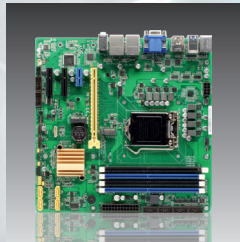
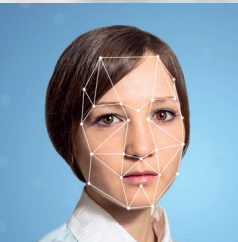
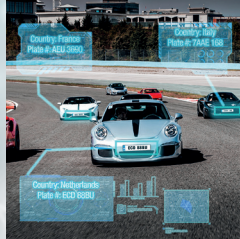
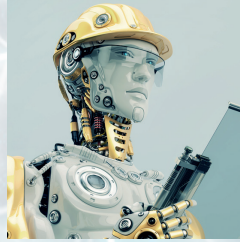
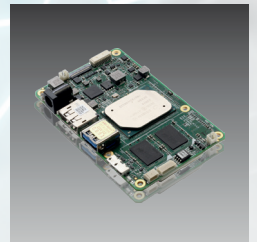


研揚科技
股份有限公司
AAEON Technology Inc.



2020
ANNUAL GENERAL
SHAREHOLDERS' MEETING



Meeting Agenda

Date: May 27, 2020

Location: 9F, No. 135, Lane 235, Pao Chiao Rd., Hsin-Tien Dist, New Taipei City

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

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AAEON Technology Inc.

2020 Annual General Meeting Procedures

- I. Commence Meeting
- II. Chairman's Speech
- III. Reporting matters
- IV. Proposals
- V. Discussions
- VI. Extempore Motion
- VII. Adjournment

AAEON Technology Inc.

2020 Annual General Meeting Agendas

Time: 9:00am on May 17 (Wednesday), 2020.

Address: 9F, No. 135, Lane 235, Baochiao Road, Xindien District, New Taipei City (Meeting Room)

1. Commence Meeting
2. Chairman's Speech
3. Reporting matters:
 - (1) 2019 Business Report.
 - (2) 2019 final settlement review report by the Audit Committee.
 - (3) The company's 2019 director and employee compensation distribution report.
4. Proposals:
 - (1) Adoption of the 2019 Business Report and Financial Statements.
 - (2) 2019 Surplus distribution proposal.
5. Discussions and Elections:
 - (1) Amendments to the company's "Procedures of Acquisition or Disposal of Assets."
 - (2) Amendments to the company's "Management Policy of Making Endorsements/Guarantees."
6. Questions and Motions
7. Adjournment

Reporting matters

No. 1: Proposed by the Board

Case Summary: Please review the 2019 business report.

Description: 2019 operating report is as follows:

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 expectation. 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 Taiwan Corporate Sustainability Awards
 - Received Taiwan i-Sport Corporate Certification
 - Awarded the 8th place of 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 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 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

No. 2: Proposed by the Board

Case Summary: audit Committee reviewed the 2019 final settlement report. Please review.

Description: the company's "2019 Final Settlement Review Report by Audit Committee" is as follows:

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

No. 3: Proposed by the Board

Case Summary: the company's 2019 director and employee compensation distribution report. Please review.

- Description:
1. Pursuant to Article 23 of the company's bylaws: If there are any remaining earnings after offsetting the accumulated loss against the annual profit (profits before tax and expenses for distributing employee compensation and director compensation), the company shall appropriate no less than 5% as employee compensation and no more than 1% as director remuneration.
 2. The company's 2019 profit is NT\$720,719,513. It is proposed to appropriate 7.90% as employee compensation, NT\$56,912,000 in total and 0.75% as director remuneration, NT\$5,439,000 in total. The payment will be made in cash. The appropriated amount is consistent with the budgeted expenditure of 2019.
 3. The employee compensation will only be paid to the employees of the company and our affiliates. The paid amount is based on the individual's year of service, job level, work performance, overall contribution or special achievement. The Chairman is fully authorized to handle the determinations of employee qualification subject to the foregoing amount.

Proposals

No. 1: Proposed by the Board

Case Summary: please recognize the company's 2019 operating report and final settlement statements.

Description:

1. The Board of Director has resolved on the company's 2019 operating report and financial statements on February 26, 2020. Among the others, the financial statements are audited by PwC CPAs, Shu-Chung Chang and Chun-Yao Lin; the Audit Committee has reviewed and issued the review report thereof.
2. The operating report is on pages 3 to 5 of this brochure. The CPA audit report and financial statements are attached as Appendix 1.

Resolution:

No. 2: Proposed by the Board

Case Summary: To adopt the proposal for distribution of 2019 profits.

Description: pursuant to Article 23-1 of the company's bylaws, the proposal of 2019 surplus distribution is as attached schedule and explained as follows:

1. By adding the retained earnings from the previous year, NT\$102,363,166 to the company's net profit after tax of 2019, NT\$552,151,688, and subtracting the effects of long-term investments not recognized by shareholding percentage, NT\$668,714, changes in affiliates and joint ventures recognized under equity method, NT\$1,397,432, and share-based payment, NT\$236,287, the total distributable surplus of the current period is NT\$652,212,421. After appropriating the legal reserve NT\$54,984,926 and special reserve NT\$18,001,409, it is proposed to distribute NT\$475,195,098 as shareholder bonus in cash.
2. Cash dividends are distributed pro-rated until dollar. Any amount less than one dollar is eliminated. The total amount of fragmented dividends is recognized as the company's other income.
3. It is proposed that the general meeting should authorized the Chairman to have the full power not exceeding the above distribution amount if the distribution ratio has to be revised due to the changes in outstanding shares under this surplus distribution plan.
4. After this proposal is approved by the general meeting, the Chairman should be authorized to determine the record date and the payable date.

AAEON Technology Inc.
Statement of Retained Earnings
2019

Item	Amount (in NT\$)
Opening undistributed earnings	102,363,166
Current year net income after tax	552,151,688
The effects of long-term investments not recognized by shareholding percentage	(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:	

Shareholder Bonus (NT\$3.2 per share in cash) (Note 1)	(475,195,098)
Closing undistributed earnings	104,030,988

Note 1: Calculated based on 148,498,468 outstanding shares on January 31, 2020.

Chairman: 

Manager: 

Accounting Supervisor: 

Resolution:

Discussions

No. 1: Proposed by the Board

Case Summary: amendments to the company's "Procedures of Acquisition or Disposal of Assets."

Description: the current provisions and proposed amendments are compared as follows:

Amendments	Current existing clauses	Description
Article 5: If the company is required to obtain the appraisal (valuation) report or the opinion of a CPA, lawyer or security broker pursuant to these Procedures, the professional appraiser and its staff, CPA, lawyer or security broker issuing such appraisal (valuation) report or opinion should meet the criteria in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" prescribed by the competent authority.	Article 5: If the company is required to obtain the appraisal (valuation) report or the opinion of a CPA, lawyer, or security broker pursuant to these Procedures, the professional appraiser and its staff, CPA, lawyer or security broker issuing such appraisal (valuation) report or opinion should meet the criteria in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" prescribed by the competent authority.	Corrected misspelled word.
Article 7: Procedure for acquisition or disposal of real estate, equipment, or the right-of-use assets thereof 1. Procedure of Evaluation and Operation The acquisition or disposal of real estate, equipment and the right-of-use asset by the company shall comply with the company's internal control system, Fixed Asset Cycle Process. 2~4 (Omitted).	Article 7: Procedure for acquisition or disposal of real estate, equipment, or the right-of-use assets thereof 1. Procedure of Evaluation and Operation The acquisition or disposal of real estate, equipment and the right-of-use asset by the company shall comply with the company's internal control system, Fixed Asset Cycle Process. 2~4 (Omitted).	Corrected misspelled word.

Resolution:

No. 2: Proposed by the Board

Case Summary: amendments to the company’s “Management Policy of Making Endorsements/Guarantees.”

