AAEON Technology Inc.
Parent Company Only 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.)

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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.

Parent Company Only Financial Statements

With Independent Auditor's Review Report Thereon December 31, 2021 and 2020

Content

Independent Auditors' Report

(2022)Tsai-Shen-Bao-Tzi No. 21003172

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

Opinion

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

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matter section of our report, the separate financial statements present fairly, in all material respects, the separate financial position of AAEON as of December 31, 2021 and 2020, and its financial performance and its 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"

Basis for opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of AAEON 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 report 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 audit of separate financial statements of the current period. These matters were addressed in the context of our audits of the separate financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the separate 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(22) for the accounting policies on revenue recognition, and Note 6(14) for the details of operating revenue.

AAEON is primarily engaged in the design, manufacturing and sales of industrial computers and peripherals. Since product orders are affected by project cycles, the Company 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 incorporation of newly listed top ten sales customers has a significant impact on the Company's operating revenue. With that, we listed the existence for incorporating the revenues of AAEON's newly listed top ten sales customers as one of the key audit matters.

How our audit addressed the matter

Our audit procedures performed in AAEON and its subsidiaries (recognized as investments accounted for under equity method) for the above matter are as follow:

1. Assess and test the financial statements, the internal control procedures of sales transactions are based on the Company'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(9) 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(4) for the details of inventory.

AAEON is primarily engaged in the design, manufacturing and sales of industrial computers and peripherals. Given long production cycle of industrial computer products, and that 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. AAEON'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, AAEON readily adjusts its stocking demands, with significant inventory balances as industrial 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

Our audit procedures performed in AAEON and its subsidiaries (recognized as investments accounted for under equity method) for the above matter are as follow:

1. Assess the policy on allowance for inventory valuation loss based on our understanding of the operations and industry of AAEON.
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(10) 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 (5) for the details of investments accounted for under equity method.

AAEON's investment premium 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 aforemented 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 accounted for under equity method - IBASE's assessment on reduced premium is listed as one of the key audit matters.

How our audit addressed the matter

Our audit procedures performed for the above matter are as follow:

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 $3,432,055 thousand, constituting 43.98% and 40.04% 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 ($31,129) thousand, respectively, constituting for 17.36% and (7.92%) 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.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the requirements of the "Regulation Governing the Preparation of Financial Reports by Securities Issuers" and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the ability to AAEON 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 AAEON or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit Committee, are responsible for overseeing the financial reporting process of AAEON.

Independent auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separte 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 auditing standards generally accepted in the Republic of China 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 individual financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the individual 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 AAEON.

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 of AAEON to continue as a going concern. 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 separate 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 AAEON to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the separate 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 AAEON to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the 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 the separate financial statements of the current period 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-Jung

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 parent company only financial statements are intended only to present the statements 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

AAEON Technology Inc.
SEPARATE BALANCE SHEETS
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)	$ 1,362,293	15	$ 2,131,484	25
1110	Financial asset at fair value through profit or loss - current	6 (2)	372,966	4	390,461	5
1150	Net notes receivable	6 (3)	2,793	-	-	-
1170	Net accounts receivable	6 (3)	477,969	5	194,816	2
1180	Accounts receivable - net amount of related party	7	543,690	6	221,383	3
1200	Other receivables	7	35,039	1	18,314	-
130X	Inventories	6 (4)	1,057,634	12	553,939	6
1410	Prepayments		45,299	1	28,704	-
11XX	**Total current assets**		3,897,683	44	3,539,101	41
	Non-current assets					
1510	Financial asset at fair value through profit or loss - non-current	6 (2)	28,811	-	30,378	-
1550	Investments accounted for under equity method	6 (5)	4,526,137	51	4,576,864	54
1600	Property, plant and equipment	6 (6)	325,869	4	360,601	4
1755	Right-of-use assets	6 (7) and 7	48,419	1	2,336	-
1760	Investment property		31,648	-	-	-
1780	Intangible assets		12,899	-	19,421	-
1840	Deferred tax assets	6 (21)	37,142	-	33,717	1
1900	Other non-current assets		8,505	-	8,447	-
15XX	**Total non-current assets**		5,019,430	56	5,031,764	59
1XXX	**Total assets**		$ 8,917,113	100	$ 8,570,865	100

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AAEON Technology Inc.
SEPARATE BALANCE SHEETS
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					
2130	Contract liability - current	6 (14)	$ 76,855	1	$ 80,279	1
2170	Accounts payables		348,184	4	171,059	2
2180	Accounts payables - related party	7	104,174	1	63,227	1
2200	Other payables	6 (8), 7	318,158	4	286,319	3
2230	Current tax liabilities		54,678	1	40,349	1
2250	Provisions - current		21,138	-	20,694	-
2280	Lease liability - current		21,816	-	2,397	-
2399	Other current liabilities - other		26,501	-	22,326	-
21XX	**Total current liabilities**		971,504	11	686,650	8
	Non-current liabilities					
2527	Contract liability - non-current	6 (14)	5,203	-	6,773	-
2550	Provisions - non-current		6,014	-	5,427	-
2570	Deferred tax liabilities	6 (21)	38,161	1	30,601	1
2580	Lease liability - non-current		27,062	-	-	-
2600	Other non-current liabilities		411	-	293	-
25XX	**Total non-current liabilities**		76,851	1	43,094	1
2XXX	**Total liabilities**		1,048,355	12	729,744	9
	Equity					
	Share capital	6 (11)				
3110	Share capital-common stock		1,484,985	17	1,484,985	17
3140	Advance receipts for share capital		1,200	-	-	-
	Capital surplus	6 (12)				
3200	Capital surplus		5,433,926	60	5,473,802	63
	Retained earnings	6 (13)				
3310	Legal reserve		425,624	5	387,553	5
3320	Special reserve		53,278	1	63,315	1
3350	Undistributed retained earnings		534,550	6	484,744	6
	Other equity					
3400	Other equity		(64,805)	(1)	(53,278)	(1)
3XXX	**Total equity**		7,868,758	88	7,841,121	91
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 8,917,113	100	$ 8,570,865	100

