

AAEON Technology Inc and Subsidiaries
Consolidated Financial Statements
With Independent Auditor's Review Report Thereon
September 30, 2022 and 2021
(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 September 30, 2022 and 2021

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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 subsidiaries (the "Group") as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month periods ended September 30, 2022 and 2021, and for the nine-month periods ended September 30, 2022 and 2021, as well as the consolidated statement of changes in equity and cash flows for the nine-month periods ended September 30, 2022 and 2021, 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 \$614,380 thousand and \$593,557 thousand as of September 30, 2022 and 2021, and accounted for 5.51% and 6.08% of consolidated total assets, respectively; they also represented \$134,690 thousand and \$88,706 thousand of total liabilities, which accounted for 6.14% and 5.11% of consolidated total liabilities, respectively, and total comprehensive income (loss) amounting to (\$4,058) thousand, \$5,392 thousand, \$1,916 thousand, and \$9,166 thousand, constituting (0.96%), 5.83%, 0.21% and 5.88% of consolidated total comprehensive income (loss) for the three-month periods ended September 30, 2022 and 2021, and for the nine-month periods ended September 30, 2022 and 2021, respectively. These amounts and the related information disclosed in the accompanying consolidated financial statements were based on the unreviewed financial statements of consolidated subsidiaries.

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 September 30, 2022 and 2021, and of its consolidated financial performance for the three-month periods ended September 30, 2022 and 2021, and for the nine-month periods ended September 30, 2022 and 2021 and its consolidated cash flow for the nine-month periods ended September 30, 2022 and 2021, 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 \$4,007,443 thousand and \$3,875,552 thousand as of September 30, 2022 and 2021, which accounted for 35.92% and 39.68% of consolidated total assets on the respective dates; total comprehensive income recognized from the above companies amounted to \$137,886 thousand, \$10,288 thousand, \$250,493 thousand and \$33,946 thousand, constituting 32.76%, 11.12%, 28.00% and 21.78% of consolidated comprehensive income for the three-month periods ended September 30, 2022 and 2021, and for the nine-month periods ended September 30, 2022 and 2021, 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

November 2, 2022

Notes to Readers

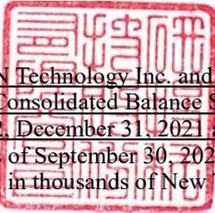
The accompanying consolidated financial statements are intended only to present the Consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. 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
September 30, 2022, December 31, 2021 and September 30, 2021
 (The consolidated balance sheets as of September 30, 2022 and 2021, were reviewed, not audited)
 (Expressed in thousands of New Taiwan Dollars)

| | Assets | Notes | September 30, 2022 | | December 31, 2021 | | September 30, 2021 | |
|---------------------------|--|-----------------|----------------------|------------|----------------------|------------|---------------------|------------|
| | | | Amount | % | Amount | % | Amount | % |
| Current asset | | | | | | | | |
| 1100 | Cash and cash equivalents | 6. (1) | \$ 2,063,387 | 18 | \$ 1,841,520 | 18 | \$ 1,956,573 | 20 |
| 1110 | Financial asset at fair value through profit or loss - current | 6. (2) | 220,488 | 2 | 425,306 | 4 | 367,513 | 4 |
| 1150 | Net notes receivable | 6. (4) | 6,691 | - | 23,655 | - | 13,828 | - |
| 1170 | Net accounts receivable | 6. (4) | 1,070,868 | 10 | 1,174,099 | 11 | 778,897 | 8 |
| 1200 | Other receivables | 7 | 25,150 | - | 57,692 | 1 | 46,654 | - |
| 1220 | Current tax assets | | 9,914 | - | 12,603 | - | - | - |
| 130X | Inventories | 6. (5) | 2,352,389 | 21 | 1,518,035 | 15 | 1,467,279 | 15 |
| 1410 | Prepayments | | 98,442 | 1 | 89,415 | 1 | 102,975 | 1 |
| 1479 | Other current assets - other | 8 | 1,679 | - | 1,631 | - | 1,976 | - |
| 11XX | Total current assets | | <u>5,849,008</u> | <u>52</u> | <u>5,143,956</u> | <u>50</u> | <u>4,735,695</u> | <u>48</u> |
| Non-current assets | | | | | | | | |
| 1510 | Financial asset at fair value through profit or loss - non-current | 6. (2) | 54,532 | 1 | 65,217 | 1 | 64,927 | 1 |
| 1517 | Financial asset at fair value through other comprehensive income - non-current | 6. (3) | 23,906 | - | 32,381 | - | 32,381 | - |
| 1550 | Investments accounted for under equity method | 6. (6) | 4,007,443 | 36 | 3,922,180 | 38 | 3,875,552 | 40 |
| 1600 | Property, plant and equipment | 6. (7), 7 and 8 | 772,578 | 7 | 800,321 | 8 | 796,248 | 8 |
| 1755 | Right-of-use assets | 6. (8) | 126,738 | 1 | 82,067 | 1 | 84,111 | 1 |
| 1760 | Investment property | 6. (9) and 7 | 225,174 | 2 | 79,758 | 1 | 81,184 | 1 |
| 1780 | Intangible assets | | 11,281 | - | 17,726 | - | 18,091 | - |
| 1840 | Deferred tax assets | | 64,900 | 1 | 57,557 | 1 | 62,931 | 1 |
| 1900 | Other non-current assets | 8 | 22,121 | - | 14,842 | - | 16,001 | - |
| 15XX | Total non-current assets | | <u>5,308,673</u> | <u>48</u> | <u>5,072,049</u> | <u>50</u> | <u>5,031,426</u> | <u>52</u> |
| 1XXX | Total Assets | | <u>\$ 11,157,681</u> | <u>100</u> | <u>\$ 10,216,005</u> | <u>100</u> | <u>\$ 9,767,121</u> | <u>100</u> |

(Continued)


AAEON Technology Inc. and Subsidiaries
Consolidated Balance Sheets
September 30, 2022, December 31, 2021 and September 30, 2021
 (The consolidated balance sheets as of September 30, 2022 and 2021, were reviewed, not audited)
 (Expressed in thousands of New Taiwan Dollars)

| Liabilities and equity | Notes | September 30, 2022 | | December 31, 2021 | | September 30, 2021 | | |
|--|--|--------------------|----------------------|-------------------|----------------------|--------------------|---------------------|------------|
| | | Amount | % | Amount | % | Amount | % | |
| Current liability | | | | | | | | |
| 2100 | Short-term borrowings | 6. (10), 8 | \$ - | - | \$ 105,000 | 1 | \$ 118,507 | 1 |
| 2130 | Contract Liability - Current | 6. (18) | 286,039 | 3 | 226,231 | 2 | 253,973 | 3 |
| 2170 | Accounts payables | | 578,389 | 5 | 487,425 | 5 | 440,356 | 5 |
| 2180 | Accounts payables-related parties | 7 | 201,512 | 2 | 93,486 | 1 | 109,097 | 1 |
| 2200 | Other payables | 6. (12), 7 | 425,744 | 4 | 433,117 | 4 | 337,288 | 4 |
| 2230 | Current tax liabilities | | 189,624 | 2 | 73,617 | 1 | 70,637 | 1 |
| 2250 | Provisions for liabilities - current | | 33,236 | - | 27,411 | - | 25,927 | - |
| 2280 | Lease liability - current | | 42,980 | - | 29,303 | - | 27,465 | - |
| 2320 | Long-term liabilities-current | 6. (11), 8 | | | | | | |
| | Portion | | 10,419 | - | 10,744 | - | 10,717 | - |
| 2399 | Other current liabilities - other | | 41,148 | - | 33,512 | 1 | 30,987 | - |
| 21XX | Total current liabilities | | <u>1,809,091</u> | <u>16</u> | <u>1,519,846</u> | <u>15</u> | <u>1,424,954</u> | <u>15</u> |
| Non-current liabilities | | | | | | | | |
| 2527 | Contract liability - non-current | 6. (18) | 79,065 | 1 | 47,341 | - | 51,065 | - |
| 2540 | Long-term borrowings | 6. (11), 8 | 147,453 | 1 | 155,043 | 2 | 157,740 | 2 |
| 2550 | Provisions - non-current | | 11,778 | - | 8,014 | - | 6,828 | - |
| 2570 | Deferred tax liabilities | | 56,008 | 1 | 39,438 | - | 35,165 | - |
| 2580 | Lease liability - non-current | | 85,893 | 1 | 53,639 | 1 | 58,537 | 1 |
| 2670 | Other non-current liabilities - other | | 2,836 | - | 2,156 | - | 3,283 | - |
| 25XX | Total non-current liabilities | | <u>383,033</u> | <u>4</u> | <u>305,631</u> | <u>3</u> | <u>312,618</u> | <u>3</u> |
| 2XXX | Total Liabilities | | <u>2,192,124</u> | <u>20</u> | <u>1,825,477</u> | <u>18</u> | <u>1,737,572</u> | <u>18</u> |
| Equity | | | | | | | | |
| Equity attributable to owners of parent | | | | | | | | |
| Share capital | | | | | | | | |
| | | 6. (15) | | | | | | |
| 3110 | Share capital-common stock | | 1,487,375 | 13 | 1,484,985 | 15 | 1,487,375 | 15 |
| 3140 | Advance receipts for share capital | | 3,450 | - | 1,200 | - | - | - |
| Capital surplus | | | | | | | | |
| | | 6. (14) (16) | | | | | | |
| 3200 | Capital surplus | | 5,410,582 | 48 | 5,433,926 | 53 | 5,419,039 | 55 |
| Retained earnings | | | | | | | | |
| | | 6. (17) | | | | | | |
| 3310 | Legal reserve | | 470,533 | 4 | 425,624 | 4 | 425,624 | 4 |
| 3320 | Special reserve | | 64,805 | 1 | 53,278 | 1 | 53,278 | 1 |
| 3350 | Unappropriated retained earnings | | 869,832 | 8 | 534,550 | 5 | 233,911 | 3 |
| Other Equity | | | | | | | | |
| 3400 | Other equity | | (19,637) | - | (64,805) | (1) | (70,374) | (1) |
| 31XX | Total equity attributable to owners of parent | | <u>8,286,940</u> | <u>74</u> | <u>7,868,758</u> | <u>77</u> | <u>7,546,463</u> | <u>77</u> |
| 36XX | Non-controlling interests | 4. (3) | <u>678,617</u> | <u>6</u> | <u>521,770</u> | <u>5</u> | <u>483,086</u> | <u>5</u> |
| 3XXX | Total equity | | <u>8,965,557</u> | <u>80</u> | <u>8,390,528</u> | <u>82</u> | <u>8,029,549</u> | <u>82</u> |
| Material Contingent Liabilities and 9 | | | | | | | | |
| Unrecognized Contractual Commitments | | | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 11,157,681</u> | <u>100</u> | <u>\$ 10,216,005</u> | <u>100</u> | <u>\$ 9,767,121</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 nine-month periods ended September 30, 2022 and 2021
 (Expressed in thousands of New Taiwan Dollars, except earnings per share data)
 (Reviewed, not audited)

| Item | Notes | For the three-month periods ended September 30, | | | | For the nine-month periods ended September 30, | | | | |
|------|--|---|-------------------|--------------|-------------------|--|---------------------|--------------|-------------------|--------------|
| | | 2022 | | 2021 | | 2022 | | 2021 | | |
| | | Amount | % | Amount | % | Amount | % | Amount | % | |
| 4000 | Operating income | 6. (18), 7 | \$ 2,059,391 | 100 | \$ 1,559,749 | 100 | \$ 6,096,534 | 100 | \$ 4,231,020 | 100 |
| 5000 | Operating cost | 6. (5)(22) | | | | | | | | |
| | | (23), 7. | (1,422,075) | (69) | (1,109,076) | (71) | (4,147,976) | (68) | (3,027,409) | (72) |
| 5900 | Operating profit | | <u>637,316</u> | <u>31</u> | <u>450,673</u> | <u>29</u> | <u>1,948,558</u> | <u>28</u> | <u>1,203,611</u> | <u>28</u> |
| | Operating expenses | 6. (13)(22)(23), 7. | | | | | | | | |
| 6100 | Selling expense | | (133,921) | (7) | (124,798) | (8) | (415,956) | (7) | (368,927) | (9) |
| 6200 | General and administrative expenses | | (92,144) | (4) | (72,345) | (5) | (259,102) | (4) | (218,772) | (5) |
| 6300 | Research and development expenses | | (142,249) | (7) | (113,964) | (7) | (420,741) | (7) | (358,609) | (8) |
| 6450 | Expected credit impairment loss or (gain) | 12. (2) | (2,572) | - | (2,210) | - | (7,156) | - | (1,970) | - |
| 6000 | Total operating expense | | <u>(370,886)</u> | <u>(18)</u> | <u>(313,317)</u> | <u>(20)</u> | <u>(1,102,955)</u> | <u>(18)</u> | <u>(948,278)</u> | <u>(22)</u> |
| 6900 | Operating income | | <u>266,430</u> | <u>13</u> | <u>137,356</u> | <u>9</u> | <u>845,603</u> | <u>14</u> | <u>255,333</u> | <u>6</u> |
| | Non-operating income and expenses | | | | | | | | | |
| 7100 | Interest income | | 1,187 | - | 1,314 | - | 3,050 | - | 3,749 | - |
| 7010 | Other income | 6. (19) | 4,456 | - | 14,171 | 1 | 28,639 | - | 26,300 | - |
| 7020 | Other gains and losses | 6. (20) | 72,015 | 3 | (40,114) | (2) | (52,515) | (1) | (93,052) | (2) |
| 7050 | Financial costs | 6. (21) | (1,602) | - | (1,245) | - | (4,068) | - | (3,076) | - |
| 7060 | Share of the profit of associates and joint ventures accounted for under equity method | 6. (6) | <u>119,682</u> | <u>6</u> | <u>17,265</u> | <u>1</u> | <u>239,041</u> | <u>4</u> | <u>38,276</u> | <u>1</u> |
| 7000 | Total non-operating income and expenses | | <u>195,738</u> | <u>9</u> | <u>(8,609)</u> | <u>-</u> | <u>214,147</u> | <u>(1)</u> | <u>(27,803)</u> | <u>(1)</u> |
| 7900 | Profit (loss) before income tax | | <u>462,168</u> | <u>22</u> | <u>128,747</u> | <u>9</u> | <u>1,059,750</u> | <u>17</u> | <u>227,530</u> | <u>5</u> |
| 7950 | Income tax expenses | 6. (24) | (78,223) | (4) | (27,221) | (2) | (217,178) | (3) | (53,023) | (1) |
| 8200 | Profit for the period | | <u>\$ 383,945</u> | <u>18</u> | <u>\$ 101,526</u> | <u>7</u> | <u>\$ 842,572</u> | <u>14</u> | <u>\$ 174,507</u> | <u>4</u> |

(Continued)


AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
For the nine-month periods ended September 30, 2022 and 2021
 (Expressed in thousands of New Taiwan Dollars, except earnings per share data)
 (Reviewed, not audited)

| Item | Notes | For the three-month periods ended | | | | For the nine-month periods ended | | | | | |
|---|-------|---|---------|------------|------|----------------------------------|------|------------|------|------------|------|
| | | September 30, | | | | September 30, | | | | | |
| | | 2022 | | 2021 | | 2022 | | 2021 | | | |
| | | Amount | % | Amount | % | Amount | % | Amount | % | | |
| Other comprehensive income | | | | | | | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | | | | | | |
| 8316 | | Unrealized gains(losses) on financial assets at FVOCI | 6. (3) | (\$ 4,575) | - | \$ - | - | (\$ 8,475) | - | \$ - | - |
| 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) | 14,863 | 1 | (4,885) | (1) | 5,247 | - | (508) | - |
| 8310 | | Total amount not to be reclassified to profit or loss in subsequent periods | | 10,288 | 1 | (4,885) | (1) | 3,228 | - | (508) | - |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | | | | |
| 8361 | | Financial statements translation differences of foreign operations | | 29,160 | 1 | (2,523) | - | 61,364 | - | (17,891) | - |
| 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) | 3,341 | - | (2,092) | - | 6,205 | - | (3,822) | - |
| 8399 | | Income tax relating to the components of other comprehensive income | 6. (24) | (5,815) | - | 509 | - | (12,272) | - | 3,578 | - |
| 8360 | | Total amount to be reclassified to profit or loss in subsequent periods | | 26,686 | 1 | (4,106) | - | 55,297 | 1 | (18,135) | - |
| 8300 | | Net Other comprehensive income | | \$ 36,974 | 2 | (\$ 8,991) | (1) | \$ 52,069 | 1 | (18,643) | - |
| 8500 | | Total comprehensive income | | \$ 420,919 | 20 | \$ 92,535 | 6 | \$ 894,641 | 15 | \$ 155,864 | 4 |
| Profit attributable to: | | | | | | | | | | | |
| 8610 | | Shareholders of the parent | | \$ 356,729 | 17 | \$ 93,671 | 6 | \$ 778,695 | 13 | \$ 149,916 | 3 |
| 8620 | | Non-controlling interests | | 27,216 | 1 | 7,855 | 1 | 63,877 | 1 | 24,591 | 1 |
| | | | | \$ 383,945 | 18 | \$ 101,526 | 7 | \$ 842,572 | 14 | \$ 174,507 | 4 |
| Total comprehensive income (loss) attributable to: | | | | | | | | | | | |
| 8710 | | Shareholders of the parent | | \$ 389,493 | 18 | \$ 85,205 | 6 | \$ 823,863 | 14 | \$ 132,820 | 3 |
| 8720 | | Non-controlling interests | | 31,426 | 2 | 7,330 | - | 70,778 | 1 | 23,044 | 1 |
| | | | | \$ 420,919 | 20 | \$ 92,535 | 6 | \$ 894,641 | 15 | \$ 155,864 | 4 |
| Basic earnings (loss) per share | | | | | | | | | | | |
| 9750 | | Total basic earnings (loss) per share | 6. (25) | \$ | 3.33 | \$ | 0.88 | \$ | 7.27 | \$ | 1.40 |
| Diluted earnings (loss) per share | | | | | | | | | | | |
| 9850 | | Total diluted earnings (loss) per share | 6. (25) | \$ | 3.28 | \$ | 0.87 | \$ | 7.17 | \$ | 1.40 |

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin

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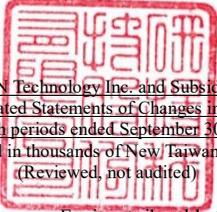
Accounting Supervisor: Jen-Chung Wang




 AAEON Technology Inc. and Subsidiaries
 Consolidated Statements of Changes in Equity
 For the nine-month periods ended September 30, 2022 and 2021
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

| | Equity attributable to owners of the parent | | | | | | | | | | | | |
|--|---|----------------------|------------------------------------|-------------------|---------------|-----------------|---------------------------------|--|---|---|--------------|---------------------------|--------------|
| | Share Capital | | | Retained Earnings | | | | Other Equity | | | | | |
| | Notes | Common share capital | Advance receipts for share capital | Capital surplus | Legal reserve | Special reserve | Undistributed retained earnings | Financial statements differences of foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Total | Non-controlling interests | Total |
| <u>For the six-month period ended September 30, 2021</u> | | | | | | | | | | | | | |
| Balance at January 1, 2021 | | \$ 1,484,985 | \$ - | \$ 5,473,802 | \$ 387,553 | \$ 63,315 | \$ 484,744 | (\$ 47,317) | (\$ 3,830) | (\$ 2,131) | \$ 7,841,121 | \$ 531,332 | \$ 8,372,453 |
| Profit for the period | | - | - | - | - | - | 149,916 | - | - | - | 149,916 | 24,591 | 174,507 |
| Other comprehensive income | | - | - | - | - | - | - | (16,705) | (391) | - | (17,096) | (1,547) | (18,643) |
| Total comprehensive income | | - | - | - | - | - | 149,916 | (16,705) | (391) | - | 132,820 | 23,044 | 155,864 |
| Appropriations of 2020 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) (17) | - | - | (74,249) | - | - | - | - | - | - | (74,249) | - | (74,249) |
| Effect from long-term investment that has not been recognized based on shareholding percentage | 6. (6) (16) | - | - | (1,535) | - | - | - | - | - | - | (1,535) | - | (1,535) |
| Change in associates and joint ventures accounted for under equity method | 6. (6) (16) | - | - | 5,047 | - | - | - | - | - | - | 5,047 | - | 5,047 |
| Share-based Payment | 6 (14) (16) | - | - | 15,974 | - | - | (1,469) | - | - | - | 14,505 | 4,356 | 18,861 |
| Changes in non-controlling interests-cash dividends | 4 (3) | - | - | - | - | - | - | - | - | - | - | (75,646) | (75,646) |
| Balance at September 30, 2021 | | \$ 1,484,985 | \$ - | \$ 5,419,039 | \$ 425,624 | \$ 53,278 | \$ 233,911 | (\$ 64,022) | (\$ 4,221) | (\$ 2,131) | \$ 7,546,463 | \$ 483,086 | \$ 8,029,549 |

(Continued)


 AAEON Technology Inc. and Subsidiaries
 Consolidated Statements of Changes in Equity
 For the nine-month periods ended September 30, 2022 and 2021
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

| | Notes | Equity attributable to owners of the parent | | | | | | | | | | Non-controlling interests | Total |
|--|--------------|---|------------------------------------|-------------------|---------------|-----------------|---------------------------------|--|---|---|--------------|---------------------------|--------------|
| | | Share Capital | | Retained Earnings | | | | | Other Equity | | | | |
| | | Common share capital | Advance receipts for share capital | Capital surplus | Legal reserve | Special reserve | Undistributed retained earnings | Financial statements differences of foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Total | | |
| <u>For the six-month period ended September 30, 2022</u> | | | | | | | | | | | | | |
| Balance at January 1, 2022 | | \$ 1,484,985 | \$ 1,200 | \$ 5,433,926 | \$ 425,624 | \$ 53,278 | \$ 534,550 | (\$ 65,407) | \$ 2,733 | (\$ 2,131) | \$ 7,868,758 | \$ 521,770 | \$ 8,390,528 |
| Profit for the period | | - | - | - | - | - | 778,695 | - | - | - | 778,695 | 63,877 | 842,572 |
| Other comprehensive income | | - | - | - | - | - | - | 50,149 | (4,981) | - | 45,168 | 6,901 | 52,069 |
| Total comprehensive income | | - | - | - | - | - | 778,695 | 50,149 | (4,981) | - | 823,863 | 70,778 | 894,641 |
| Appropriations of 2021 earnings | 6. (17) | - | - | - | 44,909 | - | (44,909) | - | - | - | - | - | - |
| Legal reserve | | - | - | - | 44,909 | - | (44,909) | - | - | - | - | - | - |
| Special reserve | | - | - | - | - | 11,527 | (11,527) | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | (386,408) | - | - | (386,408) | - | (386,408) | - |
| Capital surplus-cash dividend | 6. (16) (17) | - | - | (74,309) | - | - | - | - | - | (74,309) | - | (74,309) | - |
| Differences between share price and book value from acquisition or disposal of subsidiaries | 6. (16) | - | - | 19,802 | - | - | - | - | - | - | 19,802 | (19,802) | - |
| Recognition of changes in ownership interest in subsidiary | | - | - | 1,630 | - | - | - | - | - | - | 1,630 | (1,630) | - |
| Effect from long-term investment that has not been recognized based on shareholding percentage | 6. (6) (16) | - | - | (418) | - | - | - | - | - | (418) | - | (418) | - |
| Change in associates and joint ventures accounted for under equity method | 6. (6) (16) | - | - | (2,730) | - | - | - | - | - | (2,730) | - | (2,730) | - |
| Share-based Payment | 6. (14) (16) | - | - | 7,733 | - | - | (569) | - | - | - | 7,164 | 3,252 | 10,416 |
| Employee stock options exercised | 6. (14) (16) | 2,390 | 2,250 | 24,948 | - | - | - | - | - | - | 29,588 | - | 29,588 |
| Changes in non-controlling interests-subsiary increase cash capital | | - | - | - | - | - | - | - | - | - | - | 172,266 | 172,266 |
| Changes in non-controlling interests- cash dividends | 4. (3) | - | - | - | - | - | - | - | - | - | - | (68,017) | (68,017) |
| Balance at September 30, 2022 | | \$ 1,487,375 | \$ 3,450 | \$ 5,410,582 | \$ 470,533 | \$ 64,805 | \$ 869,832 | (\$ 15,258) | (\$ 2,248) | (\$ 2,131) | \$ 8,286,940 | \$ 678,617 | \$ 8,965,557 |

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

Chairman: Yung-Shun Chuang

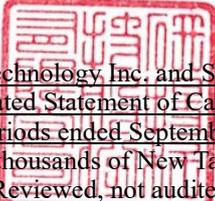


Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang




AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the nine-month periods ended September 30, 2022 and 2021
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

| | Notes | For the nine-month periods ended September 30, | |
|--|-----------------------|--|-------------|
| | | 2022 | 2021 |
| <u>Cash flows from operating activities</u> | | | |
| Profit before tax | | \$ 1,059,750 | \$ 227,530 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation expense | 6. (7) (8) (22) | 61,902 | 59,451 |
| Amortization expenses | 6. (22) | 12,845 | 11,211 |
| Expected credit impairment losses (gains) | 12.(2) | 7,156 | 1,970 |
| Costs of share-based payment awards | 6. (14) | 18,590 | 18,861 |
| Interest income | | (3,050) | (3,749) |
| Dividends income | 6. (19) | (15,858) | (17,170) |
| Interest expenses | 6. (8) (10) (11) (21) | 4,068 | 3,076 |
| Net gains from financial assets and liabilities at fair value through profit or loss | 6. (2) (20) | 195,571 | 92,979 |
| Losses on disposal of property, plant and equipment | 6. (7) (20) | 2,131 | 94 |
| Transferred to expenses and losses | | 1,656 | - |
| Depreciation expense of investment property (other gains and losses) | 6 (9) (20) | 4,826 | 4,743 |
| Share of profit of associates accounted for under equity method | 6. (6) | (239,041) | (38,276) |
| Gain on lease modification | 6. (8)(20) | (36) | (55) |
| Changes in operating assets and liabilities | | | |
| Net changes in operating assets | | | |
| Financial assets and liabilities at fair value through profit or loss | | (3,464) | (5,846) |
| Notes and accounts receivable | | 112,193 | (116,167) |
| Other receivables | | 32,542 | (24,620) |
| Inventories | | (834,354) | (640,968) |
| Prepayments | | (9,027) | (35,896) |
| Net changes in operating liabilities | | | |
| Contract liability | | 91,532 | 70,223 |
| Notes and accounts payable | | 198,990 | 221,314 |
| Other payables | | (8,733) | (49,394) |
| Other current liabilities | | 7,636 | 4,278 |
| Provisions for liabilities | | 9,589 | (1,980) |
| Increase (Decrease) in non-current liabilities | | 680 | 1,500 |
| Net cash from operating activities | | 708,094 | (216,891) |
| Interest received | | 3,050 | 3,749 |
| Interest paid | | (4,099) | (3,076) |
| Income taxes paid | | (105,291) | (76,515) |
| Net cash flows from operating activities | | 601,754 | (292,733) |

(Continued)


AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the nine-month periods ended September 30, 2022 and 2021
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

| | Notes | For the nine-month periods ended September 30, | |
|---|-------------|--|---------------------|
| | | 2022 | 2021 |
| <u>Cash flows from investing activities</u> | | | |
| Acquired financial asset at fair value through profit or loss | | (\$ 320) | (\$ 3,624) |
| Disposal of financial asset at fair value through profit or loss | | 23,716 | 9,647 |
| Acquired Financial asset at fair value through other comprehensive income | | - | (30,000) |
| (Increase) decrease in other current assets | | (48) | 13,491 |
| Acquisition of investments accounted for under equity method | 6. (6) | (10,127) | (14,584) |
| Acquisition of property, plant and equipment | 6. (26) | (135,724) | (299,819) |
| Disposal of property, plant and equipment | 6. (7) | - | 1,078 |
| Acquisition of intangible asset | | (5,548) | (3,869) |
| Decrease (increase) in other non-current assets | | (8,084) | (1,283) |
| Dividends received | | 188,067 | 162,817 |
| Net cash flows used in investing activities | | <u>51,932</u> | <u>(166,146)</u> |
| <u>Cash flows from financing activities</u> | | | |
| Increase in short-term borrowings | 6. (27) | (105,000) | 80,492 |
| Increase in long-term borrowings | 6. (27) | - | 172,000 |
| Reimbursement in long-term borrowings | 6. (27) | (7,915) | (3,543) |
| Repayment of lease principal | 6. (8) (27) | (29,786) | (28,348) |
| Changes in non-controlling interests - cash dividends for non-controlling interests | 4. (3) | (68,017) | (75,646) |
| Cash dividends paid | 6. (17) | (460,717) | (445,495) |
| Changes in non-controlling interests-subsidary increase cash capital | | 172,266 | - |
| Employee share options exercised | | 29,588 | - |
| Net cash flows from financing activities | 6. (14) | <u>(469,581)</u> | <u>300,540</u> |
| Effects due to changes in exchange rate | | 37,762 | (11,939) |
| Increase (decrease) in cash and cash equivalents | | 221,867 | (771,358) |
| Cash and cash equivalents at the beginning of periods | | 1,841,520 | 2,727,931 |
| Cash and cash equivalents at the end of periods | | <u>\$ 2,063,387</u> | <u>\$ 1,956,573</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
Notes to the Consolidated Financial Statements
September 30, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, except as of otherwise indicated)
(Reviewed, not audited)

I. Company Profile

AAEON Technology Co., Ltd. (hereinafter referred to as the "the Company") was established in the Republic of China. The main businesses of the company and its subsidiaries (hereinafter collectively referred to as the "Group") include the manufacturing, processing and imports/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 40.56% 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 November 2 2022.

