

AAEON Technology Inc and Subsidiaries
Consolidated Financial Statements
With Independent Auditor's Review Report Thereon
June 30, 2021 and 2020
(Stock Code: 6579)

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

AAEON Technology Inc. and Subsidiaries
Consolidated Financial Statements
With Independent Auditor's Review Report Thereon June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

(2021)Cai-Shen-Bao-21000973

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

Introduction

We have reviewed the accompanying consolidated balance sheets of AAEON Technology Inc. and its subsidiaries (the "Group") as of June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month periods ended June 30, 2021 and 2020, and for the six-month periods ended June 30, 2021 and 2020, as well as the consolidated statement of changes in equity and cash flows for the six-month periods ended June 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. It is the responsibility of the management to prepare and ensure fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, international financial reporting standards approved by the Financial Supervisory Commission, and IAS 34 - "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as described in the following paragraph, we conducted our reviews in accordance with Statement on Auditing Standards No. 65 - "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As mentioned in Note 4(3) of the consolidated financial statements, some non-significant subsidiaries were consolidated using non-auditor reviewed financial statements for the corresponding period, which the sum of assets represented by such subsidiaries totaled \$810,995 thousand and \$716,750 thousand as of June 30, 2021 and 2020, and accounted for 7.98% and 7.22% of consolidated total assets, respectively; they also represented \$162,165 thousand and \$132,270 thousand of total liabilities, which accounted for 7.27% and 6.96% of consolidated total liabilities, respectively, and total comprehensive income (loss) amounting to \$(4,553) thousand, \$5,046 thousand, \$3,774 thousand, and \$(13,925) thousand, constituting (27.78%), 1.86%, 5.96% and (6.68%) of consolidated total comprehensive income (loss) for the three-month periods ended June 30, 2021 and 2020, and for the six-month periods ended June 30, 2021 and 2020, respectively. These amounts and the related information disclosed in the accompanying consolidated financial statements were based on the unreviewed financial statements of consolidated subsidiaries and investments accounted for under equity method.

Qualified conclusion

Based on our reviews and the reports of other independent auditors (please refer to other matter), none of the material disclosures of the consolidated financial statements mentioned above exhibited any misstatement that did not conform with Regulations Governing the Preparation of Financial Reports by Securities Issuers or the version of IAS 34 - "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission, or compromised the fair view of the consolidated financial position of AAEON as of June 30, 2021 and 2020, and of its consolidated financial performance for the three-month periods ended June 30, 2021 and 2020, and for the six-month periods ended June 30, 2021 and 2020 and its consolidated cash flow for the six-month periods ended June 30, 2021 and 2020, except for the matters discussed in the "Basis for qualified conclusion" paragraph and potential adjustments to the consolidated financial statements if financial statements of non-significant subsidiaries were to be auditor-reviewed.

Other matter – Reference to the reviews of other independent auditors

We did not review the financial statements of certain investments accounted for under equity method. Those financial statements were reviewed by other independent auditors whose reports thereon have been furnished to us and our conclusion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors. These investments accounted for under equity method amounted to \$3,855,655 thousand and \$3,879,418 thousand as of June 30, 2021 and 2020, which accounted for 37.95% and 39.08% of consolidated total assets on the respective dates; total comprehensive income recognized from the above companies amounted to \$8,884 thousand, \$14,196 thousand, \$23,658 thousand and \$(7,921) thousand, constituting 54.2%, 5.23%, 37.36% and (3.8%) of consolidated comprehensive income for the three-month periods ended June 30, 2021 and 2020, and for the six-month periods ended June 30, 2021 and 2020, respectively.

PwC Taiwan

Certified Public Accountant

Weng, Shih-Rong

Lin, Chun-Yao

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


(Formerly known as) Securities and Futures Commission, The Ministry of Finance
Approval reference: (1996)Tai-Tsai-Cheng (VI) No. 68702

August 6, 2021

Notes to Readers

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

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


AAEON Technology Inc. and Subsidiaries
Consolidated Balance Sheets
June 30, 2021, December 31, 2020 and June 30, 2020
 (The consolidated balance sheets as of June 30, 2021 and 2020, were reviewed, not audited)
 (Expressed in thousands of New Taiwan Dollars)

Assets	Notes	June 30, 2021		December 31, 2020		June 30, 2020		
		Amount	%	Amount	%	Amount	%	
Current asset								
1100	Cash and cash equivalents	6. (1)	\$ 2,500,009	25	\$ 2,727,931	28	\$ 2,545,180	25
1110	Financial asset at fair value	6. (2)						
	through profit or loss - current		409,371	4	456,957	5	462,856	5
1150	Net notes receivable	6. (4)	7,441	-	16,870	-	7,352	-
1170	Net accounts receivable	6. (4)	748,852	7	661,456	7	925,322	9
1200	Other receivables	7	177,029	2	21,773	-	207,705	2
130X	Inventories	6. (5)	1,191,433	12	826,311	9	978,575	10
1410	Prepayments		105,340	1	67,079	1	72,660	1
1479	Other current assets - other	8	14,102	-	15,467	-	3,448	-
11XX	Total current assets		<u>5,153,577</u>	<u>51</u>	<u>4,793,844</u>	<u>50</u>	<u>5,203,098</u>	<u>52</u>
Non-current assets								
1510	Financial asset at fair value	6. (2)						
	through profit or loss -							
	non-current		65,193	1	68,639	1	62,156	1
1517	Financial asset at fair value	6. (3)						
	through other comprehensive							
	income - non-current		2,381	-	2,381	-	2,381	-
1550	Investments accounted for	6. (6)						
	under equity method		3,855,655	38	3,969,157	41	3,879,418	39
1600	Property, plant and equipment	6. (7), 8	809,307	8	564,531	6	579,782	6
1755	Right-of-use assets	6. (8)	100,321	1	33,139	-	52,007	-
1760	Investment property		76,050	1	54,057	1	54,272	1
1780	Intangible assets		20,526	-	24,669	-	22,361	-
1840	Deferred tax assets		61,511	-	50,626	1	59,982	1
1900	Other non-current assets	8	14,615	-	16,075	-	11,922	-
15XX	Total non-current assets		<u>5,005,619</u>	<u>49</u>	<u>4,783,274</u>	<u>50</u>	<u>4,724,281</u>	<u>48</u>
1XXX	Total assets		<u>\$ 10,159,196</u>	<u>100</u>	<u>\$ 9,577,118</u>	<u>100</u>	<u>\$ 9,927,379</u>	<u>100</u>

(Continued)

AAEON Technology Inc. and Subsidiaries
Consolidated Balance Sheets

June 30, 2021, December 31, 2020 and June 30, 2020

(The consolidated balance sheets as of June 30, 2021 and 2020, were reviewed, not audited)
(Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	June 30, 2021		December 31, 2020		June 30, 2020		
		Amount	%	Amount	%	Amount	%	
Current liability								
2100	Short-term borrowings	6. (9), 8	\$ 84,641	1	\$ 38,875	1	\$ 64,767	1
2130	Contract liability - current	6. (18)	202,478	2	174,971	2	124,185	1
2150	Notes payables		1,648	-	725	-	-	-
2170	Accounts payables	7	580,865	6	327,414	4	455,105	5
2200	Other payables	6. (12), 7	888,482	9	385,235	4	932,062	10
2230	Current tax liabilities		47,458	1	86,916	1	118,057	1
2250	Provisions - current		27,014	-	27,366	-	29,124	-
2280	Lease liability - current		32,775	-	20,509	-	33,537	-
2320	Long-term liabilities-current	6. (11), 8						
	Portion		10,691	-	-	-	-	-
2399	Other current liabilities - other		28,261	-	26,709	-	24,948	-
21XX	Total current liabilities		<u>1,904,313</u>	<u>19</u>	<u>1,088,720</u>	<u>12</u>	<u>1,781,785</u>	<u>18</u>
Non-current liabilities								
2527	Contract liability - non-current	6. (18)	54,418	-	59,844	1	67,684	1
2540	Long-term borrowings	6. (11), 8	160,426	2	-	-	-	-
2550	Provisions - non-current		7,108	-	7,369	-	7,204	-
2570	Deferred tax liabilities		32,046	-	33,389	-	24,479	-
2580	Lease liability - non-current		69,053	1	13,560	-	19,169	-
2670	Other non-current liabilities - other		2,492	-	1,783	-	1,394	-
25XX	Total non-current liabilities		<u>325,543</u>	<u>3</u>	<u>115,945</u>	<u>1</u>	<u>119,930</u>	<u>1</u>
2XXX	Total Liabilities		<u>2,229,856</u>	<u>22</u>	<u>1,204,665</u>	<u>13</u>	<u>1,901,715</u>	<u>19</u>
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Share capital-common stock	6. (15)	1,484,985	15	1,484,985	16	1,484,985	15
Capital surplus								
3200	Capital surplus	6. (14) (16)	5,412,319	53	5,473,802	56	5,391,728	53
Retained earnings								
3310	Legal reserve	6. (17)	425,624	4	387,553	4	387,553	4
3320	Special reserve		53,278	1	63,315	1	63,315	1
3350	Unappropriated retained earnings		140,729	1	484,744	5	299,662	3
Other Equity								
3400	Other equity		(61,908)	(1)	(53,278)	-	(78,439)	-
31XX	Total equity attributable to owners of parent		<u>7,455,027</u>	<u>73</u>	<u>7,841,121</u>	<u>82</u>	<u>7,548,804</u>	<u>76</u>
36XX	Non-controlling interests	4. (3)	<u>474,313</u>	<u>5</u>	<u>531,332</u>	<u>5</u>	<u>476,860</u>	<u>5</u>
3XXX	Total equity		<u>7,929,340</u>	<u>78</u>	<u>8,372,453</u>	<u>87</u>	<u>8,025,664</u>	<u>81</u>
Material Contingent Liabilities and 9								
Unrecognized Contractual								
Commitments								
3X2X	Total liabilities and equity		<u>\$ 10,159,196</u>	<u>100</u>	<u>\$ 9,577,118</u>	<u>100</u>	<u>\$ 9,927,379</u>	<u>100</u>

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

Chairman: Yung-Shun Chuang

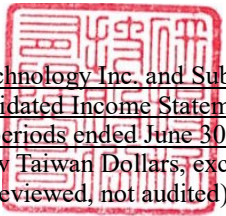


Manager: Chien-Hung Lin




Accounting Supervisor: Jen-Chung Wang




AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
For the six-month periods ended June 30, 2021 and 2020
 (Expressed in thousands of New Taiwan Dollars, except earnings per share data)
 (Reviewed, not audited)

Item	Notes	For the three-month periods ended June 30,				For the six-month periods ended June 30,				
		2021		2020		2021		2020		
		Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating income	6. (18), 7	\$ 1,404,716	100	\$ 1,602,325	100	\$ 2,671,271	100	\$ 3,000,526	100
5000	Operating cost	6. (5)(22)(23), 7.	(1,026,980)	(73)	(1,072,346)	(67)	(1,918,333)	(72)	(2,015,804)	(67)
5900	Operating profit		<u>377,736</u>	<u>27</u>	<u>529,979</u>	<u>33</u>	<u>752,938</u>	<u>28</u>	<u>984,722</u>	<u>33</u>
	Operating expenses	6. (13)(22)(23), 7.								
6100	Selling expense		(120,601)	(9)	(135,406)	(8)	(244,129)	(9)	(296,146)	(10)
6200	General and administrative expenses		(72,693)	(5)	(65,106)	(4)	(146,427)	(5)	(129,086)	(4)
6300	Research and development expenses		(118,188)	(8)	(125,870)	(8)	(244,645)	(9)	(235,814)	(8)
6450	Expected credit impairment loss or (gain)	12. (2)	<u>269</u>	-	<u>784</u>	-	<u>240</u>	-	(287)	-
6000	Total operating expense		(<u>311,213</u>)	(<u>22</u>)	(<u>325,598</u>)	(<u>20</u>)	(<u>634,961</u>)	(<u>23</u>)	(<u>661,333</u>)	(<u>22</u>)
6900	Operating income		<u>66,523</u>	<u>5</u>	<u>204,381</u>	<u>13</u>	<u>117,977</u>	<u>5</u>	<u>323,389</u>	<u>11</u>
	Non-operating income and expenses									
7100	Interest income		1,377	-	2,252	-	2,435	-	4,422	-
7010	Other income	6. (19)	9,060	-	16,220	1	12,129	-	19,111	-
7020	Other gains and losses	6. (20)	(41,411)	(3)	92,256	6	(52,938)	(2)	(39,435)	(1)
7050	Financial costs	6. (21)	(946)	-	(898)	-	(1,831)	-	(1,718)	-
7060	Share of the profit of associates and joint ventures accounted for under equity method	6. (6)	<u>13,253</u>	<u>1</u>	(<u>5,057</u>)	(<u>1</u>)	<u>21,011</u>	<u>1</u>	(<u>870</u>)	-
7000	Total non-operating income and expenses		(<u>18,667</u>)	(<u>2</u>)	<u>104,773</u>	<u>6</u>	(<u>19,194</u>)	(<u>1</u>)	(<u>18,490</u>)	(<u>1</u>)
7900	Profit (loss) before income tax		<u>47,856</u>	<u>3</u>	<u>309,154</u>	<u>19</u>	<u>98,783</u>	<u>4</u>	<u>304,899</u>	<u>10</u>
7950	Income tax expenses	6. (24)	(<u>18,259</u>)	(<u>1</u>)	(<u>49,664</u>)	(<u>3</u>)	(<u>25,802</u>)	(<u>1</u>)	(<u>80,279</u>)	(<u>2</u>)
8200	Profit for the period		<u>\$ 29,597</u>	<u>2</u>	<u>\$ 259,490</u>	<u>16</u>	<u>\$ 72,981</u>	<u>3</u>	<u>\$ 224,620</u>	<u>8</u>