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

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

AAEON Technology Inc.
SEPARATE 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 revenue**	6 (14), 7	$ 4,430,500	100	$ 4,085,537	100
5000	**Operating costs**	6 (4) (19) (20), 7	(3,347,613)	(76)	(2,973,411)	(73)
5900	**Gross profit from operations**		1,082,887	24	1,112,126	27
5910	Unrealized profit from sales		(49,521)	(1)	(31,744)	(1)
5920	Realized profit from sales		31,744	1	44,250	1
5950	**Gross profit form operations, net**		1,065,110	24	1,124,632	27
	Operating expenses	6 (9) (19) (20) and 7				
6100	Selling expense		(153,632)	(3)	(172,002)	(4)
6200	General and administrative expenses		(116,303)	(3)	(128,213)	(3)
6300	Research and development expenses		(394,732)	(9)	(377,457)	(10)
6450	Expected credit impairment loss or (gain)	12 (2)	87	-	1,659	-
6000	**Total operating expense**		(664,580)	(15)	(676,013)	(17)
6900	**Operating income**		400,530	9	448,619	10
	Non-operating income and expenses					
7100	Interest income	6 (15)	3,926	-	5,944	-
7010	Other income	6 (16)	18,022	1	21,043	1
7020	Other gains and losses	6 (17) and 7	(28,659)	(1)	(78,001)	(2)
7050	Financial costs	6 (18)	(1,170)	-	(278)	-
7070	Share of the profit of the subsidiaries, associates and joint ventures accounted for under equity method		147,828	3	84,270	2
7000	**Total non-operating income and expenses**		139,947	3	32,978	1
7900	**Profit before income tax**		540,477	12	481,597	11
7950	Income tax expense	6 (21)	(89,452)	(2)	(98,787)	(2)
8200	**Profit for the year**		$ 451,025	10	$ 382,810	9
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8330	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		$ 6,603	-	$ 21,095	1
8310	**Total other comprehensive income (loss) that will not be reclassified to profit or loss**		6,603	-	21,095	1
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(17,138)	-	(9,368)	-
8380	Share of other comprehensive income of associates and joint ventures accounted for under equity method - to be reclassified to profit or loss		(3,968)	-	(3,175)	-
8399	Income tax relating to the components of other comprehensive income	6 (21)	2,976	-	1,485	-
8360	**Total amount to be reclassified to profit or loss in subsequent periods**		(18,130)	-	(11,058)	-
8500	**Total comprehensive income**		$ 439,498	10	$ 392,847	10
	Basic earnings per share	6 (22)				
9750	**Basic earnings per share**		$ 4.22		$ 3.58	
	Diluted earnings per share	6 (22)				
9850	**Diluted earnings per share**		$ 4.19		$ 3.56	

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

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

AAEON Technology Inc.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed In Thousands of New Taiwan Dollars, except as otherwise indicated)

		Share Capital			Retained Earnings			Other Equity			
	Notes	Common shares	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
For the years 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
Profit for the period		-	-	-	-	-	382,810	-	-	-	382,810
Other comprehensive income		-	-	-	-	-	-	(11,137)	21,174	-	10,037
Total comprehensive income		-	-	-	-	-	382,810	(11,137)	21,174	-	392,847
Appropriations of 2019 earnings	6 (13)										
Legal reserve		-	-	-	54,985	-	(54,985)	-	-	-	-
Reversal of special reserve		-	-	-	-	18,001	(18,001)	-	-	-	-
Cash dividends		-	-	-	-	-	(475,195)	-	-	-	(475,195)
Effect from long-term investment that has not been recognized based on shareholding percentage	6 (12)	-	-	(114)	-	-	-	-	-	-	(114)
Change in associates and joint ventures accounted for under equity method	6 (12)	-	-	106,218	-	-	-	-	-	-	106,218
Share-based Payment	6 (10) (12)	-	-	18,948	-	-	(2,097)	-	-	-	16,851
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
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
Profit fo the period		-	-	-	-	-	451,025	-	-	-	451,025
Other comprehensive income		-	-	-	-	-	-	(18,090)	6,563	-	(11,527)
Total comprehensive income		-	-	-	-	-	451,025	(18,090)	6,563	-	439,498
Appropriations of 2020 earnings:	6 (13)										
Legal reserve		-	-	-	38,071	-	(38,071)	-	-	-	-
Special reserve		-	-	-	-	(10,037)	10,037	-	-	-	-
Cash dividends		-	-	-	-	-	(371,246)	-	-	-	(371,246)
Capital surplus-cash dividend	6 (12)	-	-	(74,249)	-	-	-	-	-	-	(74,249)
Effect from long-term investment that has not been recognized based on shareholding percentage	6 (12)	-	-	(1,535)	-	-	-	-	-	-	(1,535)
Change in associates and joint ventures accounted for under equity method	6 (12)	-	-	9,318	-	-	-	-	-	-	9,318
Share-based Payment	6 (10) (12)	-	-	19,906	-	-	(1,939)	-	-	-	17,967
Employee stock options exercised	6 (10)	-	1,200	6,684	-	-	-	-	-	-	7,884
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

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

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

AAEON Technology Inc.
SEPARATE 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 operating activities			
Profit before tax		$ 540,477	$ 481,597
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expenses	6. (6) (7) (19)	39,161	41,791
Amortization expenses	6. (19)	13,112	11,635
Expected credit impairment losses (gains)	12. (2)	(87)	(1,659)
Costs of share-based payment awards	6. (10)	10,367	12,285
Interest income	6. (15)	(3,926)	(5,944)
Dividend income	6. (16)	(13,312)	(15,725)
Interest expenses	6. (7) (18)	1,170	278
Net loss from financial assets and liabilities at fair value through profit or loss	6. (2) (17)	18,679	71,610
Gain on disposal of property, plant and equipment	6. (17)	(88)	-
Depreciation expense of investment property (other gains and losses)	6. (17)	942	-
Transferred to expenses and losses		1,800	-
Share of profit of associates accounted for under equity method		(147,828)	(84,270)
Realised (gain) loss on inter-affiliate accounts		17,777	(12,506)
Gain on lease modification	6. (7) (17)	(60)	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss		(5,381)	80
Notes and accounts receivable (including related parties)		(608,166)	246,633
Other receivables		(14,365)	(8,498)
Inventories		(503,695)	83,077
Prepayments		(16,966)	(3,683)
Net changes in operating liabilities			
Contract liability		(4,994)	19,436
Notes and accounts payable (including related parties)		218,072	(159,518)
Other payables		32,268	(8,999)
Other current liabilities		4,175	1,844
Provisions for liabilities		1,031	(8,350)
Other non-current liabilities		118	-
Net cash from operating activities		(419,719)	661,114
Interest received		3,926	5,944
Interest paid	6. (7)	(1,170)	(278)
Income taxes paid		(68,012)	(115,819)
Net cash flows from operating activities		(484,975)	550,961

(Continued)

AAEON Technology Inc.
SEPARATE 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, 2020	For the years ended December 31, 2020
Cash flows from investing activities			
Acquired financial assets at fair value through profit or loss		($ 5,146)	($ 11,295)
Disposal of financial assets at fair value through profit or loss		10,910	-
Acquisition of property, plant and equipment	6. (23)	(19,266)	(7,093)
Proceeds from disposal of property, plant and equipment		1,031	-
Increase in intangible assets		(5,871)	(7,055)
Increase in refundable deposits		(555)	(9)
Increase in other non-current assets		(1,075)	(5,142)
Dividends received		192,588	206,582
Net cash flows from investing activities		172,616	175,988
Cash flows from financing activities			
Cash dividends paid	6. (13)	(445,495)	(475,195)
Repayment of lease principal	6. (7) (24)	(19,221)	(18,460)
Employee share options exercised	6. (10)	7,884	-
Net cash flows from financing activities		(456,832)	(493,655)
Increase (decrease) in cash and cash equivalents		(769,191)	233,294
Cash and cash equivalents at the beginning of periods		2,131,484	1,898,190
Cash and cash equivalents at the end of periods		$ 1,362,293	$ 2,131,484

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

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

AAEON Technology Inc.
NOTES TO SEPARATE 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. (AAEON or the Company) was established in the Republic of China. The main businesses include the manufacturing, processing, 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, industrial controllers, quantity controllers and components; industrial computer automation design and services, as well as the import and 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 Company’s ultimate parent company.

II. Date and Procedures for the Authorization of Separate Financial Statements

These separate financial stataements 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 company’s financial condition and financial performance based on the company’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 Company

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 Company financial condition and financial performance based on to the Company'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 below:

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 separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance Statement

The separate financial statements 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 separate financial statements have been prepared under the historical cost convention:

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

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 Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the separate financial statements are disclosed in Note 5.

