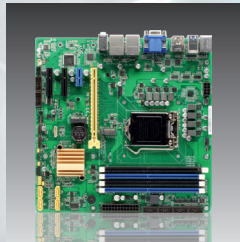
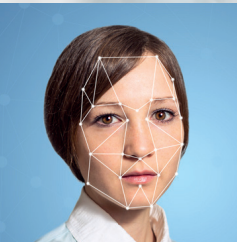
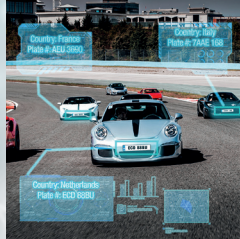
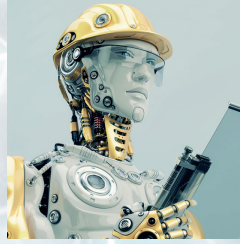


研揚科技
股份有限公司
AAEON Technology Inc.



2019
ANNUAL
REPORT



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Annual Report Website: mops.twse.com.tw

Printed on March 29, 2020

(Translation – In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

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- (6) Company Website:
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I. Letter to the Shareholders

Dear Shareholders:

Thank you for attending the 2020 General Shareholders' Meeting.

Under the influence of the Sino-US trade war in 2019, AAEON's revenue increased slightly by 6%, however, lower than expected. This is mainly due to the fact that some important customers have become conservative in the uncertain market. However, thanks to the effort of all employees of the Company, the gross profit margin for the whole year increased to 33.7%, the profit margin increased to 11.8%, and the operating profit increased by 55.3%. This is an unexpected record high. Especially in the field of artificial intelligence development, many projects which we previously invested in have begun to enter mass production and make a considerable contribution to revenue.

Details are as follows:

1. The 2019 Business result:

(1) Business performance

1. Revenue and profit: AAEON's 2019 consolidated operating income was NT\$ 6,148,380 thousand, gross profit was NT\$ 2,063,922 thousand, operating profit was NT\$ 719,959 thousand, and net profit after tax was NT\$ 668,245 thousand. The amount of net profit attributable to the parent company was NT\$ 552,152 thousand, and the earnings per share (EPS) was NT\$ 5.17.
2. In the aspect of region, Asia and emerging markets grew the best, with growth rate of 22%. In the aspect of product line, the embedded motherboard business unit and the system platform business unit grew the best each with a growth rate of 21% and 17% respectively.
3. Budget implementation: The Company did not announce financial forecasts for the year 2019.
4. Business results are recognized:
 - Awarded the Taiwan Corporate Sustainability Awards
 - Received the Taiwan i-Sport Corporate Certification
 - Awarded the 8th place of the CommonWealth Magazine Corporate Citizen Award

(2) R&D and Innovation

1. Artificial intelligence computing platform-Boxer-8110AI, industrial gateway controller-AIOT-ILND01, the 2019 Computex d&i Award.
2. One of AAEON's products won the 28th Taiwan Excellence Award
3. Launched various artificial intelligence platforms, including Nvidia Jetson TX2, Jetson Nano, Kneron 520, Hisilicon 3559A.
4. Collaborated with Intel to develop a new generation of artificial intelligence chip Keembay PCI-E computing accelerator card.
5. Collaborated with Intel to develop a new generation of embedded processor Elkhart Lake development board for Intel global customers.

(3) Promotion of business marketing

1. AAEON has been marketing its products worldwide under its own brand for a long time. Currently, we have 16 sales bases in 12 countries around the world, with operations in Europe, the United States, China, Taiwan, and Asia.

2. In recent years, AAEON's brand awareness has continued to increase, and the number of website visitors has continued to reach new highs. In the whole year of 2019, its website has had more than 1.1 million visits.
3. AAEON UP Shop has become the Maker's main business platform for industrial applications, with sales in more than 183 countries and more than 13,000 manufacturers.
4. AAEON eShop's services of 72h shipping has successfully won the favor of customers, generating NT\$ 4.5 million in revenue in the first year.
5. AAEON's UP Square motherboard was adopted by AWS and became the controller of AWS Robomaker.
6. AAEON has achieved remarkable results in the promotion of artificial intelligence edge computing platforms. The platforms have been successfully adopted by more than 400 companies, generating more than USD 5 million in revenue.

2. 2020 business plan:

According to the IMF forecast, the global 2020 economy growth is expected to be 3.4%, which is 3% higher than that in 2019, indicating that the economic situation in 2020 will be more optimistic than in 2019. In particular, the major factor affecting the 2019 economy, the Sino-US trade war, has gradually eased. In the past, the more conservative customers have begun to resume their order volume. However, the COVID-19 epidemic in Wuhan has cast an uncertain variable on this year's economy. AAEON's short-term revenue will be affected, but optimistic in the long-term.

Although global investment slowed in 2019, artificial intelligence-related investments continued to grow, proving that AAEON's strategy of focusing on artificial intelligence edge computing platforms is correct. In 2020, AAEON will invest more resources in the development of artificial intelligence market and become leading manufacturer of artificial intelligence edge computing platforms.

(1) Business strategy

1. AAEON focuses on four major artificial intelligence markets - new retail, robotics, intelligent cities, and security monitoring. It also invests in the R&D of edge computing platform, cooperating with partners to form a complete ecosystem. At the same time, we also assist our subsidiary Onyx Healthcare in the development of the medical computer market.
2. AAEON collaborates with international manufacturers, jointly proposes artificial intelligence solutions and becomes a leading manufacturer of artificial intelligence edge computing platforms.

(2) Important Strategy

1. AAEON provides edge computing platforms based on different artificial intelligence chips, including Intel, Nvidia, Hisilicon, etc. so that software developers and system integrators can choose a platform suitable for the application scenario according to their performance requirements.
2. AAEON strengthens the development of regional artificial intelligence market, and jointly organizes marketing activities with local partners to promote artificial intelligence solutions.
3. AAEON redesigns the AAEON.AI webpage and build it into an artificial intelligence portal. It provides a wealth of hardware platforms, peripherals and software apps to attract companies that need artificial intelligence to come to the website to search for related products.

4. AAEON sets up a software service center to provide software customization services, including BIOS customization, BSP development, Remote HW Monitoring, Web APP, etc. This allows customers to focus on the development of artificial intelligence app and have AAEON handle platform-related software.

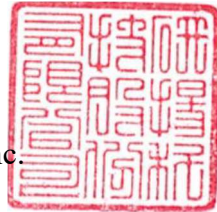
3. Long-term development strategy

The Company has been focusing on continuous innovation of product development. We aim to promote products of high value-added, and this has been the major goal of our product department. Customization service is our core competitiveness. To complete a customized project in the shortest time, lowest cost, and minimum MOQ, and have the same quality as standard products is our know-how is our strength. AAEON is not only a hardware manufacturer, but also a technology service provider. We provide system design, software development, production and after-sales service, to provide customers with high-quality industrial computer platforms. We aim to become our customers' best trusted partner.

The "AA" in AAEON means being better and better, constantly challenging ourselves, constantly innovating, and pursuing excellence. We will adhere to our consistent business beliefs - devotion, agility and competitiveness, sustainable operation, continuous growth, and become a leader in artificial intelligence edge computing.

Today, we are grateful to the shareholders who took the time to attend the General Shareholders' Meeting. In the end, I look forward to your continued support and encouragement to the Company.

AAEON Technology Inc.



Chairman: Yung-Shun Chuang



President: Chien-Hung, Lin



Chief of Accounting Officer: Hsiu-Fen, Weng



II. Company Profile

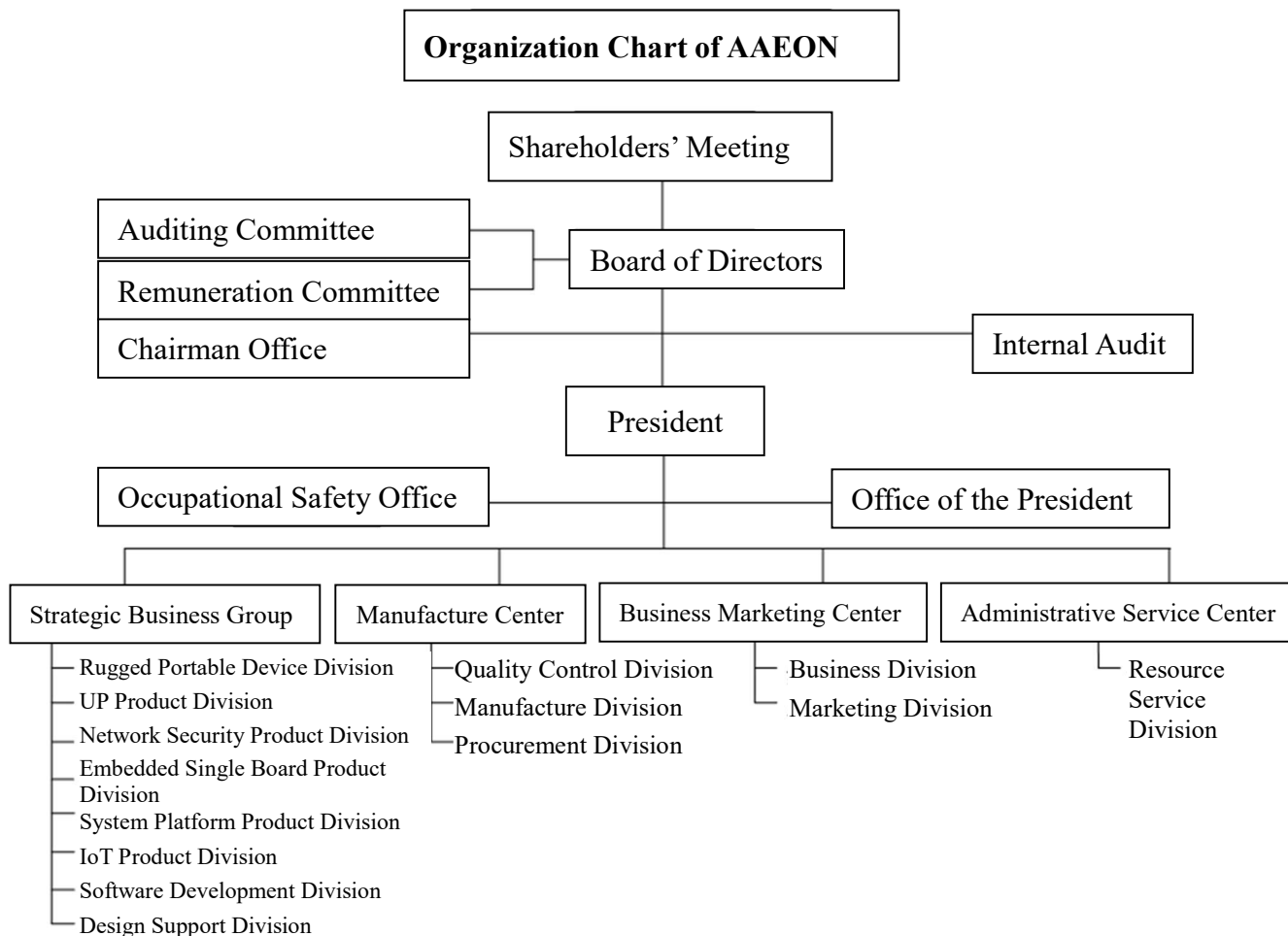
1. Founded on: December 1, 2010
2. Company history

Year	Timeline of Important Events
2010	<ul style="list-style-type: none"> • The original name of the Company was “Giant Sun Tech Co., Ltd.,” founded on December 1, 2010.
2011	<ul style="list-style-type: none"> • The Company merged with “AAEON Technology Inc.” (referred to as Original AAEON), on June 1, 2011. The Company is the surviving company, and changed its name to “AAEON Technology Inc.” ASUSTeK Computer Inc is the parent company of AAEON. Over the years, the Original AAEON had been developing innovative products each year, and won the “Taiwan Excellence Award” every year. • In this year, AAEON won Taiwan Excellence Achievement Award from Bureau of Foreign Trade, Ministry of Economic Affairs. • In that year, 8 products of AAEON won the Taiwan Excellence Award.
2012	<ul style="list-style-type: none"> • In this year, four products were in line with product innovation, energy saving and carbon reduction and environmental protection functions. They not only took into account the aesthetic and product efficiency, and won the Taiwan Excellence Award.
2013	<ul style="list-style-type: none"> • Eight products were enrolled in the Taiwan Excellence Awards, all of which were favored by the jury members and won the Taiwan Excellence Awards.
2014	<ul style="list-style-type: none"> • Four products were enrolled in the Taiwan Excellence Awards, all of which were favored by the jury members and won the Taiwan Excellence Awards.
2015	<ul style="list-style-type: none"> • Six products won the Taiwan Excellence Awards. The award-winning products from ranged from rackmount network appliances, rugged tablet computers, single board computers, etc., highlighting the innovation and uniqueness of AAEON products. • The Japan Branch was founded to establish a distribution network, and expand business in Japan.
2016	<ul style="list-style-type: none"> • The Company's subsidiary, Onyx Healthcare, was listed in TPEX on December 21, 2016. • AAEON was listed in emerging stock market on June 6, 2016. • AAEON won the Top 10 Corporate of Golden Peak Award. • AAEON was awarded the 8th place of Commonwealth Magazine Corporate Citizen Award. • AAEON's PIC-BT01 series has won the 100 I.T. Innovative Elite Award from Information Technology Month.
2017	<ul style="list-style-type: none"> • The Company proposed its initial public offering on the TWSE in August 21, 2017. • The Company moved from 537th place (2016) to 454th place (2017) in the world's top 1000 manufacturing industry ranking. • The Company won 5th place of Commonwealth Magazine Corporate Citizen Award. • The Company was awarded the 2017 Taiwan Excellence Award.
2018	<ul style="list-style-type: none"> • The Company conducted a share swap with IBASE Technology Inc. on September 29, 2018. • The Company was awarded the Commonwealth Magazine Corporate Citizen Award. • The Company was awarded Taiwan Corporate Sustainability Awards. • The Company was awarded the 2018 Taiwan Excellence Award. • Three products won the Computex d&I Award. • BOXER-6640M won the Vision Systems Design Award.
2019	<ul style="list-style-type: none"> • The Company was awarded the Commonwealth Magazine Corporate Citizen Award. • The Company was awarded Taiwan Corporate Sustainability Awards. • Two products of the Company were awarded the 2019 Taiwan Excellence Award • Two products won the Computex d&iAward.

III. Corporate Governance Report

1. Organizational chart

(1) Organization of the Company



(2) Department Function Description:

Department	Functions
Chairman Office	The Company's business strategy planning, operating target formulation and supervision of the Company's overall operation, as well as co-ordination of the Company's stock business, and convening of the Board Meeting and Shareholders' Meeting.
Office of the President	Implementation and management of the Company's operating strategy, the promotion and implementation of operating objectives, communication and coordination, and the execution of tasks of various departments.
Internal Audit	Establishment, operation, audit and review of various internal control systems and suggestions for improvement.
Occupational Safety Office	Planning, supervision and operation of the Company's occupational safety and health management system.
IoT Product Division	Development of solutions to existing strategies and Internet of Things solutions (IoT). Providing solution to the integration of

Department	Functions
	customer system platform through internal product development integration and external alliances.
Rugged Portable Device Division	R&D, design and improvement and product planning of rugged portable products.
UP Product Division	UP product development, UP brand promotion and customized services derived from UP. And with the UP product line, AAEON becomes a bridge between innovators and industrial applications.
Network Security Product Division	R&D, design and improvement and product planning of systems including network security products (FWS) and network monitoring platform (NVR).
Embedded Single Board Product Division	R&D, design and improvement and product planning of embedded single board and modularized motherboard.
System Platform Product Division	R&D, design and improvement and product planning of products of automotive devices platform and industrial automation
Software Development Division	Responsible for the R&D of mutual technology for all departments, software development process design and document design, implementation of modularization and common maintenance mechanism, and acceleration of system development and quality improvement.
Design Support Division	Motherboard power circuit design, PCB Layout service, motherboard I/O function test, assistance in R&D's application of product parts and compartments.
Quality Control Division	Planning, implementation and management of the Company's overall quality management system including ISO related systems, supervision of the formulation and implementation of quality systems to achieve quality policies and goals, establishment of relevant standards, systems and procedures for complete quality verification and inspection, and continual improvement of product design, manufacture, and customer service to comply with quality policy implementation.
Manufacturing Division	Implementation and progress control of the overall production plan. Product manufacturing quality management, and improvement, planning and management of production efficiency.
Procurement Division	Ensure the smooth progress of procurement matters, and supply the production operations and all requisitioning units at the right quality, the right price, the right time and the right amount.
Business Division	Marketing, sales projects and customer development outside the overseas branches, including product marketing, collection, establishment of customer relationships, sales business development and promotion, and development and promotion of sales in Taiwan.
Marketing Division	Establishment of the Company's overall brand image, marketing strategy formulation and marketing information establishment, execution and evaluation, gathering of market trends and industry dynamic analysis. Customer opinion survey to assist in the establishment of business development tools, market-demand oriented online marketing multimedia applications to assist drawing up of marketing plans of product division and sales division.

Department	Functions
Resource Service Division	<p>Finance and accounting operations and planning, budget control analysis, tax treatment, establishment and implementation of accounting systems, scheduling and utilization of funds, bookkeeping of various accounts, tax-related accounting operations; communication and coordination at important meetings such as the Board Meetings and General Shareholders' Meetings. Human resource management, salary and reward system establishment, employee relations and corporate cultural activity organization, administrative affairs, general affairs procurement, fixed asset management and system establishment and implementation.</p> <p>Information system operation planning, function development, design and management, major information project introduction and professional technical services, computer software maintenance and management, hardware maintenance and management, data processing and network information security management.</p>

2. Background information of Directors, Supervisors, President, Vice Presidents, Assistant Managers, and the heads of various departments and branches

(1) Directors and Supervisors

1. Information on the directors

March 29, 2020; Unit: shares; %

Title	Nationality and Registry	Name	Gender	Date elected	Term	Date first elected	Shareholding as of elected date		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Shares	Shareholdings percentage	Shares	Shareholdings percentage	Shares	Shareholdings percentage	Shares	Shareholdings percentage			Title	Name	Relationship
Chairman	Republic of China	Jui Hai Investment Co.,Ltd.		May 31, 2019	3 years	Nov. 22, 2011	4,515,000	3.04%	4,515,000	3.04%	-	-	-	-	-	-	None	None	None
	Republic of China	Representative: Yung-Shun, Chuang	Male	May 31, 2019	3 years	Nov. 22, 2011	19,664,000	13.24%	19,664,000	13.24%	-	-	-	-	Honorary Doctorate in Engineering National Taiwan University of Science and Technology Chairman of AAEON Technology Inc.	President of the Company Other concurrent positions (Note 1)	None	None	None
Director	Republic of China	Jui Hai Investment Co.,Ltd.		May 31, 2019	3 years	Nov. 22, 2011	4,515,000	3.04%	4,515,000	3.04%	-	-	-	-	-	-	None	None	None
	Republic of China	Representative: Ying-Chen Li	Male	May 31, 2019	3 years	Nov. 22, 2011	1,113,000	0.75%	1,113,000	0.75%	-	-	-	-	Ph.D. Electrical Engineering National Taiwan University Chairman of LITEMAX ELECTRONICS INC. CSO of AAEON Technology Inc.	CSO of the Company Other concurrent positions (Note 2)	None	None	None
Director	Republic of China	Jui Hai Investment Co.,Ltd.		May 31, 2019	3 years	Jun. 30, 2016	4,515,000	3.04%	4,515,000	3.04%	-	-	-	-	-	-	None	None	None
	Republic of China	Representative: Wei-Chun, Yen	Male	May 31, 2019	3 years	Jun. 30, 2016	505,000	0.34%	505,000	0.34%	-	-	-	-	MBA-Finance The City University of New York Chairman and President of ATECH OEM INC.	(Note 3)	None	None	None
Director	Republic of China	ASUSTeK Computer Inc.		May 31, 2019	3 years	Nov. 22, 2011	43,756,000	29.47%	43,756,000	29.47%	-	-	-	-	-	-	None	None	None

Title	Nationality and Registry	Name	Gender	Date elected	Term	Date first elected	Shareholding as of elected date		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Shares	Shareholdings percentage	Shares	Shareholdings percentage	Shares	Shareholdings percentage	Shares	Shareholdings percentage			Title	Name	Relationship
	Republic of China	Representative: Jonny Shih	Male	May 31, 2019	3 years	Nov. 22, 2011	-	-	-	-	-	-	-	-	MBA of National Chiao Tung University Chairman of ASUS	(Note 4)	Director	Jonathan Tsang	second-degree
Director	Republic of China	ASUSTeK Computer Inc.		May 31, 2019	3 years	Nov. 22, 2011	43,756,000	29.47%	43,756,000	29.47%	-	-	-	-	-	-	None	None	None
	Republic of China	Representative: Jonathan Tsang	Male	May 31, 2019	3 years	Nov. 22, 2011	-	-	-	-	-	-	-	-	MBA of Houston University President of ASUS	(Note 5)	Director	Jonny Shih	second-degree
Director	Republic of China	ASUSTeK Computer Inc.		May 31, 2019	3 years	Feb. 21, 2019	43,756,000	29.47%	43,756,000	29.47%	-	-	-	-	-	-	None	None	None
	Republic of China	Representative: S.Y. Hsu	Male	May 31, 2019	3 years	Feb. 21, 2019	-	-	-	-	-	-	-	-	EMBA of National Chengchi University Co-CEO of ASUS	(Note 6)	None	None	None
Director	Republic of China	IBASE Technology Inc.		May 31, 2019	3 years	May 31, 2019	41,698,468	28.08%	41,698,468	28.08%	-	-	-	-	-	-	None	None	None
	Republic of China	Representative: Chiu-Hsu, Lin	Male	May 31, 2019	3 years	May 31, 2019	-	-	-	-	-	-	-	-	Department of Electronic Engineering National Kaohsiung University of Applied Sciences Senior Vice President of Taiwan Mycomp Co., Ltd. Chairman and CSO of IBASE Technology Inc.	Chairman and CSO of IBASE Technology Inc. Juridical Director of WIBASE Industrial Solutions Inc. Representative of IBASE Inc. Representative of IBT	None	None	None
Director	Republic of China	IBASE Technology Inc.		May 31, 2019	3 years	May 31, 2019	41,698,468	28.08%	41,698,468	28.08%	-	-	-	-	-	-	None	None	None

Title	Nationality and Registry	Name	Gender	Date elected	Term	Date first elected	Shareholding as of elected date		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Shares	Shareholdings percentage	Shares	Shareholdings percentage	Shares	Shareholdings percentage	Shares	Shareholdings percentage			Title	Name	Relationship
	Republic of China	Representative: Yu-Nan, Chen	Male	May 31, 2019	3 years	May 31, 2019	-	-	-	-	-	-	-	-	Department of Electronics Sihai Institute of Technology Manager of R&D Department Taiwan Mycomp Co, Ltd., Director and Vice CEO of IBASE Inc.	Chairman and Vice CEO of IBASE Technology Inc. Representative of IBT	None	None	None
Independent Director	Republic of China	Daho Yen	Male	May 31, 2019	3 years	May 31, 2019	-	-	-	-	-	-	-	-	LL.M,The Methodist University of U.S.A The Deputy Minister of Ministry of Justice The Attorney General of The Highest Prosecutors Office	The Independent Director of Taipei Star Bank	None	None	None
Independent Director	Republic of China	Kun-Chih, Chen	Male	May 31, 2019	3 years	May 31, 2019	-	-	-	-	-	-	-	-	Ph.D., University of Southern California Associate Professor, National Taiwan University	Associate Professor, National Taiwan University	None	None	None
Independent Director	Republic of China	Chris Kao	Male	May 31, 2019	3 years	Jun. 30, 2016	-	-	-	-	-	-	-	-	Master of Electrical Engineering, State University of New York, USA Chairman of Airoha Technology Corp.	Director of JOIUP TECHNOLOGY INC.	None	None	None

Note 1: Holds the position of chairman and President concurrently at: AAEON INVESTMENT, CO., LTD. Holds the position of chairman concurrently at: ONYX HEALTHCARE INC., AAEON TECHNOLOGY (SUZHOU) INC., ONYX HEALTHCARE (SHANGHAI) LTD., AAEON EDUCATION FOUNDATION, YanXin Investment Co., Ltd., Chang Yang Technology Co., Ltd., Fu Li Investment Co., Ltd., EverFocus Co., Ltd. Holds the position of director concurrently at: AAEON Electronics, Inc., AAEON Technology (Europe) B.V., AAEON Technology GmbH, AAEON Technology Singapore Pte. Ltd., ONYX Healthcare USA, Inc., ONYX Healthcare Europe B.V, ATECH OEM INC., Qi Ye Electronics (Dong Wan) Co., Ltd., Dan Yang Qi Ye Technology Co., Ltd., LITEMAX ELECTRONICS INC., Litemax Technology, Inc., King Core Electronics Inc., Allied Biotech Corp., Sunengine Corp., Ltd., MACHVISION, INC., Co., Ltd., Machvision (Dong Wan) Testing Equipment Co., Ltd., Xac Automation Corp., CHC Healthcare Group, Top Union (SuZhou) Co., Ltd., Allied Oriental International Ltd., Mcfees Group Inc., Asensetek Inc., NTUT Star Investment Co., Ltd., Feng Xin Venture Capital Co., Ltd., IHELPER INC., NTUT Innovation Co., Ltd., IBASE Technology Inc., WINMATE INC. Holds the position of independent director concurrently at: Top Union Electronics Corp.

Note 2: Holds the position of chairman concurrently at: LITEMAX ELECTRONICS INC. Holds the position of director concurrently at: AAEON TECHNOLOGY (SUZHOU) INC., Eutech Microelectronics Inc., Litemax Technology, Inc., Yen Shun Technology Corp. Holds the position of independent director concurrently at: Arcadyan Technology Corp., Axix Corp.

- Note 3: Holds the position of chairman concurrently at: Qi Ye Electronics (Dong Wan) Co., Ltd., Dan Yang Qi Ye Technology Co., AtechOEM (YiChang) Inc. Holds the position of director concurrently at: AAEON EDUCATION FOUNDATION, AAEON TECHNOLOGY (SUZHOU) INC., AAEON TeChnology (Europe) B.V., ATECH Technology (SAMOA) Ltd., Growing Profits Group Limited, Outstanding Electronics Manufacturer Group Co.,Ltd., Sigold Optics Inc., MACHVISION,INC. Co., MiM Tech. Inc., RedPay Co., Ltd., Cybertek Corp. cCipherLab Co., Ltd., Autovision Tech Co., Ltd. Holds the position of independent director concurrently at: Greatest Idea Strategy Co., Ltd., Avy Precision Technology Inc.
- Note 4: Chairman of the following companies: ASUSTEK COMPUTER INC. , Computer Inc. , Hua-Cheng Venture Capital Corp., Hua-Min Investment Co., Ltd., ASUSTOR INC., ASUS INTERNATIONAL LIMITED, ASUS HOLLAND B.V., CHANNEL PILOT LIMITED and NEXT SYSTEM LIMITED. Director of the following companies: ASKEY, SHINEWAVE INTERNATIONAL INC., ASUS TECHNOLOGY INCORPORATION, iMotion Group Inc., - GAIUS HOLDINGS LIMITED, Youngmen Computer Co., Ltd., TeYang Tech Inc., Ming-Chun Computer(*) and eCrowd Media, Inc.
- Note 5: Chairman of the following companies: ASUS TECHNOLOGY PTE. LIMITED, ASUS GLOBAL PTE. LTD. and ASUS EUROPE B.V.. Director of the following companies: ASUSTEK COMPUTER INC. , UNIMAX ELECTRONICS INC., Hua-Cheng Venture Capital Corp., Hua-Min Investment Co., Ltd. and KARTIGEN BIOMEDICINE INC.
- Note 6: Chairman of UPI Semiconductor Corp.; Director of the following companies: ASUSTEK COMPUTER INC. , Hua-Cheng Venture Capital Corp., APAQ TECHNOLOGY CO., LTD. and ASUS COMPUTER INTERNATIONAL.

2. Corporate shareholders' main shareholders

Mar. 29, 2020

Name of corporate shareholder	Corporate shareholders' main shareholders
ASUSTeK Computer Inc. (Note 1)	Jonney Shih(4.05%), ASUS's Certificate of Depository with CitiBank (Taiwan)(3.32%), Cathay United Bank managed Expert Union Limited Investment account(2.76%), Silchester International Investors International Value Equity Trust(2.56%), Labor Insurance Funds(1.72%), New Labor Pension Fund(1.61%), JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.49%), Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds(1.49%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank(1.41%), CitiBank (Taiwan) managed Stewart Investors Global Emerging Markets Leaders Fund(1.40%)
Jui Hai Investment Co.,Ltd. (Note 2)	FU LI INVESTMENT CO., LTD.(49.57%), Hui-Mei, Huang(23.87%), Fu-Chieh, Chuang(7.56%), Fu-Chun, Chuang(7.35%), Yung-Shun, Chuang (4.29%),Li-Ming, Chang (3.26%), Ming-Hsien, Li (3.26%), Huan-Chen, Yang(0.84%)
IBASE Technology Inc. (Note 3)	AAEON Technology Inc. (30.54%), Chun Bao Investment Co., Ltd. (1.55%), Chiu-Hsu, Lin (0.85%), Deutsche Bank Taipei Branch in custody for SPDR (R) index SPDR S&P Emerging Europe ETF (0.82%), WINMATE INC. (0.81%), Asset account of Mei-Lin Chen Yang in custody (0.75%), Shih-Hsiung, Chen (0.74%), Asset account of Jui-Chin Lin in custody (0.69%), Yu-Nan, Chen (0.60%), Asset account of Hsueh-Huang, Lai in custody (0.58%)
HUA-CHENG VENTURE CAPITAL CORP.	ASUSTeK Computer Inc. (100%)
HUA-MIN INVESTMENT CO.,LTD.	ASUSTeK Computer Inc. (100%)

Note 1: The above information is as of Apr. 20, 2019 provided by ASUSTeK Computer Inc.

Note 2: The above information is provided by the Department of Commerce of the Ministry of Economic Affairs and Jui Hai Investment Co.,Ltd .

Note 3: The above information is as of Aug. 19, 2019 provided by IBASE Technology Inc.

3. Major shareholders of the major shareholders that are juridical persons

Mar. 29, 2020

Name of corporate shareholder	Corporate shareholders' main shareholders
FU LI INVESTMENT CO., LTD. (Note 1)	Yung-Shun, Chuang (43.75%), Hui-Mei, Huang (37.49%), Fu-Chieh, Chuang (9.38%), Fu-Chun, Chuang (9.38%)
Chun Bao Investment Co., Ltd. (Note 2)	Li-Ping, Lin (43.07%), Wu-Chun Xu (43.07%)
WINMATE INC. (Note 3)	Advantech Co. (16.63%), ONYX HEALTHCARE INC. (13.09%), Jui Hai Investment Co., Ltd. (5.96%), IBASE Technology Inc (5.30%), PREMIER TOUCH CORPORATION) (5.18%), Ye Qingfa (2.70%), Liu Ruyong (2.65%), Zhou Yuanqi (2.27%), Liu Biling (1.80%), Yu Zhengyi (1.63%)

Note 1: The above information is provided by the Department of Commerce of the Ministry of Economic Affairs and FU LI INVESTMENT CO., LTD.

Note 2: The above information is provided by the Department of Commerce of the Ministry of Economic Affairs and Chun Bao Investment Co., Ltd.

Note 3: The above information is as of Mar. 29, 2020 provided by WINMATE INC.

4. Directors' Professional Qualifications and Independent Analysis

Qualification	Having more than 5 years' work experience and professional qualifications listed below			Status of independence												Number of positions as an Independent Director in other publicly listed companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Yung-Shun, Chuang			V			V		V			V	V	V		1	
Jonny Shih			V			V	V	V	V	V	V		V			
Jonathan Tsang			V			V	V	V	V	V	V		V			
S.Y. Hsu			V			V	V	V	V	V	V	V	V			
Ying-Chen Li			V			V		V		V	V	V	V		2	
Chiu-Hsu, Lin			V			V	V	V	V	V	V	V	V			
Yu-Nan, Chen			V			V	V	V	V	V	V	V	V			
Wei-Chun, Yen			V	V		V	V	V	V	V	V	V	V		2	
Chris Kao			V	V	V	V	V	V	V	V	V	V	V	V		
Daho Yen		V		V	V	V	V	V	V	V	V	V	V	V	1	
Kun-Chih, Chen	V			V	V	V	V	V	V	V	V	V	V	V		

Note: Place a "V" in the box below if the Director or Supervisor met the following conditions during the time of active duty and two years prior to the election date.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under another's name, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or was appointed pursuant to Article 27 Paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not the same person as the Company's Chairperson, President or person with equivalent position, or the director, supervisor or employee of company or institution of the spouse thereof. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks among its top five shareholders. (The same does not apply, however, in cases where the corporate/institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, or the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the most recent 2 years with an accumulated service compensation of less than NT\$ 500 thousand, or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to the relevant regulations of the Securities and Exchange Act and Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative of the second degree or closer to any other directors.
- (11) Does not meet any descriptions stated in Article 30 of The Company Act.
- (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.

(2) Background information of President, Vice Presidents, Assistant Managers, and the heads of various departments and branches

March 29, 2020; Unit: shares; %

Title	Nationality	Name	Gender	Date on board	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			The acquisition of ESO by managers
					Shares	Shareholdings percentage	Shares	Shareholdings percentage	Shares	Shareholdings percentage			Title	Name	Relationship	
President	Republic of China	Yung-Shun, Chuang	Male	Aug. 12, 2016	19,664,000	13.24%	-	-	-	-	Honorary Doctorate in Engineering National Taiwan University of Science and Technology Chairman of AAEON Technology Inc.	Other concurrent positions (Note 1)	-	-	-	-
CSO	Republic of China	Ying-Chen Li	Male	Aug. 12, 2016	1,113,000	0.75%	-	-	-	-	Ph.D. Electrical Engineering National Taiwan University Chairman of LITEMAX ELECTRONICS INC. CSO of AAEON Technology Inc.	Other concurrent positions (Note 2)	-	-	-	-
President	Republic of China	Chien-Hung, Lin	Male	Nov. 25, 2014	225,000	0.15%	2,000	0%	-	-	MS in Electrical Engineering National Taiwan University Vice Sales Manager of HP / Agilent President of Advantech Co., Ltd. (Europe Region) Vice President of Advantech Co., Ltd.	None	-	-	-	-
Senior Advisor	Republic of China	Chung-Ming, Hsu	Male	Jul. 1, 2015	403,000	0.27%	-	-	-	-	President of AAEON (US Branch)	Director of LITEMAX ELECTRONICS INC. - juristic representative	-	-	-	-
Vice Manager of Office of the President	Republic of China	Chi-Heng, Ha (Note 3)	Male	Sep. 1, 2014	42,000	0.03%	-	-	-	-	MS in Electrical Engineering New Mexico State University Assistant Manager of Getac Technology Corp. President of AAEON (Europe Branch)	None	-	-	-	-
Vice Manager of Office of the President	Republic of China	Kuo-Chiang, Wang	Male	Nov. 1, 2013	10,000	0.01%	-	-	-	-	B.B.A. in Business Administration, Tunghai University President of Twinhead International Corp. (China Branch) President of Advantech Co., Ltd. (Shanghai Branch) President Nexcom International Co., Ltd. (Shanghai Branch)	None	-	-	-	-
Assistant Manager of Rugged Portable	Republic of China	Chi-Chung, Huang	Male	Aug. 1, 2019	3,000	0%	-	-	-	-	B.S. in Computer Science and Engineering Feng Chia University Product Manager of AAEON	None	-	-	-	-

Title	Nationality	Name	Gender	Date on board	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			The acquisition of ESO by managers
					Shares	Shareholdings percentage	Shares	Shareholdings percentage	Shares	Shareholdings percentage			Title	Name	Relationship	
Device Division																
Assistant Manager of OEM Product Division	Republic of China	Li-Kai, Lai (Note 4)	Male	Apr. 1, 2015	35,000	0.02%	-	-	-	-	University of Southern California, Electrical Engineering, M.S. Manager of AAEON	None	-	-	-	-
Assistant Manager of OEM Product Division	Republic of China	Jen-Chieh, Huang	Male	Apr. 1, 2015	1,000	0%	-	-	-	-	M.S. in Electrical and Control Engineering National Chiao Tung University Manager of AAEON	None	-	-	-	-
Senior assistant Manager of Embedded Single Board Product Division	Republic of China	Yu-Yu, Chu	Male	Jun. 27, 2011	0	0%	-	-	-	-	M.B.A. Yuan Ze University Division Chief of ICP Electronics Inc.	None	-	-	-	-
Assistant Manager of System Platform Product Division	Republic of China	Shao-Chou, Hsueh	Male	Oct. 1, 2012	4,000	0%	-	-	-	-	B.S. in Mechanical Engineering National Cheng Kung University M.B.A. National Taipei University Product Manager of Axiomtek Product Manager of Advantech Co., Ltd.	None	-	-	-	-
Assistant Manager of Network Security Product Division / Design Support Division	Republic of China	Wen-Ming, Ni	Male	Apr. 1, 2015	55,000	0.04%	-	-	-	-	B.S. Electronic Engineering China University of Science and Technology R&D Manager of Lanner Electronics	None	-	-	-	-
Vice General Manager of Manufacturing Division / Procurement Division	Republic of China	Chi-Hung, Liao	Male	Mar. 16, 2016	13,000	0.01%	-	-	-	-	B.S. in Electrical Engineering National Taiwan University of Science and Technology M.S. in Electrical and Computer Engineering University of Arizona	None	-	-	-	-
Assistant Manager of Business Division	Republic of China	Shu-Chen, Li	Female	Nov. 3, 2015	4,000	0.01%	-	-	-	-	EMBA, National Chengchi University CEO Specialist / Senior Manager of Advantech Co., Ltd.	None	-	-	-	-

Title	Nationality	Name	Gender	Date on board	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			The acquisition of ESO by managers
					Shares	Shareholdings percentage	Shares	Shareholdings percentage	Shares	Shareholdings percentage			Title	Name	Relationship	
											President of Zippy Technology Corp. (China region) Vice Sales General Manager of Good Way Technology Co., Ltd.					
Senior Assistant Vice Manager Service Division	Republic of China	Yun-Chen, Tu	Female	Apr. 1, 2015	68,000	0.05%	-	-	-	-	B.B.A. in Accounting Chung Yuan Christian University Manager of IBASE Technology Inc. LiteOn Technology	Supervisor of ONYX HEALTHCARE (SHANGHAI) LTD. Supervisor of AAEON Technology (Suzhou) Inc.	-	-	-	-
Accounting Manager of Resource Service Division	Republic of China	Hsiu-Fen, Weng (Note 5)	Female	Apr. 29, 2016	18,000	0.01%	-	-	-	-	M.B.A in Accounting Soochow University Manager of China Man-Made Fiber Corporation	None	-	-	-	-
Accounting Deputy Manager of Resource Service Division	Republic of China	Jen-Chun, Wang (Note 5)	Female	Feb. 26, 2020	2,000	0%	-	-	-	-	M.B.A. in Business Administration Long Island University Deputy Manager of PwC Taiwan Deputy Manager of LiteOn Technology	None	-	-	-	-
Internal Audit Deputy Project Manager	Republic of China	Wan-Hui, Chiu	Female	Apr. 1, 2015	0	0%	-	-	-	-	Chinese Institute of Municipal Administration Auditor of Chien Kuo Construction Co., Ltd. Senior Auditor of Wang Film Productions Co., Ltd.	None	-	-	-	-

Note 1: Holds the position of chairman and President concurrently at: AAEON INVESTMENT, CO., LTD. Holds the position of chairman concurrently at: ONYX HEALTHCARE INC., AAEON TECHNOLOGY (SUZHOU) INC., ONYX HEALTHCARE (SHANGHAI) LTD., AAEON EDUCATION FOUNDATION, YanXin Investment Co., Ltd., Chang Yang Technology Co., Ltd., Fu Li Investment Co., Ltd., EverFocus Co., Ltd. Holds the position of director concurrently at: AAEON Electronics, Inc., AAEON Technology (Europe) B.V., AAEON Technology GmbH, AAEON Technology Singapore Pte. Ltd., ONYX Healthcare USA, Inc., ONYX Healthcare Europe B.V, ATECH OEM INC., Qi Ye Electronics (Dong Wan) Co., Ltd., Dan Yang Qi Ye Technology Co., Ltd., LITEMAX ELECTRONICS INC., Litemax Technology, Inc., King Core Electronics Inc., Allied Biotech Corp., Sunengine Corp., Ltd., MACHVISION, INC., Co., Ltd., Machvision (Dong Wan) Testing Equipment Co., Ltd., Xac Automation Corp., CHC Healthcare Group, Top Union (SuZhou) Co., Ltd., Allied Oriental International Ltd., Mcfees Group Inc., Asensetek Inc., NTUT Star Investment Co., Ltd., Feng Xin Venture Capital Co., Ltd., IHELPER INC., NTUT Innovation Co., Ltd., IBASE Technology Inc., WINMATE INC. Holds the position of independent director concurrently at: Top Union Electronics Corp.

Note 2: Holds the position of chairman concurrently at: LITEMAX ELECTRONICS INC. Holds the position of director concurrently at: AAEON TECHNOLOGY (SUZHOU) INC., Eutech Microelectronics Inc., Litemax Technology, Inc., Yen Shun Technology Corp. Holds the position of independent director concurrently at: Arcadyan Technology Corp., Axix Corp.

Note 3: Vice President Chi-Heng, Ha resigned in Jun. 2019.

Note 4: Assistant Manager Li-Kai, Lai on unpaid leave from Dec. 2019

Note 5: Chief Accounting Officer Hsiu-Fen, Weng retired in Feb. 2019. Then Deputy Chief Accounting Officer Jen-Chun, Wang assumed the position.

3. Directors', Supervisors' President's and Vice Presidents' remuneration

1. Remunerations to the Directors

Unit: NT\$ thousand / thousand shares

Title	Name	Directors' remuneration								The sum of A, B, C, and D as a percentage of after-tax net profit		Remuneration as an employee								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit		Remuneration from invested businesses other than the subsidiaries or parent company	
		Remuneration (A)		Pension (B)		Remuneration to directors (C) (Note 2)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc (E)		Pension (F)		Remuneration to employees (G) (Note 2)							
		The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies contained in the financial report		
Chairman	Jui Hai Investment Co.,Ltd. - Yung-Shun, Chuang																						
Director	Jui Hai Investment Co.,Ltd. - Ying-Chen Li																						
Director	Jui Hai Investment Co.,Ltd. - Wei-Chun, Yen																						
Director	ASUSTeK Computer Inc. - Jonny Shih																						
Director	ASUSTeK Computer Inc. - Jonathan Tsang	1,775	1,775	0	0	5,439	5,439	420	420	1.38%	1.38%	7,710	9,754	77	77	3,010	0	3,750	0	3.34%	3.84%	75,271	
Director	ASUSTeK Computer Inc. - S.Y. Hsu																						
Director	IBASE Technology Inc. - Chiu-Hsu, Lin																						
Director	IBASE Technology Inc. - Yu-Nan, Chen																						
Independent Director	Chris Kao																						
Independent Director	Daho Yen																						
Independent Director	Kun-Chih, Chen																						

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of payment of remuneration according to the responsibilities, risks, time invested and other factors: according to the company's "Rules of Independent Directors' Duties" Stipulates that the remuneration of independent directors of the company should be stipulated in the articles of association of the company, and reasonable remuneration different from that of general directors can be determined.

2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent consultant: NT\$ 0.

Note 1: The Company's 2019 profit after tax was NT\$ 552,152 thousand.

Note 2: The remuneration to Directors and employees is not yet distributed. The above is only an estimate.

Table of Remuneration Brackets

Remunerations to individual directors in the respective brackets along the salaries scale	Name of director			
	The total of the aforementioned 4 items (A+B+C+D)		The total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report
Less than 1,000,000	Jui Hai Investment Co.,Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Chiu-Hsu, Lin, Yu-Nan, Chen, Yung-Shun, Chuang, Ying-Chen Li	Jui Hai Investment Co.,Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Chiu-Hsu, Lin, Yu-Nan, Chen, Yung-Shun, Chuang, Ying-Chen Li	Jui Hai Investment Co.,Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Chiu-Hsu, Lin, Yu-Nan, Chen	Jui Hai Investment Co.,Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Chiu-Hsu, Lin, Yu-Nan, Chen
1,000,000(inclusive)~2,000,000 (exclusive)				
2,000,000(inclusive)~3,500,000 (exclusive)				
3,500,000(inclusive)~5,000,000 (exclusive)				
5,000,000(inclusive)~10,000,000 (exclusive)			Yung-Shun, Chuang, Ying-Chen Li	Yung-Shun, Chuang, Ying-Chen Li
10,000,000(inclusive)~15,000,000 (exclusive)				
15,000,000(inclusive)~30,000,000 (exclusive)				
30,000,000(inclusive)~50,000,000 (exclusive)				
50,000,000(inclusive)~100,000,000 (exclusive)				
> NT\$100,000,000				
Total	10 persons	10 persons	10 persons	10 persons

Note: Yung-Shun, Chuang, Ying-Chen Li are concurrently the Company's employees.

2. Remuneration to Supervisors: The Company has established the Auditing Committee in place of Supervisors on Jun. 30, 2016.

3. President's and Vice Presidents' remuneration

Unit: NT\$ thousand / thousand shares

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and allowances etc (C)		Remuneration to employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration from invested businesses other than the subsidiaries or parent company
		The Company	All companies contained in the financial report	The Compan y	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company		All companies contained in the financial report		The Company	All companies contained in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Yung-Shun, Chuang	16,585	17,737	545	545	7,063	7,163	6,890	0	7,630	0	5.63%	5.99%	4,075
CSO	Ying-Chen Li													
President	Chien-Hung, Lin													
Senior Advisor	Chung-Ming, Hsu													
Vice President	Kuo-Chiang, Wang													
Vice President	Chi-Heng, Ha (Note 3)													
Vice President	Chi-Hung, Liao													

Note 1: The Company's 2019 profit after tax was NT\$ 552,152 thousand.

Note 2: The remuneration to Directors and employees is not yet distributed. The above is only an estimate.

Note 3: Vice President Chi-Heng, Ha resigned in Jun. 2019.

Table of salaries scale

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Names of the Presidents and the Vice Presidents	
	The Company	All companies contained in the financial report
Less than 1,000,000		
1,000,000(inclusive)~2,000,000 (exclusive)	Chi-Heng, Ha	Chi-Heng, Ha
2,000,000(inclusive)~3,500,000 (exclusive)	Chung-Ming, Hsu, Kuo-Chiang, Wang	Chung-Ming, Hsu
3,500,000(inclusive)~5,000,000 (exclusive)	Chi-Hung, Liao	Chi-Hung, Liao, Kuo-Chiang, Wang
5,000,000(inclusive)~10,000,000 (exclusive)	Yung-Shun, Chuang, Ying-Chen Li, Chien-Hung, Lin	Yung-Shun, Chuang, Ying-Chen Li, Chien-Hung, Lin
10,000,000(inclusive)~15,000,000 (exclusive)		
15,000,000(inclusive)~30,000,000 (exclusive)		
30,000,000(inclusive)~50,000,000 (exclusive)		
50,000,000(inclusive)~100,000,000 (exclusive)		
> NT\$100,000,000		
Total	7 persons	7 persons

4. Remuneration to Management in the most recent fiscal year:

Unit: NT\$ thousand

	Title	Name	Stock amount	Cash amount	Total	Total as a percentage of after-tax net profit (%) (Note 1)
Manager	President	Yung-Shun, Chuang	0	13,340	13,340	2.42%
	CSO	Ying-Chen Li				
	President	Chien-Hung, Lin				
	Senior Advisor	Chung-Ming, Hsu				
	Vice President	Chi-Heng, Ha (Note 2)				
	Vice President	Chi-Hung, Liao				
	Vice President	Kuo-Chiang, Wang				
	Senior Assistant Vice Presidents	Yun-Chen, Tu				
	Senior Assistant Vice Presidents	Yu-Yu, Chu				
	Assistant Manager	Jen-Chieh, Huang				
	Assistant Manager	Li-Kai, Lai (Note 3)				
	Assistant Manager	Shao-Chou, Hsueh				
	Assistant Manager	Wen-Ming, Ni				
	Assistant Manager	Shu-Chen, Li				
	Managers,	Hsiu-Fen, Weng (Note 4)				
	Chief Internal Auditor	Wan-Hui, Chiu				
Chief Corporate Governance Officer	Hsiao-Jung, Liu (Note 5)					

Note 1: The Company's 2019 profit after tax was NT\$ 552,152 thousand.

Note 2: Vice President Chi-Heng, Ha resigned in Jun. 2019.

Note 3: Assistant Manager Li-Kai, Lai on unpaid leave from Dec. 2019

Note 4: Chief Accounting Officer Hsiu-Fen, Weng retired in Feb. 2019.

Note 5: Chief Corporate Governance Officer Hsiao-Jung, Liu assumed the position of Chief Corporate Governance Officer in Aug. 2019.

- (4) Compare and explain the company's and all companies in the consolidated statement in the past two years of the total amount of remuneration of the company's directors, supervisors, general managers and deputy general managers as a percentage of the net profit after tax and after having explained the policies, standards, combination of remuneration; setting

remuneration procedures; and the relevance of the business performance and the future risks.

1. The remuneration to the Company's Director as the percentage of the net profit after tax in the last two years:

Unit: NT\$ thousand; %

Item	2018		2019	
	The Company	Consolidated financial statements	The Company	Consolidated financial statements
Total remuneration to Directors, Supervisors, President, and Vice President as a percentage of the net profit after tax (%)	5.33%	5.98%	7.01%	7.37%

2. Policy, standard and combination of the remuneration, remuneration setting procedures, and the relevance of the business performance and the future risks:

- (1) Policy, standard and combination of the remuneration, and remuneration setting procedures.

- (A) Director

The Board of Directors is authorized to determine, in accordance with the Company's Articles of Incorporation, the salary for all Directors and Supervisors, taking into account the extent and contribution to the Company's operation and the standards of the industry within and without the territory of ROC. The remuneration to Directors shall be distributed in accordance to Company's Articles of Incorporation and based on the profit of the current year. After accumulated deficits have been set off by the profit in the year (namely profit before tax, before deducting remuneration to employees and Directors), if there shall still be surplus, no more than 1% of which may be distributed as remuneration to Directors.

- (B) Presidents and the Vice Presidents

The remuneration to President and Vice Presidents includes salary, bonus and remuneration to employees. The remuneration is determined based on their contribution to the Company's operation and the standards of the industry. The remuneration to employees is distributed in accordance with the Company's Articles of Incorporation, and after being submitted to the Board and approved in the Shareholders' Meeting.

- (2) The relevance of the business performance and the future risks.

Regarding the procedure for determining remuneration, the overall operating performance of the Company and the individual's contribution to the Company's performance are taken into consideration to determine a reasonable remuneration. In addition, in order to reduce future operating risks, the Company will review the remuneration system at any time in accordance with the actual operating performance and relevant laws and regulations in order to maintain the Company's sustainable operations and risk control. To sum up, the Company's policies and procedures for distribution of remuneration to Directors, President and Vice President are positively related to operating performance.

4. Corporate governance

- (1) The operation of the Board of Directors

The Board of Directors held seven meetings(A) in the most recent fiscal year (2019). The record of the Directors' attendances is shown below:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) [B/A]	Remarks
Chairman	Jui Hai Investment Co.,Ltd. Representative: Yung-Shun, Chuang	7	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Director	Jui Hai Investment Co.,Ltd. Representative: Ying-Chen Li	7	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Director	ASUSTeK Computer Inc. Representative: Jonny Shih	6	1	86%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Director	ASUSTeK Computer Inc. Representative: Jonathan Tsang	6	0	86%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Director	ASUSTeK Computer Inc. Representative: Chen-Lai, Shen	0	0	0%	Re-elected at the Jun. 30, 2016 General Shareholders' Meeting. Asustek sent a juristic representative on Feb. 21, 2019 instead (should attend 2 meetings)
Director	ASUSTeK Computer Inc. Representative: S.Y. Hsu	3	0	60%	Asustek sent a juristic representative on Feb. 21, 2019 instead. Re-elected at the May 31, 2019 General Shareholders' Meeting (should attend 5 meetings).
Director	Jui Hai Investment Co.,Ltd. Representative: Wei-Chun, Yen	6	0	86%	Re-elected at the May 31, 2019 General Shareholders' Meeting.

Director	IBASE Technology Inc. Representative: Chiu-Hsu, Lin	4	0	100%	New elected at the May 31, 2019 General Shareholders' Meeting (Should attend 4 meetings)
Director	IBASE Technology Inc. Representative: Yu-Nan, Chen	4	0	100%	New elected at the May 31, 2019 General Shareholders' Meeting (Should attend 4 meetings),
Independent Director	Chris Kao	7	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Independent Director	Daho Yen	4	0	100%	New elected at the May 31, 2019 General Shareholders' Meeting (Should attend 4 meetings)
Independent Director	Kun-Chih, Chen	4	0	100%	New elected at the May 31, 2019 General Shareholders' Meeting (Should attend 4 meetings)
Independent Director	Chun-An, Hsu	3	0	100%	New elected at the Apr. 17, 2017 Special Shareholders' Meeting (Should attend 3 meetings),
Independent Director	Cheng-Jui, Kuang	3	0	100%	By-elected at the May 28, 2018 General Shareholders' Meeting (Should attend 3 meetings),

Other remarks:

- For the operations of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the Company's response to the opinions proposed by the independent directors:

(1) On the issues stated in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Agenda	Items listed in Article 14-3 of Securities	Opinion of independent director	The Company's response to such Independent	Resolution
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		and Exchange Act		Directors' opinions.	
22 nd Meeting of the 3 rd Board (Jan. 22, 2019)	Distribution of 2018 Remuneration to employees and Directors	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.
22 nd Meeting of the 3 rd Board (Jan. 22, 2019)	The distribution of 2018 annual bonus to managers	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.
22 nd Meeting of the 3 rd Board (Jan. 22, 2019)	Distribution of 2018 Q4 performance bonus to Managers	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.
23 rd Meeting of the 3 rd Board (Feb. 20, 2019)	The distribution of 2018 retained earnings	V	None	None	Approved as proposed by the Board of Directors.
23 rd Meeting of the 3 rd Board (Feb. 20, 2019)	Nomination of Director and Independent Directors Candidates	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.
23 rd Meeting of the 3 rd Board (Feb. 20, 2019)	Releasing of the Prohibition on the Company's Directors from Participation in Competitive Business	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.
24 th Meeting of the 3 rd Board (Apr. 30, 2019)	Disposal of shares of MACHVISION,INC.	V	None	None	Approved as proposed by the Board of Directors.
24 th Meeting of the 3 rd Board (Apr. 30, 2019)	Acquisition of shares of ONYX HEALTHCARE INC.	V	None	None	Approved as proposed by the Board of Directors.
24 th Meeting of the 3 rd Board (Apr. 30, 2019)	Replacement of CPAs.	V	None	None	Approved as proposed by the Board of Directors.
24 th Meeting of the 3 rd Board (Apr. 30, 2019)	Donation of NT\$ 200 million to AAEON EDUCATION FOUNDATION.	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.