III. New or Revised Standards and Applied Interpretation

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

Standards or interpretations issued, revised or amended by IASB which are endorsed by FSC at 2022 are listed below:

| <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.

(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 2023 are as follows:

| <u>Newly issued revised or amended standards and interpretations</u> | <u>Effective date issued by IASB</u> |
|--|--------------------------------------|
| 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.

(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>Newly issued revised or amended standards and interpretations</u> | <u>Effective date issued 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 |
| Amendments to IFRS 16, "Lease liability in a sale and lease back" | January 1, 2024 |
| IFRS 17, "Insurance contracts" | January 1, 2023 |
| Amendments to IFRS 17, "Insurance contracts" | January 1, 2023 |
| Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 -comparative information" | January 1, 2023 |
| Amendments to IAS 1, "Classification of liabilities as current or noncurrent" | January 1, 2023 |

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 2021 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 2021 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 2021 consolidated financial report.

2. Subsidiaries included in the consolidated financial statements:

| Investor | Subsidiary name | Business | Ownership (%) | | | Notes |
|----------|---|--|---------------|------------|-----------|-------------------|
| | | | 2022/9/30 | 2021/12/31 | 2021/9/30 | |
| 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 | 48.88% | 50.00% | 50.00% | Note 2 and Note 3 |
| 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 |

| Investor | Subsidiary name | Business | Ownership (%) | | | Notes |
|----------|---------------------------------------|---|---------------|------------|-----------|--------------------|
| | | | 2022/9/30 | 2021/12/31 | 2021/9/30 | |
| ONYX | ONYX HEALTHCARE EUROPE B.V.(ONI) | Marketing support and maintenance of medical PC and peripherals | 100% | 100% | 100% | Note 1 |
| 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 Note 3 |

Note 1: Given that the entities did not meet the definitions of material subsidiary, their financial reports as of September 30, 2022 and 2021 were not reviewed by auditors.

Note 2: ONYX has increased cash capital in March, 2022, be invested in different shareholding by the Company.

Note 3: Although the Group does not hold more than 50% shareholding, it is included in the preparation of the consolidated financial report as it has control over the Company's financial, operating and personnel policies.

3. Subsidiaries not included in the consolidated financial statements: None.

4. Adjustments for subsidiaries with different end of 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 September 30, 2022, December 31, 2021 and September 30, 2021, amounted to \$678,617, \$521,770 and \$483,086, respectively. The Group's subsidiaries with significant non-controlling interests are as follows:

| Subsidiary Name | Main business location | Non-controlling interests | | Non-controlling interests | |
|-----------------|------------------------|---------------------------|--------------------|---------------------------|--------------------|
| | | 2022/9/30 | | 2021/12/31 | |
| | | Amount | Ownership interest | Amount | Ownership interest |
| ONYX | Taiwan | \$ 670,574 | 51.12% | \$ 512,899 | 50.00% |

| Subsidiary Name | Main business location | Non-controlling interests | |
|-----------------|------------------------|---------------------------|--------------------|
| | | 2021/9/30 | |
| | | Amount | Ownership interest |
| ONYX | Taiwan | \$ 475,148 | 50.00% |

Summarized financial information of subsidiaries:

Balance sheet

| | ONYX | | |
|-------------------------|---------------------|---------------------|-------------------|
| | 2022/9/30 | 2021/12/31 | 2021/9/30 |
| Current asset | \$ 930,395 | \$ 698,415 | \$ 601,320 |
| Non-current assets | 1,000,085 | 1,003,518 | 989,416 |
| Current liability | (354,505) | (431,310) | (390,968) |
| Non-current liabilities | (256,114) | (235,857) | (241,443) |
| Total Net Assets | <u>\$ 1,319,861</u> | <u>\$ 1,034,766</u> | <u>\$ 958,325</u> |

Statement of comprehensive income

| | ONYX | |
|--|-----------------------------------|------------------|
| | For the three-month periods ended | |
| | September 30, | |
| | 2022 | 2021 |
| Income | \$ 336,350 | \$ 247,013 |
| Profit before tax | \$ 62,269 | \$ 15,652 |
| Income tax expense | (8,724) | 524 |
| Net income | 53,545 | 16,176 |
| Other comprehensive income (net amount after tax) | 8,232 | (1,050) |
| Total comprehensive income | <u>\$ 61,777</u> | <u>\$ 15,126</u> |
| Total comprehensive income attributable to non-controlling interests | <u>\$ 31,615</u> | <u>\$ 7,794</u> |

| | ONYX | |
|--|----------------------------------|------------------|
| | For the nine-month periods ended | |
| | September 30, | |
| | 2022 | 2021 |
| Income | \$ 1,113,022 | \$ 772,610 |
| Profit before tax | \$ 152,041 | \$ 55,665 |
| Income tax expense | (25,313) | (4,503) |
| Net income | 126,728 | 51,162 |
| Other comprehensive income (net amount after tax) | 13,548 | (3,093) |
| Total comprehensive income | <u>\$ 140,276</u> | <u>\$ 48,069</u> |
| Total comprehensive income attributable to non-controlling interests | <u>\$ 71,606</u> | <u>\$ 25,020</u> |
| Dividends paid to non-controlling interests | <u>\$ 68,017</u> | <u>\$ 75,646</u> |

Cash flow statement

| | ONYX | |
|---|--|-------------------|
| | For the nine-month periods ended September 30 | |
| | 2022 | 2021 |
| Net cash inflow (outflow) from operating activities | \$ 180,005 | (\$ 18,435) |
| Net cash flows used in investing activities | (20,144) | (330,854) |
| Net cash inflow (outflow) from financing activities | 11,430 | 116,184 |
| Effects of exchange rate changes on cash and cash equivalents | 9,325 | (3,401) |
| Increase (decrease) in current cash and cash equivalents | 180,616 | (236,506) |
| Cash and cash equivalents at the beginning of periods | 182,893 | 392,364 |
| Cash and cash equivalents at the end of periods | <u>\$ 363,509</u> | <u>\$ 155,858</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

| | 2022/9/30 | 2021/12/31 | 2021/9/30 |
|---------------------------------------|---------------------|---------------------|---------------------|
| Reserve cash and working capital | \$ 1,587 | \$ 1,082 | \$ 1,229 |
| Checking accounts and demand deposits | 1,494,583 | 1,806,751 | 1,919,710 |
| Time deposit | 567,217 | 33,687 | 35,634 |
| Total | <u>\$ 2,063,387</u> | <u>\$ 1,841,520</u> | <u>\$ 1,956,573</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 | 2022/9/30 | 2021/12/31 | 2021/9/30 |
|--|------------|------------|------------|
| Current: | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| Listed and OTC stocks | \$ 135,729 | \$ 159,125 | \$ 167,148 |
| Emerging stocks | 3,000 | 3,000 | 3,000 |
| Unlisted and non-OTC stocks | 73,744 | 73,744 | 77,744 |
| Beneficiary certificates | 25,000 | 25,000 | 31,141 |
| | 237,473 | 260,869 | 279,033 |
| Valuation adjustment | (16,985) | 164,437 | 88,480 |
| Subtotal | \$ 220,488 | \$ 425,306 | \$ 367,513 |
| 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 | (15,370) | (4,685) | (4,975) |
| Subtotal | \$ 54,532 | \$ 65,217 | \$ 64,927 |

- 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 September 30, 2022, December 31, 2021 and September 30, 2021.
- 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 September 30, | |
|--|---|---------------|
| | 2022 | 2021 |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instruments | (\$ 14,944) | (\$ 41,786) |
| Beneficiary certificates | 43 | (11) |
| Hybrid instrument | 97 | (94) |
| Total | (\$ 14,804) | (\$ 41,891) |

| | <u>For the nine-month periods ended September 30,</u> | |
|--|---|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instruments | (\$ 194,841) | (\$ 91,628) |
| Beneficiary certificates | 81 | 8 |
| Hybrid instrument | (811) | (1,303) |
| Total | <u>(\$ 195,571)</u> | <u>(\$ 92,923)</u> |

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

| <u>Item</u> | <u>2022/9/30</u> | <u>2021/12/31</u> | <u>2021/9/30</u> |
|-----------------------------|------------------|-------------------|------------------|
| Non-current: | | | |
| Equity instrument | | | |
| Unlisted and non-OTC stocks | \$ 69,334 | \$ 69,334 | \$ 69,334 |
| Valuation adjustment | (45,428) | (36,953) | (36,953) |
| Total | <u>\$ 23,906</u> | <u>\$ 32,381</u> | <u>\$ 32,381</u> |

- 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 \$23,906, \$32,381 and \$32,381 on September 30, 2022, December 31, 2021, and September 30, 2021 separately.
- Financial assets at fair value through other comprehensive income has amounted (\$4,575), \$0, (\$8,475), and \$0 recognized for the three-month periods ended September 30, 2022 and 2021, and for the nine-month periods ended September 30, 2022 and 2021, separately.
- The Group has no financial assets measured at fair value through other comprehensive income pledged to others.

(IV) Notes and accounts receivables

| | <u>2022/9/30</u> | <u>2021/12/31</u> | <u>2021/9/30</u> |
|----------------------|---------------------|---------------------|-------------------|
| Notes receivable | <u>\$ 6,691</u> | <u>\$ 23,655</u> | <u>\$ 13,828</u> |
| Accounts receivable | \$ 1,097,273 | \$ 1,192,502 | \$ 797,095 |
| Less: Loss allowance | (26,405) | (18,403) | (18,198) |
| | <u>\$ 1,070,868</u> | <u>\$ 1,174,099</u> | <u>\$ 778,897</u> |

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

| | | | |
|------------------|-----------|------------|-----------|
| Notes receivable | 2022/9/30 | 2021/12/31 | 2021/9/30 |
| Not past due | \$ 6,691 | \$ 23,655 | \$ 13,828 |

| | | | |
|------------------|--------------|--------------|------------|
| Notes receivable | 2022/9/30 | 2021/12/31 | 2021/9/30 |
| Not past due | \$ 889,980 | \$ 1,030,420 | \$ 675,092 |
| Within 30 days | 146,159 | 131,116 | 80,355 |
| 31-60 days | 43,082 | 7,938 | 18,621 |
| 61-90 days | 1,150 | 4,725 | 2,597 |
| 91-180 days | 1,054 | 1,687 | 5,288 |
| Over 181 days | 15,848 | 16,616 | 15,142 |
| Not past due | \$ 1,097,273 | \$ 1,192,502 | \$ 797,095 |

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

- The Group does not hold any financial assets as security for accounts and notes receivables.
- Balances of accounts and notes receivable as of September 30, 2022, December 31, 2021 and September 30, 2021 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2021 were \$694,756 and \$16,430, respectively.
- Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of September 30, 2022, December 31, 2021 and September 30, 2021 were \$6,691, \$23,655 and \$13,828, respectively, and the maximum exposure to the credit risk of accounts receivable as of September 30, 2022, December 31, 2021 and September 30, 2021 were \$1,070,868, \$1,174,099 and \$778,897, respectively.
- Please refer to Note 12 (2) for credit risk information of notes and accounts receivable.

(V) Inventories

| | | | |
|-------------------------|--------------|---------------------|-----------------|
| | 2022/9/30 | | |
| | Cost | Valuation allowance | Carrying amount |
| Raw material | \$ 1,431,151 | (\$ 86,883) | \$ 1,334,268 |
| Work in progress | 614,966 | (20,130) | 594,836 |
| Finished good | 402,978 | (35,187) | 367,791 |
| Merchandise Inventories | 45,556 | (2,209) | 43,347 |
| Inventories in transit | 2,147 | - | 2,147 |
| Total | \$ 2,496,798 | (\$ 144,409) | \$ 2,352,389 |

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

| | 2021/9/30 | | |
|-------------------------|---------------------|---------------------|---------------------|
| | Cost | Valuation allowance | Carrying amount |
| Raw material | \$ 818,292 | (\$ 76,916) | \$ 741,376 |
| Work in progress | 523,873 | (38,704) | 485,169 |
| Finished good | 242,051 | (31,145) | 210,906 |
| Merchandise Inventories | 29,472 | (2,540) | 26,932 |
| Inventories in transit | 2,896 | - | 2,896 |
| Total | \$ 1,616,584 | (\$ 149,305) | \$ 1,467,279 |

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

| | For the three-month periods ended September 30, | |
|---|---|---------------------|
| | 2022 | 2021 |
| Cost of Inventories sold | \$ 1,379,197 | \$ 1,110,362 |
| Inventories obsolescence and devaluation loss (reversal gain) | 24,640 | (1,537) |
| Losses on disposal of inventories | 21 | 262 |
| Other operating costs | 17,847 | - |
| Others | 370 | (11) |
| | \$ 1,422,075 | \$ 1,109,076 |
| | For the nine-month periods ended September 30, | |
| | 2022 | 2021 |
| Cost of Inventories sold | \$ 4,072,600 | \$ 2,990,732 |
| Inventories obsolescence and devaluation loss | 55,466 | 56,808 |
| Losses on disposal of inventories | 1,074 | 2,436 |
| Compensation income from inventories | - | (22,537) |
| Other operating costs | 17,847 | - |
| Others | 989 | (30) |
| | \$ 4,147,976 | \$ 3,027,409 |

(VI) Investments accounted for under equity method

| | 2022 | 2021 |
|---|---------------------|---------------------|
| At January 1 | \$ 3,922,180 | \$ 3,969,157 |
| Increase in Investments accounted for under equity method | 10,127 | 14,584 |
| Share of investment income accounted for using the equity method | 239,041 | 38,276 |
| Distribution of investment income accounted for using the equity method | (172,209) | (145,647) |
| Changes in capital surplus and retained earnings | (3,148) | 3,512 |
| Changes in other equity | 11,452 | (4,330) |
| At September 30 | <u>\$ 4,007,443</u> | <u>\$ 3,875,552</u> |

| Investee | 2022/9/30 | | 2021/12/31 | |
|--------------------------|---------------|---------------------|---------------|---------------------|
| | Ownership (%) | Book value | Ownership (%) | Book value |
| LITEMAX ELECTRONICS INC. | 11.97 | \$ 109,324 | 11.99 | \$ 103,896 |
| IBASE TECHNOLOGY INC. | 28.88 | 3,314,993 | 31.91 | 3,257,009 |
| WINMATE INC. | 14.01 | 583,126 | 13.85 | 561,275 |
| | | <u>\$ 4,007,443</u> | | <u>\$ 3,922,180</u> |

| Investee | 2021/9/30 | |
|--------------------------|---------------|---------------------|
| | Ownership (%) | Book value |
| LITEMAX ELECTRONICS INC. | 11.99 | \$ 98,933 |
| IBASE TECHNOLOGY INC. | 31.56 | 3,227,283 |
| WINMATE INC. | 13.85 | 549,336 |
| | | <u>\$ 3,875,552</u> |

