



**STOCK CODE: 6579**



**研揚科技股份有限公司**  
**AAEON Technology Inc.**

# **2021 ANNUAL REPORT**

Printed on March 29, 2022

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

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**(VI) COMPANY WEBSITE**

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## I. Letter to the Shareholders

Dear Shareholders:

Thank you for attending the 2022 General Shareholders' Meeting.

In 2022, AAEON's overall operational results were better than expected, with revenue growing by 7.6%. The two biggest factors affecting revenue are the COVID-19 pandemic and shortage of materials. The pandemic has delayed our clients' projects and increased our communication costs, while the shortage of materials has caused orders to be unable to be delivered on time and led to longer delivery cycles. Despite a large number of orders, AAEON was unable to ship products on schedule to enhance our performance due to the shortage of materials. Therefore, AAEON's revenue in the first half of 2021 was not satisfactory and even registered negative growth in the third quarter. Fortunately, the purchases of parts gradually improved in the second half of the year, the shortage of materials was alleviated, and the shipments increased month by month. We even hit a record high in the fourth quarter in terms of a single quarter, and our annual revenue growth rate was turned from negative to positive, and, ultimately, the group maintained positive growth throughout the year.

In addition, AAEON won the 26th Malcolm Baldrige National Quality Award (MBNQA) in 2021, which is the only highest award for business quality in Taiwan awarded by the Executive Yuan. The award evaluates eight aspects and selects outstanding companies as winners. AAEON is honored to receive the Comprehensive Excellence Award as an indication of our instance on quality and national recognition of our overall management.

Details are as follows:

### 1. The 2021 Business result

#### (I) Business performance

1. Revenues and profits: for 2021, AAEON's consolidated operating income is 6,347,704 thousand, gross profit is 1,855,051 thousand, operating revenue is 548,641 thousand, net profit after tax is 513,753 thousand. Net profit of the parent company is 451,025 thousand. Earnings per share (EPS) is 4.22.
2. Revenue analysis: In terms of regions, we witnessed excellent growth in all regions, particularly in Europe with a growth rate of 42%. In terms of our product lines, most of our product lines registered double-digit growth, and the System Platform Division created the highest growth with a growth rate of 34%.
3. Budget execution: the company did not publish its financial forecast in 2021.
4. Client management: Developing major clients is AAEON's critical strategy. In 2021, we had developed 23 major clients, with the worth of more than US\$1 million each. For clients with small quantity orders or urgent needs for samples, we provided the e-commerce platform: UP Shop and AAEON eShop to allow them to obtain products quickly. In 2021, we created a total of more than US\$4 million in revenue in this regard.
5. Other operational achievements:
  - Won the 26th MBNQA - Comprehensive Excellence Award
  - Won the 7th place in the Middle-Standing Enterprises Group of the CSR Awards of the Commonwealth magazine
  - Won the Arts and Business Awards hosted by the Ministry of Culture

#### (II) Research and development and innovations

1. In 2021, two of AAEON's products have won the 30th Taiwan Excellence Award, which are AI platforms: Boxer-8240AI and Boxer-8253 AI.
2. AAEON's Atlas smart roadside surveillance system won the Computex d&i Awards.
3. AAEON's many new products, including PICO-TGU6, have been widespread reported by well-known foreign media.
4. We launched Intel's 11th-generation Tiger Lake and 12th-generation Alder Lake products earlier than our competitors.
5. We launched servers that supported Intel dual CPUs.

### (III) Marketing and promotion

1. To promote AAEON's Artificial intelligence (AI) edge computing platform, we particularly created an AAEON AI logo and launched an AAEON.AI website to provide AI developers with more diverse information in conjunction with our AI products and partners, with the aim of developing the website into a well-known AI portal.
2. Although many exhibitions and seminars have been suspended due to the impact of the pandemic, our marketing efforts have never ceased. In 2021, we held a total of 83 online seminars with more than 10,000 participants.

## 2. 2021 business plan

Although the pandemic continues to affect our lives, everyone has become more accustomed to way of life during the pandemic period. Many clients have also restarted their projects, and the market has become more vibrant. However, although the shortage of materials has improved, supply is still unstable and materials are still in short supply. The conflict between China and the U.S. has also widened the gap between the markets on both sides. How to balance the market in China and those outside China will be a daunting challenge.