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AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
For the six-month periods ended June 30, 2021 and 2020
 (Expressed in thousands of New Taiwan Dollars, except earnings per share data)
 (Reviewed, not audited)

Item	Notes	For the three-month periods ended June 30,				For the six-month periods ended June 30,				
		2021		2020		2021		2020		
		Amount	%	Amount	%	Amount	%	Amount	%	
Other comprehensive income										
Components of other comprehensive income that will not be reclassified to profit or loss										
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method - not to be reclassified to profit or loss in subsequent periods	6. (6)	(\$ 2,129)	-	\$ 21,501	1	\$ 4,377	-	(\$ 1,406)	-
8310	Total amount not to be reclassified to profit or loss in subsequent periods		(2,129)	-	21,501	1	4,377	-	(1,406)	-
Components of other comprehensive income that will be reclassified to profit or loss										
8361	Financial statements translation differences of foreign operations		(11,041)	(1)	(8,864)	-	(15,368)	(1)	(11,508)	(1)
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method - to be reclassified to profit or loss	6. (6)	(2,240)	-	(2,248)	-	(1,730)	-	(5,645)	-
8399	Income tax relating to the components of other comprehensive income	6. (24)	2,205	-	1,791	-	3,069	-	2,347	-
8360	Total amount to be reclassified to profit or loss in subsequent periods		(11,076)	(1)	(9,321)	-	(14,029)	(1)	(14,806)	(1)
8500	Total comprehensive income		\$ 16,392	1	\$ 271,670	17	\$ 63,329	2	\$ 208,408	7
Net income attributable to:										
8610	Shareholders of the parent		\$ 20,192	1	\$ 231,500	14	\$ 56,245	2	\$ 196,653	7
8620	Non-controlling interests		9,405	1	27,990	2	16,736	1	27,967	1
			\$ 29,597	2	\$ 259,490	16	\$ 72,981	3	\$ 224,620	8
Total comprehensive income attributable to:										
8710	Shareholders of the parent		\$ 7,390	-	\$ 243,957	15	\$ 47,615	1	\$ 181,529	6
8720	Non-controlling interests		9,002	1	27,713	3	15,714	1	26,879	1
			\$ 16,392	1	\$ 271,670	17	\$ 63,329	2	\$ 208,408	7
Basic earnings per share										
9750	Total basic earnings per share	6. (25)	\$	0.19	\$	2.17	\$	0.53	\$	1.84
Diluted earnings per share										
9850	Total diluted earnings per share	6. (25)	\$	0.19	\$	2.16	\$	0.53	\$	1.83

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

Chairman: Yung-Shun Chuang



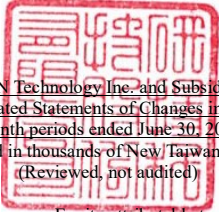
Manager: Chien-Hung Lin

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Accounting Supervisor: Jen-Chung Wang




 AAEON Technology Inc. and Subsidiaries
 Consolidated Statements of Changes in Equity
 For the six-month periods ended June 30, 2021 and 2020
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

Equity attributable to owners of parent												
	Notes	Retained earnings					Other Equity			Total	Non-controlling interests	Total equity
		Common share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Remeasurements of defined benefit plans			
<u>For the six-month period ended June 30, 2020</u>												
Balance on January 1, 2020		\$ 1,484,985	\$ 5,348,750	\$ 332,568	\$ 45,314	\$ 652,212	(\$ 36,180)	(\$ 25,004)	(\$ 2,131)	\$ 7,800,514	\$ 515,999	\$ 8,316,513
Profit for the period		-	-	-	-	196,653	-	-	-	196,653	27,967	224,620
Other comprehensive income		-	-	-	-	-	(13,612)	(1,512)	-	(15,124)	(1,088)	(16,212)
Total comprehensive income		-	-	-	-	196,653	(13,612)	(1,512)	-	181,529	26,879	208,408
Appropriations of 2019 earnings	6. (17)											
Legal reserve		-	-	54,985	-	(54,985)	-	-	-	-	-	-
Special reserve		-	-	-	18,001	(18,001)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(475,195)	-	-	-	(475,195)	-	(475,195)
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (6)(16)	-	35,372	-	-	-	-	-	-	35,372	-	35,372
Change in associates and joint ventures accounted for under equity method	6. (6)(16)	-	(284)	-	-	-	-	-	-	(284)	-	(284)
Share-based Payment	6. (14)(16)	-	7,890	-	-	(1,022)	-	-	-	6,868	-	6,868
Changes in non-controlling interests-cash dividends	4. (3)	-	-	-	-	-	-	-	-	-	(66,018)	(66,018)
Balance at June 30, 2020		<u>\$ 1,484,985</u>	<u>\$ 5,391,728</u>	<u>\$ 387,553</u>	<u>\$ 63,315</u>	<u>\$ 299,662</u>	<u>(\$ 49,792)</u>	<u>(\$ 25,516)</u>	<u>(\$ 2,131)</u>	<u>\$ 7,548,804</u>	<u>\$ 476,860</u>	<u>\$ 8,025,664</u>

(Continued)

AAEON Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
For the six-month periods ended June 30, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars)
(Reviewed, not audited)

Equity attributable to owners of parent

	Notes	Retained earnings					Other Equity			Total	Non-controlling interests	Total equity
		Common share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans			
<u>For the six-month period ended June 30, 2021</u>												
Balance on January 1, 2021		\$ 1,484,985	\$ 5,473,802	\$ 387,553	\$ 63,315	\$ 484,744	(\$ 47,317)	(\$ 3,830)	(\$ 2,131)	\$ 7,841,121	\$ 531,332	\$ 8,372,453
Profit for the period		-	-	-	-	56,245	-	-	-	56,245	16,736	72,981
Other comprehensive income		-	-	-	-	-	(12,987)	4,357	-	(8,630)	(1,022)	(9,652)
Total comprehensive income		-	-	-	-	56,245	(12,987)	4,357	-	47,615	15,714	63,329
Appropriations of 2019 earnings	6. (17)											
Legal reserve		-	-	38,071	-	(38,071)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	(10,037)	10,037	-	-	-	-	-	-
Cash dividends		-	-	-	-	(371,246)	-	-	-	(371,246)	-	(371,246)
Capital surplus-cash dividend	6. (16)		(74,249)							(74,249)		(74,249)
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (6)(16)	-	(49)	-	-	-	-	-	-	(49)	-	(49)
Change in associates and joint ventures accounted for under equity method	6. (6)(16)	-	2,157	-	-	-	-	-	-	2,157	-	2,157
Share-based Payment	6. (14) (16)	-	10,658	-	-	(980)	-	-	-	9,678	2,913	12,591
Changes in non-controlling interests-cash dividends	4. (3)	-	-	-	-	-	-	-	-	-	(75,646)	(75,646)
Balance at June 30, 2021		\$ 1,484,985	\$ 5,412,319	\$ 425,624	\$ 53,278	\$ 140,729	(\$ 60,304)	\$ 527	(\$ 2,131)	\$ 7,455,027	\$ 474,313	\$ 7,929,340

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

Chairman: Yung-Shun Chuang

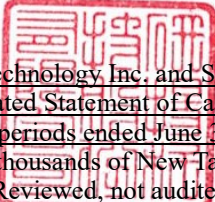


Manager: Chien-Hung Lin




Accounting Supervisor: Jen-Chung Wang




AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the six-month periods ended June 30, 2021 and 2020
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

	Notes	For the six-month periods ended June 30,	
		2021	2020
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 98,783	\$ 304,899
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6. (7) (8) (22)	39,786	45,935
Amortization expenses	6. (22)	7,779	6,231
Expected credit impairment losses (gains)	12.(2)	(240)	287
Costs of share-based payment awards	6. (14)	12,591	6,868
Interest income		(2,435)	(4,422)
Dividends income	6. (19)	(5,880)	(13,369)
Interest expenses	6. (8) (9) (21)	1,831	1,718
Net gains from financial assets and liabilities at fair value through profit or loss	6. (2) (10) (20)	51,088	55,486
Losses on disposal of property, plant and equipment	6. (7) (20)	90	9
Depreciation expense of investment property (other gains and losses)	6 (20)	3,061	2,576
Share of profit of associates accounted for under equity method	6. (6)	(21,011)	870
Lease modification loss	6. (8)(20)	6	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		(56)	(8,174)
Notes and accounts receivable		(77,542)	(166,880)
Other receivables		(20,353)	(18,689)
Inventories		(365,122)	(39,598)
Prepayments		(38,261)	(16,512)
Net changes in operating liabilities			
Contract liability		22,081	13,380
Notes and accounts payable		254,374	(28,375)
Other payables		(17,828)	5,980
Other current liabilities		1,552	584
Provisions for liabilities		(613)	(9,250)
Net cash from operating activities		(56,319)	139,554
Interest received		2,435	4,422
Interest paid		(1,831)	(1,718)
Income taxes paid		(76,115)	(68,312)
Net cash flows from operating activities		(131,830)	73,946

(Continued)


AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the six-month periods ended June 30, 2021 and 2020
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

	Notes	For the six-month periods ended June 30,	
		2021	2020
<u>Cash flows from investing activities</u>			
(Increase) decrease in other current assets		\$ 1,365	(\$ 1,100)
Acquisition of investments accounted for under equity method	6. (6)	(4,659)	(18,286)
Acquisition of property, plant and equipment	6. (26)	(296,779)	(11,738)
Disposal of property, plant and equipment	6. (7)	1,052	230
Acquisition of intangible asset		(3,086)	(4,000)
Increase in other non-current assets		314	(1,136)
Dividends received		14,904	-
Net cash flows used in investing activities		(286,889)	(36,030)
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term borrowings	6 (27)	46,612	20,915
Increase in long-term borrowings	6 (27)	172,000	-
Reimbursement in long-term borrowings	6 (27)	(883)	-
Repayment of lease principal	6. (8)(27)	(20,519)	(23,084)
Decrease in other non-current liabilities		709	(846)
Net cash flows from financing activities		197,919	(3,015)
Effects due to changes in exchange rate		(7,122)	(6,692)
Increase in cash and cash equivalents		(227,922)	28,209
Cash and cash equivalents at the beginning of periods		2,727,931	2,516,971
Cash and cash equivalents at the end of periods		\$ 2,500,009	\$ 2,545,180

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

Chairman: Yung-Shun Chuang




Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang




 AAEON Technology Inc. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
 (Expressed in thousands of New Taiwan Dollars, except as of otherwise indicated)

I. Company Profile

AAEON Technology Co., Ltd. ("the Company") was established in the Republic of China. The main businesses of the company and its subsidiaries ("the Group") include the manufacturing, processing and imports and exports of computer peripherals, electronic components, computer test instruments, computer PCB functional testing, and radio telecommunication equipment and its components; the R&D, design, manufacturing, processing and trading of various industrial computers, medical computers, industrial controllers, quantity controllers and components; industrial computer automation design and services, as well as the import/export of related materials. The Company has been listed on Taiwan Stock Exchange since August 2017. Asustek Computer Co., Ltd. holds 40.72% of the Company's shares (including indirect holdings) and is the Group's ultimate parent company.

II. Date and Procedures for the Authorization of Financial Reports

These consolidated financial statements were reported to the Board of Directors on August 6, 2021.