Description: in order to comply with the amendments to certain provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” by Financial Supervisory Commission, the company’s “Management Policy of Making Endorsements/Guarantees” is hereby amended. The current provisions and proposed amendments are compared as follows:

Amendments	Current existing clauses	Description
<p>Article 1: Purpose</p> <p>(1) To strengthen the financial management of making endorsements/guarantees in the company and its subsidiaries and reduce the operation risk, this Policy is hereby created.</p> <p>(2) These processes are amended pursuant to Article 36-1 of the Securities and Exchange Act and in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”</p>	<p>Article 1: Purpose</p> <p>(1) To strengthen the financial management of making endorsements/guarantees in the company and its subsidiaries and reduce the operation risk, this Policy is hereby created.</p> <p>(2) These processes are amended pursuant to Article 36-1 of the Securities and Exchange Act and in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”</p>	<p>Text revision.</p>
<p>Article 5: Decision-Making and Authorization</p> <p>(2) Where it is necessary to make any endorsement/guarantee exceeding the amount limit prescribed under this Policy and the conditions prescribed under this Policy are met, the company shall obtain the approval of the Board of Directors and cause the majority of the directors to be joint guarantors for any losses incurred to the company due to the excess of the limit. The company should amend the procedures of making endorsements/guarantees and submit for the recognition of the general meeting. If the general meeting disapproves, the company should develop the plan to cancel the excess of the limit within a specified time.</p>	<p>Article 5: Decision-Making and Authorization</p> <p>(2) Where it is necessary to make any endorsement/guarantee exceeding the amount limit specified under this Policy, and the conditions specified under this Policy are met, the company shall obtain the approval of the Board of Directors, and cause the majority of the directors to be joint guarantors for any loss incurred to the company due to the excess of the limit. The company should amend the procedures of making endorsements/guarantees and submit for the recognition of the general meeting. If the general meeting disapproves, the company should develop the plan to cancel the excess of the limit within a specified time.</p>	<p>Revised the wording of paragraph 1, subparagraph (2) of the Article.</p>
<p>Article 7: Procedures for Making</p>	<p>Article 7: Procedures for Making</p>	<p>Revised the</p>

Amendments	Current existing clauses	Description
<p style="text-align: center;">Endorsements/Guarantees, and Endorsed Amount Control</p> <p>(5) If a party endorsed by the company later becomes disqualified under this Policy due to change of circumstances, or the endorsed/guaranteed amount exceeds the prescribed limit due to the change of calculation basis, the endorsed/guaranteed amount or any excess of the limit should be cancelled upon the expiration of the contractual term or the period prescribed in the improvement plan. The improvement plan should be submitted to each audit committee and reported to the Board of Directors.</p>	<p style="text-align: center;">Endorsements/Guarantees, and Endorsed Amount Control</p> <p>(5) If a party endorsed by the company later becomes disqualified under this Policy due to change of circumstances, or the endorsed/guaranteed amount exceeds the specified limit due to the change of calculation basis, the endorsed/guaranteed amount or any excess of the limit should be cancelled upon the expiration of the contractual term or the period specified in the improvement plan. The improvement plan should be submitted to each audit committee and reported to the Board of Directors.</p>	<p>wording of paragraph 1, subparagraph (5) of the Article.</p>
<p>Article 8: Disclosure and Filing The company should prepare the monthly statement of amount guaranteed for other businesses for disclosure and filing purpose. Furthermore, the endorsement/guarantee should be disclosed and filed within two days of the occurrence in any of the following conditions:</p> <p>(1) The outstanding amount of endorsements/guarantees by the company and its subsidiaries exceeds 50% of the net worth in the company's latest financial statements.</p> <p>(2) The outstanding amount of endorsements/guarantees for one single business by the company and its subsidiaries exceeds 20% of the net worth in the company's latest financial statements.</p> <p>(3) The outstanding amount of endorsements/guarantees for one single business by the company and its subsidiaries exceeds NT\$10 million, and the total amount of the endorsements/guarantees for,</p>	<p>Article 8: Disclosure and Filing The company should prepare the monthly statement of amount guaranteed for other businesses for disclosure and filing purpose. Furthermore, the endorsement/guarantee should be disclosed and filed within two days of the occurrence in any of the following conditions:</p> <p>(1) The outstanding amount of endorsements/guarantees by the company and its subsidiaries exceeds 50% of the net worth in the company's latest financial statements.</p> <p>(2) The outstanding amount of endorsements/guarantees for one single business by the company and its subsidiaries exceeds 20% of the net worth in the company's latest financial statements.</p> <p>(3) The outstanding amount of endorsements/guarantees for one single business by the company and its subsidiaries exceeds NT\$10 million and the total amount of the endorsements/guarantees for,</p>	<p>Limited long-term investment to book value of investment under equity method.</p>

Amendments	Current existing clauses	Description
<p><u>book value of investment in, under equity method, and balance of loans to that business exceeds 30% of the net worth in the company's latest financial statements.</u></p> <p>(4) The amount of new endorsements/guarantees by the company or its subsidiaries exceeds NT\$30 million, and 5% of the net worth in the public company's latest financial statements.</p> <p>For the subsidiaries who are not public companies, when the subsidiaries have situations of announcement stated in the subparagraphs of the preceding paragraph, the Company shall conduct the announcement for its subsidiaries.</p>	<p>long-term investment in, and balance of loans to that business exceeds 30% of the net worth in the company's latest financial statements.</p> <p>(4) The amount of new endorsements/guarantees by the company or its subsidiaries exceeds NT\$30 million, and 5% of the net worth in the public company's latest financial statements.</p> <p>For the subsidiaries who are not public companies, when the subsidiaries have situations of announcement stated in the subparagraphs of the preceding paragraph, the Company shall conduct the announcement for its subsidiaries.</p>	
<p>Article 9: Regulations of Making Endorsements/Guarantees by Subsidiaries</p> <p>(1) Any subsidiary should make endorsements/guarantees pursuant to these processes, or the procedures of making endorsements/guarantees prescribed by itself.</p> <p>(2) When prescribing or amending its own procedures of making endorsements/guarantees, the subsidiary should follow the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", and submit for the resolution of the subsidiary's Board of Directors and general meeting.</p>	<p>Article 9: Regulations of Making Endorsements/Guarantees by Subsidiaries</p> <p>(1) Any subsidiary should make endorsements/guarantees pursuant to these processes, or the procedures of making endorsements/guarantees specified by itself.</p> <p>(2) When specifying or amending its own procedures of making endorsements/guarantees, the subsidiary should follow the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," and submit for the resolution of the subsidiary's Board of Directors and general meeting.</p>	Text revision.
<p>Article 11: Implementation and Amendment</p> <p>These processes should be approved by the audit committee, and submitted to the general meeting for approval after resolved by the Board of Directors. If any director has a dissenting opinion documented in the records or made</p>	<p>Article 11: Implementation and Amendment</p> <p>These processes should be approved by the audit committee, and submitted to the general meeting for approval after resolved by the Board of Directors. If any director has a dissenting opinion documented in the records or made</p>	Adjusted the wording of paragraph 2 pursuant to Article 14-3 of the Securities and Exchange Act.

Amendments	Current existing clauses	Description
<p>in writing, the company should submit the opinion and any revisions to such opinion to the general meeting for discussion. When submitting the processes to the Board of Directors for discussion under the foregoing paragraph, the company shall fully consider the opinion of each independent director. <u>Any objection or unqualified opinion of the independent directors should be documented in the meeting minutes of the Board of Directors.</u></p> <p>If the draft or amendment of these processes is not approved by more than the majority of the audit committee, the company may seek for the approval of more than two-third of the directors and document the resolution of the audit committee in the meeting minutes of the Board of Directors. The basis of members and directors should be those who are actually in the office.</p>	<p>in writing, the company should submit the opinion and any revisions to such opinion to the general meeting for discussion. Each independent director's opinions shall be fully taken into account when the procedure is reported to the board of directors for discussion according to the regulations of the preceding paragraph. The consent or the specific opinions of objection and the reasons shall be recorded in the meeting minutes of the board of directors.</p> <p>If the draft or amendment of these processes is not approved by more than the majority of the audit committee, the company may seek for the approval of more than two-third of the directors and document the resolution of the audit committee in the meeting minutes of the Board of Directors. The basis of members and directors should be those who are actually in the office.</p>	

Resolution:

Extempore Motion

Adjournment

Appendix

Report of Independent Accountants

(2020)Tsai-Shen-Bao-Tzi No.19002346

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 customersExplanation

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

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	11	<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



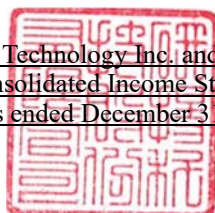

 AAEON Technology Inc. and Subsidiaries
 Consolidated Income Statement
 For the years ended December 31, 2019 and 2018

