794 | 19,265 |
| Disposal | - | - | - | ( 381 ) | - | ( 381 ) |
| Reclassification | - | - | 2,859 | 8,368 | ( 10,212 ) | 1,015 |
| Depreciation expense | - | ( 8,741 ) | ( 11,046 ) | ( 24,068 ) | - | ( 43,855 ) |
| Net exchange differences | ( 3,773 ) | ( 4,062 ) | 21 | 419 | - | ( 7,395 ) |
| December 31 | $ 284,334 | $ 203,158 | $ 31,106 | $ 40,850 | $ 5,083 | $ 564,531 |
| December 31 | | | | | | |
| Cost | $ 284,334 | $ 320,442 | $ 79,157 | $ 174,157 | $ 5,083 | $ 863,173 |
| Accumulated depreciation and impairment | - | ( 117,284 ) | ( 48,051 ) | ( 133,307 ) | - | ( 298,642 ) |
| | $ 284,334 | $ 203,158 | $ 31,106 | $ 40,850 | $ 5,083 | $ 564,531 |

Note 1: The Group has signed a real estate of Xindian purchase contract on March 26, 2021, amounted to $280,077 (tax included), and completed the transfer commission in May, 2021.

Note 2: Mainly reclassified from property, plant and equipment to investment propert

1. The above property, plant and equipment are assets for self-use requirement.
2. Please refer to Note 8 for the property, plant and equipment as collaterals for loans.

(VIII) Lease transactions - lessee

1. The Group leases various assets including buildings, transportation equipment and other equipment. The rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, the lease agreements do not impose covenants.
2. The lease term of part of the Group's houses and transportation equipment is no more than 12 months, with leases of office equipment which are low-value assets.
3. The carrying amount of right-of-use assets and the amount of depreciation expense recognized are as follows:

| | 2021/12/31 | 2020/12/31 |
|---|---|---|
| | Carrying amount | Carrying amount |
| Buildings | $ 73,014 | $ 20,285 |
| Transportation equipment | 6,952 | 10,878 |
| Other equipment | 2,101 | 1,976 |
| | $ 82,067 | $ 33,139 |

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Depreciation expense | Depreciation expense |
| Buildings | $ 30,488 | $ 37,664 |
| Transportation equipment | 7,247 | 7,521 |
| Other equipment | 442 | 361 |
| | $ 38,177 | $ 45,546 |

4. For the years ended December 31, 2021 and 2020 to the acquisitions of right-of-use assets were $97,041 and $20,610, respectively.
5. The information on income and expense accounts relating to lease contracts is as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Depreciation expense | Depreciation expense |
| Building | $ 2,461 | $ 1,578 |
| Transportation equipment | 19,845 | 14,238 |
| Other equipment | 59 | 22 |
| Gain on lease modification | 55 | - |

6. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases was $61,310 and $61,604, respectively.

## (IX) Short-term borrowings

| Nature of the borrowing | 2021/12/31 | Interest rate range | Collateral |
|---|---|---|---|
| Borrowings from banks | | | |
| Guaranteed borrowings | $ 105,000 | 1.08%～1.10% | None |

| Nature of the borrowing | 2020/12/31 | Interest rate range | Collateral |
|---|---|---|---|
| Borrowings from banks | | | |
| Guaranteed borrowings | $ 38,875 | 3.80%~5.00% | Property, plant and equipment |

1. For the years ended December 31, 2021 and 2020, interest expenses recognized throught profit or loss were $1,354 and $1,947
2. Please refer to Note 8 for the guarantee status of short-term borrowings.

## (X) Financial liabilities at fair value through profit or loss

1. Details of financial liabilities at fair value through profit or loss recognized as income:

| | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| Financial asset or liability held for trading | | |
| Derivatives | ($ 56 ) | ($ 1,212 ) |

2. The Group's currency and interest rate swaps a foreign exchange transaction that involves trading one currency for the same in another currency without hedging accounting, in the aim to avoid exchange rate risks of export and import prices.

## (XI) Long-term borrowings

| Type of borrowing | Period and Repayment method | Interest rate range | Collateral | 2021/12/31 |
|---|---|---|---|---|
| Borrowings from banks | | | | |
| Guaranteed borrowings | 2021.5.28-2036.5.28 Monthly amortization of principal and interest | 1.00% | Land, Buildings | $ 165,787 |
| Less: Current portions of long-term loans | | | | ( 10,744 ) |
| | | | | $ 155,043 |

1. There's no long-term borrowings for the year ended December 31, 2020.
2. The interst recognized in profit or loss for the year ended December 31,2021 is $1,056.
3. Please refer to Note 8 for the details of collateral.

## (XII) Other payables

| | 2021/12/31 | 2020/12/31 |
|---|---|---|
| Accured payroll, employee's compensation and bonuses | $ 272,654 | $ 224,993 |
| Accured technical service fee (Note7 (3) 4.) | 46,917 | 40,135 |
| Accured assembly costs | 308 | 370 |
| Accured commission fee | 25,442 | 38,034 |
| Others | 87,796 | 81,703 |
| | $ 433,117 | $ 385,235 |

(XIII) Pension

1. Since July 1, 2005, the Company and its domestic subsidiaries have established certain retirement payout methods applicable for domestic employees in accordance with the "Labor Pension Act." The Company and its domestic subsidiaries choose to apply the labor pension system stipulated in the "Labor Pension Act" and allocate pensions on a monthly basis to the individual labor pension account managed by the Bureau of Labor Insurance at 6% of monthly wage. Based on the principal and accrued dividends from an employee's individual labor pension account, labor pension shall be paid by monthly pension payments or by lump-sum payment upon retirement.
2. In accordance with the pension insurance system formulated by the People's Republic of China, ACI and OCI has allocated provisions for pension insurance based on a specified ratio of the overall wage of local employees. Each employee’s retirement pension is managed by the government, and ACI and OCI have no further obligations except to be responsible for monthly allocation.
3. AEI and OHU currently have a personal pension scheme under the Company’s support. The Company and the employees are jointly liable for the employee’s pension fund, of which the company allocates 3% of total wage, and the pension is capped by the amount paid by employees.
4. ASG, ANI, AGI and ONI shall allocate pensions in accordance with local laws and regulations.
5. Pension costs recognized by AAEON in accordance with the above retirement policy for were $38,707, and $31,232 for the years ended December 31, 2021 and 2020, respectively.

(XIV) Share-based Payment

1. The Company

(1) The Company had the following share-based payment agreement active for the nine-months periods ended December 31, 2021 and 2020:

| Arrangement type | Grant date | Quantity granted (thousand) | Contract period | Vesting conditions |
|---|---|---|---|---|
| Plan of employee stock options | 2020.11.26 | 3,000 | 5 years | Service of 2~4 years |

All of the above arrangements are for equity-settled share-based payments.

(2) Details of the aforementioned share-based payment arrangement:

| | For the year ended December 31, 2021 | |
|---|---|---|
| | No. of units (shares in thousands) | Weighted average exercise price (in dollars) |
| Options outstanding at beginning of period | 2,912 | $ 68.8 |
| Options exercised | ( 120 ) | 65.7 |
| Options forfeited | ( 236 ) | 68.4 |
| Options outstanding at the end of period | 2,556 | 65.7 |
| Options exercisable at the end of period | 1,218 | |

| | For the year ended December 31, 2020 | |
|---|---|---|
| | No. of units (shares in thousands) | Weighted average exercise price (in dollars) |
| Options outstanding at beginning of period | 3,000 | $ 72.3 |
| Options forfeited | ( 88 ) | 68.8 |
| Options outstanding at the end of period | 2,912 | 68.8 |
| Options exercisable at the end of period | - | |

(3) The maturity date and exercise price of outstanding share options at the end of the reporting period are as follows:

| | | | 2021/12/31 | |
|---|---|---|---|---|
| Arrangement type | Authorized issue date | Maturity date | Number of shares (in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2020.11.26 | 2024.11.25 | 2,556 | $ 65.7 |

| | | | 2020/12/31 | |
|---|---|---|---|---|
| Arrangement type | Authorized issue date | Maturity date | Number of shares (in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2020.11.26 | 2024.11.25 | 2,912 | $ 68.8 |

(4) The fair value of employee stock options is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| Arrangement type | Grant date | Quantity granted (thousand) | Stock price | Exercise price | Expected price Volatility | Expected option life | Risk-free interest rate | Fair value per unit (in dollars) |
|---|---|---|---|---|---|---|---|---|
| Plan of employee stock options | 2020.11.26 | 3,000 | $ 72.3 | $ 72.3 | 26.88% | 3.875 years | 0.58% | $ 15.7445 |

(5) Expenses of share-based payment transaction:

| | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| Equity settlement | $ 12,158 | $ 14,496 |

2. Subsidiary- ONYX HEALTHCARE INC. (ONYX)

(1) ONYX had the following share-based payment agreement active for the years ended December 31, 2021 and 2020:

| Arrangement type | Grant date | Quantity granted (thousand) | Contract period | Vesting conditions |
|---|---|---|---|---|
| Plan of employee stock options | 2020.08.06 | 1,000 | 5 years | Service of 2~4 years |

All of the above arrangements are for equity-settled share-based payments.