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:

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

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

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance contracts"	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 following is a description of significant accounting policies in regards to statement of compliance, basis of preparation, basis of consolidation and addition. Unless otherwise stated, all other accounting policies shall remain unchanged from Note 4. of the 2020 consolidated financial statements and apply consistently across all reporting periods.

(I) Compliance Statement

1. These consolidated financial statements of the Group have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 - "Interim Financial Reporting" as endorsed by the FSC.
2. This consolidated financial report shall be read in conjunction with the 2020 consolidated financial report.

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss.
 - (2) Financial assets at fair value through other comprehensive income.
2. For the preparation of financial statements in conformity with the IFRS, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, it requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying

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

(III) Basis of consolidation

1. Preparation principle of consolidated financial statement:

This consolidated financial report has been prepared on the same basis as the 2020 consolidated financial report.

2. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary name	Business	Ownership (%)			Notes
			2021/6/30	2020/12/31	2020/6/30	
AAEON	AAEON ELECTRONICS, INC. (AEI)	Sales of IPC and PC peripherals	100%	100%	100%	
AAEON	AAEON TECHNOLOGY CO., LTD. (ATCL)	Investment of IPC and interface card	100%	100%	100%	Note 1
AAEON	AAEON TECHNOLOGY (EUROPE) B.V.(ANI)	Sales of IPC and PC peripherals	100%	100%	100%	Note 1
AAEON	AAEON INVESTMENT, CO., LTD. (AAEONI)	Investment of IPC and PC peripherals	100%	100%	100%	Note 1
AAEON	ONYX HEALTHCARE INC. (ONYX)	Design, manufacture and sales of medical PC	50.00%	50.00%	50.00%	
AAEON	AAEON TECHNOLOGY SINGAPORE PTE. LTD (ASG)	Sales of IPC and PC peripherals	100%	100%	100%	Note 1
ATCL	AAEON TECHNOLOGY (SUZHOU) INC. (ACI)	Production and sales of IPC and interface card	100%	100%	100%	Note 1
ANI	AAEON TECHNOLOGY GMBH(AGI)	Sales of IPC and PC peripherals	100%	100%	100%	Note 1
ONYX	ONYX HEALTHCARE EUROPE B.V.(ONI)	Marketing support and maintenance of medical PC and peripherals	100%	100%	100%	Note 1

Investor	Subsidiary name	Business	Ownership (%)			Notes
			2021/6/30	2020/12/31	2020/6/30	
ONYX	ONYX HEALTHCARE USA, INC. (OHU)	Sales of medical PC and peripherals	100%	100%	100%	
ONYX	ONYX HEALTHCARE (SHANGHAI) LTD. (OCI)	Sales of medical PC and peripherals	100%	100%	100%	Note 1
ONYX	IHELPER INC. (IHELPER)	R&D and sales of medical robots	46.00%	46.00%	46.00%	Notes 1 and 2

Note 1: Given that the entities did not meet the definitions of material subsidiary, their financial reports as of June 30, 2021 and 2020 were not reviewed by auditors.

Note 2: Although AAEON does not hold more than 50% shareholding, it is included in the preparation of the consolidated financial report as it has control over the Company's financial, operating and personnel policies.

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

The Group's total non-controlling interests as of June 30, 2021, December 31, 2020 and June 30, 2020, amounted to \$474,313, \$531,332 and \$476,860, respectively. The Group's subsidiaries with significant non-controlling interests are as follows:

Subsidiary Name	Main business location	Non-controlling interests 2021/6/30		Non-controlling interests 2020/12/31	
		Amount	Ownership interest	Amount	Ownership interest
ONYX	Taiwan	\$ 465,912	50.00%	\$ 521,419	50.00%

Subsidiary Name	Main business location	Non-controlling interests 2020/6/30	
		Amount	Ownership interest
ONYX	Taiwan	\$ 467,099	50.00%

Summarized financial information of subsidiaries:

Balance sheet

	ONYX		
	2021/6/30	2020/12/31	2020/6/30
Current asset	\$ 696,844	\$ 763,280	\$ 813,407
Non-current assets	940,373	629,925	604,383
Current liability	(449,585)	(279,181)	(407,441)
Non-current liabilities	(247,320)	(61,175)	(66,301)
Total Net Assets	<u>\$ 940,312</u>	<u>\$ 1,052,849</u>	<u>\$ 944,048</u>

Statement of comprehensive income

	ONYX	
	For the three-month periods ended June 30,	
	2021	2020
Income	\$ 252,320	\$ 367,395
Profit before tax	\$ 22,326	\$ 72,043
Income tax expense	(4,002)	(15,183)
Net income	18,324	56,860
Other comprehensive income (net amount after tax)	(1,537)	(553)
Total comprehensive income	<u>\$ 16,787</u>	<u>\$ 56,307</u>
Total comprehensive income attributable to non-controlling interests	\$ 8,515	\$ 30,646
Dividends paid to non-controlling interests	<u>\$ 75,646</u>	<u>\$ 66,018</u>

	ONYX	
	For the six-month periods ended June 30,	
	2021	2020
Income	\$ 525,597	\$ 619,733
Profit before tax	\$ 40,013	\$ 74,492
Income tax expense	(5,027)	(16,232)
Net income	34,986	58,260
Other comprehensive income (net amount after tax)	(2,043)	(2,174)
Total comprehensive income	<u>\$ 32,943</u>	<u>\$ 56,086</u>
Total comprehensive income attributable to non-controlling interests	\$ 17,226	\$ 29,200
Dividends paid to non-controlling interests	<u>\$ 75,646</u>	<u>\$ 66,018</u>

Cash flow statement

	ONYX	
	For the six-month periods ended June 30,	
	2021	2020
Net cash inflow (outflow) from operating activities	(\$ 33,327)	(\$ 53,876)
Net cash flows used in investing activities	(297,484)	(25,414)
Net cash flows from financing activities	230,865	(8,121)
Effects of exchange rate changes on cash and cash equivalents	(3,093)	(1,999)
Increase (decrease) in current cash and cash equivalents	(103,039)	(89,410)
Cash and cash equivalents at the beginning of periods	392,364	408,555
Cash and cash equivalents at the end of periods	<u>\$ 289,325</u>	<u>\$ 319,145</u>

(IV) Income tax

If tax rate changes within a financial period, the Group will recognize impact in the same period in one lump sum. For changes unrelated to income tax and profit or loss, impacts are recognized in other comprehensive income or under equity item. Changes concerning income tax or profit or loss items are recognized through profit or loss.

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

No material changes had taken place in the current period; please refer to Note 5. of the 2020 consolidated financial report.

VI. Details of significant accounts

(I) Cash and cash equivalents

	2021/6/30	2020/12/31	2020/6/30
Reserve cash and working capital	\$ 1,348	\$ 1,554	1,553
Checking accounts and demand deposits	2,431,611	2,676,577	2,472,878
Time deposit	67,050	49,800	70,749
Total	<u>\$ 2,500,009</u>	<u>\$ 2,727,931</u>	<u>\$ 2,545,180</u>

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

(II) Net loss (gains) from financial assets and liabilities

Item	2021/6/30	2020/12/31	2020/6/30
Current:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed and OTC stocks	\$ 173,171	\$ 173,171	\$ 173,171
Emerging stocks	3,000	3,000	3,000
Unlisted and non-OTC stocks	77,744	77,744	77,744
Beneficiary certificates	31,141	31,141	31,141
	285,056	285,056	285,056
Valuation adjustment	124,315	171,901	177,800
Subtotal	\$ 409,371	\$ 456,957	\$ 462,856
Non-current:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted and non-OTC stocks	\$ 59,070	\$ 59,070	\$ 59,070
Hybrid instrument	10,832	10,832	10,832
	69,902	69,902	69,902
Valuation adjustment	(4,709)	(1,263)	(7,746)
Subtotal	\$ 65,193	\$ 68,639	\$ 62,156

1. The hybrid instrument is a contract that contains both a host contract and embedded options of the unlisted company V-net AAEON Corporation Ltd. (hereinafter referred to as V-net). The options provide original shareholders the right to resell/repurchase stocks of the Company and V-net at the original transaction price. Please refer to Note 12 (3) 8 for the fair value as of June 30, 2021, December 31, 2020 and June 30, 2020.
2. Amounts recognized in profit of loss in relation to financial assets at fair value through profit or loss are listed below:

	For the three-month periods ended June 30,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 46,006)	\$ 85,353
Beneficiary certificates	148	475
Derivatives	-	13
Hybrid instrument	(447)	(81)
Total	(\$ 46,305)	\$ 85,760

	For the six-month periods ended June 30,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 49,842)	(\$ 54,545)
Beneficiary certificates	19	(148)
Derivatives	-	(31)
Hybrid instrument	(1,209)	27
Total	(\$ 51,032)	(\$ 54,697)

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

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

Item	2021/6/30	2020/12/31	2020/6/30
Non-current:			
Equity instrument			
Unlisted and non-OTC stocks	\$ 39,334	\$ 39,334	\$ 39,334
Valuation adjustment	(36,953)	(36,953)	(36,953)
Total	\$ 2,381	\$ 2,381	\$ 2,381

1. The Group has elected to classify investment on MELTEN CONNECTED HEALTHCARE INC. that is considered to be strategic investments as financial assets measured at fair value through other comprehensive income. The fair value of the investments amounted to \$2,381 on June 30, 2021, December 31, 2020 and June 30, 2020.
2. Financial assets at fair value through other comprehensive income has no income and comprehensive income recognized for the three-month periods ended June 30, 2021 and 2020, for the six-month periods ended June 30, 2021 and 2020.
3. The Group has no financial assets measured at fair value through other comprehensive income pledged to others.

(IV) Notes and accounts receivables

	2021/6/30	2020/12/31	2020/6/30
Notes receivable	\$ 7,441	\$ 16,870	\$ 7,352
Accounts receivable	\$ 764,857	\$ 677,886	\$ 949,176
Less: Loss allowance	(16,005)	(16,430)	(23,854)
	\$ 748,852	\$ 661,456	\$ 925,322

1. The ageing analysis of notes and accounts receivable is as follows:

Accounts receivable	2021/6/30	2020/12/31	2020/6/30
Not past due	\$ 648,571	\$ 555,375	\$ 664,781
Within 30 days	88,211	95,411	218,116
31-60 days	5,280	10,086	32,625
61-90 days	7,318	689	8,675
91-180 days	409	1,132	9,009
Over 181 days	15,068	15,193	15,970
	\$ 764,857	\$ 677,886	\$ 949,176

Notes receivable	2021/6/30	2020/12/31	2020/6/30
Not past due	\$ 7,441	\$ 16,870	\$ 7,352

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

2. The Group does not hold any financial assets as security for accounts and notes receivables.
3. Balances of accounts and notes receivable as of June 30, 2021, December 31, 2020 and June 30, 2020 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2020 were \$789,648 and \$24,144, respectively.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of June 30, 2021, December 31, 2020 and June 30, 2020 were \$7,441, \$16,870 and \$7,352, respectively, and the maximum exposure to the credit risk of accounts receivable as of June 30, 2021, December 31, 2020 and June 30, 2020 were \$748,852, \$661,456 and \$925,322, respectively.
5. Please refer to Note 12 (2) for credit risk information of notes and accounts receivable.

(V) Inventories

	2021/6/30		
	<u>Cost</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>
Raw material	\$ 713,430	(\$ 80,196)	\$ 633,234
Work in progress	393,442	(40,334)	353,108
Finished good	208,849	(28,818)	180,031
Merchandise Inventories	26,911	(1,861)	25,050
Inventories in transit	10	-	10
Total	<u>\$ 1,342,642</u>	<u>(\$ 151,209)</u>	<u>\$ 1,191,433</u>

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

	2020/6/30		
	<u>Cost</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>
Raw material	\$ 500,382	(\$ 57,088)	\$ 443,294
Work in progress	387,601	(56,816)	330,785
Finished good	205,863	(25,367)	180,496
Merchandise Inventories	17,560	(2,412)	15,148
Inventories in transit	8,852	-	8,852
Total	<u>\$ 1,120,258</u>	<u>(\$ 141,683)</u>	<u>\$ 978,575</u>

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

	For the three-month periods ended June 30,	
	<u>2021</u>	<u>2020</u>
Cost of Inventories sold	\$ 999,321	\$ 1,079,719
Inventories obsolescence and devaluation loss (reversal gain)	48,615 (	13,105)
Losses on disposal of inventories	1,583	1,250
Compensation income from inventories	(22,537)	-
Others	(2)	4,482
	<u>\$ 1,026,980</u>	<u>\$ 1,072,346</u>

	For the six-month periods ended June 30,	
	2021	2020
Cost of Inventories sold	\$ 1,880,370	\$ 2,033,714
Inventories obsolescence and devaluation loss (reversal gain)	58,345 (	23,798)
Losses on disposal of inventories	2,174	1,398
Compensation income from inventories	(22,537)	-
Others	(19)	4,490
	<u>\$ 1,918,333</u>	<u>\$ 2,015,804</u>

For the three-month periods ended June 30, 2021, and for the six-month periods ended June 30, 2021, the group had recognized reversal gains from sale of Inventories previously devalued.