(III) 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 separate financial statements are presented in “New Taiwan Dollars (NTD)”, which is the Company’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 dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(2) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised 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 recognised 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 recognised in other comprehensive income. However, nonmonetary 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 subsidiaries and associates 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 sheets presented are translated at the closing exchange rate at the end of the financial reporting period;

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.

(IV) Classification of current and non-current items

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 realised, 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 realised within twelve months from the balance sheet date.
   (4) Cash and cash equivalents, 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 criteria 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.

(V) 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 Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
4. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(VI) Accounts and notes receivable

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

(VII) Impairment of financial assets

For accounts receivable that have a significant financing component, at each reporting date, the Company 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 Company recognises the impairment provision for lifetime ECLs.

(VIII) Derecognition of financial assets

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

1. The contractual rights to receive the cash flows from the financial asset expire.
2. The contractual rights to receive cash flows of the financial asset have been transferred and the Company 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 Company has not retained control of the financial asset.

(IX) 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.

(X) Investments accounted for under equity method /subsidiaries and associates

1. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company 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.
2. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equal or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction 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 Company loses the control in a subsidiary, the remaining investment is remeasured at fair value and initially recognized as fair value for the financial asset or initially recognized at cost for the investment in the affiliate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. The Company 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 Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Company 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 Company loses significant influence.
6. Associates are all entities over which the Company 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.
7. The Company'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 Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
8. 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 Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
9. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
10. When the affiliate issues additional shares, if the Company 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 Company's investment is reduced, apart from the above adjustments, the Company 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.
11. Upon loss of significant influence over an associate, the Company 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.
12. When the Company loses significant influence at the disposal of an associate, the Company 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 Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Company 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 Company loses significant influence. If the Company still has significant influence on the affiliate, the proportionate amount of the gains or losses previously recognized in other comprehensive income is reclassified.

13. When the Company loses significant influence at the disposal of an affiliate, the related capital reserve shall be recognized as profit or loss; if the Company still has significant influence on the affiliate, capital reserve are transferred to profit or loss based on disposal ratio.
14. According to “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.
15. 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.

(XI) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs 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 Company, 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	3-8 years
Other equipment	3-8 years

(XII) 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 Company. 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 Company 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 lease payments made at or before the commencement date; and
   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.

(XIII) Intangible asset

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

(XIV) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised 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. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(XV) Notes and accounts payable

1. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
2. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XVI) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(XVII) Provisions

Provisions (warranties) are recognised when the Company 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.

(XVIII) 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 recognised as expense in that period when the employees render service.

2. Pension funds - Defined contribution plans

   For defined contribution plan, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments

3. Employees' compensation and directors' remuneration

   Employees' compensation and directors'remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the ~26~ subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XIX) 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.

(XX) Income tax

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 Company 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 Company 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.

(XXI) Dividend

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.

(XXII) Revenue recognition

1. Sales of products
   (1) The Company manufactures and sells products related to industrial 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 company has objective evidence that all criteria for acceptance have been satisfied.

(2) Revenues from sales of products related to industrial 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 Company 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 after end of month. As the interval between transfer of the promised goods or services and payment by the customer is less than 12 months, the Company has not adjusted transaction price to reflect the time value of money.

(3) The Company 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 Company 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 Company's services for advance warranty income for extended warranties are reclassified as revenue based on length of the remaining warranty period.

(XXIII) 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.

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

The preparation of these separate financial statements requires management to make critical judgements in applying the Company'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 Company must judge and estimate net realizable value of inventories at the reporting period. Due to the rapidly changing technology, the Company 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 Company's inventory was $1,057,634.

2. Impairment loss on investments accounted for under equity method

For investments using the equity method that show signs of being impaired, the carrying amount may not be recovered, and the investment is immediately assessed for impairment. The Company 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, AAEON'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
Reserve cash and working capital	$ 527	$ 753
Checking accounts and demand deposits	1,361,766	2,130,731
Total	$ 1,362,293	$ 2,131,484

1. Due to good credit quality of the Company's principal financial institutions and the Company's relationships with multiple financial institutions, the exposure to a diversified set of risks would lower the probability of a default.
2. The Company has no cash and cash equivalents pledged to others.

(II) Financial asset 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	$ 96,764	$ 98,528
Emerging stocks	3,000	3,000
Unlisted and non-OTC stocks	52,043	56,043
Beneficiary securities	25,000	25,000
	176,807	182,571
Valuation adjustment	196,159	207,890
Subtotal	$ 372,966	$ 390,461

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	$ 29,070	$ 29,070
Hybrid instrument	10,832	10,832
Valuation adjustment	39,902	39,902
Subtotal	(11,091)	(9,524)
	$ 28,811	$ 30,378

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 or 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:

	2020/12/31	2020/12/31
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	($ 17,170)	($ 71,903)
Beneficiary certificates	58	123
Derivatives	-	80
Hybrid instrument	(1,567)	90
Total	($ 18,679)	($ 71,610)

3. The Company has no financial assets measured at fair value through profit or loss pledged to others.

(III) Notes and accounts receivables

	2021/12/31	2020/12/31
Notes receivable	$ 2,793	$ -
Accounts receivable	$ 477,982	$ 194,916
Less: Loss allowance	(13)	(100)
	$ 477,969	$ 194,816

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

Accounts receivable	2021/12/31	2020/12/31
Not past due	$ 437,761	$ 175,207
Within 30 days	37,006	16,834
31-60 days	3,172	1,899
61-90 days	43	210
91-180 days	-	766
	$ 477,982	$ 194,916

Notes receivable	2021/12/31	2020/12/31
Not past due	$ 2,793	$ -

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

2. 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 $351,752 and $1,759 respectively.
3. The Company does not does not hold any financial assets as security for accounts and notes receivables.
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 $2,793 and $0 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2021 and 2020 were $477,969 and $194,816, respectively.
5. Please refer to Note 12 (2) for credit risk information of notes and accounts receivables.

(IV) Inventories

	2021/12/31		
	Cost	Valuation allowance	Carrying amount
Raw material	$ 666,322	($ 43,675)	$ 622,647
Work in progress	325,135	(7,666)	317,469
Finished good	105,834	(6,559)	99,275
Merchandise inventory	18,433	(1,494)	16,939
Inventories in transit	1,304		1,304
Total	$ 1,117,028	($ 59,394)	$ 1,057,634

	2020/12/31		
	Cost	Valuation allowance	Carrying amount
Raw material	$ 306,499	($ 45,175)	$ 261,324
Work in progress	215,285	(19,783)	195,502
Finished good	100,088	(7,585)	92,503
Merchandise inventory	6,055	(1,445)	4,610
Total	$ 627,927	($ 73,988)	$ 553,939

The Company’s cost of inventories recognized as expenses of the current period:

	For the years ended December 31,	
	2021	2020
Cost of inventories sold	$ 3,323,863	$ 2,999,338
Loss (reverse gain) on inventory valuation and obsolescence	46,325	(463)
Compensation income from inventories	(22,537)	(24,574)
Others	(38)	(890)
	$ 3,347,613	$ 2,973,411

For the year ended December 31, 2020, the Company recognized reversal gains from sale and waste and scrap of inventories previously devalued.