- On June 11, 2018, the Company signed a share exchange agreement with IBASE TECHNOLOGY INC. and increased its capital by issuing 41,698 thousand new shares for the exchange of 52,922 thousand common shares from IBASE TECHNOLOGY INC. The record date of the share exchange was September 29, 2018. The share exchange entitles the Group holds 30% equity interest and significant influence in IBASE; for this reason, IBASE has been accounted using the equity method since then. According to the share exchange agreement, the two parties agree to notify the other party of the transaction terms and conditions in writing, providing the preferential right of subscription for the following

changes in shareholdings:

- (1) Either party wishes to reduce shares of the other party which are acquired based on the share exchange agreement.
 - (2) Either party wishes to increase its shareholding in the other party within three years after the contract is signed.
2. Summarized aggregated financial information of the Group's share in these associates is as follows:

Balance sheet

| | IBASE TECHNOLOGY INC. | | |
|---|-----------------------|---------------------|---------------------|
| | 2022/9/30 | 2021/12/31 | 2021/9/30 |
| Current asset | \$ 5,836,233 | \$ 5,503,123 | \$ 5,049,401 |
| Non-current assets | 5,736,675 | 5,047,175 | 5,492,063 |
| Current liability | (2,946,533) | (3,034,399) | (2,416,874) |
| Non-current liabilities | (1,784,766) | (1,699,749) | (2,500,749) |
| Net assets fair value of trade marks, other intangible and tangible assets adjustment | 2,020,124 | 2,306,129 | 2,429,190 |
| Adjusted Net Assets | <u>\$ 8,861,733</u> | <u>\$ 8,122,279</u> | <u>\$ 8,053,031</u> |
| Share of net assets of the associates | \$ 2,336,575 | \$ 2,278,591 | \$ 2,248,865 |
| Goodwill | 978,418 | 978,418 | 978,418 |
| Book value of associates | <u>\$ 3,314,993</u> | <u>\$ 3,257,009</u> | <u>\$ 3,227,283</u> |

Statement of comprehensive income

| | IBASE TECHNOLOGY INC. | |
|---|---|--------------------|
| | For the three-month periods ended September 30, | |
| | 2022 | 2021 |
| Income | \$ 1,878,394 | \$ 1,371,333 |
| Net income of continuing operations | 436,071 | 6,551 |
| Other comprehensive income (net amount after tax) | 38,642 | (21,514) |
| Total comprehensive income | 474,713 | (14,963) |
| Fair value adjustment | (38,134) | (38,134) |
| Adjusted total comprehensive income | <u>(\$ 436,579)</u> | <u>(\$ 53,097)</u> |
| Dividends received from associates | <u>\$ -</u> | <u>\$ 1,693</u> |

| IBASE TECHNOLOGY INC. | | |
|---|--------------|----------------|
| For the nine -month periods ended September 30, | | |
| | 2022 | 2021 |
| Income | \$ 4,831,514 | \$ 4,379,798 |
| Net income of continuing operations | 855,933 | 8,460 |
| Other comprehensive income (net amount after tax) | 10,791 | (14,724) |
| Total comprehensive income | 866,724 | (6,264) |
| Fair value adjustment | (114,401) | (114,401) |
| Adjusted total comprehensive income | \$ 752,323 | (\$ 120,665) |
| Dividends received from associates | \$ 115,370 | \$ 96,952 |

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 September 30, | | |
|---|-----------|-----------|
| | 2022 | 2021 |
| Net income of continuing operations | \$ 24,455 | \$ 18,136 |
| Other comprehensive income (net amount after tax) | 8,635 | (675) |
| Total comprehensive income | \$ 33,090 | \$ 17,461 |

| For the nine-month periods ended September 30, | | |
|---|-----------|-----------|
| | 2022 | 2021 |
| Net income of continuing operations | \$ 62,415 | \$ 45,172 |
| Other comprehensive income (net amount after tax) | 12,812 | (170) |
| Total comprehensive income | \$ 75,227 | \$ 45,002 |

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

| | 2022/9/30 | 2021/12/31 | 2021/9/30 |
|--------------------------|--------------|--------------|--------------|
| LITEMAX ELECTRONICS INC. | \$ 179,037 | \$ 185,808 | \$ 169,759 |
| IBASE TECHNOLOGY INC. | 3,529,888 | 2,156,566 | 2,130,105 |
| WINMATE INC. | 788,563 | 787,214 | 755,083 |
| | \$ 4,497,488 | \$ 3,129,588 | \$ 3,054,947 |

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 ELECTRONICS INC.

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 is the single largest shareholder of IBASE TECHNOLOGY INC., with a 28.88% equity interest. Given that the degree of other shareholders involvement in prior stockholders' meeting and record of voting rights for major proposals, which indicates that the Group has no substantial ability to direct the relevant activities, the Group has no control, but only has significant influence, over the company.

The Group is the single largest shareholder of LITEMAX, with a 11.97% equity interest. Considering that the remaining 88.03% 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

| | 2022 | | | | | |
|---|-------------------|-------------------|-------------------------|------------------|---|-------------------|
| | Land | Buildings | Machinery and equipment | Other equipment | Construction in progress and equipment under installation | Total |
| January 1 Cost | \$ 511,982 | \$ 310,595 | \$ 69,224 | \$ 200,338 | \$ 1,307 | \$ 1,093,446 |
| Accumulated depreciation and impairment | - | (101,534) | (45,528) | (146,063) | - | (293,125) |
| | <u>\$ 511,982</u> | <u>\$ 209,061</u> | <u>\$ 23,696</u> | <u>\$ 54,275</u> | <u>\$ 1,307</u> | <u>\$ 800,321</u> |
| January 1 Additions (Note1) | - | - | 619 | 8,500 | 125,214 | 134,333 |
| Disposal | - | - | - | (2,131) | - | (2,131) |
| Reclassification (Note 2) | (29,152) | (271) | 89 | 2,468 | (123,618) | (150,484) |
| Depreciation expense | - | (6,390) | (5,791) | (18,902) | - | (31,083) |
| Net exchange differences | 10,239 | 11,045 | 33 | 305 | - | 21,622 |
| September 30 | <u>\$ 493,069</u> | <u>\$ 213,445</u> | <u>\$ 18,646</u> | <u>\$ 44,515</u> | <u>\$ 2,903</u> | <u>\$ 772,578</u> |
| September 30 Cost | \$ 493,069 | \$ 323,796 | \$ 64,027 | \$ 191,473 | \$ 2,903 | \$ 1,075,268 |
| Accumulated depreciation and impairment | - | (110,351) | (45,381) | (146,958) | - | (302,690) |
| | <u>\$ 493,069</u> | <u>\$ 213,445</u> | <u>\$ 18,646</u> | <u>\$ 44,515</u> | <u>\$ 2,903</u> | <u>\$ 772,578</u> |

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 (Note 1) | 229,660 | 48,860 | 815 | 19,079 | 2,852 | 301,266 |
| Disposal | - | - | (13) | (1,159) | - | (1,172) |
| Reclassification (Note 2) | - | (32,728) | 143 | 3,937 | (4,783) | (33,431) |
| Depreciation expense | - | (5,861) | (7,300) | (17,279) | - | (30,440) |
| Net exchange differences | (1,585) | (2,295) | (21) | (605) | - | (4,506) |
| September 30 | <u>\$ 512,409</u> | <u>\$ 211,134</u> | <u>\$ 24,730</u> | <u>\$ 44,823</u> | <u>\$ 3,152</u> | <u>\$ 796,248</u> |
| September 30 | | | | | | |
| Cost | \$ 512,409 | \$ 310,669 | \$ 67,885 | \$ 188,276 | \$ 3,152 | \$ 1,082,391 |
| Accumulated depreciation and impairment | - | (99,535) | (43,155) | (143,453) | - | (286,143) |
| | <u>\$ 512,409</u> | <u>\$ 211,134</u> | <u>\$ 24,730</u> | <u>\$ 44,823</u> | <u>\$ 3,152</u> | <u>\$ 796,248</u> |

Note 1: The Group has purchased real estate from related-parties in September, 2022, please refer to Note 7 (3) 7.

Note 2: 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:

| | <u>2022/9/30</u> | <u>2021/12/31</u> | <u>2021/9/30</u> |
|--------------------------|------------------------|------------------------|------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Building | \$ 117,544 | \$ 73,014 | \$ 72,913 |
| Transportation equipment | 7,415 | 6,952 | 8,990 |
| Other equipment | 1,779 | 2,101 | 2,208 |
| | <u>\$ 126,738</u> | <u>\$ 82,067</u> | <u>\$ 84,111</u> |

| | <u>For the three-month periods ended September 30,</u> | |
|--------------------------|--|-----------------------------|
| | <u>2022</u> | <u>2021</u> |
| | <u>Depreciation expense</u> | <u>Depreciation expense</u> |
| Building | \$ 10,211 | \$ 7,266 |
| Transportation equipment | 1,335 | 1,861 |
| Other equipment | 107 | 108 |
| | <u>\$ 11,653</u> | <u>\$ 9,235</u> |

| | <u>For the nine-month periods ended September 30,</u> | |
|--------------------------|---|-----------------------------|
| | <u>2022</u> | <u>2021</u> |
| | <u>Depreciation expense</u> | <u>Depreciation expense</u> |
| Building | \$ 26,065 | \$ 23,221 |
| Transportation equipment | 4,433 | 5,455 |
| Other equipment | 321 | 335 |
| | <u>\$ 30,819</u> | <u>\$ 29,011</u> |

4. For the three-month periods ended September 30, 2022 and 2021, for the nine-month periods ended September 30, 2022 and 2021 to the acquisitions of right-of-use assets were \$3,860, \$1,013, \$77,849 and \$89,610, respectively.
5. The information on income and expense accounts relating to lease contracts is as follows:

| | <u>For the three-month periods ended September 30,</u> | |
|--|--|-------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Items affecting profit or loss</u> | | |
| Interest expenses on lease liabilities | \$ 761 | \$ 465 |
| Expenses on short-term lease contracts | 4,135 | 5,113 |
| Expenses on leases of low-value assets | 16 | 11 |
| Gain on lease modification | - | 61 |

| | For the nine-month periods ended September 30, | |
|--|--|----------|
| | 2022 | 2021 |
| <u>Items affecting profit or loss</u> | | |
| Interest expenses on lease liabilities | \$ 1,966 | \$ 1,484 |
| Expenses on short-term lease contracts | 14,690 | 14,993 |
| Expenses on leases of low-value assets | 29 | 28 |
| Gain on lease modification | 36 | 55 |

6. For the nine-month periods ended September 30, 2022 and 2021, the Group's total cash outflow for leases was \$46,471 and \$44,853, respectively.

(IX) Investment property

| | 2022 | | |
|---|-------------|------------------|------------------|
| | Land | Buildings | Total |
| January 1 | | | |
| Cost | \$ - | \$ 169,788 | \$ 169,788 |
| Accumulated depreciation and impairment | - | (90,030) | (90,030) |
| | <u>\$ -</u> | <u>\$ 79,758</u> | <u>\$ 79,758</u> |

| | Land | Buildings | Total |
|--------------------------|-------------------|------------------|-------------------|
| January 1 | \$ - | \$ 79,758 | \$ 79,758 |
| Reclassification (Note) | 128,036 | 20,792 | 148,828 |
| Depreciation expense | - | (4,826) | (4,826) |
| Net exchange differences | - | 1,414 | 1,414 |
| September 30 | <u>\$ 128,036</u> | <u>\$ 97,138</u> | <u>\$ 225,174</u> |

| | Land | Buildings | Total |
|---|-------------------|------------------|-------------------|
| September 30 | | | |
| Cost | \$ 128,036 | \$ 193,804 | \$ 321,840 |
| Accumulated depreciation and impairment | - | (96,666) | (96,666) |
| | <u>\$ 128,036</u> | <u>\$ 97,138</u> | <u>\$ 225,174</u> |

| | 2021 | | |
|---|-------------|------------------|------------------|
| | Land | Buildings | Total |
| January 1 | | | |
| Cost | \$ - | \$ 117,134 | \$ 117,134 |
| Accumulated depreciation and impairment | - | (63,077) | (63,077) |
| | <u>\$ -</u> | <u>\$ 54,057</u> | <u>\$ 54,057</u> |

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|--------------------------|-------------|------------------|------------------|
| January 1 | \$ - | \$ 54,057 | \$ 54,057 |
| Reclassification (Note) | - | 32,728 | 32,728 |
| Depreciation expense | - | (4,743) | (4,743) |
| Net exchange differences | - | (858) | (858) |
| September 30 | <u>\$ -</u> | <u>\$ 81,184</u> | <u>\$ 81,184</u> |

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|---|-------------|------------------|------------------|
| September 30 | | | |
| Cost | \$ - | \$ 168,788 | \$ 168,788 |
| Accumulated depreciation and impairment | - | (87,604) | (87,604) |
| | <u>\$ -</u> | <u>\$ 81,184</u> | <u>\$ 81,184</u> |

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

1. Rent income and related direct operating cost & expense of the investment property:

| | <u>For the three-month periods ended September 30,</u> | |
|---|--|-----------------|
| | <u>2022</u> | <u>2021</u> |
| Rent income | <u>\$ 3,332</u> | <u>\$ 2,165</u> |
| Related direct operating cost & expense | <u>\$ 1,610</u> | <u>\$ 1,682</u> |

| | <u>For the nine-month periods ended September 30,</u> | |
|---|---|-----------------|
| | <u>2022</u> | <u>2021</u> |
| Rent income | <u>\$ 9,391</u> | <u>\$ 6,495</u> |
| Related direct operating cost & expense | <u>\$ 4,826</u> | <u>\$ 4,743</u> |

2. The fair value of investment property for the end of September 30, 2022, December 31, 2021 and September 30, 2021 was \$443,729, \$320,974, \$320,803 which base on the evaluation results of nearby transaction prices.

(X) Short-term borrowings

| <u>Nature of the borrowing</u> | <u>2021/12/31</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|--------------------------------|-------------------|----------------------------|-------------------|
| Borrowings from banks | | | |
| Credit borrowings | <u>\$ 105,000</u> | 1.08%-1.10% | None |

| <u>Nature of the borrowing</u> | <u>2021/9/30</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|--------------------------------|-------------------|----------------------------|-------------------------------|
| Borrowings from banks | | | |
| Credit borrowings | \$ 105,000 | 1.00%~1.08% | None |
| Guaranteed borrowings | 13,507 | 3.80% | Property, Plant and Equipment |
| | <u>\$ 118,507</u> | | |

1. The short-term borrowing for the nine months ended September 30, 2022: None.
2. For the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, interest expenses recognized through profit or loss were \$0, \$203, \$364 and \$1,015, respectively.
3. Please refer to Note 8 for the guarantee status of short-term borrowings.