24 th Meeting of the 3 rd Board (Apr. 30, 2019)	Amendment to the Company's "Regulations of Internal Control and Audit"	V	None	None	Approved as proposed by the Board of Directors.
24 th Meeting of the 3 rd Board (Apr. 30, 2019)	Application for credit line for General credit limit and trading of derivatives	V	None	None	Approved as proposed by the Board of Directors.
24 th Meeting of the 3 rd Board (Apr. 30, 2019)	Distribution of share warrant	V	None	None	Approved as proposed by the Board of Directors.
24 th Meeting of the 3 rd Board (Apr. 30, 2019)	Adjustment of the salaries for managers for 2019	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.
2 nd Meeting of the 4 th Board (Aug. 07, 2019)	Distribution suggestions of 2018 remuneration to directors and supervisors	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.
2 nd Meeting of the 4 th Board (Aug. 07, 2019)	Distribution suggestions of 2018 remuneration to managers (estimate)	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.
2 nd Meeting of the 4 th Board (Aug. 07, 2019)	Distribution suggestions of 2019 share warrants to managers	V	None	None	Approved as proposed by the Board of Directors without the attendance of the interested Director.
2 nd Meeting of the 4 th Board (Aug. 07, 2019)	2019 and 2020 audit fee	V	None	None	Approved as proposed by the Board of Directors.
3 rd Meeting of the 4 th Board (Nov. 12, 2019)	Amendment to the "Procedures for Issuance of Employee Share Warrant"	V	None	None	Approved as proposed by the Board of Directors.
4 th Meeting of the 4 th Board (Dec. 17, 2019)	Distribution of 2019 Remuneration to employees and Directors (estimate)	V	None	None	Approved as proposed by the Board of Directors.
4 th Meeting of the 4 th Board (Dec. 17, 2019)	The distribution of 2019 annual bonus to managers	V	None	None	Approved as proposed by the Board of Directors without the

				attendance of the interested Director.
<p>(2) If an Independent Director has a dissenting or qualified opinion which is on record or stated in a written statement regarding a motion not mentioned above: no such matter.</p>				
<p>2. With respect to the avoidance of conflicting interest agenda, describe the names of directors, details of the relevant agenda, reasons for avoiding conflict of interest, and the voting decisions:</p>				
Date	Agenda	Name of director	Reason for interest avoidance	Participation in Resolution
Jan. 22, 2019	The distribution of 2018 annual bonus to managers	Yung-Shun, Chuang, Ying-Chen Li	Yung-Shun, Chuang, Ying-Chen Li are persons of the concerned parties	Yung-Shun, Chuang, Ying-Chen Li avoided the conflict interest pursuant to the law, and did not participate in the voting.
Jan. 22, 2019	Distribution of 2018 Q4 performance bonus to managers	Yung-Shun, Chuang, Ying-Chen Li	Yung-Shun, Chuang, Ying-Chen Li are persons of the concerned parties	Yung-Shun, Chuang, Ying-Chen Li avoided the interest pursuant to the law, and did not participate in voting.
Apr. 30, 2019	Donation of NT\$ 200 million to AAEON EDUCATION FOUNDATION.	Yung-Shun, Chuang, Wei-Chun, Yen	Yung-Shun, Chuang, Wei-Chun, Yen are persons of the concerned parties	Yung-Shun, Chuang, Wei-Chun, Yen avoided the interest pursuant to the law, and did not participate in voting.
Apr. 30, 2019	Adjustment of the salaries for managers for 2019	Yung-Shun, Chuang, Ying-Chen Li	Yung-Shun, Chuang, Ying-Chen Li are persons of the concerned parties	Yung-Shun, Chuang, Ying-Chen Li avoided the conflict interest pursuant to the law, and did not participate in the voting.
Aug. 07, 2019	Distribution suggestions of 2018 remuneration to directors and supervisors	Yung-Shun, Chuang, Jonny Shih, Jonathan Tsang, Chen-Lai, Shen (Note), Ying-Chen Li, Wei-Chun, Yen	Yung-Shun, Chuang, Jonny Shih, Jonathan Tsang, Chen-Lai, Shen (Note), Ying-Chen Li, Wei-Chun, Yen are persons of the concerned parties	Yung-Shun, Chuang, Jonny Shih, Jonathan Tsang, Chen-Lai, Shen (Note), Ying-Chen Li, Wei-Chun, Yen avoided the interest pursuant to the law, and did not participate in voting.
Aug. 07, 2019	Distribution suggestions of 2018 remuneration to managers (estimate)	Yung-Shun, Chuang, Ying-Chen Li	Yung-Shun, Chuang, Ying-Chen Li are persons of the concerned parties	Yung-Shun, Chuang, Ying-Chen Li avoided the interest pursuant to the law, and did not participate in voting.
Aug. 07, 2019	Distribution suggestions of 2019 share warrants to managers	Yung-Shun, Chuang, Ying-Chen Li	Yung-Shun, Chuang, Ying-Chen Li are persons of the concerned parties	Yung-Shun, Chuang, Ying-Chen Li avoided the interest pursuant to the law, and did not participate in voting.

Dec. 17, 2019	The distribution of 2019 annual bonus to managers	Yung-Shun, Chuang, Ying-Chen Li	Yung-Shun, Chuang, Ying-Chen Li are persons of the concerned parties	Yung-Shun, Chuang, Ying-Chen Li avoided the interest pursuant to the law, and did not participate in voting.
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Note: Replaced by S.Y. Hsu on Feb. 21, 2019.

3. The information on the frequency, period, scope, method and content of TWSE/TPEX listed company's Board of Director self-evaluation (or peer assessment) shall be disclosed. The status of the Board evaluation:

Frequency	Period	Scope	Method	Content
Once a year	January 1, 2019 to December 31, 2019	Board of Directors	Performance assessment results of the Board	<ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Improvement in the quality of decision making by the board of directors. 3. The composition and structure of the board of directors. 4. Director election and continuing education 5. Internal controls.
		Members of Board of Directors	Survey of assessment on members of Board of Directors	<ol style="list-style-type: none"> 1. Their grasp of the company's goals and missions. 2. Their recognition of director's duties. 3. The degree of participation in the company's operations. 4. Their management of internal relationships and communication. 5. Their professionalism and continuing professional education. 6. Internal controls.
		Auditing Committee	Survey of assessment on members of Audit Committee	<ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Understanding in the Audit Committee's duties 3. Improvement on the decision making quality of the Audit Committee 4. Composition and election of Audit Committee members 5. Internal controls.
		Remuneration Committee	Survey of assessment on members of Remuneration Committee	<ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Understanding in the Remuneration Committee's duties 3. Improvement on the decision making quality of the Remuneration Committee 4. Composition and election of Remuneration Committee members 5. Internal controls.

Details:

On Jul. 25, 2017, the Board has approved the "Self-Evaluation or Peer Assessment of the Board of Directors", and stipulated that the evaluation must be completed before the deadline and submitted to the Board. In Dec. 2019, the Board made the 1st amendment to the "Self-Evaluation or Peer Assessment of the Board of Directors." The evaluation was completed on Feb. 26, 2020 and was submitted to the Board.

2019 Evaluation results: Board self-evaluation and peer-assessment: Excellent. Auditing Committee self-evaluation: Excellent. Remuneration Committee self-evaluation: Excellent.

2019 suggestions to Board's performance assessment: the attendance of Directors at the Shareholders' Meeting be more than 6/11 seats. Sufficient communication and communication opportunities between the Board and CPA be increased.

The assessment results will serve as a reference for Board's remuneration and re-election.

4. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g., the establishment of an Audit Committee, improving information transparency etc), and the progress of such enhancements:
- (1) The Company has formulated the "Rules for Board Meetings" which sets out the relevant requirements for convening Board Meetings to follow. The Company has also encouraged Directors to participate in professional courses to enhance the functions of the Board and its ability to govern the Company.
 - (2) The Company has established Independent Directors and the Audit Committee in its aim to strengthen the Board's governance of the Company, and to supervise the compliance of Board's operation to "Scope of Independent Directors".
 - (3) The Company has established Remuneration Committee to assist Directors with determining the overall company remuneration and benefit system, and review on a regular basis the appropriateness of Directors and Managers.
 - (4) The Company urges all Directors to participate in all external seminars and occupational trainings to enhance governance capability of the Company.
 - (5) Please refer to [Attachment 3] "(3) How The Company's actual governance differs from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and why."

(2) The operations of the Auditing Committee:

The Audit Committee held five meetings in the most recent fiscal year (2019). The record of the Independent Directors' attendances is shown below:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A)	Remarks
The 1 st Audit Committee has convened 2 meetings (A) in the most recent fiscal year.					
Members	Chris Kao	2	0	100%	—
Members	Chun-An, Hsu	2	0	100%	New by-elected at the Apr. 17, 2017 General Shareholders' Meeting (Should attend 2 meetings),
Members	Cheng-Jui, Kuang	2	0	100%	By-elected at the May 28, 2018 General Shareholders' Meeting (Should attend 3 meetings),
The 2 nd Audit Committee has convened 3 meetings (A) in the most recent fiscal year.					
Members	Chris Kao	3	0	100%	—
Members	Daho Yen	3	0	100%	—
Members	Kun-Chih, Chen	3	0	100%	—

Other remarks:

1. For the operations of the Audit Committee in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all Auditing Committee members, and the Company's response to the opinions proposed by the Audit members:

(1) On issues stated in Article 14-5 of the Securities and Exchange Act:

Auditing Committee	Agenda	Items listed in Article 14-5 of Securities and Exchange Act	Opinion of independent director	The Company's response to such Independent Directors' opinions.	Resolution
15 th meeting of the 1 st Committee (Feb. 20, 2019)	<ol style="list-style-type: none"> 1. Declaration of 2018 Internal Control Policies 2. 2018 business report and financial statements 3. The distribution of 2018 retained earnings 4. Partial amendments to the "Procedures for Acquisition and Disposal of Assets" 	V	None	None	Approved as proposed by all members.
16 th meeting of the 1 st Committee (Apr. 30, 2019)	<ol style="list-style-type: none"> 1. 2019 Q1 financial report 2. Amendment to the Company's "Regulations of Internal Control and Audit" 3. Partial amendments to the Company's "Procedures for Handling Endorsement/Guarantee" 4. Partial amendments to the Company's "Procedures of Loans to Others" 5. Exchange of CPAs. 6. Donation of NT\$ 200 million to AAEON EDUCATION FOUNDATION 	V	None	None	Approved as proposed by all members.
1 st meeting of the 2 nd Committee (Aug. 7, 2019)	<ol style="list-style-type: none"> 1. 2019 Q2 financial report 2. 2019 and 2020 audit fee 	V	None	None	Approved as proposed by all members.
2 nd meeting of the 2 nd Committee (Aug. 21, 2019)	<ol style="list-style-type: none"> 1. Make-up report on the distribution of share warrant 	V	None	None	Approved as proposed by all members.

3 rd meeting of the 2 nd Committee (Nov. 12, 2019)	1. 2019 Q3 financial report 2. Amendment to the “Procedures for Issuance of Employee Share Warrant” 3. 2020 internal audit plan	V	None	None	Approved as proposed by all members.
<p>(2) In addition to the aforementioned motions, other motions without approval by the Auditing Committee but passed by the Board with 2/3 of the Directors: No such matter.</p> <p>2. Situation of the implementation of the Independent Directors’ avoidance of interest. If such situation exists, name of Independent Directors, motion, reason for interest avoidance and their participation in resolution shall be stated as follows: No such matter. All members have fully expressed their opinions at the meetings.</p> <p>3. Enforcement of Corporate Governance Implemented by the Company and Reasons for Discrepancy (incl. material matters in the communication, method and results of the Company’s financial position, sales performance):</p> <p>(1) The Independent Director has direct communication channels with the head of internal audit and CPAs, and the communication situation is good.</p> <p>(2) The Company's Audit Meetings are regularly convened to invite CPAs, audit supervisors and, if necessary, concerned supervisors.</p> <p>(3) The chief of internal audit reports the audit report to the Audit Committee on a monthly basis according to the audit plan.</p> <p>(4) During the review of the financial report, the Independent Director discussed with the CPAs about the financial and business issues in the financial report, and the CPAs made recommendations on the internal control and legal compliance matters. Important opinions were recorded in the meeting minutes.</p>					

(3) How The Company’s actual governance differs from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and why

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
1. Will the Company based on the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” set up and disclose the Company’s corporate governance best-practice principles?	V		The Company has formulated the "Code of Corporate Governance Practice”	No discrepancy
2. Shareholding structure and shareholders’ equity				
(1) Will the Company have the internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	V		(1) The Company has set up a spokesperson and a deputy spokesperson to report on the Shareholders' suggestions or questions in a timely manner. In circumstances of disputes regarding share issues, the spokesperson and the deputy spokesperson will also assist the Shareholders in a fair and reasonable way.	No discrepancy
(2) Will the Company possess the list of the Company’s major shareholders and the list of the ultimate controllers of the major shareholders?	V		(2) The Company keeps track of the shareholdings of Directors, Supervisors, Managers and major shareholders holding more than 10% of the shares.	No discrepancy
(3) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	V		(3) The Company has formulated regulations regarding related party transactions, guarantee and endorsement, loan to others. Also, the Company has also formulated regulations regarding internal control and internal audit stipulating its subsidiaries in accordance to the “Regulations Governing Establishment of Internal Control Systems by Public Companies”.	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
(4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V		(4) The Company has formulated “Procedures for the Prevention of Insider Trading”, and has strengthened publicity to insiders to avoid the occurrence of insider trading.	No discrepancy
3. The constitution and obligations of the board of directors (1) Has the board devised diversified guidelines and implemented them based on member makeup?	V		(1) In accordance to Article 23 of “Corporate Governance Best Practice Principles”, the composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards: 1. Basic requirements and values: Gender, age, nationality, and culture. 2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. In order to achieve the ideal goals of corporate governance, the Board of Directors should possess the following abilities: operational judgment, accounting and financial analysis, business management, crisis management, industrial knowledge, international market outlook, leadership, and decision-making.	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	V		<p>The Board of Directors of the Company has rich qualifications. 90% of the directors are professionals who have been working in various fields and are over 45 years. Currently, there are 11 Directors, including 3 Independent Directors and 8 juridical director representatives. All of them are male, their nationality is Republic of China, and 2 Directors are also employees of the Company. The Board members are of various professional background (e.g., law, accounting, marketing, technology) and ability to carry their duties (operational judgment, accounting and financial analysis, business management, crisis management, industrial knowledge, international market outlook, leadership, and decision-making). Please refer to [Attachment 1] for more details. The Company continues to strive to achieve the specific management goals of the Board diversity policy. It is expected that in the future selection of board members, priority will be given to appointing at least one female candidates with law, accounting and financial background.</p> <p>(2) The Company has established a Remuneration Committee and an Audit Committee. Taking into account the Company's scale and business nature, it has voluntarily set up a corporate social responsibility office and risk management team to manage and execute related matters.</p>	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis? Are the results of the evaluation reported at the Board Meeting and used as reference for remuneration and the nomination for re-election?	V		(3) On Jul. 25, 2017, the Board has approved the “Self-Evaluation or Peer Assessment of the Board of Directors”, and stipulated that the evaluation must be completed before the deadline and submitted to the Board. In Dec. 2019, the Board made 1 st amendment to the “Self-Evaluation or Peer Assessment of the Board of Directors”. The evaluation was completed on Feb. 26, 2020 and was submitted to the Board. 2019 Evaluation results: Board self-evaluation and peer-assessment: Excellent. Auditing Committee self-evaluation: Excellent. Remuneration Committee self-evaluation: Excellent. 2019 suggestions to Board’s performance assessment: the attendance of Directors at the Shareholders’ Meeting be more than 6/11 seats. Sufficient communication and communication opportunities between the Board and CPA be increased. The assessment results will serve as a reference for Board’s remuneration and re-election.	No discrepancy
(4) Will the Company have the independence of the public accountant evaluated regularly?	V		(4) In order to implement corporate governance, the Board of the Company regularly evaluates the independence and competence of CPAs. The relevant evaluations are based on the evaluation of independence items stipulated in the Bulletin 10 of the “Norm of Professional Ethics for CPA”. The 5 th Board of Directors submitted the independence evaluation report of the CPAs, and the evaluation	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			report is detailed in [Attachment 2]. After evaluation, the CPA Shu-Chiung, Chang and Chun-Yao, Lin of PwC Taiwan meet the Company's independence assessment standards and are sufficient as the Company's CPAs.	
4. Does the TWSE/TPEX listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?	V		<p>The Board has approved a resolution at the Board meeting on Aug. 7, 2019, to appoint Hsiao-Jung, Liu, the Deputy Project Manager, as the Chief Corporate Governance Officer, responsible for corporate governance related matters. Hsiao-Jung, Liu, the Deputy Project Manager, has more than three years of experience in corporate governance positions in public companies. Main responsibilities of Chief Corporate Governance Officer are as follows:</p> <ol style="list-style-type: none"> 1. Provide the content of “Corporate Governance Best Practice Principles” or “Corporate Governance Evaluation” to facilitate the agenda working unit to conduct Board Shareholders Meetings in accordance with relevant corporate governance standards. 2. Provide the content of “Corporate Governance Best Practice Principles” or “Corporate Governance Evaluation” to facilitate the agenda working unit to complete Board Shareholders Meetings minutes in accordance with relevant corporate governance standards. 3. Assist with Directors’ taking of office and continuing education 	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>4. Provide Directors with information required for business operation.</p> <p>5. Assist the Board of Directors in the compliance of laws and regulations.</p> <p>6. Other matters as required by the Company's Article of Incorporation or contract.</p> <p>Implementation of 2019 business operation</p> <p>1. Assist Independent and Non-independent Directors to carry out their duties, provide information required for arrangement of Directors' continuing education:</p> <p>(1) Regularly notify Board members on the latest legal amendments and developments regarding company management and corporate governance.</p> <p>(2) Inspect the information needed by the Board, maintain smooth bi-lateral communications between directors and various business managers.</p> <p>(3) Pursuant to the corporate governance code of practice, the Independent Directors meet with internal audit supervisors or CPAs in private to understand the Company's financial status.</p> <p>(4) Assist Independent Directors and Non-independent Directors to formulate annual training plans and arrange courses in accordance</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>with the nature of the Company and Director's academic and experience background.</p> <p>2. Assist in procedures and resolutions of the Board of Directors and Shareholders' Meeting to comply with relevant legal regulations:</p> <p>(1) Report implementations of corporate governance to the Board, assist in convening of Company's Board and Shareholders' Meetings in compliance with relevant laws and corporate governance practice principles.</p> <p>(2) Assist or remind the Board to comply with relevant legal regulations when performing relevant duties or while making resolutions.</p> <p>(3) Responsible for reviewing the announcement for material decisions made by the Board to ensure information symmetry with the investors.</p> <p>3. Reminder to the Board: propose the agenda of the Board of Directors meeting and to notify the directors seven days prior to the designated date of meeting. Convene the meeting and provide information for the meeting. Notify the Board members to abstain from certain motions if conflict of interest is anticipated before the meeting, and to complete minutes to the Board meeting within 20 days after the meeting.</p> <p>4. Reminder to the Board: Process filing of Shareholders' Meeting and to produce meeting</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>notice within the legally-stipulated deadline, meeting agenda, meeting minutes, and to file for changes when amendment of the Company's Articles of Incorporation or Procedures of Elections for Directors shall take place.</p> <p>For details on continuing education of Directors and Chief Corporate Governance Officer, please refer to [Attachment 3] and [Attachment 4].</p>	
5. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibility concerns of the stakeholders?	V		<p>Company's Spokesperson as stated in this annual report Name: Yun-Chen, Tu Title: Senior Asst VP TEL: (02)8919-1234 E-mail: speaker@aaeon.com.tw</p> <p>Company's Deputy Spokesperson Name: Chien-Chun, Chuang Title: Senior Manager TEL: +886-2-8919-1234 E-mail: speaker@aaeon.com.tw</p> <p>Due to the communication windows of various stakeholders, the relevant information will be adjusted from time to time due to actual business situations and planning factors. For the latest information, please refer to the Company's official website.</p> <p>The Company has set up a stakeholder section on the website.</p> <p><u>AAEON and employees</u></p>	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<ul style="list-style-type: none"> ● Through the suggestion box and a hotline for sexual harassment complaints, the employees can express their opinions at any time and get a response from relevant departments of the Company. ● At regular employee-management meetings and welfare committee employee representatives meet the Company representatives and communicate face-to-face. The Company's employees do not form a trade union by themselves, so they do not need to sign a collective agreement in accordance with the Collective Agreement Act. However, employee-management meetings are held in accordance with relevant procedures as a regular communication channel between the company and employees. On Mar. 29, Jun. 28, and Sep. 27, 2019 and Jan. 15, 2020, four employee-management meetings were held. A total of 34 representatives of employees and management participated the meetings. Four proposals were submitted throughout the year, and all cases were successfully resolved. ● Through the Company's internal mailbox, relevant health and epidemic prevention information is sent to the employees from time to time. ● Internal customer satisfaction surveys, and pay attention to the voice of internal customers and employees. ● Other non-scheduled thematic questionnaires 	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p><u>AAEON and Shareholders</u> The Company's "Shareholding structure and shareholders' equity", "The constitution and obligations of the board of directors", "Establishment of Communication Channels with Stakeholders" and "Disclosure of information" are implemented in accordance to the " Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" formulated by the FSC and AAEON's "Corporate Governance Best Practice Principles". In addition to the annual report issued every year, the Company's financial, business, and equity changes are also disclosed to the investors and the public at the MOPS.</p> <p><u>AAEON and Customers</u> The "Customer Satisfaction Survey" for global customers is conducted every year. Surveys are conducted on marketing support, product management, logistics, quality, and service. This customer satisfaction survey is an important basis for the Company's continuous improvement. Regular dealer seminars and local product exhibitions are held to understand customer needs and make the most direct communication and response.</p> <p><u>AAEON and Suppliers</u> In accordance with the Company's quality policy, environmental policy and environmental protection</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>concept, we proactively carry out written communications with suppliers, including the "Environmental Protection Concept Declaration Letter", proclaiming our quality policy and environmental declaration, and invite them to work together for environmental improvement. We also administer the "Quality and Environmental Management Survey Form, inviting them to jointly comply with the relevant government environmental protection laws and regulations, in waste reduction and environmental protection. An ISO 9001 and ISO 14000 certified company will be listed as a priority supplier. Supplier evaluation and site visits: On-site inspection and communication with suppliers about their delivery stability and quality.</p> <p><u>AAEON and Community</u> Through the AAEON EDUCATION FOUNDATION's arts and culture activities and the public welfare activities, we discuss and communicate with the local companies in the community, organize arts and cultural displays, blood donation and other public welfare activities. We proactively arrange art and cultural displays in public areas manufacturers and employees, creating a clean and tidy environment atmosphere.</p> <p><u>AAEON and Government and other Agencies</u></p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<ul style="list-style-type: none"> ● We actively participate in seminars or symposia organized by governments or competent authorities. ● We participate in activities organized by external associations: Taipei Computer Association: obtain information about education, training, markets, or exhibitions through member participation; or medical institutions related to employee health promotion. ● We participate in community management committees, such as the Far East Century ABC Management Committee: we participation in the development of industrial park communities. 	
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		The Company has appointed a professional stock agent (KGI Securities Co., Ltd.) to handle shareholders affairs.	No discrepancy
7. Disclosure of information				
(1) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		(1) The Company have disclosed the financial business and corporate governance information on company website.	No discrepancy
(2) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		(2) The Company has a designated person responsible for the collection of disclosed information, in accordance with the relevant authority's regulations on information disclosure, and implement the spokesman system.	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
(3) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report Q1, Q2, Q3 financial reports and the operating status of each month in advance of the prescribed deadline?	V		(3) The Company announces and discloses relevant information within the time limit. For related situations, please refer to MOPS.	No discrepancy
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		<u>Employees' rights and care to employees:</u> The Company strictly abides by the provisions of various labor laws, the Company does not discriminate employees by age, gender, race, religion, color, nationality, etc. and employer and employees sign an employment contract with their own their consent. The Company establishes various communication channels. If any employees need to communicate and interact directly with the management, they can directly submit opinions or suggestions to the management via telephone or email at any time, and they will definitely receive feedback in a timely manner. The Company provides a high-quality and suitable working environment, implements smoke-free workplace policies, regular environmental inspections, safe and clean employee restaurants, regularly organizes various arts and cultural displays and provides colleagues with various arts and cultural activities within the Company. Inside the Company, there are art corridors and literature halls to improve the art culture appreciation of employees and relieve their physical and mental pressure. The Company also has an employee benefit insurance	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>plan. The insurance policy includes: life insurance, accident insurance, medical insurance and cancer insurance.</p> <p><u>Investor relations:</u> Shareholders' rights and interests are valued by AAEON. We focus on the Company's operating results and long-term strategies, through the disclosure of correct, real-time and transparent information, through corporate briefings, shareholder meetings, annual reports and financial statements audited by CPAs. AAEON hopes to provide investors and the public with a way to understand the operating status and performance.</p> <p><u>AAEON and customer relations:</u> Customer partnership is one of AAEON's core values: In order for customers to accumulate diverse technical support and related product specifications in their vertical industry application market, AAEON presents thousands of internal data on the website, shares relevant technical information to help customers better understand the development of industrial computers. In addition to the Company's annual visits with customers, the Company also arranges dealer seminars, or local exhibitions to understand customers' voices. The Company also conducts annual customer satisfaction surveys on its own in order to understand customers' needs in marketing, product design, logistics management, technical services,</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>maintenance services, etc. The customers may list their recommendations to ensure that their needs are understood and properly handled.</p> <p><u>Supplier relations:</u> When AAEON is handling RoHS, the main principle is "source management". "Source" refers to a group of suppliers of raw materials. All suppliers must submit a test report from a third testing laboratory party and provide documents to AAEON specifying that they do not use harmful materials. In the procurement process, relevant controls must be incorporated to ensure that the purchased parts meet the specifications. In addition, through the green procurement platform, we provide the cooperation process of parts recognition from suppliers. In addition, AAEON self-purchased testing equipment, and regularly conducts screening of hazardous materials. Whether the input of raw materials meets the requirements of the RoHS, in order to manage the green supply chain, the mechanism is integrated with the existing production management system for complete management and control.</p> <p><u>Rights of interested parties:</u> The Company's interested parties can contact the Company directly through the mailbox on the official website at any time.</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p><u>Status of continuing education of Directors and Supervisors:</u> The Directors of the Company have participated in the courses related to corporate governance, and they are also informed at any time about the updates of laws and regulations related to corporate governance.</p> <p><u>Implementation of risk management policies and risk assessment standards:</u> The Company has formulated various internal management regulations in accordance with the law and conducts various risk management and assessments in accordance with the regulations to effectively control the risks of the Company's operations.</p> <p><u>Implementation of customer policies:</u> In addition to regularly visiting customers and convening dealer meetings, the Company also conducts annual customer satisfaction surveys to understand the actual needs of customers in marketing, logistics management, and technical services, and the customers may list the recommendations to ensure that customer needs are understood and properly addressed.</p> <p><u>The purchase of Liability Insurance for Directors and Supervisors:</u></p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			The Company has purchased Liability Insurance for Directors and Supervisors.	
<p>9. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and proposes the matters with priority for improvement and the respective measures. (Company that does not participate in the evaluation please leave blank):</p> <p>The self-assessment results of Taiwan Stock Exchange Corporate Governance Center's 6th Corporate Governance Evaluation are expected to score in 63 items and no scores for 22 items, of which are "The company uploaded the English version 30 days before the shareholders meeting. Proceedings and supplementary materials of the meeting", "The company sets the policy of diversification of board members, and exposes the implementation of the diversity policy on the company website and annual report", "The company is invited (on its own) to hold at least two investor conferences, and The two investor conferences at the beginning and end of the year under review are more than three months apart", " the company annual report discloses specific and explicit dividend policy ", and " the company formulates policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management " are listed as priority Improvement matters.</p>				

[Attachment 1] Independence assessment of CPAs and Implementation of diversity of Board members:

Diversity of board members Item Name of director	Profile				Specialized Background						Capability of carry out duties									
	Nationality	Gender	Current employees of the Company	Age			Law	Accounting	Finance	Industry	Marketing	Technology	Operating judgment	Accounting and financial analysis ability.	Operational and Management Ability	Ability of crisis management	Knowledge of Industry	Understanding of International Markets	Leadership	Decision Making
				45 to 60	61 to 70	71 to 75														
Yung-Shun, Chuang	Republic of China	Male	V	V					V	V	V	V	V	V	V	V	V	V	V	V
Jonny Shih	Republic of China	Male		V					V	V	V	V	V	V	V	V	V	V	V	V
Jonathan Tsang	Republic of China	Male		V					V	V	V	V	V	V	V	V	V	V	V	V
Chen-Lai, Shen (Note 1)	Republic of China	Male		V					V	V	V	V	V	V	V	V	V	V	V	V
S.Y. Hsu (Note 1)	Republic of China	Male		V					V		V	V	V	V	V	V	V	V	V	V
Ying-Chen Li	Republic of China	Male	V	V					V	V	V	V	V	V	V	V	V	V	V	V
Wei-Chun, Yen	Republic of China	Male		V			V	V				V	V	V	V	V	V	V	V	V
Chiu-Hsu, Lin (Note 2)	Republic of China	Male		V					V			V	V	V	V	V	V	V	V	V
Yu-Nan, Chen (Note 3)	Republic of China	Male		V					V			V	V	V	V	V	V	V	V	V
Chris Kao	Republic of China	Male		V					V			V	V	V	V	V	V	V	V	V
Chun-An, Hsu (Note 4)	Republic of China	Male		V			V	V					V							V
Cheng-Jui, Kuang (Note 5)	Republic of China	Male		V					V		V						V			V
Daho Yen (Note 6)	Republic of China	Male				V	V								V				V	V
Kun-Chih, Chen (Note 7)	Republic of China	Male		V			V						V							V

Explanation: Please put a "V" in corresponding boxes.

Note 1: On Feb, 21, 2019, Asus has appointed a legal person instead. Chen-Lai, Shen was dismissed and S.Y. Hsu assumed the position of Director.

Note 2: Chiu-Hsu, Lin was appointed as the legal representative of IBASE Technology Inc. and assumed office on May 31, 2019.

Note 3: Yu-Nan, Chen was appointed as the legal representative of IBASE Technology Inc. and assumed office on May 31, 2019.

Note 4: Then Independent Director Chun-An, Hsu resigned at the Shareholders' Meeting on May 31, 2019.

Note 5: Then Independent Director Cheng-Jui, Kuang resigned at the Shareholders' Meeting on May 31, 2019.

Note 6: The Independent Director Daho Yen assumed office at the Shareholders' Meeting on May 31, 2019.

Note 7: The Independent Director Kun-Chih, Chen assumed office at the Shareholders' Meeting on May 31, 2019.

AAEON Technology Inc.
Independence assessment of CPAs
Feb. 13, 2020

CPA Firm PwC Taiwan

CPA Chun-Yao, Lin and Shih-Jung, Weng

	If the CPAs meet the criteria	Remarks
1. No significant financial interest with the client.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	After reviewing the Company's books and financial statements, no such case found.
2. Not acted as a trustee's director, supervisor or manager within the past two years, or has a position that has a significant impact on the audit work.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	After reviewing the Company's list of Directors and Management, no such case found.
3. Not holder client's shares.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	After inquiring the stock agent and reviewing the shareholder register, no such case found.
4. No borrowings or loans between the client.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	After reviewing the Company's books and financial statements no such case found.
5. No relationship of joint investment or benefit sharing with the client.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	After reviewing the Company's books and financial statements, no such case found.
6. Not worked as the client's regular employees and receives a fixed salary.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	After reviewing the Company's salary register, no such case was found.
7. Not involved in the management of the client to make decisions.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	After reviewing the Company's Board Meeting Minutes, no such case was found.
8. No relationship with the client or its management personnel, such as a spouse, immediate blood relative, immediate marriage, or fourth-degree relatives.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	After reviewing the Company's list of Directors and Management, no such case was found.
9. Not been appointed the Company's CPAs for seven consecutive years.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	Chun-Yao, Lin started to act as the Company's CPA in Q1 of 2019 to audit the Company's financial reports; Shih-Jung, Weng started to act as the Company's CPA in Q1 of 2020 to audit the Company's financial reports. No such case was found.
10. Obtained the CPA's independence statement issued by the CPA Firm.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable	Please refer to attachment. The CPAs have obtained the CPA's independence statement issued by the CPA Firm.

Note: For the independence principle items evaluated by the Company, please refer to the inspection results of the "Code of Ethics Bulletin No. 10"

Through the evaluation of the Company, the CPAs meet the criteria of independence.

Chairman:

Manager:



Accounting Supervisor:

[Attachment 3] 2018 Continuing Education of Directors:

Title	Name	Training date		Organizer	Course name	Training hours	Total continuing education hours of the year	Remarks
		Start	End					
Director	Yung-Shun, Chuang	2019/01/15	2019/01/15	Taiwan Listed Companies Association	The basic morality of corporate governance - Leaders' Management	2	15	
		2019/01/17	2019/01/17	Corporate Governance Association in Taiwan	Assessment of Functionality of the Board (inc. performance)	3		
		2019/03/29	2019/03/29	Corporate Governance Association in Taiwan	2019 Corporate Governance Practice Seminar	6		
		2019/06/14	2019/06/14	Taiwan Listed Companies Association	The Future of Knowledge the Economy through Culture and Technology	2		
		2019/12/23	2019/12/23	Taiwan Listed Companies Association	2020 Global Economic Outlook	2		
Director	Ying-Chen Li	2019/02/22	2019/02/22	Corporate Governance Association in Taiwan	For the Sustainability of Corporate Governance - Seminar on Increasing Long-Term Company Value	3	9	
		2019/03/29	2019/03/29	Corporate Governance Association in Taiwan	2019 Corporate Governance Practice Seminar	6		
Director	Wei-Chun, Yen	2019/04/16	2019/04/16	Taiwan Academy of Banking and Finance (TABF)	Workshop on Corporate Governance and Corporate Sustainable Management	3	6	
		2019/07/11	2019/07/11	Taiwan Institute of Directors	The Latest Corporate Tax Administration	3		
Director	Jonny Shih	2019/05/07	2019/05/07	Corporate Governance Association in Taiwan	Technological innovation	3	6	
		2019/11/13	2019/11/13	Corporate Governance Association in Taiwan	Recent Tax Law Updates in Taiwan - Special Law on Capital Return to Taiwan and Regulations on Production and Innovation	3		
Director	Jonathan Tsang	2019/05/07	2019/05/07	Corporate Governance	Technological innovation	3	6	

				Association in Taiwan				
		2019/11/13	2019/11/13	Corporate Governance Association in Taiwan	Recent Tax Law Updates in Taiwan - Special Law on Capital Return to Taiwan and Regulations on Production and Innovation	3		
Director	S.Y. Hsu	2019/05/07	2019/05/07	Corporate Governance Association in Taiwan	Technological innovation	3	6	
		2019/11/13	2019/11/13	Corporate Governance Association in Taiwan	Recent Tax Law Updates in Taiwan - Special Law on Capital Return to Taiwan and Regulations on Production and Innovation	3		
Director	Chiu-Hsu, Lin	2019/11/05	2019/11/05	Taiwan Securities Association	Seminar on The Operation of the Auditing Committee	3	6	
		2019/12/18	2019/12/18	Taiwan Securities Association	Legal Compliance of Company Operating Rights and Insider Equity Transactions	3		
Director	Yu-Nan, Chen	2019/11/05	2019/11/05	Taiwan Securities Association	Seminar on The Operation of the Auditing Committee	3	6	
		2019/12/18	2019/12/18	Taiwan Securities Association	Legal Compliance of Company Operating Rights and Insider Equity Transactions	3		
Independent Director	Chris Kao	2019/12/11	2019/12/11	Chinese Enterprise Accounting Association	Practical Problems Related to the New Labor Incident Law	3	6	
		2019/12/18	2019/12/18	Securities and Futures Development Foundation	Skills for Directors and Supervisors to Interpret Financial Information	3		
Independent Director	Daho Yen	2019/07/17	2019/07/17	Securities and Futures Development Foundation	Seminar on 2019 Legal Compliance of Insider Equity Transactions	3	12	Newly elected
		2019/10/22	2019/10/22	Chinese Enterprise Accounting Association	Major Amendments to the relevant specifications for the preparation of IFRSs financial reports	3		
		2019/10/25	2019/10/25	Taiwan Securities Exchange Corporation	2019 Insider Trading Prevention Conference	3		
		2019/11/21	2019/11/21	Taiwan Securities Exchange Corporation	Promotion of Effective Functionality Boards	3		
Independent Director	Kun-Chih, Chen	2019/07/24	2019/07/24	Securities and Futures Development Foundation	Seminar on 2019 Legal Compliance of Insider Equity Transactions	3	14	Newly elected

		2019/10/04	2019/10/04	Taiwan Securities Exchange Corporation	ESG Investment Forum	2		
		2019/10/22	2019/10/22	Chinese Enterprise Accounting Association	Major Amendments to the relevant specifications for the preparation of IFRSs financial reports	3		
		2019/11/05	2019/11/05	Taiwan Securities Association	Seminar on The Operation of the Auditing Committee	3		
		2019/11/06	2019/11/06	Taiwan Securities Exchange Corporation	Promotion of Effective Functionality Boards	3		

Note: According to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”, the continuing education of new and re-elected Directors of the Company in 2019 all meets the hours requirements, and according to relevant measures, the number of Directors' training hours are disclosed in annual reports, public Information observatory and company website.

[Attachment 4] Status of continuing education of Chief Corporate Governance Officer

Title	Name	Training date		Organizer	Course name	Training hours	Total continuing education hours for the year
		Start	End				
Chief Corporate Governance Officer	Hsiao-Jung, Liu	2019/9/24	2019/9/25	Securities and Futures Development Foundation	Practice Workshop for Directors and Supervisors (incl. Independent Directors) and Corporate Governance Executives - Taipei Session	12	18
		2019/10/25	2019/10/25	Securities and Futures Development Foundation	2019 Insider Trading Prevention Conference	3	
		2019/11/6	2019/11/6	Taiwan Securities Exchange Corporation	Promotion of Effective Functionality Boards	3	

(4) Status the operation of the Remuneration Committee

1. Profiles of the members of the Remuneration Committee

Identity (Note 1)	Names	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 2)										Number of other public companies where the members are also the members of the remuneration committee of these companies.	Remarks	
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10			
Members	Chris Kao			V	V	V	V	V	V	V	V	V	V	V	V		
Members	Daho Yen		V		V	V	V	V	V	V	V	V	V	V	V	1	
Members	Kun-Chih, Chen	V			V	V	V	V	V	V	V	V	V	V	V		

Note 1: Identity is known as director, independent director or others.

Note 2: place a "V" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under another's name, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
- (5) (Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or was appointed pursuant to Article 27 Paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not the same person as the Company's Chairperson, President or person with equivalent position, or the director, supervisor or employee of company or institution of the spouse thereof. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders. (The same does not apply, however, in cases where the corporate/institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, or the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the most recent 2 years with an accumulated service compensation of less than NT\$ 500 thousand, or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers And Acquisitions Act.
- (10) Does not meet any descriptions stated in Article 30 of The Company Act.

2. Information on the operation of the Remuneration Committee

(1) The Remuneration Committee consists of 3 committee members.

(2) Term of office of current committee members:

(i) 2nd Committee: Aug. 8, 2016 to Jun. 29, 2019. There were 2 remuneration committee meetings (A) in the most recent fiscal year (2019). The attendance is as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) [B/A]	Remarks
Members	Chris Kao	2	0	100 %	
Members	Chun-An, Hsu	2	0	100 %	
Members	Cheng-Jui, Kuang	2	0	100 %	
<p>Other remarks:</p> <p>1. The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons): none.</p> <p>2. If any of the members of the Remuneration Committee hold adverse opinion or qualified opinions with record or in written declaration against the resolutions of the committee, specify the date and the session of the committee meeting, the content of the motion, the opinions of all members and the response to the opinions of the members: none.</p>					

(ii) 3rd Committee: May. 31, 2016 to May. 30, 2022. There were 2 remuneration committee meetings (A) in the most recent fiscal year (2019). The attendance is as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) [B/A]	Remarks
Members	Chris Kao	2	0	100 %	
Members	Daho Yen	2	0	100 %	
Members	Kun-Chih, Chen	2	0	100 %	
<p>Other remarks:</p> <p>1. The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons): None.</p> <p>2. Where members of the Remuneration Committee may have adverse opinions or qualified opinions in their resolutions on record or in written declaration, specify the date and session of the committee, the content of the motion, the opinions of all other members, and the responses to the adverse opinions: None.</p>					

(3) Discussion Matters and Resolutions of Remuneration Committee Meetings

Remuneration Committee	Details of the relevant agendas and the subsequent	Resolution	Company's response to Remuneration Committee's opinions
10 th meeting of the 2 nd Committee Jan. 22, 2019	<ol style="list-style-type: none"> 1. Rules for distribution of bonus for 2019 Non-Sales Non-SBU 2. Rules for distribution of bonus for NSD of the product division 3. Distribution of 2018 Remuneration to employees (actual) 4. Distribution of 2019 Remuneration to Directors and Directors (actual) 5. Distribution of 2018 annual bonus to managers 6. Distribution of 2018 Q4 performance bonus to Managers 	Approved by all committee members	Submitted to the Board and was approved by all Board members.
11 th meeting of the 2 nd Committee Apr. 30, 2019	<ol style="list-style-type: none"> 1. Rules for issuance of employee warrants 2. Adjustment of the 2019 salaries for managers 	Approved by all committee members	Submitted to the Board and was approved by all Board members.
1 st Meeting of the 3 rd Committee Aug. 7, 2019	<ol style="list-style-type: none"> 1. Distribution suggestions of 2018 remuneration to Directors 2. Distribution suggestions of 2018 remuneration to managers 3. Distribution suggestions of 2019 share warrants to managers 	Approved by all committee members	Submitted to the Board and was approved by all Board members.
2 nd Meeting of the 3 rd Committee Dec. 17, 2019	<ol style="list-style-type: none"> 1. Distribution of 2019 Remuneration to employees and Directors (estimate) 2. Distribution of 2019 annual bonus to managers 	Approved by all committee members	Submitted to the Board and was approved by all Board members.

(5) Performance of social responsibility

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Summary description	
1. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<p>For the activities of corporate management: The six management aspects, production, marketing, human resources, R&D, finance and strategy execution, are the target of the Company. and the Company develops relevant and appropriate procedures to implement risk management procedures.</p> <p>Risk management strategy and architecture:</p> <ol style="list-style-type: none"> 1. Based on operational vision and plans, we establish consistent risk management goals across units and demonstrate organizational risk management performance. 2. We formulate risk management policies based on the organization structure, state the organization's overall risk management goals, announce methods to prevent potential risks, and commit to continuous improvement of risk management. All units should announce their risk management policies to their colleagues, make them aware of relevant responsibilities, and announce potential risks to the interested parties. 3. We investigate the internal and external environment of the organization, including planning, implementation, supervision and improvement, and establish a risk management structure. 	No significant difference
2. Does the Company designate a unit that promotes corporate social responsibility and does the Board of Directors authorizes senior management to handle such matters and to report the situation to the Board of Directors?	V		The Company appointed a Corporate Social Responsibility Office to handle matters in accordance with the Code of Corporate Social Responsibility Practices and report to the Board of Directors on the handling of related matters in July 2019. According to corporate social responsibility (CSR) policy, we attach importance to corporate governance, implement corporate commitments, expand social participation, promote environmental protection, and report the	No significant difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			<p>following results in accordance with the 17 Sustainable Development Goals (SDGs) of the United Nations as management guidelines:</p> <p><u>Corporate Governance</u> We comply with local government laws and regulations, Company and shareholders share the profits. We participated in the 5th (inspection year 2018) Corporate Governance Evaluation, and achieved the top 36%~50%. We have scored in 56 items and no scores for 29. The items that we have not scored are listen in the “Supplementary documents to Shareholders’ Meeting and Manual uploaded 30 days before the meeting” as priority improvement items. The improvement results of specific items will be presented in the 6th Corporate Governance Evaluation.</p> <p><u>Realize business commitments</u> We establish partnerships and grow together with our customers, suppliers, and employees. Customer satisfaction: 88 points (out of 100 points) 87% of all suppliers has been evaluated. Employee satisfaction: 4.86 (1 as very unsatisfied, 6 as very satisfied).</p> <p><u>Expand social participation</u> We cultivate the spirit of public service, give full play to corporate energy, and fulfill social responsibilities. Awarded 6th place of Commonwealth Magazine Corporate Citizen Award Received Taiwan Corporate Sustainability Award for Corporate Social Responsibility Report Won the Taiwan Enterprise Sustainability Award for Single Indicator - Innovative Growth.</p> <p><u>Environmental Protection</u></p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			We uphold the principles of purchasing, production and sales in compliance with environmental protection standards, sustainable development. We took part in the intelligent power saving solution plans of “intelligent lighting”, “intelligent air conditioning”, and “intelligent energy management system” provided by the green energy industry, and saved 71,836 kWh, equivalent to reducing CO ₂ emissions by 38,791 kg. The company's energy-saving management goal sets 2023 electrical energy to be lower at least 5% than that on 2019, and contributes to the environment.	
3. Environmental issues				
(1) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		(1) The Company establishes a safe working environment in accordance with the Occupational Safety and Health Act. The Company regularly inspects the water quality and carbon dioxide concentration of the water in the water dispenser in accordance with the law, and publicly discloses the relevant test results in the Company's bulletin board. Regular inspection of the water quality of the water dispenser: Two samples are taken every quarter (in January, April, July and October of each year), and the results are placed on the wall of each water dispenser. Regular detection of carbon dioxide concentration: The carbon dioxide concentration is measured semi-annually (in January and July every year), and the inspection results are publicly disclosed in the Company's announcement column.	No significant difference
(2) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	V		(2) The Company sorts, recycles and reuses resources. The use of hazardous substances is prohibited in product manufacturing, and the design and development are in compliance with regulations of RoHS, REACH, WEEE of EU.	No significant difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			<p><u>Waste and Resource Recycling Management</u> The total waste generated by AAEON's internal production for 2019 was 14,416 metric tons, of which waste plastic accounted for the most 67.8%, including plastic trays, tubes, empty cans, all packaging materials removed after feeding (IC tube, Tray disks, reels, plastic panels), break-aways was the second highest, accounting for 24.4%, waste iron ranked the third accounted for 5%; and 100% of the waste treatment channels are recycled and reused.</p> <p><u>Industrial Waste Management</u> The Company's industrial waste manufacturers are selected in accordance with the Environmental Protection Administration's regulations. They are selected among the list provided by the website of Industrial Waste Report and Management System, Environmental Protection Administration, Executive Yuan. The factories' information is obtained from the "Permit Inquiry". Our partner manufacturers have provided Waste Treatment Permit issued by the Environmental Protection Administration, or Recycling Permit issued by the Ministry of Economy Affairs, indicating their code of waste types permitted is aligned with the Company's waste. The industrial waste and liquid waste generated by AAEON during the production and operation process are all handled by qualified factories, and relevant information is regularly uploaded to government websites in accordance with laws and regulations.</p> <p><u>Proceeds from Recoverables</u> In 2019, a total of 2.24 metric tons of tin slag was exchanged for 1,404 kg of lead-free new tin rods, and other industrial waste totaled to NT\$ 35,638.</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
(3) Does the Company assess the potential risks and possibilities of climate changes to the Company now and in the future, and take measures to respond to climate-related issues?	V		(3) The company evaluates climate change and climate warming factors and is committed to energy saving and environmental protection goals. In product design, the Company is committed to light weight and low energy consumption design. In the manufacturing part, it focuses on green renewable energy and waste recycling. In addition, the Company saves energy and water. There are specific measures for using paper. For example: waste paper recycling and reuse, electronic forms, etc. We also announce monthly about the importance of energy conservation and environmental protection to our employees. We have a 5% reduction in paper use compared to last year.	No significant difference
(4) Does the Company record the greenhouse gas emissions, water consumption and total weight of waste produced in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	V		(4) <u>Greenhouse gas emissions:</u> It is estimated that the greenhouse gas emissions from employee commuting in 2018 was 104,814 kgCO ₂ e. It is estimated that the greenhouse gas emissions from employee commuting in 2019 was 116,064 kgCO ₂ e. The increase was due to an increase in the number of employees and the absence of public transportation. The Company will continue to encourage employees to use public transportation. In 2018, 2,605,275 kWh of electricity was used, and the estimated direct greenhouse gas emissions were 1,659,560 kgCO ₂ e. In 2019, 2,684,779 kWh of electricity was used, and the estimated direct greenhouse gas emissions were 1,710,204 kgCO ₂ e. The increase was due to increased revenue. The Company will participate in government energy efficiency performance projects to reduce greenhouse gas emissions. For the implementation of daily life resource	No significant difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Summary description	
			<p>management, reduction of environmental load, photocopy paper environmental management goals and performance, and electricity use electricity management goals and performance, please refer to: https://www.aaeon.com/tw/csr/environmental-friendly</p> <p><u>Water Usage:</u> 2018 annual water consumption = 4,680 m³ = 4,680 metric tons. 2019 annual water consumption = 4,446 m³ = 4,446 metric tons. There was a reduction of 1.05%, reaching the annual target of 1% annual reduction goal. We continue with the measures such as posting water-saving slogans and conducting water-saving courses.</p> <p><u>Total waste amount:</u> There were 12.621 metric tons of waste in 2018 and 14.416 metric tons in 2019. The increase in the total weight of waste is due to the increase in revenue. The Company will instruct all units to coordinate and discuss measures for reducing waste reduction.</p>	
4. Social Issues (1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		(1) The Company complies with relevant labor regulations, protects the legitimate rights and interests of employees, and manages employees in a bilateral communication manner. The Company's official website contains the content of the human rights declaration, which reads as follows: AAEON does not discriminate against employees based on race, gender, age, party, religion, and disability. The Company's hiring policy not only in compliance with local minimum age regulations, local laws, EICC and other relevant regulations, but also in accordance with the United Nations	No significant difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
			<p>Universal Declaration of Human Rights to disclose human rights policy declarations. AAEON's human rights policy declaration is as follows:</p> <ul style="list-style-type: none"> ● No child labor: comply with local minimum age laws and regulations, no child labor. ● Above minimum wage: Provide employees with the wages and benefits that meet or exceed the requirements of local laws and regulations. ● Working hours: Meet or better than local laws and regulations, provide employees with paid vacation, do not force employees to work more than the maximum daily working hours stipulated by local laws and regulations, and comply with the requirements of overtime wages or necessary compensation. ● Non-discrimination: Discrimination based on race, color, age, gender, sexual orientation, religion, disability, work membership or political orientation is prohibited. Everyone has the right to equal protection without discrimination. ● No inhumane treatment: Harassment, physical abuse or threats are prohibited. ● Free choice of occupation: Coercion, guarantee (including debt repayment) or deed to force domestic or foreign workers to work is prohibited. Do not hire involuntary prison workers, servitude or human trafficking, and ensure that all employees work voluntarily. Provide a labor contract written in the employee's mother tongue. Unless required by law, the employee's identity document (ID, passport, work permit or residence permit) must not be withheld. ● Health and safety: Provide a healthy and safe working environment for all employees with mutual trust and respect. ● Freedom of assembly: According to the law, all employees have the right to freedom of assembly and association and to participation in local legal unions. The employer must not interfere or prohibit it. 	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
(2) Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect the results of operating performance in employee compensation?	V		<p>(2) Implementation status of various employee welfare measures (including salary, vacation and other benefits)</p> <p><u>Employee welfare measures and implementation:</u> The Company's current main welfare measures include cultural and recreational activities, employee travel, emergency assistance, festival bonus, weddings and funerals, and maternity subsidies. There are employee group insurance, community activities, employee dividends and other measures.</p> <p><u>Leave system and its implementation:</u> The Company provides employees with a vacation system in accordance with the Labor Standards Act and relevant regulations. The Company's vacation system complies with the regulations. At present, the vacation system is well implemented. For female employees who have worked for more than 6 months and applied for maternity leave for 5 days, 1 week, and 4 weeks, the salary will be paid in full. This system is superior to the regulations.</p> <p><u>Retirement system and its implementation:</u> The Company formulates employee retirement policies in accordance with the provisions of the Labor Standards Act, and adopts a defined contribution system in accordance with the "Labor Pension Act". The retirement benefits are paid by the Company with 6% of the monthly salary as pension, which is saved in a personal special account for pensions. The Company's Articles of Incorporation stipulate that a certain percentage of the Company's profit for the current year is allocated as employee remuneration, and the results of operating performance are appropriately reflected in employee compensation.</p>	No significant difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		<p>(3) The Company's work content does not pose a special health hazard. Regular work-up health inspections for on-the-job workers are carried out, and work safety education and training are implemented. The Company also occasionally organizes activities such as employee travel to help employees develop physical and mental health. For the safety of the work environment of employees, the Occupational Safety Office convenes occupational safety committee meetings on a quarterly basis. Representatives of employees and management are invited to submit proposals for improving the safe and healthy working environment. For physical health, the Company arranges health inspections for employees every year. The inspection rate reached 95%. It was found that the biggest problems of employees were fatty liver and high BMI. In response to these health problems, weight loss activities (aerobic boxing, Taichi, billiards, badminton, basketball, yoga) were planned, and diet courses were promoted to help employees lose weight. The Company encourages employees to exercise more good for physical and mental health. In 2019, the Company was awarded the Exercise Enterprise Certification Award by Sports Administration Ministry of Education and Global Views Monthly Magazine.</p> <p>For mental health, in addition to partnering with the Teacher Chang Foundation for psychological counseling, we also assess the needs of employees, and conduct spiritual courses, such as: Children's indulgence in Internet, family relation - impact of marriage on family.</p> <p>In 2019, the Occupational Safety Office conducted work-related education and training (such as fire escape drills, first aid training, etc.) for 621</p>	No significant difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
(4) Does the Company have an effective career capacity development training program established for the employees?	V		participants with a total of 2,382 hours. Health promotion related practices, lectures and experiences were held 11 times in total, with a total of 366 participants. (4) The Company provides relevant internal and external professional education and training to enrich employees' career skills. The Company also encourages employees to evaluate their interests, skills, values and goals and communicate personal career intentions with their managers for future career plans. The Company organized internal and external education and training in 2019 with 3,529 participants and a total of 7,016.5 person-hours.	No significant difference
(5) Does the Company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer protection policies and complaint procedures?	V		(5) The Company strives to achieve the goal of "customer satisfaction" and attaches great importance to protecting customer privacy. Customers can utilize the communication channels to handle customer complaints and provide customers with complete product information. The Company's products comply with relevant regulations and international standards.	No significant difference
(6) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?	V		(6) The Company devotes in the energy-saving and carbon-reduction functions of the products provided by suppliers and enhance corporate social responsibility. For the implementation of the quality and environmental management system in corporates of long-term cooperation for more than several times a year, in addition to the signing of the "Quality and Environmental Protection Concepts Letter", and the interactive communication about and improvement on environmental protection	No significant difference

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM- Listed Companies
	Yes	No	Summary description	
			<p>measures, ethical codes of conduct and corporate social responsibility, we have asked the partners to fill in the questionnaire of "Quality and Environmental Management System and Code of Conduct", which inquires about the status of "Quality Management System", "Labor", "Safety and Health", "Behavioral Ethics", "Enterprises" "Social Responsibility" content, and evaluate the response content as the basis for future counseling and improvement. After completing the questionnaire, the partners of the Company are required to sign a "Clean Transaction Statement" to implement good business ethical behaviors such as honest transactions, no bribery, no bribery, and avoidance of benefits at all stages of business transaction execution.</p> <p>The Company carries out environmental activities with customers and suppliers AAEON, Onyx Healthcare, Litemax Electronics, and Good Way Technology jointly held a beach clean-up event on September 21, 2019, with a total of 200 employees and their family participating in the event. This was a meaningful event. Chairman Yung-Shun, Chuang of AAEON and Onyx Healthcare, Chairperson Ying-Chen Li of Litemax Electronics, and Chairman Tzu-Cheng, Tsao of Good Way Technology have also participated in the event to show their determination in loving earth and their support for beach cleaning. In addition, on the day of the event, the participants went to the National Marine Science Museum to enjoy 3D movies of natural ecology a educational tour of natural ecology. The beautiful environment needs you and me together. Let's start with "reducing plastic" and "reducing waste".</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies
	Yes	No	Summary description	
<p>5. Does the Company prepare its non-financial reports such as Corporate Social Responsibility Report in accordance to the internationally-used reporting standards or guidelines?</p> <p>Have such reports been assured, verified or certified by a third party?</p>	V		<p>AAEON's Corporate Social Responsibility Report was compiled by the Corporate Social Responsibility Office, and referenced to the Global Sustainability Standards Board (GSSB) to formulate the GRI Standards. The Company provides index descriptions, corresponding chapters or supplementary explanations, and page numbers, hoping to provide an overview of AAEON's achievements in various aspects of corporate social responsibility. Please refer to the company website for relative information.</p> <p>AAEON compiles its Corporate Social Responsibility Report voluntarily. The content is prepared with reference to domestic and international guidelines. The report has not yet obtained the assurance opinions of third-party verification units. However, we will perform related operations in accordance with actual needs in the future.</p>	<p>No significant difference</p> <p>No significant difference</p>
<p>6. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company has established the “Corporate Social Responsibility Best Practice Principles”. The Company is committed to the implementation of policies in the corporate social responsibilities, and there is no discrepancy between the policy and the Company’s implementation.</p>				
<p>7. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: The Company is handling matters proactively in accordance to laws and regulations.</p>				

(6) Proper enforcement of business integrity

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
<p>1. Business Integrity Policy and action plans</p> <p>(1) Are the Company's guidelines on corporate conduct and ethics provided in internal policies and disclosed publicly? Have the Board of Directors and the management team demonstrated their commitments to implement the policies?</p> <p>(2) Has the Company established an evaluation mechanism for the risk of dishonesty behaviors? Does the Company regularly analyze and evaluate business activities with a higher risk of dishonesty in the business scope, and formulate a plan to prevent dishonesty behaviors, which at least covers Paragraph 2 of Article 7 in Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Has the Company established relevant policies for preventing any unethical conduct? Are the implementation and reviews of the relevant procedures, guidelines and training mechanism provided in the policies?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has formulated the “Code of Business Conduct”, “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Ethical Conduct”, and request all Directors and Managers to act as role models and abide by the codes to established an honest and trustworthy company.</p> <p>(2) Besides the “Code of Business Conduct” and “Procedures for Ethical Management and Guidelines for Conduct”, relevant rewards and punishments are set out in the Company's “Employee Handbook” to prevent employee dishonesty.</p> <p>(3) Before establishing a business relationship, the Company evaluates the legality and integrity of the transaction records, avoids dealings with companies of flawed honesty. The Company follows relevant laws and regulations. Each donation and sponsorship is submitted to the authorized level for approval to be processed.</p>	<p>No discrepancy in general</p> <p>No discrepancy in general</p> <p>No discrepancy in general</p>

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
2. Proper enforcement of business integrity				
(1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	V		(1) The Company conducts transactions and procurements in accordance with relevant laws and regulations, and reviews the supplier's performance to avoid transactions with those who have records of dishonesty.	No discrepancy in general
(2) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics, and report to the Board about any operation policies. and plans and supervision on honesty and integrity and prevention of dishonesty on a regular basis (at least once a year)?	V		(2) The Company's Chairman Office is responsible for the promotion of the integrity management unit and reports to the Board regularly (at least once a year). However, in accordance with the principle of sustainable business, the selection of manager shall be based on integrity. If the principle of integrity management is violated, there will be punishment and such matter will be reported to the Board. In July 2019, the implementation status of relevant measures, risk management, and additional audit staff in the month of education and training implementation, are reviewed. Reports regarding the above matters are prepared and reported to the Board. The complaint mailbox for the general personnel: Aaeon.direct@aaeon.com.tw Matters will be handled by the Chief Internal Auditor. The complaint mailbox for the senior	No discrepancy in general

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
(3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		management and Directors: Aaeon.AC@aaeon.com.tw Matters will be handled by Chairman of the Audit Committee.	No discrepancy in general
(4) Has the Company established effective accounting and internal control systems for the implementation of policies, prepared audit plans according to the evaluation result of dishonesty risks, and audit such execution and compliance, or hire external auditors to audit such execution and compliance?	V		(4) The Company's Internal Audit Office carries out its audit work in accordance with the implementation procedures of internal control and auditing system formulated by the FSC, and assigns auditors to conduct auditing operations in accordance with the annual audit plan.	No discrepancy in general
(5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		(5) The Company promotes honest business philosophy to employees through online or physical courses. The Company has organized corporate management internal and external education and training programs on a regular basis (Incl. Code of Ethical Conduct, Code of Business Conduct, Procedures for Ethical Management and Guidelines for Conduct, Labor Safety and Health Management, Accounting System and Internal Control), with a total of 1,378 participants and 3,059 hours.	No discrepancy in general

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
3. The operations of the Company's Report System				
(1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?	V		(1) If issued be found involved in dishonesty, employees can directly report such fraudulent or improper behavior to their senior supervisors. The Company also keeps the identity of the informer and the content of the report confidential to prevent retaliation. The Company has a normal administrative procedure for disciplinary and appeal system and will pose disciplinary punishment on the offenders.	No discrepancy in general
(2) Has the Company established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?	V		(2) The Company's "Code of Business Conduct" and "Procedures for Ethical Management and Guidelines for Conduct" have established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms.	No discrepancy in general
(3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		(3) The Company's "Code of Business Conduct" and "Procedures for Ethical Management and Guidelines for Conduct" have stipulated that the Company shall be held responsible for confidentiality of the informer and shall not have any improper punishment.	No discrepancy in general
4. Enhanced information disclosure	V		The Company has set up a Corporate Governance section on the Company's website and disclosed the	No discrepancy in general

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?			established "Code of Business Conduct" in public information.	
5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company has formulated the “Code of Business Conduct” and “Procedures for Ethical Management and Guidelines for Conduct” and has implemented accordingly.				
6. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity): In order to build a sound corporate culture of integrity management and the sound development of the Company for sound business operations, the Company has formulated the “Code of Business Conduct”and “Procedures for Ethical Management and Guidelines for Conduct”, the implementation of which is disclosed in the annual report.				