(2) Details of the aforementioned share-based payment arrangement:

| | For the year ended December 31, 2021 | |
|---|---|---|
| | No. of units (shares in thousands) | Weighted average exercise price (in dollars) |
| Options outstanding at beginning of period | 1,000 | $ 139.5 |
| Options outstanding at the end of period | 1,000 | 121.5 |
| Options exercisable at the end of period | - | - |

| | For the year ended December 31, 2020 | |
|---|---|---|
| | No. of units (shares in thousands) | Weighted average exercise price (in dollars) |
| Options outstanding at beginning of period | - | $ - |
| Options granted | 1,000 | 139.5 |
| Options outstanding at the end of period | 1,000 | 139.5 |
| Options exercisable at the end of period | - | - |

(3) The maturity date and exercise price of outstanding share options at the end of the reporting period are as follows:

| | | | 2021/12/31 | |
|---|---|---|---|---|
| Arrangement type | Authorized issue date | Maturity date | No. of units (shares in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2020.08.06 | 2025.08.06 | 1,000 | $ 121.5 |

| | | | 2020/12/31 | |
|---|---|---|---|---|
| Arrangement type | Authorized issue date | Maturity date | No. of units (shares in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2020.08.06 | 2025.08.06 | 1,000 | $ 139.5 |

(4) The fair value of employee stock options is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| Arrangement type | Grant date | Quantity granted (thousand) | Stock price | Exercise price | Expected price Volatility | Expected option life | Risk-free interest rate | Fair value per unit (in dollars) |
|---|---|---|---|---|---|---|---|---|
| Plan of employee stock options | 2020.08.06 | 1,000 | $ 139.5 | $ 139.5 | 32.26% | 3.88 years | 0.29% | $ 35.39 |

(5) Expenses of share-based payment transaction:

| | For the year ended December 31, 2021 | 2020 |
|---|---|---|
| Equity settlement | $ 11,617 | $ 4,710 |

## (XV) Share capital

1. As of December 31, 2021, the Company 's authorized capital was $2,000,000 (including 5,000 thousand shares reserved for issuing employee stock options), with paid-in capital of $1,486,185, divided into 148,618 thousand shares, each at par value of $10 per share. Proceeds have been fully collected for the issued shares. The Company had 148,618 and 148,498 thousand common shares outstanding for the years ended December 31, 2021 and 2020 separately.

   Movements in the number of the Company's ordinary shares outstanding are as follows (unit: shares in thousands):

| | 2021 | 2020 |
|---|---|---|
| 1/1 | 148,498 | 148,498 |
| Employee stock options exercised | 120 | - |
| 12/31 | 148,618 | 148,498 |

2. On April 30, 2020, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was amended on November 12, 2020 by resolution of the board of directors. A total of 3,000 ESOs were issued, and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.
3. As of December 31, 2021, AAEON's associates - IBASE owned 41,698 thousand of AAEON's shares.

## (XVI) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share premium | Difference between consideration and carring amount of subsidiaries acquired or disposed | Recognition of changes in ownership interest in subsidiary | Affiliate company net equity changes | Employee Share option | Others | Total |
| January 1 | $ 4,902,942 | $ 213,200 | $ 215,992 | $ 119,513 | $ 19,974 | $ 2,181 | $ 5,473,802 |
| Cash dividends | ( 74,249 ) | - | - | - | - | - | ( 74,249 ) |
| Changes in ownership interest in subsidiary | - | - | 1,835 | - | ( 1,835 ) | - | - |
| Employee stock options exercised | 8,396 | - | - | - | ( 1,712 ) | - | 6,684 |
| Effect from long-term investment that has not been recognized based on shareholding percentage | - | - | - | ( 1,535 ) | - | - | ( 1,535 ) |
| Change in associates and joint ventures accounted for under equity method | - | - | - | 9,318 | - | - | 9,318 |
| Share-based Payment | - | - | 5,809 | - | 14,097 | - | 19,906 |
| December 31 | $ 4,837,089 | $ 213,200 | $ 223,636 | $ 127,296 | $ 30,524 | $ 2,181 | $ 5,433,926 |

| | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share premium | Difference between consideration and carring amount of subsidiaries acquired or disposed | Recognition of changes in ownership interest in subsidiary | Affiliate company net equity changes | Employee Share option | Others | Total |
| January 1 | $ 4,902,942 | $ 213,200 | $ 213,637 | $ 13,409 | $ 3,381 | $ 2,181 | $ 5,348,750 |
| Effect from long-term investment that has not been recognized based on shareholding percentage | - | - | - | ( 114 ) | - | - | ( 114 ) |
| Change in associates and joint ventures accounted for under equity method | - | | - | 106,218 | - | - | 106,218 |
| Share-based Payment | - | - | 2,355 | - | 16,593 | - | 18,948 |
| December 31 | $ 4,902,942 | $ 213,200 | $ 215,992 | $ 119,513 | $ 19,974 | $ 2,181 | $ 5,473,802 |

## (XVII) Retained earnings

1. Under the Company's Article of Incorporation, the profit in a fiscal year, shall first be utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings at the beginning of the period shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.
2. In the future, the Company may have the surplus profit distributable as dividends in part or in whole considering the financial, business and operational factors. The ratio of share dividend shall exceed 5% of distributable earnings. Surplus distribution can be in the form of cash or stock dividends. For the measurement of future capital requirements and capital structure, cash dividend shall not be less than 10% of the total amount of dividends in the future, and the actual distribution amount shall be adopted by resolution of the shareholders' meeting.
3. Unless losses have been covered or where legal reserve is distributed by the issuance of new shares or by cash in proportion to the shareholders' existing shareholding, the Company shall not make distributions out of legal reserve, of which only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.
4. (1) For surplus distribution, the Company shall appropriate special reserve to the debit balance of other equity on the end of the reporting period. When the debit balance of other equity is reversed, the reversal amount can be included in distributable surplus.

   (2) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

5. The Company's appropriations of 2020 and 2019 earnings had been approved by the e-voting and resolved at the stockholders' meeting on May 28, 2021 and May 27, 2020, respectively. Details are summarized below:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Amount | Dividends per share (in NT dollars) | Amount | Dividends per share (in NT dollars) |
| Provision (reversal) of Special reserve | ( $ 10,037 ) | | $ 18,001 | |
| Legal reserve | 38,071 | | 54,985 | |
| Cash dividends | 371,246 | $ 2.50 | 475,195 | $ 3.20 |
| | $ 399,280 | | $ 548,181 | |

Cash dividends distributed to common shareholders from the capital surplus would be $74,249 ($0.5 per share) which approved by the e-voting result regarding the earnings appropriation and cash appropriation from the capital surplus for 2020 reached the legal resolution threshold on May 28, 2021.

The result of appropriations of 2020 and 2019 which were the same as the proposal submitted by the Board of Directors

6. The 2021 surplus distributions approved by the resolutions of the board of directors of the Company on February 25, 2022 are as follows:

| | 2021 | |
|---|---|---|
| | Amount | Dividends per share (in dollars) |
| Reversal of Special reserve | $ 11,527 | |
| Legal reserve | 44,909 | |
| Cash dividends | 386,408 | $ 2.60 |
| | $ 442,844 | |

Cash dividends distributed to common shareholders from the capital surplus would be $74,309 ($0.5 per share) which approved by the resolutions of the board of directors of the Company on February 25, 2022.

The result of appropriations of 2021 which has not yet been approved by the resolutions of the shareholders' meeting.