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		<u>(1,343,963)</u>	<u>(22)</u>	<u>(1,324,158)</u>	<u>(23)</u>
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				
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	(\$ 7,969)	-	(\$ 28,984)	-
8310	Total amount not to be reclassified to profit or loss in subsequent periods	<u>2,864</u>	-	<u>(10,471)</u>	-
		<u>(5,105)</u>	-	<u>(39,455)</u>	-
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	(2,942)	-	(215)	-
8399	Income tax relating to the components to be reclassified to profit or loss in subsequent periods	<u>3,680</u>	-	<u>(610)</u>	-
8360	Total amount to be reclassified to profit or loss in subsequent periods	<u>(17,589)</u>	-	<u>1,911</u>	-
8500	Total comprehensive income	<u>\$ 645,551</u>	<u>11</u>	<u>\$ 791,082</u>	<u>14</u>
Net income attributable to:					
8610	Owners of parent	\$ 552,152	9	\$ 732,861	12
8620	Non-controlling interests	<u>116,093</u>	<u>2</u>	<u>95,765</u>	<u>2</u>
		<u>\$ 668,245</u>	<u>11</u>	<u>\$ 828,626</u>	<u>14</u>
Total comprehensive income attributable to:					
8710	Owners of parent	\$ 534,151	9	\$ 709,154	13
8720	Non-controlling interests	<u>111,400</u>	<u>2</u>	<u>81,928</u>	<u>1</u>
		<u>\$ 645,551</u>	<u>11</u>	<u>\$ 791,082</u>	<u>14</u>
Basic earnings per share					
9750	Total basic earnings per share	<u>\$</u>	<u>5.17</u>	<u>\$</u>	<u>6.86</u>
Diluted earnings per share					
9850	Total diluted earnings per share	<u>\$</u>	<u>5.13</u>	<u>\$</u>	<u>6.81</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
Statements of Changes in Equity
For the years ended December 31, 2019 and 2018

Unit: NTS thousand

Notes	Equity attributable to owners of parent					Other Equity						
	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	Total	Non-controlling interests	Total
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 shareholding percentage	6. (15)											
Share of changes in net assets of associates and joint ventures accounted for using the equity method	6. (14) (15)	416,985	3,081,516	-	-	-	-	-	-	3,498,501	-	3,498,501
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 shareholding percentage	6. (15)											
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

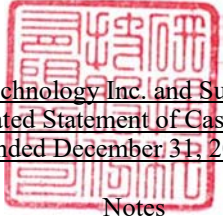


Manager: Chien-Hung Lin



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
2018.1.1~2018.12.31

	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		739,546		309,080

(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
Cash flows from investing activities		
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>
Cash flows from financing activities		
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	2,466,178	2,699,122
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



Report of Independent Accountants

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

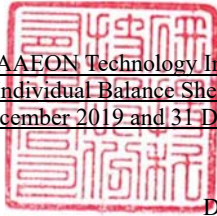

 AAEON Technology Inc.
 Individual Balance Sheets
 As of 31 December 2019 and 31 December 2018

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						
		6 (11)				
3110	Common share capital		1,484,985	17	1,484,985	17
Capital surplus						
		6 (12)				
3200	Capital surplus		5,348,750	61	5,361,226	60
Retained earnings						
		6 (13)				
3310	Legal reserve		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						
		11				
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

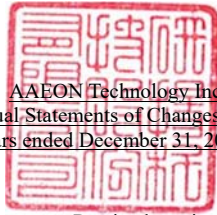


Manager: Chien-Hung Lin



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)		<u>1,068,000</u>	<u>2,272,484</u>	<u>203,262</u>	<u>25,797</u>	<u>640,687</u>	<u>(21,607)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,188,623</u>
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		<u>\$ 1,484,985</u>	<u>\$ 5,361,226</u>	<u>\$ 259,282</u>	<u>\$ 46,033</u>	<u>\$ 783,773</u>	<u>(\$ 20,497)</u>	<u>(\$ 23,172)</u>	<u>\$ -</u>	<u>(\$ 1,645)</u>	<u>\$ 7,889,985</u>
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		<u>\$ 1,484,985</u>	<u>\$ 5,348,750</u>	<u>\$ 332,568</u>	<u>\$ 45,314</u>	<u>\$ 652,212</u>	<u>(\$ 36,180)</u>	<u>(\$ 25,004)</u>	<u>\$ -</u>	<u>(\$ 2,131)</u>	<u>\$ 7,800,514</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 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
Cash flows from operating activities			
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

	<u>Notes</u>	<u>2019.1.1~2019.12.31</u>	<u>2018.1.1~2018.12.31</u>
Cash flows from investing activities			
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		<u>147,916</u>	<u>71,555</u>
Cash flows from financing activities			
Cash dividends paid	6. (13)	(608,844)	(507,300)
Repayment of lease principal	6. (7)	(19,388)	-
Net cash flows from financing activities		<u>(628,232)</u>	<u>(507,300)</u>
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		<u>\$ 1,898,190</u>	<u>\$ 2,027,662</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.

Regulations Governing the Acquisition and Disposal of Assets

Revision Date: May 31, 2019

- Article 1: Purpose
These Procedures are prescribed in order to protect the assets and implement information transparency.
- Article 2: Legal Ground
These Procedures are prescribed pursuant to Article 36-1 of the Securities and Exchange Act, and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the competent authority.
- Article 3: Scope of assets
1. Securities: include in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
 3. Memberships.
 4. Intangible assets: include patents, copyrights, trademarks, franchise rights, and other intangible assets.
 5. Right-of-use assets.
 6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
 7. Derivatives.
 8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
 9. Other major assets.
- Article 4: The terms used in these Procedures should have the same meanings as prescribed in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the competent authority.
- Article 5: If the company is required to obtain the appraisal (valuation) report or the opinion of a CPA, lawyer, or security broker pursuant to these Procedures, the professional appraiser and its staff, CPA, lawyer or security broker issuing such appraisal (valuation) report or opinion should meet the criteria in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” prescribed by the competent authority.
- Article 6: Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- Article 7: Procedure for acquisition or disposal of real estate, equipment, or the right-of-use assets thereof
1. Procedure of Evaluation and Operation
The acquisition or disposal of real estate, equipment and the right-of-use asset by the company shall comply with the company’s internal control system, Fixed Asset Cycle Process.
 2. Procedure for the decision of the condition for trade and authorized limit
 - (1) The transaction terms and prices for acquiring or disposing of real estate or the right-of-use asset shall be based on the published present value, appraised value, and actual selling price of any ancillary real estate, and processed by the authorized manager according to the company’s authority matrix. If the amount

of one single transaction exceeds NT\$ 30 million, the transaction should be subject to the resolution of the Board of Directors. However, the Board of Directors may authorize the Chairman to decide, and report to the Board of Directors afterwards.

- (2) The acquisition or disposal of any equipment or the right-of-use asset should be processed through RFQ, price comparison, price negotiation, or tender by the authorized manager according to the company's authority matrix. If the amount of one single transaction exceeds NT\$ 30 million, the transaction should be subject to the resolution of the Board of Directors. However, the Board of Directors may authorize the Chairman to decide, and report to the Board of Directors afterwards.
- (3) The total value of the real estate and the right-of-use asset respectively obtained by the company or its subsidiaries for non-operating purpose should exceed 10% of the paid-in capital of each of such companies.

3. Executors

The acquisition or disposal of any real estate, equipment or the right-of-use asset by the company should be executed by the user-department or the administration department upon the approval under the company's authority matrix.

4. Appraisal Report of Real Estate, Equipment or Right-of-use asset

When acquiring or disposing of any real estate, equipment or the right-of-use asset, unless it is a transaction with a domestic government agency, a contracted construction on a company-owned land, acquisition or disposal of machine and equipment for operating purpose, the company should retain a professional appraisal agency to issue the appraisal report before the transaction occurs if the transaction amount meets 20% of the paid-in capital, or exceeds NT\$300 million, and subject to the following requirements:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) If the transaction amount exceeds NT\$100 million, the appraisal should be conducted by more than two professional appraisal agencies.
- (3) In case of any of the following appraisal results, unless the appraised value of the acquired asset is higher than the transaction amount, or the appraised value of the disposed asset is lower than the transaction value, an accountant should be engaged to perform the auditing standards published by the Accounting Research and Development Foundation (hereinafter referred to as "ARDF"), and state the concrete opinion about such differences and the appropriateness of the transaction price.
 1. The spread between the appraisal result and the transaction amount exceeds 20%.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. However, if it is applicable to the same present value announced and is not over six months, the original professional appraiser may have an opinion issued.