The year 2022 marks the 30th anniversary of AAEON's establishment. Over the past 30 years, AAEON has grown steadily and made profits every year in alignment with our shareholders' expectations. Looking ahead to 2022, due to the long delivery cycles of parts, many clients have placed long-term orders, so the performance of orders is better than in previous years. Meanwhile, the pandemic and shortage of materials have also created some business opportunities for us. It is expected that 2022 will be a year of steady growth.

### (I) Business strategy

1. Further develop the existing market: Continue to develop new products and focus on retail, manufacturing, cyber security, smart city, and medical care markets.
2. Actively develop the AI edge computing platform market: Work with partners to form a complete ecosystem and become a leading business in AI edge computing platforms.
3. Enter new markets or increase market share through joint ventures or mergers and acquisitions.

### (II) Important strategies

1. Seize business opportunities arising from COVID-19 and develop business in pandemic testing, work-from-home, and self-service fields.
2. Actively work with semiconductor and electronic production equipment clients as semiconductor and part manufacturers have invested heavily in expanding their factories in response to the severe shortage of materials around the world.

3. Assist AI developers in successfully completing AI projects and accelerate the growth in AI.
4. Prepare materials in advance to solve the problem of shortage of materials and shorten the delivery cycles of orders.
5. Establish the AAEON China R&D Center to develop products in alignment with local needs to respond to the China-US conflict.

3. Long-term development strategies

AI and the Internet of Things (IoT) are the development trends in the market. AI technology has become more popular and been applied in a more diverse manner. AAEON has excellent embedded design capabilities, adopts constant innovation as the main strategy for product development, and takes customized services as our core competitive advantage, while our superior quality is our commitment to our clients. AAEON is not only a hardware manufacturer, but also a technological service provider, providing hardware design, software development, production and manufacturing, logistics management, and after-sales services. We provide customers with industrial computing platforms of high quality, and become their trustworthy partner.

AAEON's "AA" stands for good but better, that is, we must constantly challenge ourselves, keep innovating, and pursue excellence. We will live up to our consistent business philosophy: focus, agility, and competitiveness, and will achieve sustainable operation, continuous growth, and become a leader in AI edge computing.

Today, we would like to express our appreciation to you all, for taking the time to participate in the annual general meeting despite your busy schedule. Finally, we hope that all you will continue to support, encourage, and provide suggestions to our Company.

AAEON Technology Inc.