(XVIII) Operating income

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Revenue from contracts with customers | $ 6,347,704 | $ 5,898,185 |

1. Disaggregation of revenue from contracts with customers

The Group's revenue come from the provision of goods and services that are transferred over time and at a point in time. The revenues are segmented into the following major product lines:

| For the year ended December 31, 2021 | IPC | Medical PC | Total |
|---|---|---|---|
| Revenue from Contracts with Customers | $ 5,156,832 | $ 1,190,872 | $ 6,347,704 |
| Timing of revenue recognition | | | |
| At a point time | $ 5,153,569 | $ 1,157,932 | $ 6,311,501 |
| Over time | 3,263 | 32,940 | 36,203 |
| Total | $ 5,156,832 | $ 1,190,872 | $ 6,347,704 |

| For the year ended December 31, 2020 | IPC | Medical PC | Total |
|---|---|---|---|
| Revenue from Contracts with Customers | $ 4,566,476 | $ 1,331,709 | $ 5,898,185 |
| Timing of revenue recognition | | | |
| At a point time | $ 4,561,388 | $ 1,314,523 | $ 5,875,911 |
| Over time | 5,088 | 17,186 | 22,274 |
| Total | $ 4,566,476 | $ 1,331,709 | $ 5,898,185 |

2. Contract liability

(1) Recognized contract liabilities relative to revenue from contracts with customers are as follows:

| | 2021/12/31 | 2020/12/31 | 2020/1/1 |
|---|---|---|---|
| Contract Liability - Current: | | | |
| Advances from customers | $ 212,285 | $ 158,221 | $ 86,760 |
| Warranty contract | 13,946 | 16,750 | 22,729 |
| Contract Liability - Non-current: | | | |
| Advances from customers | 26,024 | 31,995 | 34,454 |
| Warranty contract | 21,317 | 27,849 | 34,546 |
| Total | $ 273,572 | $ 234,815 | $ 178,489 |

(2) Recognized income of contract liabilities at January 1

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance of contract liabilities Recognized income | | |
| Advances from customers | $ 79,185 | $ 57,347 |
| Warranty contract | 17,766 | 22,198 |
| Total | $ 96,951 | $ 79,545 |

(XIX) Other income

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Rental income | $ 13,566 | $ 11,523 |
| Dividend income | 19,530 | 17,348 |
| | $ 33,096 | $ 28,871 |

(XX) Other gains and losses

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Net loss on financial assets and liabilities at fair value through profit or loss | ($ 24,662 ) | ($ 55,316 ) |
| Loss on Foreign currency exchange | ( 29,237 ) | ( 45,749 ) |
| Loss on disposal of property, plant and equipment | ( 809 ) | ( 27 ) |
| Depreciation of investment property, buildings. | ( 6,191 ) | ( 5,177 ) |
| Gain on lease modification | 55 | - |
| Government subsidy | 10,944 | 44,399 |
| Other income | 19,937 | 27,126 |
| | ($ 29,963 ) | ($ 34,744 ) |

(XXI) Financial costs

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Interest expenses | $ 2,410 | $ 1,958 |
| Interest expense on lease liabilities | 2,461 | 1,578 |
| | $ 4,871 | $ 3,536 |

(XXII) Extra information regarding the nature of cost and expenses

| | For the years ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| Employee benefits expenses | $ 260,127 | $ 923,707 | $ 1,183,834 | $ 236,737 | $ 914,821 | $ 1,151,558 |
| Depreciation expense | 41,023 | 38,285 | 79,308 | 52,719 | 36,682 | 89,401 |
| Amortization expenses | 2,136 | 12,898 | 15,034 | 2,402 | 10,746 | 13,148 |

(XXIII) Employee benefit expenses

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Salaries and wages | $ 1,047,275 | $ 1,023,945 |
| Labor and health insurance fees | 86,197 | 84,348 |
| Pension costs | 38,707 | 31,232 |
| Other personnel expenses | 11,655 | 12,033 |
| | $ 1,183,834 | $ 1,151,558 |

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 5% and remuneration of directors and supervisors at rates of no higher than 1%, of the remaining profit after deducting accumulated losses.

2. For the years ended December 31, 2021 and 2020, based on the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at $46,872 and $44,767, respectively, while the remuneration of directors were estimated at $4,500 and $4,050, respectively, which are recognized as salaries and wages.

   Employees' compensation and directors' remuneration for 2020 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2020 financial statements., which were $44,767 and $4,050, respectively. Employees' compensation have been paid in cash.

   Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(XXIV) Income tax

1. Income tax expense

(1) Components of income tax expense:

| | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| Current income tax: | | |
| Income tax from current income | $ 112,148 | $ 119,296 |
| Surtax on undistributed Retained Earnings | - | 1,147 |
| Adjustments in respect of prior period | ( 2,941 ) | ( 2,405 ) |
| Total current income tax | 109,207 | 118,038 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 3,073 | 20,529 |
| Income tax expense | $ 112,280 | $ 138,567 |

(2) Income tax relative to other comprehensive income:

| | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| Currency translation differences | ($ 3,968 ) | ($ 2,365 ) |

2. Reconciliation between income tax expense and accounting profit

| | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| Income tax calculated by based on profit before tax and statutory tax rate (Note) | $ 146,934 | $ 142,513 |
| Expenses disallowed by tax regulation | 380 | 5,075 |
| Tax exempt income by tax regulation | ( 29,000 ) | ( 7,150 ) |
| Temporary differences unrecognized as deferred tax assets | ( 3,093 ) | ( 613 ) |
| Prior year income tax overestimation | ( 2,941 ) | ( 2,405 ) |
| Income tax on undistributed earnings | - | 1,147 |
| Income tax expense | $ 112,280 | $ 138,567 |

Note: The basis of the applicable tax rate is depends on the the relevant country regulation.

3. Amounts of deferred tax assets as a result of temporary differences and tax loss are as follows:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Effect of exchange rate changes | December 31 |
| Deferred tax assets: | | | | | |
| Temporary differences: | | | | | |
| Unrealized provisions for warranty | $ 6,947 | $ 138 | $ - | $ - | $ 7,085 |
| Unrealized gross margin | 8,398 | 4,309 | - | - | 12,707 |
| Decline in value of inventories | 20,940 | ( 415 ) | - | - | 20,525 |
| Currency translation differences | 5,079 | - | 3,968 | - | 9,047 |
| Others | 9,262 | ( 1,012 ) | - | ( 57 ) | 8,193 |
| Subtotal | $ 50,626 | $ 3,020 | $ 3,968 | ( $ 57 ) | $ 57,557 |
| Deferred tax liabilities: | | | | | |
| Investment income from foreign investees | ( $ 31,678 ) | ( $ 7,760 ) | $ - | $ - | ( $ 39,438 ) |
| Others | ( 1,711 ) | 1,667 | - | 44 | - |
| Sub-total | ( $ 33,389 ) | ( 6,093 ) | - | 44 | ( $ 39,438 ) |
| Total | $ 17,237 | ( $ 3,073 ) | $ 3,968 | ( $ 13 ) | $ 18,119 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Effect of exchange rate changes | December 31 |
| Deferred tax assets: | | | | | |
| Temporary differences: | | | | | |
| Unrealized provisions for warranty | $ 9,115 | ( $ 2,168 ) | $ - | $ - | $ 6,947 |
| Unrealized gross margin | 10,703 | ( 2,305 ) | - | - | 8,398 |
| Decline in value of inventories | 28,119 | ( 7,179 ) | - | - | 20,940 |
| Currency translation differences | 2,714 | - | 2,365 | - | 5,079 |
| Others | 11,912 | ( 2,520 ) | - | ( 130 ) | 9,262 |
| Subtotal | $ 62,563 | ( $ 14,172 ) | $ 2,365 | ( $ 130 ) | $ 50,626 |
| Deferred tax liabilities: | | | | | |
| Investment income from foreign investees | ( $ 26,999 ) | ( $ 4,679 ) | $ - | $ - | ( $ 31,678 ) |
| Others | ( 61 ) | ( 1,678 ) | - | 28 | ( 1,711 ) |
| Sub-total | ( $ 27,060 ) | ( 6,357 ) | - | 28 | ( $ 33,389 ) |
| Total | $ 35,503 | ( $ 20,529 ) | $ 2,365 | ( $ 102 ) | $ 17,237 |

4. Income tax returns of the Company and domestic subsidiaries have been assessed and approved by the Tax Authority as follows:

| | Certification |
|---|---|
| (1) The Company, AAEONI, ONYX and IHELPER | 2019 |

(XXV) Earnings per share

| | For the year ended December 31, 2021 | | |
|---|---|---|---|
| | Amount after-tax | Weighted average outstanding shares (in thousand) | Losses per share (in dollars) |
| Basic (diluted) losses per share | | | |
| Profit attributable to ordinary shareholders of parent company | $ 451,025 | 106,803 | $ 4.22 |
| Diluted earnings per share | | | |
| Dilutive effect of potential ordinary shares | $ 451,025 | 106,803 | |
| Employees' bonuses | | 794 | |
| Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares | $ 451,025 | 107,597 | $ 4.19 |

| | For the year ended December 31,2020 | | |
|---|---|---|---|
| | Amount after-tax | Weighted average outstanding shares (in thousand) | Losses per share (in dollars) |
| Basic (diluted) losses per share | | | |
| Profit attributable to ordinary shareholders of parent company | $ 382,810 | 106,800 | $ 3.58 |
| Diluted earnings per share | | | |
| Dilutive effect of potential ordinary shares | $ 382,810 | 106,800 | |
| Employees' bonuses | | 725 | |
| Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares | $ 382,810 | 107,525 | $ 3.56 |

1. The Company's employee stock options were not included in the calculation of diluted earnings per share due to its anti-dilutive impact on earnings per share in 2020 and 2020.

2. The Company applies the equity method for the exchange of shares with IBASE, and applies the treasury stock method for investments on IBASE. In calculating earnings per share, the Company recognizes IBASE's shareholding as treasury shares which is a deduction from equity.