- (7) Disclosure to the Company's Corporate Governance Principles: The regulations formulated by the Company, such as “Code of Ethical Conduct”, “Code of Business Conduct”, “Procedures for Ethical Management and Guidelines for Conduct”, “Rules for Board Meetings”, “Corporate Social Responsibility Best Practice Principles”, “Rules and Procedures for Board Meetings”, “Rules and Procedures of Shareholders’ Meetings”, “Procedure for the Election of Directors”, “Charter of Audit Committee”, “Charter of Remuneration Committee”, “Code of Corporate Governance Practice”, “Self-Evaluation or Peer Assessment of the Board of Directors and Functional Committees” are disclosed on MOPS and the Company’s website.
- (8) Other information that facilitates the understanding in the Company’s corporate governance should be also disclosed: None.

(9) Execution status of internal control system that should be disclosed:

1. Declaration of Internal Control Policies



Declaration of Internal Control Policies

Date: Feb. 26, 2020

Based on the findings of a self-assessment, AAEON Technology Inc. (AAEON) states the following with regard to its internal control system during the year 2019:

1. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities of the Company's board of directors and managers. These policies were implemented throughout the Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the "Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
4. The Company adopted the abovementioned criteria to evaluate the effectiveness of its policy design and execution.
5. Based on the findings of such evaluation, AAEON believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure relating to the public statement above are subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was passed by the Board of Directors in their meeting held on February 26, 2020, with none of the eleven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

AAEON Technology Inc.

Chairman: Yung-Shun Chuang



(Seal)

President: Chien-Hung, Lin



(Seal)

2. Report issued by CPA engaged to conduct a special audit of internal control system:
None.

(10) For the most recent fiscal year or during the current fiscal year up to the printing date of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: No such matter

(11) Resolutions of the Board of Directors' Meeting and the General Shareholders' Meeting:

1. Shareholders' Meeting:

Type of Meetings	Major Motions	Execution
May 31, 2019 General Meeting of shareholders	1. Adoption of the 2018 Business Report and Financial Statements.	The motion was voted upon and passed, and was the basis for the 2018 surplus distribution.
	2. The distribution of 2018 retained earnings	This motion was passed according to the vote. The Chairman set the ex-dividend date to be July 8, 2019, and the cash dividend payment date to be July 30, 2019.
	3. Amendments to the "Procedures for Acquisition and Disposal of Assets"	The motion was passed according to the vote, and was executed in accordance to the resolution at the Shareholders' Meeting.
	4. Election of the 4 th session of the Board of Directors: Elected Directors: Representatives of Jui Hai Investment Co.,Ltd.: Yung-Shun, Chuang, Ying-Chen Li, Wei-Chun, Yen. Representatives of Chairman of ASUSTeK Computer Inc.: Jonny Shih, Jonathan Tsang, S.Y. Hsu. IBASE Technology Inc.: Chiu-Hsu, Lin, Yu-Nan, Chen. Elected Independent Directors: Chris Kao, Daho Yen, Kun-Chih, Chen.	The changes in the name list has been registered at the Ministry of Economic Affairs on June 14, 2019.
	5. Release the prohibition for directors from participation in competitive business	Pursuant to the resolution, prohibition for 11 Directors of the 4 th Board (incl. 3 Independent Directors) from participation in competitive business is released.

2. Board of Directors:

Type of Meetings	Convening date	Important Resolution Items
Board of Directors	Jan. 22, 2019	<ol style="list-style-type: none"> 1. Rules for distribution of bonus for 2019 Non-Sales Non-SBU 2. Rules for distribution of bonus for 2019 NSD of the product division 3. Distribution of 2018 Remuneration to employees (actual) 4. Distribution of 2018 Remuneration to Directors and Directors (actual) 5. The distribution of 2018 annual bonus to managers 6. Distribution of 2018 Q4 performance bonus to Managers
Board of Directors	Feb. 20, 2019	<ol style="list-style-type: none"> 1. Declaration of 2018 Internal Control Policies 2. 2018 business report and financial statements 3. The distribution of 2018 retained earnings 4. 2019 business plan and budgets 5. Partial amendments to the “Procedures for Acquisition and Disposal of Assets” 6. Election of the 4th session of the Board of Directors 7. Nomination of Director and Independent Directors Candidates 8. Releasing of the Prohibition on the Company’s Directors from Participation in Competitive Business 9. Convening of the 2019 Annual General Meeting
Board of Directors	Apr. 30, 2019	<ol style="list-style-type: none"> 1. Disposal of shares of MACHVISION,INC. 2. Acquisition of shares of ONYX HEALTHCARE INC. 3. Partial amendments to the Company’s “Procedures for Handling Endorsement/Guarantee” 4. Partial amendments to the Company’s “Procedures of Loans to Others” 5. Formulation of “Standard Procedure for Handling Directors’ Demands” 6. Replacement of CPAs. 7. Donation of NTS\$ 200 million to AAEON EDUCATION FOUNDATION. 8. Amendment to the Company’s “Regulations of Internal Control and Audit” 9. Application for credit line for General credit limit and trading of derivatives 10. Distribution of share warrant 11. Adjustment of the salaries for managers for 2019
Board of Directors	May 31, 2019	<ol style="list-style-type: none"> 1. Election of new Chairman 2. Appointment of the 2nd session of the Remuneration Committee
Board of Directors	Aug. 07, 2019	<ol style="list-style-type: none"> 1. Distribution suggestions of 2018 remuneration to directors and supervisors 2. Distribution suggestions of 2018 remuneration to managers (estimate)

		<ol style="list-style-type: none"> 3. Distribution suggestions of 2019 share warrants to managers 4. Appointment of the Chief Corporate Governance Officer 5. 2019 and 2020 audit fee 6. Cancellation of ADI's (the Company's subsidiary) registration
Board of Directors	Nov. 12, 2019	<ol style="list-style-type: none"> 1. Amendment to the "Procedures for Issuance of Employee Share Warrant" 2. 2020 internal audit plan
Board of Directors	Dec. 17, 2019	<ol style="list-style-type: none"> 1. Partial amendment to "Self-Evaluation or Peer Assessment of the Board of Directors and Functional Committees" 2. Distribution of 2019 Remuneration to employees and Directors (estimate) 3. The distribution of 2019 annual bonus to managers
Board of Directors	Feb. 26, 2019	<ol style="list-style-type: none"> 1. Declaration of 2019 Internal Control Policies 2. 2019 business report and financial statements 3. The distribution of 2019 retained earnings 4. 2020 business plan and budgets 5. Convening of the 2020 Annual General Meeting 6. Replacement of CPAs. 7. Donation of NT\$ 200 million to AAEON EDUCATION FOUNDATION. 8. Amendments to the "Charter of Audit Committee" 9. Amendments to the Company's "Board Meeting Conference Rules." 10. Amendments to the "Charter of Remuneration Committee" 11. Replacement of accounting supervisor 12. Distribution of 2019 Remuneration to employees and Directors (actual) 13. Distribution of 2019 Remuneration to employees and Directors (actual) 14. Adjustment of the salaries for managers for 2020

(12) If the directors or supervisors have different opinions on the resolutions reached by the Board of Directors with a record or written statement made in the most recent year and up to the printing date of the annual report, please state the content of the opinion: No such matter.

(13) A summary of resignations and dismissals of the Company's chairperson, president, accounting manager, financial manager, chief internal auditor, or research and development officer during the most recent fiscal year and up to the printing date of the Annual Report:

Mar. 29, 2020

Title	Name	Date of Effective	Date of Dismissal	Reason for Dismissal
Accounting Officer	Hsiu-Fen, Weng	Apr. 29, 2016	Feb. 26, 2020	Retirement

5. Disclosure of CPAs' remuneration

Auditor's firm	Name of CPA		Audit period	Remarks
PwC Taiwan	Shu-Chiung, Chang	Chun-Yao, Lin	Jan. 1, 2019 – Dec. 31, 2019	

Monetary Unit: NT\$ Thousand

Fee levels	Fee items	Audit remuneration	Non-audit remuneration	Total
1	Below NT\$2,000 thousand		V	V
2	NT\$2,000 thousand (inclusive) ~ NT\$4,000 thousand	V		V
3	NT\$4,000 thousand (inclusive) ~ NT\$6,000 thousand			
4	NT\$6,000 thousand (inclusive) ~ NT\$8,000 thousand			
5	NT\$8,000 thousand (inclusive) ~ NT\$10,000 thousand			
6	Over NT\$10,000 thousand (inclusive)			

- (1) If non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such CPA firm are one quarter or more of the audit fees paid thereto: No such matter.

Disclosure of the accountant's fee:

Unit: NT\$ thousand

Auditor's firm	CPA Name	Audit remuneration	Non-audit remuneration					CPA auditing period	Remarks
			Policy design	License registration	Human resource	Others	Subtotal		
PwC Taiwan	Shu-Chiung, Chang	3,200	0	0	0	200	200	Jan. 1, 2019 - Dec. 31, 2019	
	Chun-Yao, Lin								

- (2) If the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: No such matter.
- (3) If the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more: No such matter.

6. Information of CPA:

(1) Information relating to the former CPA

Date of reappointment	Apr. 30, 2019		
Reason for reappointment	Due to the organization restructuring of PwC Taiwan, the Company's audit CPA for financial statement is changed starting Q1 in 2019. Then CPAs Shu-Chiung, Chang and Hui-Chin, Tseng are replaced by Shu-Chiung, Chang and Chun-Yao, Lin.		
Was the termination of audit services initiated by the principal or by the CPA	Participants	CPA	Principal
	Situation	Not applicable	
	Service terminated by Service no longer accepted (continued) by		
Reasons for issuing opinions other than unqualified opinions in the recent 2 years	None		
Disagreements with the issuer	Yes	-	Accounting policy or practice
		-	Financial statement disclosure
		-	Audit coverage or procedures
		-	Others
		-	
	None	✓	
Details: None.			
Other disclosures (Disclosures deemed necessary under Article 10.6.1.4~ Article 10.6.1.7 of The Guidelines)	None		

(2) Information relating to the succeeding CPA

Name of firm	PwC Taiwan
Name of CPA	Shu-Chiung, Chang, Chun-Yao, Lin
Date of reappointment	Apr. 30, 2019
Prior to the formal engagement, any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report	None
Written disagreements from the succeeding auditor against the opinions made by the former CPA	None

7. Company Chairperson, President, or Any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm: No such matter.
8. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the printing date of the Annual Report) by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent

(1) Share changes by directors, supervisors, managers, and major shareholders

Unit: shares

Title	Name	2019		As of Mar. 29, 2020	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Director	Jui Hai Investment Co.,Ltd.	-	-	-	-
Institutional Directors, President or Shareholders Holding Greater Than a 10 Percent Stake in the Company	Yung-Shun, Chuang	-	-	-	-
Legal representative and CSO	Ying-Chen Li	-	-	-	-
Legal representative	Wei-Chun, Yen	-	-	80,000	-
Directors and Shareholders Holding Greater Than a 10 Percent Stake in the Company	ASUSTeK Computer Inc.	-	-	-	-
Legal representative	Jonny Shih	-	-	-	-
Legal representative	Jonathan Tsang	-	-	-	-
Legal representative	S.Y. Hsu	-	-	-	-
Independent Director	Chris Kao	-	-	-	-
Independent Director	Daho Yen	-	-	-	-
Independent Director	Kun-Chih, Chen	-	-	-	-
President	Chien-Hung, Lin	5,000	-	20,000	-
Vice President	Chi-Hung, Liao	-	-	-	-
Senior Advisor	Chung-Ming, Hsu	-	-	-	-
Vice President	Chi-Heng, Ha (Note 1)	-	-	-	-
Vice President	Kuo-Chiang, Wang	-	-	-	-
Senior Assistant Vice Presidents	Yu-Yu, Chu	-	-	-	-
Assistant Manager	Shu-Chen, Li	(5,000)	-	-	-
Assistant Manager	Jen-Chieh, Huang	-	-	-	-
Assistant Manager	Li-Kai, Lai (Note 2)	(34,000)	-	-	-
Assistant Manager	Shao-Chou, Hsueh	-	-	-	-
Assistant Manager	Wen-Ming, Ni	-	-	-	-
Deputy Manager	Wan-Hui, Chiu	-	-	-	-
Senior Assistant Vice Presidents	Yun-Chen, Tu	-	-	-	-
Managers,	Hsiu-Fen, Weng (Note 3)	-	-	-	-
Deputy Manager	Jen-Chun, Wang (Note 3)	-	-	2,000	-
Deputy Project Manager	Hsiao-Jung, Liu (Note 4)	2,000	-	-	-

Note 1: Vice President Chi-Heng, Ha resigned in Jun. 2019.

Note 2: Assistant Manager Li-Kai, Lai on unpaid leave from Dec. 2019

Note 3: Chief Accounting Officer Hsiu-Fen, Weng retired in Feb. 2019. Then Deputy Chief Accounting Officer Jen-Chun, Wang assumed the position.

Note 4: Chief Corporate Governance Officer Hsiao-Jung, Liu assumed the position of Chief Corporate Governance Officer in Aug. 2019.

(2) The counterparty of equity transfer is a related party: None.

(3) The counterparty of equity pledge is a related party: None.

9. Relationship information, if among the company's ten largest shareholders any one is a related party or a relative within the second degree of kinship of another.

March 29, 2020; Unit: shares

Name	Shares Held In Own Name		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2nd tier under the Civil Code, and the name and affiliation, if applicable.		Remarks
	Shares	Percentage	Shares	Percentage	Shares	Percentage	Name	Relation	
ASUSTeK Computer Inc.	43,756,000	29.47	-	-	-	-	HUA-MIN INVESTMENT CO.,LTD. HUA-CHENG VENTURE CAPITAL CORP.	Parent company and subsidiary Parent company and subsidiary	-
Representative: Jonny Shih	-	-	-	-	-	-	-	-	-
IBASE Technology Inc.	41,698,468	28.08	-	-	-	-	-	-	-
Yung-Shun, Chuang	19,664,000	13.24	-	-	-	-	Jui Hai Investment Co.,Ltd.	Spouse of the company's responsible person	-
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.63	-	-	-	-	ASUSTeK Computer Inc. HUA-MIN INVESTMENT CO.,LTD.	Parent company and subsidiary Affiliate	- -
Representative: Jonny Shih	-	-	-	-	-	-	-	-	-
HUA-MIN INVESTMENT CO.,LTD.	8,359,000	5.63	-	-	-	-	ASUSTeK Computer Inc. HUA-CHENG VENTURE CAPITAL CORP.	Parent company and subsidiary Affiliate	- -
Representative: Jonny Shih	-	-	-	-	-	-	-	-	-
Jui Hai Investment Co.,Ltd.	4,515,000	3.04	-	-	-	-	Yung-Shun, Chuang	Spouse of the company's responsible person	-
Representative: Hui-Mei, Huang	-	-	-	-	-	-	-	-	-
Yu-Ming, Huang	4,233,000	2.85	-	-	-	-	-	-	-
Wu-Sung, Chuang	1,224,000	0.82	-	-	-	-	Yung-Shun, Chuang	Brother of Yung-Shun, Chuang	-
Ying-Chen Li	1,113,000	0.75	-	-	-	-	-	-	-
Hsiu-Li, Chuang	964,000	0.65	-	-	-	-	Yung-Shun, Chuang	Sister of Yung-Shun, Chuang	-

10. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

Unit: Thousand shares; %

Invested businesses	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Quantity	Shareholdings percentage	Quantity	Shareholdings percentage	Quantity	Shareholdings percentage
AAEON Electronics, Inc.	490,000	100.00	-	-	490,000	100.00
AAEON Development Inc. (Note 1)	-	-	-	-	-	-
AAEON Technology Co., Ltd.	8,807,097	100.00	-	-	8,807,097	100.00
AAEON Technology (Europe) B.V.	-	100.00	-	-	-	100.00
AAEON INVESTMENT, CO., LTD.	15,000,000	100.00	-	-	15,000,000	100.00
ONYX HEALTHCARE INC.	11,005,146	50.00	3,491,094	15.86	14,496,240	65.86
LITEMAX ELECTRONICS INC. (Note 2)	5,015,050	12.03	4,088,071	9.81	9,103,121	21.84
IBASE Technology Inc. (Note 2)	52,921,856	30.79	3,382,625	1.97	56,304,481	32.76
AAEON Technology Singapore Pte. Ltd.	465,840	100.00	-	-	465,840	100.00
AAEON TECHNOLOGY (SUZHOU) INC.	-	-	-	100.00	-	100.00
AAEON Technology GmbH	-	-	-	100.00	-	100.00
ONYX Healthcare USA, Inc.	-	-	200,000	100.00	200,000	100.00
ONYX Healthcare Europe B.V.	-	-	100,000	100.00	100,000	100.00
ONYX HEALTHCARE (SHANGHAI) LTD.	-	-	-	100.00	-	100.00
IHELPER INC.	-	-	1,716,000	46.67	1,716,000	46.67
Winmate Tex Inc. (Note 2)	-	-	13,767,000	19.07	13,767,000	19.07

Note 1: The company has completed its liquidation in December 2019.

Note 2: Long-term investment under equity method

IV. Funding Status

1. Shares and Dividends

(1) Source of capital

1. Issued shares

Unit: thousand shares; NT\$ thousand

Year / month	Issuing price (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid in properties other than cash	Others
2010.12	10	96,000	960,000	1,000	10,000	Established through public share offering of 1,000 thousand shares.	None	Note 1
2011.01	56	108,000	1,080,000	95,000	950,000	Capital increase by cash 95,000 thousand shares	None	Note 2
2017.09	88	108,000	1,080,000	106,800	1,068,000	Capital increase by cash 10,800 thousand shares	None	Note 3
2018.09	10	200,000	2,000,000	148,498	1,484,985	Capital increase by 41,698 thousand shares	Share swap with IBASE Technology Inc.	Note 4

Note 1: Fu-Chan-Ye-Shang-Zi Letter No. 09990227200 dated Dec. 1, 2010.

Note 2: Jing-Shou-Shang-Zi Letter No. 10001019170 dated Jan. 26, 2011.

Note 3: Jing-Shou-Shang-Zi Letter No. 10601137290 dated Sep. 27, 2017.

Note 4: Jing-Shou-Shang-Zi Letter No. 10701131730 dated Oct. 23, 2018.

2. Share category

March 29, 2020; Unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Ordinary shares	148,498,468	51,501,532	200,000,000	TWSE-listing companies stock

3. Information regarding self-registration: None.

(2) Shareholders structure

March 29, 2020; Unit: shares

Shareholders structure Amount	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Head count	0	0	27	2,323	17	2,367
Number of shares held	0	0	108,152,483	40,172,985	173,000	148,498,468
Shareholdings percentage (%)	0	0	72.83%	27.05%	0.12%	100.00%

(3) Shareholding distribution status

March 29, 2020; Unit: number of shareholders; shares; %

Shareholding range	Number of shareholders	Number of shares held	Shareholdings percentage
1 to 999	150	18,947	0.01
1,000 to 5,000	1,776	3,382,349	2.28
5,001 to 10,000	232	1,870,564	1.26
10,001 to 15,000	70	902,000	0.61
15,001 to 20,000	35	635,000	0.43
20,001 to 30,000	37	948,000	0.64
30,001 to 40,000	14	493,000	0.33
40,001 to 50,000	8	364,140	0.25
50,001 to 100,000	17	1,107,000	0.75
100,001 to 200,000	10	1,480,000	1.00
200,001 to 400,000	5	1,620,000	1.09
400,001 to 600,000	2	908,000	0.61
600,001 to 800,000	0	0	0.00
800,001 to 1,000,000	2	1,848,000	1.24
1,000,001 and above	9	132,921,468	89.50
Total	2,367	148,498,468	100.00

(4) List of major shareholders

March 29, 2020; Unit: shares; %

Shareholding Name of major shareholder	Number of shares held	Shareholdings percentage
ASUSTeK Computer Inc.	43,756,000	29.47
IBASE Technology Inc.	41,698,468	28.08
Yung-Shun, Chuang	19,664,000	13.24
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.63
HUA-MIN INVESTMENT CO.,LTD.	8,359,000	5.63
Jui Hai Investment Co.,Ltd.	4,515,000	3.04
Yu-Ming, Huang	4,233,000	2.85
Wu-Sung, Chuang	1,224,000	0.82
Ying-Chen Li	1,113,000	0.75
Hsiu-Li, Chuang	964,000	0.65

(5) Market price, net value, earnings, dividend per share and related information in the last 2 years

Unit: NT\$

Item		Year	2018	2019	As of Mar. 29, 2020
Market price per share	Highest		96.1	86.2	73.3
	Lowest		71.3	70	54.3
	Average		83.32	76.49	66.17
Net worth per share	Before dividend distribution		53.13	52.53	
	After dividend distribution		49.03	Not yet appropriated	
Earnings per share	Weighted average outstanding shares		106,800 thousand shares	106,800 thousand shares	106,800 thousand shares
	Earnings per share (Note 1)	Cum-dividend	6.86	5.17	
		Ex-dividend	6.86	Not yet appropriated	
Dividends per share	Cash dividend		4.10	3.20 (Note 2)	
	Stock dividends	From earnings	-	-	
		From capital reserves	-	-	
	Retained Dividends		-	-	
Analysis of investment returns	P/E ratio		12.15	14.79	
	Dividend Yield		20.32	23.90	
	Cash Dividend Yields		4.92%	4.18%	

Note 1: Basic earnings per share after tax

Note 2: As of the printing date of this Annual report, the 2019 distribution of retained earnings has been resolved by the Board on Feb. 26, 2020, but not yet passed by the General Annual Meeting.

Note 3: Price-earnings ratio = Average closing price per share for the year / Earnings per share. Price-dividend ratio = Average closing price per share for the year / Cash dividend per share. Cash dividend yield = Cash dividends per share / Average closing price per share for the current fiscal year.

(6) Company's dividend policy and implementation thereof

1. Dividend policies stated in The Company's Articles of Incorporation

When allocating the earnings, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings. The allocation shall not be subject to the above if the amount of accumulated legal capital reserve has reached the amount of the paid-in capital of the Company. The Company appropriates or reverses special reserve depends on Company's operation needs or relevant laws and regulations. The remaining amount will be combined with the opening undistributed earnings, and proposed by the Board for the distribution of retained earnings, then distributed after approved at the Shareholders' Meeting.

The future distribution of retained earning may be determined based on the Company's financial, sales and operation status to distribute all or part of the retained earnings. However, the total distributed retained earnings must be no less than 5% of the distributable amount. Retained earnings may be distributed in forms of cash or dividends based on the estimation of future cash demands and capital structure. The percentage of cash dividends to be distributed in the future shall not be less than 10% if the dividend, and the actual amounts shall be the amount approved at the Shareholders' Meeting. The procedure for determining remuneration is based on the Company's "Procedure for the Performance Assessment of the Board and Managers". In addition to the Company's overall operating performance, industry risks, and

development trends, the Company also takes into consideration the individual performance and contribution to Company to determine a reasonable remuneration. Relevant performance evaluations and reasonableness of the remuneration are reviewed by the Remuneration Committee and the Board of Directors. The remuneration system is reviewed at any time in accordance with actual operation status of the Company and relevant laws to ensure the Company's sustainable operation and risk control.

2. Proposed current year dividend distribution

The 2019 distribution of retained earnings has been resolved by the Board on Feb. 26, 2020, but not yet passed by the 2020 General Annual Meeting. The proposed distribution is as follows:

Unit: NT\$

Items	Amount
Opening undistributed earnings	102,363,166
Current year net income after tax	552,151,688
Effect of long-term investments not recognized proportionally to percentage of ownership	(668,714)
Changes of the associates and joint ventures recognized under the Equity Method	(1,397,432)
Share-based payment	(236,287)
Profit after tax of current year and undistributed earnings other than profit after tax	549,849,255
Legal reserve appropriated	(54,984,926)
Special reserve reversed (appropriated)	(18,001,409)
Earnings to be allocated	579,226,086
Earnings distribution:	
Dividends to Shareholders (at NT\$ 3.2 per share)	(475,195,098)

- (7) The proposed free share placement in the current year shall have no impact on the Company's operating performance and earnings per share.

Not applicable. All dividends have been resolved to be distributed by cash by the Board Meeting on Feb. 26, 2020.

- (8) Remuneration for directors and supervisors

1. Percentage or range of remuneration for employees, Directors and Supervisors

The remuneration to employees and Directors shall be distributed based on the profit of the current year. After accumulated deficits have been set off by the profit in the year (namely profit before tax, before deducting remuneration to employees and Directors), if there shall still be surplus, no less than 5% of which may be distributed to employees and no more than 1% of which may be distributed to Directors as remuneration.

Qualification requirements of the employees who are entitled to receive the employees' compensation may be specified by the Board of Directors.

2. The standard of accruing employee compensation and remuneration of the Board of Directors and Supervisors, the standard of distributing employees' compensation in the form of stock bonus, and the accounting treatment of difference between the actual distribution amount and the accrued amount: No difference between the actual and estimated amount

3. Distribution of Remuneration approved by the Board of Directors:

(1) The amount of remuneration distributed to employees and Directors in forms of cash or shares. If there is a difference from the estimated annual amount of the recognized expenses, the amount, reason and treatment should be disclosed:
The distribution of 2019 remuneration has been approved resolved by the Board of Directors on Feb. 26, 2020. The distribution of remuneration to employees, Directors and Supervisors is as follows, and is the same as the recognized amount:

Remuneration to employees: NT\$ 56,912,000.

Remuneration to Directors: NT\$ 5,439,000.

(2) The amount of any employee compensation distributed in stocks as a percentage of the sum of the current after-tax net income and total employee compensation:
None.

4. The actual distribution of employee, Director, and Supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

The distribution of 2018 remuneration has been approved resolved at the Shareholders' Meeting on May. 31, 2019. The distribution of bonus to employees and remuneration to Directors and Supervisors are as follows:

(1) Actual amount of remuneration distributed to employees, Directors and Supervisors:

Remuneration to employees: NT\$ 59,511,000.

Remuneration to Directors: NT\$ 4,200,000.

(2) If there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated: No discrepancy.

(9) Buy-back of the Company's shares by the company: None.

2. Corporate Bonds (incl. Overseas Corporate Bonds): None.

3. Disclosure relating to preference shares: None.

4. Global Depository Receipts (GDRs) Issuance: None.

5. The status of issue and private placement of employee subscription warrants:

(1) Status of unexpired employee subscription warrants:

Mar. 29, 2020

The types of employee subscription warrants	2019 employee subscription warrants	
Effective date	Sep. 2, 2019	
Issuance date	Nov. 26, 2019	
No. of units issued	3,000 units	
No. of subscribable shares as a percentage of total issued shares (%)	2.02022	
Subscription period	The term of the employee subscription warrants is five years. The subscription warrants and the rights thereof cannot be transferred, pledged, gifted to others, or other ways of disposal. However, successor is not limited subject to the above.	
Performance of contract	The Company shall issue new common shares.	
Period and ratio (%) in which subscription is restricted	Employees may exercise their subscription rights according the following vesting schedule two years after issuance.	
	<u>Vesting date</u>	<u>Cumulative vesting</u>
	2 nd year	50%
	3 rd year	75%
	4 th year	100%
Number of shares obtained through exercise of subscription rights	0 shares	
NT\$ amount of shares subscribed	NT\$ 0	
No. of shares that have not been subscribed	3,000,000	
Subscription price per share of the unsubscribed shares	NT\$ 72.3	
No. of unsubscribed shares as a percentage of total issued shares (%)	2.02022	
Effect on the shareholders	This stock option is vested over three years starting the third year after issuance. The shareholders' equity is diluted year by year, and thus the dilutive effect is limited.	

(2) Names and subscription status of managerial officers who have obtained employee stock warrants and of employees who rank among the top ten in terms of the number of shares to which they have subscription rights through employee stock warrants acquired:

	Title	Name	Subscribable shares through obtained employee share warrants (thousand shares)	No. of subscribable shares as a percentage (%) of total issued shares	Subscribed				Unsubscribed			
					No. of shares (thousand shares)	Subscription price (NT\$)	Amount of shares subscribed	No. of shares as a percentage (%) of the total issued shares	No. of shares (thousand shares)	Subscription price	NT\$ amount of the shares (thousand NT\$)	No. of shares as a percentage (%) of the total issued shares
Managers	President	Chien-Hung, Lin	1,024	0.69	0	Not applicable	0	0	1,024	2019 subscription price per share: NT\$ 72.3	0	0.69
	Vice President	Chi-Hung, Liao										
	Vice President	Kuo-Chiang, Wang										
	Senior Assistant Vice Presidents	Yu-Yu, Chu										
	Senior Assistant Vice Presidents	Yun-Chen, Tu										
	Assistant Manager	Li-Kai, Lai										
	Assistant Manager	Shu-Chen, Li										
	Assistant Manager	Shao-Chou, Hsueh										
	Assistant Manager	Jen-Chieh, Huang										
	Assistant Manager	Wen-Ming, Ni										
	Deputy Project Manager	Wan-Hui, Chiu										
Deputy Manager	Jen-Chun, Wang											
Employee	Senior Manager	Chin-Tang, Peng	460	0.31	0	Not applicable	0	0	460	0	0.31	
	Senior Manager	Hsuan-Sheng, Tsai										
	Senior Manager	Chien-Kuo, Liao										
	Senior Manager	Chi-Chung, Huang										
	Senior Manager	Ching-Shui, Liu										
	Senior Managers	Ping-Hung, Liang										
	Senior Manager	Chien-Hsing, Li										
	Senior Manager	Chih-Wen, Lin										
	Senior Manager	Chien-Chun, Chuang										
	Senior Manager	Chen-Hua, Liu										

6. The new shares from restricted employee stock option: None.

7. Status of New Share Issuance in Connection with Mergers and Acquisitions: No such matter.

8. Financing Plans and Implementation: No such matter.

V. Business Performance

1. Content of business

(1) Business scope

1. The main contents of the Company's business are as follows:
 1. CC01070 Telecommunication Equipment and Apparatus Manufacturing
 2. CC01080 Electronic Parts and Components Manufacturing
 3. CC01110 Computers and Computing Peripheral Equipments Manufacturing
 4. CE01010 Precision Instruments Manufacturing
 5. E603050 Cybernation Equipments Construction
 6. E605010 Computing Equipments Installation Construction
 7. F213030 Retail sale of Computing and Business Machinery Equipment
 8. F213040 Retail Sale of Precision Instruments
 9. F213060 Retail Sale of Telecom Instruments
 10. F218010 Retail Sale of Computer Software
 11. F219010 Retail Sale of Electronic Materials
 12. F401010 International Trade
 13. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
 14. I501010 Product Designing
 15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Proportion of business

Unit: NT\$ thousand

Item \ Year	2018		2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Single board computers and peripherals	2,899,186	49.98%	3,036,202	49.38%
Industrial system products	2,346,982	40.46%	2,471,530	40.20%
Others	554,087	9.56%	640,648	10.42%
Total	5,800,255	100.00%	6,148,380	100.00%

Note: The item "Others" includes revenue from sales of spare parts, goods and labor.

3. Existing products (services) of the Company:

Embedded single-board computers, industrial-grade motherboards, embedded computers, in-vehicle computers, industrial-grade LCD monitors, industrial-grade Panel PCs, industrial-grade LCD display workstations, PC / 104 single-board computer add-on cards, slot-type single-board computers and Backplanes, industrial-grade innovative development boards, rugged tablet computers, network equipment, artificial intelligence edge computing devices, IoT gateways, intelligent vending machines, intelligent street lighting solutions, and DMS design and manufacturing.

4. New products (services) planned to be developed:

- (1) Artificial intelligence (AI) modules and edge computing devices
- (2) Machine vision solutions
- (3) Industrial-grade innovative development board and its peripherals
- (4) Intelligent city related IoT solutions
- (5) Supports Linux and Android operating systems
- (6) Single-board computers and embedded computers designed for the needs of vertical industries according to the nature of the industries

- (7) More extended temperature embedded single board computers and systems
- (8) Various types of modular Panel PC panels, CPU Box and expansion modules to meet the different needs of customers

(2) Industry overview

1. Present state of the industry and development

The Company is a professional design and manufacturer of industrial computer products. Its main products are single board computers and peripheral devices and industrial system products. The products are mainly used in intelligent retail, intelligent manufacturing, intelligent transportation, network security, edge computing and other fields. The following describes the current situation of the global industrial PC industry and the market situation of the Company's main applications:

(1) Industrial PC

The early application of Industrial PC was mainly for the automatic control of industrial machinery and equipment. With the evolution of personal computers (PC) and the standardization and popularization of computer platforms, powerful and low-cost personal computer architectures gradually prevail in industrial automation and become the mainstream of industrial automation. In addition to traditional industrial automation applications, due to different customer needs, a variety of control cores of hardware are built, resulting in a diverse and customized design. On the other hand, with the rapid development of commercial and information products and the construction of the Internet, industrial PC applications have also begun to expand rapidly, and taking up a share in markets such as measuring instruments, life information, retail, medical equipment, gaming machines, security monitoring, and portable devices.

(2) Intelligent retail

The added value of the traditional retail industry mainly depends on the quality, speed and convenience of the store location. The added value that retail in the new era can provide mainly lies in innovation and consumer purchasing behavior. Therefore, how to provide consumers with better shopping experience establishes on a close relationship with consumers and how to create a more valuable business model become the most important parts in their business strategy. Under the development and application of Information and Communication Technology (ICT) in the retail industry, a "intelligent retail" system is constructed through the hardware construction of sensors, displays and actuators, the connection between all kinds of devices and equipment in the retail store, and the combination with the analysis of communication systems and big data, supplemented supported by online payment flow and mobile payment services. This has altered the traditional buying and selling process into virtual and real integrated sales model of sensing technology, data analysis and real-time response.

Point of Sales (POS) is the most basic IT tool used in the retail industry. In the past, it was a traditional electronic cash register (ECR). Its function is mainly for the calculation of total transaction amount and printing invoices and receipts during trading. However, for the easy of inventory management, speeding up checkout and reducing the risk of manual input errors, retailers later introduced computer systems to facilitate the process. Later, the system is incorporated with network, scanners, and touch functions. In addition to basic functions, POS can also perform personnel attendance management, inbound and outbound management, transaction behavior analysis. The POS system is not only used in the retail industry, but also widely used

in the catering industry, hotel industry and other industries. Nowadays, many stores are evolving into large and chain-oriented scales. The POS system has become an indispensable management tool for intelligent retail and logistics. Therefore, the POS system has also become one of the development priorities of many industrial PC manufacturers.

(3) Intelligent manufacturing

Intelligent manufacturing is the introduction of intelligence in the overall manufacturing process. The process is combined with information and communication technologies, such as 5G, IoT and artificial intelligence. It affects every step in the manufacturing process, selects the appropriate and efficient way to complete the job items, and properly handles the unexpected situation of the manufacturing process.

Affected by the reduction in global labor force, rapid market changes, and shortened production cycles, the rise of the industrial IoT, intelligent manufacturing has become the focus of industrial development in major countries in recent years. Intelligent manufacturing will completely change the process of products in R&D, manufacturing, logistics, sales and other different value activities, and effectively improve the safety of laborers and operating environment to achieve the goal of zero emissions and zero accidents. In addition, intelligent manufacturing can increase the flexibility of the factory, reduce the use of energy, improve the sustainability of environment, reduce product costs, and use of the materials next-generation for the development of new products.

(4) Intelligent transportation

Intelligent Transportation Systems (ITS) refers to the processing of data collected on people, vehicles, and roads in the transportation system. The data is then transformed into appropriate and useful information, through the system platform with advanced information, electronics, sensing, communication, control, and management technologies. The system improves and strengthens the interactive relationship between people, vehicles, and roads through the real-time communication and connection of the communication system. It can improve the quality and performance of traffic services for people, and thus improves the safety, efficiency, and comfort of the transportation system, while reducing environmental impact on traffic.

The intelligent transportation system is a very important part in the application of industrial PCs. Since the demand for performance of the transportation system is not as urgent as the requirements of stability and robustness, it is a suitable for industrial PC manufacturers to develop in this field. In addition, compared to the consumer electronics, the electronic products installed in the intelligent transportation control face two requirements "harsh environment" and "long operation time". Therefore, the specifications of the traffic control products are even higher than that of the industrial products. That is why there are many collaborations between system integration manufacturers and industrial PC manufacturers. The manufacturers cooperate to use high-standard electronic components to achieve their goals.

In recent years, intelligent transportation has become one of the key projects promoted by countries all over the world, especially in the United States, Japan, Europe and many other advanced countries. With the promotion of intelligent transportation policies, it is expected to effectively reduce the national cost for casualties and injuries caused by car accidents and transport congestion. It also helps

promote economic development and increase national productivity.

(5) Network Security

The Network Security solution includes network security and traffic management, which are installed in the enterprise computer room. Network security solutions, also known as firewall solutions, are designed to provide security protection when companies connect to the Internet to prevent intrusions from outside networks. This newly developed network traffic management also belongs to this field. The product terminal application is installed in the enterprise computer room. Such companies, including large online game companies, large shopping websites. They have a demand for machine purchase and replacement in 1-2 years. The network security solution brand factory specializes in software. Each manufacturer has diverse variety of software, requiring hardware products of special specifications to exert its operational benefits. Some hardware is developed and manufactured by industrial PC manufacturers.

The role of industrial PC manufacturers in this application field is becoming increasingly important. Industrial PC manufacturers are good at diverse and rugged industrial computer products in small quantities, and meet the needs of the network security industry. As the number of ports, firmware and heat dissipation function are not standard specifications, high-end products often have functions such as automatic switching device and hot swap.

With the popularity of mobile devices and the user habit of uploading personal data (such as photos, videos, etc.) to network service platforms, global network traffic is experiencing an explosive growth. Under this trend, cloud computing and traffic management are becoming more and more important. With the prevalence of Internet applications and the increasing popularity of cloud computing, the threats and losses caused by computer viruses and hackers are also increasing. Therefore, there is a continuing strong demand for network security systems.

(6) Edge computing

Edge computing is a decentralized computing architecture where applications, data, and services are processed on network logic edge nodes instead of network center nodes. Since the edge node is closer to the user terminal device, the speed of data processing and transmission are accelerated and thus delays may be mitigated. Under this structure, the analysis of data and the generation of knowledge are closer to the source of data, so they are more suitable for processing big data. (Source: Wikipedia)

The development of edge computing has accelerated the realization of AI realization. At present, the operation of AI relies on the powerful cloud computing capabilities, where all data is uploaded to the cloud, and results are generated and transferred back to terminal through deep learning. This does not satisfy the need for instantaneous response and increases the cost of network services. However, as chip capabilities have improved and edge computing platforms have matured, client devices and gateways already have AI inference capabilities, and thus calculations can be completed close to data sources or clients may reduce network transmission delays and quickly obtain the result of data analysis.

Taking self-driving cars as an example, the sensor of a self-driving car generates a large amount of data to be used as the basis for judging the control of the vehicle. If all the data is uploaded to the cloud for computing, the response of the car may be delayed or even out of control when the connection is delayed or interrupted. In such

case, the consequences will be unimaginable. If the self-car system uses edge computing to perform certain part of the calculation and judgment by, and other parts by the cloud, the self-car can be safely controlled with the powerful computing power of the cloud. It is foreseeable that with the popularization of IoT and various new services, the importance of edge computing will also increase.

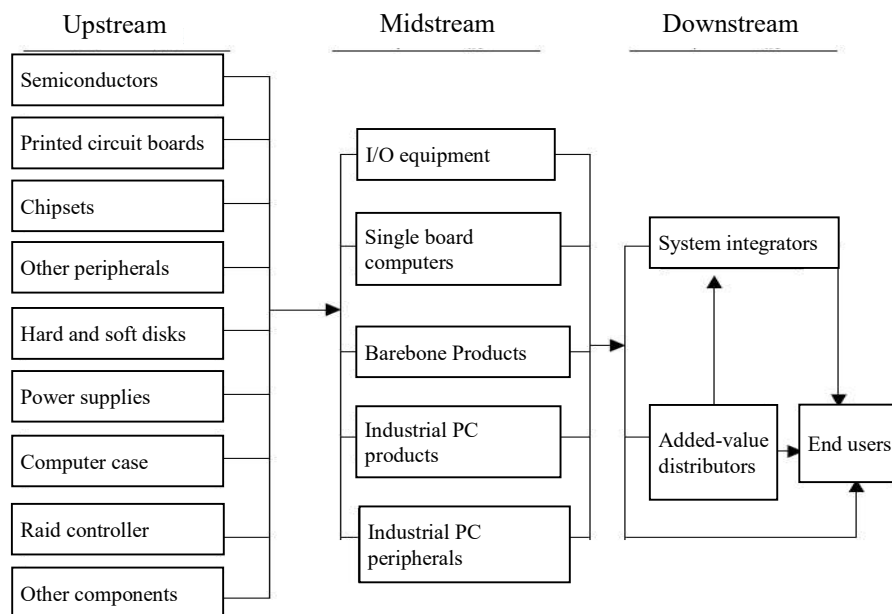
2. Association between upstream, midstream, and downstream industry participants

The Company's main products are single-board computers and industrial computer systems. The upstream and midstream of these products are similar to the general motherboard and computer system manufacturers, but the downstream sales targets are different. Single-board computers or industrial computers are usually sold to system integrators for final system integration, or to dealers with professional engineering backgrounds to develop local potential customers. Association between upstream, midstream, and downstream (detailed as the graph below)

Upstream: Manufacturers of semiconductors, connectors, software, printed circuit boards, hard and hard disk drives, power supplies, and other electronic components.

Midstream: Manufacturers of I/O equipment, single-board computers, industrial computer products, system products and peripherals.

Downstream: system integrators, distributors, and end users.



3. Product development trends and competition

(1) Product development trends

In addition to the stable growth in the application of industrial automation, the embedded PCs, deriving industrial PCs, are serving as basis in the industrial automation applications. In the fields of communications, consumer electronics, information, networking, entertainment, medical, finance, commodity circulation and other industrial fields, there are integrated applications of industrial computer products.

A. Embedded PC

The embedded computer board is similar to the motherboard of a personal computer, but instead, there are usually a built-in embedded central processor, which is small in size and can be customized with different

functions and forms according to customer needs. The industry has a high entrance threshold. The products are diverse, produced in small quantities and have a high degree of integration of functions. Moreover, after-sales service is required. Therefore, it is not easy for new competitors to enter the market. As it is applicable in extremely wide areas, the use of EPC as an interface platform in various industrial automation equipment is becoming the future trend, and there is a large market potential. Due to small production quantity and high unit price, the gross profit margin is relatively high, the products find themselves in the niche market. In order to facilitate portability, the development trend of EPC will evolve into a thin, light and small widely popularized PC platform.

B. Industrial PC

The development trend of industrial PCs is constantly expanding. From simple automation control and monitoring of factories in the beginning to the automation monitoring, communication automation, and factory-wide automation of today's buildings, industrial PCs has entered the human life in different forms. In addition, industrial computers specially designed for railway trains and automobiles are increasingly used as vehicle-mounted computers in fleet management, in-vehicle security monitoring, and e-ticket.

C. Panel PC

Panel PC is an all-in-one computer that consists of the PC host, screen, and keyboard, and is fully adaptive to the needs of various spaces. With the prevalence of the Internet and the increasing application of products, ultra-thin Panel PC will be widely used in home automation, network information stations and telecommunications networks in the future.

D. Network Application

With the prevalence of Internet applications and the increasing popularity of cloud computing, the threats and losses caused by computer viruses and hackers are also increasing. Therefore there is a continuing strong demand for network security systems. At present, network equipment manufacturers are focused on developing Unified Threat Management (UTM), to provide a total solution based on firewall and VPN, integrating anti-virus, intrusion detection / defense, spam filtering, content filtering and other functions.

With the diversification of telecommunication service, network and communication have gradually becoming increasingly importance to telecommunications providers. Most providers have turned their focus to network services, but traditional telecommunications equipment manufacturers have difficulties meeting the expectations of providers in satisfying the trend in the change of services. Therefore, the development of software-defined networking (SDN), network function virtualization (NFV) and virtual user terminal equipment (vCPE) has also become a trend.

E. Rugged Tablet Computer (RTC)

The rugged tablet PC is characterized by its small size, light weight, portability, complete functions, and easy operation. With the popularization of network communication technology, new vertical industry applications are constantly being introduced. Rugged tablet PCs are widely used in field automatic inspection, military units, law enforcement units, transportation, intelligent logistics, intelligent warehousing, intelligent retail and other application fields.

(2) Competition

There hasn't been much change in industrial computer hardware specifications. The biggest difference lies in service. From the pre-sales service in the sales stage to product after-sales service, and the ability to realize the promises given to customers will result in price differences. The required quality also varies greatly. As for the delivery speed, most of the manufacturers with more integration have their own complete production lines, and better production flexibility. Therefore they can better satisfy the customer's delivery. The domestic competitors can be divided to the following four types by degree of vertical integration:

- A. Fully vertically integrated manufacturers: Manufacturers that have R&D, production, testing, and marketing capability.
- B. Without a production line: Manufacturers that have their own R&D and outsourced to other companies for production after the product design is completed. The subsequent product testing and packaging and sales are completed by the manufacturers themselves.
- C. R&D manufacturers: Manufacturers that only engage in product innovation and R&D. After the product design is specified, the design is sold to downstream companies for production and sales.
- D. Trading companies: Companies consisting of only marketing, sales and PM. After formulating the specifications according to customer needs, the specification is commissioned Design House for design, OEM, and manufacture, while the company handles only sales.

In recent years, motherboard manufacturers have entered the competition. Although motherboard manufacturers have considerable advantages in price, they are mainly based on standardized products, and are not as good as industrial computer manufacturers in terms of flexibility, service and product life cycle support.

(3) Technological research and development

1. Annual R&D expenses as of the printing date of this annual report

Unit: NT\$ thousand; %

Year	2018	2019
Research and development expenses	470,145	466,551
Net revenue	5,800,255	6,148,380
As a percentage of net revenue	8.11%	7.59%

Note 1: As of the printing date of this annual report, there are 2020 Q1 financial reports documents to be audited by the CPAs.

2. Successfully developed technologies or products in the most recent fiscal year and as of the printing date of this annual report

2018	<ul style="list-style-type: none"> ● Embedded single board computer and motherboard / Modular computer / Industrial motherboard / Chassis single board computer and backplane: GENE-APL6, NANOCOM-APL, PICO-KBU4, COM-APLC6, CEXD-TWQSICB, ASDM-S-APL, EPD-ACINV07, CU2000, VL-PRO_RPM, GENE-APL7, EPIC-KBS8, XTX-BSW-B11, PICO-APL4, PICO-APL3-SEMI, COM-BT-A30, EPIC-KBS9, GENE-BT04, DTV-BIO, ESD-ATWGEH01, PICO-KBU4-SEMI, PICO-APL4-SEMI
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	<ul style="list-style-type: none"> ● Panel PC System / Embedded Computer System / Industrial LCD: BOXER-6405, OMNI-Monitor, OMNI-3155-UP, BOXER-6750, BOXER-6841M, BOXER-8120AI, BOXER-8110AI, BOXER-6710 ● Rugged computer: RTC-700RK, RICO-3288, RBC-1200SK, RDS-1000 ● Network equipment and image monitoring equipment: VPC-5600S, FWS-2272, FWS-2360, FWS-2255, WST-2254, FWS-7360, FWS-2276, FWS-2362, FWS-2363 ● Industrial-grade innovative development board / IoT gateway: MF-001, P-CHCR1, NEC-SIGN, AIOT-IP6801, AIOT-MSSP01, UPC-GWS01, UPS-NANO, FAY-003, IMBA-Q170A, NIS-Q170J, EMB-BSW2, EMB-APL1, NPS-CT, MIX-Q370D1, EMB-APL3, MIX-KLUW1, NXM-BSW, MIX-H310A1
2019	<ul style="list-style-type: none"> ● Embedded single-board computers and motherboards / modular computers / industrial-grade motherboards / chassis-type single-board computers and backplanes: TKS-M912-SKU, COM-CFHB6, EPD-ACIDIGI, COM-WHUC6, COM-KBUC6-A11, ESD-ACIES01, NANOCOM-KBU-A20, EPIC-KBS9-PUC, NANOCOM-APL-A11, ASDM-S-KBU, GENE-BT05 A1.1 ● Panel PC System / Embedded Computer System / Industrial LCD: BOXER-6405U, BOXER-8130AI, OMNI-5155L, BOXER-8150AI, BOXER-8170AI, BOXER-8220AI, BOXER-8221AI, PER-T514, BOXER-6404S, BOXER-8310AI, BOXER-8320AI, BOXER-8331AI ● Rugged computer: VBS100 ● Industrial-grade innovative development board / IoT gateway: ION-CMT, ION-ADV2, FWS-7830, FWS-7831, VPC-3350S, UPC-PLUS, MEV1.6, SBI-001-A11, AIOT-AIVD, IFP-V2, UP-WHL01, AIOT-VSSP03, PER-TAIX1-A10-2242, PER-TAICX-A10-001, PER-TAIX2-A10-2280, SMS-002-A11, PER-TAIX8-A10-PCIE, LoRa-NODE01, UP-CHCR1 A1.1, UPCP-CR-NPL4, UPCP-CR-VPX, UP-CHT01 A1.1, NXM-KLU, FAY-KLU, TPM-6610, MIX-H310D1, SCH-BT、MIX-Q370A1, MAX-H310A, MAX-Q370A, MIX-KLUD1, ADD-KLU, ATX-Q370A, MAX-C246A, ATX-C246A, EVN-KLU
As of printing date of the annual report	<ul style="list-style-type: none"> ● Embedded single-board computers and motherboards / modular computers / industrial-grade motherboards / chassis-type single-board computers and backplanes: PICO-WHU4 ● Panel PC System / Embedded Computer System / Industrial LCD: BOXER-6641 ● Rugged computer: RICO-3399, RTC-1010AL, F3, 800V, Peregrine, DHBOX ● Industrial-grade innovative development board / IoT gateway: FWS-8600, AVO-2272, FWS-2272 B1.0, MA-XL1, MAX-Q370B

3. The Company has proposed to invest NT\$ 397,000 in R&D by the end of 2020.

(4) Long and short term business development plans

1. Marketing strategy

(1) Short-term plan

A. Actively develop new industries and markets in new fields.

B. Strengthen the image of Intel IoT Solutions Alliance members, participate in Intel's joint marketing, increase brand awareness and open up new opportunities of client meetings.