(VI) Investments accounted for under equity method

	2021	2020
At January 1	\$ 3,969,157	\$ 3,987,493
Increase in Investments accounted for under equity method	4,659	18,286
Share of investment income accounted for using the equity method	21,011 (	870)
Distribution of investment income accounted for using the equity method	(143,927 ) (	153,528)
Changes in capital surplus and retained earnings	2,108	35,088
Changes in other equity	2,647 (	7,051)
At June 30	<u>\$ 3,855,655</u>	<u>\$ 3,879,418</u>

Investee	2021/6/30		2020/12/31	
	Ownership (%)	Book value	Ownership (%)	Book value
LITEMAX ELECTRONICS INC.	11.99	\$ 96,964	12.00	\$ 101,813
IBASE TECHNOLOGY INC.	31.33	3,233,258	30.79	3,330,242
WINMATE INC.	13.68	525,433	13.60	537,102
		<u>\$ 3,855,655</u>		<u>\$ 3,969,157</u>

Investee	2020/6/30	
	Ownership (%)	Book value
LITEMAX ELECTRONICS INC.	12.01	\$ 100,983
IBASE TECHNOLOGY INC.	30.79	3,270,097
WINMATE INC.	13.45	508,338
		<u>\$ 3,879,418</u>

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 for the exchange of 52,922 thousand common shares from IBASE TECHNOLOGY INC. The record date of the share exchange was September 29, 2018. The share exchange entitles the Group holds 30% equity interest and significant influence in IBASE; for this reason, IBASE has been accounted using the equity method since then. According to the share exchange agreement, the two parties agree to notify the other party of the transaction terms and conditions in writing, providing the preferential right of subscription for the following changes in shareholdings:

- (1) Either party wishes to reduce shares of the other party which are acquired based on the share exchange agreement.
- (2) Either party wishes to increase its shareholding in the other party within three years after the contract is signed.

2. Summarized aggregated financial information of the Group's share in these associates is as follows:

Balance sheet

	IBASE TECHNOLOGY INC.		
	2021/6/30	2020/12/31	2020/6/30
Current asset	\$ 4,406,649	\$ 4,432,800	\$ 3,459,232
Non-current assets	6,008,816	5,552,039	5,449,049
Current liability	(1,770,445)	(1,129,958)	(1,266,392)
Non-current liabilities	(2,960,096)	(2,972,518)	(2,444,185)
Net assets fair value of trade marks, other intangible and tangible assets adjustment	2,509,000	2,589,452	2,745,006
Adjusted Net Assets	<u>\$ 8,193,924</u>	<u>\$ 8,471,815</u>	<u>\$ 7,942,710</u>
Share of net assets of the affiliate	\$ 2,254,840	\$ 2,351,824	\$ 2,291,679
Goodwill	978,418	978,418	978,418
Book value of associates	<u>\$ 3,233,258</u>	<u>\$ 3,330,242</u>	<u>\$ 3,270,097</u>

Statement of comprehensive income

	IBASE TECHNOLOGY INC.	
	For the three-month periods ended June 30,	
	2021	2020
Income	\$ 1,977,779	\$ 920,241
Net income of continuing operations	1,752	45,101
Other comprehensive income (net amount after tax)	(17,785)	58,422
Total comprehensive income	(16,033)	103,523
Fair value adjustment	(38,133)	(38,133)
Adjusted total comprehensive income	<u>(\$ 54,166)</u>	<u>\$ 65,390</u>
Dividends received from associates	<u>\$ 95,259</u>	<u>\$ 105,844</u>

IBASE TECHNOLOGY INC.		
For the six-month periods ended June 30,		
	2021	2020
Income	\$ 3,024,070	\$ 1,959,941
Net income of continuing operations	1,909	61,012
Other comprehensive income (net amount after tax)	6,790	(20,782)
Total comprehensive income	8,699	40,230
Fair value adjustment	(76,267)	(76,267)
Adjusted total comprehensive income	(\$ 67,568)	(\$ 36,037)
Dividends received from associates	\$ 95,259	\$ 105,844

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

For the three-month periods ended June 30,		
	2021	2020
Net income of continuing operations	\$ 15,311	\$ 11,371
Other comprehensive income (net amount after tax)	1,243	752
Total comprehensive income	\$ 16,554	\$ 12,123

For the six-month periods ended June 30,		
	2021	2020
Net income of continuing operations	\$ 27,036	\$ 22,676
Other comprehensive income (net amount after tax)	505	(1,256)
Total comprehensive income	\$ 27,541	\$ 21,420

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

	2021/6/30	2020/12/31	2020/6/30
LITEMAX ELECTRONICS INC.	\$ 170,512	\$ 191,073	\$ 235,206
IBASE TECHNOLOGY INC.	2,214,780	2,048,076	2,116,874
WINMATE INC.	749,272	739,360	589,458
	\$ 3,134,564	\$ 2,978,509	\$ 2,941,538

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

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

7. The Group holds 31.33% of the voting power of IBASE TECHNOLOGY INC., as the single largest shareholder. Considering the participation of other shareholders in the previous shareholders' meeting and the voting rights of major proposals, the Group has no actual ability to direct relevant activities. Therefore, the Group has no control over the company and only has a significant influence.

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

(VII) Property, Plant and Equipment

	2021					
	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1						
Cost	\$ 284,334	\$ 320,442	\$ 79,157	\$ 174,157	\$ 5,083	\$ 863,173
Accumulated depreciation and impairment	-	(117,284)	(48,051)	(133,307)	-	(298,642)
	<u>\$ 284,334</u>	<u>\$ 203,158</u>	<u>\$ 31,106</u>	<u>\$ 40,850</u>	<u>\$ 5,083</u>	<u>\$ 564,531</u>
January 1	\$ 284,334	\$ 203,158	\$ 31,106	\$ 40,850	\$ 5,083	\$ 564,531
Additions	229,660	48,860	815	16,792	586	296,713
Disposal	-	-	(13)	(1,129)	-	(1,142)
Reclassification (Note)	-	(25,862)	143	3,883	(4,699)	(26,535)
Depreciation expense	-	(3,824)	(5,217)	(10,969)	-	(20,010)
Net exchange differences	(1,560)	(2,176)	(19)	(435)	-	(4,190)
June 30	<u>\$ 512,434</u>	<u>\$ 220,156</u>	<u>\$ 26,815</u>	<u>\$ 48,992</u>	<u>\$ 970</u>	<u>\$ 809,367</u>
June 30						
Cost	\$ 512,434	\$ 322,740	\$ 79,844	\$ 190,130	\$ 970	\$ 1,106,118
Accumulated depreciation and impairment	-	(102,584)	(53,029)	(141,138)	-	(296,751)
	<u>\$ 512,434</u>	<u>\$ 220,156</u>	<u>\$ 26,815</u>	<u>\$ 48,992</u>	<u>\$ 970</u>	<u>\$ 809,367</u>

2020

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1						
Cost	\$ 288,107	\$ 329,469	\$ 117,843	\$ 185,198	\$ 7,501	\$ 928,118
Accumulated depreciation and impairment	-	(113,508)	(80,189)	(138,539)	-	(332,236)
	<u>\$ 288,107</u>	<u>\$ 215,961</u>	<u>\$ 37,654</u>	<u>\$ 46,659</u>	<u>\$ 7,501</u>	<u>\$ 595,882</u>
January 1	\$ 288,107	\$ 215,961	\$ 37,654	\$ 46,659	\$ 7,501	\$ 595,882
Additions	-	-	1,269	3,779	4,582	9,630
Disposal	-	-	-	(239)	-	(239)
Reclassification	-	-	2,859	6,401	(8,605)	655
Depreciation expense	-	(4,437)	(5,487)	(13,343)	-	(23,267)
Net exchange differences	(880)	(1,766)	(20)	(213)	-	(2,879)
June 30	<u>\$ 287,227</u>	<u>\$ 209,758</u>	<u>\$ 36,275</u>	<u>\$ 43,044</u>	<u>\$ 3,478</u>	<u>\$ 579,782</u>
June 30						
Cost	\$ 287,227	\$ 324,106	\$ 78,641	\$ 180,746	\$ 3,478	\$ 874,198
Accumulated depreciation and impairment	-	(114,348)	(42,366)	(137,702)	-	(294,416)
	<u>\$ 287,227</u>	<u>\$ 209,758</u>	<u>\$ 36,275</u>	<u>\$ 43,044</u>	<u>\$ 3,478</u>	<u>\$ 579,782</u>

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

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

(VIII) Leasing arrangements - lessee

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

	2021/6/30	2020/12/31	2020/6/30
	Carrying amount	Carrying amount	Carrying amount
Building	\$ 87,879	\$ 20,285	\$ 39,360
Transportation equipment	10,127	10,878	12,049
Other equipment	2,315	1,976	598
	<u>\$ 100,321</u>	<u>\$ 33,139</u>	<u>\$ 52,007</u>

	For the three-month periods ended June 30,	
	2021	2020
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Building	\$ 7,457	\$ 9,503
Transportation equipment	1,853	1,736
Other equipment	107	38
	<u>\$ 9,417</u>	<u>\$ 11,277</u>
	For the six-month periods ended June 30,	
	2021	2020
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Building	\$ 15,955	\$ 19,100
Transportation equipment	3,594	3,492
Other equipment	227	76
	<u>\$ 19,776</u>	<u>\$ 22,668</u>

4. For the three-month periods ended June 30, 2021 and 2020, and the six-month periods ended June 30, 2021 and 2020 to the acquisitions of right-of use assets were \$2,600, \$10,089, \$88,597 and \$16,071, respectively.
5. The information on income and expense accounts relating to lease contracts is as follows:

	For the three-month periods ended June 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expenses on lease liabilities	\$ 545	\$ 352
Expenses on short-term lease contracts	5,476	3,418
Expenses on leases of low-value assets	6	7
	For the six-month periods ended June 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expenses on lease liabilities	\$ 1,019	\$ 773
Expenses on short-term lease contracts	9,880	7,716
Expenses on leases of low-value assets	17	13
Lease modification loss	6	-

6. For the six-month periods ended June 30, 2021 and 2020, the Group's total cash outflow for leases was \$31,435 and \$31,586, respectively.

(IX) Short-term borrowings

<u>Nature of the borrowing</u>	<u>2021/6/30</u>	<u>Interest rate range</u>	<u>Collateral</u>
Borrowings from banks			
Credit borrowings	\$ 65,000	1.00%	None
Guaranteed borrowings	19,641	3.80%	Property, Plant and Equipment
	<u>\$ 84,641</u>		

<u>Nature of the borrowing</u>	<u>2020/12/31</u>	<u>Interest rate range</u>	<u>Collateral</u>
Borrowings from banks			
Guaranteed borrowings	\$ 38,875	3.80%~5.00%	Property, Plant and Equipment

<u>Nature of the borrowing</u>	<u>2021/6/30</u>	<u>Interest rate range</u>	<u>Collateral</u>
Borrowings from banks			
Credit borrowings	\$ 22,544	1.00%	None
Guaranteed borrowings	42,223	5.00%~5.15%	Property, Plant and Equipment
	<u>\$ 64,767</u>		

1. For the three months ended June 30, 2021 and 2020, and for the six months ended June 30, 2021 and 2020, interest expenses recognized through profit or loss were \$401, \$546, \$812 and \$945, respectively.
2. Please refer to Note 8 for the guarantee status of short-term borrowings.