Article 8: Processes of Acquisition or Disposal of Securities

1. Procedure of Evaluation and Operation

Purchase and sale of securities by the company should comply with the internal control system of investment cycle.

2. Procedure for the decision of the condition for trade and authorized limit
 - (1) Any purchase and sale of securities on the secondary market or at a brokerage firm should be determined by the responsible unit according to the market trend, and processed by the authorized manager according to the company's authority matrix.
 - (2) For any purchase and sale of securities not on the secondary market or at a brokerage firm, unless there is a public quote of such securities on an active market or otherwise required by the Financial Supervisory Commission (hereinafter referred to as "FSC"), the company should evaluate the transaction price based on the latest financial statements of the target company certified or audited by a CPA, consider the net value per share, profitability, and future development potentiality, and have the authorized manager to processed according to the company's authority matrix.
 - (3) The total value of the securities acquired by the company should not exceed 200% of the net worth (exclusive of the subsidiaries covered by the company's consolidated financial statements). The total value of the securities acquired by each subsidiary should not exceed 100% of the company's net worth. The value of one single security acquired by the company should not exceed 150% of the net worth (exclusive of the subsidiaries covered by the company's consolidated financial statements). The value of one single security acquired by each subsidiary should not exceed 100% of the company's net worth. The limitation does not apply to the shareholding of a holding company directly or indirectly in an operating subsidiary.
3. Executors

The investment in or disposal of any securities by the company should be approved according to the company's authority matrix and executed by the finance, shareholder service, and investment departments.
4. Expert opinion

When acquiring or disposing of any securities, the company should retain an accountant to issue the opinion about the reasonableness of the transaction price before the transaction date and any reference of an expert report, if necessary, should be in accordance with the auditing standards published by the Accounting Research and Development Foundation if the transaction amount meets 20% of the paid-in capital or exceeds NT\$300 million. However, exceptions are made if the marketable securities are with a quote in an active market or it is otherwise regulated by the Financial Supervisory Commission.

Article 9: A related party transaction by the company should comply with these Procedures, and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" prescribed by the competent authority.

Article 10: Processes of Acquisition or Disposal of Intangible Assets, Right-of-Use Assets, or Membership

1. Procedure of Evaluation and Operation

The acquisition or disposal of any intangible asset or the right-of-use asset, or a membership by the company should company with the internal control system of property management.
2. Procedure for the decision of the condition for trade and authorized limit
 - (1) The transaction terms and prices for acquiring or disposing of intangible asset or the right-of-use asset should be based on the analysis report with reference to expert's evaluation or fair market value, and processed by the authorized manager according to the company's authority matrix. If the amount exceeds 2% of the company net worth, the transaction has to be approved by the Board of Directors first.

- (2) The transaction terms and prices for acquiring or disposing of membership should be based on the analysis report with reference to expert's evaluation or fair market value and processed by the authorized manager according to the company's authority matrix. If the amount exceeds NT\$ 3 million, the transaction has to be approved by the Board of Directors first.
3. Executors
The acquisition or disposal of any intangible asset or the right-of-use asset, or membership by the company should be executed by the user-department or the administration department upon the approval under the company's authority matrix in the foregoing subparagraph.
4. Expert's Evaluation Report for Intangible Asset or the Right-of-Use Asset, or Membership
 - (1) If the transaction amount of the acquisition or disposal of intangible asset or the right-of-use asset exceeds 2% of the company's net worth, the company should obtain the appraisal report by an expert.
 - (2) If the transaction amount of the acquisition or disposal of membership exceeds NT\$ 3 million, the company should obtain the appraisal report by an expert.
 - (3) When acquiring or disposing of any intangible asset or the right-of-use asset, or a membership, unless it is a transaction with a domestic government agency, the company should retain an accountant to issue the opinion about the reasonableness of the transaction price before the transaction date, and any reference of an expert report, if necessary, should be in accordance with the auditing standards published by the Accounting Research and Development Foundation if the transaction amount meets 20% of the paid-in capital, or exceeds NT\$300 million.

Article 10-1: The calculation of transaction price used by the accountant to issue the opinion about the reasonableness of the transaction price, or by the professional appraiser to issue the appraisal (valuation) report as required under Articles 7, 8, and 10 before the transaction date should comply with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". Only the amount that has been covered in any appraisal (valuation) report issued by a professional appraiser or the accountant's opinion only within one year immediately prior to the current transaction date can be excluded.

Article 11: Processes of Acquisition or Disposal of Financial Institution Claims
The company does not engage in any business of acquiring or disposing of financial institution claims. If the company wishes to engage in the acquisition or disposal of financial institution claims in the future, it must be approved by the Board of Director and specify the evaluation procedures and processes.

Article 12: Procedure for the Acquisition or Disposition of Derivatives

1. The principle and policy of trade
 - (1) Transacted instrument
The Company invests in derivatives including fixed interest rate, financial instrument prices, commodity prices, exchange rate, price or rate indices, credit ratings or credit indices, or other forward contracts derived from other variables, options, futures, leverage margin contracts, swaps, combinations of the above, or linked notes or structured products implemented with derivatives.
 - (2) Operation Hedge Strategy
The company conducts derivatives transactions for hedging purposes and on the positions exposed to the operating risks. Any transaction for other specific purposes should be subject to prior authorization granted by the Board of Directors to a responsible manager.
 - (3) Areas of responsibility
 1. Traders: execute transactions based on the authority matrix. The traders

should calculate the positions periodically every week, and conduct risk evaluation based on the positions variation and financial market information.

2. Confirmation personnel: confirm the transactions.
3. Settlement personnel: execute the settlements.
4. The foregoing traders, confirmation and settlement personnel should come from the finance unit, and should not work concurrently on each other's duty. A written notice of change of trader should be given to the transaction counterparty before the effective date.

(4) Authority Matrix

1. Single hedging transaction approval level by amount

<u>Required approval by</u>	<u>Single transaction approval level by amount</u>
Vice President and BU President	Not more than US\$ 500 thousand (inclusive)
President	US\$ 500 thousand to US\$ 1 million (inclusive)
Chairman	More than US\$ 1 million

2. Any transaction for other specific purposes should be subject to prior authorization granted by the Board of Directors to a responsible manager.

(5) Contract sum

1. The total amount of open contracts of hedging transactions should not exceed the positions exposed to the company's operating risks.
2. The total amount of open contracts for specific purposes should not exceed 10% of the company's operating income in the last quarter.

(6) Loss Limits

1. The loss of a single contract or all contracts of hedging transactions should not exceed 25% of the contract value.
2. The loss of a single contract or all contracts for specific purposes should not exceed 10% of the contract value.

(7) Performance Evaluation

1. Hedging Transaction

The evaluation basis is the overall gain/loss of the hedged items and hedging transactions.

2. Transaction for Specific Purposes

The evaluation basis is the overall gain/loss of the specific items and specific transactions.

3. The finance department shall provide periodic analysis of transaction position valuation, and market analysis to the highest financial officer for implementing management and making instructions.

(8) Regular assessment methods

All positions held for derivatives transactions should be evaluated at least once per week. However, any hedging transaction required for the business should be evaluated twice per month. The evaluation reports should be submitted to the senior officers authorized by the Board of Directors.

2. Risk management measures

- (1) Credit risk

If the transaction is with a well-known domestic or foreign financial institution, the credit rating should be considered as well.

- (2) Market risk

The market risk of derivatives products due to change of interest rate or exchange rate, or other factors should be controlled according to subparagraph 6 of the foregoing paragraph.

- (3) Liquidity risk

The financial products shall have the generality and are available for offset on

the market. The contracted financial institutions should have sufficient information and ability to transact on any markets.

(4) Cash flow risk
When conducting derivatives transactions, the company should consider the estimated cash flow during the transaction and make sure it has sufficient operating funds to support the settlement.

(5) Operation Risk
a. The individuals engaged in the derivatives transaction should be subject to the separation of duties according to sub-paragraph 3 of the foregoing paragraph to avoid operational risk.
b. The measurement, supervision and control of risks should be performed by difference departments according to sub-paragraph 3 of the foregoing paragraph, and should be reported to the Board of Directors, or a senior officer who is not responsible for the transaction or position strategy.