- C. Promote our own brands, to obtain customer recognition through exhibitions and online marketing activities.
 - D. Set up AAEON eShop, provide quick delivery service within 3 ~ 5 working days, so that customers all over the world can receive and test our products in time.
- (2) Mid-long-term plan
- A. Set up strongholds in countries with important markets in the world, establish branches / subsidiaries to promote own brands
 - B. Continue to provide high-quality products and after-sales services, gain customer trust, and maintain good long-time relations.
 - C. Develop more large-scale ODM / DMS customers.
 - D. Strategic alliance with industrial computer manufacturers of complementary product lines, for cross-selling.
2. Production strategy
- (1) Short-term plan
- A. Establish a quick and instant production system.
 - B. Strategic alliance with professional manufacturers.
 - C. Expand the capability of system assembly.
- (2) Mid-long-term plan
- A. Meet the quality standards of world-class manufacturing plants.
 - B. Establish a competent center-and-satellite system.
 - C. Strategic alliance with key component manufacturers.
3. Product development trends
- (1) Short-term plan
- A. Produce stable, reliable and competitive single board computers.
 - B. Accelerate the customer adoption process with Q Plus Service quick service provided by expert team.
 - C. Produce fast, professional and highly reliable ODM products.
 - D. Speed up R&D time and improve product life cycle.
 - E. Import artificial intelligence into the Company's finished products.
- (2) Mid-long-term plan
- A. Produce products that meet the needs of vertical industries.
 - B. Cooperate with cloud vendors to provide IoT products and services.
 - C. Cooperate with application software and sensor manufacturers to provide artificial intelligence solutions.
 - D. Develop products that are easy to use, affordable and good in quality.
 - E. Create user-friendly and easy-to-use products.
 - F. Production of high-quality, low-cost key components.
4. Business operation
- (1) Short-term plan
- A. Strive to flatten the organization structure and adopt the strategy of hiring elites.
 - B. Take passionate and proactive manner toward team operation.
 - C. Organization integration of project management
- (2) Mid-long-term plan
- A. Take a focused business strategy.
 - B. Each business department is a flexible and strong operating organization, which supports each other under the common resources and strategic leadership of the headquarters, forming a solid enterprise group and establishing the management and marketing capabilities of multinational enterprises.
5. Financial plans

- (1) Short-term plan
 - A. Effective cost control.
 - B. Expand the Company's popularity.
 - C. With steady and flexible use of funds to minimize the cost, in order to facilitate the Company's future development.
- (2) Mid-long-term plan
 - A. Establish potential for financial operation and flexible operation.

2. Market Analysis and Merchandising

(1) Market analysis

1. Sales (supply) regions of major products (services) (Serena)

Unit: NT\$ thousand; %

Area \ Year	2018		2019	
	Sales volume	Percentage	Sales volume	Percentage
Domestic sales	226,335	3.90%	388,201	6.31%
Exports	5,573,920	96.10%	5,760,179	93.69%
Total	5,800,255	100.00%	6,148,380	100.00%

2. Market share

The industrial PCs developed by our Company are sold all over the world, but industrial PCs belong to the niche markets with high diversity and small production quantity. As for their market share, there is no credible domestic statistical data that can clearly indicate the Company's market share.

3. Future market supply/demand and growth potentials

(1) Industrial PC

The industrial PC was originally developed to "upgrade" industrial production into an automated production line. Therefore, the most important application of industrial PCs is in the automation industry. However, with the increasing demand for automation in various industries, more and more industrial PCs are needed to help form an overall control system, and the application fields are very diverse. In addition to the automated production lines of industrial processes, industrial PCs can be seen in many places including retail, medical, transportation. Basically, as long as the automation equipment is applied, there must be industrial PCs. In recent years, the industrial PC industry has benefited from increasing demand for smart cities, the IoT, cloud computing, and automation, and the market scale growth rate has increased from 5 to 10% per year to more than 10%.

In recent years, due to the falling prices of chips, the popularity of wireless communication devices, and the rise of big data, along with the maturity of cloud storage and IPv6 Internet, IoT is having a significant development. Due to the wide range of applications of the IoT, according to the research organization IDC, the number of IoT devices in the world will reach 41.6 billion sets by 2025, generating up to 79.4ZB of data. According to another report of the IDC, global IoT spending will exceed USD 1 trillion in 2022 and reach USD 1.1 trillion in 2023, with a compound annual growth rate of 12.6% between 2019 and 2023. The architecture of IoT integrates industrial technologies such as computers, telecommunications, and automation. Among them, industrial PCs are the pivotal device for the automation and control of the IoT. At present, countries around the world attach great importance to the construction of the IoT.

Therefore, it is expected to drive the increase in the output value of the industrial computer industry.

(2) Intelligent retail

Intelligent retail is to induce production by using the Internet, IoT technology, consumer-oriented approach, in analyzing consumer behavior and predict consumption trends, with an aim to provide consumers with diverse and personalized products and services to bring consumers unique value and differentiated experience. With the integration of technologies such as mobile payment, computer vision, artificial intelligence, big data, cloud computing, self-checkout, unmanned shelves, unmanned stores and other new business models, intelligent retail is changing the style of retail.

According to the report of ResearchAndMarkets.com, it is estimated that the global smart retail market will reach USD 45.7 billion in 2025, with a compound annual growth rate of 24.4% from 2019 to 2025.

(3) Intelligent manufacturing

According to the Topology Research Institute of TrendForce's, the global intelligent manufacturing market will reach USD 370 billion in 2022, with a compound annual growth rate of 10.7%.

TrendForce indicates that the application of intelligent manufacturing ranges, from large-scale smart factories, smart supply chains, on-site disaster recovery, to automatic logistics vehicles, simple robotic arms, etc. Thanks to the maturing of new technologies, the manufacturing industry can now further improve information visualization and system controllability with advanced sensing technology, AI algorithms, robotics and other technologies to further promote the development of Industry 4.0 intelligent manufacturing. In view of the huge amount of data brought by intelligent manufacturing to the enterprise, delays and bandwidth costs have shifted the manufacturing industry from cloud technology to edge computing. Data quantification, analysis precision, and hardware efficiency are three main keys that moved AI from the cloud to terminal devices, urging the trend of integration of edge computing and AI.

(4) Intelligent transportation

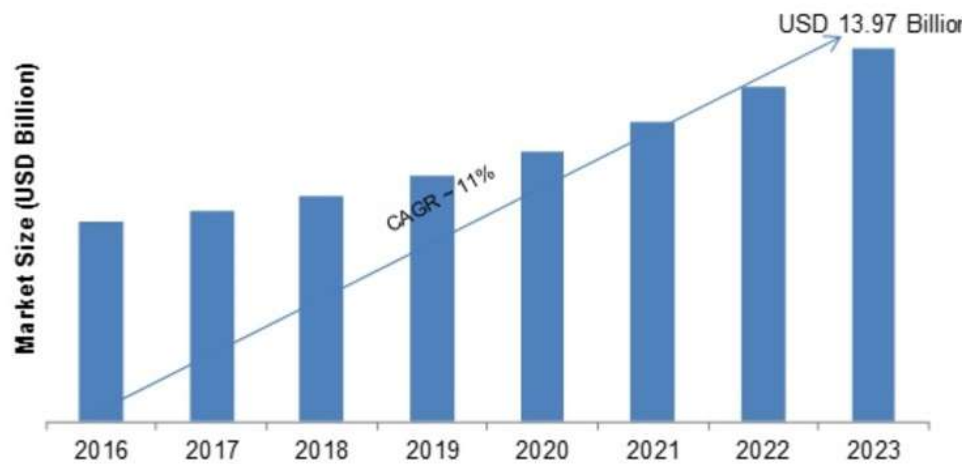
Intelligent Transportation System is a network system that combines various advanced resources and communication technologies including IoT, artificial intelligence, big data, cloud computing, 5G. These not only help to manage traffic, but also change the transportation habits of users, enterprises and governments. The intelligent transportation system is intended to introduce advanced services into various transportation methods and traffic management solutions, such as intelligent parking assistance, fleet management, intelligent traffic management, intelligent ticketing, passenger information solutions, security monitoring and mobile services.

According to a report of Global Market Insights, the market size of the intelligent transportation system is estimated to be USD 23 billion in 2018, and the market size in 2025 is estimated to reach USD 34 billion.

(5) Network Security

According to the estimation of Market Research Future, the global network security equipment market in 2018 was USD 8.45 billion, and it is estimated to reach USD 13.97 billion in 2023, with a compound annual growth rate of 10.6% between 2018 and 2023. The increasing demand for protecting corporate networks from

further threats, and the need for faster and more efficient network security solutions, are the main drive force for the widespread adoption of network security equipment worldwide.

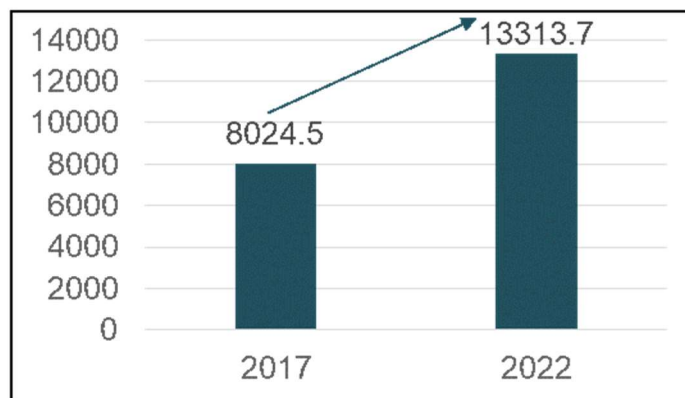


Source: MRFR Analysis

(6) Edge computing

According to IEK’s estimates, the number of global smart networking equipment has grown from 8.4 billion in 2017 to 20.4 billion in 2020. As of 2022, up to 75% of the data processing work will not be completed in the cloud data center, but through the edge computing equipment, which is closer to the users. Due to the increasing demand for AI edge computing in AR / VR, self-driving cars, drones and security monitoring systems, the global market for edge computing is expected to grow significantly from USD 82.45 million in 2017 to USD 13.31137 billion in 2022, with a compound annual growth rate (CAGR) reached 10.7%.

Global Edge Computing Market (M\$)



2017~2022 CAGR 10.7%

Source: Transparency Market Research 2018, IEK of Industrial Technology Research Institute

4. Competitive advantage

The current conditions and niche of the Company in this industry:

- (1) Strong R&D capability

The Company has a professional R&D team, and has profound R&D strength and experience. In the past, the Company has led the industry in developing embedded boards and fanless systems. At present, the Company not only designs and innovates for core technologies, but also conduct research based on unique technologies required by different vertical markets. The Company's research scope covers POS technology, ATM technology, industrial automation, medical industry and other fields. Besides, the Company also incorporates R&D results into all kinds of new products, so as to continuously strengthen the uniqueness of products to maintain its leading position in the industry. The Company took the lead in designing the Intel Core iplatform technology into a NanoCom module the size of a business card, which was highly praised by Intel. Recently, the Company has cooperated with Intel to develop the AI artificial intelligence module for Mini PCIe, and became the first collaboration partner of Intel AI: In Production.

(2) Outstanding product quality

Due to the high diversity, small production quantity and high reliability requirement of industrial PCs, how to maintain product quality under the condition of frequent changes in production processes and designs has become a key competitive element of the industrial PC industry. AAEON designs, develops and completes new products and new product processes in accordance with customer needs. The Group has a high standard and rigorous controls of product quality. In addition to standardized products with professional quality control processes, the Group has also established a set of quality controls procedures for customized products. The Group manages procedures and is committed to maintaining customer satisfaction, and the Group's product technology, product quality and delivery services are meeting customer needs. This shows that the AAEON and its subsidiaries have high competitiveness in the market.

(3) Flexible customized service

The industrial PCs are high diversity and have only small production quantity, this is because the product and production process of Industrial PCs are highly customized and designed according to the special needs of customers. Due to its strong R&D capability, the Group takes into the consideration the scalability of future products when designing its product series. Therefore, it can respond quickly to the customized needs of customers and design products that meet customer needs as quickly as possible. As for the small production quantity and diverse characteristics of industrial PCs, the Company focuses on building high-efficiency production models, and plans the most suitable manufacturing mode according to the product attributes. Therefore, our products have been well received by our customers.

(4) Strategic resource shared with ASUS Group

In 2011, as ASUS was optimistic about the future development of IoT, ASUS acquired the Company, and thus the Company has become a member of the ASUS Group. In addition to expanding sales with its own excellent R&D technology and business development capabilities, the Company also has a strategic alliance with the Asus Group to grasp the industrial business opportunities of IoT. For example, We are in cooperation with Asus Cloud Corp., a member of the ASUS Group, in launching and sales of the IoT solution “AirBox”. In addition, due to the small production quantity and diversity of industrial PCs, the procurement of raw materials is less possible to reach economic scale, resulting in higher procurement costs of raw materials. The Company and its subsidiaries have further reduced costs through joint

bargaining with the parent company ASUS to strengthen product competitiveness.

5. Favorable and unfavorable factors and response policy of development vision

(1) Favorable factors

(A) The rapid development of PC applications

Due to the rapid advancement of semiconductor and information hardware technology, the functions of personal computers are becoming more and more powerful. At present, the development of global information products such as software services and hardware, is mainly based on the personal computer applications. This trend has enabled industrial PCs to develop with the PC standard architecture and to have considerable advantages in product function enhancement and cost reduction. Due to the rapid advancement of semiconductor and information hardware technology, the functions of personal computers are becoming more and more powerful. At present, the development of global information products such as software services and hardware, is mainly based on the personal computer applications. This trend has enabled industrial PCs to develop with the PC standard architecture and to have considerable advantages in product function enhancement and cost reduction.

(B) The booming advancement of IoT and artificial intelligence are the driving force of the new development trend of the industrial PC industry.

With the continuous development of global information and communication technology, and the joint support of new technologies such as cloud computing, big data, artificial intelligence, and edge computing, the application of artificial intelligence of things (AIoT), a combination of artificial intelligence (AI) and the Internet of Things (IoT), is prospering. In the past, the operation of the embedded IoT was to collect data through sensors and embedded devices, and transmit data through the IoT with cloud artificial intelligence to analyze the big data, and then transmit the results of the analysis back to the embedded device for execution. With the addition of artificial intelligence, the computing power of the device is improved. The operation is moved from the cloud to the edge. The computing architecture is then changed to CPU plus GPU, or the CPU with AI accelerators such as VPU, TPU, NPU. The analysis will not affect the work even when the network is not available.

(C) Complete information industry structure

Taiwan's information industry system has matured, and the industrial structure is complete. Both the advantages of vertical integration and vertical division have taken shape. Domestic manufacturers have also made considerable progress in the development of upstream key components in recent years. Such complete information industry structure can effectively support the development of the industrial PC industry. Therefore, for the industry, the supply of raw materials, abundance of technical talents, and large-scale mass production and management capabilities all contribute to the industrial PC industry competing with foreign manufacturers in terms of product cost and quality competitiveness.

(2) Unfavorable factors and response policy of development vision

(A) Rapid changes in specifications

Due to the rapid changes in CPU specifications, matching components must be produced or discontinued in accordance with the pace of changes. However, the life cycle of industrial PC products is long. It's inevitable that users might face discontinuance or shortage of CPUs and components due to the rapid development of information products.

Responsive strategies:

In addition to stock preparation for Last Buy (the last purchase before the end of production), the Company takes a more proactive approach in solving the above problem. The Company cooperates with its parent company, ASUS, to lead the industry in the acquisition of new technologies, accelerate the development of new products and effectively reduce costs, in aim to increase the customers' willingness in purchasing new products instead of repair. When designing products, the Company maintains the compatibility between of the new and old product systems, to reduce barriers in the customers' change of products, increase the fungibility, reduce the Company's stock pressure of raw materials.

(B) Higher raw material costs

The Company is mainly engaged in the R&D, manufacturing and sales of industrial PC products. It also develops and designs according to the special needs of customers, as it is a customized product. The raw material procurement depends on the specifications and quantities demanded by the customers. After the required quality and specification of products are confirmed, the products are then put into mass production. Therefore, raw material procurement is often done in small quantities and, resulting in high procurement costs and not being able to achieve economic procurement.

Responsive strategies:

The Company reduces the cost of raw materials through joint procurement with the parent company to improve product cost competitiveness.

(C) Increase in labor and rental expenses

In recent years, the number of employees in the manufacturing industry has been decreasing. The recruitment of labor is difficult, and the operating costs such as employee salaries and rents have increased year by year. The proportion of such expenses to manufacturing costs has also increased, which reduces the profitability of the Company and its subsidiaries.

Responsive strategies:

The Company and its subsidiaries strengthened process management, and developed automated equipment to improve production efficiency and yield. The Company replaced its manual reliance with higher technology, to offset the negative effects of rising labor costs. Besides, the Company also strengthens employee education and training to enhance the skills and productivity of employees. The Company takes a proactive approach in creating economies of scale, and to make prudent assessments on the price of orders to reduce the impact of labor costs on operating performance.

(2) Intended use and production processes of the main products

1. Intended use of the main products

(i) Single board computers

Computing functions and various transmission and expansion interfaces are centralized and integrated on a single motherboard. The products come in various sizes to meet the space requirements of different applications. After the system is integrated, it can be applied to ATM, POS, automatic control, public transportation, game console, electronic signage, medical equipment, etc.

(ii) System products

Integrate single-board computers and other components, such as memory, storage devices, LCD displays, touch screens, card readers, GPS modules, etc., are integrated into system products according to application requirements. Such system products include embedded computers, Panel PC, network equipment and rugged tablets. The products can be used in Kiosk, human-machine interface, automation equipment, fleet management, network security, on-site inspection, etc.

2. Production processes of the products

(i) SMT production line

- Load substrates automatically → Print soldering paste (of tin or glue) to substrates with automatic PLC monitoring system
(Automatic loader) (Automatic solder paste printer)
- Print adhesive onto substrates automatically → Placing surface mount components onto the substrates automatically
(Adhesive dispenser) (High-speed component mounter, visual component mounter)
- Make corrections by visual inspection on buffer conveyor → Heat by hot air until soldering paste melts and components fused to the substrate
(Substrate buffer conveyor) (Hot air reflow ovens)
- Unload of substrates automatically
(Automatic unloader)

(ii) Add-on and touch-up line

- Bake substrates → Adjustable speed chain component insertion conveyor → Automatic tin soldering
(Trolley type hot air oven) (Chain insertion conveyor) (Automatic tin soldering machine)
- Cleaning off tin and flux residue with distilled water with machine → Soldering touch-up and assembly of fragile components
(Cleaning machine + Ultra-pure water machine) (Touch-up conveyor belt)
- Test
(Internal circuit tester)

(iii) Test line: Reliability baking testing (Insulation and temperature-tolerant oven) → Dynamic burn-in testing → Functional testing

(iv) Assembly line: Package or assembly enclosure materials in different stages (unpowered roller conveyor)

(3) The supply of main raw materials

The Company's production materials are mainly divided into electronic materials, enclosure materials and packaging materials. Except for some IC semiconductors and LCDs purchased from abroad, most of the electronic materials are purchased in Taiwan. Most of the enclosure and packaging materials are designed by the Company itself and purchased in Taiwan. The supply of materials is normal and reasonable. The supply of main raw materials is summarized as follows:

Main raw materials	Supply status
IC, CPU	Good
Operating system	Good
DRAM	Good

(4) List of principal suppliers and clients

A. Names of any suppliers that have supplied 10 percent or more of the Company's procurements in either of the preceding 2 fiscal years

Unit: NT\$ thousand

Item	2018				2019			
	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer
1	A	1,169,687	31.42	The parent company	A	1,213,359	32.32	The parent company
2	B	354,784	9.53	None	B	516,387	13.75	None
	Others	2,197,890	59.05	-	Others	2,024,891	53.93	-
	Purchase - net	3,722,361	100.00	-	Purchase - net	3,754,637	100.00	-

Explanation of the reason for any change in the amount: There is no significant changes in the year 2019 and 2018.

B. Names of any clients that have sold 10 percent or more of the Company's sales in either of the preceding 2 fiscal years

Unit: NT\$ thousand

Item	2018				2019			
	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the issuer
1	A	756,064	13.04	None	A	649,332	10.56	None
2	C	290,292	5.00	None	C	256,737	4.18	None
3	B	161,001	2.78	None	B	98,347	1.60	None
	Others	4,592,898	79.18	-	Others	5,143,964	83.66	-
	Sales - net	5,800,255	100.00	-	Sales - net	6,148,380	100.00	-

Explanation of the reason for any change in the amount: There is no significant changes in the year 2019 and 2018.

(5) Production for the most recent 2 fiscal years

Unit: volume: thousand units/units; value: NT\$ thousand

Production volume and value Major products (or department classification)	Year	2018			2019		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Single board computers and peripherals		293	338	1,208,453	291	299	1,185,674
Industrial system products		247	248	1,358,941	125	131	1,330,387
Total		540	586	2,567,394	416	430	2,516,061

Note: Other items include revenue from sales of spare parts, goods and labor. However, these are not listed due to wide diversity and immateriality of amount.

Explanation of the reason for any changes: There is no significant changes in volume and value for the year 2019 and 2018.

(6) Sales for the most recent 2 fiscal years

Unit: volume: thousand; value: NT\$ thousand

Sales Volume/ Value Major products (or department classification)	Year	2018				2019			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Single board computers and peripherals		32	121,259	770	2,777,927	38	153,532	843	2,882,670
Industrial system products		7	63,439	266	2,283,542	12	153,109	181	2,318,421
Others		201	41,637	6,906	512,451	557	81,560	3,922	559,088
Total		240	226,335	7,942	5,573,920	607	388,201	4,946	5,760,179

Explanation of the reason for any changes: There is no significant changes in volume and value for the year 2019 and 2018.

3. The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the printing date of the annual report.

Unit: person

Year		2018	2019	As of Mar. 29, 2020
Number of employees	Production	296	308	318
	Construction	236	238	237
	Sale	154	148	148
	Administration	89	100	101
	Total	775	794	804
Average age		39.49	40.33	40.55
Average years of service		4.97	5.91	6.11
Academic qualification	Doctoral Degree	1	1	1
	Master's Degree	150	158	155
	Bachelor's Degree	462	474	483
	High school	137	147	151
	Below high school	25	14	14

4. Information on spending on environmental protection

- (1) According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made:

The Company is engaged in the assembly of industrial PCs. There is no specific pollution emission in the process. There is no need to apply for permit for installing anti-pollution facilities or permit of pollution drainage. There is also no need to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues.

- (2) Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced: Not applicable.
- (3) Describing the process undertaken by the company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus publication date. If there had been any pollution dispute, its handling process shall also be described: None.
- (4) Describing any losses suffered by the company in the most recent 2 fiscal years and up to the prospectus publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.
- (5) Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years: Not applicable.

5. Employer and employee relationships

- (1) Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor

and management, and all measures aimed at preserving the rights and interests of employees.

1. Employee welfare measures and implementation

The Company's current main welfare measures include cultural and recreational activities, employee travel, emergency assistance, festival bonus, weddings and funerals, and maternity subsidies. There are employee group insurance, employee training, community activities, employee dividends and other measures.

2. Retirement system and its implementation

The Company formulates employee retirement policies in accordance with the provisions of the Labor Standards Act, and adopts a defined contribution system in accordance with the "Labor Pension Act". The retirement benefits are paid by the Company with 6% of the monthly salary as pension, which is saved in a personal special account for pensions.

3. Status continuing education and training

In order to improve the quality and work skills of employees, the Company actively encourages employees to participate in various training courses. In addition to planning internal training courses for employees' professional knowledge needs and inheritance, employees must also apply for external education training according to business and work needs.

4. Negotiation between labor and employer

The Company's labor-management philosophy is based on harmony, and so far no major labor disputes have occurred.

5. Various employee rights protection measures

The Company's protection of employees' rights and interests is based on laws and regulations. In addition, the Company also has written measures to clearly define employees' rights and obligations to protect employees' rights and interests.

- (2) Describing any losses suffered by the company in the most recent 2 fiscal years and up to the printing date of the annual report due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: There is not incidence of labor dispute in the most recent 2 fiscal years and up to the printing date of the annual report.

6. Important Contracts

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Contract of product procurement	ASUSTeK Computer Inc.	Starting Sep. 1, 2017	Procurement	None
Contract of product sales	Wincor	Starting Nov. 03, 2015	Sales	None
Contract of product supply	NCR	Starting Nov. 29, 2016	Sales	None

VI. Financial summary

1. Condensed balance sheet and comprehensive income statement for the most recent 5 years

(1) 1. Condensed balance sheet - IFRS (consolidated)

Unit: NT\$ thousand

Items \ Year		Financial information from the past five years (Note)				
		2015	2016	2017	2018	2019
Current assets		2,699,622	3,934,443	4,880,144	5,345,112	4,810,234
property, plant, and equipment		686,972	660,707	645,810	618,722	595,882
Intangible assets		-	4,622	3,967	5,972	23,993
Other assets		270,281	266,046	286,105	3,765,395	4,247,834
Total assets		3,656,875	4,865,818	5,816,026	9,735,201	9,677,943
Current liabilities	Before dividend distribution	849,581	1,309,832	1,030,926	1,294,950	1,234,398
	After dividend distribution	1,137,581	1,765,832	1,538,226	1,903,794	Note 2
Non-current liabilities		170,399	81,701	153,190	71,852	127,032
Total liabilities	Before dividend distribution	1,019,980	1,391,533	1,184,116	1,366,802	1,361,430
	After dividend distribution	1,307,980	1,847,533	1,691,416	1,975,646	Note 2
Attributable to owners of the parent company		2,510,308	3,020,278	4,188,623	7,889,985	7,800,514
Share capital		960,000	960,000	1,068,000	1,484,985	1,484,985
Capital reserve		990,404	1,285,443	2,272,484	5,361,226	5,348,750
Retained earnings	Before dividend distribution	567,474	789,975	894,172	1,089,088	1,030,094
	After dividend distribution	279,474	333,975	386,872	480,244	Note 2
Other equity		(7,570)	(15,140)	(46,033)	(45,314)	(63,315)
Treasury stock		-	-	-	-	-
non-controlling interests		(7,570)	454,007	443,287	478,414	515,999
Total equity	Before dividend distribution	2,636,895	3,474,285	4,631,910	8,368,399	8,316,513
	After dividend distribution	2,348,895	3,018,285	4,124,610	7,759,555	Note 2

Note 1: The financial documents in the aforementioned fiscal years have been audited by CPAs. As of the printing date of this annual report, there are 2020 Q1 financial reports documents to be audited by the CPAs.

Note 2: The Company's profit distribution for the year 2019 is not yet approved by the Shareholders' Meeting.

2. Comprehensive income statement - IFRS (consolidated)

Unit: NT\$ thousand

Items	Year	Financial information from the past five years (Note)				
		2015	2016	2017	2018	2019
Operating revenues		4,498,031	5,766,362	5,411,540	5,800,255	6,148,380
Operating gross profit		1,433,977	1,879,805	1,686,992	1,788,231	2,063,922
Operating gains and losses		429,246	693,415	458,313	464,073	719,959
Non-operating revenues and expenses		15,228	19,426	245,373	470,177	110,469
Earnings before tax		444,474	712,841	703,686	934,250	830,428
Business units in continuing operation						
Current period net profit		343,453	582,364	619,145	828,626	668,245
gain(loss) from discontinued operations		-	-	-	-	-
Current period net profit (loss)		343,453	582,364	619,145	828,626	668,245
Other comprehensive income for the period (post-tax profit or loss)		(1,957)	(8,251)	(33,091)	(37,544)	(22,694)
Total comprehensive income for the period		341,496	574,113	586,054	791,082	645,551
Net income attributable to owners of the parent company		321,018	510,501	560,197	732,861	552,152
Net income attributable to non-controlling interests		22,435	71,863	58,948	95,765	116,093
Total comprehensive income attributable to owners of the parent company		318,899	502,931	529,304	709,154	534,151
Total comprehensive income attributable to non-controlling interests		22,597	71,182	56,750	81,928	111,400
Earnings per share		3.34	5.32	5.6	6.86	5.17

Note: The financial documents in the aforementioned fiscal years have been audited by CPAs. As of the printing date of this annual report, there are 2020 Q1 financial reports documents to be audited by the CPAs.

3. Condensed balance sheet - IFRS (individual)

Unit: NT\$ thousand

Items	Year	Financial information from the past five years (Note)				
		2015	2016	2017	2018	2019
Current assets		1,756,275	2,396,211	3,418,840	3,769,033	3,682,162
property, plant, and equipment		413,228	402,463	410,023	387,270	374,734
Intangible assets		-	4,034	2,589	4,957	23,435
Other assets		1,050,503	1,235,067	1,198,431	4,688,924	4,653,481
Total assets		3,220,006	4,037,775	5,029,883	8,850,184	8,733,812
Current liabilities	Before dividend distribution	658,370	976,366	801,929	924,324	890,431
	After dividend distribution	946,370	1,432,366	1,309,229	1,533,168	Note 2
Non-current liabilities		51,328	41,131	39,331	35,875	42,867
Total liabilities	Before dividend distribution	709,698	1,017,497	841,260	960,199	933,298
	After dividend distribution	997,698	1,473,497	1,348,560	1,569,043	Note 2
Attributable to owners of the parent company		2,510,308	3,020,278	4,188,623	7,889,985	7,800,514
Share capital		960,000	960,000	1,068,000	1,484,985	1,484,985
Capital reserve		990,404	1,285,443	2,272,484	5,361,226	5,348,750
Retained earnings	Before dividend distribution	567,474	789,975	894,172	1,089,088	1,030,094
	After dividend distribution	279,474	333,975	386,872	480,244	Note 2
Other equity		(7,570)	(15,140)	(46,033)	(45,314)	(63,315)
Treasury stock		-	-	-	-	-
non-controlling interests		-	-	-	-	-
Total equity	Before dividend distribution	2,510,308	3,020,278	4,188,623	7,889,985	7,800,514
	After dividend distribution	2,222,308	2,564,278	3,681,323	7,281,141	Note 2

Note 1: The above financial documents have been audited by CPAs.

Note 2: The Company's profit distribution for the year 2019 is not yet approved by the Shareholders' Meeting.

4. Comprehensive income statement - IFRS (individual)

Unit: NT\$ thousand

Items	Year	Financial information from the past five years (Note)				
		2015	2016	2017	2018	2019
Operating revenues		3,189,070	4,267,058	3,809,723	4,092,106	4,265,294
Operating gross profit		848,495	1,135,898	977,039	1,042,310	1,165,879
Operating gains and losses		269,803	488,087	302,433	314,159	461,333
Non-operating revenues and expenses		118,416	111,380	310,594	487,548	197,036
Earnings before tax		388,219	599,467	613,027	801,707	658,369
Current net profits from continuing operations		321,018	510,501	560,197	732,861	552,152
gain(loss) from discontinued operations		-	-	-	-	-
Net income or loss for current period		321,018	510,501	560,197	732,861	552,152
Other comprehensive income for the period (post-tax profit or loss)		(2,119)	(7,570)	(30,893)	(23,707)	(18,001)
Total comprehensive income for the period		318,899	502,931	529,304	709,154	534,151
Earnings per share		3.34	5.32	5.60	6.86	5.17

Note: The above financial documents have been audited by CPAs.

(2) Names of financial statement auditors in the last 5 years, and their audit opinions

Year	CPA Firm	Name of CPA	Audit opinion
2015	PwC Taiwan	Shu-Chiung, Chang, Hui-Chin, Tseng	Unqualified opinion
2016	PwC Taiwan	Shu-Chiung, Chang, Hui-Chin, Tseng	Unqualified opinion
2017	PwC Taiwan	Shu-Chiung, Chang, Hui-Chin, Tseng	Unqualified opinion
2018	PwC Taiwan	Shu-Chiung, Chang, Hui-Chin, Tseng	Unqualified opinion
2019	PwC Taiwan	Shu-Chiung, Chang, Chun-Yao, Lin	Unqualified opinion

2. Financial analysis for the most recent 5 years

1. Financial analysis for the most recent 5 years - IFRS (consolidated)

Items of analysis		Financial Analysis for the most recent five years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt to assets ratio	27.89	28.60	20.36	14.04	14.07
	Ratio of long-term capital to property, plant and equipment	408.65	537.42	740.95	1,364.14	1,416.98
Solvency (%)	Current ratio	317.76	299.19	473.37	412.77	389.68
	Liquid ratio	203.68	216.04	371.89	336.12	309.07
	Interest coverage ratio	162.28	260.97	140.48	220.15	140.45
Operating ability	Account receivable turnover (times)	6.61	7.18	6.80	7.31	7.51
	Days sales in account receivable	55	51	54	50	49
	Inventory turnover (times)	3.50	3.99	3.51	3.86	3.75
	Account payable turnover (times)	8.24	7.41	6.57	7.59	7.77
	Average days in sales	104	91	104	95	97
	Rate of real estate, plant buildings and equipment turnover (times)	6.76	8.56	8.28	9.28	10.12
	Total asset turnover (times)	1.30	1.35	1.01	0.74	0.63
Profitability	Return on assets (%)	10.01	13.72	11.67	10.70	6.93
	Return on shareholders' equity (%)	13.80	19.06	15.28	12.75	8.01
	Income before tax as a percentage of paid-in capital (%)	46.30	74.25	65.89	62.91	55.92
	Net profit margin (%)	7.64	10.10	11.44	14.29	10.87
	Earnings per share (\$)	3.34	5.32	5.60	6.86	5.17
Cash flow	Cash flow ratio (%)	72.16	57.86	46.85	23.87	59.91
	Cash flow adequacy ratio (%)	64.61	82.06	104.76	99.49	121.74
	Cash re-investment ratio (%)	11.21	12.13	9.31	(2.26)	1.49
Leverage	Operating leverage	2.73	2.94	4.06	4.15	3.02
	Financial leverage	0.99	1.00	1.01	1.01	1.01

Please describe the reasons for the changes in the financial ratios over the last two years (Effort for analysis may be dispensed with in case of increase/decrease change is below 20%)

1. Decrease in interest coverage ratio: Income before tax for 2019 was less than that for 2018
2. Decrease in ROA, ROE, Net profit margin and EPS: Mainly due to the decrease in 2019 profit.
3. Increase in cash flow ratio and cash re-investment ratio: Due to increase of net cash inflow from operating activities for the year 2019.
4. Increase in cash flow adequacy ratio: Due to the increase in net cash inflow from operating activities in the most recent 5 years, and the increase of inventories in the most recent 5 years.
5. Decrease in operating leverage: Due to the increase of operating profit from 2018 to 2019.

Note 1: As of the printing date of this annual report, there are 2020 Q1 financial reports documents to be audited by the CPAs.

2. Financial analysis for the most recent 5 years - IFRS (individual)

Year (Note 1)		Financial Analysis for the most recent five years				
		2015	2016	2017	2018	2019
Items of analysis						
Financial structure (%)	Debt to assets ratio	22.04	25.20	16.73	10.85	10.69
	Ratio of long-term capital to property, plant and equipment	619.91	759.38	1,031.15	2,046.60	2,093.05
Solvency (%)	Current ratio	266.76	244.12	426.33	407.76	413.53
	Liquid ratio	155.31	162.43	343.46	335.61	339.18
	Interest coverage ratio	670.34	23,057.42	7,213.08	Note 2	853.81
Operating ability	Account receivable turnover (times)	6.96	7.89	7.54	7.86	6.86
	Days sales in account receivable	52	46	48	46	53
	Inventory turnover (times)	3.60	4.26	4.07	4.16	4.07
	Account payable turnover (times)	7.57	7.07	5.76	6.86	7.33
	Average days in sales	101	86	90	88	90
	Rate of real estate, plant buildings and equipment turnover (times)	7.94	10.46	9.38	10.26	11.19
	Total asset turnover (times)	1.04	1.18	0.84	0.59	0.49
Profitability	Return on assets (%)	10.46	14.07	12.36	10.56	6.29
	Return on shareholders' equity (%)	13.34	18.46	15.54	12.13	7.04
	Income before tax as a percentage of paid-in capital (%)	40.44	62.44	57.40	53.99	44.34
	Net profit margin (%)	10.07	11.96	14.70	17.91	12.95
	Earnings per share (\$)	3.34	5.32	5.60	6.86	5.17
Cash flow	Cash flow ratio (%)	59.97	68.84	47.26	63.20	39.40
	Cash flow adequacy ratio (%)	34.79	82.03	91.14	98.91	104.76
	Cash re-investment ratio (%)	24.27	11.89	(1.72)	0.95	(3.23)
Leverage	Operating leverage	2.28	2.62	3.72	3.55	2.79
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Please describe the reasons for the changes in the financial ratios over the last two years (Effort for analysis may be dispensed with in case of increase/decrease change is below 20%)						
1. Decrease in ROA, ROE, Net profit margin and EPS: Mainly due to the decrease in 2019 profit.						
2. Decrease in cash flow ratio and cash re-investment ratio: Due to decrease of net cash inflow from operating activities for the year 2019.						
3. Decrease in operating leverage: Due to the increase of operating profit from 2018 to 2019.						

Note 1: The above financial documents have been audited by CPAs.

Note 2: The interest expense is zero, thus not calculated.

Financial analysis calculation formula

1. Financial structure

- (1) The ratio of total liabilities to total assets = total liabilities / total assets
- (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventories - prepaid expense) / current liabilities
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating ability

- (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance
- (2) Days sales in account receivable = 365 / Account receivable turnover (times)
- (3) Inventory turnover (times) = Cost of goods sold / average inventory amount
- (4) Payable (including accounts payable and notes payable arising from business operation) Turnover = Cost of goods sold / Average payable (including accounts payable and notes payable arising from business operation) balance
- (5) Average days in sales = 365 / Inventory turnover (times)
- (6) Property, plant, and equipment turnover (times) = Net sales / Net average property, plant, and equipment
- (7) Total assets turnover (times) = Net sales / Average total assets

4. Profitability

- (1) Return on assets = (after tax net profit + interest expenses x (1 - tax rate)) / average asset balance
- (2) Return on shareholders' equity = after tax net profit / total average equity.
- (3) Profit ratio = net income / net sales
- (4) Earnings per share = (profits or loss attributable to owners of the parent company - preferred stock dividend) / weighted average stock shares issued

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years
- (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital)

6. Leverage:

- (1) Operating leverage = (Net operating revenue - variable operating costs and expenses) / Operating profit
- (2) Financial leverage = Operating profit / (Operating profit - interest expense)

3. Audit committee's report for the most recent year's financial statement: Please refer to Attachment 1.
4. Annual Consolidated Financial statements in the most recent years: Please refer to Attachment 2.
5. Annual parent company only financial statements in the most recent years: Please refer to Attachment 3.
6. If the company or its affiliates have experienced financial difficulties, the annual report shall explain how said difficulties will affect the company's financial situation: No such matter.

VII. The review and analysis of financial position and financial performance, and the risk matters

1. Financial Analysis

Unit: NT\$ thousand

Item	Year		Difference	
	2018	2019	Amount	Rate of change (%)
Current assets	5,345,112	4,810,234	(534,878)	(10.01)
property, plant, and equipment	618,722	595,882	(22,840)	(3.69)
Intangible assets	5,972	23,993	18,021	301.76
Other assets	3,765,395	4,247,834	482,439	12.81
Total assets	9,735,201	9,677,943	(57,258)	(0.59)
Current liabilities	1,294,950	1,234,398	(60,552)	(4.68)
Non-current liabilities	71,852	127,032	55,180	76.80
Total liabilities	1,366,802	1,361,430	(5,372)	(0.39)
Share capital	1,484,985	1,484,985	-	-
Capital reserve	5,361,226	5,348,750	(12,476)	(0.23)
Retained earnings	1,089,088	1,030,094	(58,994)	(5.42)
Other equity	(45,314)	(63,315)	(18,001)	39.73
non-controlling interests	478,414	515,999	37,585	7.86
Total shareholders' equity	8,368,399	8,316,513	(51,886)	(0.62)

1. The annual report shall list the main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof (For changes exceeds 20% or amounts to over NT\$ 10 million, explanation shall be provided).

- (1) Increase in intangible assets is due to the increase in purchase of software.
- (2) Increase in noncurrent liabilities is due to the increase in contract liabilities and lease liabilities in accordance with IFRS 15 and 16.
- (3) Increase in other equity is due to the increase in exchange differences from the translation of financial statements of foreign operations recognized in current period.

2. Measures to be taken in response: The aforementioned changes have no significant adverse impact on the Company.

2. Financial Performance Analysis

Unit: NT\$ thousand

Item \ Year	2018	2019	Increase (decrease)	Rate of change (%)
Operating revenue - net	5,800,255	6,148,380	348,125	6.00
Operating cost	4,012,024	4,084,458	72,434	1.81
Operating gross profit	1,788,231	2,063,922	275,691	15.42
Operating expenses	1,324,158	1,343,963	19,805	1.50
Net Operating Income	464,073	719,959	255,886	55.14
Non-operating revenues and expenses	470,177	110,469	(359,708)	(76.50)
Earnings before tax	934,250	830,428	(103,822)	(11.11)
Income tax expense	105,624	162,183	56,559	53.55
Current period net profit	828,626	668,245	(160,381)	(19.36)

1. The annual report shall list the main reasons for any material change in the company's operating revenues, operating income, or income before tax during the past 2 fiscal years, and describe the effect thereof (For changes exceeds 20% or amounts to over NT\$ 10 million, explanation shall be provided).

- (1) Increase in net operating income: Mainly due to a growth in the 2019 profit.
- (2) Decrease in non-operating income and expenses: Due to the decrease of financial assets profits at fair value through profit and loss compared to 2018.
- (3) Increase in income tax expense: Due to the growth in 2019 profit.

2. Sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response: As the Company has not prepared and announced financial forecasts, the expected sales volume and basis are not applicable, and there has no significant irregularities in the Company's overall performance, so there is no need to formulate a plan.

3. Cash Flow Analysis

(1) Analysis of cash flow changes during the most recent fiscal year

Unit: NT\$ thousand

Item \ Year	2018	2019	Increase (decrease)	Variation Ratio (%)
Operating activities	309,080	739,546	430,466	139.27
Investing activities	19,200	87,320	68,120	354.79
Financing activities	(561,421)	(769,307)	(207,886)	37.03
Net cash inflow (outflow)	(232,944)	50,793	283,737	(121.80)

Analysis of variance in cash flows:

- (1) Operating activities: Mainly due to the growth in the 2019 profit.
- (2) Investing activities: Mainly due to the collection of dividends in 2019.
- (3) Financing activities: Mainly due to the distribution of 2018 cash dividends.

(2) Corrective measures to be taken in response to illiquidity: Not applicable.

(3) Liquidity analysis for the coming year:

Unit: NT\$ thousand

Opening cash balance	Expected net cash flow from operating activities for the year	Expected net cash inflow (outflow) from financing activities for the year	Expected cash surplus (deficit)	Remediation measures against expected cash flow deficit	
				Investment plans	Financing plans
2,516,971	620,136	(481,757)	2,655,350	-	-
1. Cash flow analysis for the next year: (1) Operating activities: Mainly the increase in expected operating revenue and profit for the coming year. (2) Investing activities: There is no proposed major investing activities in the coming year. (3) Financing activities: Mainly the distribution of cash dividends. 2. Remediation measures against expected cash flow deficit: No such matter.					

4. Impacts of major capital expenditures in the most recent year to financial performance: None.

5. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year

(1) Reinvestment policies:

The Company's current reinvestment policies are mainly business-related, and the relevant executive departments follow the internal control system "Investment cycle", "Procedures for transaction between group enterprise, specific company and related party" and "Procedures for Acquisition or Disposal of Assets (including Derivatives)". The above measures or procedures are discussed and approved by the Board Meeting or Shareholders' Meeting.

(2) Investments in other companies for the most recent fiscal year, the main reasons for profit/losses resulting therefrom, plans for improvement thereto:

The investments under equity method of the Company and its subsidiaries are for long-term strategic purposes. In 2019, the investment under equity method made a profit of NT\$ 40,530 thousand. In the future, the Company will continue with mainly long-term strategic investment and continue to carefully evaluate the reinvestment plans.

(3) Investment plans for the coming fiscal year: None.

6. Risk analysis and assessment

(1) Impacts of interest rates, exchange rates, and inflation to The Company's earnings, and the responsive measures

1. Impacts of interest rates on the Company's earnings, and the responsive measures

The interest expenses of the Company and its subsidiaries in 2019 and 2018 were NT\$ 5,955 thousand and NT\$ 4,263 thousand, respectively, which accounted for 0.72% and 0.46% of the pre-tax net profit, respectively. The interest expense accounts for a small percentage of net profit before tax, indicating that the changes in interest rate have no significant impact on the Company's operations. The Company regularly assesses the interest rate of bank loans and maintains close contact with banks to obtain a more favorable interest rate to reduce interest expenses. In addition, the Company's financial stability and good creditworthiness are based on the principle of conservative and stable capital planning. It is expected that future interest rate changes will not have a significant impact on the overall operation of the Company.

2. Impacts of exchange rates on the Company's earnings, and the responsive measures

The net foreign currency exchange gains (loss) of the Company and its subsidiaries in 2019 and 2018 were NT\$ (20,970) thousand and NT\$ 7,769 thousand respectively, accounting for 0.34% and 0.13% of the operating income. The changes of exchange rate have no significant effect on the Company.

3. Impacts of inflation on the Company's earnings, and the responsive measures

The products of the Company and its subsidiaries are not directly sold to general consumers, so inflation has no direct and immediate impact on the Company and its subsidiaries, and there has been no significant impact of inflation on profit or loss in the most recent year and as of the printing date of the annual report.

(2) Policies on high risk and highly leveraged investments, loans to others, endorsements / guarantees, and the trading of derivative instruments; describe the main causes of profit or loss and responsive measures in the future

The Company and its subsidiaries are committed to the operation of the industry and are based on the principle of conservatism and stability. In the most recent year and up to the printing date of the annual report, the Company has not engaged in high-risk, high-leverage investments. When granting loans to others, making endorsement or guarantees, and handling derivatives transactions, the Company follows "Procedures for Management of Loans to Others", "Procedures for Management of Endorsement and Guarantees" and "Procedures for Acquisition or Disposal of Assets".

(3) Future research and development plans, and the projected expenses

1. Future R&D plans are as follows:

For a long time, the industrial PCs have always had a stable market growth, and the development of peripherals is becoming complete. For R&D, the Company adopts an approach that is to develop technology and products simultaneously. In terms of technology, in addition to design innovation and improvement for the core technology, the Company also conducts research based on the unique technologies required by different vertical markets. Its scope covers POS, ATM, industrial automation, IoT, artificial intelligence, computer vision, edge computing and other technologies. The Company corporates, the R&D results into the various new products designed to continuously strengthen the uniqueness of the products to obtain the technology of the leading industry, thereby increasing the market share of the products.

In terms of technology, in addition to meeting the needs of various customized and cost-competitive products, the Company develops the next generation of products for the Company's existing and first-tier customers in the target industry, and provides innovative services of refined R&D, quality assessment and product process, to increase the overall sales value and number of collaborative projects to the first-tier customers to achieve a win-win situation. The advent of Industry 4.0 and the IoT era also bring new opportunities and new business opportunities. The Company has actively invested in smart retail, intelligent manufacturing, intelligent transportation, intelligent cities, network security and other related industrial chains. The Company establishes a partnership with Intel. With the Intel advanced chips, the Company develops IoT gateways for various vertical market applications, industrial-grade innovation development platforms, and artificial intelligence module products. The Company and industry innovation industry peers and developers, expand the IoT product platform, and then cooperate with Intel sales team to jointly develop innovative applications of IoT and artificial intelligence in retail, construction, finance and other professional fields.

In terms of products, the Company's product line covers a wide range. The Company's board products include industrial-grade motherboards, embedded single-board computers, modular single-board computers, industrial-grade innovative development platforms and artificial intelligence modules. System products include two major product lines: touch tablets and embedded controllers. Touch panel PCs are mainly HMI touch tablets and industrial grade touch tablets which come in 10, 12, 15, 15.6, 17, 19, 21.5-inch and other full screen sizes supporting OMNI series modular touch tablet product line supporting full-plane resistance / capacitance and more than 8 expansion modules. The embedded controller are mainly fanless embedded BOX computers, featuring the BOXER product series, and has sub-series such as in-vehicle computers, computer vision computers, and artificial intelligence edge computing platforms. The company's rugged portable products, in response to industry needs, are committed to integrating various related technologies, such as waterproof, dustproof and anti-fall designs, highly integrated sensing settings. Such products support two major hardware platforms, CISC and RISC, and two major operating systems, Microsoft and Android, with functions such as RFID / NFC / Barcode Reader / Magnetic Card Reader / Multi-sensor, etc. to meet the wide demand of customers in mobile and portable products. Besides, there are also SmartPoS series products integrating various payment technologies to meet the increasing demand of mobile payment needs. Regarding network security products, including rack-mounted enterprise-class modular high-performance network security application equipment, mainstream network security application equipment, and desktop network security equipment, supporting various types of high-speed transmission interface varying from traditional copper wire to optical fiber. As for the IoT product, in addition to IoT gateways, the Company provides various sensors, and communication modules, and undertakes customized projects including intelligent cities, intelligent transportation, and intelligent manufacturing. In terms of artificial intelligence, in addition to the development cooperation with Intel, and its wide application in various types of boards and system artificial intelligence modules. There is also an artificial intelligence edge computing system using nVidia chips. In the future, the Company will cooperate with Google and other major manufacturers to develop artificial intelligence edge computing systems to enrich the content of the product line.

2. Estimated R&D expenses are as follows:

The estimated R&D expenses to be invested by the Company and its subsidiaries will be based on the development of new products and technologies. In order to ensure and enhance the Company's competitive advantage, the Company continues to invest manpower and material resources in the development of new products, and applies adjustments at any time according to operating conditions and needs. This is to ensure that a high competitive advantage and flexibility to comply with market needs at any time, and thus to strengthen R&D output of new products. The Company has proposed to invest NT\$ 397,000 in R&D by the end of 2020.

(4) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The operation of the Company and its subsidiaries are in compliance with relevant laws and regulations at home and abroad, and are always updated with the latest changes in the legal environment at home and abroad. There has been no effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad in the most recent fiscal year and as of the printing date of the annual report.

- (5) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response.

The Company and its subsidiaries always stay updated to the changes in the evolution of technology development. With the advent of an aging society, the market prospect of the medical computer industry is showing a steady growth trend. The company grasps the industry dynamics from the sales side to make relevant plans and countermeasures, and continuously invests in technology R&D and technology improvements to consolidate its own competitiveness. In the most recent year and as of the printing date of the annual report, there have been no technological changes or industrial changes that have had a significant impact on the Company's financial business.

- (6) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response.

The Company and its subsidiaries uphold the corporate mission of continuous innovation and integrity management, to meet the needs of customers. The Company's own brand "AAEON" has won praise and recognition from most customers and has a good corporate image. Therefore, in the most recent year and as of the printing date of the annual report, there was no change in corporate image and crisis.

- (7) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.
- (8) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None.
- (9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

1. Sales operations

The proportion of sales to major customers of the Company and its subsidiaries including system integrators, distributors and manufacturers in the past two years has not exceeded 20%, and there is no consolidation of sales.

2. Purchase operations

The suppliers of the Company and its subsidiaries are distributors and parts suppliers. The main supply items are industrial motherboards and system products. The purchase ratio of supplier, ASUS, has reached 20% in year 2019 and 2018. However, ASUS is the parent company of the Company, and the supply status so far is still good. There has been no shortage or interruption of supply that affects the Company's business affairs.

- (10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.

Then juridic Director of the Company, Chen-Lai, Shen, resigned on February 21, 2019, and S.Y. Hsu was reassigned as the successor. The Chairman of the Company and the management team remain unchanged, so there is no impact on the Company's management rights. In addition, in the most recent year and up to the printing date of the annual report, there was no large equity transfer from the Company's Directors, Supervisors or major shareholders holding more than 10% of the shares. Therefore, there is no risk of significant impact on the Company.

- (11) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.
- (12) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the printing date of the annual report: None.

(13) Cyber attack risk:

The company has established a complete network and computer security protection system to control and maintain the Company's operations, manufacturing, accounting and other important enterprise functions. The Company constructs a high-availability system and a remote host backup mechanism to ensure service operations and data, and transfers the backup data to remote space for storage. The Company also strengthens various computer room simulation tests and emergency response exercises to ensure the normal operation of the information system and data preservation. This is to reduce the risk of system interruption caused by unwarned natural disasters and human negligence to meet the expected target time for system recovery.

However, if a cyber attack from any third party intends to paralyze the system, there is no guarantee that the computer system can completely avoid illegal attack at the Company's internal network system, and the damage to the Company's operations and the Company's goodwill. A severe cyber attack might result in loss of data in the Company's system, and the production line may be shut down indefinitely because the attack is not resolved.

The Company reviews and evaluates its network security regulations and procedures every year to ensure the appropriateness and effectiveness. However, there is no guarantee that the Company will not be affected by new risks and attacks in the rapidly changing network security environment.

Cyber attacks may also attempt to steal the company's business secrets, intellectual property or other confidential information, such as proprietary information of customers or other interested parties, as well as employees' personal information. Malicious hackers can also insert computer viruses, destructive software or ransomware into the company's network system, to interfere with the Company's operations, take control of the Computer system to extort the Company, or spy on confidential information.

In such cases, the Company may have to compensate customers for losses due to delays or interruption of orders. The Company may need to bear huge costs to implement remedies and improvement measures to strengthen the Company's network security system, or may also cause the Company to assume significant legal responsibility or regulatory investigations caused by the leakage of information about customers or third parties to which the Company has confidential obligations.

In the year 2019 and as of the printing date of the annual report, the Company did not experience any major cyber attacks or incidents that have or may have a significant adverse impact on the Company's business and operations, and has not been involved in any litigation case or Regulatory investigation.

In addition, the Company needs to share highly sensitive and confidential information to some of the third-party vendors that it employs to provide services of the Company and its global relationship companies so that they can provide related services. Although the Company requires its third-party service vendors to comply with confidentiality and / or network security regulations in service contracts, it cannot guarantee that every third-party service vendor will perform or strictly abide by these obligations.

Internal network systems and / or external cloud computing networks (such as servers) maintained by the aforementioned service vendors and / or their contractors may also be at risk of cyber attacks. If the Company or service provider cannot timely resolve the technical problems caused by these cyber attacks, or ensure the reliability and availability of data of the Company's customers or other third parties, or control the computer systems of the Company or its service providers, these cyberattacks can seriously undermine the Company's commitment to customers and other stakeholders, and the Company's operating results, financial status, prospects and reputation may also be materially and adversely affected.

(14) The important risks, and mitigation measures being or to be taken: None.