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

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

	<u>For the three-month periods ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial asset or liability held for trading		
Derivatives	<u>\$ 60</u>	<u>\$ 15</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial asset or liability held for trading		
Derivatives	<u>(\$ 56)</u>	<u>(\$ 789)</u>

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

(XI) Long-term borrowings

<u>Type of borrowing</u>	<u>Period and Repayment method</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>2021/6/30</u>
Borrowings from banks				
Guaranteed borrowings	2021.5.28-2036.5.28 Monthly amortization of principal and interest	1.00%	Land, Buildings	\$ 171,117
Less: Current portions of long-term loans				(10,691)
				<u>\$ 160,426</u>

(XII) Other Payables

	<u>2021/6/30</u>	<u>2020/12/31</u>	<u>2020/6/30</u>
Accrued payroll, employee's compensation and bonuses	\$ 235,013	\$ 224,993	\$ 245,946
Accrued technical service fee	35,216	40,135	34,067
Accrued assembly costs	863	370	477
Accrued dividends	521,141	-	541,213
Accrued commission fee	31,514	38,034	39,602
Others	64,735	81,703	70,757
	<u>\$ 888,482</u>	<u>\$ 385,235</u>	<u>\$ 932,062</u>

(XIII) Pension

1. Since July 1, 2005, the Company and its domestic subsidiaries have established certain retirement payout methods applicable for domestic employees in accordance with the "Labor Pension Act". The Company and its domestic subsidiaries choose to apply the labor pension system stipulated in the "Labor Pension Act", and allocate pensions on a monthly basis to the individual labor pension account managed by the Bureau of Labor Insurance at 6% of monthly wage. Based on the principal and accrued dividends from an employee's individual labor pension account, labor pension shall be paid by monthly pension payments or by lump-sum payment upon retirement.
2. In accordance with the pension insurance system formulated by the People's Republic of China, ACI and OCI has allocated provisions for pension insurance based on a specified ratio of the overall wage of local employees. Each employee's retirement pension is managed by the government, and ACI and OCI have no further obligations except to be responsible for monthly allocation.
3. AEI and OHU currently have a personal pension scheme under the Company's support. The Company and the employees are jointly liable for the employee's pension fund, of which the company allocates 3% of total wage, and the pension is capped by the amount paid by employees.
4. ASG, ANI, AGI and ONI shall allocate pensions in accordance with local laws and regulations.
5. Pension costs recognized by the group in accordance with the above retirement policy for were \$9,118, \$7,521, \$18,082, and \$15,612 for the three months periods ended June 30, 2021 and 2020, and for the six months periods ended June 30, 2021 and 2020 ,respectively.

(XIV) Share-based Payment

1. The Company

- (1) The Company had the following share-based payment agreement active for the six months periods ended June 30, 2021 and 2020:

<u>Arrangement type</u>	<u>Grant date</u>	<u>Quantity granted (thousand)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Plan of employee stock options	2019.11.26	3,000	5 years	Service of 2~4 years

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

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

	<u>For the six-months periods ended June 30, 2021</u>	
	<u>No. of units (shares in thousands)</u>	<u>Weighted average exercise price (in dollars)</u>
Options outstanding at beginning of period	2,912	\$ 68.8
Options exercisable at the end of period	-	-

	<u>For the six-months periods ended June 30, 2020</u>	
	<u>No. of units (shares in thousands)</u>	<u>Weighted average exercise price (in dollars)</u>
Options outstanding at beginning of period	3,000	72.3
Options exercisable at the end of period	-	-

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

<u>Arrangement type</u>	<u>Authorized issue date</u>	<u>Maturity date</u>	<u>2021/6/30</u>	
			<u>No. of units (shares in thousands)</u>	<u>Exercise price (in dollars)</u>
Plan of employee stock options	2019.11.26	2024.11.25	2,912	\$ 68.8

<u>Arrangement type</u>	<u>Authorized issue date</u>	<u>Maturity date</u>	<u>2020/12/31</u>	
			<u>Number of shares (in thousands)</u>	<u>Exercise price (in dollars)</u>
Plan of employee stock options	2019.11.26	2024.11.25	2,912	\$ 68.8

Arrangement type	Authorized issue date	Maturity date	2020/6/30	
			Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2019.11.26	2024.11.25	3,000	\$ 72.3

- (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	2019.11.26	3,000	\$ 72.3	\$ 72.3	26.88%	3.875 years	0.58%	\$ 15.7445

- (5) Expenses of share-based payment transaction:

	For the three-months periods ended June 30,	
	2021	2020
Equity settlement	\$ 3,381	\$ 3,405

	For the six-months periods ended June 30,	
	2021	2020
Equity settlement	\$ 6,765	\$ 6,868

2. Subsidiary- ONYX HEALTHCARE INC. (ONYX)

- (1) ONYX had the following share-based payment agreement active for the six-month period ended June 30, 2021.

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

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

Details the six-month period ended June 30, 2020: None.

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

	For the six-month periods ended June 30, 2020	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	1,000	\$ 139.5
Options exercisable at the end of period	-	\$ -

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

Arrangement type	Authorized issue date	Maturity date	2021/6/30	
			No. of units (shares in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.08.06	2025.08.06	1,000	\$ 139.5

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

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

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

(5) Expenses of share-based payment transaction:

	For the three-months periods ended June 30,	
	2021	2020
Equity settlement	\$ 2,922	\$ -

	For the six-months periods ended June 30,	
	2021	2020
Equity settlement	\$ 5,826	\$ -

(XV) Share capital

- As of June 30, 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 \$1,484,985, divided into 148,498 thousand shares, each at par value of NT\$10 per share. Proceeds have been fully collected for the issued shares. The Company had 148,498 thousand common shares outstanding for the six months periods ended June 30, 2021 and 2020.
- On April 30, 2019, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was amended on November 12, 2019 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.
- As of June 30, 2021, the Company's associates - IBASE owned 41,698 thousand of the Company's shares.

(XVI) Capital surplus

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

	2021						
	<u>Share premium</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Recognition of changes in ownership interest in subsidiary</u>	<u>Affiliate company net equity changes</u>	<u>Employee Share option</u>	<u>Others</u>	<u>Total</u>
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 interests in subsidiaries	-	-	1,835	-	(1,835)	-	-
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	(49)	-	-	(49)
Change in associates and joint ventures accounted for under equity method	-	-	-	2,157	-	-	2,157
Share-based Payment	-	-	2,913	-	7,745	-	10,658
June 30	<u>\$ 4,828,693</u>	<u>\$ 213,200</u>	<u>\$ 220,740</u>	<u>\$ 121,621</u>	<u>\$ 25,884</u>	<u>\$ 2,181</u>	<u>\$ 5,412,319</u>

	2020						
	<u>Share premium</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Recognition of changes in ownership interest in subsidiary</u>	<u>Affiliate company net equity changes</u>	<u>Employee Share option</u>	<u>Others</u>	<u>Total</u>
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	-	-	-	35,372	-	-	35,372
Change in associates and joint ventures accounted for under equity method	-	-	-	(284)	-	-	(284)
Share-based Payment	-	-	-	-	7,890	-	7,890
June 30	<u>\$ 4,902,942</u>	<u>\$ 213,200</u>	<u>\$ 213,637</u>	<u>\$ 48,497</u>	<u>\$ 11,271</u>	<u>\$ 2,181</u>	<u>\$ 5,391,728</u>

(XVII) Retained earnings

1. Under the Company's Article of Incorporation, the profit in a fiscal year, shall first be utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings at the beginning of the period shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.
2. In the future, the Company may have the surplus profit distributable as dividends in part or in whole considering the financial, business and operational factors. The ratio of share dividend shall exceed 5% of distributable earnings. Surplus distribution can be in the form of cash or stock dividends. For the measurement of future capital requirements and capital structure, cash dividend shall not be less than 10% of the total amount of dividends in the future, and the actual distribution amount shall be adopted by resolution of the shareholders' meeting.
3. Unless losses have been covered or where legal reserve is distributed by the issuance of new shares or by cash in proportion to the shareholders' existing shareholding, the Company shall not make distributions out of legal reserve, of which only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.
4. (1) For surplus distribution, the Company shall appropriate special reserve to the debit balance of other equity on the end of the reporting period. When the debit balance of other equity is reversed, the reversal amount can be included in distributable surplus.
(2) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
5. The Company's appropriations of 2020 and 2019 earnings had been approved by the e-voting which reached the legal resolution threshold and resolved at the stockholders' meeting on May 28, 2021 and May 27, 2020, respectively. Details are summarized below:

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

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.

(XVIII) Operating income

	For the three-month periods ended June 30,	
	2021	2020
Revenue from Contracts with Customers	\$ 1,404,716	\$ 1,602,325

	For the six-month periods ended June 30,	
	2021	2020
Revenue from Contracts with Customers	\$ 2,671,271	\$ 3,000,526

1. Disaggregation of revenue from contracts with customers

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

For the three-month periods ended June 30, 2021	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 1,154,342	\$ 250,374	\$ 1,404,716
Timing of revenue recognition			
At a point time	1,153,602	242,384	1,395,986
Over time	740	7,990	8,730
Total	\$ 1,154,342	\$ 250,374	\$ 1,404,716

For the six-month periods ended June 30, 2021	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 2,148,714	\$ 522,557	\$ 2,671,271
Timing of revenue recognition			
At a point time	2,147,157	507,228	2,654,385
Over time	1,557	15,329	16,886
Total	\$ 2,148,714	\$ 522,557	\$ 2,671,271

For the three-month periods ended June 30, 2020	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 1,236,301	\$ 366,024	\$ 1,602,325
Timing of revenue recognition			
At a point time	1,235,074	361,692	1,596,766
Over time	1,227	4,332	5,559
Total	\$ 1,236,301	\$ 366,024	\$ 1,602,325

For the six-month periods ended June 30,2020	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 2,394,370	\$ 606,156	\$ 3,000,526
Timing of revenue recognition			
At a point time	2,391,959	597,417	2,989,376
Over time	2,411	8,739	11,150
Total	\$ 2,394,370	\$ 606,156	\$ 3,000,526

2. Contract liability

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

	2021/6/30	2020/12/31	2020/6/30	2020/1/1
Contract Liability - Current:				
Advances from customers	\$ 187,331	\$ 158,221	\$ 105,592	\$ 86,760
Warranty contract	15,147	16,750	18,593	22,729
Contract Liability - Non-current:				
Advances from customers	29,702	31,995	34,391	34,454
Warranty contract	24,716	27,849	33,293	34,546
Total	\$ 256,896	\$ 234,815	\$ 191,869	\$ 178,489

(2) Recognized income of contract liabilities at January 1

	For the three-month periods ended June 30,	
	2021	2020
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	\$ 12,095	\$ 13,630
Warranty contract	4,482	6,029
Total	\$ 16,577	\$ 19,659

	For the six-month periods ended June 30,	
	2021	2020
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	\$ 57,755	\$ 40,147
Warranty contract	9,141	11,148
Total	\$ 66,896	\$ 51,295

(XIX) Other income

	For the three-month periods ended June 30,	
	2021	2020
Rental income	\$ 3,180	\$ 2,851
Dividend income	5,880	13,369
Total	\$ 9,060	\$ 16,220

	For the six-month periods ended June 30,	
	2021	2020
Rental income	\$ 6,249	\$ 5,742
Dividends income	5,880	13,369
	<u>\$ 12,129</u>	<u>\$ 19,111</u>

(XX) Other gains and losses

	For the three-month periods ended June 30,	
	2021	2020
Loss on disposal of property, plant and equipment	(\$ 11)	(\$ 1)
Loss on Foreign currency exchange	(9,037)	(15,087)
Gain (Loss) on financial assets and liabilities at fair value through profit or loss (Note)	(46,245)	85,775
Depreciation of investment property, buildings.	(1,738)	(1,274)
Other income	15,620	22,843
	<u>(\$ 41,411)</u>	<u>\$ 92,256</u>

	For the six-month periods ended June 30,	
	2021	2020
Loss on disposal of property, plant and equipment	(\$ 90)	(\$ 9)
Loss on Foreign currency exchange	(17,838)	(7,990)
Loss on financial assets and liabilities at fair value through profit or loss (Note)	(51,088)	(55,486)
Depreciation of investment property, buildings.	(3,061)	(2,576)
Lease modification loss	(6)	-
Other income	19,145	26,626
	<u>(\$ 52,938)</u>	<u>(\$ 39,435)</u>

Note: The Group recognized losses on financial asset valuation (including realized and unrealized) totaling \$42,561 and \$53,055 for the periods January 1 to June 30, 2021 and 2020, respectively, for possession and sale of shares of Machvision Inc. Fair value (closing price) of the abovementioned shares is explained below: (expressed in dollars)

	For the six-month periods ended June 30,	
	2021	2020
Beginning	<u>\$ 294.50</u>	<u>\$ 360.50</u>
Closing	<u>\$ 259.00</u>	<u>\$ 311.50</u>

(XXI) Financial costs

	For the three-month periods ended June 30,			
	2021		2020	
Interest expenses	\$	401	\$	546
Leased liabilities interest expenses		545		352
	\$	946	\$	898