(6) Legal Risk
Any document signed with a financial institution should be reviewed by finance and legal offices or the legal counsel and other specialists to avoid legal risk.

3. Internal Audit

(1) A record book should be prepared for derivatives transactions, specifying all information as required by the laws.

(2) The audit department should periodically understand the appropriateness of the internal control of derivatives transactions, and prepare the audit report of the compliance with derivatives transactions processes by trading department, and report any material violation to the audit committee in writing.

4. Monitoring by Board of Directors

(1) The Board of Directors should periodically evaluate whether the performance derivatives transactions meet the specified operating strategy, and whether the risk exposure is within the company's tolerance.

(2) The Board of Directors should authorize senior offices to manage derivatives transactions according to the following guidelines:

a. Periodically evaluate the appropriateness of current risk management measures, and implement these Procedures.

b. Monitor the transactions and gain/loss status, take necessary actions in respond to any unusual event and immediately report to the Board of Directors. If the company has appointed any independent director, the independent director should attend the Board meeting and state his opinions.

(3) Any derivatives transactions processed by the authorized individual under these Procedures should be reported in the nearest Board meeting afterwards.

Article 13: The acquisition or disposal of assets by the company in case of merger, spin-off, acquisition, or transfer of shares should comply with these Procedures, Business Mergers and Acquisitions Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" prescribed by the competent authority.

Article 14: If the acquisition or disposal of assets by the company should be approved by the Board of Directors as required by these Procedures or other regulations, the opinions of each independent director during the discussion should be fully considered, and their objection or unqualified opinion should be documented in the meeting minutes. The company should submit the dissenting opinion of any director documented in the records or made in writing to the audit committee.

Any material asset or derivatives transactions by the company should be approved by the majority of the audit committee and resolved by the Board of Directors. If less than the majority of the audit committee gives the approval, the company may seek for the approval of more than two-third of the directors and document the resolution of the

audit committee in the meeting minutes of the Board of Directors.

Article 15: The disclosure and filing of acquisition or disposal of assets by the company should be made in accordance with the items, criteria, deadlines and processes prescribed by the competent authority.

Article 16: The company's subsidiaries should comply with the following rules:

1. When acquiring or disposing of assets, the subsidiary should comply with the company's processes, or the procedures of acquisition or disposal of assets prescribed by itself.
2. The subsidiary should specify and amend its own procedures of acquisition or disposal of assets in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" subject to the approval of its Board of Directors and the general meeting.

Article 17: Punishment

If any employee violates these Procedures when handling the acquisition and disposal of assets, the punishment should be determined according to the company's personnel regulations.

Article 18: Implementation and Amendment

The company's "Procedures of Acquisition or Disposal of Assets" and any amendment should be approved by the majority of the audit committee, and submitted to the general meeting for approval after resolved by the Board of Directors. When submitting the "Procedures of Acquisition or Disposal of Assets" to the Board of Directors for discussion under the foregoing paragraph, the company shall fully consider the opinion of each independent director. Any objection or unqualified opinion of the independent directors should be documented in the meeting minutes of the Board of Directors. If less than the majority of the audit committee gives the approval for the draft or amendment of the "Procedures of Acquisition or Disposal of Assets", the company may seek for the approval of more than two-third of the directors and document the resolution of the audit committee in the meeting minutes of the Board of Directors. The basis of members and directors should be those who are actually in the office.

Article 19: Miscellaneous

Any matter that is not mentioned in this procedure shall be conducted in accordance with the applicable laws and regulations.

AAEON Technology Inc.

Management Policy of Making Endorsements/Guarantees

Revision Date: June 30, 2016

- Article 1: Purpose
- (1) To strengthen the financial management of making endorsements/guarantees in the company and its subsidiaries, and reduce the operation risk, this Policy is hereby created.
 - (2) These processes are amended pursuant to Article 36-1 of the Securities and Exchange Act and in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”
- Article 2: Permitted Endorsements and Guarantees
- The endorsements/guarantees permitted under this Policy include financing endorsements/guarantees, custom duty endorsements/guarantees and other endorsements/guarantees.
- (1) Financing endorsements/guarantees mean
 1. Bill discount financing.
 2. Endorsement or guarantee made to meet the financing needs of another company.
 3. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
 - (2) Custom duty endorsements/guarantees mean the endorsements/guarantees related to custom duty for the company or other companies.
 - (3) Other endorsements/guarantees mean any type of endorsements or guarantees not covered by the two foregoing paragraphs.
 - (4) The company should also follow these guidelines when providing its movable property or real property as pledge or mortgage for another company’s loans.
- Article 3: Permitted Parties to be Endorsed/Guaranteed
- The company should only make endorsements/guarantees for the corporate entities related to the company’s business conducts, including
- (1) Any company who has a business relationship with the Company.
 - (2) Any company in which the company directly or indirectly holds more than 50% of voting rights.
 - (3) Any company which directly or indirectly holds more than 50% of voting rights in the company
 - (4) The company may make endorsements/guarantees for any company in which it directly or indirectly holds 100% of voting rights.
 - (5) Counter-guarantees for an industry peer as required for a construction contract, or endorsements/guarantees made by the contributing shareholders for the invested company at their shareholding percentage under a joint investment are not restricted by the foregoing limit.
- Article 4: Limit on Endorsements/Guarantees
- (1) The total value of endorsements/guarantees made by the company, or the company and its subsidiaries should not exceed 40% of the current net worth. The value endorsed/guaranteed should not exceed 10% of the current net worth for one single business, or 20% of the current net worth for a subsidiary in which the company directly holds more than 50% of common shares. The net worth shall refer to the audited financial statements in the latest period.
 - (2) The value endorsed/guaranteed for any party who has a business relationship with the company should not exceed the amount of the specific transaction subject to the

limit above. Value of business transaction refers to the amount of purchase or sale between two parties, whichever the higher.

Article 5: Decision-Making and Authorization

- (1) The company should obtain prior approval of the Board of Directors for making endorsements/guarantees. Any material endorsement/guarantee should be approved by the audit committee and resolved by the Board of Directors. The Board of Director authorizes the Chairman to approve any endorsement/guarantee not exceeding the limits in Article 4 pursuant to this Policy, and report to the Board of Director for recognition, and report the process to the general meeting for reference.
- (2) Where it is necessary to make any endorsement/guarantee exceeding the amount limit specified under this Policy, and the conditions specified under this Policy are met, the company shall obtain the approval of the Board of Directors, and cause the majority of the directors to be joint guarantors for any loss incurred to the company due to the excess of the limit. The company should amend the procedures of making endorsements/guarantees and submit for the recognition of the general meeting. If the general meeting disapproves, the company should develop the plan to cancel the excess of the limit within a specified time.
- (3) The companies in which the company directly and indirectly holds more than 90% of the voting shares may make endorsements/guarantees for each other in the amount not exceeding 10% of the company's net worth and subject to the prior resolution of Board of Directors. However, the endorsements and guarantees between the companies that the Company directly and indirectly holds 100% of voting shares shall not apply for this restriction.

During the discussion of the Board of Directors under the foregoing paragraph, the company shall fully consider the opinion of each independent director. The consent or objection of the independent directors and the specific reason for the objection should be documented in the meeting minutes of the Board of Directors.

Article 6: Storage and Process of Stamp

The stamp used by the company for making guarantees should be the company stamp registered with the Ministry of Economic Affairs. The storage and uses of such stamp are specified in the Stamp Management Policy.

When making guarantees for foreign companies, the guarantee letter issued by the company should be signed by the Chairman under the authorization of the Board of Directors.

Article 7: Procedures for Making Endorsements/Guarantees, and Endorsed Amount Control

- (1) When a guaranteed company requests the company to make endorsements/guarantees, the applying department of the company should fill out the guarantee application (cancellation) form, specifying the reasons and purposes, and submit to the finance department along with the note and the application by the endorsed company for evaluation.
- (2) Guidance on Review by Finance Department
 1. Is the reason of making endorsement sufficient?
 2. Is the endorsed amount necessary for the guaranteed company based on its financial condition?
 3. Is the accumulated amount still under the limit?
 4. For endorsements/guarantees made under a business relationship, evaluate whether the endorsed/guaranteed amount and transaction value are under the limits.
 5. Impact on the company's business operations, financial condition, and shareholders' equity.
 6. Is it necessary to request collateral and evaluate the collateral.
- (3) The finance department should make records of its evaluation, and submit to

the President and Chairman for approval.