(XI) Long-term borrowings

| <u>Type of borrowing</u> | <u>Period and Repayment method</u> | <u>Interest rate range</u> | <u>Collateral</u> | <u>2022/9/30</u> |
|---|---|----------------------------|-------------------|-------------------|
| Borrowings from banks | | | | |
| Guaranteed borrowings | 2021.5.28-2036.5.28 Monthly amortization of principal and interest | 1.00% | Land, Buildings | \$ 157,872 |
| Less: Current portions of long-term loans | | | | (10,419) |
| | | | | <u>\$ 147,453</u> |

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

| <u>Type of borrowing</u> | <u>Period and Repayment method</u> | <u>Interest rate range</u> | <u>Collateral</u> | <u>2021/9/30</u> |
|---|---|----------------------------|-------------------|-------------------|
| Borrowings from banks | | | | |
| Guaranteed borrowings | 2021.5.28-2036.5.28 Monthly amortization of principal and interest | 1.00% | Land, Buildings | \$ 168,457 |
| Less: Current portions of long-term loans | | | | (10,717) |
| | | | | <u>\$ 157,740</u> |

1. For the three months ended September 30, 2022 and 2021 and nine months ended September 30, 2022 and 2021, interest expenses recognized through profit or loss were \$557, \$0, \$1,454 and \$0, respectively.
2. Please refer to Note 8 for the guarantee status of short-term borrowings.

(XII) Other payables

| | 2021/9/30 | 2021/12/31 | 2021/9/30 |
|---|-------------------|-------------------|-------------------|
| Accrued payroll, employee's compensation and bonuses | \$ 263,788 | \$ 272,654 | \$ 200,398 |
| Accrued technical service fee (Please refer Note 7 (3) 6.) | 38,127 | 46,917 | 51,527 |
| Accrued assembly costs | - | 308 | 660 |
| Accrued commission fee | 49,058 | 25,442 | 13,372 |
| Others | 74,771 | 87,796 | 71,331 |
| | <u>\$ 425,744</u> | <u>\$ 433,117</u> | <u>\$ 337,288</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 AAEON in accordance with the above retirement policy for were \$10,349, \$11,078, \$29,848 and \$29,160 for the three months periods ended September 30, 2022 and 2021, and for the nine months periods ended September 30, 2022 and 2021, respectively.

(XIV) Share-based Payment

1. AAEON
 - (1) AAEON had the following share-based payment agreement active for the nine-months periods ended September 30, 2022 and 2021:

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

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

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

| | For the nine-months periods ended September 30, 2022 | |
|--|---|--|
| | No. of units (shares in thousands) | Weighted average exercise price (in dollars) |
| Options outstanding at beginning of period | 2,556 | \$ 65.7 |
| Options granted | (464) | 63.8 |
| Options outstanding at the end of period | 2,092 | 63.1 |
| Options exercisable at the end of period | - | |

| | For the nine-months periods ended September 30, 2021 | |
|--|---|--|
| | No. of units (shares in thousands) | Weighted average exercise price (in dollars) |
| Options outstanding at beginning of period | 2,912 | \$ 68.8 |
| Options outstanding at the end of period | 2,912 | 65.7 |
| 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:

| | | | 2022/9/30 | |
|-----------------------------------|--------------------------|---------------|---------------------------------------|--------------------------------|
| Arrangement type | Authorized issue date | Maturity date | Number of shares (in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2020.11.26 | 2024.11.25 | 2,092 | \$ 63.1 |

| | | | 2021/12/31 | |
|-----------------------------------|--------------------------|---------------|---------------------------------------|--------------------------------|
| Arrangement type | Authorized issue date | Maturity date | Number of shares (in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2019.11.26 | 2024.11.25 | 2,556 | \$ 65.7 |

| | | | 2021/9/30 | |
|-----------------------------------|--------------------------|---------------|---------------------------------------|--------------------------------|
| Arrangement type | Authorized issue date | Maturity date | Number of shares (in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2020.11.26 | 2024.11.25 | 2,912 | \$ 65.7 |

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

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

(5) Expenses of share-based payment transaction:

| | For the three-month periods ended September 30, | |
|-------------------|---|-----------|
| | 2022 | 2021 |
| Equity settlement | \$ 1,274 | \$ 3,383 |
| | For the nine-month periods ended September 30, | |
| | 2022 | 2021 |
| Equity settlement | \$ 3,826 | \$ 10,148 |

2. Subsidiary- ONYX HEALTHCARE INC. (ONYX)

(1) ONYX had the following share-based payment agreement active for the nine-months periods ended September 30, 2022 and 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 |
| Increase cash capital reserved for employees | 2022.01.25 | 418 | Not applicable | Immediately |

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

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

| | For the nine-months periods ended September 30, 2022 | |
|--|--|--|
| | No. of units (shares in thousands) | Weighted average exercise price (in dollars) |
| Options outstanding at beginning of period | 1,000 | \$ 121.5 |
| Options expired | (52) | - |
| Options outstanding at the end of period | 948 | 114.7 |
| Options exercisable at the end of period | 474 | - |

| | For the nine-months periods ended September 30, 2021 | |
|--|---|---|
| | No. of units (shares in thousands) | Weighted average exercise price (in dollars) |
| Options outstanding at beginning of period | 1,000 | \$ 139.5 |
| Options outstanding at the end of period | 1,000 | 121.5 |
| Options exercisable at the end of period | - | - |

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

| | 2022/9/30 | | | |
|-----------------------------------|--------------------------|---------------|--|--------------------------------|
| Arrangement type | Authorized issue date | Maturity date | No. of units (shares in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2021.08.06 | 2025.08.06 | 948 | \$ 114.7 |

| | 2021/12/31 | | | |
|-----------------------------------|--------------------------|---------------|--|--------------------------------|
| Arrangement type | Authorized issue date | Maturity date | No. of units (shares in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2021.08.06 | 2025.08.06 | 1,000 | \$ 121.5 |

| | 2021/9/30 | | | |
|-----------------------------------|--------------------------|---------------|--|--------------------------------|
| Arrangement type | Authorized issue date | Maturity date | No. of units (shares in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2021.08.06 | 2025.08.06 | 1,000 | \$ 121.5 |

(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 years | Risk-free interest rate | Fair value per unit (in dollars) |
|--|------------|-----------------------------------|----------------|-------------------|---------------------------------|-------------------------------------|-------------------------------|--|
| Plan of employee stock options | 2021.08.06 | 1,000 | \$ 139.5 | \$ 139.5 | 32.26% | 3.88 years | 0.29% | \$ 35.39 |
| Increase cash capital reserved for employees | 2022.01.25 | 418 | \$ 107.5 | \$ 88.0 | 18.32% | 0.16 years | 0.34% | 19.5567 |

(5) Expenses of share-based payment transaction:

| | For the three-month periods ended September 30, | |
|-------------------|---|----------|
| | 2022 | 2021 |
| Equity settlement | \$ 2,197 | \$ 2,887 |

| | For the nine-month periods ended September 30, | |
|--|--|----------|
| | 2022 | 2021 |
| Increase cash capital reserved for employees | \$ 8,174 | \$ - |
| Equity settlement | 6,590 | 8,713 |
| | \$ 14,764 | \$ 8,713 |

(XV) Share capital

1. As of September 30, 2022 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 \$1,490,825, divided into 149,082 thousand shares, each at par value of NT\$10 per share. Proceeds have been fully collected for the issued shares.

| | 2022 | 2021 |
|----------------------------------|---------|---------|
| 1/1 | 148,618 | 148,498 |
| Employee stock options exercised | 464 | - |
| 9/30 | 149,082 | 148,498 |

2. On April 30, 2020, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was amended on November 12, 2020 by resolution of the board of directors. A total of 3,000 ESOs were issued, and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.
3. As of September 30, 2022, AAEON's associates - IBASE owned 41,698 thousand of AAEON's shares.

(XVI) Capital surplus

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

| 2022 | | | | | | | |
|--|---------------|---|--|--------------------------------------|-----------------------|----------|--------------|
| | Share premium | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Recognition of changes in ownership interest in subsidiary | Affiliate company net equity changes | Employee Share option | Others | Total |
| January 1 | \$ 4,837,089 | \$ 213,200 | \$ 223,636 | \$ 127,296 | \$ 30,524 | \$ 2,181 | \$ 5,433,926 |
| Cash dividends | (74,309) | - | - | - | - | - | (74,309) |
| Differences between share price and book value from acquisition or disposal of subsidiaries | - | 19,802 | - | - | - | - | 19,802 |
| Changes in ownership interests in subsidiaries | - | - | 1,630 | - | - | - | 1,630 |
| Employee stock options exercised | 32,254 | - | - | (7,306) | - | - | 24,948 |
| Effect from long-term investment that has not been recognized based on shareholding percentage | - | - | - | (418) | - | - | (418) |
| Change in associates and joint ventures accounted for under equity method | - | - | - | (2,730) | - | - | (2,730) |
| Share-based Payment | - | - | 3,338 | - | 4,395 | - | 7,733 |
| September 30 | \$ 4,795,034 | \$ 233,002 | \$ 228,604 | \$ 124,148 | \$ 27,613 | \$ 2,181 | \$ 5,410,582 |

| 2021 | | | | | | | |
|--|---------------|---|--|--------------------------------------|-----------------------|----------|--------------|
| | Share premium | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Recognition of changes in ownership interest in subsidiary | Affiliate company net equity changes | Employee Share option | Others | Total |
| January 1 | \$ 4,902,942 | \$ 213,200 | \$ 215,992 | \$ 119,513 | \$ 19,974 | \$ 2,181 | \$ 5,473,802 |
| Cash dividends | (74,249) | - | - | - | - | - | (74,249) |
| Changes in ownership interests in subsidiaries | - | - | 1,835 | (1,835) | - | - | - |
| Effect from long-term investment that has not been recognized based on shareholding percentage | - | - | - | (1,535) | - | - | (1,535) |
| Change in associates and joint ventures accounted for under equity method | - | - | - | 5,047 | - | - | 5,047 |
| Share-based Payment | - | - | 4,357 | - | 11,617 | - | 15,974 |
| September 30 | \$ 4,828,693 | \$ 213,200 | \$ 222,184 | \$ 123,025 | \$ 29,756 | \$ 2,181 | \$ 5,419,039 |

(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 2021 and 2020 earnings had been approved by the resolutions of the board of directors of the Company and approved by the e-voting result on May 27, 2022 and May 28, 2021 respectively. Details are summarized below:

| | 2021 | | 2020 | |
|---|-------------------|--|-------------------|--|
| | Amount | Dividends per share (in NT dollars) | Amount | Dividends per share (in NT dollars) |
| Provision (reversal) of Special reserve | \$ 11,527 | | (\$ 10,037) | |
| Legal reserve | 44,909 | | 38,071 | |
| Cash dividends | 386,408 | \$ 2.60 | 371,246 | \$ 2.50 |
| | <u>\$ 442,844</u> | | <u>\$ 399,280</u> | |

Cash dividends distributed to common shareholders from the capital surplus would be \$74,309 (\$0.5 per share) which approved by the resolutions of the board of directors of the Company on May 27, 2022.

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 2021 and 2020 which were the same as the proposal submitted by the Board of Directors.

(XVIII) Operating income

| | For the three-month periods ended September 30, | |
|---------------------------------------|--|--------------|
| | 2022 | 2021 |
| Revenue from Contracts with Customers | \$ 2,059,391 | \$ 1,559,749 |

| | For the nine-month periods ended September 30, | |
|---------------------------------------|---|--------------|
| | 2022 | 2021 |
| Revenue from Contracts with Customers | \$ 6,096,534 | \$ 4,231,020 |

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 September 30, 2022 | IPC | Medical PC | Total |
|---|--------------|------------|--------------|
| Revenue from Contracts with Customers | \$ 1,723,183 | \$ 336,208 | \$ 2,059,391 |
| Timing of revenue recognition | | | |
| At a point time | \$ 1,722,540 | \$ 324,456 | \$ 2,046,996 |
| Over time | 826 | 11,752 | 12,395 |
| Total | \$ 1,723,183 | \$ 336,208 | \$ 2,059,391 |

| For the nine-month periods ended September 30, 2022 | IPC | Medical PC | Total |
|--|--------------|--------------|--------------|
| Revenue from Contracts with Customers | \$ 4,997,438 | \$ 1,099,096 | \$ 6,096,534 |
| Timing of revenue recognition | | | |
| At a point time | \$ 4,995,227 | \$ 1,067,210 | \$ 6,062,437 |
| Over time | 2,211 | 31,886 | 34,097 |
| Total | \$ 4,997,438 | \$ 1,099,096 | \$ 6,096,534 |

| For the three-month periods ended September 30, 2021 | IPC | Medical PC | Total |
|---|--------------|------------|--------------|
| Revenue from Contracts with Customers | \$ 1,316,173 | \$ 243,576 | \$ 1,559,749 |
| Timing of revenue recognition | | | |
| At a point time | \$ 1,315,347 | \$ 232,497 | \$ 1,547,844 |
| Over time | 826 | 11,079 | 11,905 |
| Total | \$ 1,316,173 | \$ 243,576 | \$ 1,559,749 |

| For the nine-month periods ended September 30, 2021 | IPC | Medical PC | Total |
|--|--------------|------------|--------------|
| Revenue from Contracts with Customers | \$ 3,464,887 | \$ 766,133 | \$ 4,231,020 |
| Timing of revenue recognition | | | |
| At a point time | \$ 3,462,504 | \$ 739,725 | \$ 4,202,229 |
| Over time | 2,383 | 26,408 | 28,791 |
| Total | \$ 3,464,887 | \$ 766,133 | \$ 4,231,020 |

2. Contract liability

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

| | 2022/9/30 | 2021/12/31 | 2021/9/30 | 2021/1/1 |
|-----------------------------------|------------|------------|------------|------------|
| Contract Liability - Current: | | | | |
| Advances from customers | \$ 274,674 | \$ 212,285 | \$ 238,958 | \$ 158,221 |
| Warranty contract | 11,365 | 13,946 | 15,015 | 16,750 |
| Contract Liability - Non-current: | | | | |
| Advances from customers | 59,849 | 26,024 | 28,401 | 31,995 |
| Warranty contract | 19,216 | 21,317 | 22,664 | 27,849 |
| Total | \$ 365,104 | \$ 273,572 | \$ 305,038 | \$ 234,815 |