(V) Investments accounted for under equity method

	2021/12/31		2020/12/31	
Investee	Ownership (%)	Book value	Ownership (%)	Book value
AAEON ELECTRONICS, INC.	100	$ 221,656	100	$ 208,801
AAEON TECHNOLOGY SINGAPORE PTE. LTD.	100	53,253	100	49,158
AAEON TECHNOLOGY CO., LTD	100	240,950	100	217,064
AAEON TECHNOLOGY (EUROPE) B.V.	100	31,446	100	32,617
AAEON INVESTMENT, CO., LTD.	100	119,379	100	124,554
ONYX HEALTHCARE INC.	50.00	498,548	50.00	512,615
LITEMAX ELECTRONICS INC.	11.99	103,896	12.00	101,813
IBASE TECHNOLOGY INC.	31.91	3,257,009	30.79	3,330,242
		$ 4,526,137		$ 4,576,864

1. Subsidiary

   For information about the Company’s subsidiaries, please refer to Note 4 (3).

2. Associates

   (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:

   (A) Either party wishes to reduce shares of the other party which are acquired based on the share exchange agreement.

   (B) 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 Company’s share in these associates is as follows:

Balance sheet

	IBASE	
	2021/12/31	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

	IBASE	
	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	60,344
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 Company’s share of their operating results of associates that are individually not significant to the Company:

As of December 31, 2021, and 2020, the carrying value of the Company's individually insignificant affiliates were $103,896 and $101,813, respectively.

	For the years ended December 31,	
	2021	2020
Net income of continuing operations	$ 12,604	$ 8,480
Other comprehensive income (net amount after tax)	38	-
Total comprehensive income	$ 12,642	$ 8,480

(4) The fair value of the Company’s associates which have quoted market price is as

follows:

		2021/12/31		2020/12/31
Litemax	$	185,808	$	191,073
IBASE		2,156,566		2,048,076
	$	2,342,374	$	2,239,149

(5) Although the Company 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) The Company is the single largest shareholder of IBASE TECHNOLOGY INC, with a 31.91% equity interest. Given that the degree of other shareholders involvement in prior stockholders' meeting and record of voting rights for major proposals, which indicates that the Company has no substantial ability to direct the relevant activities, the Company has no control, but only has significant influence, over the company.

The Company is the single largest shareholder of LITEMAX ELECTRONICS INC., with a 11.99% equity interest. 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 Company has no control over the company and only has significant influence on LITEMAX.

(VI) Property, Plant and Equipment

	2021					
	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1						
Cost	$ 212,691	$ 170,065	$ 58,754	$ 40,830	$ 979	$ 483,319
Accumulated depreciation and impairment	-	(68,265)	(33,946)	(20,507)	-	(122,718)
	$ 212,691	$ 101,800	$ 24,808	$ 20,323	$ 979	$ 360,601
January 1	$ 212,691	$ 101,800	$ 24,808	$ 20,323	$ 979	$ 360,601
Additions	-	-	1,153	14,227	3,624	19,004
Disposal	-	-	-	(943)	-	(943)
Reclassification (Note)	-	(32,590)	794	1,924	(3,296)	(33,168)
Depreciation expense	-	(2,751)	(7,591))	(9,283)	-	(19,625)
December 31	$ 212,691	$ 66,459	$ 19,164	$ 26,248	$ 1,307	$ 325,869
December 31						
Cost	$ 212,691	$ 114,472	$ 48,755	$ 52,618	$ 1,307	$ 429,843
Accumulated depreciation and impairment	-	(48,013)	(29,591)	(26,370)	-	(103,974)
	$ 212,691	$ 66,459	$ 19,164	$ 26,248	$ 1,307	$ 325,869

	2020					
	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1						
Cost	$ 212,691	$ 174,644	$ 101,596	$ 51,093	$ 5,841	$ 545,865
Accumulated depreciation and impairment	-	(68,752)	(67,956)	(34,423)	-	(171,131)
	$ 212,691	$ 105,892	$ 33,640	$ 16,670	$ 5,841	$ 374,734
January 1	$ 212,691	$ 105,892	$ 33,640	$ 16,670	$ 5,841	$ 374,734
Additions	-	-	291	6,040	2,058	8,389
Reclassification	-	-	143	7,792	(6,920)	1,015
Depreciation expense	-	(4,092)	(9,266)	(10,179)	-	(23,537)
December 31	$ 212,691	$ 101,800	$ 24,808	$ 20,323	$ 979	$ 360,601
December 31						
Cost	$ 212,691	$ 170,065	$ 58,754	$ 40,830	$ 979	$ 483,319
Accumulated depreciation and impairment	-	(68,265)	(33,946)	(20,507)	-	(122,718)
	$ 212,691	$ 101,800	$ 24,808	$ 20,323	$ 979	$ 360,601

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

1. The above property, plant and equipment are assets for self-use requirement.
2. The Company's property, plant and equipment are not pledged as collaterals for loans.

(VII) Leasing arrangements-lessee

1. The Company holds buildings for rental with contracts made for period of 1-3 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 Company’s buildings is no more than 12 months.
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	$ 48,419	$ 2,336

	For the years ended December 31,	
	2021	2020
	Depreciation expense	Depreciation expense
Buildings	$ 19,536	$ 18,254

4. For the the years ended December 31, 2021 and 2020 to the acquisitions of right-of-use assets were $73,283 and $0, respectively.

5. The information on income and expense accounts relating to lease contracts is as follows:

	For the years ended December 31,			
	2021		2020	
Items affecting profit or loss				
Interest expenses on lease liabilities	$	1,170	$	278
Expenses on short-term lease contracts		2,343		1,941
Gain on lease modification		60		-

6. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases was $22,734 and $20,679, respectively.

(VIII) Other Payables

	2021/12/31		2020/12/31	
Accured payroll, employee's compensation and bonuses	$	197,905	$	163,667
Accured technical service fee		52,481		42,982
Accured commission fee		30,212		37,321
Others		37,560		42,349
	$	318,158	$	286,319

(IX) Pension

Since July 1, 2005, the Company has established certain retirement payout methods applicable for domestic employees in accordance with the "Labor Pension Act". The Company would 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. Pension costs recognized by the Company in accordance with the above retirement policy for were $19,509, and $19,317 for the years ended December 31, 2021 and 2020, respectively.

(X) Share-based Payment

1. The Company had the following share-based payment arrangement 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	2020.11.26	3,000	5 years	Service of 2-4 years

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

2. Details of the aforementioned share-based payment arrangement:

	For the years ended December 31,			
	2021		2020	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	2,912	$ 68.8	3,000	$ 72.3
Options excercised	(120)	65.7	-	-
Options waived	(236)	68.4	(88)	68.8
Options outstanding at the end of period	2,556	65.7	2,912	68.8
Options exercisable at the end of period	1,218	-	-	-

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	$ 10,367	$ 12,285

(XI) 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, the Company's associate - IBASE owned 41,698 thousand of AAEON's shares.

(XII) 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

(XIII) 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 dollars)	Amount	Dividends per share (in 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)
Provision (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.