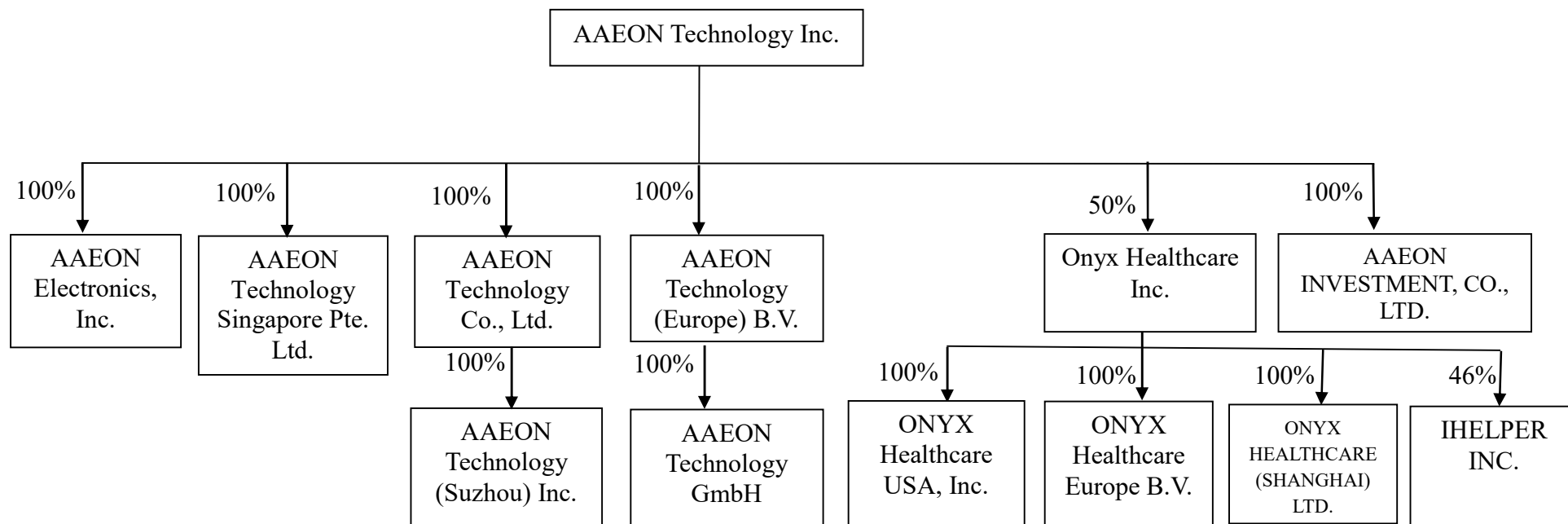
7. Other important disclosures: None.

VIII.Special Notes

1. Affiliated companies

(1) Affiliates consolidated business report

1. Organization chart for affiliates



2. Profiles of the bank's subsidiaries

Name of enterprise	Date of foundation	Location	Paid-in Capital (NT\$ thousand) (Note 1)	Main business activities or products
AAEON Electronics, Inc.	Jun. 6, 1995	U.S.	146,902	Sales of industrial PCs and computer peripherals
AAEON Development Incorporated (Note 2)	Nov. 21, 1997	BVI	-	Investment of industrial PCs and computer peripherals
AAEON Technology Ltd.	Sep. 11, 2001	BVI	264,037	Investment of industrial PCs and interface cards
AAEON Technology (Europe) B.V.	Mar. 4, 2005	The Netherlands	3,359	Sales of industrial PCs and computer peripherals
AAEON INVESTMENT, CO., LTD.	Jun. 6, 2009	Taiwan	150,000	Investment of industrial PCs and computer peripherals
AAEON Technology Singapore Pte. Ltd.	Mar. 30, 2004	Singapore	12,998	Sales of industrial PCs and computer peripherals
AAEON Technology GmbH	Oct. 23, 2007	Germany	1,008	Sales of industrial PCs and computer peripherals
AAEON Technology (Suzhou) Inc.	Nov. 1, 2001	China	260,534	Production and sales of industrial PCs and interface cards
ONYX HEALTHCARE INC.	Feb. 2, 2010	Taiwan	220,082	Design, manufacture and sales of medical computers
ONYX Healthcare USA, Inc.	Nov. 22, 2011	U.S.	59,960	Sales of medical computers and peripherals
AAEON Technology Europe B.V.	May 16, 2012	The Netherlands	3,359	Sales support and maintenance of medical computers and peripherals
ONYX HEALTHCARE (SHANGHAI) LTD.	Sep. 15, 2014	China	59,960	Sales of medical computers and peripherals
IHELPER INC.	Feb. 26, 2018	Taiwan	36,000	R&D and sales of medical robots

Note 1: For paid-in capital in foreign currencies, the amount in foreign currency has been converted into NT\$ at the exchange rate on Dec. 31, 2019.

Note 2: The company has completed its liquidation in December 2019.

3. Entities concluded as the existence of the controlling and subordinate relation under Article 369-3 of the Company Act: None.
4. The industries covered by the business operated by the affiliates overall.

The business operated by the Company and its affiliates is mainly the design, manufacture, processing and sales of computer-related products. There are also a small number of affiliated companies who has investment as their business scope. In general, the situation of division of labor among related Companies lies in the creation of maximum synergy through mutual support of technology, production capacity, sales, and services.

5. The names of the directors, supervisors, and general manager of each affiliate:

Name of enterprise	Title	Name or the representative person	Shares held	
			Shares	Shareholdings percentage
AAEON Electronics Inc.	Chairman of the Board	AAEON Technology (representative: Yung-Shun, Chuang)	490,000	100.00
	President	Paul Yang	-	-
AAEON Development Incorporated (Note1)	Chairman and President	AAEON Technology (representative: Yung-Shun, Chuang)	-	-
AAEON Technology Co., Ltd.	Chairman and President	AAEON Technology (representative: Yung-Shun, Chuang)	8,807,097	100.00
AAEON Technology (Europe) B.V.	Chairman	AAEON Technology (representative: Yung-Shun, Chuang)	-	100.00
AAEON Technology GmbH	Director	AAEON Technology (Europe) B.V. (representative: Yung-Shun, Chuang)	-	100.00
	Director	AAEON TECHNOLOGY (EUROPE) B.V. (representative: Fabrizio del Maffeo)(Note2)	-	-
	Director	AAEON TECHNOLOGY (EUROPE) B.V. (representative: Li-Kai LAI) (Note2)	-	-
AAEON INVESTMENT, CO., LTD.	Chairman and President	AAEON Technology (representative: Yung-Shun, Chuang)	15,000,000	100.00
ONYX HEALTHCARE INC.	Chairman	Jui Hai Investment Co.,Ltd. (representative: Yung-Shun, Chuang)	148,305	0.67
	Director	AAEON Technology (representative: Yung-Shun, Chuang)	11,005,146	50.00
	Director / President	AAEON Technology (representative: Feng-Hsiang, Wang)	-	-
	Director	Tsu-De, Li	-	-
	Independent Director	San-Liang, Li	-	-
	Independent Director	Po-Wen, Chiang	-	-
	Independent Director	Yi-Hui, Tai	-	-
AAEON Technology Singapore Pte. Ltd.	Director	AAEON Technology (representative: Yung-Shun, Chuang)	465,840	100.00
AAEON Technology (Suzhou) Inc.	Chairman	AAEON Technology Co., Ltd. (representative: Yung-Shun, Chuang)	-	100.00
ONYX Healthcare USA, Inc.	Chairman	ONYX HEALTHCARE INC.	200,000	100.00

Name of enterprise	Title	Name or the representative person	Shares held	
			Shares	Shareholdings percentage
ONYX Healthcare Europe B.V.	Chairman	ONYX HEALTHCARE INC. (representative: Yung-Shun, Chuang)	100,000	100.00
ONYX HEALTHCARE (SHANGHAI) LTD.	Chairman	ONYX HEALTHCARE INC. (representative: Yung-Shun, Chuang)	-	100.00
	Director	ONYX HEALTHCARE INC. (representative: Chin-Lung, Hsu)	-	-
	Director / President	ONYX HEALTHCARE INC. (representative: Feng-Hsiang, Wang)	-	-
	Supervisors	ONYX HEALTHCARE INC. (representative: Yun-Chen, Tu)	-	-
IHHELPER INC.	Chairman	Kinpo Electronics Inc.(representative: Shih-Jung, Shen)	1,584,000	44.00
	Director	Kinpo Electronics Inc.(representative: Chien-Hui, Yu)	-	-
	Director	ONYX HEALTHCARE INC. (representative: Yung-Shun, Chuang)	1,656,000	46.00
	Director / President	ONYX HEALTHCARE INC. (representative: Feng-Hsiang, Wang)	-	-
	Director	Tsu-De, Li	-	-
	Supervisor:	Chih-Yun, Hsi	-	-

Note1: The company has completed its liquidation in December 2019.

Note2: The original representative Fabrizio del Maffeo has resigned, and the registration of the new representative Li-Kai LAI is still being processed

6. Operating highlights of the affiliates

Unit: NT\$ thousand

Name of enterprise	Share capital	Total assets	Total liabilities	Net value	Operating revenues	Operating profit	After-tax net profit	Earnings per share (\$)
AAEON Electronics, Inc.	146,902	379,935	183,846	196,089	868,555	(9,776)	20,912	-
AAEON Development Incorporated	-	-	-	-	-	(134)	(5,119)	-
AAEON Technology Co., Ltd.	264,037	218,787	10	218,777	-	(61)	(13,543)	-
AAEON Technology (Europe) B.V.	3,359	137,977	93,960	44,017	633,599	9,979	9,338	-
AAEON INVESTMENT, CO., LTD.	150,000	110,969	81	110,888	-	(99)	218	0.01
AAEON Technology Singapore Pte. Ltd.	10,379	60,422	20,385	40,037	127,955	(2,485)	(2,412)	-
AAEON Technology GmbH	1,008	25,789	8,108	17,681	31,921	717	2,031	-
AAEON Technology (Suzhou) Inc.	260,534	315,277	99,322	215,955	537,308	(11,257)	(13,428)	-
ONYX HEALTHCARE INC.	220,082	1,314,785	306,855	1,007,930	1,157,701	236,603	239,377	10.88
ONYX Healthcare USA, Inc.	59,960	155,916	65,687	90,229	602,542	17,951	13,462	-
ONYX Healthcare Europe B.V.	3,359	27,908	14,201	13,707	56,271	3,461	2,636	-
IHELPER INC.	36,000	24,287	1,914	22,373	797	(7,113)	(7,125)	(1.98)
ONYX HEALTHCARE (SHANGHAI) LTD.	57,768	21,728	13,276	8,452	7,251	(14,276)	(15,199)	-

(2) Consolidated financial reports auditor's report

For the year ended December 31, 2019, the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the companies required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

(3) Consolidated financial statements of affiliated enterprises: Not applicable.

2. Private placements of securities carries during the most recent fiscal year or during the current fiscal year up to the printing date of the annual report and the status of use of the capital raised through the private placement of securities, the implementation progress of the plan: None.
3. Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.
4. Other supplementary information: None.
5. Any Events in the most recent fiscal year and as of the printing date of this annual report that had significant impacts on shareholders' right or security prices as stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

Attachment 1: Audit Committees' Review Report

Audit Committee's Review Report of AAEON Technology Inc.

The Board of Directors has prepared the AAEON Technology Inc. (“the Company”) 2019 Business Report, financial statements, and proposal for earnings distribution. The CPA firm of PwC was retained to audit the Company’s financial statements and has issued an audit report relating to financial statements. The above Business Report, financial statements, and earnings distribution proposal have been examined and determined to be correct and accurate by the Audit Committee of AAEON Technology Inc. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

AAEON Technology Inc.

Chairman of the Audit Committee: Mr. Kun-Chih, Chen 陳坤志

February 27, 2020

Attachment 2: 2019 Consolidated Financial Report

AAEON Technology Inc. and Subsidiaries

Declaration of Consolidated Financial Statements of Affiliated Enterprises

It is hereby declared that the Affiliation Report for 2019 (from January 1, 2019 to December 31, 2019) was prepared pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the financial statements for the above period.

Hereby certify

Company Name: AAEON Technology Inc.

Representative: Yung-Shun Chuang



February 27, 2020

To AAEON Technology Inc.:

Opinion

We have audited the accompanying consolidated balance sheets of AAEON Technology Inc. (hereinafter referred to as “AAEON”) and its subsidiaries as of 31 December 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the audits of other CPAs (please refer to the “Other Matters”), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2019, and 2018, in conformity with the requirements of the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, and “International Financial Reporting Standards”, “International Accounting Standards”, “Interpretations developed by the International Financial Reporting Interpretations Committee” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants” and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of AAEON Technology Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the audits of other CPAs, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of 2019 consolidated financial statements. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of our 2019 consolidated financial statements are as follows:

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

Explanation

Please refer to Note 4(30) of the consolidated financial statements for the accounting of revenue recognition, and refer to Note 6(17) of the consolidated financial statements for details of operating revenue.

AAEON’s main businesses and products include the design, manufacturing and sales of industrial computers, medical computers and peripherals. Since product orders are effected by project cycles, the Company needs to focus on entering new markets and accepting orders of new projects, there will be changes in the top ten customers. After comparing the top ten sales customers in the Taiwan in 2019 and 2018, the incorporation of newly listed top ten sales customers has a significant

impact on the consolidated operating revenue. With that, the CPA listed the existence for incorporating the revenues of AAEON's newly listed top ten sales customers as one of the key audit matters.

Audit Procedures

Our main audit procedures are as follows:

1. For the assessment and testing of the financial statements, the internal control procedures of sales transactions are based on the Group's internal control system.
2. Viewing the relevant industry background information of newly listed top ten sales customers.
3. Obtaining and sampling relevant vouchers for the transactions involving operating revenue of the newly listed top ten sales customers.

Accounting estimate of inventory valuation

Explanation

Please refer to Note 4(12) of the consolidated financial statements for the accounting estimate of inventory valuation; please refer to Note 5 to the consolidated financial statements for uncertainties in the accounting estimate of inventory evaluation; please refer to the note 6(5) of the consolidated financial statements for inventory items.

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

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

Audit Procedures

Our main audit procedures are as follows:

1. Assessing the policy of allowance for inventory impairment with the understanding of AAEON's operations and the nature of the industry.
2. Checking the management's details of outdated inventories as well as relevant documentary evidence.
3. Testing the price basis of net realizable value for each inventory item, and randomly checking the correctness of net realizable value.

Impairment loss on investments accounted for using the equity method

Explanation

Please refer to Note 4(13) of the consolidated financial statements for accounting policies on investments using the equity method; please refer to Note 5 to the consolidated financial statements

for uncertainties in accounting estimates for investments using the equity method; please refer to Note 6 (6) of the consolidated financial statements for investment items.

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

Audit Procedures

Our main audit procedures are as follows:

1. Assessing IBASE's estimated revenue growth, gross profit margin and operating expense ratio of future cash flows in comparison with historical results and literatures on economic and industry forecasts.
2. Comparing the discount rate for IBASE's assessment on value in use with the assumption of cost of capital generated by cash and alternatives to ROA.
3. Check the correctness of evaluation models.

Other Matters - Audit of Other CPAs

The investee in AAEON's consolidated financial statements using the equity method has not been audited by the CPA, but are included in the audit work of other CPAs. Therefore, the CPA's opinion on the amounts listed in the aforementioned consolidated financial statements are based on the audit reports of another CPA. The aforementioned investment using the equity method as of December 31, 2019 and 2018 were NT\$3,987,493 thousand and NT\$3,573,849 thousand, respectively, accounting for 41.20% and 36.71% of total consolidated assets. For the years ended December 31st, 2019 and 2018, the comprehensive income of affiliates and joint ventures using the equity method were NT\$40,452 thousand and -NT\$84 thousand, respectively, accounting for 6.27% and 0% of the consolidated comprehensive income.

Other Matters – Individual Financial Report

We have audited and expressed an unmodified opinion with other matter section on the individual financial statements for the years ended December 31, 2019 and 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Certified Public Accountant

Shu-Chiung Chang

Chun-Yao Lin

Financial Supervisory Commission, Executive Yuan, R.O.C.

Approval reference: Jin-Guan-Zheng-Shen-0990042602
Securities and Futures Commission, Ministry of Finance

Approval reference: (1996)Tai-Tsai-Cheng (VI) No. 68702

February 27, 2020

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
As of 31 December 2019 and 31 December 2018

Unit: NT\$ thousand

Assets	Notes	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current asset						
1100	Cash and cash equivalents	6. (1)	\$ 2,516,971	26	\$ 2,466,178	25
1110	Financial asset at fair value through profit or loss - current	6. (2)	508,167	5	1,019,105	10
1150	Net notes receivable	6. (4)	12,722	-	17,472	-
1170	Net accounts receivable	6. (4)	752,782	8	826,552	9
1200	Other Receivables		22,119	-	20,509	-
130X	Inventory	6. (5)	938,977	10	940,352	10
1410	Prepayment		56,148	1	52,181	1
1479	Other current liabilities - other	8	2,348	-	2,763	-
11XX	Total current assets		<u>4,810,234</u>	<u>50</u>	<u>5,345,112</u>	<u>55</u>
Non-current assets						
1510	Financial asset at fair value through profit or loss - non-current	6. (2)	64,157	1	38,312	-
1517	Financial asset at fair value through other comprehensive income - non-current	6. (3)	2,381	-	10,350	-
1550	Investments accounted for using the equity method	6. (6)	3,987,493	41	3,573,849	37
1600	Property, Plant and Equipment	6. (7), 8	595,882	6	618,722	6
1755	Right-of-use asset	6. (8)	59,305	1	-	-
1760	Net Investment Property		58,370	-	70,457	1
1780	Intangible asset		23,993	-	5,972	-
1840	Deferred tax assets	6. (23)	62,563	1	58,272	1
1900	Other non-current assets		13,565	-	14,155	-
15XX	Total non-current assets		<u>4,867,709</u>	<u>50</u>	<u>4,390,089</u>	<u>45</u>
1XXX	Total Assets		<u>\$ 9,677,943</u>	<u>100</u>	<u>\$ 9,735,201</u>	<u>100</u>

(Continued)


AAEON Technology Inc. and Subsidiaries
Consolidated Balance Sheets
 As of 31 December 2019 and 31 December 2018

Unit: NT\$ thousand

Liabilities and equity	Notes	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current liability						
2100	Short-term borrowings	6. (9)	\$ 44,370	1	\$ 67,573	1
2120	Financial liabilities at fair value through profit or loss - current	6. (10)	-	-	1	-
2130	Contract Liability - Current	6. (10)	109,489	1	134,105	1
2150	Notes Payable		-	-	10,505	-
2170	Accounts Payable	7	483,480	5	557,938	6
2200	Other Payables	6. (11), 7	386,887	4	368,422	4
2230	Current tax liabilities		108,720	1	95,838	1
2250	Provisions - Current		37,937	-	46,254	-
2280	Lease Liability - Current		39,151	1	-	-
2399	Other current liabilities - other		24,364	-	14,314	-
21XX	Total current liabilities		<u>1,234,398</u>	<u>13</u>	<u>1,294,950</u>	<u>13</u>
Non-current liabilities						
2527	Contract Liability - non-current	6. (17)	69,000	1	39,091	1
2550	Provisions - non-current		7,641	-	7,423	-
2570	Deferred tax liabilities	6. (23)	27,060	-	22,942	-
2580	Lease Liability - non-current		21,091	-	-	-
2670	Other non-current liabilities - other		2,240	-	2,396	-
25XX	Total non-current liabilities		<u>127,032</u>	<u>1</u>	<u>71,852</u>	<u>1</u>
2XXX	Total Liabilities		<u>1,361,430</u>	<u>14</u>	<u>1,366,802</u>	<u>14</u>
Equity						
Equity attributable to owners of parent						
Share capital						
3110	Common share capital	6. (14)	1,484,985	15	1,484,985	15
Capital surplus						
3200	Capital surplus	6. (15)	5,348,750	55	5,361,226	54
Retained earnings						
3310	Legal reserve	6. (16)	332,568	3	259,282	3
3320	Special reserve		45,314	1	46,033	1
3350	Undistributed earnings		652,212	7	783,773	8
Other Equity						
3400	Other Equity		(63,315)	-	(45,314)	-
31XX	Total equity attributable to owners of parent		<u>7,800,514</u>	<u>81</u>	<u>7,889,985</u>	<u>81</u>
36XX	Non-controlling interests	4. (3)	<u>515,999</u>	<u>5</u>	<u>478,414</u>	<u>5</u>
3XXX	Total equity		<u>8,316,513</u>	<u>86</u>	<u>8,368,399</u>	<u>86</u>
Material Contingent Liabilities and Unrecognized Contractual Commitments						
Material Subsequent Events						
3X2X	Total liabilities and equity		<u>\$ 9,677,943</u>	<u>100</u>	<u>\$ 9,735,201</u>	<u>100</u>

Please also refer to the notes as it is part of the consolidated financial statements.

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Hsiu-Fen Wung





AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
 For the years ended December 31, 2019 and 2018

Unit: NT\$ thousand
 (except for per share data in NT\$)

Item	Notes	2019		2018	
		Amount	%	Amount	%
4000 Operating income	6. (17), 7	\$ 6,148,380	100	\$ 5,800,255	100
5000 Operating cost	6. (5)(21) (22) (25), 7.	(4,084,458)	(66)	(4,012,024)	(69)
5900 Operating profit		<u>2,063,922</u>	<u>34</u>	<u>1,788,231</u>	<u>31</u>
Operating expenses	6. (12) (21) (22) (25), 7.				
6100 Marketing Expense		(607,197)	(10)	(607,064)	(11)
6200 Administrative expenses		(247,057)	(4)	(251,598)	(4)
6300 R & D expense		(466,551)	(8)	(470,145)	(8)
6450 Expected credit impairment losses (gains)	12. (2)	(23,158)	-	4,649	-
6000 Total operating expense		(1,343,963)	(22)	(1,324,158)	(23)
6900 Operating income		<u>719,959</u>	<u>12</u>	<u>464,073</u>	<u>8</u>
Non-operating income and expenses					
7010 Other income	6. (18)	58,018	1	59,306	1
7020 Other gains and losses	6. (19)	17,876	-	404,532	7
7050 Financial costs	6. (20)	(5,955)	-	(4,263)	-
7060 Share of the profit of associates and joint ventures accounted for using the equity method	6. (6)	<u>40,530</u>	<u>1</u>	<u>10,602</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>110,469</u>	<u>2</u>	<u>470,177</u>	<u>8</u>
7900 Profit before tax		830,428	14	934,250	16
7950 income tax expense	6. (23)	(162,183)	(3)	(105,624)	(2)
8200 Net income		<u>\$ 668,245</u>	<u>11</u>	<u>\$ 828,626</u>	<u>14</u>

(Continued)

AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
For the years ended December 31, 2019 and 2018



Unit: NT\$ thousand
(except for per share data in NT\$)

Item	Notes	2019		2018	
		Amount	%	Amount	%
Other comprehensive income Not to be reclassified to profit or loss in subsequent periods					
8316	Unrealized losses from equity instruments investments measured at fair value through other comprehensive income	6. (3)			
8320	Share of other comprehensive income of associates and joint ventures accounted for using the equity method - not to be reclassified to profit or loss in subsequent periods	6. (6)	(\$ 7,969)	-	(\$ 28,984) -
8310	Total amount not to be reclassified to profit or loss in subsequent periods		2,864	-	(10,471) -
			(5,105)	-	(39,455) -
To be reclassified to profit or loss in subsequent periods					
8361	Exchange differences resulting from translating the financial statements of a foreign operation		(18,327)	-	2,736 -
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method - to be reclassified to profit or loss in subsequent periods	6. (6)			
8399	Income tax relating to the components to be reclassified to profit or loss in subsequent periods	6. (23)	(2,942)	-	(215) -
8360	Total amount to be reclassified to profit or loss in subsequent periods		3,680	-	(610) -
			(17,589)	-	1,911 -
8500	Total comprehensive income		\$ 645,551	11	\$ 791,082 14
Net income attributable to:					
8610	Owners of parent		\$ 552,152	9	\$ 732,861 12
8620	Non-controlling interests		116,093	2	95,765 2
			\$ 668,245	11	\$ 828,626 14
Total comprehensive income attributable to:					
8710	Owners of parent		\$ 534,151	9	\$ 709,154 13
8720	Non-controlling interests		111,400	2	81,928 1
			\$ 645,551	11	\$ 791,082 14
Basic earnings per share					
9750	Total basic earnings per share	6. (24)			
			\$	5.17	\$ 6.86
Diluted earnings per share					
9850	Total diluted earnings per share	6. (24)			
			\$	5.13	\$ 6.81

Please also refer to the notes as it is part of the consolidated financial statements.

Chairman: Yung-Shun Chuang




Manager: Chien-Hung Lin



Accounting Supervisor: Hsiu-Fen Wung




AAEON Technology Inc. and Subsidiaries
Statements of Changes in Equity
For the years ended December 31, 2019 and 2018

Unit: NTS thousand

	Notes	Equity attributable to owners of parent														
		Retained earnings					Other Equity					Total	Non-controlling interests	Total		
		Common share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign operation	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unrealized gains (losses) from available-for-sale items financial assets	Remeasurements of defined benefit plans						
2018																
Balance on 1 January 2018		\$ 1,068,000	\$ 2,272,484	\$ 203,262	\$ 25,797	\$ 665,113	(\$ 21,607)	\$ -	(\$ 24,426)	\$ -	\$ 4,188,623	\$ 443,287	\$ 4,631,910			
Effects on retrospective application and restatement		-	-	-	-	(24,426)	-	-	24,426	-	-	-	-			
Balance on 1 January 2018 (Adjusted)		1,068,000	2,272,484	203,262	25,797	640,687	(21,607)	-	-	-	4,188,623	443,287	4,631,910			
Net income		-	-	-	-	732,861	-	-	-	-	732,861	95,765	828,626			
Other comprehensive income		-	-	-	-	-	1,110	(23,172)	-	(1,645)	(23,707)	(13,837)	(37,544)			
Total comprehensive income		-	-	-	-	732,861	1,110	(23,172)	-	(1,645)	709,154	81,928	791,082			
Appropriations and distribution for 2017:	6. (16)															
Legal reserve		-	-	56,020	-	(56,020)	-	-	-	-	-	-	-			
Special reserve		-	-	-	20,236	(20,236)	-	-	-	-	-	-	-			
Cash dividends		-	-	-	-	(507,300)	-	-	-	(507,300)	-	(507,300)	-			
Effect from long-term investment that has not been recognized based on 6. (15) shareholding percentage		-	7,226	-	-	(6,692)	-	-	-	-	534	-	534			
Transfer of new shares issued by other companies	6. (14) (15)	416,985	3,081,516	-	-	-	-	-	-	-	3,498,501	-	3,498,501			
Share of changes in net assets of associates and joint ventures accounted for using the equity method		-	-	-	-	473	-	-	-	-	473	-	473			
Changes in non-controlling interests - cash dividends for non-controlling interests		-	-	-	-	-	-	-	-	-	-	(66,241)	(66,241)			
Changes in non-controlling interests - effects on cash capital increase of subsidiaries		-	-	-	-	-	-	-	-	-	-	19,440	19,440			
Balance on 31 December 2018		\$ 1,484,985	\$ 5,361,226	\$ 259,282	\$ 46,033	\$ 783,773	(\$ 20,497)	(\$ 23,172)	\$ -	(\$ 1,645)	\$ 7,889,985	\$ 478,414	\$ 8,368,399			
2019																
Balance on 1 January 2019		\$ 1,484,985	\$ 5,361,226	\$ 259,282	\$ 46,033	\$ 783,773	(\$ 20,497)	(\$ 23,172)	\$ -	(\$ 1,645)	\$ 7,889,985	\$ 478,414	\$ 8,368,399			
Net income		-	-	-	-	552,152	-	-	-	-	552,152	116,093	668,245			
Other comprehensive income		-	-	-	-	-	(15,683)	(1,832)	-	(486)	(18,001)	(4,693)	(22,694)			
Total comprehensive income		-	-	-	-	552,152	(15,683)	(1,832)	-	(486)	534,151	111,400	645,551			
Appropriations and distribution for 2018:	6. (16)															
Legal reserve		-	-	73,286	-	(73,286)	-	-	-	-	-	-	-			
Reverse special reserve		-	-	-	(719)	719	-	-	-	-	-	-	-			
Cash dividends		-	-	-	-	(608,844)	-	-	-	(608,844)	-	(608,844)	-			
Differences between share price and book value from acquisition or disposal of subsidiaries	6. (15)	-	(19,899)	-	-	-	-	-	-	-	(19,899)	-	(19,899)			
Effect from long-term investment that has not been recognized based on 6. (15) shareholding percentage		-	5,877	-	-	(669)	-	-	-	-	5,208	-	5,208			
Share of changes in net assets of associates and joint ventures accounted for using the equity method		-	-	-	-	(1,397)	-	-	-	-	(1,397)	-	(1,397)			
Share-based Payment	6. (13) (15)	-	1,546	-	-	(236)	-	-	-	-	1,310	-	1,310			
Changes in non-controlling interests - cash dividends for non-controlling interests		-	-	-	-	-	-	-	-	-	-	(65,018)	(65,018)			
Changes in non-controlling interests - acquisition of additional interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	(8,797)	(8,797)			
Balance on 31 December 2019		\$ 1,484,985	\$ 5,348,750	\$ 332,568	\$ 45,314	\$ 652,212	(\$ 36,180)	(\$ 25,004)	\$ -	(\$ 2,131)	\$ 7,800,514	\$ 515,999	\$ 8,316,513			

Please also refer to the notes as it is part of the consolidated financial statements.

Chairman: Yung-Shun Chuang

Manager: Chien-Hung Lin

Accounting Supervisor: Hsiu-Fen Wung




AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2019 and 2018

Unit: NT\$ thousand

	Notes	2019.1.1~2019.12.31	2018.1.1~2018.12.31
<u>Cash flows from operating activities</u>			
Profit before income tax from continuing operations		\$ 830,428	\$ 934,250
Adjustments			
Income and other adjustments with no cash flow effects			
depreciation expense	6 (7) (8) (21)	92,368	57,539
Amortization expenses	6 (21)	6,296	6,802
Expected credit impairment losses (gains)	12 (2)	23,158	(4,649)
Costs of share-based payment awards	6 (13)	1,310	-
Interest income	6 (18)	(12,251)	(9,938)
Dividend income	6 (18)	(32,410)	(43,338)
Interest expenses	6 (21)	5,955	4,263
Net gains from financial assets and liabilities at fair value through profit or loss	6 (2) (10) (19)	(25,189)	(370,643)
Losses on disposal of property, plant and equipment	6 (7) (19)	98	6,230
Expenses transferred from property, plant and equipment		-	1,472
Depreciation expense of investment property (other gains and losses)		5,707	5,884
Share of profit of associates accounted for using the equity method	6 (6)	(40,530)	(10,602)
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		35,362	(193,394)
Notes and accounts receivable		54,633	(107,749)
Other Receivables		(1,610)	(1,486)
Inventory		1,375	(43,140)
Prepayment		(3,967)	2,760
Net changes in operating liabilities			
contract liability		9,123	(10,782)
Notes and accounts payable		(84,963)	79,568
Other Payables		16,498	62,054
Other current liabilities		6,220	1,497
Provisions		(8,099)	(2,187)
Other non-current liabilities		(156)	(971)
Net cash from operating activities		879,356	363,440
Interest received		12,251	9,938
Interest paid	6 (8)	(5,955)	(4,263)
Income taxes paid		(146,106)	(60,035)
Net cash flows from operating activities		<u>739,546</u>	<u>309,080</u>

(Continued)

AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2019 and 2018



Unit: NT\$ thousand

	Notes	2019.1.1~2019.12.31	2018.1.1~2018.12.31
<u>Cash flows from investing activities</u>			
Acquired financial assets at fair value through profit or loss		(\$ 34,656)	\$ -
Decrease in other current assets		415	6,542
Acquisition of investments accounted for using the equity method		(673)	-
Acquisition of property, plant and equipment	6 (26)	(19,720)	(33,059)
Disposal of property, plant and equipment	6 (7)	478	4,265
Acquisition of intangible asset		(22,347)	(5,090)
Increase in other non-current assets		(9,454)	(8,143)
Dividends received		173,277	54,685
Net cash flows from investing activities		<u>87,320</u>	<u>19,200</u>
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term borrowings		(22,257)	67,573
Repayment of lease principal	6 (8)	(44,492)	-
Repayment of long-term borrowings		-	(74,893)
Acquired shareholding of subsidiary		(28,696)	-
Changes in non-controlling interests - cash dividends for non-controlling interests	4 (3)	(65,018)	(66,241)
Cash dividends paid		(608,844)	(507,300)
Increase in cash capital of non-controlling interests		-	19,440
Net cash flows from financing activities		<u>(769,307)</u>	<u>(561,421)</u>
Effects of exchange rate changes on cash and cash equivalents		(6,766)	197
Increase (decrease) in cash and cash equivalents		50,793	(232,944)
Cash and cash equivalents at the beginning of periods		<u>2,466,178</u>	<u>2,699,122</u>
Cash and cash equivalents at the end of periods		<u>\$ 2,516,971</u>	<u>\$ 2,466,178</u>

Please also refer to the notes as it is part of the consolidated financial statements.

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Hsiu-Fen Wung




AAEON Technology Inc. and Subsidiaries
Notes of Consolidated Financial Statements
December 31, 2019 and 2018

Unit: NT\$ thousand
(unless otherwise specified)

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 40.72% of the Company's shares (including indirect holdings) and is the Group's ultimate parent company.

II. Date and Procedures for the Authorization of Financial Reports

The consolidated financial reports were approved by the board of directors in February 26, 2020.

III. New or Revised Standards and Applied Interpretations

(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 the end of the reporting period are listed below:

<u>Newly issued revised or amended standards and interpretations</u>	<u>Effective date issued by IASB</u>
Amendments to IFRS 9 "Pre-payment Features with Negative Compensation"	1 January 2019
IFRS 16 "Leases"	1 January 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	1 January 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Annual Improvements 2015 - 2017 Cycle	1 January 2019

Apart from the items explained below, the remaining standards and interpretations have no material impact on the Group:

IFRS 16 "Leases"

1. IFRS 16 "Leases" replaces IAS 17 "Lease" and related interpretations and SICs. The new standard requires lessees to account for the right-of-use assets and lease liabilities (apart from leases with a lease term of 12 months or less, or for underlying assets of low value). Lessor accounting still uses the dual classification approach and only adds relevant new disclosure.
2. We adopt the 2019 IFRS, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission, with the application of IFRS16 without restating the comparative information (hereinafter referred to as the "modified retroactive adjustment") to lease contracts of lessees. On January 1,

2019, the right-of-use asset and lease liabilities both increased by NT\$91,388.

3. The expedient practices adopted for the initial application of IFRS 16 are as follows:
 - (1) Not reassessing whether a contract is, or contains, a lease at the date of initial application. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.
 - (2) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (3) Leases for which the lease terms ends at the latest on December 31, 2019 are recognized as short-term leases. Rental expenses of NT\$5,974 are recognized by these lease agreements in 2019.
 - (4) Direct cost is not included in the initial measurement of the right-of-use asset.
4. In measuring lease liabilities at the present value, the Group shall use its incremental borrowing rate ranging from 1.68% to 5.25%.
5. The Group has disclosed the amount of its operating lease commitments in accordance with IAS 17. The reconciliation of present value discounted by the incremental borrowing rate at the date of initial application and the lease liabilities recognized on January 1, 2019 are as follows:

Operating lease commitments disclosed applying IAS 17 on December 31, 2018	\$ 107,530
Less : Exemption for short-term leases	(11,778)
Less: Exemption for low value assets	(74)
Adopted the IFRS 16 - Total amount in the lease contract for the recognition of lease liabilities in January 1, 2019	<u>\$ 95,678</u>
The Group's incremental borrowing rate at the date of initial application	<u>1.68%~5.25%</u>
Adopted the IFRS 16 - Leases for the recognition of lease liabilities in January 1, 2019	<u>\$ 91,388</u>

(II) The impact of the IFRS issued and amended by IASB which are endorsed by FSC but not yet adopted by the Group

Standards or interpretations issued, revised or amended by IASB which are endorsed by FSC at 2020 are listed below:

<u>Newly issued revised or amended standards and interpretations</u>	<u>Effective date issued by IASB</u>
Amendment to IAS 1 and IAS 8 on "Disclosure Initiative - Definition of Materials"	1 January 2020
Amendments to IFRS 3 ("Definition of a Business")	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 ("Reforming Interest Rate Benchmarks")	1 January 2020

The above standards and interpretations have no material impact on the Group.

(III) The impact of IFRS standards issued by IASB but have not yet endorsed by FSC

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

<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 IASB
IFRS 17 “Insurance Contracts”	1 January 2021
Amendments to IAS 1 (“Classification of liabilities as current or non-current”)	1 January 2022

The above standards and interpretations have no material impact on the Group.

IV. Summary of Significant Accounting Policies

The significant accounting policies for the consolidated financial statements are summarized as follows. Unless otherwise noted, these policies have been applied consistently to all periods

(I) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and IAS 34 “Interim Financial Reporting” (hereinafter collectively referred to as the IFRSs) as endorsed by FSC of the Republic of China.

(II) Basis of preparation

1. The consolidated financial statements have been prepared on a historical cost basis except for the following reasons:
 - (1) Financial assets and liabilities (including derivatives) that have been measured at fair value through profit or loss.
 - (2) Financial assets that have been measured at fair value through other comprehensive income.
2. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Preparation principle of consolidated financial statement:
 - (1) The Group includes all subsidiaries in preparing the consolidated financial report. A subsidiary is an entity (including a structured entity) that is controlled by the Group. The Group controls the subsidiary when it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the subsidiary. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.
 - (2) All intra-group balances, income and expenses, unrealized gains and losses are eliminated in full. The necessary adjustments have been made to the accounting policies of the subsidiaries, consistent with the policies adopted by the Group.
 - (3) Profit and loss and other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, and the total comprehensive income is also attributed to the owners of the parent and to the non-controlling income even if this results in the non-controlling interests having a deficit balance.

- (4) A change in the ownership interest of a subsidiary, without a change of control (transaction with non-controlling interests), is accounted for as an equity transaction, which is the transaction between owners. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration or received would be recognized directly in equity.
- (5) When the Group loses the control in a subsidiary, the remaining investment is remeasured at fair value and initially recognized as fair value for the financial asset or initially recognized at cost for the investment in the affiliate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. The Group shall account for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Group would be reclassified to profit or loss on the disposal of the related assets or liabilities, the gain or loss from equity is reclassified to profit or loss when the Group loses significant influence.

2. The subsidiaries included in the consolidated financial statements:

Investor	Investee	Business	Ownership interest		Notes
			2019.12.31	2018.12.31	
AAEON Technology Inc.	AAEON ELECTRONICS, INC. (AEI)	Sales of IPC and PC peripherals	100%	100%	
AAEON Technology Inc.	AAEON DEVELOPMENT INC. (ADI)	Investment of IPC and PC peripherals	-	100%	Note 1
AAEON Technology Inc.	AAEON TECHNOLOGY CO., LTD (ATCL)	Investment of IPC and interface card	100%	100%	
AAEON Technology Inc.	AAEON TECHNOLOGY (EUROPE) B.V.(ANI)	Sales of IPC and PC peripherals	100%	100%	
AAEON Technology Inc.	AAEON INVESTMENT, CO., LTD.(AAEONI)	Investment of IPC and PC peripherals	100%	100%	
AAEON Technology Inc.	ONYX HEALTHCARE INC. (ONYX)	Design, manufacture and sales of medical PC	50.00%	49.07%	Note 2
AAEON Technology Inc.	AAEON TECHNOLOGY SINGAPORE PTE. LTD.(ASG)	Sales of IPC and PC peripherals	100%	-	

Investor	Investee	Business	Ownership interest		Notes
			2019.12.31	2018.12.31	
ADI	AAEON TECHNOLOGY SINGAPORE PTE. LTD.(ASG)	Sales of IPC and PC peripherals	-	100%	
ATCL	AAEON TECHNOLOGY (SUZHOU) INC.(ACI)	Production and sales of IPC and interface card	100%	100%	
ANI	AAEON TECHNOLOGY GMBH(AGI)	Sales of IPC and PC peripherals	100%	100%	
ONYX	ONYX HEALTHCARE EUROPE B.V. (ONI)	Marketing support and maintenance of medical PC and peripherals	100%	100%	
ONYX	ONYX HEALTHCARE USA, INC. (OHU)	Sales of medical PC and peripherals	100%	100%	
ONYX	ONYX HEALTHCARE (SHANGHAI) LTD.(OCI)	Sales of medical PC and peripherals	100%	100%	
ONYX	IHELPER INC. (IHELPER)	R&D and sales of medical robots	46.00%	46.00%	Note 2

Note 1: Completed liquidation on December 2019.

Note 2: 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. The subsidiaries excluded from the consolidated financial statements: None.
4. Different adjustments from subsidiaries during the reporting period: None.
5. Significant restrictions: None.
6. Subsidiaries with material non-controlling interests

The Group's total non-controlling interests as of December 31, 2019 and 2018 were NT\$515,999 and NT\$478,414, respectively. The Group's subsidiaries with significant non-controlling interests are as follows:

Name of subsidiary	Main business location	Non-controlling interests		Non-controlling interests	
		2019.12.31	Ownership interest	2018.12.31	Ownership interest
ONYX	Taiwan	\$ 503,918	50.00%	\$ 462,440	50.93%

Summarized financial information of subsidiaries:

Balance sheet

	ONYX	
	2019.12.31	2018.12.31
Current asset	\$ 776,699	\$ 1,150,423
Non-current assets	602,187	54,779
Current liability	(288,720)	(247,405)
non-current liabilities	(70,155)	(33,876)
Total Net Assets	\$ 1,020,011	\$ 923,921

Statement of comprehensive income

	ONYX	
	2019	2018
Income	\$ 1,482,944	\$ 1,424,672
Profit before tax	\$ 289,910	\$ 227,911
income tax expense	(54,381)	(36,516)
Net income	235,529	191,395
Other comprehensive income (net amount after tax)	(9,391)	(27,166)
Total comprehensive income	\$ 226,138	\$ 164,229
Total comprehensive income attributable to non-controlling interests	\$ 115,248	\$ 85,430
Dividends paid for non-controlling interests	\$ 65,018	\$ 66,241

Cash flow statement

	ONYX	
	2019	2018
Net cash flows from operating activities	\$ 376,453	\$ 170,088
Net cash flows used in investing activities	(44,101)	(492,529)
Net cash flows from financing activities	(141,842)	(110,608)
Effects of exchange rate changes on cash and cash equivalents	(4,276)	2,040
Increase (decrease) in cash and cash equivalents	186,234	(431,009)
Cash and cash equivalents at the beginning of periods	222,321	653,330
Cash and cash equivalents at the end of periods	\$ 408,555	\$ 222,321

(IV) Translation of foreign currency

The entities' items listed in the financial report are measured in the currency (i.e., functional currency) of the primary economic environment in which the entity operates. The Company's functional currency "NTD" is the presentation currency of the consolidated financial statement.

1. Foreign currency transaction and account balances
 - (1) Foreign currency transactions are recorded using the spot conversion rate to the functional currency on the date of transaction. Exchange differences arising from foreign currency transactions are reported in profit or loss in the period.
 - (2) Foreign currency denominated monetary assets and monetary liabilities shall be translated at the spot conversion rate at the end of each reporting period, and the exchange difference arising from the translation are reported in profit or loss in the period.
 - (3) The non-functional foreign currency denominated monetary assets and monetary liabilities are measured at fair value through profit or loss, translated at the spot conversion rate at the end of each reporting period, and the exchange difference arising from the translation are reported in profit or loss in the period. For those that are measured at fair value through other comprehensive income are translated at the spot conversion rate at the end of each reporting period, and the exchange difference arising from the translation are recognized in other comprehensive income in the period. For those that are not measured at fair value will use historical exchange rates for the initial exchange transaction.
 - (4) All foreign exchange gains and losses are recognized as “Other gains and losses” in the statement of comprehensive income.
2. Translation of foreign operations:

The results and financial position of any individual entity within the reporting entity whose functional currency differs from the presentation currency are translated using the following procedures:

- A. assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position;
- B. income and expenses for each statement of comprehensive income or separate income statement presented shall be translated at exchange rates at the dates of the transactions; and
- C. all resulting exchange differences shall be recognized in other comprehensive income.

(V) Classification standard for distinguishing current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:
 - (1) Expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
 - (2) Held primarily for the purpose of trading.
 - (3) Expected to be realized within 12 months after the balance sheet date.
 - (4) Cash or a cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date.Assets not attributable to any of the classes above are classified as non-current assets.
2. Liabilities that meet one of the following conditions are classified as current liabilities:
 - (1) Expects to be settled in its normal operating cycle.
 - (2) Held primarily for the purpose of trading.
 - (3) Expected to be settled when due within 12 months after the balance sheet date.
 - (4) Does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the

counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities not attributable to any of the classes above are classified as non-current liabilities.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investment readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. The fixed deposits attributable to the above definition, reflecting that the purpose must be to meet the short-term cash commitments, are classified as cash equivalents.

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

1. Financial assets not measured at amortized cost or at fair value through other comprehensive income.
2. The regular way purchases or sales of the Group's financial assets at fair value through profit or loss are recognized on a trade date basis.
3. For the Group's initial recognition, relevant transaction costs at fair value are recognized as profit or loss, and subsequent to initial recognition, profits or losses at fair value are recognized as income.
4. Dividends revenue should be recognized when the right to receive payment is established, provided that it is probable that the economic benefits will flow to the enterprise and the amount of revenue can be measured reliably.

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

1. At initial recognition, an entity has the irrevocable option to present the subsequent changes of investments in equity instruments, which are not held for trading, in other comprehensive income; or debt instrument investments that meets the following two conditions:
 - (1) Financial assets are held within a business model whose objective is to hold the financial asset to collect the contractual cash flows.
 - (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. The regular way purchases or sales of the Group's financial assets at fair value through other comprehensive income are recognized on a trade date basis.
3. Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value:

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

(IX) Accounts and notes receivable

1. Accounts and notes receivable means the entity has an unconditional contractual right to consideration for goods or services that have been transferred.
2. Short-term accounts and notes receivables with no stated interest rate may be measured at the original invoice amount as the effect of discounting is immaterial.

(X) Impairment of financial assets

At the end of each reporting period, for the Group's credit risk has not increased significantly

since original recognition after considering all reasonable and supportable information (including forward-looking information) for accounts receivable containing a significant financing component, the loss allowance is measured based on the 12-month expected credit losses. For the credit risk that has increased significantly since original recognition, loss allowance is measured based on the expected credit loss during the exposure period. As for an accounts receivable that do not contain significant financing components or a contract asset, loss allowances are measured based on the expected credit losses during the exposure period.

(XI) Derecognition of financial assets

The Group's financial assets are considered for derecognition only when it meets one of the following three conditions:

1. The contractual rights to the cash flows from the financial assets expire.
2. Transferred the contractual rights to receive the cash flows of the financial asset, and has already transferred substantially all the risks and rewards of ownership.
3. Transferred the contractual rights to receive the cash flows of the financial asset, but has not retained control of the financial assets.

(XII) Inventory

Inventories shall be measured at the lower of cost and net realizable value, of which costs are determined by the weighted average cost method. Production costs of work in process and finished goods include raw materials, direct labor, other direct costs, and production overheads (distributed based on normal capacity), but exclude borrowing costs. On comparison between the cost and net realizable value, the lower of the two is considered as the value of inventory, and a comparison can be made the item by item or by the group of items. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(XIII) Investments accounted for using the equity method - affiliates

1. Affiliates refer to all entities over which the Group has significant influence but no control and generally directly or indirectly holding 20 per cent or more of the voting power. The Group recognizes its equity method investment in affiliates at cost at the time of acquisition.
2. The Group's share of its associates' post-acquisition profits or losses or other comprehensive income is recognized as current profit or loss or other comprehensive income as appropriate. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
3. If the affiliate's changes in equity not classified as profit or loss or other comprehensive income did not affect the affiliate's shareholding ratio, the changes are recognized as "capital reserve."
4. Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of affiliates have been changed where necessary to ensure consistency with the policies adopted by the Group.
5. When the affiliate issues additional shares, if the Group does not subscribe or acquire based on the proportion, which lead to a change in investment proportion but still with significant influence, the increase or decrease in net equity value are adjusted against the "capital reserve" and "investments accounted for using the equity method." If the Group's investment is reduced, apart from the above adjustments, the Group reclassifies to profit or loss the proportion of the gain or loss previously recognized in other comprehensive income relative

to that reduction in ownership interest.

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

(XIV) Property, Plant and Equipment

1. Property, plant and equipment are stated at cost, and the amount of interest incurred during the construction period are capitalized.
2. Subsequent costs are included in the carrying amount of an asset or recognized as an asset only if it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced shall be derecognized. All other repair and maintenance costs are recognized in profit or loss as incurred.
3. Property, plant and equipment is subsequently measured either using a cost model. These assets, except land, are depreciated using the straight-line method over its useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.
4. The Group reviews the assets' residual value, useful life and depreciation method at each financial year-end, and if expectations differ from previous estimates, or if the expected pattern of consumption of the future economic benefits embodied in the asset has significantly changed, the Group shall handle the change in accounting estimates in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of change. The estimated economic lives of various assets are as follows:

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

(XV) Lease transactions by lessees - right-of-use assets / lease liabilities

Applicable from 2019

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date which the asset is available for use by the Group. When the lease contract is a short-term leases or leases of low-value assets, lease payments should be recognized as an expense in the income statement over the lease term on a straight-line basis.

2. The lease liability is calculated as all the lease payments not paid at the commencement date discounted by the interest rate implicit in the lease or incremental borrowing rate. The payments included comprise fixed payments less any lease incentives receivable.

These are subsequently measured at amortized cost using the interest method, and is recognized as interest expense over the lease term. If there is a change in lease term or lease payment from modifications to non-lease contracts, the remeasurement of lease liabilities are treated as adjustments to the right-of-use asset.

3. The right-of-use asset is recognized at cost on the commencement date of the lease. The costs include:

- (1) the initial measurement of the lease liability; and
- (2) any initial direct costs incurred;

Subsequently, the cost model is used to calculate the depreciation expense at the earlier of the end of the useful life of the right-of-use asset or the end of the lease. Remeasurements of the lease liability are treated as adjustments to the right-of-use asset.

(XVI) Leases (lessee)

Applicable from 2018

Payments made under operating leases, net of any incentives received from the lessor, are charged to current profit or loss on a straight-line basis over the term of the lease.

(XVII) Investment Property

Investment properties are measured initially at cost, and are subsequently measured using the cost model. Investment properties except land are depreciated using the straight-line method over its useful life of 50 years.

(XVIII) Intangible asset

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

(XIX) Impairment of non-financial assets

For assets that show signs of being impaired at the end of the reporting period, if the Group's measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the reduced amount shall be recognized as the loss of asset impairment. Recoverable amount refers to the higher of an asset's fair value less costs of disposal or value in use. When impairment of the previous year does not exist or are resolved, the impairment loss is reversed immediately. On reversal, the asset's carrying amount is increased, but does not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset.

(XX) Loans

Borrowings are measured at fair value after deducting transaction costs at initial recognition. Subsequently, any difference between the price after deducting transaction costs and the redemption value are calculated using the effective interest method at amortized cost during the borrowing period.

(XXI) Accounts and notes payable

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

the original invoice amount as the effect of discounting is immaterial.

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

1. Refers to financial liabilities that are held for trading with the main intention to repurchase them in the near term, and financial liabilities excluding derivative instruments designated as hedging instruments in accordance with hedging accounting.
2. For the Group's initial recognition, relevant transaction costs at fair value are recognized as profit or loss, and subsequent to initial recognition, profits or losses at fair value are recognized as income.

(XXIII) Derecognition of financial liabilities

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

(XXIV) Non-hedging derivatives

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

(XXV) Provisions

Provisions (including warranty) should be recognized only when there is present obligation resulting from past events, when settlement is expected to result in an outflow of resources for economic benefits, and when the amount of obligation can be measured reliably. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The measurement is at discounted present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, and discount must be amortized to interest expense. No provision is recognized for future operating losses.

(XXVI) Employee welfare

1. Short-term employee benefits

Short-term employee benefits are recognized as expenses when the employee has rendered the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

2. Pension funds - Defined contribution plans

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

3. Employee compensation and remuneration for directors and supervisors

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

(XXVII) Share-based payment for employees

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

(XXVIII) Income tax

1. Income tax expense includes current and deferred tax Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity respectively.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generate taxable income. Management regularly evaluates the status of income tax filings in accordance with applicable tax laws, and estimates income tax liabilities based on taxes expected to be paid to tax authorities where applicable. An additional tax out of unappropriated earnings is provided for as income tax in accordance with the Income Tax Act, and the approved distribution of earnings for the year after the profitable year by resolution of the shareholders' meeting is recognized as unappropriated earnings income tax expenses.
3. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Balance Sheet. Initial recognition of deferred tax liabilities arising from goodwill not recognized, and the deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxable temporary differences associated with investments in subsidiaries and affiliates are not recognized if the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that are expected to be applied.
4. Deferred tax assets recognized for all taxable temporary differences may be used to offset future income on future tax returns. Deferred income tax assets are recognized to the extent that temporary differences are likely to be used to offset future taxable income, and unrecognized and recognized deferred tax assets are re-evaluated at each balance sheet date.
5. Current tax assets and current tax liabilities can only be offset in the statement of financial position if the Company has the legal right and the intention to settle on a net basis. Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

(XXIX) Dividend distribution

The distribution of dividends to shareholders are recognized in the financial report by

resolution of the shareholders' meeting, cash dividends are recognized as liabilities, stock dividends are recognized as dividends to be distributed, and are recognized as common stock at the record date of issuing new shares.

(XXX) Income recognition

1. Sales of products

- (1) The Group manufactures and sells products related to industrial computers and medical computers, and sales revenue is recognized when control is transferred to the customer, that is, upon delivery of the product. The wholesaler has full discretion over the channel and price to sell the products, and there is no unsatisfied performance obligations that could affect the wholesaler's acceptance of products. Delivery does not occur until the products have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (2) Revenues from sales of products related to industrial computers and medical computers are recorded based on the contract price net of the estimated volume discounts and returns at the time of sale. The quantity discounts and sales discounts given to customers are usually calculated on the basis of 6 months of cumulative sales. The Group estimates sales discounts based on historical experience under the expected value method, with revenue amount included to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur, while estimates are updated at the end of the reporting period. The estimated sales discount provided to customers as of the end of the reporting period is recognized as refund liability. The terms for sales transactions are payment 30-60 days EOM. As the interval between transfer of the promised goods or services and payment by the customer is less than 12 months, the Group has not adjusted transaction price to reflect the time value of money.
- (3) The Group provides product warranty for the goods sold, and has the obligation to provide refund for the defective goods sold, while the provisions for sales return should be recognized.
- (4) Accounts receivable is recorded when the Group has the unconditional right to the consideration at that time since payment is due based only upon the passage of time.

2. Warrant income

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

(XXXI) Operating Segments

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

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

When preparing the consolidated financial report, management is required to make judgments on the application of the Group's accounting policies, and to make estimates and assumptions at the end of the reporting period based on expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ significantly from these estimates under different assumptions. The estimates are continually evaluated and adjusted based on historical experience and other factors. These estimates and assumptions have the risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Significant accounting judgments, estimations and assumption uncertainty are described as follows:

Significant Accounting Estimations

1. Inventory valuation

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

As of December 31, 2019, the carrying amount of the Group's inventory was NT\$938,977.

2. Impairment loss on investments accounted for using the equity method

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

As of December 31, 2019, the carrying amount of AAEON's investment on IBASE TECHNOLOGY INC. using the equity method was NT\$3,369,909.