(2) Recognized income of contract liabilities at January 1

| | For the three-month periods ended September 30, | |
|---|---|-----------|
| | 2022 | 2021 |
| Beginning balance of contract liabilities | | |
| Recognized income | | |
| Advances from customers | \$ 21,153 | \$ 12,243 |
| Warranty contract | 3,392 | 4,441 |
| Total | \$ 24,545 | \$ 16,684 |

| | For the nine-month periods ended September 30, | |
|---|--|-----------|
| | 2022 | 2021 |
| Beginning balance of contract liabilities | | |
| Recognized income | | |
| Advances from customers | \$ 104,019 | \$ 69,998 |
| Warranty contract | 10,846 | 13,582 |
| Total | \$ 114,865 | \$ 83,580 |

(XIX) Other income

| | For the three-month periods ended September 30, | |
|------------------|---|-----------|
| | 2022 | 2021 |
| Rental income | \$ 4,072 | \$ 2,881 |
| Dividend income | 384 | 11,290 |
| Total | \$ 4,456 | \$ 14,171 |
| | For the nine-month periods ended September 30, | |
| | 2022 | 2021 |
| Rental income | \$ 12,781 | \$ 9,130 |
| Dividends income | 15,858 | 17,170 |
| Total | \$ 28,639 | \$ 26,300 |

(XX) Other gains and losses

| | <u>For the three-month periods ended September 30,</u> | |
|---|--|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Net loss from financial assets and liabilities at fair value through profit or loss | (\$ 14,804) | (\$ 41,891) |
| Gain (loss) on foreign currency exchange | 70,758 | (2,463) |
| Gain (loss) on disposal of property, plant and equipment | 15 | (4) |
| Depreciation on investment property, buildings. | (1,610) | (1,682) |
| Gain (loss) on lease modification | - | 61 |
| Government subsidy | 194 | 100 |
| Other income | 17,462 | 5,765 |
| | <u>\$ 72,015</u> | <u>(\$ 40,114)</u> |

| | <u>For the nine-month periods ended September 30,</u> | |
|---|---|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Net loss from financial assets and liabilities at fair value through profit or loss | (\$ 195,571) | (\$ 92,979) |
| Gain (loss) on foreign currency exchange | 119,775 | (20,301) |
| Loss on disposal of property, plant and equipment | (2,131) | (94) |
| Depreciation on investment property, buildings. | (4,826) | (4,743) |
| Gain (loss) on lease modification | 36 | 55 |
| Government subsidy | 333 | 10,931 |
| Other income | 29,889 | 14,079 |
| | <u>(\$ 52,515)</u> | <u>(\$ 93,052)</u> |

(XXI) Financial costs

| | <u>For the three-month periods ended September 30,</u> | |
|--------------------------------------|--|-----------------|
| | <u>2022</u> | <u>2021</u> |
| Interest expenses | \$ 841 | \$ 780 |
| Leased liabilities interest expenses | 761 | 465 |
| | <u>\$ 1,602</u> | <u>\$ 1,245</u> |

| | For the nine-month periods ended September 30, | | | |
|--------------------------------------|---|-------|------|-------|
| | 2022 | | 2021 | |
| Interest expenses | \$ | 2,102 | \$ | 1,592 |
| Leased liabilities interest expenses | | 1,966 | | 1,484 |
| | \$ | 4,068 | \$ | 3,076 |

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

| | For the three-month periods ended September 30, | | | | | |
|----------------------------|---|-------------------|------------|----------------|-------------------|------------|
| | 2022 | | | 2021 | | |
| | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| Employee benefits expenses | \$ 80,548 | \$ 261,641 | \$ 342,189 | \$ 64,745 | \$ 224,838 | \$ 289,583 |
| Depreciation expense | 8,918 | 12,856 | 21,774 | 9,890 | 9,775 | 19,665 |
| Amortization expenses | 499 | 4,050 | 4,549 | 499 | 2,933 | 3,432 |

| | For the nine-month periods ended September 30, | | | | | |
|----------------------------|--|-------------------|------------|----------------|-------------------|------------|
| | 2022 | | | 2021 | | |
| | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| Employee benefits expenses | \$ 226,032 | \$ 765,746 | \$ 991,778 | \$ 189,650 | \$ 667,370 | \$ 857,020 |
| Depreciation expense | 26,987 | 34,915 | 61,902 | 31,375 | 28,076 | 59,451 |
| Amortization expenses | 1,500 | 11,345 | 12,845 | 1,636 | 9,575 | 11,211 |

(XXIII) Employee benefit expenses

| | For the three-month periods ended September 30, | |
|---------------------------------|---|------------|
| | 2022 | 2021 |
| Salaries and wages | \$ 307,194 | \$ 256,877 |
| Labor and health insurance fees | 20,991 | 19,048 |
| Pension costs | 10,349 | 11,078 |
| Other personnel expenses | 3,655 | 2,580 |
| | \$ 342,189 | \$ 289,583 |

| | For the nine-month periods ended September 30, | |
|---------------------------------|--|------------|
| | 2022 | 2021 |
| Salaries and wages | \$ 884,444 | \$ 760,232 |
| Labor and health insurance fees | 66,374 | 60,184 |
| Pension costs | 29,848 | 29,160 |
| Other personnel expenses | 11,112 | 7,444 |
| | \$ 991,778 | \$ 857,020 |

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 September 30, 2022 and 2021, and for the nine months periods ended September 30, 2022 and 2021, based on the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at \$42,567, \$11,792, \$79,261 and \$19,122, respectively, while the remuneration of directors were estimated at \$2,862, \$857, \$6,171 and \$1,715, respectively, which are recognized as salaries and wages.

Amounts for the period January 1 to September 30, 2022, were estimated based on profitability at the time and the percentages stipulated in Articles of Incorporation.

Employees' compensation and directors' remuneration for 2021 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2021 financial statements., which were \$46,872 and \$4,500, 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 September 30, | |
|---|--|-----------|
| | 2022 | 2021 |
| Current tax: | | |
| Current tax on profits for the period | \$ 72,782 | \$ 25,003 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 5,441 | 2,218 |
| Income tax expense | \$ 78,223 | \$ 27,221 |
| | | |
| | For the nine-month periods ended September 30, | |
| | 2022 | 2021 |
| Current income tax: | | |
| Income tax from current income | \$ 218,233 | \$ 61,801 |
| Surtax on undistributed Retained Earnings | 915 | - |
| Adjustments in respect of prior period | 866 | (1,817) |
| Total current income tax | 220,014 | 59,984 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (2,836) | (6,961) |
| Income tax expense | \$ 217,178 | \$ 53,023 |

(2) Income tax relative to other comprehensive income:

| | For the three-month periods ended September 30, | |
|--|---|------------|
| | 2022 | 2021 |
| Differences in translation of foreign operations | \$ 5,815 | (\$ 509) |
| | <u>For the nine-month periods ended September 30,</u> | |
| | 2022 | 2021 |
| Differences in translation of foreign operations | \$ 12,272 | (\$ 3,578) |

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

| | Certification |
|---|---------------|
| The Company, AAEONI, ONYX, IHELPER INC. | 2020 |

(XXV) Earnings per share

| | For the three-month periods ended September 30, 2022 | | |
|--|--|---|-------------------------------|
| | Amount after-tax | Weighted average outstanding shares (in thousand) | Losses per share (in dollars) |
| <u>Basic (diluted) losses per share</u> | | | |
| Profit attributable to ordinary shareholders of parent company | \$ 356,729 | 107,223 | \$ 3.33 |
| <u>Diluted earnings per share</u> | | | |
| Dilutive effect of potential ordinary shares | | | |
| Employee stock options | | 473 | |
| Employees' bonuses | | 1,068 | |
| Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares | \$ 356,729 | 108,764 | \$ 3.28 |

| | For the three-month periods ended September 30, 2021 | | |
|--|--|---|-------------------------------|
| | Amount after-tax | Weighted average outstanding shares (in thousand) | Losses per share (in dollars) |
| <u>Basic (diluted) losses per share</u> | | | |
| Profit attributable to ordinary shareholders of parent company | \$ 93,671 | 106,800 | \$ 0.88 |
| <u>Diluted earnings per share</u> | | | |
| Dilutive effect of potential ordinary shares | | | |
| Employees' bonuses | | 315 | |
| Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares | \$ 93,671 | 107,115 | \$ 0.87 |

| | <u>For the nine-month periods ended September 30, 2022</u> | | |
|--|--|-------------------------------|---------------------|
| | <u>Amount</u> | <u>Weighted average</u> | <u>Losses per</u> |
| | <u>after-tax</u> | <u>outstanding shares (in</u> | <u>share</u> |
| | | <u>thousand)</u> | <u>(in dollars)</u> |
| <u>Basic (diluted) losses per share</u> | | | |
| Profit attributable to ordinary shareholders of parent company | <u>\$ 778,695</u> | 107,053 | <u>\$ 7.27</u> |
| <u>Diluted earnings per share</u> | | | |
| Dilutive effect of potential ordinary shares | | | |
| Employee stock options | | 377 | |
| Employees' bonuses | | <u>1,220</u> | |
| Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 778,695</u> | <u>108,650</u> | <u>\$ 7.17</u> |

| | <u>For the nine-month periods ended September 30, 2021</u> | | |
|--|--|-------------------------------|---------------------|
| | <u>Amount</u> | <u>Weighted average</u> | <u>Losses per</u> |
| | <u>after-tax</u> | <u>outstanding shares (in</u> | <u>share</u> |
| | | <u>thousand)</u> | <u>(in dollars)</u> |
| <u>Basic (diluted) losses per share</u> | | | |
| Profit attributable to ordinary shareholders of parent company | <u>\$ 149,916</u> | 106,800 | <u>\$ 1.40</u> |
| <u>Diluted earnings per share</u> | | | |
| Dilutive effect of potential ordinary shares | | | |
| Employees' bonuses | | <u>457</u> | |
| Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 149,916</u> | <u>107,257</u> | <u>\$ 1.40</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 September 30, 2021 and for the nine-month periods ended September 30, 2021.
2. The Company applies the equity method for the exchange of shares with IBAS, and applies the treasury stock method for investments on Ibase. In calculating earnings per share, the Company recognizes Ibase's shareholding as treasury shares which is a deduction from equity.

(XXVI) Supplemental cash flow information.

Investing activities with partial cash payments:

| | For the nine-month periods ended September 30, | |
|---|--|-------------------|
| | 2022 | 2021 |
| Acquisition of property, plant and equipment | \$ 134,333 | \$ 301,266 |
| Add : Opening balance of payable on equipment | 2,760 | 1,296 |
| Less : Ending balance of payable on equipment | (1,369) | (2,743) |
| Cash paid during the period | <u>\$ 135,724</u> | <u>\$ 299,819</u> |

(XXVII) Changes in liabilities arising from financing activities

| | 2022 | | | |
|-------------------------------------|-----------------------|--|-------------------|-------------------|
| | Short-term borrowings | Long-term borrowings (including current portion) | Lease liability | Total |
| January 1 | \$ 105,000 | \$ 165,787 | \$ 82,942 | \$ 353,729 |
| Changes in cash flow from financing | (105,000) | (7,915) | (29,786) | (142,701) |
| Effect on changes in exchange rate | - | - | 223 | 223 |
| Changes in others without cash flow | - | - | 75,494 | 75,494 |
| Cash paid during the period | <u>\$ -</u> | <u>\$ 157,872</u> | <u>\$ 128,873</u> | <u>\$ 286,745</u> |

| | 2021 | | | |
|-------------------------------------|-----------------------|--|------------------|-------------------|
| | Short-term borrowings | Long-term borrowings (including current portion) | Lease liability | Total |
| January 1 | \$ 38,875 | \$ - | \$ 34,069 | \$ 72,944 |
| Changes in cash flow from financing | 80,492 | 168,457 | (28,348) | 220,601 |
| Effect on changes in exchange rate | (860) | - | (1,244) | (2,104) |
| Changes in others without cash flow | - | - | 81,525 | 81,525 |
| Cash paid during the period | <u>\$ 118,507</u> | <u>\$ 168,457</u> | <u>\$ 86,002</u> | <u>\$ 372,966</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 40.56% ownership (including indirect shareholdings) of AAEON.

(II) Names of related parties and relationship

| <u>Name of related party</u> | <u>Relation</u> |
|----------------------------------|--|
| 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. |
| IBASE (SHANGHAI) TECHNOLOGY 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) |
| HONGTECH ELECTRONICS CO., LTD. | Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note) |
| SPARK TECHNOLOGIES INC. | Other related party - the Company's Chairman is spouse of SPARK TECHNOLOGIES INC.'s Chairman |
| LYDS TECH. | Other related party - the Company's Chairman is spouse of LYDS TECH.'s Chairman |
| MEDALLIANCE INC. | Other related party - the Company's Chairman is first degree relative of MEDALLIANCE INC.'s Chairman |
| Yung-Shun Chuang | Other related party- the Company's Chairman |
| ASUS TECHNOLOGY INC. | Fellow subsidiary — same as ultimate parent entity |
| ASUS COMPUTER INTERNATIONAL | Fellow subsidiary — same as ultimate parent entity |

| Name of related party | Relation |
|-----------------------|--|
| ASKEY COMPUTER CORP. | Fellow subsidiary — same as ultimate parent entity |

(III) Significant transactions and balances with related parties

1. Operating income

| | <u>For the three-month periods ended September 30,</u> | |
|------------------------|--|-----------------|
| | 2022 | 2021 |
| Sales of goods | | |
| Ultimate parent entity | \$ 4,997 | \$ 631 |
| Associates | 809 | 796 |
| Other related party | 2,940 | 1,873 |
| Total | <u>\$ 8,746</u> | <u>\$ 3,300</u> |

| | <u>For the nine-month periods ended September 30,</u> | |
|------------------------|---|-----------------|
| | 2022 | 2021 |
| Sales of goods | | |
| Ultimate parent entity | \$ 5,803 | \$ 1,337 |
| Associates | 1,495 | 938 |
| Fellow subsidiary | 7 | - |
| Other related party | 7,115 | 6,157 |
| Total | <u>\$ 14,420</u> | <u>\$ 8,432</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

| | <u>For the three-month periods ended September 30,</u> | |
|--|--|-------------------|
| | 2022 | 2021 |
| Goods purchased | | |
| Ultimate parent entity— ASUSTEK COMPUTER INC. | \$ 336,163 | \$ 255,434 |
| Associates | 5,543 | 9,368 |
| Fellow subsidiary | 8 | - |
| Other related party | 46,549 | 26,965 |
| Total | <u>\$ 388,263</u> | <u>\$ 291,767</u> |

| | <u>For the nine-month periods ended September 30,</u> | |
|---|---|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Goods purchased | | |
| Ultimate parent entity— ASUSTEK COMPUTER INC. | \$ 1,046,474 | \$ 691,842 |
| Associates | 17,269 | 16,486 |
| Fellow subsidiary | 159 | 68 |
| Other related party | 139,936 | 71,280 |
| Total | <u>\$ 1,203,838</u> | <u>\$ 779,676</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

| | <u>For the three-month periods ended September 30,</u> | |
|------------------------|--|------------------|
| | <u>2022</u> | <u>2021</u> |
| Ultimate parent entity | \$ 20,553 | \$ 17,724 |
| Associates | 1,105 | 1,009 |
| Fellow subsidiary | 1 | 28 |
| Other related party | 4,044 | 3,073 |
| | <u>\$ 25,703</u> | <u>\$ 21,834</u> |

| | <u>For the nine-month periods ended September 30,</u> | |
|------------------------|---|------------------|
| | <u>2022</u> | <u>2021</u> |
| Ultimate parent entity | \$ 67,728 | \$ 52,418 |
| Associates | 1,448 | 1,623 |
| Fellow subsidiary | 1 | 28 |
| Other related party | 5,368 | 3,603 |
| | <u>\$ 74,545</u> | <u>\$ 57,672</u> |

- (1) The above operating expenses mainly comprised technical service fees, and were presented as operating expenses - R&D expense.
- (2) The above operating expenses comprised the amount of donation, for the three-month periods ended September 30, 2022 and 2021 and for the nine-month periods ended September 30, 2022 and 2021 were \$2,000, \$2,000, \$3,000 and \$2,000 separately.