- (4) The finance department should prepare a “record book” to document the guarantees made for affiliates and any company having business relationship with us. The records should include the name of the guarantees, purposes, amount, conditions and date of discharging guarantor’s liability, the date of the approval by the Board of Directors or the Chairman, and other information and cancellation of the endorsements/guarantees. Filing and disclosure should be made as required by the laws.
- (5) If a party endorsed by the company later becomes disqualified under this Policy due to change of circumstances, or the endorsed/guaranteed amount exceeds the prescribed limit due to the change of calculation basis, the endorsed/guaranteed amount or any excess of the limit should be cancelled upon the expiration of the contractual term or the period prescribed in the improvement plan. The improvement plan should be submitted to each audit committee and reported to the Board of Directors.
- (6) The company will not issue any note to any affiliate or any company having business relationship with us to guarantee their liability to a third party unless otherwise approved by the Board of Directors for a specific reason. However, the company will request such entity to issue a promissory note in the same amount as counter-guarantee. A bookkeeping voucher should be officially issued for the foregoing notes, entered under the accounts “Guarantee Notes Submitted” and “Guarantee Notes Received” and registered in the “record book.”
- (7) Approval and Cancellation of Endorsement Instrument
 1. An approved endorsement/guarantee note may be delivered to the guaranteed company after the following processes:
 - (1) Stamp the company’s seal.
 - (2) Copy both sides of the note for record.
 - (3) Register in the “record book” to control the endorsed amount.
 2. If an endorsement note should be cancelled due to renewal of liabilities or extension, the applying department of the company should fill out the guarantee application (cancellation) form and submit to the finance department along with the endorsement note for cancellation.
 3. The finance department should register the cancelled note in the “record book” immediately to reduce the endorsed amount.
- (8) If the net worth of the guaranteed subsidiary is less than half of its paid-in capital, the company should continuously evaluate and follow up, inspect the criteria of keeping the financial support, precautionary procedures, and plans to help improve the finance and business to control the potential risk of endorsement/guarantee, and report the evaluation results to the audit department, Board of Directors and audit committee.

Article 7-1: Internal Control

- (1) The internal audit team should audit the endorsement/guarantee processes and the implementation at least once per quarter and prepare written records, and report any material violation to the audit committee in writing.
- (2) The Company’s engagement in the endorsements and guarantees shall comply with the regulations. If there is any material violation, the managers and persons in charge shall be punished depending on the circumstances.

Article 8: Disclosure and Filing

The company should prepare the monthly statement of amount guaranteed for other businesses for disclosure and filing purpose. Furthermore, the endorsement/guarantee should be disclosed and filed within two days of the occurrence in any of the following conditions:

- (1) The outstanding amount of endorsements/guarantees by the company and its subsidiaries exceeds 50% of the net worth in the company's latest financial statements.
- (2) The outstanding amount of endorsements/guarantees for one single business by the company and its subsidiaries exceeds 20% of the net worth in the company's latest financial statements.
- (3) The outstanding amount of endorsements/guarantees for one single business by the company and its subsidiaries exceeds NT\$10 million, and the total amount of the endorsements/guarantees for, long-term investment in, and balance of loans to that business exceeds 30% of the net worth in the company's latest financial statements.
- (4) The amount of new endorsements/guarantees by the company or its subsidiaries exceeds NT\$30 million, and 5% of the net worth in the public company's latest financial statements.

For the subsidiaries who are not public companies, when the subsidiaries have situations of announcement stated in the subparagraphs of the preceding paragraph, the Company shall conduct the announcement for its subsidiaries.

Article 9: Regulations of Making Endorsements/Guarantees by Subsidiaries

- (1) Any subsidiary should make endorsements/guarantees pursuant to these processes, or the procedures of making endorsements/guarantees prescribed by itself.
- (2) When specifying or amending its own procedures of making endorsements/guarantees, the subsidiary should follow the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," and submit for the resolution of the subsidiary's Board of Directors and general meeting.

Article 10: Other Provisions

The company should evaluate or recognize the contingent loss of endorsements/guarantees, adequately disclose information of endorsements/guarantees in its financial statements, and provide the data to the audit CPAs for necessary audit process.

Any matter not prescribed in this Policy should be subject to the applicable laws and the company's procedures.

Article 11: Implementation and Amendment

These processes should be approved by the audit committee, and submitted to the general meeting for approval after resolved by the Board of Directors. If any director has a dissenting opinion documented in the records or made in writing, the company should submit the opinion and any revisions to such opinion to the general meeting for discussion.

Each independent director's opinions shall be fully taken into account when the procedure is reported to the board of directors for discussion according to the regulations of the preceding paragraph. The consent or the specific opinions of objection and the reasons shall be recorded in the meeting minutes of the board of directors.

If the draft or amendment of these processes is not approved by more than the majority of the audit committee, the company may seek for the approval of more than two-third of the directors and document the resolution of the audit committee in the meeting minutes of the Board of Directors. The basis of members and directors should be those who are actually in the office.

AAEON Technology Inc.
Articles of Incorporation

Revision Date: July 30, 2018

Chapter 1 General Principles

- Article 1: The Company is incorporated pursuant to the Company Act under the name of AAEON TECHNOLOGY INC.
- Article 2: The Company's business operation is 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.
- Article 3: The Company may make guarantees for other industry peers as required for its business.
- Article 4: The Company's reinvestment may exceed 40% of the Company's paid-in capital; the Board of Directors is authorized to execute the reinvestments. When the Company is a limited liability shareholder of another company, the total investment may exceed the limit of 40% of the Company's paid-in capital.
- Article 5: The Company's headquarters is in New Taipei City. The Board of Directors may resolve to set up domestic and foreign branches as necessary.

Chapter 2 Share capital

- Article 6: The Company's total capital is NT\$ 2 billion, divided into 200 million common shares with a par value of NT\$10. The Board of Directors is authorized to issue the shares in different times.
- The company reserves NT\$ 50 million of the capital in the first paragraph for issuing 5 million shares with a par value of NT\$10 under the employee stock option scheme. The Board of Directors may resolve to issue the shares in different times.
- Article 7: The Company issues registered shares. The certificate should be signed or stamped by more than three directors, and duly certified by the competent authority or an issuance and registration institution approved by the competent authority. The Company is not required to print physical shares but should register with a centralized securities depository enterprise after the initial public offering.
- Article 8: The change of name and transfer of shares are suspended within 30 days before the general meeting, 15 days before an extraordinary shareholders meeting, or 5 days before the record date of distribution of dividends and bonus, or other benefits.
- After the initial public offering, the records in the shareholder register cannot be modified within 60 days before the general meeting, 30 days before an extraordinary shareholders meeting, or 5 days before the record date of distribution of dividends and bonus, or other

benefits.

Chapter 3 Shareholders Meetings

- Article 9: The shareholders meeting can be a general meeting or an extraordinary meeting. The general meeting should be held at least once within 6 months after the end of each fiscal year by the Board of Directors. The extraordinary meeting can be held as necessary.
- Article 10: Any shareholder who is unable to attend the shareholders meeting may execute the form proxy prepared by the Company and specify the scope of authorization to appoint an agent.
- Article 11: Except for the nonvoting shares under Article 179 of the Company Act, each shareholder of the Company shall have one vote per share.
When the Company holds any shareholders meeting after public offering (or trading in OTC market), it should permit electronic means as one of the voting methods and specify such voting process in the shareholders meeting notice.
- Article 12: Unless otherwise provided in the Company Act and in these Articles, the resolution of the shareholders meeting should be made by the majority of the shareholders being present at the meeting and representing the majority of the outstanding shares.
- Article 12-1: After the initial public offering, the Company may withdraw the public offering only pursuant to Article 156 of the Company Act by having the approval of the majority of the shareholders being present at the meeting and representing two-third of the outstanding shares.