VI. Significant Accounting Items

(I) Cash and cash equivalents

	2019.12.31	2018.12.31
Reserve cash and working capital	\$ 1,314	\$ 1,448
Check deposit and current deposit	2,465,857	2,392,740
Time deposit	49,800	71,990
Total	\$ 2,516,971	\$ 2,466,178

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

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

<u>Item</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Current:		
Financial assets mandatorily measured at fair value through profit or loss	\$ 164,733	\$ 633,463
Shares in publicly traded entities	3,000	3,000
Shares in emerging stock companies	77,744	77,744
Shares in non-publicly traded entities	31,141	31,141
Beneficiary securities		
Derivatives		
-foreign currency forward contract	77	31
- currency and interest rate swaps	177	26
	<u>276,872</u>	<u>745,405</u>
Valuation adjustment	<u>231,295</u>	<u>273,700</u>
Subtotal	<u>\$ 508,167</u>	<u>\$ 1,019,105</u>

<u>Item</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Non-current:		
Financial assets mandatorily measured at fair value through profit or loss		
Shares in non-publicly traded entities	\$ 59,070	\$ 29,070
Hybrid instrument	10,832	10,832
	<u>69,902</u>	<u>39,902</u>
Valuation adjustment	(5,745)	(1,590)
Subtotal	<u>\$ 64,157</u>	<u>\$ 38,312</u>

1. The hybrid instrument is a contract that contains both a host contract and embedded options of the unlisted company V-net AAEON Corporation Ltd. (hereinafter referred to as V-net). The options provide original shareholders the right to resell/repurchase stocks of the Company and V-net at the original transaction price. Please refer to Note 12 (3) 8 for the fair value as of December 31, 2019 and 2018.
2. Details of financial assets at fair value through profit or loss recognized as income:

	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instrument	\$ 24,987	\$ 372,308
Beneficiary securities	751	731
Derivatives	67 (	342)
Hybrid instrument	629	-
Total	<u>\$ 26,434</u>	<u>\$ 372,697</u>

3. The Group has no financial assets measured at fair value through profit or loss pledged as collaterals.
4. The transaction and contract information of derivative financial assets undertaken by the Group where no hedge accounting was applied are as follows:

2019.12.31		
Derivative financial assets	Contract amount (nominal amounts)	Contract period
Current:		
Foreign currency forward contract		
- Buy NTD and sell USD	USD 200,000	2019.12.4~2020.1.3
Currency and interest rate swaps		
- Buy NTD and sell USD	USD 500,000	2019.12.4~2020.1.3
2018.12.31		
Derivative financial assets	Contract amount (nominal amounts)	Contract period
Current:		
Foreign currency forward contract		
- Buy NTD and sell USD	USD 200,000	2018.12.11~2019.1.10
- Buy NTD and sell USD	USD 200,000	2018.12.24~2019.1.29
Currency and interest rate swaps		
- Buy NTD and sell USD	USD 500,000	2018.12.18~2019.1.22

(1) Foreign currency forward contract

The Group's forward exchange contract is a USD forward transaction without hedging accounting, in the aim to avoid the foreign exchange rate risk on export prices.

(2) Currency and interest rate swaps

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

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

Item	2019.12.31	2018.12.31
Non-current:		
Equity instrument		
Shares in non-publicly traded entities	\$ 39,334	\$ 39,334
Valuation adjustment	(36,953)	(28,984)
Total	<u>\$ 2,381</u>	<u>\$ 10,350</u>

1. The Group chose to classify the strategic investment on MELTEN CONNECTED HEALTHCARE INC. as financial assets measured at fair value through other comprehensive income. The fair value of the investments as of December 31, 2019 and 2018 were NT\$2,381 and NT\$10,350 respectively.

- Details of financial assets at fair value through other comprehensive income recognized as income and comprehensive income:

	2019	2018
<u>Equity instrument measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	(\$ 7,969)	(\$ 28,984)

- The Group has no financial assets measured at fair value through other comprehensive income pledged as collaterals.

(IV) Notes and accounts receivable

	2019.12.31	2018.12.31
Notes receivable	\$ 12,722	\$ 17,472
Accounts receivable	\$ 776,926	\$ 830,329
Less : Allowance for losses	(24,144)	(3,777)
	\$ 752,782	\$ 826,552

- The aging of accounts and notes receivable are as follows:

<u>Accounts receivable</u>	2019.12.31	2018.12.31
Not yet due	\$ 560,469	\$ 591,222
Within 30 days	155,137	194,789
31-60 days	29,640	30,613
61-90 days	840	9,263
91-180 days	15,519	1,959
Over 181 days	15,321	2,483
	\$ 776,926	\$ 830,329

<u>Notes receivable</u>	2019.12.31	2018.12.31
Not yet due	\$ 12,722	\$ 17,472

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

- The Group does not hold any collateral over the accounts and notes receivables.
- The balance of accounts and notes receivable were both from customer contracts as of December 31, 2019 and 2018, with balance of receivables and loss allowance for customer contracts of NT\$740,052 and NT\$8,384 respectively on January 1, 2018.
- Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2019 and 2018 were NT\$12,722 and NT\$17,472 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2019 and 2018 were NT\$752,782 and NT\$826,552, respectively.
- Please refer to Note 12 (2) for credit risk information of notes and accounts receivables.

(V) Inventory

2019.12.31			
	Cost	Valuation allowance	Carrying amount
Raw material	\$ 430,210	(\$ 52,918)	\$ 377,292
Work in progress	413,395	(70,210)	343,185
Finished good	225,197	(23,367)	201,830
Merchandise inventory	19,225	(2,555)	16,670
Total	<u>\$ 1,088,027</u>	<u>(\$ 149,050)</u>	<u>\$ 938,977</u>

2018.12.31			
	Cost	Valuation allowance	Carrying amount
Raw materials	\$ 484,553	(\$ 67,332)	\$ 417,221
Work in progress	355,441	(49,902)	305,539
Finished good	233,537	(29,055)	204,482
Merchandise inventory	15,619	(2,619)	13,000
Inventory in transit	110	-	110
Total	<u>\$ 1,089,260</u>	<u>(\$ 148,908)</u>	<u>\$ 940,352</u>

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

	2019	2018
Cost of inventory sold	\$ 4,050,575	\$ 3,904,597
Loss on inventory valuation and obsolescence	22,716	101,455
Losses on disposal of inventories	9,427	5,728
Others	1,740	244
	<u>\$ 4,084,458</u>	<u>\$ 4,012,024</u>

(VI) Investments accounted for using the equity method

	2019	2018
January 1	\$ 3,573,849	\$ 85,772
Increase in investments accounted for using the equity method	510,248	3,498,501
Share of investment income accounted for using the equity method	40,530	10,602
Distribution of investment income accounted for using the equity method	(140,867)	(11,347)
Changes in capital surplus	3,811	1,007
Changes in other equity	(78)	(10,686)
December 31	<u>\$ 3,987,493</u>	<u>\$ 3,573,849</u>

Investee	2019.12.31		2018.12.31	
	Ownership interest %	Book value	Ownership interest %	Book value
LITEMAX ELECTRONICS INC.	12.09	\$ 111,998	13.54	\$ 95,575
IBASE TECHNOLOGY INC.	30.55	3,369,909	30.35	3,478,274
WINMATE INC.	12.97	505,586	-	-
		<u>\$ 3,987,493</u>		<u>\$ 3,573,849</u>

1. The Group issued new shares on September 29, 2018 and exchanged shares with IBASE Technology Co., Ltd. (hereinafter referred to as IBASE). The Group obtained 30% ownership of IBASE, and has adopted the equity method for evaluation as it has significant influence over IBASE.
2. Summarized aggregated financial information of the Group's share in these associates is as follows:

Balance sheet

	IBASE	
	2019.12.31	2018.12.31
Current asset	\$ 2,890,779	\$ 3,259,189
Non-current assets	4,893,276	3,989,514
Current liability	(2,210,287)	(1,707,793)
Non-current liabilities	(234,036)	(33,077)
Total Net Assets	<u>\$ 5,339,732</u>	<u>\$ 5,507,833</u>
Share of net assets of the affiliate	\$ 2,391,491	\$ 2,499,856
Goodwill	978,418	978,418
Book value of affiliates	<u>\$ 3,369,909</u>	<u>\$ 3,478,274</u>

Statement of comprehensive income

	IBASE	
	2019	2018
Income	\$ 3,840,356	\$ 3,929,252
Net income of continuing operations	\$ 259,160	\$ 342,000
Other comprehensive income (net amount after tax)	(2,196)	(85,454)
Total comprehensive income	<u>\$ 256,964</u>	<u>\$ 256,546</u>
Dividends received from affiliates	<u>\$ 105,784</u>	<u>\$ -</u>

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

	2019	2018
Net income of continuing operations	\$ 40,253	\$ 13,896
Other comprehensive income (net amount after tax)	714	(11)
Total comprehensive income	\$ 40,967	\$ 13,885

4. Fair values of the Group's affiliates with quoted prices are as follows:

	2019.12.31	2018.12.31
LITEMAX ELECTRONICS INC.	\$ 244,233	\$ 164,744
IBASE TECHNOLOGY INC.	2,325,916	2,063,952
WINMATE INC.	514,965	-
	\$ 3,085,114	\$ 2,228,696

5. Although the Group holds less than 20% of the voting power of LITEMAX ELECTRONICS INC., it has significant influence to LITEMAX ELECTRONICS INC. 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. since May 24, 2019.

(VII) Property, Plant and Equipment

	2019					
	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1						
Cost	\$ 289,956	\$ 316,735	\$ 112,249	\$ 226,483	\$ 69	\$ 945,492
Accumulated depreciation and impairment	-	(94,968)	(67,366)	(164,436)	-	(326,770)
	\$ 289,956	\$ 221,767	\$ 44,883	\$ 62,047	\$ 69	\$ 618,722
January 1	\$ 289,956	\$ 221,767	\$ 44,883	\$ 62,047	\$ 69	\$ 618,722
Additions	-	1,581	2,001	11,849	6,256	21,687
Disposal	-	-	(8)	(568)	-	(576)
Reclassification	-	5,254	4,039	1,723	1,176	12,192
depreciation expense	-	(9,640)	(13,207)	(27,358)	-	(50,205)
Net exchange differences	(1,849)	(3,001)	(54)	(1,034)	-	(5,938)
December 31	\$ 288,107	\$ 215,961	\$ 37,654	\$ 46,659	\$ 7,501	\$ 595,882

December 31						
Cost	\$ 288,107	\$ 329,469	\$ 117,843	\$ 185,198	\$ 7,501	\$ 928,118
Accumulated depreciation and impairment	-	(113,508)	(80,189)	(138,539)	-	(332,236)
	<u>\$ 288,107</u>	<u>\$ 215,961</u>	<u>\$ 37,654</u>	<u>\$ 46,659</u>	<u>\$ 7,501</u>	<u>\$ 595,882</u>

2018

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1						
Cost	\$ 287,554	\$ 314,277	\$ 168,827	\$ 277,482	\$ 3,176	\$ 1,051,316
Accumulated depreciation and impairment	-	(86,803)	(101,926)	(216,777)	-	(405,506)
	<u>\$ 287,554</u>	<u>\$ 227,474</u>	<u>\$ 66,901</u>	<u>\$ 60,705</u>	<u>\$ 3,176</u>	<u>\$ 645,810</u>
January 1	\$ 287,554	\$ 227,474	\$ 66,901	\$ 60,705	\$ 3,176	\$ 645,810
Additions	-	-	1,708	23,437	7,794	32,939
Disposal	-	-	(8,447)	(2,048)	-	(10,495)
Reclassification	-	593	1,470	11,826	(10,901)	2,988
depreciation expense	-	(8,634)	(16,403)	(32,502)	-	(57,539)
Net exchange differences	2,402	2,334	(346)	629	-	5,019
December 31	<u>\$ 289,956</u>	<u>\$ 221,767</u>	<u>\$ 44,883</u>	<u>\$ 62,047</u>	<u>\$ 69</u>	<u>\$ 618,722</u>
December 31						
Cost	\$ 289,956	\$ 316,735	\$ 112,249	\$ 226,483	\$ 69	\$ 945,492
Accumulated depreciation and impairment	-	(94,968)	(67,366)	(164,436)	-	(326,770)
	<u>\$ 289,956</u>	<u>\$ 221,767</u>	<u>\$ 44,883</u>	<u>\$ 62,047</u>	<u>\$ 69</u>	<u>\$ 618,722</u>

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

(VIII) Lease transactions - lessee

Applicable from 2019

1. The underlying assets in the Group's lease include houses, transportation equipment and other equipment. The contract term period typically ranges from 1 to 6 years. The lease contract is negotiated individually and contains various terms and conditions, with no other restrictions imposed.
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:

	2019.12.31	2019
	Carrying amount	Depreciation expense
Houses	\$ 44,860	\$ 35,761
Transportation equipment	13,772	6,249
Other equipment	673	153
	<u>\$ 59,305</u>	<u>\$ 42,163</u>

4. The Group has added NT\$22,625 of right-of-use assets in 2019.

5. The profit and loss related to the lease contract are as follows:

	2019
<u>Items that affect profit/loss of the current period</u>	
Interest expenses of lease liabilities	\$ 2,202
Expenses of short-term lease contracts	18,104
Expenses of leases of low-value assets	25

6. The total cash outflow of the Group's leases was NT\$64,823 in 2019.

(IX) Short-term borrowings

Nature of the borrowing	2019.12.31	Interest rate range	Collateral
<u>Borrowings from banks</u>			
Pledged loans	\$ 44,370	5.15%~5.40%	Property, Plant and Equipment
<u>Borrowings from banks</u>			
<u>2018.12.31</u>			
Pledged loans	\$ 67,573	5.65%~5.90%	Property, Plant and Equipment

1. As of 2019 and 2018, interest expenses recognized in income were NT\$3,318 and NT\$4,061, respectively.

2. Please refer to Note 8 for the guarantee status of short-term borrowings.

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

Item	2019.12.31	2018.12.31
<u>Current:</u>		
Financial asset or liability held for trading		
Derivatives - foreign currency forward contract	<u>\$ -</u>	<u>\$ 1</u>

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

	2019	2018
Financial asset or liability held for trading		
Derivatives	(\$ 1,245)	(\$ 2,054)

2. The transaction and contract information of derivative financial liabilities undertaken by the Group where no hedge accounting was applied are as follows:

	2019.12.31	
Derivative financial liabilities	Contract amount (nominal amounts)	Contract period
Current:		
Currency and interest rate swaps		
- Buy NTD and sell USD	USD 500,000	2019.12.18~2020.1.20

	2018.12.31	
Derivative financial liabilities	Contract amount (nominal amounts)	Contract period
Current:		
Foreign currency forward contract		
- Buy NTD and sell USD	USD 200,000	2018.12.5~2019.1.4

(1) Foreign currency forward contract

The Group's forward exchange contract is a USD forward transaction without hedging accounting, in the aim to avoid the foreign exchange rate risk on export prices.

(2) Currency and interest rate swaps

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

(XI) Other Payables

	2019.12.31	2018.12.31
Salaries, incentives and bonuses payable	\$ 223,800	\$ 210,999
Technical service fee payable	40,153	30,901
Assembly costs payable	3,874	6,492
Others	119,060	120,030
	\$ 386,887	\$ 368,422

(XII) Pension

- 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. In 2019 and 2018, the Group has recognized pension costs of NT\$32,442 and NT\$31,369, respectively in accordance with the aforementioned pension scheme.

(XIII) Share-based Payment

1. The Group's 2019 share-based payment arrangement are as follows:

Arrangement type	Grant date	Granted shares (thousand)	Contract period	Vesting conditions
Employee share purchase plan	November 26, 2019	3,000	5 years	2~4 years of service

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

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

	2019	
	Share options (thousand shares)	Weighted average exercise price
Outstanding option in January 1	-	\$ -
Share options granted	3,000	72.3
Outstanding option in December 31	3,000	72.3
Executable option in December 31	-	-

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

Arrangement type	Authorized issue date	Maturity date	2019.12.31	
			Number of shares (thousand)	Exercise price (NT\$)
Employee share purchase plan	November 26, 2019	November 25, 2024	3,000	\$ 72.3

4. The Group's fair value of a share-based payment award issued to an employee on the grant date is estimated by use of the Black - Scholes option pricing model.

Arrangement type	Grant date	Granted shares (thousand)	Share price (NT\$)	Exercise price (NT\$)	Expected volatility	Expected duration	Risk-free interest rate	Fair value per unit (NT\$)
Employee share purchase plan	November 26, 2019	3,000	72.3	72.3	26.88%	3.875 years	0.58%	15.7445

5. Expenses of share-based payment transaction:

	2019	2018
Equity settlement	\$ 1,310	\$ -

(XIV) Share capital

- As of December 31, 2019, the Company's authorized capital was NT\$2,000,000 (including 5,000 shares reserved for issuing employee stock options), with paid-in capital of NT\$1,484,985, divided into 148,498 shares, each at par value of NT\$10 per share. Full payment has been received for the Company's issued shares. The adjustment of the Company's outstanding ordinary shares (thousand shares) issued at the beginning and end of the period are as follows:

	2019	2018
January 1	148,498	106,800
Transfer of new shares issued by other companies	-	41,698
December 31	148,498	148,498

- In order to expand the business scale and improve industrial advantages, the Company plans to exchanged shares with IBASE by resolution of the board of directors on June 11, 2018. The Company increased its capital by issuing 41,698 thousand new shares for the exchange of 52,922 thousand common shares from IBASE with the conversion ratio of 0.788 shares of the Company in exchange for one common share of IBASE at the record date on September 29, 2018. The transfer of new shares issued by other companies have been approved by the FSC, and company registration changes have been made in October 2018.
- On April 30, 2019, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was then amended on November 12, 2019 by resolution of the board of directors. A total of 3,000 ESOs were issued and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.
- As of December 31, 2019, AAEON's affiliate - IBASE owns 41,698 thousand of AAEON's shares.

(XV) Capital surplus

In accordance with the Company Act, the capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital at a certain percentage of the Company's capital surplus. In accordance with the Securities Exchange Act, capitalization of this reserve is capped at 10% of the Company's paid-up capital each year. The Company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

2019

	Share premium	Differences between share option and book value from acquisition or disposal of subsidiaries	Recognition of all equity changes of the subsidiaries	Changes in net equity value of affiliates	Employee share option	Others
January 1	\$4,902,942	\$ 233,099	\$ 213,637	\$ 7,532	\$ 1,835	\$ 2,181
Differences between share price and book value from acquisition or disposal of subsidiaries	-	(19,899)	-	-	-	-
Effect from long-term investments that have not been recognized based on shareholdings percentage	-	-	-	5,877	-	-
Share-based Payment	-	-	-	-	1,546	-
December 31	\$4,902,942	\$ 213,200	\$ 213,637	\$ 13,409	\$ 3,381	\$ 2,181

2018

	Share premium	Differences between share option and book value from acquisition or disposal of subsidiaries	Recognition of all equity changes of the subsidiaries	Changes in net equity value of affiliates	Employee share option	Others
January 1	\$ 1,821,426	\$ 233,099	\$ 213,637	\$ 306	\$ 1,835	\$ 2,181
Transfer of new shares issued by other companies	3,081,516	-	-	-	-	-
Effects from long-term investment that have not been recognized based on shareholding percentage	-	-	-	7,226	-	-
December 31	\$ 4,902,942	\$ 233,099	\$ 213,637	\$ 7,532	\$ 1,835	\$ 2,181

(XVI) Retained earnings

- Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first 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.
- 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 number 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 passed the following 2018 and 2017 earnings distribution by resolution of the shareholders' meetings on May 31 2019 and May 28, 2018:

	2018		2017	
	Amount	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)
(Reverse) special reserve	(\$ 719)		\$ 20,236	
Legal reserve	73,286		56,020	
Cash dividends	608,844	\$ 4.10	507,300	\$ 4.75
	<u>\$ 681,411</u>		<u>\$ 583,556</u>	

There is no difference between the 2018 and 2017 surplus distributions passed by the resolutions of the board of directors of the Company.

6. The 2019 surplus distributions passed by the resolutions of the board of directors of the Company in February 26, 2020 are as follows:

	2019	
	Amount	Dividend per share (NT\$)
Special reserve	\$ 18,001	
Legal reserve	54,985	
Cash dividends	475,195	\$ 3.20
	<u>\$ 548,181</u>	

The 2019 surplus distributions have not yet been passed by the resolutions of the shareholders' meeting.

7. Information regarding the employee bonuses and remuneration to directors can be obtained from Note 6 (22).

(XVII) Operating income

	2019	2018
Revenue from Contracts with Customers	\$ 6,148,380	\$ 5,800,255

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:

2019	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 4,672,470	\$ 1,475,910	\$ 6,148,380
Time of income recognition			
Income recognized at a point in time	4,667,216	1,458,382	6,125,598
Revenue recognized over time	5,254	17,528	22,782
Total	\$ 4,672,470	\$ 1,475,910	\$ 6,148,380

2018	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 4,382,904	\$ 1,417,351	\$ 5,800,255
Time of income recognition			
Income recognized at a point in time	4,380,566	1,403,753	5,784,319
Revenue recognized over time	2,338	13,598	15,936
Total	\$ 4,382,904	\$ 1,417,351	\$ 5,800,255

2. Contract liability

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

	2019.12.31	2018.12.31	2018.1.1
Contract Liability - Current:			
Advances from customers	\$ 86,760	\$ 108,439	\$ 119,349
Warranty contract	22,729	25,666	17,906
Contract Liability - non-current:			
Advances from customers	34,454	-	-
Warranty contract	39,546	39,091	46,723
Total	\$ 178,489	\$ 173,196	\$ 183,978

(2) Recognized income of contract liabilities at January 1

	2019	2018
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	\$ 43,787	\$ 76,731
Warranty contract	22,781	15,936
Total	\$ 66,568	\$ 92,667

(XVIII) Other income

	2019	2018
Interest income:		
Deposit interest	\$ 12,070	\$ 9,914
Other interest income	181	24
Rental income	13,357	-
Dividend income	32,410	43,338
Income from counter-party default	-	6,030
	\$ 58,018	\$ 59,306

(XIX) Other gains and losses

	2019	2018
Losses on disposal of property, plant and equipment	(\$ 98)	(\$ 6,230)
Foreign exchange gains (losses)	(20,970)	7,769
Net income from financial assets and liabilities at fair value through profit or loss (note)	25,189	370,643
Other income	13,755	32,350
	\$ 17,876	\$ 404,532

Note: The fair value (closing price) of Machvision's shares held and sold by the Group was NT\$368 at the beginning of the period and NT\$360.5 at the end of the period for 2019, and was NT\$206 at the beginning of the period and NT\$368 at the end of the period for 2018, which are recognized as realized and unrealized gains (losses) due to changes in the valuation of financial assets of (NT\$2,889) and NT\$378,634, respectively.

(XX) Financial costs

	2019	2018
Interest expenses	\$ 5,955	\$ 4,263

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

	2019			2018		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Expenses from employee benefits	\$ 225,774	\$ 886,590	\$1,112,364	\$ 228,837	\$ 885,256	1,114,093
Depreciation expense	55,228	37,140	92,368	40,279	17,260	57,539
Amortization expenses	1,772	4,524	6,296	1,970	4,832	6,802

(XXII) Expenses from employee benefits

	2019	2018
Salaries expenses	\$ 986,154	\$ 987,326
Labor and national health insurance expenses	76,127	81,534
Pension expenses	32,442	31,369
Other employment expenses	17,641	13,864
	<u>\$ 1,112,364</u>	<u>\$ 1,114,093</u>

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 5% and remuneration of directors and supervisors at rates no higher than 1%, of the remaining profit after deducting accumulated losses.
2. In 2019 and 2018, based on the Company's profitability as well as the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at NT\$56,912 and NT\$59,511 respectively, while the remuneration of directors were estimated at NT\$5,439 and NT\$4,200, respectively, which are recognized as salary expenses.

The remuneration to employees and directors by the board of directors in 2018 were NT\$59,511 and NT\$4,200, respectively, which were the same as the amounts recognized in the 2018 financial report.

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

(XXIII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Income tax from current income	\$ 158,595	\$ 127,955
Income tax on undistributed earnings	2,643	-
Prior year income tax overestimation	(2,501)	(10,232)
Total current income tax	158,737	117,723
Deferred tax		
Origination and reversal of temporary differences	3,446	(7,799)
Effect on changes in tax rate	-	(4,300)
income tax expense	\$ 162,183	\$ 105,624

(2) Income tax relative to other comprehensive income:

Differences in translation of foreign operations	(\$ 3,680)	\$ 547
Effect on changes in tax rate	-	63
Total	(\$ 3,680)	\$ 610

2. Reconciliation between income tax expense and accounting profit

	2019	2018
Income tax calculated by tax regulation	\$ 197,278	\$ 210,077
Expenses disallowed by tax regulation	5,155	7,262
Tax exempt income by tax regulation	(43,101)	(103,866)
Temporary differences unrecognized as deferred tax assets	2,709	6,683
Prior year income tax overestimation	(2,501)	(10,232)
Income tax on undistributed earnings	2,643	-
Effect on changes in tax rate	-	(4,300)
income tax expense	\$ 162,183	\$ 105,624

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

	2019				
	<u>January 1</u>	<u>Recognized in income</u>	<u>Recognized in other comprehensive income</u>	<u>Forex effect</u>	<u>December 31</u>
Deferred tax assets:					
Temporary differences:					
Unrealized warranty provision	\$ 10,735	(\$ 1,620)	\$ -	\$ -	\$ 9,115
Unrealized gross margin	8,242	2,461	-	-	10,703
Inventory valuation allowance	27,790	329	-	-	28,119
Exchange differences resulting from translating the financial statements of a foreign operation	472	-	2,242	-	2,714
Others	<u>11,033</u>	<u>940</u>	<u>-</u>	<u>(61)</u>	<u>11,912</u>
Sub-total	<u>\$ 58,272</u>	<u>\$ 2,110</u>	<u>\$ 2,242</u>	<u>(\$ 61)</u>	<u>\$ 62,563</u>
Deferred tax liabilities:					
Share of profit of subsidiaries accounted for under the equity method	(\$ 21,449)	(\$ 5,550)	\$ -	\$ -	(\$ 26,999)
Exchange differences resulting from translating the financial statements of a foreign operation	(1,438)	-	1,438	-	-
Others	<u>(55)</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>(61)</u>
Sub-total	<u>(\$ 22,942)</u>	<u>(5,556)</u>	<u>1,438</u>	<u>-</u>	<u>(\$ 27,060)</u>
Total	<u>\$ 35,330</u>	<u>(\$ 3,446)</u>	<u>\$ 3,680</u>	<u>(\$ 61)</u>	<u>\$ 35,503</u>

	2018				
	<u>January 1</u>	<u>Recognized in income</u>	<u>Recognized in other comprehensive income</u>	<u>Forex effect</u>	<u>December 31</u>
Deferred tax assets:					
Temporary differences:					
Unrealized warranty provision	\$ 9,148	\$ 1,587	\$ -	\$ -	\$ 10,735
Unrealized gross margin	6,067	2,175	-	-	8,242
Inventory valuation allowance	16,356	11,434	-	-	27,790
Others	<u>12,920</u>	<u>(1,209)</u>	<u>(287)</u>	<u>81</u>	<u>11,505</u>
Sub-total	<u>\$ 44,491</u>	<u>\$ 13,987</u>	<u>(\$ 287)</u>	<u>\$ 81</u>	<u>\$ 58,272</u>
Deferred tax liabilities:					
Share of profit of subsidiaries accounted for under the equity method	(\$ 19,501)	(\$ 1,948)	\$ -	\$ -	(\$ 21,449)
Exchange differences resulting from translating the financial statements of a foreign operation	(1,115)	-	(323)	-	(1,438)
Others	<u>(115)</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>(55)</u>
Sub-total	<u>(\$ 20,731)</u>	<u>(1,888)</u>	<u>(323)</u>	<u>-</u>	<u>(\$ 22,942)</u>
Total	<u>\$ 23,760</u>	<u>\$ 12,099</u>	<u>(\$ 610)</u>	<u>\$ 81</u>	<u>\$ 35,330</u>

4. The income tax returns of the Company, ONYX and AAEONI through 2017 have been approved by the Tax Authority.
5. The amendment of the Income Tax Act came into effect on February 7, 2018, and the Group adopts the amended Income Tax Act in 2018 to adjust the prescribed tax rate applicable to the profit-seeking enterprise from 17% to 20%. The Group has already assessed the relative tax effect from the changes in tax rate in the first quarter of 2018.

(XXIV) Earnings per share (EPS)

	2019		
	After-tax amount	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (EPS) (NT\$)
<u>Basic earnings per share</u>			
Net profit for the year attributable to ordinary equity holders of the parent entity	\$ 552,152	106,800	\$ 5.17
<u>Diluted earnings per share</u>			
Effect of dilutive potential ordinary shares			
Employees' bonuses		835	
Effect of net profit for the year attributable to ordinary equity holders of the parent entity plus the potential ordinary shares	\$ 552,152	107,635	\$ 5.13

The Company's employee stock options were not included in the calculation of diluted earnings per share due to its anti-dilutive impact on earnings per share in 2019.

	2018		
	After-tax amount	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (EPS) (NT\$)
<u>Basic earnings per share</u>			
Net profit for the year attributable to ordinary equity holders of the parent entity	\$ 732,861	106,800	\$ 6.86
<u>Diluted earnings per share</u>			
Effect of dilutive potential ordinary shares			
Employees' bonuses		739	
Effect of net profit for the year attributable to ordinary equity holders of the parent entity plus the potential ordinary shares	\$ 732,861	107,539	\$ 6.81

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

(XXV) Operating lease

Applicable from 2018

For the operating lease of offices, factories and parking spaces, the Group has recognized rental costs and expenses of NT\$59,391 in 2018 as current profit and loss. The total future minimum lease payments under non-cancellable lease contracts are as follows:

	2018.12.31
No more than 1 year	\$ 54,884
1-5 years	52,646
	\$ 107,530

(XXVI) Supplemental cash flow information

1. Partial cash payments for investing activities:

	2019	2018
Acquisition of property, plant and equipment	\$ 21,687	\$ 32,939
Add: Equipment accounts payable at January 1	141	261
Less: Equipment accounts payable at December 31	(2,108)	(141)
Cash paid	\$ 19,720	\$ 33,059

2. Investing activities that do not affect cash flows:

	2019	2018
Transfer of new shares issued by other companies	\$ -	\$ 3,498,501

VII. Related party transaction

(I) Parent and ultimate controlling party

AAEON is controlled by ASUSTEK COMPUTER INC. (incorporated in R.O.C.), the ultimate parent of the Company with 40.72% ownership (including indirect shareholdings) of AAEON.

(II) Related parties

Name of related party	Relation
ASUSTEK COMPUTER INC.	Ultimate parent company
IBASE TECHNOLOGY INC.	Affiliate - Investee accounted for under the equity method (Note 1)
IBASE GAMING INC.	Affiliate - Subsidiary of IBASE TECHNOLOGY INC. (Note 1)
LITEMAX ELECTRONICS INC.	Affiliate - Investee accounted for under the equity method
WINMATE INC.	Affiliate - Subsidiary accounted for under the equity method (Note 2)

Name of related party	Relation
ATECH OEM INC.	Other related party - the Company's Chairman as a director
King Core Electronics 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' Chairman
AAEON EDUCATION FOUNDATION	Other related party - the Company's Chairman as AAEON EDUCATION FOUNDATION's Chairman
MELTEN CHINA INC.	Other related party - same management as Onyx (Note 3)
KINPO ELECTRONICS, INC.	Other related party - IHELPER's major shareholder
NEW ERA AI ROBOTIC INC.	Other related party - Subsidiary of IHELPER's major shareholder
ASUS TECHNOLOGY INCORPORATION	Fellow subsidiary - same as ultimate parent entity
ASKEY COMPUTER CORP.	Fellow subsidiary - same as ultimate parent entity
ASUS COMPUTER INTERNATIONAL	Fellow subsidiary - same as ultimate parent entity

Note 1: IBASE TECHNOLOGY INC.and its subsidiaries have become the Group's affiliates since September 29, 2018.

Note 2: WINMATE INC. has become the Group's affiliate since May 24, 2019.

Note 3: MELTEN CHINA INC.has canceled its related party relationship with the Group on January 1, 2019.

(III) Significant transactions with related parties

1. Operating income

	2019	2018
Ultimate parent entity	\$ 1,049	\$ 2,730
Associate	3,281	2,014
Fellow subsidiary	-	292
Other related party	12,118	25,408
Total	<u>\$ 16,448</u>	<u>\$ 30,444</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 Group has granted credit periods of 60 days EOM or 30 days EOD to its related parties, with no significant difference compared to general customers.

2. Purchases

	2019	2018
Goods purchased		
Ultimate parent entity - ASUSTEK COMPUTER INC.	\$ 1,213,359	\$ 1,169,687
Associate	10,849	19,890
Fellow subsidiary	12,268	6,044
Other related party	4,500	14,185
Total	<u>\$ 1,240,976</u>	<u>\$ 1,209,806</u>

The Group's purchases are in accordance with its general terms and conditions (market prices), with payment period of 30 days EOM or 30-60 days EOM.

3. Operating expenses

	2019	2018
Ultimate parent entity	\$ 66,037	\$ 49,979
Associate	3,181	2,662
Fellow subsidiary	449	713
Other related party	5,047	7,648
Total	<u>\$ 74,714</u>	<u>\$ 61,002</u>

The above operating expenses are mainly technical service fees.

4. Payables from related parties

	2019.12.31	2018.12.31
Ultimate parent entity - ASUSTeK Computer Inc.	\$ 106,039	\$ 166,064
Associate	1,621	8,485
Fellow subsidiary	21	183
Other related party	972	1,996
Total	<u>\$ 108,653</u>	<u>\$ 176,728</u>

5. Other payables

	2019.12.31	2018.12.31
Ultimate parent entity	\$ 40,153	\$ 30,901
Associate	6	7
Fellow subsidiary	-	40
Other related party	20	2,341
Total	<u>\$ 40,179</u>	<u>\$ 33,289</u>

Mainly for technical service fee payable

(IV) Key management remuneration

	2019	2018
Wages and other short-term employee benefits	\$ 64,058	\$ 61,953
Post-employment benefits	1,428	1,518
Total	\$ 65,486	\$ 63,471

VIII. Assets pledged as collaterals

The Company's pledged assets are summarized below:

Asset	Book Value		Guarantee purpose
	2019.12.31	2018.12.31	
Property, Plant and Equipment	\$ 209,818	\$ 218,481	Loans and the line of credit
Restricted time deposit (including other current assets)	899	921	Collateral provided for foreign exchange forward contract
	\$ 210,717	\$ 219,402	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

1. For the details of operating leases transaction, please refer to Note 6 (25).
2. As of December 31, 2019, the Group has issued a promissory note of \$ 450,000 required for the application a comprehensive credit line and transactions of derivatives.
3. On June 11, 2018, the Company signed a share exchange agreement with IBASE, and increased its capital by issuing 41,698 thousand new shares for the exchange of 52,922 thousand common shares from IBASE. The record date of the share exchange was September 29, 2018. 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.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

For the 2019 surplus distribution proposed by the board of directors in February 26, 2020, please refer to Note 6 (16).

XII. Others

(I) Capital management

The Group has set up capital management objectives to ensure continued operation, maintain the best capital structure for the reduction in cost of capital, and protect shareholders' interests. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(II) Financial instrument

1. Type of financial instrument

	2019.12.31	2018.12.31
<u>Financial asset</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 572,324	\$ 1,057,417
Financial asset at fair value through other comprehensive income		
Designated equity instrument investments	2,381	10,350
Financial assets measured at amortized cost/loans and receivables		
Cash and cash equivalents	2,516,971	2,466,178
Notes receivable	12,722	17,472
Accounts receivable	752,782	826,552
Other Receivables	22,119	20,509
Limited time deposit (classified in the balance sheet as other current assets)	899	921
Guarantee deposits (classified in the balance sheet as other non-current assets)	12,095	10,677
	\$ 3,892,293	\$ 4,410,076
<u>Financial liability</u>		
Financial liabilities at fair value through profit or loss		
Financial asset or liability held for trading	\$ -	\$ 1
Financial liabilities measured at amortized cost		
Short-term borrowings	44,370	67,573
Notes Payable	-	10,505
Accounts Payable	483,480	557,938
Other Payables	386,887	368,422
	\$ 914,737	\$ 1,004,439
Lease liabilities (including current and non-current)	\$ 60,242	\$ -

2. Risk management policy

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

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

(1) Interest rate risk:

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

(2) Exchange rate risk:

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

(3) Credit risk:

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

3. The nature and level of material financial risks

(1) Market risk

Exchange rate risk

- A. The Group's international operations have been subject to exchange rate risks arise from transactions denominated in a currency other than the functional currencies of the Company and its subsidiaries, which includes main currencies such as USD, SGD, EUR and RMB. Related exchange rate risks arise from future business transactions and recognized assets and liabilities.
- B. The Group's management formulated policies to manage exchange rate risks relative to the functional currency of the Company and its subsidiaries. The finance department is responsible for hedging the overall exchange rate risk. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD and RMB. Accordingly, the Group uses foreign currency forward contracts to mitigate the impact of exchange rate fluctuations on the costs of purchasing inventories.
- C. The Group uses forward exchange and currency and interest rate swaps to hedge exchange rate risks without hedging accounting, which are recognized as financial assets or liabilities at fair value through profit or loss. Please refer to Note 6 (2) and (10) for more details.
- D. Since the Group's businesses involves certain non-functional currencies (NTD is the functional currency of the Company and part of its subsidiaries, while the functional currencies of other subsidiaries include USD, SGD and RMB), it may be affected by exchange rate fluctuations. The foreign currency assets and liabilities that may be significantly affected by exchange rate fluctuations are as follows:

				2019.12.31		
				Foreign currency (NT\$ thousand)	Exchange rate	Carrying amount (NT\$)
(Foreign currency: functional currency)						
<u>Financial asset</u>						
<u>Monetary items</u>						
	USD : NTD	\$	34,447		29.98	\$ 1,032,721
	EUR : NTD		255		33.59	8,565
	USD : CNY		95		6.96	2,848
	USD : SGD		550		1.35	16,489
<u>Financial liability</u>						
<u>Monetary items</u>						
	USD : NTD	\$	14,617		29.98	\$ 438,218
	EUR : NTD		300		33.59	10,077
	USD : CNY		1,958		6.96	58,701
	USD : SGD		411		1.35	12,322

				2018.12.31		
				Foreign currency (NT\$ thousand)	Exchange rate	Carrying amount (NT\$)
(Foreign currency: functional currency)						
<u>Financial asset</u>						
<u>Monetary items</u>						
	USD : NTD	\$	39,295		30.715	\$ 1,206,946
	EUR : NTD		248		35.20	8,730
	USD : CNY		55		6.87	1,689
	USD : SGD		271		1.37	8,324
<u>Financial liability</u>						
<u>Monetary items</u>						
	USD : NTD	\$	15,449		30.715	\$ 474,516
	EUR : NTD		291		35.20	10,243
	USD : CNY		1,746		6.87	53,628
	USD : SGD		203		1.37	6,235

- E. The overall realized and unrealized foreign exchange gains and losses of the Group's monetary items that may be significantly affected by exchange rate fluctuations in 2019 and 2018 were (NT\$20,970) and NT\$7,769, respectively.
- F. The Group's foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

2019				
Sensitivity analysis				
(Foreign currency: functional currency)	Extent of change	Effect on income	Effect on other comprehensive income	
<u>Financial asset</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 10,327	\$	-
EUR : NTD	1%	86		-
USD : CNY	1%	28		-
USD : SGD	1%	165		-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 4,382	\$	-
EUR : NTD	1%	101		-
USD : CNY	1%	587		-
USD : SGD	1%	123		-

2018				
Sensitivity analysis				
(Foreign currency: functional currency)	Extent of change	Effect on income	Effect on other comprehensive income	
<u>Financial asset</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 12,069	\$	-
EUR : NTD	1%	87		-
USD : CNY	1%	17		-
USD : SGD	1%	83		-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 4,745	\$	-
EUR : NTD	1%	102		-
USD : CNY	1%	536		-
USD : SGD	1%	62		-

Price risk

- A. The Group is exposed to equity instrument price risk because of investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage the price risk arising from investments in equity instruments, the Group has diversified 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, of which the price of equity instruments will be affected by uncertainty of future value of the investment target. Assuming all other factors remain unchanged, if prices of equity instruments rise or fall by 1%, the 2019 and 2018 net profit after tax will that arise from the gain or loss of equity instruments measured at fair value through profit or loss will increase or decrease by NT\$5,277 and NT\$10,574, respectively, whereas the other comprehensive income in 2019 and 2018 will increase or decrease by NT\$24 and NT\$104, respectively, since it is classified as gains or losses of financial assets measured at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises mainly from long-term and short-term borrowings at floating rates, which exposes the Group to cash flow interest rate risk, but part of the risk can be offset by cash and cash equivalents held at floating rates. In 2019 and 2018, the Group's floating rate borrowings were mainly denominated in USD.
- B. Assuming all other factors remain unchanged, if the USD borrowing rate rises or falls by 0.25%, net profit as of December 31, 2019 and 2018 will decrease or increase by NT\$111 and NT\$169, 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 receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- F. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2019 and 2018, the Group had no recourse claims that had been written off.

G. (1) Expected loss rate for the creditworthy group of customers was 0.2%. The total book value and loss allowance of accounts receivable as of December 31, 2019 were NT\$489,154 and NT\$300, respectively, and the total book value and loss allowance for receivables as of December 31, 2018 were NT\$584,909 and NT\$415, 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 December 31, 2018 is as follows:

	Not yet due	Less than 30 days past due	30 days past due	60 days past due	90 days past due	120 days past due	Total
<u>2019.12.31</u>							
Expected loss rate	0%~1.50%	0%~5.21%	0.09%~19.39%	0.49%~41.97%	1.42%~65.35%	100%	
Total book value	\$ 195,463	\$ 42,910	\$ 27,288	\$ 606	\$ 14,490	\$ 16,350	\$ 297,107
Loss allowance	\$ 81	\$ 169	\$ 23	\$ 30	\$ 7,191	\$ 16,350	\$ 23,844
<u>2018.12.31</u>							
Expected loss rate	0.08%~0.37%	0.37%~3.47%	0.12%~14.20%	0.49%~36.72%	50%	100%	
Total book value	\$ 186,575	\$ 47,753	\$ 12,997	\$ 3,000	\$ 580	\$ 2,206	\$ 253,111
Loss allowance	\$ 41	\$ 75	\$ 128	\$ 622	\$ 290	\$ 2,206	\$ 3,362

(3) The total book values of the accounts receivable-related parties as of December 31, 2019 and 2018 were NT\$3,387 and NT\$9,781, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of NT\$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)	
	2019	2018
January 1	\$ 3,777	\$ 8,384
Write off (reversal) of impairment loss	23,158	(4,649)
Write-off of irrecoverable amounts	(2,062)	-
Forex effect	(729)	42
December 31	\$ 24,144	\$ 3,777

From the loss recognized in 2019 and 2018, the (reversed) impairment losses for accounts receivables arising from customer contracts were NT\$23,158 and (NT\$4,649), 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's unused loan amount as of December 31, 2019 and 2018 were NT\$532,486 and NT\$489,677, 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.

Derivative financial liabilities:

2019.12.31	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
Short-term borrowings	\$ 44,370	\$ -	\$ -
Accounts Payable	483,480	-	-
Other Payables	386,887	-	-
lease liabilities	40,702	15,971	6,037
Provisions	37,937	7,641	-

Non-derivative financial liabilities:

2018.12.31	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
Short-term borrowings	\$ 67,573	\$ -	\$ -
Notes Payable	10,505	-	-
Accounts Payable	557,938	-	-
Other Payables	368,422	-	-
Provisions	46,254	7,423	-

Derivative financial liabilities:

2018.12.31	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
Foreign currency forward contract	\$ 1	\$ -	\$ -

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

(III) Information on fair value

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

Level 1: Quoted prices (unadjusted) in active markets for assets or liabilities identical to those being valued that the entity can obtain at the measurement date. Quoted price in an "active market" means that quoted prices represent market transactions related to assets and liabilities that are readily and regularly occurring. This includes fair values of TWSE listed shares and beneficiary securities invested by the Group.

Level 2: Inputs in this level are observable for assets and liabilities, either directly or indirectly, other than quoted prices described in level 1. This includes fair values of TPEX listed stocks and derivative financial instruments invested by the Group.

Level 3: Inputs in this level are unobservable for assets and liabilities being valued. This includes equity instruments of non-active markets invested by the Group.

2. Financial instruments not measured at fair value

The carrying amounts of the Group's cash and cash equivalents, notes receivable, accounts receivable, other receivables, limited time deposit (classified in the balance sheet as other current asset), guarantee 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 approximations of fair values.

3. The Group has classified financial and non-financial instruments measured at fair value based on the nature, characteristics and risks of assets and liabilities, as well as in accordance with the fair value hierarchy. The relevant information is as follows:

(1) The Group classifies its financial instrument based on the nature of assets and liabilities, with relevant information as follows:

2019.12.31	1st Level	2nd Level	3rd Level	Total
Asset				
<u>At fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 468,068	\$ 5,244	\$ 54,318	\$ 527,630
Beneficiary securities	33,512	-	-	33,512
Derivatives				
- Foreign currency forward contract	-	77	-	77
- Currency and interest rate swaps	-	177	-	177
Hybrid instrument	-	-	10,928	10,928
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
Total	\$ 501,580	\$ 5,498	\$ 67,627	\$ 574,705

2018.12.31	1st Level	2nd Level	3rd Level	Total
Asset				
<u>At fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 980,350	\$ 4,848	\$ 29,102	\$1,014,300
Beneficiary securities	32,761	-	-	32,761
Derivatives				
- Foreign currency forward contract	-	31	-	31
- Currency and interest rate swaps	-	26	-	26
Hybrid instrument	-	-	10,299	10,299

Financial asset at fair value through other comprehensive income

Equity securities	-	-	10,350	10,350
Total	<u>\$ 1,013,111</u>	<u>\$ 4,905</u>	<u>\$ 49,751</u>	<u>\$1,067,767</u>

Liability

At fair value on a recurring basis

Financial liabilities at fair value through profit or loss

Foreign currency forward contract	\$ -	\$ 1	\$ -	\$ 1
Total	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</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:

Quoted market price	Shares of listed companies	Open-end funds
	Closing market prices	Net value

- B. Except for the aforementioned financial instruments in an active market, the fair values of other financial instruments are obtained by using valuation techniques, or by reference to the quoted prices of counterparties.
 - C. The Group adopts valuation techniques widely used by market participants for evaluating non-standardized and less complex financial instruments. The parameters used in the valuation models of such financial instruments are usually market observable information.
 - D. The evaluation of derivatives is based on the valuation model generally accepted by market users, such as the discount method. Foreign currency forward contracts are usually evaluated based on the current forward exchange rates.
 - E. The output of the evaluation model is an estimated value, and the valuation technique may not reflect all the relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted based on additional parameters, such as the model risk or liquidity risk. According to the Group's management policies of fair value valuation model and related control procedures, its management believes that valuation adjustments are appropriate and necessary for the fair values of financial and non-financial instruments to be presented fairly in the consolidated balance sheet. The price information and parameters used in the evaluation process are carefully evaluated, with appropriate adjustments according to current market conditions.
4. Transfers have not occurred between the 1st and 2nd level inputs in 2019 and 2018.

5. The following table shows changes in 3rd level inputs in 2019 and 2018:

	2019		2018	
	Equity instrument		Equity instrument	
January 1	\$	49,751	\$	2,228
Effects of IFRS 9		-		39,334
Current subscription		30,000		38,312
Loss recognized in income (Note 1)	(	4,155)	(	1,139)
Changes in fair value recognized in other comprehensive income (Note 2)	(	7,969)	(	28,984)
December 31	\$	67,627	\$	49,751
Changes in unrealized gains or losses on assets and liabilities owned at the end of the period that are entered in profit or loss	(\$	4,155)	(\$	1,139)

Note 1: Classified in the balance sheet as other gains and losses.

Note 2: Classified in the balance sheet as unrealized losses from equity instruments investments measured at fair value through other comprehensive income.

6. Whether transfers have occurred in the 3rd level in 2019 and 2018.
7. The Group's validation process for 3rd level fair value measurement on financial instruments is independently performed by the Finance Department. The independent data sources are used to bring the evaluation results closer to the market, while ensuring the reasonableness of evaluation results with consistent resources and executable representative prices.
- In addition, the Finance Department is responsible for formulated fair value valuation policies and evaluation procedures, and ensuring the Group's compliance with relevant IFRS regulations.
8. The quantitative analysis of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs as valuation models for 3rd level fair value measurements are as follows:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
<u>Equity instrument:</u>					
Shares of unlisted companies	\$ 34,958	NAV approach	N/A	N/A	The higher the value of net assets, the higher the fair value of the stocks
Shares of unlisted companies	21,741	Discounted Cash Flow Approach	Note 1	N/A	Note 2
<u>Hybrid instrument:</u>					
Shares of unlisted companies	49,695	Discounted Cash Flow Approach	Note 1	N/A	Note 2
Embedded option (	38,767)	Option Pricing Model	Price volatility	N/A	The higher the price volatility, the higher the fair value of the stocks

	Fair value at December 31, 2018	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
<u>Equity instrument:</u>					
Shares of unlisted companies	\$ 1,089	NAV approach	N/A	N/A	The higher the value of net assets, the higher the fair value of the stocks
Shares of unlisted companies	38,363	Discounted Cash Flow Approach	Note 1	N/A	Note 2
<u>Hybrid instrument:</u>					
Shares of unlisted companies	10,299	Discounted Cash Flow Approach	Note 1	N/A	Note 2

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 the discount for lack of marketability, the lower the fair value of the stocks; the higher the weighted average cost of capital discount for minority interest, the lower the fair value of the stocks; the higher the long term sales growth and long term net profit before tax, the higher the fair value of the stocks.

9. After careful assessment, the Group has selected valuation models and evaluation parameters, but the application of the various valuation models or evaluation parameters

may lead to different evaluation results.

XIII. Disclosures

(I) Information on significant transactions

1. Lending funds to others: Please refer to schedule 1.
2. Providing endorsements or guarantees for others: None.
3. Holding of securities at the end of the period (excluding investing in subsidiaries, affiliates and joint ventures): Please refer to schedule 2.
4. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: None.
5. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
7. Purchase and sales with related parties reaching \$100 million or 20 percent of paid-in capital or more: Please refer to schedule 3.
8. Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please refer to schedule 4.
9. Trading in derivative instruments: Please refer to Note 6 (2) and (10).
10. Intercompany relationships and significant intercompany transactions and transaction amount: Please refer to Schedule 5.

(II) Information on investees

Names, locations and related information of investees (excluding investments in China): Please refer to Schedule 6.

(III) Information on investments in China

1. Basic information: Please refer to Schedule 7.
2. Information on investments in China - Investee significant transactions for invested businesses in China, either directly or indirectly through a third area: Please refer to Schedule 5.

XIV. Segment information

(I) General information

The Group's management has identified department responsible for reporting to the board of directors based on the reporting information for their decision-making. In the current period, there were no significant changes in the Group's corporate structure, segmentation bases, and measurement bases for segment information.

(II) Measurement of segment information

Profits or losses of the Group's operating segments are measured by segment income and pre-tax profit/loss, and are used as basis for performance evaluation. In addition, the accounting policies of operating segments are the same as the summary of significant accounting policies in Note 4.

(III) Segment information

Segment information reported to the chief operating decision-maker are provided as follows:

	2019			
	IPC	Medical PC	write-off	Total
Revenue from external customers	\$ 4,672,470	\$ 1,475,910	\$ -	\$ 6,148,380
Revenue from internal segments	287,538	7,034	(294,572)	-
Segment revenue	\$ 4,960,008	\$ 1,482,944	(\$ 294,572)	\$ 6,148,380
segment profit or loss	\$ 540,518	\$ 289,910	\$ -	\$ 830,428
Segment profit or loss:				
Depreciation and amortization	\$ 81,111	\$ 23,260	\$ -	\$ 104,371
	2018			
	IPC	Medical PC	write-off	Total
Revenue from external customers	\$ 4,382,904	\$ 1,417,351	\$ -	\$ 5,800,255
Revenue from internal segments	277,247	7,321	(284,568)	-
Segment revenue	\$ 4,660,151	\$ 1,424,672	(\$ 284,568)	\$ 5,800,255
segment profit or loss	\$ 706,339	\$ 227,911	\$ -	\$ 934,250
Segment profit or loss:				
Depreciation and amortization	\$ 56,883	\$ 13,394	\$ -	\$ 70,277

Note 1: Segment income has been write-off to NT\$0.

Note 2: Not required to be disclosed as the measure of segment assets has not been provided to the chief operating decision-maker.

(IV) Adjustment information on segment profit or loss

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

(V) Geographical information

The Company's 2019 and 2018 geographical information are as follows:

	2019		2018	
	Income	Non-current assets	Income	Non-current assets
Taiwan	\$ 3,454,242	\$ 450,473	\$ 3,259,948	\$ 418,792
China	542,455	90,855	527,639	103,761
Singapore	127,955	1,913	122,299	33
USA	1,470,842	161,523	1,507,698	169,032
Europe	552,886	34,256	382,671	7,011
Total	\$ 6,148,380	\$ 739,020	\$ 5,800,255	\$ 698,629

Non-current assets refers to non-current items excluding financial instruments, deferred tax assets and part of the other non-current assets.

(VI) Major customer information

The Group's customers exceeding 10% of consolidated operating income in 2019 and 2018 is as follows:

		2019		2018
A	\$	649,332	\$	756,064

AAEON Technology Inc. and Subsidiaries

Lending funds to others

2019.1.1~2019.12.31

Schedule 1

Unit: NT\$ thousand
(unless otherwise specified)

Serial No. (Note 1)	Lender	Borrower	Business items	Related party	Maximum amount (Note 4)	Ending balance (Note 4)	Actual amount	Interest rate range	Nature of loans (Note 2)	Business amount (Note 3)	Reasons for the necessity of short-term financing facility	Allowance for doubtful account	Collateral		Authorization for loans extended to any single entity (Note 3)	Total authorization for loans (Note 3)	Remarks
													Name	Value			
1	ONYX HEALTHCARE INC.	ONYX HEALTHCARE (SHANGHAI) LTD	Receivables	Y	\$ 4,131	\$ 4,131	\$ 4,131	5.76%	2	\$ -	Operating cycle	\$ -	-	\$ -	\$ 100,793	\$ 403,172	None

Note 1: Serial No. is filled in as follows:

- (1) Issuer is numbered 0.
- (2) Investees are numbered sequentially according to company name from Arabic numeral 1.

Note 2: The nature of loaning funds shall fill in the business transactions or short-term financing facility.

- (1) Business transactions.
- (2) Necessary for short-term financing facility.

Note 3: The total financing amount shall not exceed 40 percent of the lending company's net worth in the most recent CPA audit report or reviewed financial statements.

Authorization for loans extended to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company. Loans for business transactions shall not exceed the amount of business transactions between the two parties in the most recent year. The amount of business transaction refers to the amount of purchases or sales between the two parties, whichever is higher.

Note 4: Foreign currencies involved in this schedule is converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries

Holding of securities at the end of the period (excluding investing in subsidiaries, affiliates and joint ventures)

31 December 2019

Schedule 2

Unit: NT\$ thousand
(unless otherwise specified)

Holding company	Type	Marketable securities type and name		Relationship with the Company	Financial Statement Account	December 31, 2019				
						Shares	Carrying value (Note 2)	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	\$ 26,329	-	\$ 26,329	None
"	Stock	Advantech Co.,Ltd.		"	"	730	221	-	221	"
"	"	MACHVISION,INC.		Other related party - the Company's Chairman as a director	"	1,135,020	409,175	2.66	409,175	"
"	"	ATECH OEM INC.		"	"	234	2	-	2	"
"	"	Unitech Electronics Co., Ltd.		None	"	549,600	9,975	1.17	9,975	"
"	"	LILEE SYSTEMS Ltd.		"	"	468,750	-	-	-	"
"	"	Econova Technology Co.		"	"	266,600	-	7.27	-	"
"	"	Allied Biotech Co.		Other related party - the Company's Chairman as a director	"	300,000	5,244	0.32	5,244	"
"	"	TELEION WIRELESS, INC.		None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.		"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,360	19.29	19,360	"
"	"	V-Net AAEON Corporation Ltd.		"	"	29	10,928	14.50	10,928	Note 3
AAEON INVESTMENT, CO., LTD.	Fund	HSBC Global Income Bond Fund		"	Financial assets at fair value through profit or loss - current	555,078	7,183	-	7,183	None
"	Stock	ATECH OEM INC.		Other related party - the Company's Chairman as a director	"	3,456,000	36,115	6.02	36,115	"
"	"	Mutto Optronics Co.		None	"	310,000	2,846	0.68	2,846	"
"	"	Sunengine Co., Ltd.		Other related party - the Company's Chairman as a director	"	550,537	1,089	2.75	1,089	"
ONYX HEALTHCARE INC.	"	MACHVISION,INC.		"	"	27,000	9,734	0.06	9,734	"
"	"	INNO FUND III		None	Financial assets at fair value through profit or loss - non-current	3,000,000	33,869	13.04	33,869	"
"	"	MELTEN CONNECTED HEALTHCARE INC.		None	Financial asset at fair value through other comprehensive income - non- current	4,193,548	2,381	6.47	2,381	"

Note 1: The "securities" above refer to stocks, bonds, beneficiary certificates and derivatives included in IFRS 9 "Financial Instruments".