4. Other receivable from related parties

| | <u>2022/9/30</u> | <u>2021/12/31</u> | <u>2021/9/30</u> |
|---------------------|------------------|-------------------|------------------|
| Associates | \$ 434 | \$ 252 | \$ 252 |
| Other related party | - | 2,720 | 309 |
| Total | <u>\$ 434</u> | <u>\$ 2,972</u> | <u>\$ 561</u> |

Mainly comprised system service receivable

5. Payables from related parties

| | <u>2022/9/30</u> | <u>2021/12/31</u> | <u>2021/9/30</u> |
|--|-------------------|-------------------|-------------------|
| Accounts Payable | | | |
| Ultimate parent entity – ASUSTEK COMPUTER INC. | \$ 168,253 | \$ 75,332 | \$ 93,855 |
| Associates | 4,248 | 331 | 81 |
| Other related party | 29,011 | 17,823 | 15,161 |
| Total | <u>\$ 201,512</u> | <u>\$ 93,486</u> | <u>\$ 109,097</u> |

6. Other payables

| | <u>2022/9/30</u> | <u>2021/12/31</u> | <u>2021/9/30</u> |
|------------------------|------------------|-------------------|------------------|
| Other Payables | | | |
| Ultimate parent entity | \$ 38,127 | \$ 46,917 | \$ 51,527 |
| Associates | 56 | - | - |
| Other related party | 11 | 609 | 58 |
| Total | <u>\$ 38,194</u> | <u>\$ 47,526</u> | <u>\$ 51,585</u> |

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

7. Assets transaction

Acquisition of investment property from related parties

| | <u>For the nine-month periods ended September 30,</u> | |
|---|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Associates- LITEMAX ELECTRONICS INC. | \$ 119,405 | \$ - |

The group made a acquisition of investment property from related party in September, 2022, amounted \$120,432 (tax included), which had paid in full.

(IV) Key management remuneration

| | <u>For the three-month periods ended</u> | |
|---|--|------------------|
| | <u>September 30,</u> | |
| | <u>2022</u> | <u>2021</u> |
| Salaries and other short-term employee benefits | \$ 33,133 | \$ 23,376 |
| Post-employment benefits | 362 | 387 |
| Total | <u>\$ 33,495</u> | <u>\$ 23,763</u> |

| | <u>For the nine-month periods ended</u> | |
|---|---|------------------|
| | <u>September 30,</u> | |
| | <u>2022</u> | <u>2021</u> |
| Salaries and other short-term employee benefits | \$ 68,193 | \$ 53,733 |
| Post-employment benefits | 1,093 | 1,158 |
| Total | <u>\$ 69,286</u> | <u>\$ 54,891</u> |

VIII. Pledged Assets

The Company's pledged assets are summarized below:

| Pledged assets | Book value | | | Guarantee purpose |
|---|-------------------|-------------------|-------------------|--|
| | 2022/9/30 | 2021/12/31 | 2021/9/30 | |
| Property, Plant and Equipment | \$ 489,821 | \$ 470,670 | \$ 472,072 | Loans and credit limits |
| Restricted time deposit (including other current assets) | 953 | 830 | 836 | Foreign exchange forward transactions, |
| Guarantee deposits (including Other current and non-current assets) | 11,685 | 10,448 | 11,529 | Office, warehouse deposit and project guarantee deposit. |
| | <u>\$ 502,459</u> | <u>\$ 481,948</u> | <u>\$ 484,437</u> | |

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of September 30, 2022, 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

| | 2022/9/30 | 2021/12/31 | 2021/9/30 |
|--|------------|------------|------------|
| <u>Financial asset</u> | | | |
| Financial assets at fair value through profit or loss | | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ 275,020 | \$ 490,523 | \$ 432,440 |

| | 2022/9/30 | 2021/12/31 | 2021/9/30 |
|---|---------------------|---------------------|---------------------|
| Financial assets at fair value through other comprehensive income | | | |
| Designation of equity instrument | 23,906 | 32,381 | 32,381 |
| Financial assets at amortized cost/ loans and receivables | | | |
| Cash and cash equivalents | 2,063,387 | 1,841,520 | 1,956,573 |
| Notes receivable | 6,691 | 23,655 | 13,828 |
| Accounts receivable | 1,070,868 | 1,174,099 | 778,897 |
| Other receivables | 25,150 | 57,692 | 46,654 |
| Restricted time deposit (including other current assets) | 953 | 830 | 836 |
| Refundable deposits (including other non-current assets) | 11,685 | 10,448 | 11,529 |
| | <u>\$ 3,477,660</u> | <u>\$ 3,631,148</u> | <u>\$ 3,273,138</u> |
| <u>Financial liability</u> | | | |
| Financial liabilities at amortized cost | | | |
| Short-term borrowings | \$ - | \$ 105,000 | \$ 118,507 |
| Accounts payable (including related parties) | 779,901 | 580,911 | 549,453 |
| Other payables | 425,744 | 433,117 | 337,288 |
| Long-term borrowings (including current portion) | 157,872 | 165,787 | 168,457 |
| | <u>\$ 1,363,517</u> | <u>\$ 1,284,815</u> | <u>\$ 1,173,705</u> |
| Lease liabilities (including current and non-current) | <u>\$ 128,873</u> | <u>\$ 82,942</u> | <u>\$ 86,002</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:

| | | | | | 2022/9/30 | |
|--|----|------------------------------------|---------------|---------------------|-----------|--|
| | | Foreign currency (in thousands) | Exchange rate | Book value (NTD) | | |
| (Foreign currency: functional currency) | | | | | | |
| <u>Financial asset</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ | 55,731 | 31.75 | \$ | 1,769,459 | |
| EUR:NTD | | 382 | 31.26 | | 11,941 | |
| USD:CNY | | 178 | 7.10 | | 5,652 | |
| USD:SGD | | 172 | 1.43 | | 5,461 | |
| <u>Financial liability</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ | 17,285 | 31.75 | \$ | 548,799 | |
| USD:CNY | | 1,391 | 7.10 | | 44,164 | |
| USD:SGD | | 682 | 1.43 | | 21,654 | |

| | | 2021/12/31 | | |
|--|----|------------------------------------|---------------|---------------------|
| | | Foreign currency (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial asset</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 49,575 | 27.68 | \$ 1,372,236 |
| EUR:NTD | | 427 | 31.32 | 13,374 |
| USD:CNY | | 588 | 6.37 | 16,276 |
| USD:SGD | | 309 | 1.35 | 8,553 |
| <u>Financial liability</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 13,513 | 27.68 | \$ 374,040 |
| EUR:NTD | | 431 | 31.32 | 13,499 |
| USD:CNY | | 2,012 | 6.37 | 55,692 |
| USD:SGD | | 687 | 1.35 | 19,016 |
| | | 2021/9/30 | | |
| | | Foreign currency (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial asset</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 34,398 | 27.85 | \$ 957,984 |
| EUR:NTD | | 272 | 32.32 | 8,791 |
| USD:CNY | | 378 | 6.47 | 10,527 |
| USD:SGD | | 361 | 1.36 | 10,054 |
| <u>Financial liability</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 12,746 | 27.85 | \$ 354,976 |
| EUR:NTD | | 188 | 32.32 | 6,076 |
| USD:CNY | | 1,768 | 6.47 | 49,239 |
| USD:SGD | | 495 | 1.36 | 13,786 |

E. The overall realized and unrealized foreign exchange gains and losses of AAEPN's monetary items that may be significantly affected by exchange rate fluctuations for the three months periods ended September 30, 2022 and 2021, and the nine months periods ended September 30, 2022 and 2021, amounted to \$70,758, (\$2,463), \$119,755 and (\$20,301), respectively.

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

| For the nine-month periods ended September 30,2022 | | | | |
|--|------------------|----|------------------|--------------------------------------|
| 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% | \$ | 17,695 | \$ - |
| EUR:NTD | 1% | | 119 | - |
| USD:CNY | 1% | | 57 | - |
| USD:SGD | 1% | | 55 | - |
| <u>Financial liability</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 5,488 | \$ - |
| USD:CNY | 1% | | 442 | - |
| USD:SGD | 1% | | 217 | - |

| For the nine-month periods ended September 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% | \$ | 9,580 | \$ - |
| EUR:NTD | 1% | | 88 | - |
| USD:CNY | 1% | | 105 | - |
| USD:SGD | 1% | | 101 | - |
| <u>Financial liability</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 3,550 | \$ - |
| EUR:NTD | 1% | | 61 | - |
| USD:CNY | 1% | | 492 | - |
| USD:SGD | 1% | | 138 | - |

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 nine-month periods ended September 30, 2022 and 2021 by \$2,398 and \$3,889, 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 nine-month periods ended September 30, 2022 and 2021, amounted to \$239 and \$324.

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 nine months periods ended September 30, 2022 and 2021, 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 nine months period ended September 30, 2022 and 2021 will decrease or increase by \$237 and \$410, 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 nine months period ended September 30, 2021, will decrease or increase by \$20, 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 September 30, 2022, December 31, 2021 and September 30, 2021, AAEON 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: \$435,793 and \$306 as of September 30, 2022, \$636,344, and \$340 as of December 31, 2021, and \$381,869 and \$274 as of September 30, 2021, 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 September 30, 2022, December 31, 2021 and September 30, 2021 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 |
|--------------------|-------------|----------------------------|---------------------|---------------------|---------------------|----------------------|------------|
| <u>2022/9/30</u> | | | | | | | |
| Expected loss rate | 0%~1.62% | 0%~5.75% | 0%~21.18% | 0%~43.44% | 1.54%~52.04% | 100% | |
| Total book value | \$ 511,807 | \$ 92,980 | \$ 37,869 | \$ 1,150 | \$ 720 | \$ 16,166 | \$ 660,692 |
| Loss allowance | \$ 3,184 | \$ 1,835 | \$ 4,497 | \$ 284 | \$ 133 | \$ 16,166 | \$ 26,099 |
| <u>2021/12/31</u> | | | | | | | |
| Expected loss rate | 0%~1.62% | 0%~5.75% | 0%~21.18% | 0%~43.44% | 1.54%~52.04% | 100% | |
| Total book value | \$ 469,261 | \$ 79,263 | \$ 6,671 | \$ 4,725 | \$ 1,667 | \$ 15,158 | \$ 576,745 |
| Loss allowance | \$ 532 | \$ 700 | \$ 97 | \$ 743 | \$ 833 | \$ 15,158 | \$ 18,063 |
| <u>2021/9/30</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 | \$ 348,775 | \$ 41,907 | \$ 17,642 | \$ 1,246 | \$ 205 | \$ 17,441 | \$ 427,216 |
| Loss allowance | \$ 212 | \$ 106 | \$ 14 | \$ 113 | \$ 38 | \$ 17,441 | \$ 17,924 |

- (3) The total book values of the accounts receivable-related parties as of September 30, 2022, December 31, 2021 and September 30, 2021 were \$7,479, \$3,068 and \$1,838 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) | |
|---|--|-----------|
| | 2022 | 2021 |
| January 1 | \$ 18,403 | \$ 16,430 |
| Write off (Reverse) of impairment loss | 7,156 | 1,970 |
| Net exchange difference | 846 (| 202) |
| September 30 | \$ 26,405 | \$ 18,198 |

From the loss recognized for the nine months periods ended September 30, 2022 and 2021, the write-off of impairment losses for accounts receivable arising from customer contracts were \$7,156 and \$1,970, 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 \$682,317, \$539,913 and \$539,796 as of September 30, 2022, December 31, 2021 and September 30, 2021, 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:

| 2022/9/30 | <u>Within 1 year</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>Over 5 years</u> |
|---|----------------------|------------------|------------------|---------------------|
| Accounts payable (including related parties) | 779,901 | - | - | - |
| Other payables | 425,744 | - | - | - |
| Long-term borrowings (including current portion and accrued interest) | 12,868 | 12,868 | 38,605 | 111,536 |
| Lease liabilities | 52,321 | 30,244 | 70,161 | - |
| Provisions | 33,236 | 11,778 | - | - |

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

| 2021/9/30 | Within 1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---------------|-----------|-----------|--------------|
| Short-term borrowings | \$ 118,993 | \$ - | \$ - | \$ - |
| Accounts payable | 549,453 | - | - | - |
| Other payables | 337,288 | - | - | - |
| Long-term borrowings (including current portion and accrued interest) | 12,353 | 12,353 | 37,059 | 119,425 |
| Lease liabilities | 29,194 | 23,166 | 41,688 | - |
| Provisions | 25,927 | 6,828 | - | - |

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 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:

| 2022/9/30 | 1st Level | 2nd Level | 3rd Level | Total |
|---|------------|-----------|-----------|------------|
| Asset | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 188,653 | \$ 4,155 | \$ 46,981 | \$ 239,789 |
| Beneficiary certificates | 26,591 | - | - | 26,591 |
| Hybrid instruments | - | - | 8,640 | 8,640 |

| 2022/9/30 | <u>1st Level</u> | <u>2nd Level</u> | <u>3rd Level</u> | <u>Total</u> |
|--|-------------------|------------------|------------------|-------------------|
| Financial asset at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 23,906 | 23,906 |
| Total | <u>\$ 215,244</u> | <u>\$ 4,155</u> | <u>\$ 79,527</u> | <u>\$ 298,926</u> |

| 2021/12/31 | <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 | \$ 393,132 | \$ 4,575 | \$ 56,854 | \$ 454,561 |
| Beneficiary certificates | 26,510 | - | - | 26,510 |
| Hybrid instrument | - | - | 9,452 | 9,452 |
| Financial asset at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 32,381 | 32,381 |
| Total | <u>\$ 419,642</u> | <u>\$ 4,575</u> | <u>\$ 98,687</u> | <u>\$ 522,904</u> |

| 2021/9/30 | <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 | \$ 328,010 | \$ 4,560 | \$ 56,301 | \$ 388,871 |
| Beneficiary certificates | 33,854 | - | - | 33,854 |
| Hybrid instruments | - | - | 9,715 | 9,715 |
| Financial asset at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 32,381 | 32,381 |
| Total | <u>\$ 361,864</u> | <u>\$ 4,560</u> | <u>\$ 98,397</u> | <u>\$ 464,821</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 nine-month periods ended September 30, 2022 and 2021, there was no transfer between Level 1 and Level 2.
5. Movements on Level 3 for the nine-month periods ended September 30, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------------|---------------------------|
| | <u>Equity instruments</u> | <u>Equity instruments</u> |
| January 1 | \$ 98,687 | \$ 72,109 |
| Additions | - | 30,000 |
| Recognized in profit (loss) (Note 1) | (10,685) | (3,712) |
| Recognition in other comprehensive profit (loss) (Note 2) | (8,475) | - |
| September 30 | <u>\$ 79,527</u> | <u>\$ 98,397</u> |

Changes in unrealized gains or losses on assets and liabilities owned at the end of the period (\$ 10,685) (\$ 3,712)

Note 1: Recognized as other gains (losses).