(XIV) Operating income

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers	$ 4,430,500	$ 4,085,537

1. Disaggregation of revenue from contracts with customers

The Company'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:

IPC	2021	2020
Revenue from Contracts with Customers	$ 4,430,500	$ 4,085,537
Time of income recognition		
At a point time	4,427,237	4,080,449
Over time	3,263	5,088
Total	$ 4,430,500	$ 4,085,537

2. Contract liability

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

	2021/12/31	2020/12/31
Contract Liability - Current:		
Advances from customers	$ 74,096	$ 78,053
Warranty contract	2,759	2,226
Contract Liability - Non-current:		
Warranty contract	5,203	6,773
Total	$ 82,058	$ 87,052

(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	$ 50,250	$ 45,654
Warranty contract	3,263	5,088
Total	$ 53,513	$ 50,742

(XV) Interest income

	For the years ended December 31,	
	2021	2020
Deposit interest income	$ 3,926	$ 5,944

(XVI) Other income

	For the years ended December 31,	
	2021	2020
Rental income	$ 4,710	$ 5,318
Dividend income	13,312	15,725
Total	$ 18,022	$ 21,043

(XVII) Other gains and losses

	For the years ended December 31,	
	2021	2020
Net loss from financial assets and liabilities at fair value through profit or loss (Note)	($ 18,679)	($ 71,610)
Net foreign exchange gains (losses)	(20,445)	(36,023)
Gain on disposal of property, plant and equipment	88	-
Depreciation of investment property, buildings.	(942)	-
Government subsidy	-	13,059
Gain on lease modification	60	-
Other income	11,259	16,573
Total	($ 28,659)	($ 78,001)

(XVIII) Financial costs

	For the years ended December 31,	
	2021	2020
Lease liability-interest expenses	$ 1,170	$ 278

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

In 2021 and 2020, the employee benefits expense, depreciation expense and amortization expenses incurred by the Company based on their functions are summarized as follows:

	For the years ended December 31,					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expense	$ 173,982	$ 404,722	$ 578,704	$ 165,661	$ 394,183	$ 559,844
Depreciation expense	25,870	13,291	39,161	29,638	12,153	41,791
Amortization expenses	1,968	11,144	13,112	1,924	9,711	11,635

(XX) Employee benefits expenses

	For the years ended December 31,	
	2021	2020
Salaries and wages	$ 509,405	$ 493,255
Labor and health insurance	37,715	34,346
Pension costs	19,509	19,317
Director’s remuneration	5,922	6,122
Other personnel expenses	6,153	5,804
	$ 578,704	$ 559,844

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. In 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 and supervisors were estimated at $4,500 and $4,050 respectively, which are recognized as salary expenses 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 was distributed 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.
3. As of December 31, 2021, and 2020, the Company had 501 and 505 employees excluding 9 directors, repectively.
4. The Company's shares have been listed on the TWSE, with additional disclosure of the following information:
   (1) The Company's average employee benefits expenses for the years ended December 31, 2021 and 2020 were $1,164 and $1,116, respectively.
   (2) The Company's average employee salaries and wages for the year of 2021 and 2020 were $1,035 and $994 respectively.
   (3) The change in the average employee salaries and wages adjustment is 4.12%.
   (4) The information for remuneration of supervisors is not available since the Company has established the Audit Committee.
5. Remuneration policy of the Company
   (1) The external competitiveness and internal fairness are material consideration for the level of remuneration of employees, and designed to attract and retain talented personnel.
   (2) The structure of the remuneration would aligned with performance management system to enhance employee's work motivation and contributed to the growth of business.
   (3) For the purpose of encouraging employees, the policy are designed to aligned with the the achievement of employee's long and short-term objectives, the work time, their position as well as the employee's overall performance.
   (4) The company has established the Comensation Committee to achieve effective measurement for the overall remuneration of directors and managers.

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

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	$ 83,466	$ 83,335
Surtax on undistributed Retained Earnings	-	198
Adjustments in respect of prior period	(1,125)	(2,118)
Total current income tax	82,341	81,415
Deferred tax		
Origination and reversal of temporary differences	7,111	17,372
income tax expense	$ 89,452	$ 98,787

(2) Income tax relative to other comprehensive income:

	For the years ended December 31,	
	2021	2020
Currency translation differences	($ 2,976)	($ 1,485)

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	$ 108,516	$ 96,319
Expenses disallowed by tax regulation	2,049	3,334
Tax exempt income by tax regulation	(2,663)	(3,145)
Tax exempt of unrealized valuation gains on financial assets	3,736	14,338
Income exempt of net investment income	(17,021)	(9,526)
Temporary differences unrecognized as deferred tax assets	(4,040)	(613)
Prior year income tax overestimation	(1,125)	(2,118)
Income tax on undistributed earnings	-	198
Income tax expense	$ 89,452	$ 98,787

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

	2021			
	January 1	Recognized in income	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Unrealized provisions for warranty	$ 5,224	$ 206	$ -	$ 5,430
Unrealized gross margin	6,349	3,555	-	9,904
Decline in value of inventories	14,798	(2,919)	-	11,879
Currency translation differences	3,174	-	2,976	6,150
Others	4,172	(393)	-	3,779
Subtotal	$ 33,717	$ 449	$ 2,976	$ 37,142
Deferred tax liabilities:				
Investment income from foreign investees	($ 30,601)	($ 7,560)	$ -	($ 38,161)
Subtotal	($ 30,601)	($ 7,560)	$ -	($ 38,161)
Total	$ 3,116	($ 7,111)	$ 2,976	($ 1,019)

	2020			
	January 1	Recognized in income	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Unrealized provisions for warranty	$ 6,894	($ 1,670)	$ -	$ 5,224
Unrealized gross margin	8,850	(2,501)	-	6,349
Decline in value of inventories	23,420	(8,622)	-	14,798
Currency translation differences	1,689	-	1,485	3,174
Others	5,150	(978)	-	4,172
Subtotal	$ 46,003	($ 13,771)	$ 1,485	$ 33,717
Deferred tax liabilities:				
Investment income from foreign investees	($ 27,000)	($ 3,601)	$ -	($ 30,601)
Subtotal	($ 27,000)	($ 3,601)	$ -	($ 30,601)
Total	$ 19,003	($ 17,372)	$ 1,485	$ 3,116

4. The Tax Authority has examined the Company’s income tax returns through 2019.

(XXII) Earnings per share

	2021		
	After-tax amount	Weighted average number of ordinary shares outstanding (in thousand)	Earnings per share (in dollars)
Basic earnings per share:			
Net income	$ 451,025	106,803	$ 4.22
Diluted earnings per share:			
Effect of dilutive potential ordinary shares:			
Employees' bonuses		794	
Diluted earnings per share:			
The effect of net profit plus potential ordinary shares	$ 451,025	107,597	$ 4.19

	2020		
	After-tax amount	Weighted average number of ordinary shares outstanding (in thousand)	Earnings per share (in dollars)
Basic earnings per share:			
Net income	$ 382,810	106,800	$ 3.58
Diluted earnings per share:			
Effect of dilutive potential ordinary shares:			
Employees' bonuses		725	
Diluted earnings per share:			
The effect of net profit plus 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 2021 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.