(XXVI) Supplemental cash flow information

Investing activities with partial cash payments:

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Acquisition of property, plant and equipment | $ 317,393 | $ 19,265 |
| Add: Opening balance of payable on equipment | 1,296 | 2,108 |
| Less: Ending balance of payable on equipement | ( 2,760 ) | ( 1,296 ) |
| Cash paid during the period | $ 315,929 | $ 20,077 |

(XXVII) Changes in liabilities arising from financing activities

| | 2021 | | | |
|---|---|---|---|---|
| | Short-term borrowings | Long-term borrowings (including current portion) | Lease liability | Total |
| January 1 | $ 38,875 | $ - | $ 34,069 | $ 72,944 |
| Changes in cash flow from financing | 67,217 | 165,787 | ( 38,945 ) | 194,059 |
| Effect on changes in exchange rate | ( 1,092 ) | - | ( 1,136 ) | ( 2,228 ) |
| Changes in others without cash flow | - | - | 88,954 | 88,954 |
| Cash paid during the period | $ 105,000 | $ 165,787 | $ 82,942 | $ 353,729 |

| | 2020 | | |
|---|---|---|---|
| | Short-term borrowings | Lease liability | Total |
| January 1 | $ 44,370 | $ 60,242 | $ 104,612 |
| Changes in cash flow from financing | ( 3,275 ) | ( 45,766 ) | ( 49,041 ) |
| Effect on changes in exchange rate | ( 2,220 ) | ( 1,017 ) | ( 3,237 ) |
| Changes in others without cash flow | - | 20,610 | 20,610 |
| Cash paid during the period | $ 38,875 | $ 34,069 | $ 72,944 |

## VII. Related party transaction

(I) Parent and ultimate controlling party

The Company is controlled by ASUSTEK COMPUTER INC. (incorporated in R.O.C.), the ultimate parent of the Company with 40.69% ownership (including indirect shareholdings) of the Company.

(II) Related parties

| Name of related party | Relation |
|---|---|
| ASUSTEK COMPUTER INC. | Ultimate parent company |
| IBASE TECHNOLOGY INC. | Associate - Investee accounted for under the equity method |
| IBASE GAMING INC. | Associate - Subsidiary of IBASE TECHNOLOGY INC. |

| Name of related party | Relation |
|---|---|
| LITEMAX ELECTRONICS INC. | Associate - Investee accounted for under the equity method |
| WINMATE INC. | Associate - Investee accounted for under the equity method by the Company's subsidiary |
| ATECH OEM INC. | Other related party - the Company's Chairman as a director |
| MACHVISION,INC. | Other related party - the Company's Chairman as a director |
| FU LI INVESTMENT INC. | Other related party - the Company's Chairman as Fuli's Chairman |
| EVERFOCUS ELECTRONICS CORP. | Other related party - the Company's Chairman as EVERFOCUS ELECTRONICS CORP's Chairman |
| AAEON EDUCATION FOUNDATION | Other related party - the Company's Chairman as a director |
| WT MICROELECTRONICS CO. | Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note) |
| TECHMOSA INTERNATIONAL INC. | Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note) |
| MORRIHAN INTERNATIONAL CORP. | Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note) |
| NUVISION TECHNOLOGY, INC. | Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note) |
| MAXTEK TECHNOLOGY CO., LTD. | Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note) |
| HONGTECH ELECTRONICS CO., LTD. | Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note) |
| SPARK TECHNOLOGIES INC. | Other related party - the Company's Chairman is spouse of SPARK TECHNOLOGIES INC.'s Chairman |
| LYDS TECH. | Other related party - the Company's Chairman is spouse of LYDS TECH.'s Chairman |
| MEDALLIANCE INC. | Other related party - the Company's Chairman is first degree relative of MEDALLIANCE INC.'s Chairman |
| Yung-Shun Chuang | Other related party- the Company's Chairman |
| ASUS TECHNOLOGY INC. | Fellow subsidiary — same as ultimate parent entity |
| ASUS COMPUTER INTERNATIONAL | Fellow subsidiary — same as ultimate parent entity |
| ASKEY COMPUTER CORP. | Fellow subsidiary — same as ultimate parent entity |

Note: WT MICROELECTRONICS CO and its subsidiaries have become the Group's related party since April 21, 2020.

(III) Significant transactions with related parties

1. Operating income

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Sales of goods | | |
| Ultimate parent entity | $ 1,390 | $ 454 |
| Associates | 1,504 | 1,267 |
| Fellow subsidiary | 4 | - |
| Other related party | 9,383 | 9,192 |
| Total | $ 12,281 | $ 10,913 |

The Group's sales price to each of the aforementioned related parties is set based on the economic environment and market competition of each sales region. The collection periods of the Group to related parties are month-end 60 days or open account 30 days, the collection terms were approximately the same as those with third parties.

2. Purchases

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Goods purchased | | |
| Ultimate parent entity─ ASUSTEK COMPUTER INC. | $ 1,048,132 | $ 966,213 |
| Associates | 20,775 | 23,641 |
| Fellow subsidiary | 74 | 430 |
| Other related party | 103,544 | 51,232 |
| Total | $ 1,172,525 | $ 1,041,516 |

The payment term of related parties to the Group are in accordance with its general terms and conditions (market prices), month-end 30 days or month-end 30-60 days.

3. Operating expenses

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Ultimate parent entity | $ 74,841 | $ 65,110 |
| Associates | 3,005 | 3,902 |
| Fellow subsidiary | 84 | 1 |
| Other related party | 4,722 | 4,733 |
| | $ 82,652 | $ 73,746 |

The above operating expenses mainly comprised technical service fees, and were presented as operating expenses – research and development expenses.

4. Payables from related parties

| | 2021/12/31 | 2020/12/31 |
|---|---|---|
| Accounts Payable | | |
| Ultimate parent entity ─ ASUSTEK COMPUTER INC. | $ 75,332 | $ 55,938 |
| Associates | 331 | 121 |
| Other related party | 17,823 | 8,217 |
| Total | $ 93,486 | $ 64,276 |

5. Other payables

| | 2021/12/31 | 2020/12/31 |
|---|---|---|
| Other Payables | | |
| Ultimate parent entity | $ 46,917 | $ 40,135 |
| Other related party | 609 | 210 |
| Total | $ 47,526 | $ 40,345 |

Mainly comprises technical service fee payable.

(IV) Key management remuneration

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Salaries and other short-term employee benefits | $ 62,977 | $ 67,111 |
| Post-employment benefits | 1,546 | 1,525 |
| Total | $ 64,523 | $ 68,636 |

VIII. Pledged Assets

The Group's pledged assets are summarized below:

| | Book value | | |
|---|---|---|---|
| Pledged assets | 2021/12/31 | 2020/12/31 | Guarantee purpose |
| Property, Plant and Equipment | $ 470,670 | $ 200,011 | Loans and credit limits |
| Restricted time deposit (including other current assets) | 830 | 854 | Foreign exchange forward transactions, |
| Guarantee deposits (including Other current and non-current assets) | 10,448 | 11,091 | Office, warehouse deposit and project guarantee deposit. |
| | $ 481,948 | $ 211,956 | |

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of December 31, 2021, the Group has issued a promissory note of $ 450,000 required for the application a comprehensive credit line and transactions of derivatives.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

For the 2021 surplus distribution proposed by the board of directors in February 25, 2022, please refer to Note 6 (17) 6.

XII. Others Matters

(I) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(II) Financial instrument

1. Type of financial instrument

| | | 2021/12/31 | | 2020/12/31 |
|---|---|---|---|---|
| **Financial asset** | | | | |
| Financial assets at fair value throuth profit or low | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ | 490,523 | $ | 525,596 |
| Financial assets at fair value through other comprehensive income | | | | |
| Designation of equity instrument | | 32,381 | | 2,381 |
| Financial assets at amoritized cost/ loans and receivables | | | | |
| Cash and cash equivalents | | 1,841,520 | | 2,727,931 |
| Notes receivable | | 23,655 | | 16,870 |
| Accounts receivable | | 1,174,099 | | 661,456 |
| Other receivables | | 57,692 | | 21,773 |
| Restricted time deposit (including other current assets) | | 830 | | 854 |
| Refundable deposits (including other non-current assets) | | 10,448 | | 11,091 |
| | $ | 3,631,148 | $ | 3,967,952 |
| **Financial liability** | | | | |
| Financial liabilities at amortized cost | | | | |
| Short-term borrowings | $ | 105,000 | $ | 38,875 |
| Notes payable | | - | | 725 |
| Accounts payable | | 580,911 | | 327,414 |
| Other payables | | 433,117 | | 385,235 |
| Long-term borrowings (including current portion) | | 165,787 | | - |
| | $ | 1,284,815 | $ | 752,249 |
| Lease liabilities (including current and non-current) | $ | 82,942 | $ | 34,069 |

2. Risk management policy

The Group adopts a comprehensive risk management system for the management to clearly identify, measure and control all risks to achieve effective control and measurement.

The Group’s Control and management strategies are as follows:

(1) Interest rate risk:

The Group continuously keep track on the trend of interest rates and set up stop-loss points to control interest rate risks.