Note 2: Recorded as unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.

6. There was no transfer into or out from Level 3 for the nine-month periods ended September 30, 2022 and 2021.
7. The financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and any other necessary adjustments to the fair value.

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

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

| | 2022/9/30 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 | \$ 27,621 | Net asset value approach | Not applicable | Not applicable | The higher the net assets value, the higher the fair value |
| Unlisted and non-OTC stocks | 43,266 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| <u>Hybrid instrument:</u> | | | | | |
| Unlisted and non-OTC stocks | 57,452 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Embedded option (| 48,812) | Options pricing model | Stock price volatility | Not applicable | The higher the stock price volatility, the higher the fair value |

| | 2021/12/31 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 | \$ 37,495 | Net asset value approach | Not applicable | Not applicable | The higher the net assets value, the higher the fair value |
| Unlisted and non-OTC stocks | 51,740 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| <u>Hybrid instrument:</u> | | | | | |
| Unlisted and non-OTC stocks | 45,343 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Embedded option (| 35,891) | Options pricing model | Stock price volatility | Not applicable | The higher the stock price volatility, the higher the fair value |

| | 2021/9/30 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 | \$ 36,942 | Net asset value approach | Not applicable | Not applicable | The higher the net assets value, the higher the fair value |
| Unlisted and non-OTC stocks | 51,740 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| <u>Hybrid instrument:</u> | | | | | |
| Unlisted and non-OTC stocks | 47,080 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Embedded option | (37,365) | Options pricing model | Stock price volatility | Not applicable | The higher stock price volatility, the higher the fair value |

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

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

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

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 nine-month periods ended September 30,2022</u> | | | |
|----------------------------------|---|---------------------|-----------------------|---------------------|
| | <u>IPC</u> | <u>Medical PC</u> | <u>Elimination</u> | <u>Total</u> |
| Revenue from external customers | \$ 4,997,438 | \$ 1,099,096 | \$ - | \$ 6,096,534 |
| Revenue from internal segments | 141,631 | 13,926 | (155,557) | - |
| Segment revenue | <u>\$ 5,139,069</u> | <u>\$ 1,113,022</u> | <u>(\$ 155,557)</u> | <u>\$ 6,096,534</u> |
| Segment profit or loss | <u>\$ 907,709</u> | <u>\$ 152,041</u> | <u>\$ -</u> | <u>\$ 1,059,750</u> |
| Segment profit or loss includes: | | | | |
| Depreciation and amortization | <u>\$ 60,917</u> | <u>\$ 18,656</u> | <u>\$ -</u> | <u>\$ 79,573</u> |

| | <u>For the nine-month periods ended September 30, 2021</u> | | | |
|----------------------------------|--|-------------------|-----------------------|---------------------|
| | <u>IPC</u> | <u>Medical PC</u> | <u>Elimination</u> | <u>Total</u> |
| Revenue from external customers | \$ 3,464,887 | \$ 766,133 | \$ - | \$ 4,231,020 |
| Revenue from internal segments | 122,332 | 6,477 | (128,809) | - |
| Segment revenue | <u>\$ 3,587,219</u> | <u>\$ 772,610</u> | <u>(\$ 128,809)</u> | <u>\$ 4,231,020</u> |
| Segment profit or loss | <u>\$ 171,865</u> | <u>\$ 55,665</u> | <u>\$ -</u> | <u>\$ 227,530</u> |
| Segment profit or loss includes: | | | | |
| Depreciation and amortization | <u>\$ 58,580</u> | <u>\$ 16,825</u> | <u>\$ -</u> | <u>\$ 75,405</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-maker, such items are not required to be disclosed.

(4) Reconciliation for segment income

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)

SEPTEMBER 30, 2022

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

Schedule 1

| Holding company | Marketable securities type and name | | | | 2022/9/30 | | | | |
|-----------------------------|-------------------------------------|--|--|--|-----------|------------------------|-----------------------------|------------|---------|
| | Type | Name (Note 1) | Relationship with the Company | Financial Statement Account | 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 | \$ 26,591 | - | \$ 26,591 | None |
| " | Stock | Advantech Co.,Ltd. | " | " | 802 | 235 | - | 235 | " |
| " | " | MACHVISION,INC. | Other related party - the Company's Chairman as a director | " | 1,180,198 | 147,525 | 2.64 | 147,525 | " |
| " | " | ATECH OEM INC. | " | " | 214 | 3 | - | 3 | " |
| " | " | Unitech Electronics Co., Ltd. | None | " | 259,657 | 5,777 | 0.35 | 5,777 | " |
| " | " | LILEE SYSTEMS Ltd. | " | " | 468,750 | - | - | - | " |
| " | " | Allied Biotech Co. | Other related party - the Company's Chairman as a director | " | 300,000 | 4,155 | 0.31 | 4,155 | " |
| " | " | 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 | 15.05 | 19,360 | " |
| " | " | V-Net AAEON Corporation Ltd. | " | " | 29 | 8,640 | 14.50 | 8,640 | Note 3 |
| AAEON INVESTMENT, CO., LTD. | Stock | ATECH OEM INC. | Other related party - the Company's Chairman as a director | Financial assets at fair value through profit or loss - current | 2,249,267 | 28,566 | 4.13 | 28,566 | None |
| " | " | Sunengine Co., Ltd. | " | " | 156,903 | 1,089 | 2.75 | 1,089 | " |
| ONYX HEALTHCARE INC. | " | MACHVISION,INC. | " | Financial assets at fair value through profit or loss - current | 18,716 | 2,340 | 0.04 | 2,340 | " |
| " | " | TOP UNION ELECTRONICS CORP. | None | " | 181,364 | 4,207 | 0.17 | 4,207 | " |
| " | " | INNO FUND III | " | Financial assets at fair value through profit or loss - non-current | 3,000,000 | 26,532 | 13.04 | 26,532 | " |
| " | " | MELTEN CONNECTED HEALTHCARE INC. | " | Financial asset at fair value through other comprehensive income - non-current | 4,193,548 | 2,381 | 6.61 | 2,381 | " |
| " | " | PROTECTLIFE INTERNATIONAL BIOMEDICAL INC | " | " | 2,500,000 | 21,525 | 6.30 | 21,525 | " |

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.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE -MONTH PERIOD ENDED SEPTEMBER 30, 2022

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 | \$ 1,046,474 | 28.57 | month-end 30 days | - | - | (\$ 168,253) | (28.06) |
| " | AAEON TECHNOLOGY (EUROPE) B.V. | Subsidiary | (Sales) | (1,269,960) | (28.87) | 60 days after invoice date | - | - | 405,292 | 43.25 |
| " | AAEON ELECTRONICS, INC. | " | " | (1,030,171) | (23.42) | " | - | - | 176,244 | 18.81 |
| " | AAEON TECHNOLOGY (SUZHOU) INC. | " | " | (202,851) | (4.61) | month-end 60 days | - | - | 35,331 | 3.77 |
| ONYX HEALTHCARE INC.. | ONYX HEALTHCARE USA, INC. | " | " | (302,674) | (31.46) | month-end 90 days | - | - | 85,445 | 39.98 |

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

SEPTEMBER 30, 2022

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 | \$ 405,292 | 5.40 | \$ - | - | \$ 163,961 | \$ - |
| " | AAEON ELECTRONICS, INC. | " | 176,244 | 6.93 | - | - | 158,051 | - |

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 SEPTEMBER 30, 2022

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 TECHNOLOGY (EUROPE) B.V. | 1 | Net sales | \$1,269,960 | 60 days after invoice date | 20.83 |
| " | " | AAEON ELECTRONICS, INC. | 1 | Net sales | 1,030,171 | " | 16.90 |
| " | " | AAEON TECHNOLOGY (SUZHOU) INC. | 1 | Net sales | 202,851 | month-end 60 days | 3.33 |
| " | " | AAEON TECHNOLOGY (EUROPE) B.V. | 1 | Accounts receivable | 405,292 | 60 days after invoice date | 3.63 |
| " | " | AAEON ELECTRONICS, INC. | 1 | Accounts receivable | 176,244 | " | 1.58 |
| 1 | ONYX HEALTHCARE INC. | ONYX HEALTHCARE USA, INC. | 3 | Net sales | 302,674 | month-end 90 days | 4.96 |

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 INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

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

Schedule 5

| Name of investor | Name of investee | Location | Main businesses and products | Original Investment | | Balance as of September 30,2022 | | | Investee profit or loss for the period (Note 2) | Profits or losses on investment recognized for the period (Note 2) | Remarks |
|-----------------------------------|--|------------------------------|---|---------------------|------------|---------------------------------|-------------------|--------------------|---|---|---------|
| | | | | 2022/9/30 | 2021/12/31 | Shares | Percentage (%) | Carrying Amount | | | |
| AAEON Technology Inc. | AAEON ELECTRONICS, INC. | USA | Sales of IPC and PC peripherals | \$ 155,575 | \$ 135,632 | 490,000 | 100.00 | \$ 276,495 | \$ 28,266 | \$ 28,270 | |
| " | AAEON TECHNOLOGY CO.,LTD | British Virgin Islands | Investment of IPC and interface card | 279,625 | 243,780 | 8,807,097 | 100.00 | 236,744 | (9,871) | (9,855) | |
| " | AAEON TECHNOLOGY (EUROPE) B.V. | Netherlands | Sales of IPC and PC peripherals | 3,126 | 3,132 | - | 100.00 | 58,560 | 34,288 | 34,288 | |
| " | AAEON TECHNOLOGY SINGAPORE PTE.LTD. | Singapore | Sales of IPC and PC peripherals | 12,956 | 11,936 | 465,840 | 100.00 | 58,989 | 1,714 | 1,714 | |
| " | AAEON INVESTMENT, CO., LTD. | Taiwan | Investment of IPC and PC peripherals | 150,000 | 150,000 | 15,000,000 | 100.00 | 119,243 | (136) | (136) | |
| " | ONYX HEALTHCARE INC. | " | Design, manufacture and sales of medical PC | 172,368 | 73,358 | 16,257,179 | 48.88 | 630,500 | 126,728 | 62,600 | |
| " | LITEMAX ELECTRONICS INC. | " | Sales of PC peripherals | 70,218 | 70,218 | 5,015,050 | 11.97 | 109,324 | 164,624 | 18,368 | |
| " | IBASE TECHNOLOGY INC. | " | Manufacturing and sales of industrial motherboards | 3,498,501 | 3,498,501 | 52,921,856 | 28.88 | 3,314,993 | 844,672 | 176,626 | |
| AAEON TECHNOLOGY (EUROPE) B.V. | AAEON TECHNOLOGY GMBH | Germany | Sales of IPC and PC peripherals | 938 | 940 | - | 100.00 | 19,438 | 429 | - | Note1 |

AAEON Technology Inc. and Subsidiaries
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

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 September 30,2022 | | | Investee profit or loss for the period (Note 2) | Profits or losses on investment recognized for the period (Note 2) | Remarks |
|----------------------|-----------------------------|-------------|--|---------------------|------------|---------------------------------|----------------|-----------------|---|--|---------|
| | | | | 2022/9/30 | 2021/12/31 | Shares | Percentage (%) | Carrying Amount | | | |
| ONYX HEALTHCARE INC. | ONYX HEALTHCARE USA, INC. | USA | Sales of medical PC and peripherals | \$ 63,500 | \$ 55,360 | 200,000 | 100.00 | \$ 55,866 | (\$ 40,462) | - | Note1 |
| " | ONYX HEALTHCARE EUROPE B.V. | Netherlands | Marketing support and maintenance of medical PC and peripherals | 3,126 | 3,132 | 100,000 | 100.00 | 14,848 | 963 | - | " |
| " | IHELPER INC. | Taiwan | R&D and sales of medical robots | 16,560 | 16,560 | 1,656,000 | 46.00 | 6,958 | (1,302) | - | " |
| " | WINMATE INC. | " | Bid quotations, distributions and sales of LCD application equipment and modules | 562,910 | 552,783 | 10,175,000 | 14.01 | 583,126 | 342,344 | - | " |

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 September 30, 2022, 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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

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 as of September 30, 2022 | 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 September 30, 2022 | Accumulated Inward Remittance of Earnings as of September 30, 2022 | Remarks |
|---|---|---|--|--|---------------------|--------|---|---|--|--|---|--|---------|
| | | | | | Outflow | Inflow | | | | | | | |
| AAEON TECHNOLOGY (SUZHOU) INC. | Production and sales of IPC and interface card | \$ 275,916 | 2 | \$ 275,916 | \$ - | \$ - | \$ 275,916 | (\$ 10,187) | 100% | (\$ 10,187) | \$ 247,111 | \$ - | |
| ONYX HEALTHCARE (SHANGHAI) LTD | Sales of medical PC and peripherals | 69,850 | 1 | 69,850 | - | - | 69,850 | (1,579) | 100% | (1,579) | 6,257 | - | |
| <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. | \$ 275,916 | \$ 275,916 | \$ 5,379,334 | | | | | | | | | | |
| Onyx Technology Inc. | 69,850 | 69,850 | 791,917 | | | | | | | | | | |

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 September 30, 2022, 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
SEPTEMBER 30, 2022

Schedule 7

| Name of major shareholder | Shares | |
|---------------------------------|--------------------|---------------|
| | Total Shares Owned | Ownership (%) |
| ASUSTEK COMPUTER INC. | 43,756,000 | 29.350 |
| IBASE TECHNOLOGY INC. | 41,698,468 | 27.970 |
| Yung-Shun Chuang | 19,664,000 | 13.190 |
| HUA-CHENG VENTURE CAPITAL CORP. | 8,359,000 | 5.607 |
| HUA-MIN INVESTMENT CO., LTD. | 8,359,000 | 5.607 |

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