Chairman: Yung-Shun Chuang



President: Chien-Hung, Lin



Chief of Accounting Officer: Jen-Chung Wang





## II. Company Profile

1. Date of Incorporation  
Found on December 1, 2010.

2. Company history

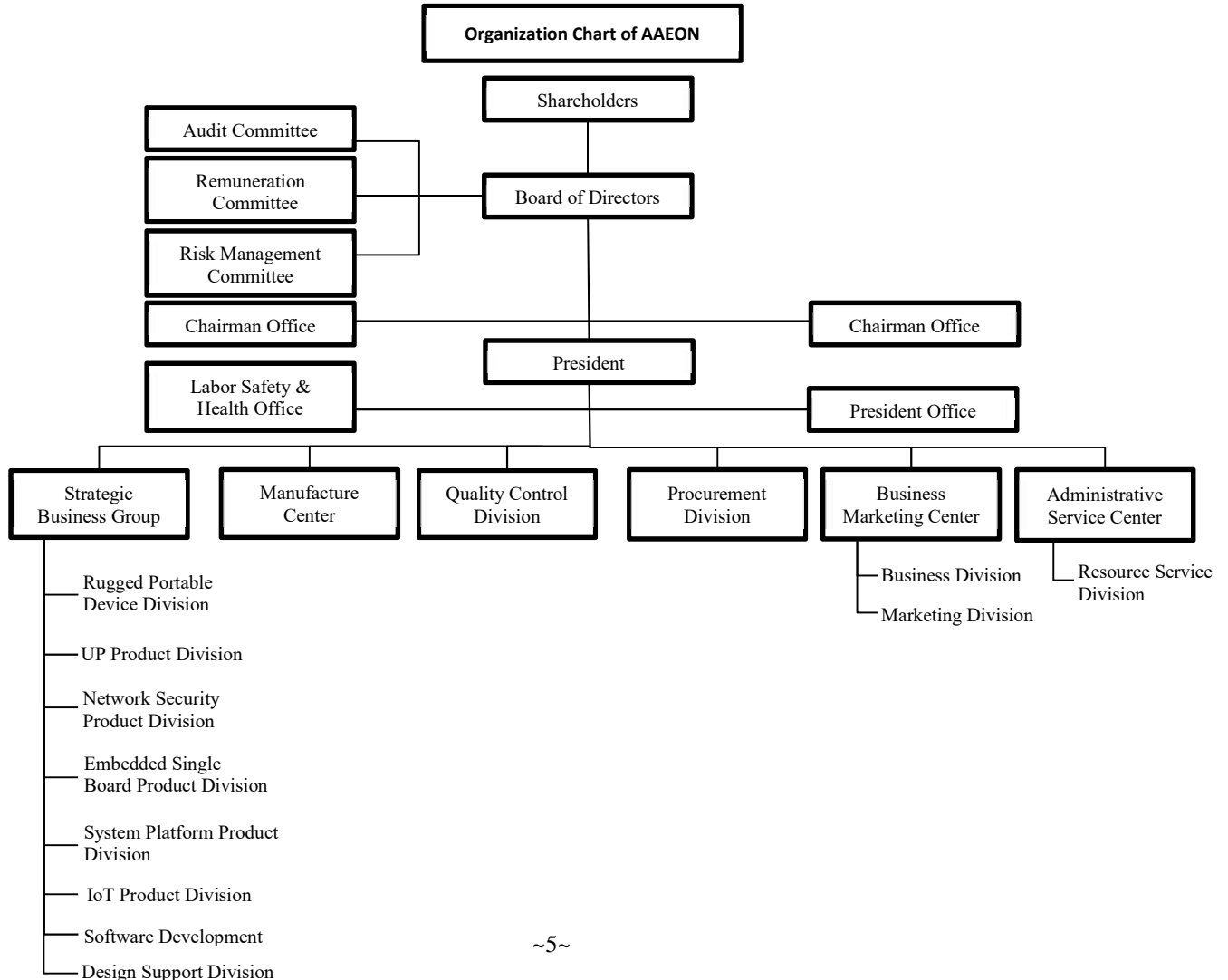
Year	Timeline of Important Events
2010	<ul style="list-style-type: none"> <li>The original name of the Company was “Giant Sun Tech Co., Ltd,” founded on December 1, 2010.</li> </ul>
2011	<ul style="list-style-type: none"> <li>The Company merged with “AAEON Technology Inc.” (referred to as Original AAEON),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

Year	Timeline of Important Events
	<ul style="list-style-type: none"> <li>The Company was awarded the 2018 Taiwan Excellence Award.</li> <li>Three products won the Computex d&amp;I Award.</li> <li>BOXER-6640M won the Vision Systems Design Award.</li> </ul>
2019	<ul style="list-style-type: none"> <li>The Company was awarded the Commonwealth Magazine Corporate Citizen Award.</li> <li>The Company was awarded Taiwan Corporate Sustainability Awards.</li> <li>Two products of the Company were awarded the 2019 Taiwan Excellence Award</li> <li>Two products won the Computex d&amp;iAward.</li> </ul>
2020	<ul style="list-style-type: none"> <li>The Company was awarded the Commonwealth Magazine Corporate Citizen Award.</li> <li>The Company was awarded the 2020 Taiwan Excellence Award.</li> </ul>
2021	<ul style="list-style-type: none"> <li>The Company was awarded the 26th MBNQA - Comprehensive Excellence Award</li> <li>The Company was awarded the Commonwealth Magazine Corporate Citizen Award</li> <li>Four products of the Company were awarded the 2021 Taiwan Excellence Award</li> <li>The innovative Atlas Roadside Unit (RSU) wins honors at the 2021 System integration Award</li> <li>The innovative Atlas Roadside Unit (RSU) wins honors at the 2021 Computex d&amp;i Awards</li> </ul>