Note 2: 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.

Note 3: Hybrid contract with embedded options.

AAEON Technology Inc. and Subsidiaries

Purchase and sales with related parties reaching \$100 million or 20 percent of paid-in capital or more

2019.1.1~2019.12.31

Schedule 3

Unit: NTS thousand
(unless otherwise specified)

Purchasing (sales) company	Name of transaction counterparties	Relation	Transaction			Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note)		Accounts and notes receivable (payable)			Remarks
			Purchase (sales)	Amount	Percentage of total purchase (sales) (%)	Duration of credit	Price	Duration of credit	Balance	Percentage of total accounts and notes receivable (payable) (%)	
AAEON Technology Inc.	ASUSTEK COMPUTER INC.	Parent	Purchases	\$ 1,212,244	42.28	Net 30 days	\$ -	-	(\$ 106,039)	26.93	None
"	AAEON ELECTRONICS, INC.	Subsidiary	(Sales)	(649,648)	(15.23)	Net 60 days	-	-	107,909	16.28	"
"	AAEON TECHNOLOGY (SUZHOU) INC.	"	(Sales)	(278,529)	(6.53)	"	-	-	54,439	8.21	"
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	(Sales)	(399,629)	(9.37)	"	-	-	67,828	10.23	"
"	ONYX HEALTHCARE USA, INC.	"	(Sales)	(159,777)	(3.75)	"	-	-	15,218	2.30	"
"	ONYX HEALTHCARE INC.	"	(Sales)	(127,693)	(2.99)	Net 30 days	-	-	50,594	7.63	"
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	"	(Sales)	(282,445)	(24.40)	Net 90 days	-	-	29,359	21.69	"

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

AAEON Technology Inc. and Subsidiaries

Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more

31 December 2019

Schedule 4

Unit: NT\$ thousand
(unless otherwise specified)

<u>Company Name</u>	<u>Name of transaction counterparties</u>	<u>Relation</u>	<u>Ending balance (Note 1)</u>	<u>Turnover (%)</u>	<u>Overdue</u>			<u>Allowance for doubtful account</u>
					<u>Amount</u>	<u>Action taken</u>	<u>Amounts Received in Subsequent Period</u>	
AAEON Technology Inc.	AAEON Electronics, Inc.	Subsidiary	\$ 107,909	6.88	\$ -	-	\$ -	-

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 and transaction amount

2019.1.1~2019.12.31

Schedule 5

Unit: NT\$ thousand
(unless otherwise specified)

Intercompany transaction							
Serial No. (Note 1)	Company Name	Counter party	Nature of relationships (Note 2)	Financial Statement Item	Amount (Note 4)	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	AAEON Technology Inc.	AAEON ELECTRONICS, INC.	1	Net sales	\$ 649,648	Net 60 days	10.57%
"	"	AAEON ELECTRONICS, INC.	1	Accounts receivable	107,909	"	1.12%
"	"	AAEON TECHNOLOGY (SUZHOU) INC.	1	Net sales	278,529	"	4.53%
"	"	AAEON TECHNOLOGY (EUROPE) B.V.	1	Net sales	399,629	"	6.50%
"	"	ONYX HEALTHCARE USA, INC.	1	Net sales	159,777	"	2.60%
"	"	ONYX HEALTHCARE INC.	1	Net sales	127,693	Net 30 days	2.08%
1	AAEON TECHNOLOGY (EUROPE) B.V.	AAEON Technology Inc.	2	Service revenues	128,803	"	2.09%
2	ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	3	Net sales	282,445	Net 90 days	4.59%

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 NT\$100 million, and transactions shall be disclosed as assets and income.

AAEON Technology Inc. and Subsidiaries

Names, locations and related information of investees (excluding investments in China)
2019.1.1~2019.12.31

Schedule 6

Unit: NT\$ thousand

(unless otherwise specified)

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2019			Net Income (Loss) of the Investee (Note 2)	Share of Profit/Loss of Investee (Note 2)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage (%)	Carrying Amount			
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	\$ 146,902	\$ 50,504	490,000	100.00	\$ 174,461	\$ 20,912	\$ 20,907	
"	AAEON DEVELOPMENT INC.	British Virgin Islands	Investment of IPC and PC peripherals	-	20,266	-	-	-	(5,119)	(5,119)	
"	AAEON TECHNOLOGY CO.,LTD	"	Investment of IPC and interface card	264,037	270,510	8,807,097	100.00	209,935	(13,543)	(13,493)	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,359	3,520	-	100.00	40,557	9,338	9,338	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	12,998	-	465,840	100.00	39,509	(2,412)	2,578	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	110,888	218	218	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	73,358	44,662	11,005,146	50.00	494,464	239,377	119,551	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	12.09	111,998	171,797	21,319	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	30.55	3,369,909	255,432	277	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	1,008	1,056	-	100.00	17,681	2,031	-	Note 1
AAEON DEVELOPMENT INC.	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	-	13,114	-	-	-	(2,412)	-	"

AAEON Technology Inc. and Subsidiaries

Names, locations and related information of investees (excluding investments in China)
2019.1.1~2019.12.31

Schedule 6

Unit: NT\$ thousand

(unless otherwise specified)

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2019			Net Income (Loss) of the Investee (Note 2)	Share of Profit/Loss of Investee (Note 2)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage (%)	Carrying Amount			
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	USA	Sales of medical PC and peripherals	59,960	61,430	200,000	100.00	84,047	13,462	- Note 1	
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,359	3,520	100,000	100.00	11,582	2,636	- "	
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	10,292 (	7,125)	- "
"	WINMATE INC.	Taiwan	Bid quotations, distributions and sales of LCD application equipment and modules	510,248	-	9,363,000	12.97	505,586	241,183	- "	

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

Note 2: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2019, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries
Information on investments in China - basic information
2019.1.1~2019.12.31

Schedule 7

Unit: NT\$ thousand
(unless otherwise specified)

Name of investee	Main businesses and products	Paid-in capital	Methods of investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Share of Profits / Losses (Note 2 (2) B)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Remarks
					Outflow	Inflow							
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	\$ 260,534	2	\$ 260,534	\$ -	\$ -	\$ 260,534	(\$ 13,428)	100	(\$ 13,428)	\$ 215,955	\$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	59,960	1	44,970	14,990	-	59,960	(15,199)	100	(15,199)	7,495	-	

Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
AAEON Technology Inc.	260,534	260,534	4,989,908
ONYX HEALTHCARE INC.	59,960	59,960	612,007

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. The financial statement is audited and certified by international accounting firms which have partnership with R.O.C. accounting firms.
 - B. The financial statement is audited and certified by the parent company's auditors in Taiwan.
 - C. Other basis

Note 3: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2019, while others are converted to NTD under the exchange rate at end period of the financial report.

Attachment 3: 2019 Individual Financial Report

Report of Independent Accountants

2020Tsai-Shen-Bao-Tzi No.19002720

To AAEON Technology Inc.:

Opinion

We have audited the accompanying individual balance sheets of AAEON Technology Inc. (hereinafter referred to as “AAEON”) and its subsidiaries as of 31 December 2019 and 2018, and the related individual statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2019 and 2018, and notes to the individual financial statements, including the summary of significant accounting policies (together “the individual financial statements”).

In our opinion, based on our audits and the audits of other CPAs (please refer to the “Other Matters”), the individual financial statements referred to above present fairly, in all material respects, the individual financial position of the Company and its subsidiaries as of 31 December 2019, and 2018, in conformity with the requirements of the “Regulation Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for Opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants” and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of AAEON Technology Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the audits of other CPAs, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of 2019 individual financial statements. These matters were addressed in the context of our audits of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of our 2019 individual financial statements are as follows:

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

Explanation

Please refer to Note 4(23) of the individual financial statements for the accounting of revenue recognition, and refer to Note 6(14) of the individual financial statements for details of operating revenue.

AAEON’s main businesses and products include the design, manufacturing and sales of industrial computers and peripherals. Since product orders are effected by project cycles, the Company needs to focus on entering new markets and accepting orders of new projects, there will be changes in the top ten customers. After comparing the top ten sales customers in the Taiwan in 2019 and 2018, the incorporation of newly listed top ten sales customers has a significant impact on the Company’s operating revenue.

With that, the CPA listed the existence for incorporating the revenues of AAEON's newly listed top ten sales customers as one of the key audit matters.

Audit Procedures

The audit matters cover AAEON and part of its subsidiaries (investments accounted for using the equity method). The audit procedures for the specified aspects of the aforementioned key audit matters are listed as follows:

1. For the assessment and testing of the financial statements, the internal control procedures of sales transactions are based on the Company's internal control system.
2. Viewing the relevant industry background information of newly listed top ten sales customers.
3. Obtaining and sampling relevant vouchers for the transactions involving operating revenue of the newly listed top ten sales customers.

Accounting estimate of inventory valuation

Explanation

Please refer to Note 4(9) of the individual financial statements for the accounting estimate of inventory valuation; please refer to Note 5 to the individual financial statements for uncertainties in the accounting estimate of inventory evaluation; please refer to the note 6(4) of the individual financial statements for inventory items.

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

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

Audit Procedures

The audit matters cover AAEON and part of its subsidiaries (investments accounted for using the equity method). The audit procedures for the specified aspects of the aforementioned key audit matters are listed as follows:

1. Assessing the policy of allowance for inventory impairment with the understanding of AAEON's operations and the nature of the industry.
2. Checking the management's details of outdated inventories as well as relevant documentary evidence.

3. Testing the price basis of net realizable value for each inventory item, and randomly checking the correctness of net realizable value.

Impairment loss on investments accounted for using the equity method

Explanation

Please refer to Note 4(10) of the individual financial statements for accounting policies on investments using the equity method; please refer to Note 5 to the consolidated financial statements for uncertainties in accounting estimates for investments using the equity method; please refer to Note 6 (5) of the individual financial statements for investment items.

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

Audit Procedures

The audit procedures for the specified aspects of the aforementioned key audit matters are listed as follows:

1. Assessing IBASE's estimated revenue growth, gross profit margin and operating expense ratio of future cash flows in comparison with historical results and literatures on economic and industry forecasts.
2. Comparing the discount rate for IBASE's assessment on value in use with the assumption of cost of capital generated by cash and alternatives to ROA.
3. Check the correctness of evaluation models.

Other Matters - Audit of Other CPAs

Part of the investees in AAEON's individual financial statements using the equity method has not been audited by the CPA, but are included in the audit work of other CPAs. Therefore, the CPA's opinion on the amounts listed in the aforementioned individual financial statements are based on the audit reports of another CPA. The aforementioned investment using the equity method as of December 31, 2019 and 2018 were NT\$3,481,907 thousand and NT\$3,573,849 thousand, respectively, accounting for 39.87% and 40.38% of total assets. For the years ended December 31, 2019 and 2018, the comprehensive income of affiliates and joint ventures using the equity method were NT\$20,804 thousand and -NT\$84 thousand, respectively, accounting for 3.89% and 0% of the comprehensive income.

Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the requirements of the "Regulation Governing the Preparation of Financial Reports by Securities Issuers" and for such internal control as management determines is

necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

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

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

financial statements. We are responsible for the direction, supervision and performance of the individual audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 individual financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Certified Public Accountant

Shu-Chiung Chang

Chun-Yao Lin

Financial Supervisory Commission, Executive Yuan, R.O.C.

Approval reference: Jin-Guan-Zheng-Shen-0990042602
Securities and Futures Commission, Ministry of Finance

Approval reference: (1996)Tai-Tsai-Cheng (VI) No. 68702

February 27, 2020

Notes to Readers

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

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

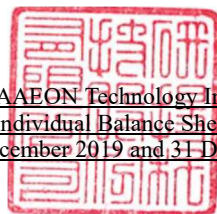

AAEON Technology Inc.
Individual Balance Sheets
As of 31 December 2019 and 31 December 2018

Unit: NT\$ thousand

Assets	Notes	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current asset						
1100	Cash and cash equivalents	6 (1)	\$ 1,898,190	22	\$ 2,027,662	23
1110	Financial asset at fair value through profit or loss - current	6 (2)	450,946	5	488,691	6
1150	Net notes receivable	6 (3)	1,685	-	489	-
1170	Net accounts receivable	6 (3)	348,308	4	377,075	4
1180	Accounts receivable - net amount of related party	7	311,180	4	203,177	3
1200	Other Receivables	7	9,816	-	5,055	-
130X	Inventory	6 (4)	637,016	7	646,420	7
1410	Prepayment		25,021	-	20,464	-
11XX	Total current assets		<u>3,682,162</u>	<u>42</u>	<u>3,769,033</u>	<u>43</u>
Non-current assets						
1510	Financial asset at fair value through profit or loss - non-current	6 (2)	30,288	1	38,312	-
1550	Investments accounted for using the equity method	6 (5)	4,551,721	52	4,601,845	52
1600	Property, Plant and Equipment	6 (6)	374,734	4	387,270	4
1755	Right-of-use asset	6 (7)	20,590	-	-	-
1780	Intangible asset		23,435	-	4,957	-
1840	Deferred tax assets	6 (20)	46,003	1	41,777	1
1900	Other non-current assets		4,879	-	6,990	-
15XX	Total non-current assets		<u>5,051,650</u>	<u>58</u>	<u>5,081,151</u>	<u>57</u>
1XXX	Total Assets		<u>\$ 8,733,812</u>	<u>100</u>	<u>\$ 8,850,184</u>	<u>100</u>

(Continued)

AAEON Technology Inc.
Individual Balance Sheets
As of 31 December 2019 and 31 December 2018



Unit: NT\$ thousand

Liabilities and equity	Notes	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current liability						
2130	Contract Liability - Current	6 (14)	\$ 59,714	1	\$ 69,341	1
2170	Accounts Payable		285,863	3	272,727	3
2180	Accounts payable - related party	7	107,941	1	174,364	2
2200	Other Payables	6 (8), 7	294,022	4	289,763	3
2230	Current tax liabilities		74,753	1	68,187	1
2250	Provisions - Current		29,195	-	37,631	1
2280	Lease Liability - Current		18,461	-	-	-
2399	Other current liabilities - other		20,482	-	12,311	-
21XX	Total current liabilities		<u>890,431</u>	<u>10</u>	<u>924,324</u>	<u>11</u>
Non-current liabilities						
2527	Contract Liability - non-current	6 (14)	7,902	-	8,210	-
2550	Provisions - non-current		5,276	-	4,485	-
2570	Deferred tax liabilities	6 (20)	27,000	1	22,887	-
2580	Lease Liability - non-current		2,396	-	-	-
2600	Other non-current liabilities		293	-	293	-
25XX	Total non-current liabilities		<u>42,867</u>	<u>1</u>	<u>35,875</u>	<u>-</u>
2XXX	Total Liabilities		<u>933,298</u>	<u>11</u>	<u>960,199</u>	<u>11</u>
Equity						
Share capital						
3110	Common share capital	6 (11)	1,484,985	17	1,484,985	17
Capital surplus						
3200	Capital surplus	6 (12)	5,348,750	61	5,361,226	60
Retained earnings						
3310	Legal reserve	6 (13)	332,568	4	259,282	3
3320	Special reserve		45,314	-	46,033	-
3350	Undistributed earnings		652,212	7	783,773	9
Other Equity						
3400	Other Equity		(63,315)	-	(45,314)	-
3XXX	Total equity		<u>7,800,514</u>	<u>89</u>	<u>7,889,985</u>	<u>89</u>
Material Contingent Liabilities and Unrecognized Contractual Commitments						
Material Subsequent Events						
3X2X	Total liabilities and equity		<u>\$ 8,733,812</u>	<u>100</u>	<u>\$ 8,850,184</u>	<u>100</u>

Please also refer to the notes as it is part of the individual financial statements.

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Hsiu-Fen Wung



AAEON Technology Inc.
Individual Income Statement
For the years ended December 31, 2019 and 2018



Unit: NT\$ thousand

(except for per share data in NT\$)

Item	Notes	2019		2018	
		Amount	%	Amount	%
4000 Operating income	6 (14), 7	\$ 4,265,294	100	\$ 4,092,106	100
5000 Operating cost	6 (4) (18) (19), 7	(3,083,934)	(72)	(3,048,948)	(74)
5900 Operating profit		1,181,360	28	1,043,158	26
5910 Unrealized gains from sales		(44,250)	(1)	(28,769)	(1)
5920 Realized gains from sales		28,769	-	27,921	1
5950 Net operating profit		1,165,879	27	1,042,310	26
Operating expenses	6 (9) (18) (19), 7				
6100 Marketing Expense		(212,828)	(5)	(225,153)	(6)
6200 Administrative expenses		(110,898)	(2)	(114,859)	(3)
6300 R & D expense		(379,608)	(9)	(387,648)	(9)
6450 Expected credit impairment losses (gains)	12 (2)	(1,212)	-	(491)	-
6000 Total operating expense		(704,546)	(16)	(728,151)	(18)
6900 Operating income		461,333	11	314,159	8
Non-operating income and expenses					
7010 Other income	6 (15)	45,673	1	26,481	1
7020 Other gains and losses	6 (16), 7	(3,441)	-	404,815	10
7050 Financial costs	6 (17)	(772)	-	-	-
7070 Share of the profit of the subsidiaries, associates and joint ventures accounted for using the equity method		155,576	3	56,252	1
7000 Total non-operating income and expenses		197,036	4	487,548	12
7900 Profit before tax		658,369	15	801,707	20
7950 income tax expense	6 (20)	(106,217)	(2)	(68,846)	(2)
8200 Net income		\$ 552,152	13	\$ 732,861	18
Other comprehensive income					
Not to be reclassified to profit or loss in subsequent periods					
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method - not to be reclassified to profit or loss in subsequent periods		(\$ 1,516)	-	(\$ 24,692)	(1)
8310 Total amount not to be reclassified to profit or loss in subsequent periods		(1,516)	-	(24,692)	(1)
To be reclassified to profit or loss in subsequent periods					
8361 Exchange differences resulting from translating the financial statements of a foreign operation		(16,747)	-	1,523	-
8380 Share of other comprehensive income of associates and joint ventures accounted for using the equity method - to be reclassified to profit or loss in subsequent periods		(2,865)	-	(215)	-
8399 Income tax relating to the components to be reclassified to profit or loss in subsequent periods	6 (20)	3,127	-	(323)	-
8360 Total amount to be reclassified to profit or loss in subsequent periods		(16,485)	-	985	-
8500 Total comprehensive income		\$ 534,151	13	\$ 709,154	17
Basic earnings per share	6 (21)				
9750 Basic earnings per share		\$	5.17	\$	6.86
Diluted earnings per share	6 (21)				
9850 Diluted earnings per share		\$	5.13	\$	6.81

Please also refer to the notes as it is part of the individual financial statements.

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Hsiu-Fen Wung





AAEON Technology Inc.
Individual Statements of Changes in Equity
For the years ended December 31, 2019 and 2018

Unit: NT\$ thousand

	Notes	Retained earnings					Other Equity					Total
		Common share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Foreign operation translation of the financial statements Net exchange differences	Unrealized gains (losses) from financial assets at fair value through other comprehensive income Profit or loss	Unrealized gains (losses) from available-for-sale financial assets	Remeasurements of defined benefit plans		
2018												
Balance on 1 January 2018		\$ 1,068,000	\$ 2,272,484	\$ 203,262	\$ 25,797	\$ 665,113	(\$ 21,607)	\$ -	(\$ 24,426)	\$ -	\$ 4,188,623	
Effects on retrospective application and restatement		-	-	-	-	(24,426)	-	-	24,426	-	-	
Balance on 1 January 2018 (Adjusted)		1,068,000	2,272,484	203,262	25,797	640,687	(21,607)	-	-	-	4,188,623	
Net income		-	-	-	-	732,861	-	-	-	-	732,861	
Other comprehensive income		-	-	-	-	-	1,110	(23,172)	-	(1,645)	(23,707)	
Total comprehensive income		-	-	-	-	732,861	1,110	(23,172)	-	(1,645)	709,154	
Appropriations and distribution for 2017:	6 (13)											
Legal reserve		-	-	56,020	-	(56,020)	-	-	-	-	-	
Special reserve		-	-	-	20,236	(20,236)	-	-	-	-	-	
Cash dividends		-	-	-	-	(507,300)	-	-	-	-	(507,300)	
Effect from long-term investment that has not been recognized based on shareholding percentage	6 (12)	-	7,226	-	-	(6,692)	-	-	-	-	534	
Transfer of new shares issued by other companies	6 (12)	416,985	3,081,516	-	-	-	-	-	-	-	3,498,501	
Share of changes in net assets of associates and joint ventures accounted for using the equity method		-	-	-	-	473	-	-	-	-	473	
Balance on 31 December 2018		\$ 1,484,985	\$ 5,361,226	\$ 259,282	\$ 46,033	\$ 783,773	(\$ 20,497)	(\$ 23,172)	\$ -	(\$ 1,645)	\$ 7,889,985	
2019												
Balance on 1 January 2019		\$ 1,484,985	\$ 5,361,226	\$ 259,282	\$ 46,033	\$ 783,773	(\$ 20,497)	(\$ 23,172)	\$ -	(\$ 1,645)	\$ 7,889,985	
Net income		-	-	-	-	552,152	-	-	-	-	552,152	
Other comprehensive income		-	-	-	-	-	(15,683)	(1,832)	-	(486)	(18,001)	
Total comprehensive income		-	-	-	-	552,152	(15,683)	(1,832)	-	(486)	534,151	
Appropriations and distribution for 2018:	6 (13)											
Legal reserve		-	-	73,286	-	(73,286)	-	-	-	-	-	
Reverse special reserve		-	-	-	(719)	719	-	-	-	-	-	
Cash dividends		-	-	-	-	(608,844)	-	-	-	-	(608,844)	
Differences between share price and book value from acquisition or disposal of subsidiaries	6 (12)	-	(19,899)	-	-	-	-	-	-	-	(19,899)	
Effect from long-term investment that has not been recognized based on shareholding percentage	6 (12)	-	5,877	-	-	(669)	-	-	-	-	5,208	
Share of changes in net assets of associates and joint ventures accounted for using the equity method		-	-	-	-	(1,397)	-	-	-	-	(1,397)	
Share-based Payment	6 (10) (12)	-	1,546	-	-	(236)	-	-	-	-	1,310	
Balance on 31 December 2019		\$ 1,484,985	\$ 5,348,750	\$ 332,568	\$ 45,314	\$ 652,212	(\$ 36,180)	(\$ 25,004)	\$ -	(\$ 2,131)	\$ 7,800,514	

Please also refer to the notes as it is part of the individual financial statements.

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin
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Accounting Supervisor: Hsiu-Fen Wung





AAEON Technology Inc.
Individual Statement of Cash Flows
For the years ended December 31, 2019 and 2018

Unit: NT\$ thousand

	Notes	2019.1.1~2019.12.31	2018.1.1~2018.12.31
<u>Cash flows from operating activities</u>			
Profit before income tax from continuing operations		\$ 658,369	\$ 801,707
Adjustments			
Income and other adjustments with no cash flow effects			
depreciation expense	6. (6) (7) (18)	47,377	35,354
Amortization expenses	6. (18)	5,052	5,385
Expected credit impairment losses (gains)	12. (2)	1,212	491
Costs of share-based payment awards	6. (10)	1,127	-
Interest income	6. (15)	(10,006)	(7,843)
Dividend income	6. (15)	(31,335)	(18,638)
Interest expenses	6. (7) (17)	(772)	-
Net loss (gains) from financial assets and liabilities at fair value through profit or loss	6. (2) (16)	9,031	(362,966)
Expenses transferred from property, plant and equipment		-	1,838
Share of the profit of the subsidiaries and associates accounted for using the equity method		(155,576)	(56,252)
Realized loss (gain) on inter-affiliate accounts		15,481	848
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss		36,738	262,033
Notes and accounts receivable (including related parties)		(81,644)	(121,876)
Other Receivables		(4,761)	1,317
Inventory		9,404	(9,143)
Prepayment		(4,557)	6,789
Net changes in operating liabilities			
contract liability		(17,172)	24,962
Notes and accounts payable (including related parties)		(53,287)	5,391
Other Payables		4,259	41,544
Other current liabilities		8,171	1,104
Provisions		(408)	(4,059)
Net cash from operating activities		436,703	607,986
Interest received		10,006	7,843
Interest paid	6. (7)	772	-
Income taxes paid		(96,637)	(31,616)
Net cash flows from operating activities		350,844	584,213

(Continued)


 AAEON Technology Inc.
 Individual Statement of Cash Flows
 For the years ended December 31, 2019 and 2018

Unit: NT\$ thousand

	Notes	2019.1.1~2019.12.31	2018.1.1~2018.12.31
<u>Cash flows from investing activities</u>			
Acquisition of investments accounted for using the equity method		(\$ 28,696)	\$ -
Proceeds from return of investments accounted for using the equity method		294	-
Acquisition of property, plant and equipment	6. (23)	(7,112)	(13,187)
Increase in intangible assets		(22,347)	(7,483)
Increase in other non-current assets		(7,145)	(1,568)
Dividends received		212,922	93,793
Net cash flows from investing activities		147,916	71,555
<u>Cash flows from financing activities</u>			
Cash dividends paid	6. (13)	(608,844)	(507,300)
Repayment of lease principal	6. (7)	(19,388)	-
Net cash flows from financing activities		(628,232)	(507,300)
Increase (decrease) in cash and cash equivalents		(129,472)	148,468
Cash and cash equivalents at the beginning of periods		2,027,662	1,879,194
Cash and cash equivalents at the end of periods		\$ 1,898,190	\$ 2,027,662

Please also refer to the notes as it is part of the individual financial statements.

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Hsiu-Fen Wung




AAEON Technology Inc.
Notes of Individual Financial Statements
December 31, 2019 and 2018

Unit: NT\$ thousand
(unless otherwise specified)

I. Company Profile

AAEON Technology Co., Ltd. (hereinafter referred to as the "the Company") was established in the Republic of China. The main businesses 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, industrial controllers, quantity controllers and components; industrial computer automation design and services, as well as the import/export of related materials. The Company has been listed on Taiwan Stock Exchange since August 2017. Asustek Computer Co., Ltd. holds 40.72% of the Company's shares (including indirect holdings) and is the Group's ultimate parent company.

II. Date and Procedures for the Authorization of Financial Reports

The individual financial reports were approved by the board of directors in February 26, 2020.

III. New or Revised Standards and Applied Interpretations

(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 2019 are listed below:

<u>Newly issued revised or amended standards and interpretations</u>	<u>Effective date issued by IASB</u>
Amendments to IFRS 9 "Pre-payment Features with Negative Compensation"	1 January 2019
IFRS 16 "Leases"	1 January 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	1 January 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Annual Improvements 2015 - 2017 Cycle	1 January 2019

Apart from the items explained below, the remaining standards and interpretations have no material impact on the Company:

IFRS 16 "Leases"

- IFRS 16 "Leases" replaces IAS 17 "Lease" and related interpretations and SICs. The new standard requires lessees to account for the right-of-use assets and lease liabilities (apart from leases with a lease term of 12 months or less, or for underlying assets of low value). Lessor accounting still uses the dual classification approach and only adds relevant new disclosure.
- We adopt the 2019 IFRS, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission, with the application of IFRS16 without restating the comparative information (hereinafter referred to as the "modified

retroactive adjustment") to lease contracts of lessees. On January 1, 2019, the right-of-use asset and liabilities both increased by NT\$36,793.

3. The expedient practices adopted for the initial application of IFRS 16 are as follows:
 - (1) Not reassessing whether a contract is, or contains, a lease at the date of initial application. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.
 - (2) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (3) Leases for which the lease terms ends at the latest on December 31, 2019 are recognized as short-term leases. Rental expenses of NT\$280 are recognized by these lease agreements in 2019.
 - (4) Direct cost is not included in the initial measurement of the right-of-use asset.
4. In measuring lease liabilities at the present value, the Company shall use its incremental borrowing rate of 2.616%.
5. The Company has disclosed the amount of its operating lease commitments in accordance with IAS 17. The reconciliation of present value discounted by the incremental borrowing rate at the date of initial application and the lease liabilities recognized on January 1, 2019 are as follows:

Operating lease commitments disclosed applying IAS 17 on December 31, 2018	\$	38,600
Less: Exemption for short-term leases	(	<u>280</u>)
Adopted the IFRS 16 - Total amount in the lease contract for the recognition of lease liabilities in January 1, 2019	\$	<u>38,320</u>
The Company's incremental borrowing rate at the date of initial application		<u>2.616%</u>
Adopted the IFRS 16 - Leases for the recognition of lease liabilities in January 1, 2019	\$	<u>36,793</u>

(II) The impact of the IFRS issued and amended by IASB which are endorsed by FSC but not yet adopted by the Group

Standards or interpretations issued, revised or amended by IASB which are endorsed by FSC at 2020 are listed below:

<u>Newly issued revised or amended standards and interpretations</u>	<u>Effective date issued by IASB</u>
Amendment to IAS 1 and IAS 8 on "Disclosure Initiative - Definition of Materials"	1 January 2020
Amendments to IFRS 3 ("Definition of a Business")	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 ("Reforming Interest Rate Benchmarks")	1 January 2020

The remaining standards and interpretations have no material impact on the Company.

(III) The impact of IFRS standards issued by IASB but have not yet endorsed by FSC

Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC are listed below.:

<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 IASB
IFRS 17 “Insurance Contracts”	1 January 2021
Amendments to IAS 1 (“Classification of liabilities as current or non-current”)	1 January 2022

The remaining standards and interpretations have no material impact on the Company.

IV. Summary of Significant Accounting Policies

The significant accounting policies for the individual financial statements are summarized as follows. Unless otherwise noted, these policies have been applied consistently to all periods

(I) Statement of compliance

The individual financial statements is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. The individual financial statements have been prepared on a historical cost basis except for the following reasons:

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

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

(III) Translation of foreign currency

The Company's items listed in the financial report are measured in the currency (ie. functional currency) of the primary economic environment in which the Company operates. The Company's functional currency “NTD” is the presentation currency of the individual financial statement.

1. Foreign currency transaction and account balances

- (1) Foreign currency transactions are recorded using the spot conversion rate to the functional currency on the date of transaction. Exchange differences arising from foreign currency transactions are reported in profit or loss in the period.
- (2) Foreign currency denominated monetary assets and monetary liabilities shall be translated at the spot conversion rate at the end of each reporting period, and the

exchange difference arising from the translation are reported in profit or loss in the period.

- (3) The non-functional foreign currency denominated monetary assets and monetary liabilities are measured at fair value through profit or loss, translated at the spot conversion rate at the end of each reporting period, and the exchange difference arising from the translation are reported in profit or loss in the period. For those that are measured at fair value through other comprehensive income are translated at the spot conversion rate at the end of each reporting period, and the exchange difference arising from the translation are recognized in other comprehensive income in the period. For those that are not measured at fair value will use historical exchange rates for the initial exchange transaction.
- (4) All foreign exchange gains and losses are recognized as “Other gains and losses” in the statement of comprehensive income.

2. Translation of foreign operations

The results and financial position of any individual entity and affiliates whose functional currency differs from the presentation currency are translated using the following procedures.

- A. assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position;
- B. income and expenses for each statement of comprehensive income or separate income statement presented shall be translated at exchange rates at the dates of the transactions; and
- C. all resulting exchange differences shall be recognized in other comprehensive income.

(IV) Classification standard for distinguishing current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:
 - (1) Expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
 - (2) Held primarily for the purpose of trading.
 - (3) Expected to be realized within 12 months after the balance sheet date.
 - (4) Cash or a cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date.

Assets not attributable to any of the classes above are classified as non-current assets.

2. Liabilities that meet one of the following conditions are classified as current liabilities:
 - (1) Expects to be settled in its normal operating cycle.
 - (2) Held primarily for the purpose of trading.
 - (3) Expected to be settled when due within 12 months after the balance sheet date.
 - (4) Does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities not attributable to any of the classes above are classified as non-current

liabilities.

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

1. Financial assets not measured at amortized cost or at fair value through other comprehensive income.
2. The regular way purchases or sales of the Company's financial assets at fair value through profit or loss are recognized on a trade date basis.
3. For the Company's initial recognition, relevant transaction costs at fair value are recognized as profit or loss, and subsequent to initial recognition, profits or losses at fair value are recognized as income.
4. Dividend revenue should be recognized when the right to receive payment is established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

(VI) Accounts and notes receivable

1. Accounts and notes receivable mean the entity has an unconditional contractual right to consideration for goods or services that have been transferred.
2. Short-term accounts and notes receivables with no stated interest rate may be measured at the original invoice amount as the effect of discounting is immaterial.

(VII) Impairment of financial assets

At the end of each reporting period, for the Company's credit risk has not increased significantly since original recognition after considering all reasonable and supportable information (including forward-looking information) for accounts receivable containing a significant financing component, the loss allowance is measured based on the 12-month expected credit losses. For the credit risk that has increased significantly since original recognition, loss allowance is measured based on the expected credit loss during the exposure period. As for an accounts receivable that do not contain significant financing components or a contract asset, loss allowances are measured based on the expected credit losses during the exposure period.

(VIII) Derecognition of financial assets

The Group's financial assets are considered for derecognition only when it meets one of the following three conditions:

1. The contractual rights to the cash flows from the financial assets expire.
2. Transferred the contractual rights to receive the cash flows of the financial asset, and has already transferred substantially all the risks and rewards of ownership.
3. Transferred the contractual rights to receive the cash flows of the financial asset, but has not retained control of the financial assets.

(IX) Inventory

Inventories shall be measured at the lower of cost and net realizable value, of which costs are determined by the weighted average cost method. Production costs of work in process and finished goods include raw materials, direct labor, other direct costs, and production overheads (distributed based on normal capacity), but exclude borrowing costs. On comparison between the cost and net realizable value, the lower of the two is considered as the value of inventory, and a comparison can be made the item by item or by the group of items. Net realizable value

is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(X) Investments accounted for using the equity method - subsidiaries and affiliates

1. A subsidiary is an entity (including a structured entity) that is controlled by the Company. The Company controls the subsidiary when it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the subsidiary.
2. The unrealized gains and losses that arise from the exchange between the Company and its subsidiaries have already been eliminated. The necessary adjustments have been made to the accounting policies of the subsidiaries, consistent with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses or other comprehensive income is recognized as current profit or loss or other comprehensive income as appropriate. If the Company's share of losses of the subsidiary equals or exceeds its interest in the subsidiary, the Company can still continue to recognize its share of further losses.
4. A change in the ownership interest of a subsidiary, without a change of control (transaction with non-controlling interests), is accounted for as an equity transaction, which is the transaction between owners. Any difference between the amount by which the noncontrolling interest is adjusted and the fair value of the consideration or received would be recognized directly as equity.
5. When the Company loses the control in a subsidiary, the remaining investment is remeasured at fair value and initially recognized as fair value for the financial asset or initially recognized at cost for the investment in the affiliate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. The Company shall account for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Company would be reclassified to profit or loss on the disposal of the related assets or liabilities, the gain or loss from equity is reclassified to profit or loss when the Company loses significant influence.
6. Affiliates refer to all entities over which the Company has significant influence but no control, and generally directly or indirectly holding 20 per cent or more of the voting power. The Company recognizes its equity method investment in affiliates at cost at the time of acquisition.
7. The Company's share of its associates' post-acquisition profits or losses or other comprehensive income is recognized as current profit or loss or other comprehensive income as appropriate. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
8. If the affiliate's changes in equity not classified as profit or loss or other comprehensive income did not affect the affiliate's shareholding ratio, the changes are recognized as "capital reserve".
9. Inter-company transactions, balances and unrealized gains on transactions between the

Company and its affiliates are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of affiliates have been changed where necessary to ensure consistency with the policies adopted by the Company.

10. When the affiliate issues additional shares, if the Company does not subscribe or acquire based on the proportion, which lead to a change in investment proportion but still with significant influence, the increase or decrease in net equity value are adjusted against the “capital reserve” and “investments accounted for using the equity method”. If the Group’s investment is reduced, apart from the above adjustments, the Group reclassifies to profit or loss the proportion of the gain or loss previously recognized in other comprehensive income relative to that reduction in ownership interest.
11. When the Company loses significant influence over the affiliate, the remaining investment to the affiliate is remeasured at fair value, and any difference between fair value and carrying amount is recognized in profit or loss.
12. When the Company loses significant influence at the disposal of an affiliate, the Company shall account for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Company would be reclassified to profit or loss on the disposal of the related assets or liabilities, the gain or loss from equity is reclassified to profit or loss when the Company loses significant influence. If the Group still has significant influence on the affiliate, the proportionate amount of the gains or losses previously recognized in other comprehensive income is reclassified.
13. When the Company loses significant influence at the disposal of an affiliate, the related capital reserve shall be recognized as profit or loss; if the Company still has significant influence on the affiliate, capital reserve are transferred to profit or loss based on disposal ratio.
14. In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.
15. For the reciprocal investments between the Company and another company, investment income or loss was recognized using the equity method based on the amount prior to recognition of profit or loss.

(XI) Property, Plant and Equipment

1. Property, plant and equipment are stated at cost, and the amount of interest incurred during the construction period are capitalized.
2. Subsequent costs are included in the carrying amount of an asset or recognized as an asset only if it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced shall be derecognized. All other repair and maintenance costs are recognized in profit or loss as incurred.

3. Property, plant and equipment is subsequently measured either using a cost model. These assets, except land, are depreciated using the straight-line method over its useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.
4. The Company reviews the assets' residual value, useful life and depreciation method at each financial year-end, and if expectations differ from previous estimates, or if the expected pattern of consumption of the future economic benefits embodied in the asset has significantly changed, the Company shall handle the change in accounting estimates in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of change. The estimated economic lives of various assets are as follows:

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

(XII) Lease transactions by lessees - right-of-use assets / lease liabilities

Applicable from 2019

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date which the asset is available for use by the Company. When the lease contract is a short-term leases or leases of low-value assets, lease payments should be recognized as an expense in the income statement over the lease term on a straight-line basis.
2. The lease liability is calculated as all the lease payments not paid at the commencement date discounted by the interest rate implicit in the lease or incremental borrowing rate. The payments included comprise fixed payments less any lease incentives receivable.

These are subsequently measured at amortized cost using the interest method, and is recognized as interest expense over the lease term. If there is a change in lease term or lease payment from modifications to non-lease contracts, the remeasurement of lease liabilities are treated as adjustments to the right-of-use asset.

3. The right-of-use asset is recognized at cost on the commencement date of the lease. The costs include:
 - (1) the initial measurement of the lease liability;
 - (2) Any lease payments paid on or before the lease start date;

Subsequently, the cost model is used to calculate the depreciation expense at the earlier of the end of the useful life of the right-of-use asset or the end of the lease. Remeasurements of the lease liability are treated as adjustments to the right-of-use asset.

(XIII) Leases (lessee)

Applicable from 2018

Payments made under operating leases, net of any incentives received from the lessor, are charged to current profit or loss on a straight-line basis over the term of the lease.

(XIV) Intangible asset

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

(XV) Impairment of non-financial assets

For assets that show signs of being impaired at the end of the reporting period, if the Company's measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the reduced amount shall be recognized as the loss of asset impairment. Recoverable amount refers to the higher of an asset's fair value less costs of disposal or value in use. When impairment of the previous year does not exist or are resolved, the impairment loss is reversed immediately. On reversal, the asset's carrying amount is increased, but does not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset.

(XVI) Accounts and notes payable

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

(XVII) Derecognition of financial liabilities

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

(XVIII) Provisions

Provisions (including warranty) should be recognized only when there is present obligation resulting from past events, when settlement is expected to result in an outflow of resources for economic benefits, and when the amount of obligation can be measured reliably. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The measurement is at discounted present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, and discount must be amortized to interest expense. No provision is recognized for future operating losses.

(XIX) Employee welfare

1. Short-term employee benefits
Short-term employee benefits are recognized as expenses when the employee has rendered the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.
2. Pension funds - Defined contribution plans
In defined contribution plans, the allocated pension fund is recognized as current pension cost on an accrual basis. Prepayments are recognized as an asset to the extent that it will lead to a cash refund or a reduction in future payments.
3. Employee compensation and remuneration for directors and supervisors
Employee compensation and remuneration for directors and supervisors are recognized as expenses and liabilities when the Group has a present legal or constructive obligation to make such payments and a reliable estimate of the obligation can be made. The deviation between estimated and actual distribution amount of employee bonus and compensation to directors and supervisors shall be treated as a change in accounting estimates. In addition, for employee bonuses paid by shares, the closing price on the day before the board resolution shall form the basis for the calculation.

(XX) Share-based payment for employees

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

(XXI) Income tax

1. Income tax expense includes current and deferred tax Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity respectively.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company operates and generate taxable income. Management regularly evaluates the status of income tax filings in accordance with applicable tax laws, and estimates income tax liabilities based on taxes expected to be paid to tax authorities where applicable. An additional tax out of unappropriated earnings is provided for as income tax in accordance with the Income Tax Act, and the approved distribution of earnings for the year after the profitable year by resolution of the shareholders' meeting is recognized as unappropriated earnings income tax expenses.
3. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Balance Sheet. Initial recognition of deferred tax liabilities arising from goodwill not recognized, and the deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxable temporary differences associated with investments in subsidiaries and associates are not recognized if the Company are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that are expected to be applied.
4. Deferred tax assets recognized for all taxable temporary differences may be used to offset future income on future tax returns, Deferred income tax assets are recognized to the extent that temporary differences are likely to be used to offset future taxable income, and unrecognized and recognized deferred tax assets are re-evaluated at each balance sheet date.
5. Current tax assets and current tax liabilities can only be offset in the statement of financial position if the Company has the legal right and the intention to settle on a net basis. Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

(XXII) Dividend distribution

The distribution of dividends to shareholders are recognized in the financial report by resolution of the shareholders' meeting, cash dividends are recognized as liabilities, stock dividends are recognized as dividends to be distributed, and are recognized as common stock at the record date of issuing new shares.

(XXIII) Income recognition

1. Sales of products

- (1) The Company manufactures and sells products related to industrial computers, and sales revenue is recognized when control is transferred to the customer, that is, upon delivery of the product. The wholesaler has full discretion over the channel and price to sell the products, and there is no unsatisfied performance obligations that could affect the wholesaler's acceptance of products. Delivery does not occur until the products have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (2) Revenues from sales of products related to industrial computers are recorded based on the contract price net of the estimated volume discounts and returns at the time of sale. The quantity discounts and sales discounts given to customers are usually calculated on the basis of 6 months of cumulative sales. The Company estimates sales discounts based on historical experience under the expected value method, with revenue amount included to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur, while estimates are updated at the end of the reporting period. The estimated sales discount provided to customers as of the end of the reporting period is recognized as refund liability. The terms for sales transactions are payment 30-60 days after end of month. As the interval between transfer of the promised goods or services and payment by the customer is less than 12 months, the Company has not adjusted transaction price to reflect the time value of money.
- (3) The Company provides product warranty for the goods sold, and has the obligation to provide refund for the defective goods sold, while the provisions for sales return should be recognized.
- (4) Accounts receivable is recorded when the Company has the unconditional right to the consideration at that time since payment is due based only upon the passage of time.

2. Warrant income

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

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

When preparing the individual financial report, management is required to make judgments on the application of the Company's accounting policies, and to make estimates and assumptions at the end of the reporting period based on expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ significantly from these estimates under different assumptions. The estimates are continually evaluated and adjusted based on historical experience and other factors. These estimates and assumptions have the risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Significant accounting

judgments, estimations and assumption uncertainty are described as follows:

Significant Accounting Estimations

1. Inventory valuation

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

As of December 31, 2019, the carrying amount of the Company's inventory was NT\$637,016.

2. Impairment loss on investments accounted for using the equity method

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

As of December 31, 2019, AAEON's investment on IBASE TECHNOLOGY INC. using the equity method was NT\$3,369,909.

VI. Significant Accounting Items

(I) Cash and cash equivalents

	<u>2019.12.31</u>	<u>2018.12.31</u>
Reserve cash and working capital	\$ 649	\$ 659
Check deposit and current deposit	<u>1,897,541</u>	<u>2,027,003</u>
Total	<u>\$ 1,898,190</u>	<u>\$ 2,027,662</u>

1. Due to good credit quality of the Company's principal financial institutions and the Company's relationships with multiple financial institutions, the exposure to a diversified set of risks would lower the probability of a default.
2. The Company may have cash and cash equivalents pledged as collaterals in the future.

(II) Financial asset at fair value through profit or loss - current

<u>Item</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Current:		
Financial assets mandatorily measured at fair value through profit or loss		
Shares in publicly traded entities	\$ 87,233	\$ 92,407
Shares in emerging stock companies	3,000	3,000
Shares in non-publicly traded entities	56,043	56,043
Beneficiary securities	25,000	25,000
	<u>171,276</u>	<u>176,450</u>
Valuation adjustment	279,670	312,241
Subtotal	<u>\$ 450,946</u>	<u>\$ 488,691</u>

Item	2019.12.31	2018.12.31
Non-current:		
Financial assets mandatorily measured at fair value through profit or loss		
Shares in non-publicly traded entities	\$ 29,070	\$ 29,070
Hybrid instrument	10,832	10,832
	39,902	39,902
Valuation adjustment	(9,614)	(1,590)
Subtotal	\$ 30,288	\$ 38,312

- The hybrid instrument is a contract that contains both a host contract and embedded options of the unlisted company V-net AAEON Corporation Ltd. (hereinafter referred to as V-net). The options provide original shareholders the right to resell/repurchase stocks of the Company and V-net at the original transaction price. Please refer to Note 12 (3) 8 for the fair value as of December 31, 2019 and 2018.
- Details of financial assets at fair value through profit or loss recognized as income:

	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instrument	(\$ 9,805)	\$ 363,074
Beneficiary securities	145	118
Derivatives	-	67
Hybrid instrument	629	-
Total	(\$ 9,031)	\$ 363,259
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivatives	\$ -	(\$ 293)

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

(III) Notes and accounts receivable

	2019.12.31	2018.12.31
Notes receivable	\$ 1,685	\$ 489
Accounts receivable	\$ 350,067	\$ 377,622
Less : Allowance for losses	(1,759)	(547)
	\$ 348,308	\$ 377,075

- The aging of accounts and notes receivable are as follows:

<u>Accounts receivable</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Not yet due	\$ 254,283	\$ 247,333
Within 30 days	82,785	112,909
31-60 days	9,778	11,968
61-90 days	1,500	5,406
91-180 days	45	6
180 days	1,676	-
	<u>\$ 350,067</u>	<u>\$ 377,622</u>

<u>Notes receivable</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Not yet due	<u>\$ 1,685</u>	<u>\$ 489</u>

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

- The balance of accounts and notes receivable were both from customer contracts as of December 31, 2019 and 2018, with balance of receivables and loss allowance for customer contracts of NT\$256,331 and NT\$56 respectively on January 1, 2018.
- The Company does not hold any collateral over the accounts and notes receivables.
- Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2019 and 2018 were NT\$1,685 and NT\$489 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2019 and 2018 were NT\$348,308 and NT\$377,075, respectively.
- Please refer to Note 12 (2) for credit risk information of accounts and notes receivables.

(IV) Inventory

	<u>2019.12.31</u>		
	<u>Cost</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>
Raw material	\$ 323,942	(\$ 48,198)	\$ 275,744
Work in progress	327,271	(63,064)	264,207
Finished good	92,824	(4,418)	88,406
Merchandise inventory	10,081	(1,422)	8,659
Total	<u>\$ 754,118</u>	<u>(\$ 117,102)</u>	<u>\$ 637,016</u>

	<u>2018.12.31</u>		
	<u>Cost</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>
Raw material	\$ 389,797	(\$ 60,046)	\$ 329,751
Work in progress	270,602	(43,067)	227,535
Finished good	92,357	(9,440)	82,917
Merchandise inventory	8,550	(2,443)	6,107
Inventory in transit	110	-	110
Total	<u>\$ 761,416</u>	<u>(\$ 114,996)</u>	<u>\$ 646,420</u>

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

	2019	2018
Cost of inventory sold	\$ 3,063,409	\$ 2,961,775
Loss on inventory valuation and obsolescence	20,563	87,228
Others	(38)	(55)
	<u>\$ 3,083,934</u>	<u>\$ 3,048,948</u>

(V) Investments accounted for using the equity method

Investee	2019.12.31		2018.12.31	
	Ownership interest %	Book value	Ownership interest %	Book value
AAEON ELECTRONICS,INC.	100	\$ 174,461	100	\$ 162,435
AAEON DEVELOPMENT INC.	-	-	100	43,054
AAEON TECHNOLOGY SINGAPORE PTE. LTD.	100	39,509	-	-
AAEON TECHNOLOGY CO.,LTD	100	209,935	100	235,364
AAEON TECHNOLOGY (EUROPE) B.V.	100	40,557	100	35,314
AAEON INVESTMENT, CO., LTD.	100	110,888	100	110,670
ONYX HEALTHCARE INC.	50.00	494,464	49.07	441,159
LITEMAX ELECTRONICS INC.	12.09	111,998	13.54	95,575
IBASE TECHNOLOGY INC.	30.55	3,369,909	30.35	3,478,274
		<u>\$ 4,551,721</u>		<u>\$ 4,601,845</u>

1. Subsidiary

For information about AAEON's subsidiaries, please refer to Note 4 (3) of the Company's 2019 consolidated financial statements.

2. Associate

(1) The Company issued new shares on September 29, 2018 and exchanged shares with IBASE Technology Co., Ltd. (hereinafter referred to as IBASE). The Company obtained 30% ownership of IBASE, and has adopted the equity method for evaluation as it has significant influence over IBASE.

(2) Summarized aggregated financial information of the Company's share in these associates is as follows:

Balance sheet

	IBASE	
	2019.12.31	2018.12.31
Current asset	\$ 2,890,779	\$ 3,259,189
Non-current assets	4,893,276	3,989,514
Current liability	(2,210,287)	(1,707,793)
Non-current liabilities	(34,036)	(33,077)
Total Net Assets	<u>\$ 5,339,732</u>	<u>\$ 5,507,833</u>

Share of net assets of the affiliate	\$	2,391,491	\$	2,499,856
Goodwill		978,418		978,418
Book value of affiliates	\$	3,369,909	\$	3,478,274

Statement of comprehensive income

	IBASE	
	2019	2018
Income	\$ 3,840,356	\$ 3,929,252
Net income of continuing operations	\$ 259,160	\$ 342,000
Other comprehensive income (net amount after tax)	(2,196)	(85,454)
Total comprehensive income	\$ 256,964	\$ 256,546
Dividends received from affiliates	\$ 105,784	\$ -

- (3) The carrying value and the proportionate share of operating results of the Company's individually insignificant affiliates are summarized as follows:

As of December 31, 2019 and 2018, the carrying value of the Company's individually insignificant affiliates were NT\$111,998 and NT\$95,575, respectively.

	2019	2018
Net income of continuing operations	\$ 21,319	\$ 13,896
Other comprehensive income (net amount after tax)	-	(11)
Total comprehensive income	\$ 21,319	\$ 13,885

- (4) Fair values of the Company's affiliates with quoted market prices are as follows:

	2019.12.31	2018.12.31
LITEMAX ELECTRONICS INC.	\$ 244,233	\$ 164,744
IBASE	2,325,916	2,063,952
	\$ 2,570,149	\$ 2,228,696

- (5) Although the Company holds less than 20% of the voting power of LITEMAX ELECTRONICS INC., it has significant influence to LITEMAX ELECTRONICS INC. 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..

(VI) Property, Plant and Equipment

		2019					
		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1							
Cost		\$ 212,691	\$ 165,411	\$ 96,412	\$ 84,928	\$ 69	\$ 559,511
Accumulated depreciation and impairment		-	(57,485)	(55,795)	(58,961)	-	(172,241)
		<u>\$ 212,691</u>	<u>\$ 107,926</u>	<u>\$ 40,617</u>	<u>\$ 25,967</u>	<u>\$ 69</u>	<u>\$ 387,270</u>
January 1		\$ 212,691	\$ 107,926	\$ 40,617	\$ 25,967	\$ 69	\$ 387,270
Additions		-	1,581	1,271	1,843	2,417	7,112
Reclassification		-	1,136	3,977	(394)	3,355	8,074
depreciation expense		-	(4,751)	(12,225)	(10,746)	-	(27,722)
December 31		<u>\$ 212,691</u>	<u>\$ 105,892</u>	<u>\$ 33,640</u>	<u>\$ 16,670</u>	<u>\$ 5,841</u>	<u>\$ 374,734</u>
December 31							
Cost		\$ 212,691	\$ 174,644	\$ 101,596	\$ 51,093	\$ 5,841	\$ 545,865
Accumulated depreciation and impairment		-	(68,752)	(67,956)	(34,423)	-	(171,131)
		<u>\$ 212,691</u>	<u>\$ 105,892</u>	<u>\$ 33,640</u>	<u>\$ 16,670</u>	<u>\$ 5,841</u>	<u>\$ 374,734</u>
		2018					
		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1							
Cost		\$ 212,691	\$ 165,391	\$ 123,273	\$ 148,780	\$ 3,176	\$ 653,311
Accumulated depreciation and impairment		-	(54,212)	(71,563)	(117,513)	-	(243,288)
		<u>\$ 212,691</u>	<u>\$ 111,179</u>	<u>\$ 51,710</u>	<u>\$ 31,267</u>	<u>\$ 3,176</u>	<u>\$ 410,023</u>

2018

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1	\$ 212,691	\$ 111,179	\$ 51,710	\$ 31,267	\$ 3,176	\$ 410,023
Additions	-	-	3,445	7,478	1,801	12,724
Reclassification	-	20	-	4,765	(4,908)	(123)
depreciation expense	-	(3,273)	(14,538)	(17,543)	-	(35,354)
December 31	\$ 212,691	\$ 107,926	\$ 40,617	\$ 25,967	\$ 69	\$ 387,270
December 31						
Cost	\$ 212,691	\$ 165,411	\$ 96,412	\$ 84,928	\$ 69	\$ 559,511
Accumulated depreciation and impairment	-	(57,485)	(55,795)	(58,961)	-	(172,241)
	\$ 212,691	\$ 107,926	\$ 40,617	\$ 25,967	\$ 69	\$ 387,270

The Company's property, plant and equipment are not pledged as collaterals for loans.

(VII) Lease transactions - lessee

Applicable from 2019

1. The Company holds houses as the underlying assets for real estate leases with lease terms of 1-3 years. The lease contract is negotiated individually and contains various terms and conditions, with no other restrictions imposed.
2. The lease term is less than 12 months for the Company's leased housing.
3. The carrying amount of right-of-use assets and the amount of depreciation expense recognized are as follows:

	2019.12.31	2019
	Carrying amount	Depreciation expense
Houses	\$ 20,590	\$ 19,655

4. The Company has added NT\$3,452 of right-of-use assets in 2019.

5. The profit and loss related to the lease contract are as follows:

	2019	
<u>Items that affect profit/loss of the current period</u>		
Interest expenses of lease liabilities	\$	772
Expenses of short-term lease contracts		636

6. The total cash outflow of the Company's leases was NT\$20,796 in 2019.

(VIII) Other Payables

	2019.12.31	2018.12.31
Salaries, incentives and bonuses payable	\$ 165,836	\$ 153,899
Technical service fee payable	47,698	40,073
Commission payable	44,332	32,138
Others	36,156	63,653
	\$ 294,022	\$ 289,763

(IX) Pension

Since July 1, 2005, the Company has established certain retirement payout methods applicable for domestic employees in accordance with the "Labor Pension Act". The Company 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. In 2019 and 2018, the Company has recognized pension costs of NT\$18,570 and NT\$18,519, respectively in accordance with the aforementioned pension scheme.