(XXIII) Supplemental cash flow information

Partial cash payments for investing activities:

	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	$ 19,004	$ 8,389
Add: Opening balance of payable on equipment	1,296	-
Less: Ending balance of payable on equipment	(1,034)	(1,296)
Cash paid during the period	$ 19,266	$ 7,093

(XXIV) Change of liabilities from financing activities

	For the years ended December 31, 2021 Lease liability	For the years ended December 31, 2020 Lease liability
January 1	$ 2,397	$ 20,857
Change of cash flow from financing activities	(19,221)	(18,460)
Change of non-cash flow	65,702	-
December 31	$ 48,878	$ 2,397

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) Names of related parties and relationship

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.
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 (Note 1)
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
ASUS TECHNOLOGY INC.	Fellow subsidiary — same as ultimate parent entity
ASKEY COMPUTER CORP.	Fellow subsidiary — same as ultimate parent entity
ASUS COMPUTER INTERNATIONAL	Fellow subsidiary — same as ultimate parent entity
AAEON ELECTRONICS, INC,	Subsidiary company of the Company
AAEON TECHNOLOGY (EUROPE) B.V.	Subsidiary company of the Company
AAEON TECHNOLOGY SINGAPORE PTE. LTD.	Subsidiary company of the Company
AAEON TECHNOLOGY (SUZHOU) INC.	Subsidiary company of the Company
ONYX HEALTHCARE USA, INC.	Subsidiary company of the Company

Name of related party	Relation
ONYX HEALTHCARE INC.	Subsidiary company of the Company
AAEON INVESTMENT, CO., LTD.	Subsidiary company of the Company
WT MICROELECTRONICS CO.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
TECHMOSA INTERNATIONAL INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
MORRIHAN INTERNATIONAL CORP.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
NUVISION TECHNOLOGY, INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
MAXTEK TECHNOLOGY CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
HONGTECH ELECTRONICS CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
SPARK TECHNOLOGIES INC.	Other related party - the Company's Chairman is first degree relative of GUANG YAN JHIH NENG INC.'s Chairman
LYDS TECH.	Other related party - the Company's Chairman is first degree relative of LIENYANG ELECTRONICS CORP.'s Chairman

Note : WT MICROELECTRONICS CO. and its subsidiary become AAEON'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 products		
Ultimate parent entity	$ 1,390	$ 348
Subsidiary		
AAEON ELECTRONICS, INC.	983,439	878,974
AAEON TECHNOLOGY (EUROPE) B.V.	707,740	481,741
AAEON TECHNOLOGY (SUZHOU) INC.	311,994	322,389
Others	243,601	308,102
Associates	1,364	1,265
Other related party	6,428	6,356
Total	$ 2,255,956	$ 1,999,175

The Company'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 Company 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
Subsidiary	26,109	926
Associates	4,119	14,763
Fellow subsidiary	-	204
Other related party	97,377	45,477
Total	$ 1,175,737	$ 1,027,583

The payment term of related parties to the Company 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 – ASUSTEK COMPUTER INC.	$ 74,841	$ 65,110
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	68,311	83,337
Associates	1,306	1,454
Fellow subsidiary	84	1
Other related party	2,867	2,313
Total	$ 147,409	$ 152,215

The above operating expenses are mainly technical service fees, etc.

4. Other income ,other gains and losses

	For the years ended December 31,	
	2021	2020
Subsidiary		
ONYX HEALTHCARE INC.	$ 2,613	$ 3,667
Others	17	885
Associates	3,027	3,759
Other related party	16,395	15,433
Total	$ 22,052	$ 23,744

The other income above is mainly from the remuneration of directors and supervisors, system maintenance, rental income and service income.

5. Receivables from related parties

	2021/12/31	2020/12/31
Accounts receivable:		
Ultimate parent entity	$ 53	$ -
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	221,870	77,693
AAEON ELECTRONICS, INC.	220,205	54,026
AAEON TECHNOLOGY (SUZHOU) INC.	53,464	42,132
ONYX HEALTHCARE USA, INC.	25,449	31,634
AAEON TECHNOLOGY SINGAPORE PTE.LTD.	13,474	11,638
ONYX HEALTHCARE INC.	6,292	2,776
Associates	325	813
Other related party	2,558	671
Total	$ 543,690	$ 221,383

	2021/12/31	2020/12/31
Other receivables:		
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	$ -	$ 6,742
AAEON TECHNOLOGY (SUZHOU) INC.	266	775
ONYX HEALTHCARE INC.	131	229
Others	55	-
Associates	252	600
Other related party	2,720	-
Total	$ 3,424	$ 8,346

6. Payables from related parties

	2021/12/31	2020/12/31
Accounts Payable		
Ultimate parent entity – ASUSTEK COMPUTER INC.	$ 75,332	$ 55,938
Subsidiary	11,680	160
Associate	309	121
Other related party	16,853	7,008
Total	$ 104,174	$ 63,227
Other Payables		
Ultimate parent entity – ASUSTEK COMPUTER INC.	$ 46,917	$ 40,135
Subsidiary	11,283	4,610
Other related party	623	-
Total	$ 58,823	$ 44,745

7. Lease transaction-leasee

(1) Right-of-use assets

	For the years ended December 31,	
	2021	2020
Subsidiary		
ONYX HEALTHCARE INC.	$ 19,924	$ -

The Company leases office from its subsidiaries, increase in right-of use assets and lease liabilities which are amounted $19,924 in the year of 2021, separately.

(2) Lease liabilities

	2021/12/31	2020/12/31
Subsidiary		
ONYX HEALTHCARE INC.	$ 17,786	$ -

The Company leases office from its subsidiaries, the lease period is from September, 2021 to August, 2024, the Company has paid $2,138 for the year ended December 31, 2021.

8. Guarantee deposits

	2021/12/31	2020/12/31
Subsidiary		
ONYX HEALTHCARE INC.	$ 1,148	$ -

The security deposit for lease.

(IV) Key management remuneration

	2021	2020
Salaries and other short-term employee benefits	$ 46,451	$ 51,005
Post-employment benefits	1,076	1,070
Total	$ 47,527	$ 52,075

VIII. Pledged Assets

None.

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of December 31, 2021, the Company 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 (13) 6.

XII. Others Matters

(I) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company 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 loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 401,777	$ 420,839
Financial assets measured at amortized cost/ loans and receivables		
Cash and cash equivalents	1,362,293	2,131,484
Notes receivable	2,793	-
Accounts receivable	1,021,659	416,199
Other receivables	35,039	18,314
Guarantee deposits (including other non-current assets)	4,238	3,683
	$ 2,827,799	$ 2,990,519
Financial liability		
Financial liabilities measured at amortized cost		
Accounts payable	$ 452,358	$ 234,286
Other payables	318,158	286,319
	$ 770,516	$ 520,605
Lease liabilities (including current and non-current)	$ 48,878	$ 2,397

2. Risk management policy

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

The Company's control and management strategies are as follows:

(1) Interest rate risk:

The Company 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 Company 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 Company 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 Company'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 management has set up the policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the company's treasury. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD and RMB. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting recognition of costs of purchasing inventories.