### III. Corporate Governance Report

#### 1. Organizational chart

##### (I) Organization of the Company



## (II) Department Function Description:

Department	Functions
Chairman Office	The Company's business strategy planning, operating target formulation and supervision of the Company's overall operation, as well as co-ordination of the Company's stock business, and convening of the Board Meeting and Shareholders' Meeting.
President Office	Implementation and management of the Company's operating strategy, the promotion and implementation of operating objectives, communication and coordination, and the execution of tasks of various departments.
Audit Office	Establishment, operation, audit and review of various internal control systems and suggestions for improvement.
Labor Safety & Health Office	Planning, supervision and operation of the Company's occupational safety and health management system.
IoT Product Division	Development of solutions to existing strategies and Internet of Things solutions (IoT). Providing solution to the integration of customer system platform through internal product development integration and external alliances.
Rugged Portable Device Division	Responsible for product planning, research and development, and design improvement of rugged portable products and tablets.
UP Product Division	UP product development, UP brand promotion and customized services derived from UP. And with the UP product line, AAEON becomes a bridge between innovators and industrial applications.
Network Security Product Division	R&D, design and improvement and product planning of systems including network security products (FWS) and network monitoring platform (NVR).
Embedded Single Board Product Division	R&D, design and improvement and product planning of embedded single board and modularized motherboard.
System Platform Product Division	Responsible for the research and development, design and improvement, and product planning of AI edge computing platforms and industrial automation products.
Software Development Division	Responsible for the R&D of mutual technology for all departments, software development process design and document design, implementation of modularization and common maintenance mechanism, and acceleration of system development and quality improvement.
Design Support Division	Motherboard power circuit design, PCB Layout service, motherboard I/O function test, assistance in R&D's application of product parts and compartments.
Quality Control Division	Planning, implementation and management of the Company's overall quality management system including ISO related systems, supervision of the formulation and implementation of quality systems to achieve quality policies and goals, establishment of relevant standards, systems and procedures for complete quality verification and inspection, and continual improvement of product design, manufacture, and customer service to comply with quality policy implementation.

Department	Functions
Manufacturing Division	Implementation and progress control of the overall production plan. Product manufacturing quality management, and improvement, planning and management of production efficiency.
Procurement Division	Ensure the smooth progress of procurement matters, and supply the production operations and all requisitioning units at the right quality, the right price, the right time and the right amount.
Business Division	Marketing, sales projects and customer development outside the overseas branches, including product marketing, collection, establishment of customer relationships, sales business development and promotion, and development and promotion of sales in Taiwan.
Marketing Division	Establishment of the Company's overall brand image, marketing strategy formulation and marketing information establishment, execution and evaluation, gathering of market trends and industry dynamic analysis. Customer opinion survey to assist in the establishment of business development tools, market-demand oriented online marketing multimedia applications to assist drawing up of marketing plans of product division and sales division.
Resource Service Division	<p>Finance and accounting operations and planning, budget control analysis, tax treatment, establishment and implementation of accounting systems, scheduling and utilization of funds, bookkeeping of various accounts, tax-related accounting operations; communication and coordination at important meetings such as the Board Meetings and General Shareholders' Meetings.</p> <p>Human resource management, salary and reward system establishment, employee relations and corporate cultural activity organization, administrative affairs, general affairs procurement, fixed asset management and system establishment and implementation.</p> <p>Information system operation planning, function development, design and management, major information project introduction and professional technical services, computer software maintenance and management, hardware maintenance and management, data processing and network information security management.</p>

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

(I) Directors and Supervisors

1. Information of directors

March 29, 2022; Unit: shares; %

Title	Nationality and Registry	Name	Gender	Ages			Date elected	Term	Date first elected	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 1)
				45-60	61-70	71-75				Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Jui Hai Investment Co.,Ltd.				May 31, 2019	3 years	Nov. 22, 2011	4,515,000	3.04%	4,515,000	3.04%	-	-	-	-	-	-	None	None	None	—	
	Republic of China	Representative: Yung-Shun, Chuang	Male		V	May 31, 2019	3 years	Nov. 22, 2011	19,664,000	13.24%	19,664,000	13.23%	-	-	-	-	Honorary Doctorate in Engineering National Taiwan University of Science and Technology Chairman of AAEON Technology Inc.	President of the Company Other concurrent positions (Note 2)	None	None	None	—	
Director	Republic of China	Jui Hai Investment Co.,Ltd.				May 31, 2019	3 years	Nov. 22, 2011	4,515,000	3.04%	4,515,000	3.04%	-	-	-	-	-	-	None	None	None	—	
	Republic of China	Representative: Ying-Chen Li	Male		V	May 31, 2019	3 years	Nov. 22, 2011	1,113,000	0.75%	1,113,000	0.75%	-	-	-	-	Ph.D. Electrical Engineering National Taiwan University Chairman of LITEMAX ELECTRONICS INC. CSO of AAEON Technology Inc.	CSO of the Company Other concurrent positions (Note 3)	None	None	None	—	
Director	Republic of China	Jui Hai Investment Co.,Ltd.				May 31, 2019	3 years	Jun. 30, 2016	4,515,000	3.04%	4,515,000	3.04%	-	-	-	-	-	-	None	None	None	—	
	Republic of China	Representative: Wei-Chun, Yen	Male		V	May 31, 2019	3 years	Jun. 30, 2016	505,000	0.34%	505,000	0.34%	-	-	-	-	MBA-Finance The City University of New York Chairman and President of ATECH OEM INC.	(Note 4)	None	None	None	—	