	For the six-month periods ended June 30,			
	2021		2020	
Interest expenses	\$	812	\$	945
Leased liabilities interest expenses		1,019		773
	\$	1,831	\$	1,718

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

	For the three-month periods ended June 30,					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expenses	\$ 64,215	\$ 221,917	\$ 286,132	\$ 63,241	\$ 233,958	\$ 297,199
Depreciation expense	10,188	9,648	19,836	13,761	9,120	22,881
Amortization expenses	563	3,010	3,573	608	2,440	3,048

	For the six-month periods ended June 30,					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expenses	\$ 124,905	\$ 442,532	\$ 567,437	\$ 120,773	\$ 455,191	\$ 575,964
Depreciation expense	21,485	18,301	39,786	27,290	18,645	45,935
Amortization expenses	1,137	6,642	7,779	1,256	4,975	6,231

(XXIII) Employee benefit expenses

	For the three-month periods ended June 30,	
	2021	2020
Salaries and wages	\$ 254,708	\$ 268,435
Labor and health insurance fees	19,948	18,377
Pension costs	9,118	7,521
Other personnel expenses	2,358	2,866
	\$ 286,132	\$ 297,199

	For the six-month periods ended June 30,	
	2021	2020
Salaries and wages	\$ 503,355	\$ 514,958
Labor and health insurance fees	41,136	39,332
Pension costs	18,082	15,612
Other personnel expenses	4,864	6,062
	<u>\$ 567,437</u>	<u>\$ 575,964</u>

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 5% and remuneration of directors and supervisors at rates of no higher than 1%, of the remaining profit after deducting accumulated losses.
2. For the three months periods ended June 30, 2021 and 2020, and for the six months periods ended June 30, 2021 and 2020, based on the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at \$4,803, \$18,050, \$7,330 and \$22,298, respectively, while the remuneration of directors were estimated at \$509, \$1,190, \$858 and \$2,044, respectively, which are recognized as salaries and wages.

Amounts for the period January 1 to June 30, 2021, were estimated based on profitability at the time and the percentages stipulated in Articles of Incorporation.

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 2019 financial statements., which were \$44,767 and \$4,050, respectively. Employees' compensation is intended to be paid in cash, but no actual payment has been made.

Information on remuneration of employees and directors approved by the board of directors is disclosed on the MOPS.

(XXIV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	For the three-month periods ended June 30,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 28,855	\$ 51,050
Surtax on undistributed Retained Earnings	-	1,147
Adjustments in respect of prior period	(1,817)	(286)
Total current income tax	<u>\$ 27,038</u>	<u>\$ 51,911</u>
Deferred tax		
Origination and reversal of temporary differences	(8,779)	(2,247)
Income tax expense	<u>\$ 18,259</u>	<u>\$ 49,664</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax from current income	\$ 36,798	\$ 77,101
Surtax on undistributed Retained Earnings	-	1,147
Adjustments in respect of prior period	(1,817)	(286)
Total current income tax	<u>\$ 34,981</u>	<u>\$ 77,962</u>
Deferred tax		
Origination and reversal of temporary differences	(9,179)	2,317
Income tax expense	<u>\$ 25,802</u>	<u>\$ 80,279</u>

(2) Income tax relative to other comprehensive income:

	<u>For the three-month periods ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Differences in translation of foreign operations	(\$ 2,205)	(\$ 1,791)
	<u>For the six-month periods ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Differences in translation of foreign operations	(\$ 3,069)	(\$ 2,347)

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

	<u>Certification</u>
(1) AAEONI, ONYX, IHELPER INC.	2019
(2) The Company	2018

(XXV) Earnings per share

	<u>For the three-month periods ended June 30, 2021</u>		
	<u>Amount after-tax</u>	<u>Weighted average outstanding shares (in thousand)</u>	<u>Losses per share (in dollars)</u>
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	<u>\$ 20,192</u>	106,800	<u>\$ 0.19</u>
<u>Diluted earnings per share</u>			
Dilutive effect of potential ordinary shares			
Employees' bonuses		<u>110</u>	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 20,192</u>	<u>106,910</u>	<u>\$ 0.19</u>

	<u>For the three-month periods ended June 30, 2020</u>		
	<u>Amount after-tax</u>	<u>Weighted average outstanding shares (in thousand)</u>	<u>Losses per share (in dollars)</u>
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	<u>\$ 231,500</u>	106,800	<u>\$ 2.17</u>
<u>Diluted earnings per share</u>			
Dilutive effect of potential ordinary shares			
Employees' bonuses		<u>301</u>	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 231,500</u>	<u>107,101</u>	<u>\$ 2.16</u>

	<u>For the six-month periods ended June 30, 2021</u>		
	<u>Amount after-tax</u>	<u>Weighted average outstanding shares (in thousand)</u>	<u>Losses per share (in dollars)</u>
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	<u>\$ 56,245</u>	106,800	<u>\$ 0.53</u>
<u>Diluted earnings per share</u>			
Dilutive effect of potential ordinary shares			
Employees' bonuses		<u>323</u>	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 56,245</u>	<u>107,123</u>	<u>\$ 0.53</u>

	<u>For the six-month periods ended June 30, 2020</u>		
	<u>Amount after-tax</u>	<u>Weighted average outstanding shares (in thousand)</u>	<u>Losses per share (in dollars)</u>
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	<u>\$ 196,653</u>	106,800	<u>\$ 1.84</u>
<u>Diluted earnings per share</u>			
Dilutive effect of potential common shares			
Employees' bonuses		<u>570</u>	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 196,653</u>	<u>107,370</u>	<u>\$ 1.83</u>

1. The company's employee stock options were not included in the calculation of diluted earnings per share due to the anti-dilution effect for the three-month periods ended June 30, 2021 and 2020, and for the six-month periods ended June 30, 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.

(XXVI) Supplemental cash flow information

1. Investing activities with partial cash payments:

	<u>For the six-month periods ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Acquisition of property, plant and equipment	\$ 296,713	\$ 9,630
Add : Opening balance of payable on equipment	1,296	2,108
Less : Ending balance of payable on equipment	(1,230)	-
Cash paid during the period	<u>\$ 296,779</u>	<u>\$ 11,738</u>

2. Non-cash flow from investing activities:

	<u>For the six-month periods ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Declared cash dividends not yet paid from Investments accounted for under equity method	<u>\$ 134,903</u>	<u>\$ 153,528</u>

3. Non-cash flow from financing activities:

	<u>For the six-month periods ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash dividends	<u>\$ 521,141</u>	<u>\$ 541,213</u>

(XIX) Changes in liabilities arising from financing activities

	<u>2021</u>			
	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liability</u>	<u>Total</u>
January 1	\$ 38,875	\$ -	\$ 34,069	\$ 72,944
Changes in cash flow from financing	46,612	171,117	(20,519)	197,210
Effect on changes in exchange rate	(846)	-	185	(661)
Changes in others without cash flow	-	-	88,093	88,093
Cash paid during the period	<u>\$ 84,641</u>	<u>\$ 171,117</u>	<u>\$ 101,828</u>	<u>\$ 357,586</u>

	2020		
	Short-term borrowings	Lease liability	Total
January 1	\$ 44,370	\$ 60,242	\$ 104,612
Changes in cash flow from financing	20,915	(23,084)	(2,169)
Effect on changes in exchange rate	(518)	(523)	(1,041)
Changes in others without cash flow	-	16,071	16,071
Cash paid during the period	<u>\$ 64,767</u>	<u>\$ 52,706</u>	<u>\$ 117,473</u>

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 40.72% ownership (including indirect shareholdings) of AAEON.

(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
ATECH OEM INC.	Other related party - the Company's Chairman as a director
MACHVISION, INC.	Other related party - the Company's Chairman as a director
FU LI INVESTMENT INC.	Other related party - the Company's Chairman as Fuli's Chairman
EVERFOCUS ELECTRONICS CORP.	Other related party - the Company's Chairman as EVERFOCUS ELECTRONICS CORP's Chairman
AAEON EDUCATION FOUNDATION	Other related party - the Company's Chairman as a director
WT MICROELECTRONICS CO.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
TECHMOSA INTERNATIONAL INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
MORRIHAN INTERNATIONAL CORP.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
NUVISION TECHNOLOGY, INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
MAXTEK TECHNOLOGY CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
SPARK TECHNOLOGIES INC.	Other related party - the Company's Chairman is spouse of SPARK TECHNOLOGIES INC.'s Chairman
LYDS TECH.	Other related party - the Company's Chairman is spouse of LYDS TECH.'s Chairman

Name of related party	Relation
MEDALLIANCE INC.	Other related party - the Company's Chairman is first degree relative of MEDALLIANCE INC.'s Chairman
ASUS TECHNOLOGY INC.	Fellow subsidiary — same as ultimate parent entity
ASUS COMPUTER INTERNATIONAL	Fellow subsidiary — same as ultimate parent entity
Note:	WT MICROELECTRONICS CO and its subsidiaries have become the Group's related party since April 21, 2020.

(III) Significant transactions and balances with related parties

1. Operating income

	For the three-month periods ended June 30,	
	2021	2020
Sales of goods		
Ultimate parent entity	\$ 526	\$ 57
Associates	32	111
Other related party	3,086	439
Total	<u>\$ 3,644</u>	<u>\$ 607</u>

	For the six-month periods ended June 30,	
	2021	2020
Sales of goods		
Ultimate parent entity	\$ 706	\$ 309
Associates	142	345
Other related party	4,284	4,620
Total	<u>\$ 5,132</u>	<u>\$ 5,274</u>

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

2. Purchases

	For the three-month periods ended June 30,	
	2021	2020
Goods purchased		
Ultimate parent entity— ASUSTEK COMPUTER INC.	\$ 242,381	\$ 280,446
Associates	5,993	4,076
Fellow subsidiary	68	241
Other related party	24,033	10,247
Total	<u>\$ 272,475</u>	<u>\$ 295,010</u>

	For the six-month periods ended June 30,	
	2021	2020
Goods purchased		
Ultimate parent entity— ASUSTEK COMPUTER INC.	\$ 436,408	\$ 509,286
Associates	7,118	18,633
Fellow subsidiary	68	299
Other related party	44,315	10,388
Total	<u>\$ 487,909</u>	<u>\$ 538,606</u>

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

3. Operating expenses

	For the three-month periods ended June 30,	
	2021	2020
Ultimate parent entity	\$ 17,536	\$ 17,534
Associates	157	829
Other related party	458	81
Total	<u>\$ 18,151</u>	<u>\$ 18,444</u>

	For the six-month periods ended June 30,	
	2021	2020
Ultimate parent entity	\$ 34,694	\$ 33,081
Associates	614	1,816
Other related party	530	1,319
Total	<u>\$ 35,838</u>	<u>\$ 36,216</u>

The above operating expenses mainly comprised technical service fees, and were presented as operating expenses - R&D expense.

4. Other accounts receivable

	2021/6/30	2020/12/31	2020/6/30
Other accounts receivable			
Affiliate company			
-IBASE	\$ 95,259	\$ -	\$ 105,844
-WINMATE INC.	39,644	-	29,133
-LITEMAX ELECTRONICS INC.	-	-	18,551
	<u>\$ 134,903</u>	<u>\$ -</u>	<u>\$ 153,528</u>

Mainly comprises cash dividends receivable.

5. Payables from related parties

	2021/6/30	2020/12/31	2020/6/30
Accounts Payable			
Ultimate parent entity			
— ASUSTEK COMPUTER INC.	\$ 106,981	\$ 55,938	\$ 76,507
Associates	3,016	121	678
Fellow subsidiary	68	-	214
Other related party	12,609	8,217	3,699
Total	<u>\$ 122,674</u>	<u>\$ 64,276</u>	<u>\$ 81,098</u>

6. Other payables

	2021/6/30	2020/12/31	2020/6/30
Other Payables			
Ultimate parent entity			
— ASUSTEK COMPUTER INC.	\$ 35,216	\$ 40,153	\$ 34,067
Associates	51	-	72
Other related party	376	210	1,110
Total	<u>\$ 35,643</u>	<u>\$ 40,345</u>	<u>\$ 35,249</u>

Mainly comprises technical service fees payable; refer to Note 7. (3)3 for details.