(2) Exchange rate risk:

The Group uses derivative financial instruments such as forward foreign exchange transactions to hedge for foreign currency assets or liabilities or highly probable transactions to reduce the risks in cash flows and fair value from fluctuation in foreign exchange rates. In addition, the changes foreign exchange rate is closely monitored, with a stop loss point to mitigate exchange rate risks.

(3) Credit risk:

The Group has a stringent credit evaluation policy and only trades with counterparties of good credit quality, with regular application of credit protection measures to mitigate credit risk.

3. The nature and level of material financial risks

(1) Market risk

Exchange rate risk

A. The Group's international operations have been subject to exchange rate risks arise from transactions denominated in a currency other than the functional currencies of the Company and its subsidiaries, which includes main currencies such as USD, SGD, EUR and RMB. Related exchange rate risks arise from future business transactions and recognized assets and liabilities.

B. The Group's management formulated policies to manage exchange rate risks relative to the functional currency of the Company and its subsidiaries. The finance department is responsible for hedging the overall exchange rate risk. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD and RMB. Accordingly, the Group uses foreign currency forward contracts to mitigate the impact of exchange rate fluctuations on the costs of purchasing inventories.

C. The Group uses forward exchange and currency and interest rate swaps to hedge exchange rate risks without hedging accounting, which are recognized as financial assets or liabilities at fair value through profit or loss. Please refer to Note 6 (2) and (10) for more details.

D. Since the Group's businesses involves certain non-functional currencies (NTD is the functional currency of the Company and part of its subsidiaries, while the functional currencies of other subsidiaries include USD, SGD and RMB), it may be affected by exchange rate fluctuations. The foreign currency assets and liabilities that may be significantly affected by exchange rate fluctuations are as follows:

| | 2021/12/31 | | |
|---|---|---|---|
| | Foreign currency (in thousands) | Exchange rate | Book value (NTD) |
| **(Foreign currency: functional currency)** | | | |
| Financial asset | | | |
| Monetary items | | | |
| USD:NTD | $ 49,575 | 27.68 | $ 1,372,236 |
| EUR:NTD | 427 | 31.32 | 13,374 |
| USD:CNY | 588 | 6.37 | 16,276 |
| USD:SGD | 309 | 1.35 | 8,553 |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | $ 13,513 | 27.68 | $ 374,040 |
| EUR:NTD | 431 | 31.32 | 13,499 |
| USD:CNY | 2,012 | 6.37 | 55,692 |
| USD:SGD | 687 | 1.35 | 19,016 |

| | 2020/12/31 | | |
|---|---|---|---|
| | Foreign currency (in thousands) | Exchange rate | Book value (NTD) |
| **(Foreign currency: functional currency)** | | | |
| Financial asset | | | |
| Monetary items | | | |
| USD:NTD | $ 34,456 | 28.48 | $ 981,307 |
| EUR:NTD | 853 | 35.02 | 29,872 |
| USD:CNY | 98 | 6.51 | 2,791 |
| USD:SGD | 268 | 1.32 | 7,633 |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | $ 7,750 | 28.48 | $ 220,720 |
| EUR:NTD | 205 | 35.02 | 7,179 |
| USD:CNY | 1,579 | 6.51 | 44,970 |
| USD:SGD | 590 | 1.32 | 16,803 |

E. The overall realized and unrealized foreign exchange losses of the Group's monetary items that may be significantly affected by exchange rate fluctuations in 2021 and 2020 were $29,237 and $45,749 respectively.

F. The Group’s foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

| | For the year ended December 31, 2021 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Extent of change | Effect on income | Effect on other comprehensive income |
| **(Foreign currency: functional currency)** | | | |
| Financial asset | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 13,722 | $ - |
| EUR:NTD | 1% | 134 | - |
| USD:CNY | 1% | 163 | - |
| USD:SGD | 1% | 86 | - |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 3,740 | $ - |
| EUR:NTD | 1% | 135 | - |
| USD:CNY | 1% | 557 | - |
| USD:SGD | 1% | 190 | - |

| | For the year ended December 31, 2020 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Extent of change | Effect on income | Effect on other comprehensive income |
| **(Foreign currency: functional currency)** | | | |
| Financial asset | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 9,813 | $ - |
| EUR:NTD | 1% | 299 | - |
| USD:CNY | 1% | 28 | - |
| USD:SGD | 1% | 76 | - |
| Financial liability | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 2,207 | $ - |
| EUR:NTD | 1% | 72 | - |
| USD:CNY | 1% | 450 | - |
| USD:SGD | 1% | 168 | - |

Price risk

A. The Group's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Group diversifies its porfolio. Diversification of the portifolio is done in accordance with the limits set by the Group.

B. The Group mainly invests in equity instruments and open-end funds issued by domestic companies. The value of equity instruments is susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase or decrease of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase or decrease net income for the years ended December 31, 2021 and 2020 by $4,546 and $4,807, respectively. A change of 1% in the price of the aforementioned financial assets at fair value through other comprehensive income could increase or decrease the Group's other comprehensive income for the years ended December 31, 2021 and 2020, amounted to $324 and $24.

Cash flow and fair value interest rate risk

A. The Group's interest rate risk arises mainly from long-term and short-term borrowings issued at variable rates, which exposes the Group to cash flow interest rate risk is partially offet by by cash and cash equivalents held at variable rates. During the year ended December 31, 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in USD.

B. Assuming all other factors remain unchanged, if the NTD borrowing rate rises or falls by 0.25%, net income for the year ended December 31, 2021 will decrease or increase by $677, mainly due to changes in interest expenses that arise from floating rate borrowings.

C. Assuming all other factors remain unchanged, if the USD borrowing rate rises or falls by 0.25%, net income for the year ended December 31, 2020, will decrease or increase by $97, mainly due to changes in interest expenses that arise from floating rate borrowings.

(2) Credit risk

A. The Group's credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge its obligation under the contract, which is mainly due to the inability of counterparties to meet the terms of their contracts for collecting the cash flows of the receivables.

B. The Group establishes credit risk policies based on its own risk management perspective. In accordance with internal credit policies, credit risks are required to be managed and analyzed before each of the Group's operating entity set up the terms and conditions for payment and delivery for each new customer. The internal risk control system evaluates the customers' credit quality based on their financial conditions, past experience and other factors. Individual risk exposure limits are set by the board of directors based on internal or external risk ratings, and credit lines are monitored on a regular basis.

C. The Group adopts IFRS 9 to provide a presumption that default has occurred when contractual payments are more than 90 days past due.

D. The Group adopts IFRS 9 to provide the following presumption as basis for judging whether the credit risk on a financial instrument has increased significantly since the initial recognition:

It is deemed that credit risk after the original recognition of financial assets has increased significantly when contractual payments are more than 30 days past due.

E. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.

F. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2021, and 2020, the Group had no recourse claims that had been written off.

G. (1) Expected loss rate for customers of the outstanding credit group is estimated at 0.2%. Total accounts receivable and loss provisions for this group of customers were reported at: $636,344 and $340 as of December 31, 2021; $338,509 and $293 as of December 31, 2020.

(2) The Group considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2021 and 2020 is as follows:

| 2021/12/31 | Not yet due | Past due within 30 days | Past due 30 days | Past due 60 days | Past due 90 days | Past due 120 days | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate | 0%~1.62% | 0%~5.75% | 0%~21.18% | 0%~43.44% | 1.54%~52.04% | 100% | |
| Total book value | $ 469,261 | $ 79,263 | $ 6,671 | $ 4,725 | $ 1,667 | $ 15,158 | $ 576,745 |
| Loss allowance | $ 532 | $ 700 | $ 97 | $ 743 | $ 833 | $ 15,158 | $ 18,063 |

| 2020/12/31 | Not yet due | Past due within 30 days | Past due 30 days | Past due 60 days | Past due 90 days | Past due 120 days | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate | 0%~1.74% | 0.01%~5.74% | 0.15%~23.13% | 0.49%~46.95% | 2.92%~63.89% | 100% | |
| Total book value | $ 282,163 | $ 46,104 | $ 9,415 | $ 689 | $ 1,071 | $ 15,210 | $ 354,652 |
| Loss allowance | $ 35 | $ 154 | $ 408 | $ 69 | $ 261 | $ 15,210 | $ 16,137 |

(3) The total book values of the accounts receivable-related parties as of December 31, 2021 and 2020 were $3,068 and $1,595, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of $0.

H. The Group's simplified approach of notes receivable and changes in allowance for doubtful accounts are as follows:

| | Notes and accounts receivable (including related parties) | |
|---|---|---|
| | 2021 | 2020 |
| January 1 | $ 16,430 | $ 24,144 |
| Write off (Reverse) of impairment loss | 2,160 | ( 7,887 ) |
| Net exchange difference | ( 187 ) | 173 |
| December 31 | $ 18,403 | $ 16,430 |

From the loss recognized for the years ended December 31, 2021 and 2020, the impairment losses and the reverse of impairment loss for accounts receivable arising from customer contracts were $2,160 and $7,887, respectively.