Title	Nationality and Registry	Name	Gender	Ages			Date elected	Term	Date first elected	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 1)
				45-60	61-70	71-75				Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	ASUSTeK Computer Inc.				May 31, 2019	3 years	Nov. 22, 2011	43,756,000	29.47%	43,756,000	29.43%	-	-	-	-	-	-	None	None	None	—	
	Republic of China	Representative: Jonny Shih	Male		V	May 31, 2019	3 years	Nov. 22, 2011	-	-	-	-	-	-	-	-	-	MBA of National Chiao Tung University Chairman of ASUS	(Note 5)	Director	Jonathan Tsang	second-degree	—
Director	Republic of China	ASUSTeK Computer Inc.				May 31, 2019	3 years	Nov. 22, 2011	43,756,000	29.47%	43,756,000	29.43%	-	-	-	-	-	-	None	None	None	—	
	Republic of China	Representative: Jonathan Tsang	Male		V	May 31, 2019	3 years	Nov. 22, 2011	-	-	-	-	-	-	-	-	-	MBA of Houston University President of ASUS	(Note 6)	Director	Jonny Shih	second-degree	—
Director	Republic of China	ASUSTeK Computer Inc.				May 31, 2019	3 years	Feb. 21, 2019	43,756,000	29.47%	43,756,000	29.43%	-	-	-	-	-	-	None	None	None	—	
	Republic of China	Representative: S.Y. Hsu	Male	V		May 31, 2019	3 years	Feb. 21, 2019	-	-	-	-	-	-	-	-	-	EMBA of National Chengchi University Co-CEO of ASUS	(Note 7)	None	None	None	—
Director	Republic of China	IBASE Technology Inc.				May 31, 2019	3 years	May 31, 2019	41,698,468	28.08%	41,698,468	28.05%	-	-	-	-	-	-	None	None	None	—	
	Republic of China	Representative: Chiu-Hsu, Lin	Male		V	May 31, 2019	3 years	May 31, 2019	-	-	-	-	-	-	-	-	-	Department of Electronic Engineering National Kaohsiung University of Applied Sciences Senior Vice President of Taiwan Mycomp Co, Ltd. Chairman and CSO of IBASE Technology Inc.		Chairman and CSO of IBASE Technology Inc. Corporate Directors of WIBASE Industrial Solutions Inc. Representative of IBASE Inc. Representative of IBT Director of NOVAKON CO., LTD.	None	None	None

Title	Nationality and Registry	Name	Gender	Ages			Date elected	Term	Date first elected	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 1)
				45-60	61-70	71-75				Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	IBASE Technology Inc.				May 31, 2019	3 years	May 31, 2019	41,698,468	28.08%	41,698,468	28.05%	-	-	-	-	-	-		None	None	None	—
	Republic of China	Representative: Yu-Nan, Chen	Male	V		May 31, 2019	3 years	May 31, 2019	-	-	-	-	-	-	-	-	-	Department of Electronics Sihai Institute of Technology Manager of R&D Department Taiwan Mycomp Co, Ltd, Director and President of IBASE Inc.	Chairman and President of IBASE Technology Inc. Representative of IBT	None	None	None	—
Independent Director	Republic of China	Daho Yen	Male		V	May 31, 2019	3 years	May 31, 2019	-	-	-	-	-	-	-	-	-	LL.M,The Methodist University of U.S.A The Deputy Minister of Ministry of Justice The Attorney General of The Highest Prosecutors Office	(Note 8)	None	None	None	—
Independent Director	Republic of China	Kun-Chih, Chen	Male	V		May 31, 2019	3 years	May 31, 2019	-	-	-	-	-	-	-	-	-	Ph.D., University of Southern California Associate Professor, National Taiwan University	Associate Professor, National Taiwan University The Independent Director and Remuneration Committee of IBASE TECHNOLOGY INC.	None	None	None	—
Independent Director	Republic of China	Chris Kao	Male		V	May 31, 2019	3 years	Jun. 30, 2016	-	-	-	-	-	-	-	-	-	Master of Electrical Engineering, State University of New York, USA Chairman of Airoha Technology Corp.	None	None	None	None	—

- Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest-level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.
- Note 2: Chairman of the following companies: ONYX HEALTHCARE INC., AAEON TECHNOLOGY (SUZHOU) INC., ONYX HEALTHCARE (SHANGHAI) LTD., AAEON INVESTMENT, CO., LTD., YanXin Investment Co., Ltd., Chang Yang Technology Co., Ltd., Fu Li Investment Co., Ltd., EverFocus Co., Ltd. Director of the following companies: AAEON Electronics, Inc., AAEON Technology (Europe) B.V., AAEON Technology GmbH, AAEON Technology Singapore Pte. Ltd., ONYX Healthcare USA, Inc., ONYX Healthcare Europe B.V, AAEON EDUCATION FOUNDATION, ATECH OEM INC., Qi Ye Electronics (Dong Wan) Co., Ltd., Dan Yang Qi Ye Technology Co., Ltd., LITEMAX ELECTRONICS INC., Litemax Technology, Inc., King Core Electronics Inc., Allied Biotech Corp., Sunengine Corp., Ltd., MACHVISION, INC., Co., Ltd., Machvision (Dong Wan) Testing Equipment Co., Ltd., Xac Automation Corp., CHC Healthcare Group, Top Union (SuZhou) Co., Ltd., Allied Oriental International Ltd., Mcfees Group Inc., NTUT Star Investment Co., Ltd., Feng Xin Venture Capital Co., Ltd., IHELPER INC., IBASE Technology Inc., WINMATE INC. Independent director of the following companies: Top Union Electronics Corp., TAI FLEX Scientific Co., Ltd.
- Note 3: Chairman of the following companies: LITEMAX ELECTRONICS INC. Director of the following companies: AAEON TECHNOLOGY (SUZHOU) INC., Eutech Microelectronics Inc., Litemax Technology, Inc., Yen Shun Technology Corp. Independent director of the following companies: Arcadyan Technology Corp., Axix Corp.
- Note 4: Chairman of the following companies: Qi Ye Electronics (Dong Wan) Co., Ltd., Dan Yang Qi Ye Technology Co., AtechOEM (YiChang) Inc., QQE Technology Co., Ltd. Director of the following companies: AAEON EDUCATION FOUNDATION, AAEON TECHNOLOGY (SUZHOU) INC., ATECH Technology (SAMOA) Ltd., Growing Profits Group Limited, Outstanding Electronics Manufacturer Group Co., Ltd., Sigold Optics Inc., MACHVISION, INC. Co., MiM Tech. Inc., RedPay Co., Ltd., Cybertek Corp., CipherLab Co., Ltd. Supervisor of the following companies: Autovision Tech Co., Ltd. Independent director of the following companies: ABICO AVY CO., LTD.
- Note 5: Chairman of the following companies: ASUSTEK COMPUTER INC., Hua-Cheng Venture Capital Corp., Hua-Min Investment Co., Ltd., ASUSTOR INC., ASUS INTERNATIONAL LIMITED, CHANNEL PILOT LIMITED and NEXT SYSTEM LIMITED. Director of the following companies: ASKEY, SHINEWAVE INTERNATIONAL INC., ASUS TECHNOLOGY INCORPORATION, iMotion Group Inc., GAIUS HOLDINGS LIMITED, Youngmen Computer Co., Ltd., TeYang Tech Inc., UNIMAX TECHNOLOGY CORP. and eCrowd Media, Inc.
- Note 6: Chairman of the following companies: ASUS TECHNOLOGY PTE. LIMITED, and ASUS GLOBAL PTE. LTD. Director of the following companies: ASUSTEK COMPUTER INC., UNIMAX ELECTRONICS INC., Hua-Cheng Venture Capital Corp., Hua-Min Investment Co., Ltd. and KARTIGEN BIOMEDICINE INC.
- Note 7: Chairman of UPI Semiconductor Corp. Director of the following companies: ASUSTEK COMPUTER INC., Hua-Cheng Venture Capital Corp., APAQ TECHNOLOGY CO., LTD. and ASUS COMPUTER INTERNATIONAL.
- Note 8: Director of the following companies: Taishin charity foundation and Tatung Company. Independent Director of the following companies: Taipei Star Bank, SYNCMOLD ENTERPRISE CORP. and TAIWAN FAMILYMART CO., LTD. The member of Compensation committee of the following companies: Taipei Star Bank and SYNCMOLD ENTERPRISE CORP.