(IV) Key management remuneration

	<u>For the three-month periods ended June 30,</u>	
	2021	2020
Salaries and other short-term employee benefits	\$ 10,786	\$ 10,416
Post-employment benefits	385	379
Total	<u>\$ 11,171</u>	<u>\$ 10,795</u>
	<u>For the six-month periods ended June 30,</u>	
	2021	2020
Salaries and other short-term employee benefits	\$ 30,357	\$ 31,337
Post-employment benefits	771	758
Total	<u>\$ 31,128</u>	<u>\$ 32,095</u>

VIII. Pledged Assets

The Company's pledged assets are summarized below:

<u>Pledged assets</u>	<u>Book value</u>			<u>Guarantee purpose</u>
	<u>2021/6/30</u>	<u>2020/12/31</u>	<u>2020/6/30</u>	
Property, Plant and Equipment	\$ 473,218	\$ 200,011	\$ 205,265	Loans and credit limits
Restricted time deposit (including other current assets)	836	854	889	Foreign exchange forward transactions,
Guarantee deposits (including Other current and non-current assets)	14,918	15,254	2,703	Office, warehouse deposit and project guarantee deposit.
	<u>\$ 488,972</u>	<u>\$ 216,119</u>	<u>\$ 208,857</u>	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of June 30, 2021, the Group has issued a promissory note of \$ 450,000 required for the application a comprehensive credit line and transactions of derivatives.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

None.

XII. Others

(1) Capital management

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

(2) Financial instrument

1. Type of financial instrument

	<u>2021/6/30</u>	<u>2020/12/31</u>	<u>2020/6/30</u>
<u>Financial asset</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 474,564	\$ 525,596	\$ 525,012
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	2,381	2,381	2,381
Financial assets at amortized cost/ loans and receivables			
Cash and cash equivalents	2,500,009	2,727,931	2,545,180
Notes receivable	7,441	16,870	7,352
Accounts receivable	748,852	661,456	925,322
Other receivables	177,029	21,773	207,705
Restricted time deposit (including other current assets)	836	854	889
Refundable deposits (including other current and non-current assets)	23,230	22,291	10,905
	<u>\$ 3,934,342</u>	<u>\$ 3,979,152</u>	<u>\$ 4,224,746</u>
<u>Financial liability</u>			
Financial liabilities at amortized cost			
Short-term borrowings	84,641	38,875	64,767
Notes payable	1,648	725	-
Accounts payable	580,865	327,414	455,105
Other payables	888,482	385,235	932,062
Long-term borrowings (including current portion)	171,117	-	-
	<u>\$ 1,726,753</u>	<u>\$ 752,249</u>	<u>\$ 1,451,934</u>
Lease liabilities (including current and non-current)	<u>\$ 101,828</u>	<u>\$ 34,069</u>	<u>\$ 52,706</u>

2. Risk management policy

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

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

(1) Interest rate risk:

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

(2) Exchange rate risk:

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

(3) Credit risk:

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

3. The nature and level of material financial risks

(1) Market risk

Exchange rate risk

- A. The Group's international operations have been subject to exchange rate risks arise from transactions denominated in a currency other than the functional currencies of the Company and its subsidiaries, which includes main currencies such as USD, SGD, EUR and RMB. Related exchange rate risks arise from future business transactions and recognized assets and liabilities.
- B. The 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. The Group uses forward exchange and Cross currency swap to hedge exchange rate risks without hedging accounting, which are recognized as financial assets or liabilities at fair value through profit or loss. Please refer to Note 6 (2) and (10) for more details.
- D. Since the Group's businesses involves certain non-functional currencies (NTD is the functional currency of the Company and other certain subsidiaries' functional currency is USD, SGD, and CNY), it may be affected by exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		2021/6/30		
		Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	27,763	27.86	\$ 773,477
EUR:NTD		501	33.15	16,608
USD:CNY		152	6.46	4,235
USD:SGD		228	1.34	6,352
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	13,745	27.86	\$ 382,936
EUR:NTD		269	33.15	8,917
USD:CNY		2,368	6.46	65,972
USD:SGD		1,018	1.34	28,361

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

		2020/6/30		
		Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	37,303	29.63	\$ 1,105,288
EUR:NTD		318	33.27	10,580
USD:CNY		101	7.07	2,993
USD:SGD		281	1.40	8,326
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	9,326	29.63	\$ 276,329
EUR:NTD		286	33.27	9,515
USD:CNY		2,341	7.07	69,364
USD:SGD		441	1.40	13,067

- E. The overall realized and unrealized foreign exchange losses of the Group's monetary items that may be significantly affected by exchange rate fluctuations for the three months periods ended June 30, 2021 and 2020, and the six months periods ended June 30, 2021 and 2020, amounted to \$9,037, \$15,087, \$17,838 and \$7,990, respectively.
- F. The Group's foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

		For the six-month periods ended June 30, 2021		
		Sensitivity analysis		
		Extent of change	Effect on income	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	7,735	\$ -
EUR:NTD	1%		166	-
USD:CNY	1%		42	-
USD:SGD	1%		64	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	3,829	\$ -
EUR:NTD	1%		89	-
USD:CNY	1%		660	-
USD:SGD	1%		284	-

For the six-month periods ended June 30,2020				
Sensitivity analysis				
	Extent of			Effect on other
	change	Effect on income		comprehensive
				income
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	11,053 \$	-
EUR:NTD	1%		106	-
USD:CNY	1%		30	-
USD:SGD	1%		83	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	2,763 \$	-
EUR:NTD	1%		95	-
USD:CNY	1%		694	-
USD:SGD	1%		131	-

Price risk

- A. The Group's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group mainly invests in equity instruments and open-end funds issued by domestic companies. The value of equity instruments is susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase or decrease of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase or decrease net income for the six-month periods ended June 30, 2021 and 2020 by \$4,309 and \$4,807, respectively. A change of 1% in the price of the aforementioned financial assets at fair value through other comprehensive income could increase or decrease the Group's other comprehensive income for the six-month periods ended June 30, 2021 and 2020, amounted to \$24.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises mainly from long-term and short-term borrowings issued at variable rates, which exposes the Group to cash flow interest rate risk is partially offset by cash and cash equivalents held at variable rates. During the six months periods ended June 30, 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in NTD and USD.
- B. Assuming all other factors remain unchanged, if the NTD borrowing rate rises or falls by 0.25%, net income for the six months period ended June 30, 2021 will decrease or increase by \$590, mainly due to changes in interest expenses that arise from floating rate borrowings.

- C. Assuming all other factors remain unchanged, if the USD borrowing rate rises or falls by 0.25%, net income for the six months period ended June 30, 2021 and 2020, will decrease or increase by \$49 and \$162, respectively mainly due to changes in interest expenses that arise from floating rate borrowings.

(2) Credit risk

- A. The Group's credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge its obligation under the contract, which is mainly due to the inability of counterparties to meet the terms of their contracts for collecting the cash flows of the receivables.
- B. The Group establishes credit risk policies based on its own risk management perspective. In accordance with internal credit policies, credit risks are required to be managed and analyzed before each of the Group's operating entity set up the terms and conditions for payment and delivery for each new customer. The internal risk control system evaluates the customers' credit quality based on their financial conditions, past experience and other factors. Individual risk exposure limits are set by the board of directors based on internal or external risk ratings, and credit lines are monitored on a regular basis.
- C. The Group adopts IFRS 9 to provide a presumption that default has occurred when contractual payments are more than 90 days past due.
- D. The Group adopts IFRS 9 to provide the following presumption as basis for judging whether the credit risk on a financial instrument has increased significantly since the initial recognition:
It is deemed that credit risk after the original recognition of financial assets has increased significantly when contractual payments are more than 30 days past due.
- E. The customers' accounts receivable are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- F. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group had no recourse on claims that had been written off.
- G. (1) Expected loss rate for customers of the outstanding credit group is estimated at 0.2%. Total accounts receivable and loss provisions for this group of customers were reported at: \$376,066 and \$235 as of June 30, 2021, \$338,509 and \$293 as of December 31, 2020, and \$478,780 and \$310 as of June 30, 2020, respectively.
- (2) The Group considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of June 30, 2021, December 31, 2020 and June 30, 2020 is as follows:

	Not yet due	Past due within 30 days	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	Total
2021/6/30							
Expected loss rate	0%~1.74%	0.01%~5.74%	0.15%~23.13%	0.49%~46.95%	2.92%~63.89%	100%	
Total book value	\$ 318,138	\$ 51,319	\$ 3,682	\$ 7,150	\$ 134	\$ 15,078	\$ 395,501
Loss allowance	\$ 107	\$ 43	\$ 8	\$ 512	\$ 22	\$ 15,078	\$ 15,770

	Not yet due	Past due within 30 days	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	Total
<u>2020/12/31</u>							
Expected loss rate	0%~1.74%	0.01%~5.74%	0.15%~23.13%	0.49%~46.95%	2.92%~63.89%	100%	
Total book value	\$ 282,163	\$ 46,104	\$ 9,415	\$ 689	\$ 1,071	\$ 15,210	\$ 354,652
Loss allowance	\$ 35	\$ 154	\$ 408	\$ 69	\$ 261	\$ 15,210	\$ 16,137
<u>2020/6/30</u>							
Expected loss rate	0%~1.50%	0%~5.21%	0.09%~19.39%	0.49%~41.97%	1.42%~65.35%	100%	
Total book value	\$ 321,613	\$ 95,320	\$ 31,429	\$ 8,675	\$ 1,314	\$ 19,049	\$ 477,400
Loss allowance	\$ 254	\$ 415	\$ 2,418	\$ 753	\$ 655	\$ 19,049	\$ 23,544

(3) The total book values of the accounts receivable-related parties as of June 30, 2021, December 31, 2020 and June 30, 2020 were \$731, \$1,595 and \$348, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of \$0.

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

	Notes and accounts receivable (including related parties)	
	2021	2020
January 1	\$ 16,430	\$ 24,144
Write off of impairment loss	(240)	287
Forex effect	(185)	(577)
June 30	\$ 16,005	\$ 23,854

From the loss recognized for the six months periods ended June 30, 2021 and 2020, the impairment reversal gains (losses) for accounts receivable arising from customer contracts were \$240 and (\$287), respectively.

(3) Liquidity risk

- A. Cash flow is forecasted by each of the Group's operating entity and summarized by the finance department. The Group's finance department monitors liquidity forecasting to ensure that it has sufficient funds to meet the operational requirements.
- B. The Group had available borrowing limits of \$567,654, \$569,256 and \$578,883 as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.
- C. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, whereas derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Non-derivative financial liabilities:

2021/6/30	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 85,497	\$ -	\$ -	\$ -
Notes payable	1,648	-	-	-
Accounts payable	580,865	-	-	-
Other payables	888,482	-	-	-
Long-term borrowings (including current portion and accrued interest)	12,353	12,353	37,059	122,513
Lease liabilities	34,863	27,787	47,859	-
Provisions	27,014	7,108	-	-

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

2020/6/30	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 64,767	\$ -	\$ -	\$ -
Accounts payable	455,105	-	-	-
Other payables	932,062	-	-	-
Lease liabilities	34,673	13,106	6,665	-
Provisions	29,124	7,204	-	-

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

(3) Information on fair value

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

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

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

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

2. Financial instruments not measured at fair value

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

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

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

2021/6/30	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
Asset				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 369,392	\$ 5,025	\$ 56,473	\$ 430,890
Beneficiary certificates	33,865	-	-	33,865
Hybrid instruments	-	-	9,809	9,809
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
Total	<u>\$ 403,257</u>	<u>\$ 5,025</u>	<u>\$ 68,663</u>	<u>\$ 476,945</u>
2020/12/31	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
Asset				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 416,967	\$ 5,055	\$ 58,710	\$ 480,732
Beneficiary certificates	33,846	-	-	33,846
Hybrid instrument	-	-	11,018	11,018
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
Total	<u>\$ 450,813</u>	<u>\$ 5,055</u>	<u>\$ 72,109</u>	<u>\$ 527,977</u>

2020/6/30	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
Asset				
<u>Recurring fair value measurements</u>				
Net loss (gains) from financial assets and liabilities				
Equity securities	\$ 422,352	\$ 6,051	\$ 52,290	\$ 480,693
Beneficiary securities	33,364	-	-	33,364
Hybrid instrument	-	-	10,955	10,955
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
Total	<u>\$ 455,716</u>	<u>\$ 6,051</u>	<u>\$ 65,626</u>	<u>\$ 527,393</u>

- (2) The Group's approaches and assumptions for fair value measurement are as follows:
- A. The Group adopts quoted prices as inputs used to measure fair value (1st level), which are classified as follows based on the characteristics of the financial instruments:

	<u>Listed and OTC stocks</u>	<u>Open-end funds</u>
Market quoted price	Closing prices	Net asset value

- B. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- C. The Group adopts valuation techniques widely used by market participants for evaluating non-standardized and less complex financial instruments. The parameters used in the valuation models of such financial instruments are usually market observable information.
- D. The evaluation of derivatives is based on the valuation model generally accepted by market users, such as the discount method. Forward exchange contracts are usually evaluated based on the current forward exchange rates.
- E. The output of the evaluation model is an estimated value, and the valuation technique may not reflect all the relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted based on additional parameters, such as the model risk or liquidity risk. According to the Group's management policies of fair value valuation model and related control procedures, its management believes that valuation adjustments are appropriate and necessary for the fair values of financial and non-financial instruments to be presented fairly in the consolidated balance sheet. The price information and parameters used in the evaluation process are carefully evaluated, with appropriate adjustments according to current market conditions.
4. For the six-month periods ended June 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.
5. Movements on Level 3 for the six-month periods ended June 30, 2021 and 2020 are as follows:

	2021	2020
	Equity instruments	Equity instruments
January 1	\$ 72,109	\$ 67,627
Recognized in profit (loss) (Note)	(3,446)	(2,001)
June 30	\$ 68,663	\$ 65,626

Changes in unrealized gains or losses on assets and liabilities owned at the end of the period (\$ 3,446) (\$ 2,001)

Note : Recognized as other gains (losses).