(3) Liquidity risk

A. Cash flow is forecasted by each of the Group’s operating entity and summarized by the finance department. The Group’s finance department monitors liquidity forecasting to ensure that it has sufficient funds to meet the operational requirements.

B. The Group had available borrowing limits of $539,913 and $569,256 as of December 31, 2021 and 2020, respectively.

C. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, whereas derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

| Non-derivative financial liabilities:<br>2021/12/31 | Within 1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|
| Short-term borrowings (including accrued interest) | $ 105,305 | $ - | $ - | $ - |
| Accounts payable | 580,911 | - | - | - |
| Other payables | 433,117 | - | - | - |
| Long-term borrowings (including current portion and accured interest) | 12,353 | 12,353 | 37,059 | 116,337 |
| Lease liabilities | 37,782 | 30,840 | 39,909 | - |
| Provisions | 27,411 | 8,014 | - | - |

| Non-derivative financial liabilities:<br>2020/12/31 | Within 1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|
| Short-term borrowings | $ 38,875 | $ - | $ - | $ - |
| Notes payable | 725 | - | - | - |
| Accounts payable | 327,414 | - | - | - |
| Other payables | 385,235 | - | - | - |
| Lease liabilities | 21,417 | 9,650 | 4,258 | - |
| Provisions | 27,366 | 7,369 | - | - |

D. The Group’s cash flows are not expected to occur significantly earlier than the maturity date, or to be significantly different from the actual amount.

(III) Information on fair value

1. The various levels of fair value measurement of financial and non-financial instruments are defined as follows:

   Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in listed stocks, beneficiary certificates with quoted market prices is included in Level 1.

   Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The OTC stocks and the fair value of derivative financial instruments invested by the Group is included in Level 2.

   Level 3: Inputs for the asset or liability that are not based on observable market data. This includes equity instruments of non-active markets invested by the Group.

2. Financial instruments not measured at fair value

   The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, restricted deposit (classified in the balance sheet as other current asset), refundable deposits, (classified in the balance sheet as other non-current asset), short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and lease liabilities are reasonable approximate to the fair values.

3. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

   (1) The related information of the nature of the assets and liabilities is as follows:

| 2021/12/31 | 1st Level | 2nd Level | 3rd Level | Total |
|---|---|---|---|---|
| **Asset** | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | $ 393,132 | $ 4,575 | $ 56,854 | $ 454,561 |
| Beneficiary certificates | 26,510 | - | - | 26,510 |
| Hybrid instruments | - | - | 9,452 | 9,452 |
| Financial asset at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 32,381 | 32,381 |
| Total | $ 419,642 | $ 4,575 | $ 98,687 | $ 522,904 |

| 2020/12/31 | 1st Level | 2nd Level | 3rd Level | Total |
|---|---|---|---|---|
| **Asset** | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | $ 416,967 | $ 5,055 | $ 58,710 | $ 480,732 |
| Beneficiary certificates | 33,846 | - | - | 33,846 |
| Hybrid instruments | - | - | 11,018 | 11,018 |
| Financial asset at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 2,381 | 2,381 |
| Total | $ 450,813 | $ 5,055 | $ 72,109 | $ 527,977 |

(2) The Group's approaches and assumptions for fair value measurement are as follows:

A. The Group adopts quoted prices as inputs used to measure fair value (1st level), which are classified as follows based on the characteristics of the financial instruments:

| | Listed and OTC stocks | Open-end funds |
|---|---|---|
| Market quoted price | Closing prices | Net asset value |

B. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

C. The Group adopts valuation techniques widely used by market participants for evaluating non-standardized and less complex financial instruments. The parameters used in the valuation models of such financial instruments are usually market observable information.

D. The evaluation of derivatives is based on the valuation model generally accepted by market users, such as the discount method. Foreign currency forward contracts are usually evaluated based on the current forward exchange rates.

E. The output of the evaluation model is an estimated value, and the valuation technique may not reflect all the relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted based on additional parameters, such as the model risk or liquidity risk. According to the Group's management policies of fair value valuation model and related control procedures, its management believes that valuation adjustments are appropriate and necessary for the fair values of financial and non-financial instruments to be presented fairly in the consolidated balance sheet. The price information and parameters used in the evaluation process are carefully evaluated, with appropriate adjustments according to current market conditions.

4. For the year ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

5. The following table shows changes in 3rd level inputs in 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| | Equity instruments | Equity instruments |
| January 1 | $ 72,109 | $ 67,627 |
| Additions | 30,000 | - |
| Recognized in profit (loss) (Note ) | ( 3,422 ) | 4,482 |
| December 31 | $ 98,687 | $ 72,109 |
| Changes in unrealized gains or losses on assets and liabilities owned at the end of the period | ( $ 3,422 ) | $ 4,482 |

Note : Recognized as other gains (losses).

6. There was no transfer into or out from Level 3 for the year ended December 31, 2021 and 2020.

7. The financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and any other necessary adjustments to the fair value.

   The financial segment cooperatively set up valuation policies, valuation processes and rules for measuring fair value of financial instruments that ensure compliance with the related requirements in IFRS.

8. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | 2021/12/31 Fair value | Valuation technique | Significant and unobservable input | Range (weighted average) | Relationship between input and fair value |
|---|---|---|---|---|---|
| Equity instruments: | | | | | |
| Unlisted and non-OTC stocks | $ 37,495 | Net asset value approach | Not applicable | Not applicable | The higher the net assets value, the higher the fair value |
| Unlisted and non-OTC stocks | 51,740 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Hybrid instrument: | | | | | |
| Unlisted and non-OTC stocks | 45,343 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Embedded option | ( 35,891 ) | Options pricing model | Stock price volatility | Not applicable | The higher the stock price volatility, the higher the fair value |

| | 2020/12/31 Fair value | Valuation technique | Significant and unobservable input | Range (weighted average) | Relationship between input and fair value |
|---|---|---|---|---|---|
| Equity instruments: | | | | | |
| Unlisted and non-OTC stocks | $ 39,350 | Net asset value approach | Not applicable | Not applicable | The higher the net assets value, the higher the fair value |
| Unlisted and non-OTC stocks | 21,741 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Hybrid instrument: | | | | | |
| Unlisted and non-OTC stocks | 56,084 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Embedded option | ( 45,066 ) | Options pricing model | Stock price volatility | Not applicable | The higher the stock price volatility, the higher the fair value |

Note 1: Long-term sales growth, weighted average cost of capital, long term net profit before tax, discount for lack of marketability, and discount for minority interest.

Note 2: The higher discount for lack of marketability is, the lower fair value is; the higher weighted average cost of capital and discounts for lack of control are, the lower the fair value is; the higher long-term revenue growth rate and long-term operating profit before income tax are, the higher the fair value is.

9. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in a different outcome.

(IV) Other issues

Due to the impact of the COVID-19, upstream components and related materials are short of materials and the prices of related materials have increased. However, the company adopted adjustments to relevant procurement and stocking policies in response to the epidemic. The operating income in the year 2021 increased compared with the previous year since pulling goods gradually stabilized. The Group will continue to evaluate and manage the above issues.

XIII. Disclosures

(1) Information on significant transactions

A. Financing provided: None.

B. Endorsements and guarantees provided: None.

C. Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to schedule 1.

D. Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: None.

E. Acquisition of real estate properties at costs of at least $300 million or 20% of the paid-in capital: None.

F. Disposal of real estate properties at prices of at least $300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Please refer to schedule 2.

H. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Please refer to schedule 3.

I. Trading in derivative instruments undertaken during the reporting period: Please refer to Note 6 (2) and (10).

J. Intercompany relationships and significant intercompany transactions: Please refer to Schedule 4.

(2) <u>Information on investees</u>

Names, locations and related information of investees (excluding investments in China): Please refer to Schedule 5.

(3) <u>Information on investments in China</u>

A. Basic information: Please refer to Schedule 6.

B. Information on investments in China - Investee significant transactions for invested businesses in China, either directly or indirectly through a third area: Please refer to Schedule 4.

(4) Information of major shareholders

Name and information of shareholders with more than 5% shareholding interest: Please refer to Schedule 7

XIV. <u>Segment information</u>

(1) <u>General information</u>

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information in this period.

(2) <u>Measurement of segment information</u>

The Group uses the revenue and pre-tax profit or loss as the measurement for operating segment profit and the basis of performance assessment. The accounting policies of the operating segments and the accounting policies described in Note 4 of the consolidated financial statements are the same.