## 2. Corporate shareholders' main shareholders

Mar. 29, 2022

Name of corporate shareholder	Corporate shareholders' main shareholders
ASUSTeK Computer Inc. (Note 1)	Jonney Shih(4.05%)、Cathay United Bank managed Expert Union Limited Investment account(2.78%)、ASUS's Certificate of Depository with CitiBank (Taiwan)(2.77%)、New Labor Pension Fund(2.19%)、Taiwan Bank managed Silchester International Investors International Value Equity Trust(1.87%)、Yuanta Taiwan High Dividend Fund Account(1.38%)、JP Morgan Chase Bank N.A. Taipei Branch in Custody for Saudi Arabian Monetary Agency(1.32%)、Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds(1.30%)、JPMorgan Chase Bank N.A. Taipei Branch in Custody for JPMorgan Securities Plc.(1.27%)、JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.20%).
Jui Hai Investment Co., Ltd. (Note 2)	FU LI INVESTMENT CO., LTD.(49.58%), Hui-Mei, Huang(23.87%), Yung-Shun, Chuang (11.43%), Fu-Chieh, Chuang(7.56%), Fu-Chun, Chuang(7.56%)
IBASE Technology Inc. (Note 3)	AAEON Technology Inc. (31.34%), Chun Bao Investment Co., Ltd. (1.60%), The Business Department of Standard Chartered International Commercial Bank is entrusted with the custody of the SPDR (R) Index Equity Fund's SPDR Portfolio Emerging Market ETF Investment Account (1.58%), Chiu-Hsu, Lin (0.88%), WINMATE INC. (0.84%), Asset account of Mei-Lin Chen Yang in custody (0.77%), Shih-Hsiung, Chen (0.76%), Asset account of Jui-Chin Lin in custody (0.71%), FU LI INVESTMENT CO., LTD.(0.65%), Asset account of Xuehuang Lai in custody (0.59%)
HUA-CHENG VENTURE CAPITAL CORP.	ASUSTeK Computer Inc. (100%)
HUA-MIN INVESTMENT CO., LTD.	ASUSTeK Computer Inc. (100%)

Note 1: The above information is as of Apr. 12, 2021 provided by ASUSTeK Computer Inc.

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

Note 3: The above information is as of Aug. 7, 2021 provided by IBASE Technology Inc.

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

Mar. 29, 2022

Name of corporate shareholder	Corporate shareholders' main shareholders
FU LI INVESTMENT CO., LTD. (Note 1)	Yung-Shun, Chuang (43.75%), Hui-Mei, Huang (37.49%), Fu-Chieh, Chuang (9.38%), Fu-Chun, Chuang (9.38%)
Chun Bao Investment Co., Ltd. (Note 2)	Wu Suying Xu (29.24%), Wu-Chun Xu (22.07%), Li-Ping, Lin (20.40%), Wenbin Xu (15.88%), Yuyao Xu (12.41%)
WINMATE INC. (Note 3)	Advantech Co., Ltd. (16.52%), Onyx Healthcare Inc.(13.83%), IBase Technololy Inc.(6.71%), JuiHai Investment Co., Ltd.(5.92%), Premier Touch Corporation(5.20%), Ru-Yong, Liu(3.27%), Kevin Yeh (2.69%), Bi-Ling, Liu (1.79%), Wei-Sheng, Wang(1.47%), Zheng-Yi, Yu(1.43%)

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

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

Note 3: The above information is as of Mar. 29, 2022 provided by WINMATE INC.