Chapter 4 Directors and Audit Committee

- Article 13: The Company should have seven to eleven directors. Each of them should have a three-year term of office, and will be elected from the candidates with legal capacity by the shareholders meeting and for consecutive terms. There should be at least three independent directors on the Board of Directors in the foregoing paragraph. The directors (including independent directors) of the Company should be elected through the nomination system, and from the candidate list by the shareholders meeting.
- Article 13-1: The Company sets up the “audit committee” pursuant to Article 14-4 of the Securities and Exchange Act. The members of the audit committee should be all independent directors. The audit committee or the audit commissioners are entrusted with the powers of supervisors under the Company Act, Securities and Exchange Act and other laws. Pursuant to Articles 14-4 and Article 181-2 of the Securities and Exchange Act, the Company will not appoint any supervisor after the audit committee has been set up. The powers of supervisor specified in the Company’s internal policies will be exercised by the audit committee.
- Article 14: The powers of the Board of Directors are as follows:
1. Specify the Company’s organizational policies.
 2. Develop and monitor the execution of the Company’s business plans.
 3. Specify the Company’s surplus distribution.
 4. Specify the Company’s capital increase and reduction.
 5. Review the Company’s budgets, and approve the final settlement.
 6. Approve the Company’s acquisition or disposal of fixed assets.
 7. Other powers entrusted by the laws and policies and the shareholders meeting.
- Article 15: (Deleted)
- Article 16: The Board of Directors should be formed by the directors. The directors should elect from among themselves the Chairman by a majority vote with two-third of the directors being present. The Chairman represents the Company. The Company may have one vice Chairman elected by the same method.
- Article 16-1: When one-third of the seats on Board become vacant or all independent directors are removed, the Board of Directors should call an extraordinary shareholders meeting

within 60 days. The elected directors should serve the office only for the remaining term.

- Article 17: The Board meeting notice may be given by e-mail and facsimile. Unless otherwise provided in the Company Act or in these Articles, the resolution should be made by the majority of the directors being present at the meeting and representing the majority of the seats. A director may authorize another director to attend the Board meeting on his behalf in writing. The power of attorney should be given for each meeting and specify the scope of authorization.
- Article 18: If the Chairman is on leave or unable to exercise his power, the acting person should be subject to Article 208 of the Company Act.
- Article 19: The Board of Directors is authorized to determine the remunerations of the Chairman and the directors based on their participation and contribution in the Company's operation and the domestic industrial standards.
- Article 19-1: The Company may purchase insurance for the directors to cover their statutory liabilities in connection with their performance of duties.
- Article 19-2: The Company may set up functional committees under the Board of Directors. The organization and power of such committees should be subject to the regulations prescribed by the competent authority.

Chapter 5 Manager

- Article 20: The Company may appoint the managers. The appointment, termination and compensation should be subject to Article 29 of the Company Act.

Chapter 6 Accounting

- Article 21: The Company should conduct final settlement for each fiscal year from January 1 to December 31.
- Article 22: At the end of each fiscal year, the Company should cause the Board of Directors to prepare
1. Business Report
 2. Financial statements
 3. Proposal for earnings distribution or loss offset
- And other statements, and submit to the general meeting for recognition.
- Article 23: If there is any remaining earnings after offsetting the accumulated loss against the annual profit (profits before tax and expenses for distributing employee compensation and director compensation), the company shall appropriate no less than 5% as employee compensation and no more than 1% as director remuneration. Qualification requirements of the employees who are entitled to receive the employees' compensation may be specified by the Board of Directors.
- Article 23-1: If there is any surplus after the annual settlement, the Company should pay the tax, compensate the accumulated loss, then appropriate 10% as legal reserve unless the legal reserve has equaled the Company's paid-in capital. In addition, the Company may appropriate or reverse the special reserve as required for the operation and subject to the laws. The remaining amount plus the retained earnings at the beginning of the period may be distributed provided that the shareholders meeting approves the distribution plan prepared by the Board of Directors. The future distribution of retained earnings 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.

Chapter 7 Appendix

Article 24: Any matter not specified in these Articles should be handled in accordance with the Company Act and applicable laws.

Article 25: These Articles were made on November 22, 2010. The first amendment and reinstatement are made on December 24, 2010. The second amendment and reinstatement are made on June 2, 2011. The third amendment and reinstatement are made on June 25, 2015. The fourth amendment and reinstatement are made on April 1, 2016. The fifth amendment and reinstatement are made on June 30, 2016. The sixth amendment and reinstatement are made on June 27, 2017. The seventh amendment and reinstatement are made on July 30, 2018.

AAEON Technology Inc.

Rules of Procedure for Shareholders Meetings

Revision Date: June 30, 2016

Article 1 The rules for compliance are stipulated in accordance with Article 5 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” for establishing the Company’s excellent meeting of shareholders governance system, substantiating supervisory function, and enhancing management functions.

Article 2 The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 3 The Company’s shareholders’ meetings, unless otherwise provided by the law and regulations, should be convened by the Board of Directors.

The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place. The notice and announcement of convening the board meeting can be made electronically with the consent of the counterparty.

Where the meeting is called for the election or removal of any director, amendment to the Articles of Incorporation, dissolution, merger, spin-off of the company, or any matter set forth in Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the reason must be specified in the meeting notice and cannot be proposed as a extempore motion.

Shareholders with over 1% shareholding of the shares issued may have proposals presented in writing to the Company’s General Shareholders’ Meeting. However, it is limited to one proposal and the more than one proposals presented will not be discussed in the meeting. The board of directors may not have the proposals presented by shareholders that fall in the scope of Article 172-1 Section 4 of the Company Act included for discussion.

Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

The shareholder's proposal is limited to 300 words’ otherwise it will not be included for discussion. The proposing shareholders must attend the shareholders’ meeting in person or by proxy to participate in the proposal discussion.

The Company shall have the processing result presented in the shareholders’ meeting before the meeting convening date and have the proposals in compliance with this clause

included in the notice of meeting. The board of directors is to give the reason why the shareholder's proposal is not included for discussion in shareholders' meeting.

Article 4 Shareholders may issue a proxy printed by the Company with the scope of authorization defined to attend the shareholders' meeting.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before 5 days before the date of the shareholders meeting. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous proxy arrangement.

If the shareholders wish to exercise the balloting right by attending the meeting in person or voting in writing or by electronic means after the proxy is received by the Company, the shareholders shall have the Company informed in writing two days prior to the shareholders' meeting date to revoke the proxy. The balloting right exercised by the representative shall prevail if the proxy is not revoked before the deadline.

Article 5 The shareholders meeting must be held at a location that is suitable and convenient for shareholders to attend. The meeting must not commence anytime earlier than 9AM or later than 3PM. Independent Directors' opinions must be fully taken into consideration when deciding the time and venue of the meeting.

Article 6 The Company shall have the admission time, admission place, and other related matters set forth in the notice of meeting.

The shareholders' meeting admission time referred to above should be at least thirty minutes before the meeting in session; it should be clearly indicated at the admission place and with the adequate and qualified personnel to handle it.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The company will provide an attendance log to record shareholders' attendance; alternatively, shareholders may present their attendance cards to signify their presence.

The Company shall have the Agenda Handbook, annual reports, attendance card, statement slip, ballots, and other meeting materials delivered to the shareholders presented; also, the ballot will be distributed to the directors for the election of directors, if any.

The number of representative attending the shareholders' meeting on behalf of the institutional shareholders, both the government and legal person, is not limited to one person. The number of legal person entrusted to attend the shareholders' meeting is limited to one person.

Article 7 If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

When a director serves as chair, as referred to in the preceding paragraph, and who understands the financial and business conditions of the company. The rule referred to above does apply if the chairman is a representative of the legal director.

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If the shareholders' meeting is convened by any authorized party other than the Board of Directors, the convener will act as the meeting chairman. If there are two or more conveners, they shall appoint one among themselves to chair the meeting.

The Company may summon its lawyers, certified public accountants, and any relevant personnel to the shareholders meeting.

Article 8 The entire process of the shareholders' meeting should be recorded or videotaped.

The audio and video data referred to above should be reserved for at least one year. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 9 The attendance of the shareholders' meeting is counted by the shareholding. The number of shares represented during the meeting is calculated based on the amount registered in the attendance log or the attendance cards collected, plus the amount of shares whose voting rights are exercised through proxy forms or electronic methods.

The chairman should announce the commencement of the meeting as soon as it is due. However, if the attendees represented less than half of all outstanding shares, the meeting chairman may announce to postpone the meeting up to two times, for a period totaling no more than one hour. The Chairman may announce the meeting is adjourned if there remain insufficient shareholders who represent two thirds of shareholding to attend the meeting after two meetings postponed.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 10 If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting is conducted in accordance with the agenda and it may not be changed without the resolutions reached in the shareholders' meeting.