(3) <u>Segment information</u>

Segment information provided to the chief operating decision-maker for the reportable segments is as follows:

| | For the year ended December 31, 2021 | | | |
|---|---|---|---|---|
| | IPC | Medical PC | Elimination | Total |
| Revenue from external customers | $ 5,156,832 | $ 1,190,872 | $ - | $ 6,347,704 |
| Revenue from internal segments | 196,107 | 10,888 | ( 206,995 ) | - |
| Segment revenue | $ 5,352,939 | $ 1,201,760 | ( $ 206,995 ) | $ 6,347,704 |
| Segment profit or loss | $ 485,920 | $ 140,113 | $ - | $ 626,033 |
| Segment profit or loss includes: | | | | |
| Depreciation and amortization | $ 77,426 | $ 23,107 | $ - | $ 100,533 |

| | For the year ended December 31, 2020 | | | |
|---|---|---|---|---|
| | IPC | Medical PC | Elimination | Total |
| Revenue from external customers | $ 4,566,476 | $ 1,331,709 | $ - | $ 5,898,185 |
| Revenue from internal segments | 266,270 | 15,595 | ( 281,865 ) | - |
| Segment revenue | $ 4,832,746 | $ 1,347,304 | ( $ 281,865 ) | $ 5,898,185 |
| Segment profit or loss | $ 400,126 | $ 202,612 | $ - | $ 602,738 |
| Segment profit or loss includes: | | | | |
| Depreciation and amortization | $ 81,645 | $ 26,081 | $ - | $ 107,726 |

Note 1: The intra-segment revenues have been eliminated to $0.

Note 2: Because the Group's segment assets are not provided to the chief operating decision-marker, such items are not required to be disclosed.

(4) Reconciliation for segment income

Adjustment is not required as the Group's reportable segment profit and loss are equivalent to the income (loss) from continuing operations.

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Income | Non-current assets | Income | Non-current assets |
| Taiwan | $ 2,795,219 | $ 748,326 | $ 2,740,841 | $ 414,611 |
| China | 664,340 | 76,790 | 578,295 | 88,884 |
| Singapore | 153,298 | 25 | 167,856 | 874 |
| USA | 1,729,592 | 144,482 | 1,755,011 | 150,740 |
| Europe | 1,005,255 | 14,643 | 656,182 | 26,272 |
| Total | $ 6,347,704 | $ 984,266 | $ 5,898,185 | $ 681,381 |

The above non-current assets exclude financing instruments, deferred income tax assets and certain other non-current assets.

(6) Major customer information

The Group's customers exceeding 10% of consolidated operating income in 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| A | $ 311,089 | $ 455,921 |

AAEON Technology Inc. and Subsidiaries

MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2021

(Amounts in thousands of New Taiwan dollars, Unless Specified Otherwise)

Schedule 1

| Holding company | Marketable securities type and name: Type | Marketable securities type and name: Name (Note 1) | Relationship with the Company | Financial Statement Account | 2021/12/31: Shares | 2021/12/31: Carrying value (Note2) | 2021/12/31: Percentage of Ownership (%) | 2021/12/31: Fair value | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| AAEON Technology Inc. | Fund | Mega Diamond Money Market | None | Financial assets at fair value through profit or loss - current | 2,091,070 | $ 26,510 | - | $ 26,510 | None |
| " | Stock | Advantech Co.,Ltd. | " | " | 802 | 318 | - | 318 | " |
| " | " | MACHVISION,INC. | Other related party - the Company's Chairman as a director | " | 1,180,198 | 329,275 | 2.64 | 329,275 | " |
| " | " | ATECH OEM INC. | " | " | 234 | 3 | - | 3 | " |
| " | " | Unitech Electronics Co., Ltd. | None | " | 549,657 | 12,285 | 0.73 | 12,285 | " |
| " | " | LILEE SYSTEMS Ltd. | " | " | 468,750 | - | - | - | " |
| " | " | Allied Biotech Co. | Other related party - the Company's Chairman as a director | " | 300,000 | 4,575 | 0.31 | 4,575 | " |
| " | " | TELEION WIRELESS, INC. | None | " | 149,700 | - | - | - | " |
| " | " | InSynerger Technology Co., Ltd. | " | Financial assets at fair value through profit or loss - non-current | 1,710,000 | 19,359 | 19.29 | 19,359 | " |
| " | " | V-Net AAEON Corporation Ltd. | " | " | 29 | 9,452 | 14.50 | 9,452 | Note 3 |
| AAEON INVESTMENT, CO., LTD. | Stock | ATECH OEM INC. | Other related party - the Company's Chairman as a director | Financial assets at fair value through profit or loss - current | 3,456,000 | 41,126 | 5.82 | 41,126 | None |
| " | " | Sunengine Co., Ltd. | " | " | 156,903 | 1,089 | 2.75 | 1,089 | " |
| ONYX HEALTHCARE INC. | " | MACHVISION,INC. | " | Financial assets at fair value through profit or loss - current | 18,716 | 5,222 | 0.04 | 5,222 | " |
| | | TOP UNION ELECTRONICS CORP. | None | " | 169,658 | 4,903 | 0.17 | 4,903 | " |
| " | " | INNO FUND III | " | Financial assets at fair value through profit or loss - non-current | 3,000,000 | 36,406 | 13.04 | 36,406 | " |
| " | " | MELTEN CONNECTED HEALTHCARE INC. | " | Financial asset at fair value through other comprehensive income - non-current | 4,193,548 | 2,381 | 6.61 | 2,381 | " |
| | | PROTECTLIFE INTERNATIONAL BIOMEDICAL INC | " | " | 2,500,000 | 30,000 | 6.30 | 30,000 | " |

Note1: The “securities” above refer to stocks, bonds, beneficiary certificates and derivatives included in IFRS 9 “Financial Instruments”

Note2: For those measured at fair value, please enter the carrying value after the valuation adjustment of fair value and deduction of accumulated impairment in the carrying value column. As for those assets not measured at fair value, please enter the carrying value of initial acquisition cost or amortized cost after deducting accumulated impairment in the carrying value column.

Note3: Hybrid contract with embedded options.

AAEON Technology Inc. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

(Amounts in thousands of New Taiwan dollars, Unless Specified Otherwise)

| | | | Transaction | | | | Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note) | | Accounts and notes receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Name | Related Party | Nature of Relationship | Purchase (sales) | Amount | Percentage to total purchase (sales) (%) | Payment terms | Unit Price | Payment terms | Ending Balance | Percentage to total accounts and notes receivable or payable (%) | Note |
| AAEON Technology Inc. | ASUSTEK COMPUTER INC | Parent | Purchases | $ 1,048,132 | 29.30 | month-end 30 days | - | - | ( $ 75,332) ) | ( 16.65 ) | |
| " | AAEON ELECTRONICS, INC. | Subsidiary | (Sales) | ( 983,439) ) | ( 22.20 ) | month-end 60 days | - | - | 220,205 | 21.49 | |
| " | AAEON TECHNOLOGY (EUROPE) B.V. | " | " | ( 707,740) ) | ( 15.97 ) | " | - | - | 221,870 | 21.66 | |
| " | AAEON TECHNOLOGY (SUZHOU) INC. | " | " | ( 311,994 ) | ( 7.04) ) | " | - | - | 53,464 | 5.22 | |
| " | ONYX HEALTHCARE USA, INC. | " | " | ( 122,769 ) | ( 2.77 ) | " | - | - | 25,449 | 2.48 | |
| ONYX HEALTHCARE USA, INC. | ONYX HEALTHCARE USA, INC. | " | " | ( 277,974 ) | ( 29.72 ) | month-end 90 days | - | - | 99,253 | 45.38 | |

Note: The reasons for difference between the related party transaction terms and the arms length terms of transaction shall be described in the price and loan term section.

AAEON Technology Inc. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

Schedule 3

(Amounts in thousands of New Taiwan dollars, Unless Specified Otherwise)

| Company Name | Related Party | Nature of Relationship | Ending balance (Note 1) | Turnover (%) | Overdue | | Amounts Received in Subsequent Period | Loss allowance |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| AAEON Technology Inc. | AAEON ELECTRONICS, INC. | Subsidiary | $ 220,205 | 7.17 | $ - | - | $ 217,321 | $ - |
| " | AAEON TECHNOLOGY (EUROPE) B.V. | " | 221,870 | 4.73 | - | - | 68,217 | - |

Note: Please fill in separately based on accounts receivable, notes and other receivables of related parties.