C. Since the Company'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 thousand)	Exchange rate	Carrying amount
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
USD : NTD	$ 44,580	27.68	$ 1,233,974
EUR : NTD	167	31.32	5,230
Non-monetary items			
USD : NTD	$ 8,661	27.68	$ 239,736
EUR : NTD	1,151	31.32	36,049

	2021/12/31			
	Foreign currency (in thousand)		Exchange rate	Carrying amount
Financial liability				
Monetary items				
USD : NTD	$	12,273	27.68	$ 339,717
EUR : NTD		197	31.32	6,170

	2020/12/31			
	Foreign currency (in thousand)		Exchange rate	Carrying amount
(Foreign currency: functional currency)				
Financial asset				
Monetary items				
USD : NTD	$	29,401	28.48	$ 837,340
EUR : NTD		601	35.02	21,047
Non-monetary items				
USD : NTD	$	7,725	28.48	$ 220,008
EUR : NTD		971	35.02	34,004
Financial liability				
Monetary items				
USD : NTD	$	6,959	28.48	$ 198,192
EUR : NTD		106	35.02	3,712

E. The overall realized and unrealized foreign exchange losses of the Company's monetary items that may be significantly affected by exchange rate fluctuations in 2021 and 2020 were $20,445 and $36,023, respectively.

F. The Company’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 profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
USD : NTD	1%	$ 12,340	$ -
EUR : NTD	1%	52	-

	For the year ended December 31, 2021		
	Sensitivity analysis		
	Extent of change	Effect on profit or loss	Effect on other comprehensive income
Financial liability			
Monetary items			
USD : NTD	1%	$ 3,397	$ -
EUR : NTD	1%	62	-

	For the year ended December 31, 2020		
	Sensitivity analysis		
	Extent of change	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
USD : NTD	1%	$ 8,373	$ -
EUR : NTD	1%	210	-
Financial liability			
Monetary items			
USD : NTD	1%	$ 1,982	$ -
EUR : NTD	1%	37	-

Price risk

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

B. The Company 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 nine-month periods ended December 31, 2021 and 2020 by $3,658 and $3,834, respectively.

Cash flow and fair value interest rate risk

The Company has no significant interest rate exposures for debt instruments.

(2) Credit risk

A. The Company 's credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss for the Company 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 Company 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 Company'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 Company adopts IFRS 9 to provide a presumption that default has occurred when contractual payments are more than 90 days past due.

D. The Company 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 Company 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 Company had no recourse claims that had been written off.

G. (1) The Company 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:

	Not yet due	Less than 30 days past due	30 days past due	60 days past due	90 days past due	120 days past due	Total
2021/12/31							
Expected loss rate	0%	0.01%	0.08%	6.19%	17.50%	100%	
Total book value	$ -	$ -	$ 3,172	$ 43	$ -	$ -	$ 3,215
Loss allowance	$ -	$ -	$ 2	$ 3	$ -	$ -	$ 5

	Not yet due	Less than 30 days past due	30 days past due	60 days past due	90 days past due	120 days past due	Total
2020/12/31							
Expected loss rate	0%	0%	0.15%	6.99%	16.53%	100%	
Total book value	$ -	$ -	$ 1,899	$ 210	$ 766	$ -	$ 2,875
Loss allowance	$ -	$ -	$ 2	$ 9	$ 87	$ -	$ 98

(2) The total book values of the accounts receivable-related parties and customers with outstanding credit risk as of December 31, 2021 and 2020 were $1,021,250 and $413,424, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of $8 and $2, respectively.

H. The Company'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	$ 100	$ 1,759
Reverse of impairment loss	(87)	(1,659)
December 31	$ 13	$ 100

From the loss recognized in 2021 and 2020, the reversal of impairment losses for accounts receivable arising from customer contracts were $87 and $1,659, respectively.

(3) Liquidity risk

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

B. The Company’s had available borrowing limits of $396,200 as of December 31, 2021 and 2020.

C. The table below analyzes the Company's non-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:

2021/12/31	Within1year	1-2years	2-5years
Accounts payable	$ 348,184	$ -	$ -
Accounts payable - related party	104,174	-	-
Other payables	318,158	-	-
Lease liabilities	22,782	21,674	5,830
Provisions	21,138	6,014	-

Non-derivative financial liabilities:

2020/12/31	Within1year	1-2years	2-5years
Accounts Payable	$ 171,059	$ -	$ -
Accounts payable - related party	63,227	-	-
Other Payables	286,319	-	-
Lease liabilities	2,408	-	-
Provisions	20,694	5,427	-

D. The Company’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 Company'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 Company 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 Company.

2. Financial instruments not measured at fair value

   The carrying amounts of the Company's cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits (classified in the balance sheet as other non-current asset), notes payable, accounts payable, other payables and lease liabilities are reasonable approximations of 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	$ 341,881	$ 4,575	$ 19,359	$ 365,815
Beneficiary certificates	26,510	-	-	26,510
Hybrid instruments	-	-	9,452	9,452
Total	$ 368,391	$ 4,575	$ 28,811	$ 401,777

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	$ 358,954	$ 5,055	$ 19,360	$ 383,369
Beneficiary certificates	26,452	-	-	26,452
Hybrid instruments	-	-	11,018	11,018
Total	$ 385,406	$ 5,055	$ 30,378	$ 420,839

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

A. The Company 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:

	Shares of listed companies	Open-end funds
Quoted market price	Closing market 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 Company 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. Forward exchange contractss 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 Company '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 years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

5. Movements on Level 3 for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
	Equity instrument	Equity instrument
January 1	$ 30,378	$ 30,288
Loss recognized in income (Note)	(1,567)	90
December 31	$ 28,811	$ 30,378
Changes in unrealized gains or losses of assets and liabilities owned at the end of the period	($ 1,567)	$ 90

Note: Recognized as other gains and losses.

6. There was no transfer into or out from Level 3 for the years 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 unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
Equity instruments:					
Unlisted and non-OTC stocks	$ 19,359	Discounted Cash Flow Approach	Note 1	Not applicable	Note 2
Hybrid instrument:					
Unlisted and non-OTC stocks	$ 45,343	Discounted Cash Flow Approach	Note 1	Not applicable	Note 2
Embedded option	($ 35,891)	Option Pricing Model	Price volatility	Not applicable	The higher the stock price volatility, the higher the fair value

		2020/12/31 Fair value	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
Equity instruments:						
Unlisted and non-OTC stocks	$	19,360	Discounted Cash Flow Approach	Note 1	Not applicable	Note 2
Hybrid instrument:						
Unlisted and non-OTC stocks	$	56,084	Discounted Cash Flow Approach	Note 1	Not applicable	Note 2
Embedded option	($	45,066)	Option Pricing Model	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 Company 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: As of December 31, 2021, the derivative financial assets holds by the Company were expired, please refer to Note 6 (2) for the details of the gain or loss from the settlement of derivative financial assets.

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

(2) Information on investees

Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in mainland China): Please refer to Schedule 5.

(3) Information on investments in China

A. Information on investment in mainland China: Please refer to Schedule 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: 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. Operating segment information

Not Applicable.