(X) Share-based Payment

1. The Company's 2019 share-based payment arrangement are as follows:

Arrangement type	Grant date	Granted shares	Contract period	Vesting conditions
Employee share purchase plan	November 26, 2019	3,000 thousand shares	5 years	2-4 years of service

The above arrangements are for equity-settled share-based payments.

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

	2019	
	Share options (thousand shares)	Weighted average exercise price
Outstanding option in January 1	-	\$ -
Share options granted	3,000	72.3
Outstanding option in December 31	3,000	72.3
Executable option in December 31	-	-

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

Arrangement type	Authorized issue date	Maturity date	2019.12.31	
			Number of shares (thousand)	Exercise price (NT\$)
Employee share purchase plan	November 26, 2019	November 25, 2024	3,000	\$ 72.3

4. The Company's fair value of a share-based payment award issued to an employee is estimated by use of the Black - Scholes option pricing model. The information are as follows:

Arrangement type	Grant date	Granted shares (thousand)	Share price (NT\$)	Exercise price (NT\$)	Expected volatility	Expected duration	Risk-free interest rate	Fair value per unit (NT\$)
Employee share purchase plan	November 26, 2019	3,000	\$72.3	\$ 72.3	26.88%	3.875 years	0.58%	\$15.7445

5. Expenses of share-based payment transaction:

	2019	2018
Equity settlement	\$ 1,127	\$ -

(XI) Share capital

1. As of December 31, 2019, the Company's authorized capital was NT\$2,000,000 (including 5,000 shares reserved for issuing employee stock options), with paid-in capital of NT\$1,484,985, divided into 148,498 shares, each at par value of NT\$10 per share. Full payment has been received for the Company's issued shares. The adjustment of the Company's outstanding ordinary shares (thousand shares) issued at the beginning and end of the period are as follows:

	2019	2018
January 1	148,498	106,800
Transfer of new shares issued by other companies	-	41,698
December 31	148,498	148,498
December 31	148,498	148,498

2. In order to expand the business scale and improve industrial advantages, the Company plans to exchanged shares with IBASE by resolution of the board of directors on June 11, 2018. The Company increased its capital by issuing 41,698 thousand new shares for the exchange of 52,922 thousand common shares from IBASE with the conversion ratio of 0.788 shares of the Company in exchange for one common share of IBASE at the record date on September 29, 2018. The transfer of new shares issued by other companies have been approved by the FSC, and company registration changes have been made in October 2018.
3. On April 30, 2019, the Company passed the issuance of employee stock options (ESOs) by

resolution of the board of directors, which was then amended on November 12, 2019 by resolution of the board of directors. A total of 3,000 ESOs were issued, and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.

4. As of December 31, 2019, AAEON's affiliate - IBASE owns 41,698 thousand of AAEON's shares.

(XII) Capital surplus

In accordance with the Company Act, the capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital at a certain percentage of the Company's capital surplus. In accordance with the Securities Exchange Act, capitalization of this reserve is capped at 10% of the Company's paid-up capital each year. The Company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

	2019					
	Share premium	Differences between share option and book value from acquisition or disposal of subsidiaries	Recognition of all equity changes of the subsidiaries	Changes in net equity value of affiliates	Employee share option	Others
January 1	\$ 4,902,942	\$ 233,099	\$ 213,637	\$ 7,532	\$ 1,835	\$2,181
Differences between share price and book value from acquisition or disposal of subsidiaries	-	(19,899)	-	-	-	-
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	5,877	-	-
Share-based Payment	-	-	-	-	1,546	-
December 31	\$ 4,902,942	\$ 213,200	\$ 213,637	\$ 13,409	\$ 3,381	\$2,181
	2018					
	Share premium	Differences between share option and book value from acquisition or disposal of subsidiaries	Recognition of all equity changes of the subsidiaries	Changes in net equity value of affiliates	Employee share option	Others
January 1	\$ 1,821,426	\$ 233,099	\$ 213,637	\$ 306	\$ 1,835	\$2,181
Transfer of new shares issued by other companies	3,081,516	-	-	-	-	-
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	7,226	-	-
December 31	\$ 4,902,942	\$ 233,099	\$ 213,637	\$ 7,532	\$ 1,835	\$2,181

(XIII) Retained earnings

1. Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first 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 passed the following 2018 and 2017 earnings distribution by resolution of the shareholders' meetings on May 31 2019 and May 28, 2018:

	2018		2017	
	Amount	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)
(Reversed) Special reserve	\$ 719		\$ 20,236	
Legal reserve	73,286		56,020	
Cash dividends	608,844	\$ 4.10	507,300	\$ 4.75
	<u>\$ 681,411</u>		<u>\$ 583,556</u>	

There is no difference between the 2018 and 2017 surplus distributions passed by the resolutions of the board of directors of the Company.

6. The 2019 surplus distributions passed by the resolutions of the board of directors of the Company in February 26, 2020 are as follows:

	2019	
	Amount	Dividend per share (NT\$)
Special reserve	\$ 18,001	
Legal reserve	54,985	
Cash dividends	475,195	\$ 3.20
	\$ 548,181	

The 2019 surplus distributions have not yet been passed by the resolutions of the shareholders' meeting.

7. Information regarding the employee bonuses and remuneration to directors and supervisors can be obtained from Note 6 (19).

(XIV) Operating income

	2019	2018
Revenue from Contracts with Customers	\$ 4,265,294	\$ 4,092,106

1. Disaggregation of revenue from contracts with customers

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

IPC	2019	2018
Revenue from Contracts with Customers	\$ 4,265,294	\$ 4,092,106
Time of income recognition		
Income recognized at a point in time	4,260,040	4,089,768
Revenue recognized over time	5,254	2,338
Total	\$ 4,265,294	\$ 4,092,106

2. Contract liability

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

	2019.12.31	2018.12.31	2018.1.1
Contract Liability - Current:			
Contract liability - Advances from customers	\$ 55,769	\$ 64,087	\$ 40,668
Contract liability - Warranty contract	3,945	5,254	2,346
Contract Liability - non-current:			
Contract liability - Warranty contract	7,902	8,210	9,575
Total	\$ 67,616	\$ 77,551	\$ 52,589

(2) Recognized income of contract liabilities at January 1

	2019	2018
Recognized income of contract liabilities at January 1		
Advances from customers	\$ 31,867	\$ 22,680
Warranty contract	5,254	2,338
Total	\$ 37,121	\$ 25,018

(XV) Other income

	2019	2018
Deposit interest	\$ 10,006	\$ 7,843
Rental income	4,332	-
Dividend income	31,335	18,638
Total	\$ 45,673	\$ 26,481

(XVI) Other gains and losses

	2019	2018
Net loss (gains) from financial assets and liabilities at fair value through profit or loss (Note)	(\$ 9,031)	\$ 362,966
Net foreign exchange gains (losses)	(14,101)	10,790
Other income	19,691	31,059
Total	(\$ 3,441)	\$ 404,815

Note: The fair value (closing price) of Machvision's shares held and sold by the Company was NT\$368 at the beginning of the period and NT\$360.5 at the end of the period for 2019, and was NT\$206 at the beginning of the period and NT\$368 at the end of the period for 2018, which are recognized as realized and unrealized gains (losses) due to changes in the valuation of financial assets of (NT\$2,686) and NT\$367,477, respectively.

(XVII) Financial costs

	2019	2018
Interest expenses	\$ 772	\$ -

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

In 2019 and 2018, the employee benefits, depreciation and amortization expenses incurred by the Company based on their functions are summarized as follows:

	2019			2018		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Expenses from employee benefits	\$ 160,149	\$ 383,737	\$ 543,886	\$ 155,055	\$ 386,045	\$ 541,100
Depreciation expense	34,867	12,510	47,377	28,264	7,090	35,354
Amortization expenses	1,079	3,973	5,052	1,124	4,261	5,385

(XIX) Expenses from employee benefits

	2019	2018
Salaries expenses	\$ 477,141	\$ 476,742
Labor and national health insurance expenses	34,612	33,793
Pension expenses	18,570	18,519
Remuneration of directors	7,634	6,175
Other employment expenses	5,929	5,871
	<u>\$ 543,886</u>	<u>\$ 541,100</u>

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 5% and remuneration of directors and supervisors at rates of no higher than 1%, of the remaining profit after deducting accumulated losses.
2. In 2019 and 2018, based on the Company's profitability as well as the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at NT\$56,912 and NT\$59,511 respectively, while the remuneration of directors/ supervisors were estimated at NT\$5,439 and NT\$4,200 respectively, which are recognized as salary expenses.

The remuneration to employees, directors and supervisors by the board of directors in 2018 were NT\$59,511 and NT\$4,200, respectively, which were the same as the amounts recognized in the 2018 financial report.

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

3. As of December 31, 2019 and 2018, there were a total of 493 and 507 employees, respectively, of which the number of directors who did not concurrently serve as employees was 9 and 7, respectively.
4. The Company's shares have been listed on the TWSE, with additional disclosure of the following information:
 - (1) The average expenses from employee benefits for 2019 and 2018 were NT\$1,108 and NT\$1,070, respectively
 - (2) The average payroll expenses for 2019 and 2018 were NT\$986 and NT\$953 respectively
 - (3) The Company has adjusted 3.46% in the average payroll expenses.

(XX) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Income tax from current income	\$ 103,787	\$ 87,834
Income tax on undistributed earnings	1,375	-
Prior year income tax overestimation	(1,959)	(8,029)
Total current income tax	<u>103,203</u>	<u>79,805</u>
Deferred tax		
Origination and reversal of temporary differences	3,014	(9,307)
Effect on changes in tax rate	-	(1,652)
income tax expense	<u>\$ 106,217</u>	<u>\$ 68,846</u>

(2) Income tax relative to other comprehensive income:

	2019	2018
Differences in translation of foreign operations	(\$ 3,127)	\$ 126
Effect on changes in tax rate	-	197
	<u>(\$ 3,127)</u>	<u>\$ 323</u>

2. Reconciliation between income tax expense and accounting profit

	2019	2018
Income tax calculated by tax regulation	\$ 131,674	\$ 160,341
Expenses disallowed by tax regulation	5,152	7,250
Tax exempt income by tax regulation	(32,734)	(95,747)
Temporary differences unrecognized as deferred tax assets	2,709	6,683
Prior year income tax overestimation	(1,959)	(8,029)
Income tax on undistributed earnings	1,375	-
Effect on changes in tax rate	-	(1,652)
income tax expense	<u>\$ 106,217</u>	<u>\$ 68,846</u>

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

	2019			
	January 1	Recognized in income	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Unrealized warranty provision	\$ 8,423	(\$ 1,529)	\$ -	\$ 6,894
Unrealized gross margin	5,754	3,096	-	8,850
Inventory valuation allowance	22,999	421	-	23,420
Exchange differences resulting from translating the financial statements of a foreign operation	-	-	1,689	1,689
Others	4,601	549	-	5,150
Subtotal	<u>\$ 41,777</u>	<u>\$ 2,537</u>	<u>\$ 1,689</u>	<u>\$ 46,003</u>
Deferred tax liabilities:				
Share of the profit or loss of the subsidiaries accounted for using the equity method	(\$ 21,449)	(\$ 5,551)	\$ -	(\$ 27,000)
Exchange differences resulting from translating the financial statements of a foreign operation	(1,438)	-	1,438	-
Subtotal	<u>(\$ 22,887)</u>	<u>(\$ 5,551)</u>	<u>\$ 1,438</u>	<u>(\$ 27,000)</u>
Total	<u>\$ 18,890</u>	<u>(\$ 3,014)</u>	<u>\$ 3,127</u>	<u>\$ 19,003</u>

	2018			
	January 1	Recognized in income	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Unrealized warranty provision	\$ 7,850	\$ 573	\$ -	\$ 8,423
Unrealized gross margin	4,747	1,007	-	5,754
Inventory valuation allowance	11,181	11,818	-	22,999
Others	5,092	(491)	-	4,601
Subtotal	\$ 28,870	\$ 12,907	\$ -	\$ 41,777
Deferred tax liabilities:				
Share of the profit or loss of the subsidiaries accounted for using the equity method	(\$ 19,501)	(\$ 1,948)	\$ -	(\$ 21,449)
Exchange differences resulting from translating the financial statements of a foreign operation	(1,115)	-	(323)	(1,438)
Subtotal	(\$ 20,616)	(\$ 1,948)	(\$ 323)	(\$ 22,887)
Total	\$ 8,254	\$ 10,959	(\$ 323)	\$ 18,890

4. The amendment of the Income Tax Act came into effect on February 7, 2018, and the Group adopts the amended Income Tax Act in 2018 to adjust the prescribed tax rate applicable to the profit-seeking enterprise from 17% to 20%. The Company has already assessed the relative tax effect from the changes in tax rate.

(XXI) Earnings per share (EPS)

	2019		
	After-tax amount	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (EPS) (NT\$)
Basic earnings per share:			
Net income	\$ 552,152	106,800	\$ 5.17
Diluted earnings per share:			
Effect of dilutive potential ordinary shares:			
Employees' bonuses		835	
Diluted earnings per share:			
The effect of net profit plus potential ordinary shares	\$ 552,152	107,635	\$ 5.13

The Company's employee stock options were not included in the calculation of diluted earnings per share due to its anti-dilutive impact on earnings per share in 2019.

	2018		
	After-tax amount	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (EPS) (NT\$)
Basic earnings per share:			
Net income	\$ 732,861	106,800	\$ 6.86
Diluted earnings per share:			
Effect of dilutive potential ordinary shares:			
Employees' bonuses		739	
Diluted earnings per share:			
The effect of net profit plus potential ordinary shares	\$ 732,861	107,539	\$ 6.81

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

(XXII) Operating lease

Applicable from 2018

For the operating lease of offices, factories and parking spaces, the Company has recognized rental costs and expenses of NT\$17,596 in 2018 as current profit and loss. The total future minimum lease payments under non-cancellable lease contracts are as follows:

	2018.12.31
No more than 1 year	\$ 19,501
1-5 years	19,099
	\$ 38,600

(XXIII) Supplemental cash flow information

1. Partial cash payments for investing activities:

	2019	2018
Acquisition of property, plant and equipment	\$ 7,112	\$ 12,724
Add : Equipment accounts payable at January 1	-	463
Cash paid	\$ 7,112	\$ 13,187

2. Investing activities that do not affect cash flows:

	2019	2018
Transfer of new shares issued by other companies	\$ -	\$ 3,498,501

VII. Related party transaction

(I) Parent and ultimate controlling party

AAEON is controlled by ASUSTEK COMPUTER INC. (incorporated in R.O.C.), the ultimate parent of the Company with 40.72% ownership (including indirect shareholdings) of AAEON.

(II) Related parties

Name of related party	Relation
ASUSTEK COMPUTER INC.	Ultimate parent company
IBASE TECHNOLOGY INC.	Affiliate - Investee accounted for under the equity method (Note 1)
IBASE GAMING INC.	Affiliate - Subsidiary of IBASE TECHNOLOGY INC. (Note)
LITEMAX ELECTRONICS INC.	Affiliate - Investee accounted for under the equity method
WINMATE INC.	Affiliate - Subsidiary accounted for under the equity method (Note 2)
ATECH OEM INC.	Other related party - the Company's Chairman as a director
King Core Electronics Inc.	Other related party - the Company's Chairman as a director
MACHVISION,INC.	Other related party - the Company's Chairman as a director
AAEON EDUCATION FOUNDATION	Other related party - the Company's Chairman as AAEON EDUCATION FOUNDATION's Chairman
EVERFOCUS ELECTRONICS CORP.	Other related party - the Company's Chairman as EverFocus' Chairman
NEW ERA AI ROBOTIC INC.	Other related party - Subsidiary of the major shareholder of AAEON's subsidiary
ASUS TECHNOLOGY INCORPORATION	Fellow subsidiary - same as ultimate parent entity
ASKEY COMPUTER CORP.	Fellow subsidiary - same as ultimate parent entity
AAEON ELECTRONICS, INC.	AAEON's subsidiary
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON's subsidiary
AAEON TECHNOLOGY SINGAPORE PTE. LTD.	AAEON's subsidiary
AAEON TECHNOLOGY (SUZHOU) INC.	AAEON's subsidiary
ONYX HEALTHCARE USA, INC.	AAEON's subsidiary
ONYX HEALTHCARE INC.	AAEON's subsidiary

Note 1: IBASE TECHNOLOGY INC. and its subsidiaries have become the Company's affiliates since September 29, 2018.

Note 2: WINMATE INC. has become the Company's affiliate since May 24, 2019.

(III) Significant transactions with related parties

1. Operating income

	2019	2018
Sales of products		
Ultimate parent entity	\$ 1,049	\$ 2,710
Subsidiary		
AAEON ELECTRONICS, INC.	649,648	775,546
AAEON TECHNOLOGY (EUROPE) B.V.	399,629	288,196
AAEON TECHNOLOGY (SUZHOU) INC.	278,529	294,878
Others	324,255	312,388
Associate	3,281	2,014
Other related party	12,118	3,294
Total	<u>\$ 1,668,509</u>	<u>\$ 1,679,026</u>

The Company's sales price to each of the aforementioned related parties is set based on the economic environment and market competition of each sales region. The Group has granted credit periods of 30-90 days EOD to its related parties, with no significant difference compared to general customers.

2. Purchases

	2019	2018
Goods purchased:		
Ultimate parent entity – ASUS COMPUTER INC.	\$ 1,212,244	\$ 1,169,161
Subsidiary	732	3,173
Associate	5,739	19,890
Fellow subsidiary	340	1,682
Other related party	4,056	12,250
Total	<u>\$ 1,223,111</u>	<u>\$ 1,206,156</u>

The Group's purchases are in accordance with its general terms and conditions (market prices), with payment period of 30 days EOM or 30-60 days EOD.

3. Operating expenses

	2019	2018
Ultimate parent entity - ASUS COMPUTER INC.	\$ 66,037	\$ 49,979
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	128,803	146,764
Associate	273	235
Fellow subsidiary	449	713
Other related party	2,169	4,710
Total	<u>\$ 197,731</u>	<u>\$ 202,401</u>

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

4. Other income (other gains and losses)

	2019	2018
Subsidiary	\$ 4,631	\$ 7,893
Associate	3,596	3,497
Total	<u>\$ 8,227</u>	<u>\$ 11,390</u>

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

5. Receivables from related parties

	2019.12.31	2018.12.31
Accounts receivable:		
Ultimate parent entity	\$ 71	\$ 74
Subsidiary		
AAEON ELECTRONICS, INC.	107,909	87,438
AAEON TECHNOLOGY (EUROPE) B.V.	67,828	42,628
AAEON TECHNOLOGY (SUZHOU) INC.	54,439	48,841
ONYX HEALTHCARE INC.	50,594	5,717
ONYX HEALTHCARE USA, INC.	15,218	8,346
Others	11,805	7,085
Associate	176	271
Other related party	3,140	2,777
Total	<u>\$ 311,180</u>	<u>\$ 203,177</u>
Other receivables:		
Subsidiary		
AAEON TECHNOLOGY (SUZHOU) INC.	\$ 719	\$ 20
ONYX HEALTHCARE INC.	174	189
AAEON TECHNOLOGY (EUROPE) B.V.	40	-
Associate	600	-
Total	<u>\$ 1,533</u>	<u>\$ 209</u>

6. Payables from related parties

	2019.12.31	2018.12.31
Accounts Payable		
Ultimate parent entity – ASUSTEK COMPUTER INC.	\$ 106,039	\$ 165,540
Subsidiary	113	90
Associate	1,020	8,485
Other related party	769	249
Total	<u>\$ 107,941</u>	<u>\$ 174,364</u>
Other Payables		
Ultimate parent entity – ASUSTEK COMPUTER INC.	\$ 40,153	\$ 30,901
Subsidiary	15,083	18,619
Associate	-	7
Other related party	20	2,356
Total	<u>\$ 55,256</u>	<u>\$ 51,883</u>

(IV) Key management remuneration

	2019	2018
Wages and other short-term employee benefits	\$ 51,167	\$ 47,848
Post-employment benefits	1,133	1,131
Total	<u>\$ 52,300</u>	<u>\$ 48,979</u>

VIII. Assets pledged as collaterals

None.

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

1. Please refer to Note 6 (22).
2. As of December 31, 2019, the Company has issued a promissory note of \$ 450,000 required for the application a comprehensive credit line and transactions of derivatives.
3. On June 11, 2018, the Company signed a share exchange agreement with IBASE, and increased its capital by issuing 41,698 thousand new shares for the exchange for the exchange of 52,922 thousand common shares from IBASE. The record date of the share exchange was September 29, 2018. 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.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

For the 2019 surplus distribution proposed by the board of directors in February 26, 2020, please refer to Note 6 (13) 6.

XII. Others

(I) Capital management

The Company has set up capital management objectives to ensure continued operation, maintain the best capital structure for the reduction in cost of capital, and protect shareholders interests. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(II) Financial instrument

1. Type of financial instrument

	2019.12.31	2018.12.31
<u>Financial asset</u>		
Net loss (gains) from financial assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	\$ 481,234	\$ 527,003
Financial assets measured at amortized cost/ loans and receivables		
Cash and cash equivalents	1,898,190	2,027,662
Notes receivable	1,685	489
Accounts receivable	659,488	580,252
Other Receivables	9,816	5,055
Guarantee deposits (including other non-current assets)	3,673	3,722
	<u>\$ 3,054,086</u>	<u>\$ 3,144,183</u>
<u>Financial liability</u>		
Financial liabilities measured at amortized cost		
Accounts Payable	\$ 393,804	\$ 447,091
Other Payables	294,022	289,763
	<u>\$ 687,826</u>	<u>\$ 736,854</u>
Lease liabilities (including current and non-current)	<u>\$ 20,857</u>	<u>\$ -</u>

2. Risk management policy

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

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

(1) Interest rate risk:

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

(2) Exchange rate risk:

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

(3) Credit risk:

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

3. The nature and level of material financial risks

(1) Market risk

Exchange rate risk

- A. The Company's international operations have been subject to exchange rate risks arise from transactions denominated in a currency other than the functional currencies of the Company and its subsidiaries, which includes main currencies such as USD, SGD, EUR and RMB. Related exchange rate risks arise from future business transactions and recognized assets and liabilities.
- B. The Company's management formulated policies to manage exchange rate risks relative to the functional currency of the Company and its subsidiaries. The finance department is responsible for hedging the overall exchange rate risk. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD and RMB. Accordingly, the Group uses foreign currency forward contracts to mitigate the impact of exchange rate fluctuations on the costs of purchasing inventories.
- C. The Company uses forward exchange 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) for more details.
- D. Since the Company's businesses involves certain non-functional currencies (NTD is the functional currency of the Company and part of its subsidiaries, while the functional currencies of other subsidiaries include USD, SGD, and RMB), it may be affected by exchange rate fluctuations. The foreign currency assets and liabilities that may be significantly affected by exchange rate fluctuations are as follows:

		2019.12.31		
		Foreign currency (NT\$ thousand)	Exchange rate	Carrying amount (NT\$)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD : NTD	\$	26,974	29.98	\$ 808,681
EUR : NTD		87	33.59	2,922
<u>Non-monetary items</u>				
USD : NTD	\$	6,540	29.98	\$ 196,069
EUR : NTD		1,310	33.59	44,003
<u>Financial liability</u>				
<u>Monetary items</u>				
USD : NTD	\$	13,570	29.98	\$ 406,829
EUR : NTD		225	33.59	7,558

		2018.12.31		
		Foreign currency (NT\$ thousand)	Exchange rate	Carrying amount (NT\$)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD : NTD	\$	32,667	30.715	\$ 1,003,367
EUR : NTD		189	35.20	6,653
<u>Non-monetary items</u>				
USD : NTD	\$	5,862	30.715	\$ 180,051
EUR : NTD		1,039	35.20	36,573
<u>Financial liability</u>				
<u>Monetary items</u>				
USD : NTD	\$	13,927	30.715	\$ 427,768
EUR : NTD		278	35.20	9,786

- E. The overall realized and unrealized foreign exchange gains and losses of the Company's monetary items that may be significantly affected by exchange rate fluctuations in 2019 and 2018 were (NT\$14,101) and NT\$10,790, respectively.
- F. The Company's foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

		2019		
		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%	\$	8,087	\$ -
EUR : NTD	1%		29	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	4,068	\$ -
EUR : NTD	1%		76	-
		2018		
		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%	\$	10,034	\$ -
EUR : NTD	1%		67	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	4,278	-
EUR : NTD	1%		98	-

Price risk

- A. The Company is exposed to equity instrument price risk because of investments classified as financial assets at fair value through profit or loss. To manage the price risk arising from investments in equity instruments, the Company has diversified its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The Company mainly invests in equity instruments and open-end funds issued by domestic companies, of which the price of equity instruments will be affected by uncertainty of future value of the investment target. As of 2019 and 2018, assuming that all other factors remain unchanged, if the price of equity instruments rises or falls by 1%, the net profit after tax from gains or losses of equity instruments measured at fair value through profit or loss will increase or decrease by NT\$4,440 and NT\$5,270, respectively.

Cash flow and fair value interest rate risk

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

(2) Credit risk

- A. The Company's credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligation under the contract, which is mainly due to the inability of counterparties to meet the terms of their contracts for collecting the cash flows of the receivables.
- B. The Company establishes credit risk policies based on its own risk management perspective. In accordance with internal credit policies, credit risks are required to be managed and analyzed before each of the Company's operating entity set up the terms and conditions for payment and delivery for each new customer. The internal risk control system evaluates the customers' credit quality based on their financial conditions, past experience and other factors. Individual risk exposure limits are set by the board of directors based on internal or external risk ratings, and credit lines are monitored on a regular basis.
- C. The Company adopts IFRS 9 to provide a presumption that default has occurred when contractual payments are more than 90 days past due.
- D. The Company adopts IFRS 9 to provide the following presumption as basis for judging whether the credit risk on a financial instrument has increased significantly since the initial recognition:
It is deemed that credit risk after the original recognition of financial assets has increased significantly when contractual payments are more than 30 days past due.
- E. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- F. The Company has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2019 and 2018, the Company had no recourse claims that had been written off.
- G. (1) The Company considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2018 is as follows:

	Not yet due	Less than 30 days past due	30 days past due	60 days past due	90 days past due	120 days past due	Total
<u>2019.12.31</u>							
Expected loss rate	0%	0%	0.09%	4.11%	11.39%	100%	
Total book value	\$ 1,685	\$ -	\$ 9,778	\$ 1,500	\$ 4	\$ 1,717	\$ 14,684
Loss allowance	\$ -	\$ -	\$ 12	\$ 27	\$ -	\$ 1,717	\$ 1,756
<u>2018.12.31</u>							
Expected loss rate	0%	0%	0%	2%	13%	100%	
Total book value	\$ 489	\$ -	\$ -	\$ 5,406	\$ -	\$ 6	\$ 5,901
Loss allowance	\$ -	\$ -	\$ -	\$ 541	\$ -	\$ 6	\$ 547

- (2) The total book values of the accounts receivable of related parties and customers who have better credit ratings as of December 31, 2019 and 2018 were NT\$648,248 and NT\$575,387, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of NT\$3 and NT\$0, respectively.

- H. The Company's simplified approach of notes receivable and changes in allowance

for doubtful accounts are as follows:

	<u>Notes and accounts receivable (including related parties)</u>			
	2019		2018	
January 1	\$	547	\$	56
Write off of impairment loss		1,212		491
December 31	\$	1,759	\$	547

From the loss recognized in 2019 and 2018, the impairment losses for accounts receivables arising from customer contracts were NT\$1,212 and NT\$491, respectively.

(3) Liquidity risk

- A. Cash flow is forecasted by each of the Company's operating entity and summarized by the finance department. The Company's finance department monitors liquidity forecasting to ensure that it has sufficient funds to meet the operational requirements.
- B. The Company's unused loan amount as of December 31, 2019 and 2018 were both NT\$396,200.
- C. The following table details the Company's contractual maturity groupings for its non-derivative financial liabilities, which are analyzed based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Derivative financial liabilities:

2019.12.31	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
Accounts Payable	\$ 285,863	\$ -	\$ -
Accounts payable - related party	107,941	-	-
Other Payables	294,022	-	-
lease liabilities	18,738	2,408	-
Provisions	29,195	5,276	-

Non-derivative financial liabilities:

2018.12.31	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
Accounts Payable	\$ 272,727	\$ -	\$ -
Accounts payable - related party	174,364	-	-
Other Payables	289,763	-	-
Provisions	37,631	4,485	-

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

(III) Information on fair value

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

Level 1: Quoted prices (unadjusted) in active markets for assets or liabilities identical to

those being valued that the entity can obtain at the measurement date. Quoted price in an “active market” means that quoted prices represent market transactions related to assets and liabilities that are readily and regularly occurring. This includes fair values of TWSE listed shares and beneficiary securities invested by the Company.

Level 2: Inputs in this level are observable for assets and liabilities, either directly or indirectly, other than quoted prices described in level 1. This includes fair values of TPEX listed stocks and derivative financial instruments invested by the Company.

Level 3: Inputs in this level are unobservable for assets and liabilities being valued. This includes equity instruments of non-active markets invested by the Company.

2. Financial instruments not measured at fair value

The carrying amounts of the Company’s cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits (classified in the balance sheet as other non-current asset), notes payable, accounts payable, other payables and lease liabilities are reasonable approximations of fair values.

3. The Company has classified financial and non-financial instruments measured at fair value based on the nature, characteristics and risks of assets and liabilities, as well as in accordance with the fair value hierarchy. The relevant information is as follows:

(1) The Company classifies its financial instrument based on the nature of assets and liabilities, with relevant information as follows:

2019.12.31	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
Asset				
<u>At fair value on a recurring basis</u>				
Net loss (gains) from financial assets and liabilities				
Equity securities	\$ 419,373	\$ 5,244	\$ 19,360	\$ 443,977
Beneficiary securities	26,329	-	-	26,329
Hybrid instrument	-	-	10,928	10,928
Total	<u>\$ 445,702</u>	<u>\$ 5,244</u>	<u>\$ 30,288</u>	<u>\$ 481,234</u>

2018.12.31	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
Asset				
<u>At fair value on a recurring basis</u>				
Net loss (gains) from financial assets and liabilities				
Equity securities	\$ 457,659	\$ 4,848	\$ 28,013	\$ 490,520
Beneficiary securities	26,184	-	-	26,184
Hybrid instrument	-	-	10,299	10,299
Total	<u>\$ 483,843</u>	<u>\$ 4,848</u>	<u>\$ 38,312</u>	<u>\$ 527,003</u>

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

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

Quoted market price	<u>Shares of listed companies</u>	<u>Open-end funds</u>
	Closing market prices	Net value

B. Except for the aforementioned financial instruments in an active market, the fair values of other financial instruments are obtained by using valuation techniques, or by reference to the quoted prices of counterparties.

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

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

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

4. Transfers have not occurred between 1st and 2nd level inputs in 2019 and 2018.

5. The following table shows changes in 3rd level inputs in 2019 and 2018:

	2019		2018	
	Equity instrument		Equity instrument	
January 1	\$	38,312	\$	-
Current subscription		-		39,902
Loss recognized in income (Note)	(	8,024)	(	1,590)
December 31	\$	30,288	\$	38,312
Changes in unrealized gains or losses of assets and liabilities owned at the end of the period that are entered in profit or loss	(\$	8,024)	(\$	1,590)

Note: Classified in the balance sheet as other gains and losses.

6. Whether transfers have occurred in the 3rd level in 2019 and 2018.

7. The Company's validation process for 3rd level fair value measurement on financial instruments is independently performed by the Finance Department. The independent data sources are used to bring the evaluation results closer to the market, while ensuring the reasonableness of evaluation results with consistent resources and executable representative prices.

In addition, the Finance Department is responsible for formulated fair value valuation policies and evaluation procedures, and ensuring the Group's compliance with relevant IFRS regulations.

8. The quantitative analysis of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs as valuation models for 3rd level fair value measurements are as follows:

	2019.12.31 Fair value	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
<u>Equity instruments:</u>					
Shares of unlisted companies	\$ 19,360	Discounted Cash Flow Approach	Note 1	N/A	Note 2
<u>Hybrid instrument:</u>					
Shares of unlisted companies	\$ 49,695	Discounted Cash Flow Approach	Note 1	N/A	Note 2
Embedded option	(\$ 38,767)	Option Pricing Model	Price volatility	N/A	The higher the volatility, the higher the fair value of the stocks

	2018.12.31 <u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interval (weighted average)</u>	<u>Relationship between inputs and fair value</u>
<u>Equity instruments:</u>					
Shares of unlisted companies	\$ 28,013	Discounted Cash Flow Approach	Note 1	N/A	Note 2
<u>Hybrid instrument:</u>					
Shares of unlisted companies	\$ 10,299	Discounted Cash Flow Approach	Note 1	N/A	Note 2

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 the discount for lack of marketability, the lower the fair value of the stocks; the higher the weighted average cost of capital discount for minority interest, the lower the fair value of the stocks; the higher the long term sales growth and long term net profit before tax, the higher the fair value of the stocks.

9. After careful assessment, the Company has selected valuation models and evaluation parameters, but the application of the various valuation models or evaluation parameters may lead to different evaluation results.

XIII. Disclosures

(I) Information on significant transactions

1. Lending funds to others: Please refer to schedule 1.
2. Providing endorsements or guarantees for others: None.
3. Holding of securities at the end of the period (excluding investing in subsidiaries, affiliates and joint ventures): Please refer to schedule 2.
4. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: None.
5. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
7. Purchase and sales with related parties reaching \$100 million or 20 percent of paid-in capital or more: Please refer to schedule 3.
8. Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please refer to schedule 4.
9. Derivatives trading: As of December 31, 2019, all of the Company's financial derivatives has already expired. For the profit and loss of financial derivatives settled in the current period, please refer to Note 6 (2).
10. Intercompany relationships and significant intercompany transactions and transaction amount: Please refer to Schedule 5.

(II) Information on investees

Names, locations and related information of investees (excluding investments in China): Please refer to Schedule 6.

(III) Information on investments in China

1. Basic information: Please refer to Schedule 7.
2. Information on investments in China - Investee significant transactions for invested businesses in China, either directly or indirectly through a third area: Please refer to Schedule 5.

XIV. Operating segment information

N/A

AAEON Technology Inc.
Lending funds to others
2019.1.1~2019.12.31

Schedule 1

Unit: NT\$ thousand
(unless otherwise specified)

Serial No. (Note 1)	Lender	Borrower	Business items	Related party	Maximum amount (Note 4)	Ending balance (Note 4)	Actual amount	Interest rate range	Nature of loans (Note 2)	Business amount (Note 3)	Reasons for the necessity of short-term financing facility	Allowance for doubtful account	Collateral		Authorization for loans extended to any single entity (Note 3)	Total authorization for loans (Note 3)	Remarks
													Name	Value			
1	ONYX HEALTHCARE INC.	ONYX HEALTHCARE (SHANGHAI) LTD	Other Receivables	Y	\$ 4,131 (USD137,800)	\$ 4,131 (USD 137,800)	\$ 4,131 (USD 137,800)	5.76%	2	\$ -	Operating cycle	\$ -	-	\$ -	\$ 100,793	\$ 403,172	None

Note 1: Serial No. is filled in as follows:

- (1) Issuer is numbered 0.
- (2) Investees are numbered sequentially according to company name from Arabic numeral 1.

Note 2: The nature of loaning funds shall fill in the business transactions or short-term financing facility.

- (1) Business transactions.
- (2) Necessary for short-term financing facility.

Note 3: The total financing amount shall not exceed 40 percent of the lending company's net worth in the most recent CPA audit report or reviewed financial statements.

Authorization for loans extended to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company. Loans for business transactions shall not exceed the amount of business transactions between the two parties in the most recent year. The amount of business transaction refers to the amount of purchases or sales between the two parties, whichever is higher.

Note 4: Foreign currencies involved in this schedule is converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc

Holding of securities at the end of the period (excluding investing in subsidiaries, affiliates and joint ventures)

31 December 2019

Schedule 2

Unit: NT\$ thousand
(unless otherwise specified)

Holding company	Marketable securities type and name			Financial Statement Account	December 31, 2019			Fair value	Remarks
	Type	Name (Note 1)	Relationship with the Company		Shares	Carrying value (Note 2)	Percentage of Ownership (%)		
AAEON Technology Inc.	Fund	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	2,091,070	\$ 26,329	-	\$ 26,329	None
"	Stock	Advantech Co.,Ltd.	"	"	730	221	-	221	"
"	"	MACHVISION,INC.	Other related party - the Company's Chairman as a director	"	1,135,020	409,175	2.66	409,175	"
"	"	ATECH OEM INC.	"	"	234	2	-	2	"
"	"	Unitech Electronics Co., Ltd.	None	"	549,600	9,975	1.17	9,975	"
"	"	LILEE SYSTEMS Ltd.	"	"	468,750	-	-	-	"
"	"	Econova Technology Co.	"	"	266,600	-	7.27	-	"
"	"	Allied Biotech Co.	Other related party - the Company's Chairman as a director	"	300,000	5,244	0.32	5,244	"
"	"	TELEION WIRELESS, INC.	None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,360	19.29	19,360	"
"	"	V-Net AAEON Corporation Ltd.	"	"	29	10,928	14.50	10,928	Note 3
AAEON INVESTMENT, CO., LTD.	Fund	HSBC Global Income Bond Fund	"	Financial assets at fair value through profit or loss - current	555,078	7,183	-	7,183	None
"	Stock	ATECH OEM INC.	Other related party - the Company's Chairman as a director	"	3,456,000	36,115	6.02	36,115	"
"	"	Mutto Optronics Co.	None	"	310,000	2,846	0.68	2,846	"
"	"	Sunengine Co., Ltd.	Other related party - the Company's Chairman as a director	"	550,537	1,089	2.75	1,089	"
ONYX HEALTHCARE INC.	"	MACHVISION,INC.	"	"	27,000	9,734	0.06	9,734	"
"	"	INNO FUND III	None	Financial assets at fair value through profit or loss - non-current	3,000,000	33,869	13.04	33,869	"
"	"	MELTEN CONNECTED HEALTHCARE INC.	None	Financial asset at fair value through other comprehensive income - non-current	4,193,548	2,381	6.47	2,381	"

Note 1: The "securities" above refer to stocks, bonds, beneficiary certificates and derivatives included in IFRS 9 "Financial Instruments".

Note 2: 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.

Note 3: Hybrid contract with embedded options.

AAEON Technology Inc.

Purchase and sales with related parties reaching \$100 million or 20 percent of paid-in capital or more

2019.1.1~2019.12.31

Schedule 3

Unit: NT\$ thousand
(unless otherwise specified)

Purchasing (sales) company	Name of transaction_ counterparties	Relation	Transaction				Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note)		Accounts and notes receivable (payable)		Remarks		
			Purchase (sales)	Amount	Percentage of total purchase (sales) (%)	Duration of credit	Price	Duration of credit	Balance	Percentage of total accounts and notes receivable (payable) (%)			
AAEON Technology Inc.	ASUSTEK COMPUTER INC.	Parent	Purchases	\$	1,212,244	42.28	Net 30 days	\$	-	-	(\$ 106,039)	26.93	None
"	AAEON ELECTRONICS, INC.	Subsidiary	(Sales)	(	649,648)	(15.23)	Net 60 days	-	-	-	107,909	16.28	"
"	AAEON TECHNOLOGY (SUZHOU) INC.	"	(Sales)	(	278,529)	(6.53)	"	-	-	-	54,439	8.21	"
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	(Sales)	(	399,629)	(9.37)	"	-	-	-	67,828	10.23	"
"	ONYX HEALTHCARE USA,INC.	"	(Sales)	(	159,777)	(3.75)	"	-	-	-	15,218	2.30	"
"	ONYX HEALTHCARE INC.	"	(Sales)	(	127,693)	(2.99)	Net 30 days	-	-	-	50,594	7.63	"
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA,INC.	"	(Sales)	(	282,445)	(24.40)	Net 90 days	-	-	-	29,359	21.69	"

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

AAEON Technology Inc.

Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more

31 December 2019

Schedule 4

Unit: NT\$ thousand
(unless otherwise specified)

<u>Company Name</u>	<u>Name of transaction counterparties</u>	<u>Relation</u>	<u>Ending balance (Note 1)</u>	<u>Turnover (%)</u>	<u>Overdue</u>		<u>Amounts Received in Subsequent Period</u>	<u>Allowance for doubtful account</u>
					<u>Amount</u>	<u>Action taken</u>		
AAEON Technology Inc.	AAEON Electronics, Inc.	Subsidiary	\$ 107,909	6.88	\$ -	-	\$ -	-

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

AAEON Technology Inc.

Intercompany relationships and significant intercompany transactions and transaction amount

2019.1.1~2019.12.31

Schedule 5

Unit: NT\$ thousand
(unless otherwise specified)

Serial No. (Note 1)	Company Name	Counter party	Nature of relationships (Note 2)	Intercompany transaction			Percentage of Consolidated Net Revenue or Total assets (Note 3)
				Financial Statement Item	Amount (Note 4)	Terms	
0	AAEON Technology Inc.	AAEON ELECTRONICS, INC.	1	Net sales	\$ 649,648	Net 60 days	10.57%
"	"	AAEON ELECTRONICS, INC.	1	Accounts receivable	107,909	"	1.12%
"	"	AAEON TECHNOLOGY (SUZHOU) INC.	1	Net sales	278,529	"	4.53%
"	"	AAEON TECHNOLOGY (EUROPE) B.V.	1	Net sales	399,629	"	6.50%
"	"	ONYX HEALTHCARE USA, INC.	1	Net sales	159,777	"	2.60%
"	"	ONYX HEALTHCARE INC.	1	Net sales	127,693	Net 30 days	2.08%
1	AAEON TECHNOLOGY (EUROPE) B.V.	AAEON Technology Inc.	2	Service revenues	128,803	"	2.09%
2	ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	3	Net sales	282,445	Net 90 days	4.59%

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 NT\$100 million, and transactions shall be disclosed as assets and income.

AAEON Technology Inc.

Names, locations and related information of investees (excluding investments in China)
2019.1.1~2019.12.31

Schedule 6

Unit: NT\$ thousand

(unless otherwise specified)

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2019			Net Income (Loss) of the Investee(Note 2)	Share of Profit/Loss of Investee (Note 2)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage (%)	Carrying Amount			
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	\$ 146,902	\$ 50,504	490,000	100.00	\$ 174,461	\$ 20,912	\$ 20,907	
"	AAEON DEVELOPMENT INC.	British Virgin Islands	Investment of IPC and PC peripherals	-	20,266	-	-	-	(5,119)	(5,119)	
"	AAEON TECHNOLOGY CO.,LTD	"	Investment of IPC and interface card	264,037	270,510	8,807,097	100.00	209,935	(13,543)	(13,493)	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,359	3,520	-	100.00	40,557	9,338	9,338	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	12,998	-	465,840	100.00	39,509	(2,412)	2,578	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	110,888	218	218	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	73,358	44,662	11,005,146	50.00	494,464	239,377	119,551	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	12.09	111,998	171,797	21,319	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	30.55	3,369,909	255,432	277	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	1,008	1,056	-	100.00	17,681	2,031	- Note 1	
AAEON DEVELOPMENT INC.	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	-	13,114	-	-	(2,412)	-	"	

AAEON Technology Inc.

Names, locations and related information of investees (excluding investments in China)
2019.1.1~2019.12.31

Schedule 6

Unit: NT\$ thousand

(unless otherwise specified)

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2019			Net Income (Loss) of the Investee(Note 2)	Share of Profit/Loss of Investee (Note 2)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage (%)	Carrying Amount			
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA,INC.	USA	Sales of medical PC and peripherals	59,960	61,430	200,000	100.00	84,047	13,462	-	Note 1
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,359	3,520	100,000	100.00	11,582	2,636	-	"
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	10,292 (	7,125)	-	"
"	Winmate Inc.	Taiwan	Bid quotations, distributions and sales of LCD application equipment and modules	510,248	-	9,363,000	12.97	505,586	241,183	-	"

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

Note 2: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2019, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc.
Information on investments in China - basic information
2019.1.1~2019.12.31

Schedule 7

Unit: NT\$ thousand
(unless otherwise specified)

Name of investee	Main businesses and products	Paid-in capital	Methods of investment (Note 1)	Accumulated	Investment Flows		Accumulated	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Share of Profits / Losses (Note 2 (2) B)	Carrying Amount as of December 31, 2019	Accumulated	Remarks
				Outflow of Investment from Taiwan as of January 1, 2019	Outflow	Inflow	Outflow of Investment from Taiwan as of December 31, 2019					Inward Remittance of Earnings as of December 31, 2019	
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	\$ 260,534	2	\$ 260,534	\$ -	\$ -	\$ 260,534	(\$ 13,428)	100	(\$ 13,428)	\$ 215,955	\$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	59,960	1	44,970	14,990	-	59,960	(15,199)	100	(15,199)	7,495	-	

Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
AAEON Technology Inc.	260,534	260,534	4,989,908
ONYX HEALTHCARE INC.	59,960	59,960	612,007

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. The financial statement is audited and certified by international accounting firms which have partnership with R.O.C. accounting firms.
 - B. The financial statement is audited and certified by the parent company's auditors in Taiwan.
 - C. Other basis

Note 3: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2019, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc.
Cash and cash equivalents
31 December 2019

Statement 1

Unit: NT\$ thousand

Item	Summary				Amount
Reserve cash					\$ 519
Petty cash					130
Bank deposit					
Demand (current) deposit (NTD)					1,702,550
Foreign currency demand (current) deposit	USD	6,406,234.36	Exchange rate	29.98	192,059
	GBP	427.98	Exchange rate	39.36	17
	EUR	86,074.47	Exchange rate	33.59	2,890
	JPY	2,330	Exchange rate	0.276	1
	HKD	6,133.46	Exchange rate	3.849	24
					\$ 1,898,190

AAEON Technology Inc.
Financial asset at fair value through profit or loss - current
31 December 2019

Statement 2

Unit: NT\$ thousand

Name of financial product	Summary	Shares/ units	Carrying amount (NT\$)	Total	Interest rate (%)	Acquisition costs	Fair value		Remarks
							Price (NT\$)	Total	
Shares of listed companies									
Advantech Co., Ltd.		730	\$ 10	\$ 7	-	\$ 35	\$ 302.00	\$ 221	
MACHVISION,INC.		1,135,020	10	11,350	-	69,926	360.50	409,175	
ATECH OEM INC.		234	10	2	-	4	10.45	2	
Unitech Electronics Co., Ltd.		549,600	10	5,496	-	17,268	18.15	9,975	
Subtotal				<u>\$ 16,855</u>		<u>\$ 87,233</u>		<u>\$ 419,373</u>	
Shares in emerging stock companies									
Allied Biotech Co.		300,000	\$ 10	\$ 3,000	-	\$ 3,000	17.48	\$ 5,244	
Shares in non-publicly traded entities									
Econova Technology Co.		266,600	\$ 10	\$ 2,666	-	\$ 3,999	-	\$ -	
TELEION WIRELESS, INC.		149,700	10	1,497	-	8,639	-	-	
LILEE SYSTEMS Ltd.		468,750	10	4,688	-	43,405	-	-	
Subtotal				<u>\$ 8,851</u>		<u>\$ 56,043</u>		<u>\$ -</u>	
Open-end funds									
Mega Diamond Money Market		2,091,070		<u>25,000</u>		<u>\$ 25,000</u>	12.5911	<u>\$ 26,329</u>	
Total						<u>171,276</u>		<u>\$ 450,946</u>	

AAEON Technology Inc.
Accounts receivable
31 December 2019

Statement 3

Unit: NT\$ thousand

Customer name	Amount
Accounts receivable	\$
AID055	81,538
EUK061	51,894
EWG124	32,980
MXC003	38,094
Others	145,561
	<u>350,067</u>
Less: Allowance for bad debt	(1,759)
	<u>\$ 348,308</u>
Accounts receivable - related party	
AAEON ELECTRONICS, INC.	\$ 107,909
AAEON TECHNOLOGY (EUROPE) B.V.	67,828
AAEON TECHNOLOGY (SUZHOU) INC.	54,439
ONYX HEALTHCARE INC.	50,594
Others	30,410
	<u>\$ 311,180</u>

Note: The account of each customer was less than 5% of the total account balance.

AAEON Technology Inc.
Inventory
31 December 2019

Statement 4

Unit: NT\$ thousand

Item	Amount		Remarks
	Cost	Net realisable value	
Raw material	\$ 323,942	\$ 276,370	Allowance for inventory valuation and obsolescence losses are from the lower of the acquisition cost or net realizable value.
Work in progress	327,271	265,304	
Finished good	92,824	119,435	
Merchandise inventory	10,081	9,601	
	754,118	\$ 670,710	
Less: Allowance for Inventory Valuation and Obsolescence Losses	(117,102)		
	<u>\$ 637,016</u>		

AAEON Technology Inc.
Changes in Investment Accounted for Using the Equity Method
2019.1.1~2019.12.31

Statement 5

Unit: NT\$ thousand

Name	Balance at January 1		Increase (Note 1)		Decrease (Note 2)		Investment gains (losses)	Other changes (Note 3)	Number of shares	Balance at December 31		Market price or net equity		Guarantees or Collaterals
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount				Percentage of Ownership (%)	Amount	Price	Total	
AAEON ELECTRONICS, INC. (AEI)	490,000	\$ 162,435	-	\$ -	-	\$ -	\$ 20,907	(\$ 8,881)	490,000	100	\$ 174,461	\$ 400	\$ 196,089	None
AAEON DEVELOPMENT INC. (ADI)	50,000	43,054	-	-	(50,000)	(38,103)	(5,119)	168	-	-	-	-	-	"
AAEON TECHNOLOGY SINGAPORE PTE LTD. (ASG)	-	-	465,840	37,809	-	-	2,578	(878)	465,840	100	39,509	86	40,038	"
AAEON TECHNOLOGY CO., LTD (ATCL)	8,807,097	235,364	-	-	-	-	(13,493)	(11,936)	8,807,097	100	209,935	25	218,777	"
AAEON TECHNOLOGY(EUROPE)B.V.(ANI)	-	35,314	-	-	-	-	9,338	(4,095)	-	100	40,557	-	44,017	"
AAEON INVESTMENT, CO., LTD.	15,000,000	110,670	-	-	-	-	218	-	15,000,000	100	110,888	7	110,888	"
ONYX HEALTHCARE INC.	9,816,678	441,159	1,188,468	28,696	-	(65,030)	119,551	(29,912)	11,005,146	50.00	494,464	157	1,727,808	"
LITEMAX ELECTRONICS INC.	5,015,050	95,575	-	-	-	(10,773)	21,319	5,877	5,015,050	12.09	111,998	49	244,233	"
IBASE TECHNOLOGY INC.	52,921,856	3,478,274	-	-	-	(105,784)	277	(2,858)	52,921,856	30.55	3,369,909	44	2,325,916	"
Subtotal		\$ 4,601,845		\$ 66,505		(\$ 219,690)	\$ 155,576	(\$ 52,515)			\$ 4,551,721			

Note 1: A total of NT\$66,505 for acquisition of investments accounted for using the equity method, and acquisition of investee's stock dividends.

Note 2: The Company received cash dividends of NT\$181,587 from the investee, and cancellation of the investee.

Note 3: Recognition and adjustment of the investee's unrealized loss of financial assets measured by fair value through other comprehensive income, determining the remeasurements of the net defined benefit, cumulative translation adjustment, changes on unrealized gains, recognition of investment changes since the adoption of the equity method and the effect of investment not recognized based on shareholding percentage, the effect of share-based payments, and differences between share price and book value from acquisition or disposal of subsidiaries under the equity method.

AAEON Technology Inc.
Notes and accounts payable - non-related party
31 December 2019

Statement 6

Unit: NT\$ thousand

<u>Customer name</u>	<u>Amount</u>
A	\$ 75,561
B	16,649
C	15,386
Others (Note)	<u>178,267</u>
Total	<u>\$ 285,863</u>

Note: The account of each supplier was less than 5% of the total account balance.

AAEON Technology Inc.
Other Payables
31 December 2019

Statement 7

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>
Salaries, incentives and bonuses payable	\$ 165,836
Technical service fee payable	47,698
Commission payable	44,332
Others (Note)	<u>36,156</u>
	<u>\$ 294,022</u>

Note: Each of the account was less than 5% of the total account balance.

AAEON Technology Inc.
Operating income
2019.1.1~2019.12.31

Statement 8

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>
PC and peripherals	\$ 4,125,055
Service revenues	<u>140,239</u>
	<u>\$ 4,265,294</u>

AAEON Technology Inc.

Operating cost

2019.1.1~2019.12.31

Statement 9

Unit: NT\$ thousand

Item	Amount
Merchandise inventory	
Inventory at January 1	\$ 8,550
Add: Purchases	66,447
Raw materials and work in progress transitioned into sales	190,369
Less: Inventory at December 31	(10,081)
Commodity transitioned into work in progress	(12,263)
Commodity transitioned into fees and others	(2,225)
Cost of merchandise purchased/sold	240,797
Direct materials	
Raw material at January 1 (including materials and supplies in transit)	389,907
Add: Materials purchased	1,397,612
Less: Raw materials at December 31	(323,942)
Raw materials transitioned into merchandise inventory	(80,477)
Raw materials transitioned into fees and others	(4,625)
Raw materials used	1,378,475
Direct labor	60,136
Production overheads	158,964
Manufacturing costs	1,597,575
Work in progress at January 1	270,602
Add: Work in progress purchased	219,112
Merchandise transitions	12,263
Less: Work in progress at December 31	(327,271)
Work in progress transitioned into merchandise inventory	(109,892)
Work in progress transitioned into fees and others	(52,038)
Cost of finished goods	1,610,351
Finished goods at January 1	92,357
Add: Finished goods purchased	1,142,662
Less: Finished goods at December 31	(92,824)
Cost of self-manufactured goods sold	2,752,546
Cost of conversion and other operating costs	70,066
Cost of inventory sold	3,063,409
Loss on inventory valuation and obsolescence	20,563
Income received from the sales of waste and scrap materials	(38)
Cost of sales	\$ 3,083,934

AAEON Technology Inc.
Production overheads
2019.1.1~2019.12.31

Unit: NT\$ thousand

Statement 10

<u>Item</u>	Amount	Remarks
Indirect labor	\$ 79,562	
depreciation expense	34,867	
Insurance premium	12,612	
Others	31,923	Note: Each of the account was less than 5% of the total account balance.
	<u>\$ 158,964</u>	

AAEON Technology Inc.
Marketing Expense
2019.1.1~2019.12.31

Unit: NT\$ thousand

Statement 11

<u>Item</u>	<u>Amount</u>	<u>Remarks</u>
Technical service fees	\$ 128,803	
Payroll expense	58,156	
Others	25,869	
	<u>\$ 212,828</u>	Note: Each of the account was less than 5% of the total account balance.

AAEON Technology Inc.
R & D Expense
2019.1.1~2019.12.31

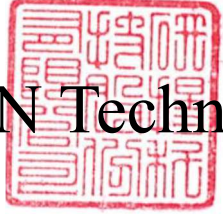
Statement 12

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>	<u>Remarks</u>
Payroll expense	\$ 201,694	
Technical service fees	64,147	
R&D expense	41,472	
Others	72,295	
	<hr/>	
	\$ 379,608	

Note: Each of the account was less than 5% of the total account balance.

AAEON Technology Inc.



Chairman: Yung-Shun Chuang