AAEON Technology Inc. and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(ONLY TRANSACTIONS AMOUNTING TO AT LEAST $100 MILLION ARE DISCLOSED)

FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 4 (Amounts in thousands of New Taiwan dollars, Unless Specified Otherwise)

| | | | | Intercompany transaction | | | |
|---|---|---|---|---|---|---|---|
| Serial No. (Note 1) | Company Name | Related Party | Nature of relationships (Note 2) | Financial Statement Account | Amount | Terms | As a percentage of consolidated revenues or total assets (%) (Note 3) |
| 0 | AAEON Technology Inc. | AAEON ELECTRONICS, INC. | 1 | Net sales | $ 983,439 | month-end 60 days | 15.49 |
| " | " | AAEON TECHNOLOGY (EUROPE) B.V | 1 | Net sales | 707,740 | " | 11.15 |
| " | " | AAEON TECHNOLOGY (SUZHOU) INC. | 1 | Net sales | 311,994 | " | 4.92 |
| " | " | ONYX HEALTHCARE USA, INC. | 1 | Net sales | 122,769 | " | 1.93 |
| | | AAEON ELECTRONICS,INC. | 1 | Acoount receivable | 220,205 | | 2.16 |
| | | AAEON TECHNOLOGY (EUROPE) B.V. | 1 | Acoount receivable | 221,870 | | 2.17 |
| 1 | ONYX HEALTHCARE INC. | ONYX HEALTHCARE USA, INC. | 3 | Net sales | 277,974 | month-end 90 days | 4.38 |

Note 1: Intercompany transactions should be indicated in the numbered columns individually. The number is filled in as follows:
(1) Parent company is numbered 0.
(2) Subsidiaries are numbered sequentially according to company name from Arabic numeral 1.

Note 2: There are three types of relationships with counterparties (Disclosure is not required for the same intercompany transactions. For example: If the parent has already disclosed the intercompany transaction, the subsidiary is not required to disclose the same transaction.
For intercompany transactions between subsidiaries, if one of the subsidiary has already disclosed the transaction, the other subsidiary is not required to disclose the same transaction)
(1) Parent company to subsidiary
(2) Subsidiary to parent company
(3) Subsidiary to subsidiary

Note 3: The calculation of transaction amount as a percentage of consolidated net revenue or total assets: in the case of financial statement accounts, ending balance is divided by consolidated total assets; in the case of income statement accounts, cumulative amount in the period is divided by consolidated net revenue.

Note 4: There is no need to disclose transactions of no more than $100 million, and transactions shall be disclosed as assets and income.

AAEON Technology Inc. and Subsidiaries
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 5

(Amounts in thousands of New Taiwan dollars, Unless Specified Otherwise)

| Name of investor | Name of investee | Location | Main businesses and products | Original Investment | | Balance as of December 31,2020 | | | Investee profit or loss for the period (Note 2) | Profits or losses on investment recognized for the period (Note 2) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2021/12/31 | 2020/12/31 | Shares | Percentage (%) | Carrying Amount | | | |
| AAEON Technology Inc. | AAEON ELECTRONICS, INC. | USA | Sales of IPC and PC peripherals | $ 135,632 | $ 139,552 | 490,000 | 100.00 | $ 221,656 | $ 25,783 | $ 25,783 | |
| " | AAEON TECHNOLOGY CO.,LTD | British Virgin Islands | Investment of IPC and interface card | 243,780 | 250,826 | 8,807,097 | 100.00 | 240,950 | 27,032 | 26,811 | |
| " | AAEON TECHNOLOGY (EUROPE) B.V. | Netherlands | Sales of IPC and PC peripherals | 3,132 | 3,502 | - | 100.00 | 31,446 | 5,245 | 5,245 | |
| " | AAEON TECHNOLOGY SINGAPORE PTE.LTD. | Singapore | Sales of IPC and PC peripherals | 11,936 | 12,577 | 465,840 | 100.00 | 53,253 | 6,990 | 6,990 | |
| " | AAEON INVESTMENT, CO., LTD. | Taiwan | Investment of IPC and PC peripherals | 150,000 | 150,000 | 15,000,000 | 100.00 | 119,379 | ( 5,175 ) | ( 5,175 ) | |
| " | ONYX HEALTHCARE INC. | " | Design, manufacture and sales of medical PC | 73,358 | 73,358 | 15,132,074 | 50.00 | 498,548 | 127,551 | 63,961 | |
| " | LITEMAX ELECTRONICS INC. | " | Sales of PC peripherals | 70,218 | 70,218 | 5,015,050 | 11.99 | 103,896 | 112,149 | 12,604 | |
| " | IBASE TECHNOLOGY INC. | " | Manufacturing and sales of industrial motherboards | 3,498,501 | 3,498,501 | 52,921,856 | 31.91 | 3,257,009 | 312,547 | 11,609 | |
| AAEON TECHNOLOGY (EUROPE) B.V. | AAEON TECHNOLOGY GMBH | Germany | Sales of IPC and PC peripherals | 940 | 1,051 | - | 100.00 | 19,044 | 811 | - | Note1 |

AAEON Technology Inc. and Subsidiaries
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 5

(Amounts in thousands of New Taiwan dollars, Unless Specified Otherwise)

| | | | | Original Investment | | Balance as of December 31,2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of investor | Name of investee | Location | Main businesses and products | 2021/12/31 | 2020/12/31 | Shares | Percentage (%) | Carrying Amount | Investee profit or loss for the period (Note 2) | Profits or losses on investment recognized for the period (Note 2) | Remarks |
| ONYX HEALTHCARE INC. | ONYX HEALTHCARE USA, INC. | USA | Sales of medical PC and peripherals | $ 55,360 | $ 56,960 | 200,000 | 100.00 | $ 94,100 | ( $ 631 ) | - | Note1 |
| " | ONYX HEALTHCARE EUROPE B.V. | Netherlands | Marketing support and maintenance of medical PC and peripherals | 3,132 | 3,502 | 100,000 | 100.00 | 11,672 | 4,215 | - | " |
| " | IHELPER INC. | Taiwan | R&D and sales of medical robots | 16,560 | 16,560 | 1,656,000 | 46.00 | 7,557 | ( 1,930 ) | - | " |
| " | WINMATE INC. | " | Bid quotations, distributions and sales of LCD application equipment and modules | 552,783 | 538,199 | 10,041,000 | 13.85 | 561,275 | 364,706 | - | " |

Note 1: According to relevant regulations, there is no need to fill in investment profit and loss disclosed in this period.

Note 2: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2021, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 6 (Amounts in thousands of New Taiwan dollars, Unless Specified Otherwise)

| Investee Company | Main Businesses | Total Amount of Paid-in Capital | Methods of investment (Note 1) | Beginning Balance of Accumulated Outflow of Investment from Taiwan | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2021 | Investee profit or loss for the period | The Company's direct or indirect holding percentage | Share of Profits / Losses (Note 2. (2)C) | Carrying Amount as of December 31, 2021 | Accumulated Inward Remittance of Earnings as of December 31, 2021 | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| AAEON TECHNOLOGY (SUZHOU) INC. | Production and sales of IPC and interface card | $ 240,547 | 2 | $ 240,547 | $ - | $ - | $ 240,547 | $ 27,177 | 100% | $ 27,177 | $ 249,690 | $ - | |
| ONYX HEALTHCARE (SHANGHAI) LTD | Sales of medical PC and peripherals | 60,896 | 1 | 55,360 | 5,536 | - | 60,896 | ( 2,588 ) | 100% | ( 2,588 ) | 7,508 | - | |

| Company Name | Ending Balance of Accumulated Investment in Mainland China | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Authorized by Investment Commission, MOEA |
|---|---|---|---|
| AAEON Technology Inc. | $ 240,547 | $ 240,547 | $ 5,034,317 |
| Onyx Technology Inc. | 60,896 | 60,896 | 620,860 |

Note 1: The methods of investment are listed below, please mark the category on schedule:

(1) Investment in China companies directly.

(2) Investment in China companies through AAEON TECHNOLOGY CO., LTD in a third region.

(3) Other methods of investing in China.

Note 2: The column of investment profit or loss for the period:

(1) It should be noted if the entity was in preparation stage without profit or loss on investment.

(2) It should be noted that the basis of recognizing the profit or loss on investment includes the following:

A. Based on financial statements reviewed by an international accounting firm that is in collaboration with an accounting firm in the Republic of China.

B. Based on financial statements reviewed by auditor of the parent company in Taiwan.

C. Other basis

Note 3: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2021, while others are converted to NTD under the exchange rate at the end period of the financial report.

AAEON Technology Inc. and Subsidiaries

INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2021

Schedule 7

| Name of major shareholder | Shares | |
|---|---|---|
| | Total Shares Owned | Ownership (%) |
| ASUSTEK COMPUTER INC. | 43,756,000 | 29.442 |
| IBASE TECHNOLOGY INC. | 41,698,468 | 28.057 |
| Yung-Shun Chuang | 19,664,000 | 13.231 |
| HUA-CHENG VENTURE CAPITAL CORP. | 8,359,000 | 5.624 |
| HUA-MIN INVESTMENT CO., LTD. | 8,359,000 | 5.624 |

Note 1: In this chart, major shareholders are defined as shareholders with more than 5% collective holding interest in common and preferred shares that have been delivered via book entry (including treasury stocks), as shown in the records of TDCC on the final business day of each quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.

Note 2: For shareholders who have placed shareholding under trust, the above information shall be provided based on trust accounts created by the trustee. In which case, these shareholders may be required under the Securities and Exchange Act to make regulatory reporting on insiders with more than 10% ownership interest, which include shares held in own name and shares placed under trust that the shareholder has control over. Refer to Market Observation Post System for information on the reporting of insider shareholding