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		Relationship with the Company	Financial Statement Account	2021/12/31				Remarks
	Type	Name (Note 1)			Shares	Carrying value (Note2)	Percentage of Ownership (%)	Fair value	
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: Outflow	Investment Flows: Inflow	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
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

	Shares	
Name of major shareholder	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

AAEON Technology Inc.
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 1

Item	Summary				Amount	
Reserve cash					$	397
Petty cash						130
Bank deposit						
Demand deposit						1,150,206
Foreign currency demand deposit	USD	7,453,928.90	Rate	27.68		206,325
	EUR	166,412.81	Rate	31.32		5,212
	JPY	2,332	Rate	0.2405		1
	HKD	6,137.49	Rate	3.549		22
					$	1,362,293

AAEON Technology Inc.
DETAILS OF FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 2

Financial Commodities	Summary	Number of Shares/ Units	Par value (in dollars)	Total	Interest rate	Acquisition costs	Fair value Price	Fair value Total	Remarks
Listed and OTC stocks									
Advantech Co., Ltd.		802	$ 10	$ 8	-	$ 35	$ 396.50	$ 318	
MACHVISION,INC.		1,180,198	10	11,802	-	81,221	279.00	329,275	
ATECH OEM INC.		234	10	2	-	4	11.90	3	
Unitech Electronics Co., Ltd.		549,657	10	5,497	-	15,504	22.35	12,285	
Subtotal				$ 17,309		$ 96,764		$ 341,881	
Emerging stocks									
Allied Biotech Co.		300,000	$ 10	$ 3,000	-	$ 3,000	15.25	$ 4,575	
Unlisted and non-OTC stocks									
TELEION WIRELESS, INC.		149,700	10	1,497	-	8,639	-	-	
LILEE SYSTEMS Ltd.		468,750	10	4,688	-	43,405	-	-	
Subtotal				$ 6,185		$ 52,044		$ -	
Open-end funds									
Mega Diamond Money Market		2,091,070		$ 25,000		$ 25,000	12.6776	$ 26,510	
Total						$ 176,808		$ 372,966	

AAEON Technology Inc.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 3

Clients name	Amount
Accounts receivable	
MXC003	$ 130,042
EUK061	118,978
Others	228,962
	477,982
Less : Allowance for bad debt	(13)
	$ 477,969
Accounts receivable - related party	
AAEON TECHNOLOGY (EUROPE) B.V.	$ 221,870
AAEON ELECTRONICS, INC.	220,205
AAEON TECHNOLOGY (SUZHOU) INC.	53,464
Others	48,151
	$ 543,690

Note: Each individual customer balance did not exceed 5% of the account balance.

AAEON Technology Inc.
DETAILS OF INVENTORY
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 4

Item	Amount: Cost	Amount: Net realisable value	Remarks
Raw material	$ 666,322	$ 634,653	Allowance for inventory valuation and obsolescence losses are from the lower of the acquisition cost or net realizable value.
Work in progress	325,135	319,520	
Finished good	105,834	132,521	
Merchandise inventory	18,433	18,352	
Inventories in transit	1,304	1,304	
	1,117,028	$ 1,106,350	
Less: Allowance for Inventory Valuation and Obsolescence Losses	(59,394)		
	$ 1,057,634		

AAEON Technology Inc.
CHANGE IN INVESTMENTSACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 5

	January 1, 2021		Increase (Note 1)		Decrease (Note 2)				December 31, 2021			Market price or net equity		
Name	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Investment gains (losses)	Other changes (Note 3)	Number of shares	Ownership (%)	Amount	Price	Total	Guarantees or Collaterals
AAEON ELECTRONICS, INC. (AEI)	490,000	$ 208,801	-	$ -	-	$ -	$ 25,783	($ 12,928)	490,000	100	$ 221,656	$ 489	$ 239,738	None
AAEON TECHNOLOGY SINAPORE PTE LTD. (ASG)	465,840	49,158	-	-	-	-	6,990	(2,895)	465,840	100	53,253	117	54,468	"
AAEON TECHNOLOGY CO., LTD (ATCL)	8,807,097	217,064	-	-	-	-	26,811	(2,925)	8,807,097	100	240,950	29	252,159	"
AAEON TECHNOLOGY(EUROPE)B.V.(ANI)	-	32,617	-	-	-	-	5,245	(6,416)	-	100	31,446	-	36,052	"
AAEON INVESTMENT, CO., LTD.	15,000,000	124,554	-	-	-	-	(5,175)	-	15,000,000	100	119,379	8	119,379	"
ONYX HEALTHCARE INC.	13,756,431	512,615	1,375,643	-	-	(75,660)	63,961	(2,368)	15,132,074	50.00	498,548	105	1,581,302	"
LITEMAX ELECTRONICS INC.	5,015,050	101,813	-	-		(9,024)	12,604	(1,497)	5,015,050	11.99	103,896	37	185,808	"
IBASE TECHNOLOGY INC.	52,921,856	3,330,242	-	-		(96,952)	11,609	12,110	52,921,856	31.91	3,257,009	41	2,156,566	"
Subtotal		$ 4,576,864		$ -		($ 181,636)	$ 147,828	($ 16,919)			$ 4,526,137			

Note 1: Acquisition of investee's stock dividends.
Note 2: The Company received cash dividends of $181,636 from the investee.
Note 3: Recognition and adjustment of the investee's unrealized loss of financial assets measured by fair value through other comprehensive income, cumulative translation adjustment, changes on unrealized gains, effect from long-term investment that has not been recognized based on shareholding percentage, and the effect of share-based payments.

AAEON Technology Inc.
NOTES AND ACCOUNTS PAYABLE-NON-RELATED PARTIES
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 6

Customer name	Amount
A	$ 61,397
B	21,733
Others (Note)	265,054
Total	$ 348,184

Note: Each individual supplier balance did not exceed 5% of the accounts payable balance.

AAEON Technology Inc.
OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 7

Item	Amount
Merchandise inventory	
Inventory at January 1	$ 6,055
Add: Purchases	96,110
Raw materials and work in progress transitioned into sales	173,408
Less: Inventory at December 31	(18,433)
Merchandise transitioned into work in progress	(8,779)
Merchandise transitioned into fees and others	(2,747)
Cost of merchandise purchased and sold	245,614
Direct materials	
Raw material at January 1 (including materials and supplies in transit)	306,499
Add: Materials purchased	2,122,521
Less: Raw materials at December 31	(667,626)
Raw materials transitioned into merchandise inventory	(89,994)
Raw materials transitioned into fees and others	(23,667)
Raw materials used	1,647,733
Direct labor	62,307
Production overheads	158,947
Manufacturing costs	1,868,987
Work in progress at January 1	215,285
Add: Work in progress purchased	359,015
Merchandise transitions	8,779
Less: Work in progress at December 31	(325,135)
Work in progress transitioned into merchandise inventory	(83,414)
Work in progress transitioned into fees and others	(56,035)
Cost of finished goods	1,987,482
Finished goods at January 1	100,088
Add: Finished goods purchased	1,044,141
Less: Finished goods at December 31	(105,834)
Cost of self-manufactured goods sold	3,025,877
Cost of conversion and other operating costs	52,372
Cost of inventory sold	3,323,863
Loss on inventory valuation and obsolescence	46,325
Compensation income from inventories	(22,537)
Others	(38)
Cost of sales	$ 3,347,613

AAEON Technology Inc.
MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 8

Item	Amount	Remarks
Indirect labor	$ 84,448	
Depreciation expense	25,870	
Insurance premium	13,182	
Others	35,447	Note: Each of the account did not exceed 5% of the total manufacturing overhead.
	$ 158,947	

AAEON Technology Inc.
SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 9

Item	Amount	Remarks
Technical service fees	$ 68,311	
Salaries and wages expenditure	61,018	
Others	24,303	Note: Each of the account did not exceed 5% of the total account balance.
	$ 153,632	

AAEON Technology Inc.
RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 10

Item	Amount	Remarks
Salaries and wages expenditure	$ 216,724	
Technical service fees	73,377	
Research expenses	35,699	Each of the account did not exceed 5% of the total account balance.
Others	68,932	
	$ 394,732	