- There was no transfer into or out from Level 3 for the six-month periods ended June 30, 2021 and 2020.
- 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.

- 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:

	2021/6/30 Fair value	Valuation technique	Significant and unobservable input	Range (weighted average)	Relationship between input and fair value
<u>Equity instruments:</u>					
Unlisted and non-OTC stocks	\$ 37,113	Net asset value approach	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
Unlisted and non-OTC stocks	21,741	Discounted Cash Flow method	Note 1	Not applicable	Note 2
<u>Hybrid instrument:</u>					
Unlisted and non-OTC stocks	52,246	Discounted Cash Flow method	Note 1	Not applicable	Note 2
Embedded option (	42,437)	Options pricing model	Price volatility	Not applicable	The higher the net assets value, the higher the fair value

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

	2020/6/30 Fair value	Valuation technique	Significant and unobservable input	Range (weighted average)	Relationship between input and fair value
<u>Equity instruments:</u>					
Unlisted and non-OTC stocks	\$ 32,930	Net asset value approach	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
Unlisted and non-OTC stocks	21,741	Discounted Cash Flow method	Note 1	Not applicable	Note 2
<u>Hybrid instrument:</u>					
Unlisted and non-OTC stocks	40,929	Discounted Cash Flow method	Note 1	Not applicable	Note 2
Embedded option (	29,974)	Options pricing model	Price volatility	Not applicable	The higher the net assets value, the higher the fair value

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

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

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

(4) 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. The operating income in the first quarter decreased slightly by about 9% compared with the same period last year. However, the company adopted adjustments to relevant procurement and stocking policies and customer orders in response to the epidemic. Pulling goods gradually stabilized until the operating income in the second quarter increased slightly by approximately 11% compared with the previous quarter. The Group will continue to evaluate and manage the above issues.

XIII. Disclosures

(1) Information on significant transactions

- A. Financing provided: None.
- B. Endorsements and guarantees provided: None.
- C. Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to schedule 1.
- D. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None.
- E. Acquisition of real estate properties at costs of at least \$300 million or 20% of the paid-in capital: None.
- F. Disposal of real estate properties at prices of at least \$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Please refer to schedule 2.
- H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to schedule 3.
- I. Trading in derivative instruments undertaken during the reporting period: Please refer to Note 6 (2) and (10).
- J. Intercompany relationships and significant intercompany transactions: Please refer to Schedule 4.

(2) 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. Segment information

(1) General information

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

(2) Measurement of segment information

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

(3) Segment information

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

	<u>For the six-month periods ended June 30,2021</u>			
	<u>IPC</u>	<u>Medical PC</u>	<u>Elimination</u>	<u>Total</u>
Revenue from external customers	\$ 2,148,714	\$ 522,557	\$ -	\$ 2,671,271
Revenue from internal segments	76,605	3,040	(79,645)	-
Segment revenue	<u>\$ 2,225,319</u>	<u>\$ 525,597</u>	<u>(\$ 79,645)</u>	<u>\$ 2,671,271</u>
Segment profit or loss	<u>\$ 58,770</u>	<u>\$ 40,013</u>	<u>\$ -</u>	<u>\$ 98,783</u>
Segment profit or loss includes:				
Depreciation and amortization	<u>\$ 39,816</u>	<u>\$ 10,810</u>	<u>\$ -</u>	<u>\$ 50,626</u>

	<u>For the six-month periods ended June 30,2020</u>			
	<u>IPC</u>	<u>Medical PC</u>	<u>Elimination</u>	<u>Total</u>
Revenue from external customers	\$ 2,394,370	\$ 606,156	\$ -	\$ 3,000,526
Revenue from internal segments	112,200	13,576	(125,776)	-
Segment revenue	<u>\$ 2,506,570</u>	<u>\$ 619,732</u>	<u>(\$ 125,776)</u>	<u>\$ 3,000,526</u>
Segment profit or loss	<u>\$ 230,407</u>	<u>\$ 74,492</u>	<u>\$ -</u>	<u>\$ 304,899</u>
Segment profit or loss includes:				
Depreciation and amortization	<u>\$ 41,215</u>	<u>\$ 13,527</u>	<u>\$ -</u>	<u>\$ 54,742</u>

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

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

(4) Adjustment information on segment profit or loss

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

AAEON Technology Inc. and Subsidiaries

MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

JUNE 30, 2021

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

Schedule 1

Holding company	Marketable securities type and name			Financial Statement Account	2021/6/30				
	Type	Name (Note 1)	Relationship with the Company		Shares	Carrying value (Note2)	Percentage of Ownership (%)	Fair value	Remarks
AAEON Technology Inc.	Fund	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	2,091,070	\$ 26,485	-	\$ 26,485	None
"	Stock	Advantech Co.,Ltd.	"	"	802	277	-	277	"
"	"	MACHVISION,INC.	Other related party - the Company's Chairman as a director	"	1,180,198	305,671	2.64	305,671	"
"	"	ATECH OEM INC.	"	"	234	3	-	3	"
"	"	Unitech Electronics Co., Ltd.	None	"	549,600	10,882	1.17	10,882	"
"	"	LILEE SYSTEMS Ltd.	"	"	468,750	-	-	-	"
"	"	Econova Technology Co.	"	"	266,600	-	7.27	-	"
"	"	Allied Biotech Co.	Other related party - the Company's Chairman as a director	"	300,000	5,025	0.32	5,025	"
"	"	TELEION WIRELESS, INC.	None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,360	19.29	19,360	"
"	"	V-Net AAEON Corporation Ltd.	"	"	29	9,809	14.50	9,809	Note 3
AAEON INVESTMENT, CO., LTD.	Fund	HSBC Global Income Bond Fund	"	Financial assets at fair value through profit or loss - current	555,078	7,380	-	7,380	None
"	Stock	ATECH OEM INC.	Other related party - the Company's Chairman as a director	"	3,456,000	40,954	5.82	40,954	"
"	"	Mutto Optronics Co.	None	"	310,000	6,758	0.67	6,758	"
"	"	Sunengine Co., Ltd.	Other related party - the Company's Chairman as a director	"	156,903	1,089	2.75	1,089	"
ONYX HEALTHCARE INC.	"	MACHVISION,INC.	"	"	18,716	4,847	0.04	4,847	"
"	"	INNO FUND III	None	Financial assets at fair value through profit or loss - non-current	3,000,000	36,024	13.04	36,024	"
"	"	MELTEN CONNECTED HEALTHCARE INC.	"	Financial asset at fair value through other comprehensive income - non-current	4,193,548	2,381	6.47	2,381	"

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 NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE SIX -MONTH PERIOD ENDED JUNE 30, 2021

Schedule 2

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

Company Name	Related Party	Nature of Relationship	Purchase (sales)	Transaction		Payment terms	Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note)	Accounts and notes receivable (payable)		Note
				Amount	Percentage to total purchase (sales) (%)			Ending Balance	Percentage to total accounts and notes receivable or payable (%)	
AAEON Technology Inc.	ASUSTEK COMPUTER INC	Parent	Purchases	\$ 436,408	27.88	month-end 30 days	-	-	(\$ 106,981)	(23.62)
"	AAEON ELECTRONICS, INC.	Subsidiary	(Sales)	(365,642)	(20.26)	month-end 60 days	-	-	88,860	15.71
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	"	(271,499)	(15.05)	"	-	-	127,593	22.55
"	AAEON TECHNOLOGY (SUZHOU) INC.	"	"	(151,491)	(8.40)	"	-	-	57,815	10.22

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

JUNE 30, 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 TECHNOLOGY (EUROPE) B.V.	Subsidiary	\$ 127,593	5.29	\$ -	-	\$ 48,704	\$ -

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 NT\$100 MILLION ARE DISCLOSED)

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

Schedule 4

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

Serial No. (Note 1)	Company Name	Related Party	Nature of relationships (Note 2)	Intercompany transaction			As a percentage of consolidated revenues or total assets (%) (Note 3)
				Financial Statement Account	Amount	Terms	
0	AAEON Technology Inc.	AAEON ELECTRONICS, INC.	1	Net sales	\$ 365,642	month-end 60 days	13.69
"	"	AAEON TECHNOLOGY (EUROPE) B.V.	1	Net sales	271,499	"	10.16
"	"	AAEON TECHNOLOGY (SUZHOU) INC.	1	Net sales	151,491	"	5.67
"	"	AAEON TECHNOLOGY (EUROPE) B.V.	1	Accounts receivable	127,593		1.26

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 SIX-MONTH PERIOD ENDED JUNE 30, 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 June 30,2020			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/6/30	2020/12/31	Shares	Percentage (%)	Carrying Amount			
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	\$ 136,514	\$ 139,552	490,000	100.00	\$ 205,250	\$ 5,127	\$ 5,131	
"	AAEON TECHNOLOGY CO.,LTD	British Virgin Islands	Investment of IPC and interface card	245,366	250,826	8,807,097	100.00	230,338	15,247	15,152	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,315	3,502	-	100.00	23,942	(4,293)	(4,293)	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	12,093	12,577	465,840	100.00	53,030	6,130	6,130	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	119,747	(4,808)	(4,808)	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	73,358	73,358	13,756,431	50.00	456,604	36,499	18,327	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	11.99	96,964	34,890	4,187	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	31.33	3,233,258	57,009	(6,024)	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	995	1,051	-	100.00	20,138	812	-	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 THREE-MONTH PERIOD ENDED JUNE 30, 2021

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

Schedule 5

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of June 30, 2020			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/6/30	2020/12/31	Shares	Percentage (%)	Carrying Amount			
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	USA	Sales of medical PC and peripherals	\$ 55,720	\$ 56,960	200,000	100.00	\$ 79,926	(\$ 14,364)	-	Note1
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,315	3,502	100,000	100.00	17,913	2,907	-	"
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	7,157	(2,799)	-	"
"	WINMATE INC.	"	Bid quotations, distributions and sales of LCD application equipment and modules	542,859	538,199	9,911,000	13.68	525,433	178,001	-	"

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 June 30, 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 SIX-MONTH PERIOD ENDED JUNE 30, 2021

Schedule 6

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

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Methods of investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 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 June 30, 2021	Accumulated Inward Remittance of Earnings as of June 30, 2021	Remarks
					Outflow	Inflow							
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	\$ 242,111	2	\$ 242,111	\$ -	\$ -	\$ 242,111	\$ 15,328	100%	\$ 15,328	\$ 235,679	\$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	55,720	1	55,720	-	-	55,720	(1,250)	100%	(1,250)	3,294	-	
<u>Company Name</u>	<u>Ending Balance of Accumulated Investment in Mainland China</u>	<u>Investment Amounts Authorized by Investment Commission, MOEA</u>	<u>Upper Limit on Investment Authorized by Investment Commission, MOEA</u>										
AAEON Technology Inc.	\$ 242,111	\$ 242,111	\$ 4,757,604										
Onyx Technology Inc.	55,720	55,720	564,187										

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 June 30, 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
JUNE 30, 2021

Schedule 7

Name of major shareholder	Shares	
	Total Shares Owned	Ownership (%)
ASUSTEK COMPUTER INC.	43,756,000	29.466
IBASE TECHNOLOGY INC.	41,698,468	28.080
Yung-Shun Chuang	19,664,000	13.242
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.629
HUA-MIN INVESTMENT CO., LTD.	8,359,000	5.629

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.