The provision referred to above is applicable even when the shareholders' meeting is convened other than by the board of directors.

The Chairman may not announce the meeting is adjourned until a resolution is reached for the two procedures (including motions) referred to above. If the Chairman has announced the meeting adjourned in violation of the procedures, the other board directors shall promptly assist the shareholders presented with a majority of balloting rights to elect a chairman to continue the meeting in accordance with the legal procedures.

The Chairman must give the proposal or the amendment and motion proposed by the shareholders an opportunity to be explained and discussed sufficiently until it is ready for balloting and then stop the discussion for balloting.

Article 11 Shareholders who wish to speak during the meeting must produce a Speak Request Form detailing the topics and the shareholder's name and account number (or the attendance ID serial). The order of shareholders' comments will be determined by the meeting chairman.

Shareholders who submit Speak Request Forms without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated in the Speak Request Form, the actual comments shall prevail.

Each shareholder may not speak on the same proposal more than twice and not more than 5 minutes each time unless otherwise permitted by the Chairman. However, the Chairman may stop the shareholder from speaking if the speech is in violation of regulations or outside the scope of the proposal.

While a shareholder is speaking, other shareholders cannot speak simultaneously or interfere in any way without the consent of the meeting chairman and the person speaking. The meeting chairman shall restrain any violators.

For corporate shareholders who have appointed two or more representatives to attend the shareholders meeting, only one representative may speak per agenda.

The Chairman may have the speech of the shareholder responded in person or by the designated personnel.

Article 12 The balloting of the shareholders' meeting is based on the shareholding represented.

For the resolutions of the shareholders' meeting reached, the shareholding of the shareholders without balloting right is excluded from the count of the outstanding shares.

Shareholders cannot vote, or appoint proxies to vote, on any agendas that present conflicting interests, if doing so may compromise The Company's interests.

The shareholding of the shareholders without balloting right referred to above is not included in the balloting rights of the shareholders presented.

Except for the trust enterprise or the securities brokerages approved by the securities competent authorities, the balloting rights of the representative who is commissioned by two or more shareholders shall not exceed 3% of the balloting rights representing the total outstanding shares and the portion in excess does not count.

Article 13 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When holding a shareholders' meeting, the Company permits the shareholders to exercise their voting rights in writing or by electronic means. The voting methods will be specified in the shareholders meeting notice. Shareholders who have voted in writing or using the electronic method are considered to have attended the shareholders meeting in person. However, in respect of the motion and the amendment of the original proposal in the shareholders' meeting it is deemed as a waiver; therefore, the Company is advised to avoid proposing motion or the amendment of the original proposal.

The uses of written and electronic votes mentioned above must be delivered to The Company at least 2 days before the shareholders meeting. If there are duplicate submissions, the earlier submission shall prevail. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous vote.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. If the shareholder has exercised written or electronic votes, and at the same time delegated a proxy to attend the shareholders meeting, then the voting decision exercised by the proxy shall prevail.

Unless otherwise provided in the Company Act and the Company's Articles of Incorporation, the proposal is passed in the meeting by the shareholders represented a majority of the balloting rights.

The motion resolved by the Chairman's consulting the attending shareholders without dissent is deemed as passed and with the same effect as voting.

For the proposal with an amendment or alternative put to vote, the Chairman is to have it prioritized for balloting with the original bill enclosed. If any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.

The meeting chairman will appoint a ballot examiner and a ballot counter for each agenda. However, the ballot examiner must be a Director.

The vote counting process of the shareholder's balloting or election should be held openly at the meeting venue. The balloting result should be announced immediately at the meeting, including statistical weights, and it should be documented for record.

Article 14 The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

The ballots of the election referred to above should be sealed, signed, and reserved by the controller of ballot for safekeeping for at least one year. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 15 The resolutions reached in the shareholders' meeting must be documented in the minutes of meeting for the signature or seal of the Chairman. The minutes of meeting must be distributed to the shareholders in 20 days. The preparation and distribution of the minutes of shareholders' meeting can be processed electronically.

The Company's minutes of shareholders' meeting referred to above can be distributed by posting it on the MOPS.

The minutes must detail the date and venue of the meeting, the meeting chairman's name, the method of resolution, and the summary and results of meeting agendas. These minutes must be retained indefinitely.

Article 16 The Company must have the statistics of the number of shares by soliciting and by proxy prepared in the prescribed format and has it disclosed openly at the meeting venue on the meeting date.

Any resolution of the shareholders' meeting with regard to any material information specified in the laws and by the competent authority should be uploaded onto the market observation post system by the Company within the specified time.

Article 17 The service personnel for the shareholders' meeting shall wear identification badges or armbands.

The meeting chairman may instruct picketers or security staffs to help maintain order in the meeting. While maintaining order in the meeting, all picketers or security staffs must wear arm badges which identify their roles as "Staff".

If the meeting venue is equipped with speakerphones, the Chairman may stop the shareholders who do not use the device provided by the Company from speaking.

The Chairman may command the marshals or security guards to escort the shareholders to leave the meeting venue if they are in violation of the rules of procedure, disobey the Chairman, and interfere with the meeting proceeding.

Article 18 The Chairman at his/her discretion may announce the meeting in recess; also, may announce to have the meeting suspended due to force majeure and announce the time for the meeting to resume.

If the venue of shareholders' meeting is not available before the end of the procedures (including motions), the shareholders' meeting may resolve to find another venue to continue the meeting.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19 These rules will be implemented after being approved in the shareholders' meeting, same as the amendment.

AAEON TECHNOLOGY INC. Director Shareholding

1. The Company's paid-in capital is NT\$1,484,984,680. Total number of issued shares is 148,498,468.
2. Pursuant to Article 26 of the Securities and Exchange Act, and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the minimum shareholding of all directors should be 8,909,908 shares.
3. As of the halt date for this shareholders' meeting, the shareholding of each director recorded in the shareholders' register is as below:

March 29, 2020

Title	Name	Date elected	Shares Owned (share)	Shareholding percentage (%)	Representative
Chairman	Jui Hai Investment Co.,Ltd.	2019/5/31	4,515,000	3.04%	Yung-Shun Chuang
Director	Jui Hai Investment Co.,Ltd.	2019/5/31	4,515,000	3.04%	Ying-Chen Li
Director	Jui Hai Investment Co.,Ltd.	2019/5/31	4,515,000	3.04%	Wei-Chun, Yen
Director	ASUSTeK Computer Inc.	2019/5/31	43,756,000	29.47%	Chung-Tang, Shih
Director	ASUSTeK Computer Inc.	2019/5/31	43,756,000	29.47%	Chiang-Sheng, Tseng
Director	ASUSTeK Computer Inc.	2019/5/31	43,756,000	29.47%	Hsien-Yueh, Hsu
Director	iBase Technology Inc.	2019/5/31	41,698,468	28.08%	Chiu-Hsu, Lin
Director	iBase Technology Inc.	2019/5/31	41,698,468	28.08%	Yu-Nan, Chen
Independent Director	Jung-Chih, Kao	2019/5/31	0	0	
Independent Director	Ta-Ho, Yen	2019/5/31	0	0	
Independent Director	Kun-Chih, Chen	2019/5/31	0	0	
Total			89,969,468	60.59%	

Other Information:

- (1) Effect on the company's operating performance, EPS, and shareholder ROI by this stock grant:

The Company did not publish any financial forecast for 2019 as required and the Company does not have any stock grant plan. Therefore, it is not applicable.

- (2) Shareholder motions received for this year's shareholders' meeting:

1. Pursuant to Article 172-1 of the Company Act, any shareholder who owns more than 1% of the total outstanding shares may submit the motion proposal to the general meeting in writing. The proposal should only include one motion and should be described in 300 words. Any proposal including more than one motion, or described in more than 300 words will not be accepted. The Shareholder who proposed needs to attend the Shareholders' Meeting in person, or delegate others the power of attorney, and engage in the discussion.
2. Proposals of shareholders' motions should be submitted between March 20, 2020 and March 30, 2020, 9AM to 5PM. The announcement has been published on the Market Observation Post System.
3. The Company did not receive any proposal of shareholders' motion during the acceptance period.