#### 4. Directors' Professional Qualifications and Independent Analysis

Name	Criteria	Professional qualifications and experience	Independence situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Yung-Shun, Chuang		Graduated from the National Taiwan University of Science and Technology with an honorary doctor of engineering, he is currently the chairman of the company, the chairman of ONYX HEALTHCARE INC. and other listed companies. Committed to the field of industrial computer for nearly 30 years, with professional leadership, marketing, operation management and strategic planning capabilities.	There is no one of the circumstances of Section 30 of the Company Law.	1
Jonny Shih		Graduated from MBA of National Chiao Tung University, he is currently the chairman of ASUS. He has more than five years of work experience required for business company business, and has the ability of industrial operation and technology research and development.	There is no one of the circumstances of Section 30 of the Company Law.	
Jonathan Tsang		Graduated from MBA of Houston University, he is currently the President of ASUS. He has more than five years of work experience required for business, finance and corporate business, and has the ability of industrial operation and marketing management.	There is no one of the circumstances of Section 30 of the Company Law.	
S.Y. Hsu		Graduated from EMBA of National Chengchi University, is currently the co-CEO of ASUS, has more than five years of work experience required for business and corporate business, and has the ability to industrial management and technology research and development.	There is no one of the circumstances of Section 30 of the Company Law.	
Ying-Chen Li		Ph.D. Electrical Engineering National Taiwan University, is currently the CSO of AAEON Technology Inc, Chairman of LITEMAX ELECTRONICS INC. has more than five years of work experience required for business and corporate business, with professional skill of leadership, marketing, operational management and strategy planning.	There is no one of the circumstances of Section 30 of the Company Law.	2
Chiu-Hsu, Lin		Graduated from Electronic Engineering National Kaohsiung University of Applied Sciences, he is currently the chairman and CSO of IBASE Technology Inc., with more than five years of work experience required for business and corporate business, and has the ability to have industrial management and technology research and development.	There is no one of the circumstances of Section 30 of the Company Law.	

Criteria Name	Professional qualifications and experience	Independence situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Yu-Nan, Chen	Graduated from the Electronics Sihai Institute of Technology, he is currently the chairman and President of IBASE Technology Inc. He has more than five years of work experience required for business and corporate business, and has the ability to have industrial management and technology research and development.	There is no one of the circumstances of Section 30 of the Company Law.	
Wei-Chun, Yen	Graduated from MBA-Finance of the City University of New York, currently the chairman and President of ATECH OEM INC., with more than five years of work experience in business, finance, accounting and corporate business, with business operations, financial planning and accounting business, with extensive experience in the industry.	There is no one of the circumstances of Section 30 of the Company Law.	2
Chris Kao	Graduated from the State University of New York's Institute of Electrical Engineering with a master's degree, and is a member of the company's audit committee and compensation committee. He has more than five years of work experience in business, legal affairs, finance, accounting or corporate business.	In the two years before the election and during the term of office, the following independence assessment conditions have been met:	
Daho Yen	Graduated from the University of South America with a Master of Laws degree, is a member of the company's audit committee and compensation committee, and has more than five years of professional occupations such as judges, prosecutors, lawyers, accountants or other national examinations required by the company's business to obtain certificates and the work experience required by the technician.		(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
Kun-Chih, Chen	Graduated from the University of Southern California with a Ph.D. in Accounting, and is currently an associate professor of the Accounting Department of National Taiwan University. He is the convener of the Company's Audit Committee and a member of the Remuneration Committee. He has more than five years of business, legal, financial, accounting or corporate business -related materials. Work experience required for lecturers in colleges and universities.	(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under another's name, in an aggregate amount of one percent or more of the total number of issued	1

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

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

March 29, 2022; Unit: shares; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Yung-Shun, Chuang	Male	Aug. 12, 2016	19,664,000	13.23%	-	-	-	-	Honorary Doctorate in Engineering National Taiwan University of Science and Technology Chairman of AAEON Technology Inc.	Other concurrent positions (Note 2)	-	-	-	-
CSO	Republic of China	Ying-Chen Li	Male	Aug. 12, 2016	1,113,000	0.75%	-	-	-	-	Ph.D. Electrical Engineering National Taiwan University Chairman of LITEMAX ELECTRONICS INC. CSO of AAEON Technology Inc.	Other concurrent positions (Note 3)	-	-	-	-
President	Republic of China	Chien-Hung, Lin	Male	Nov. 25, 2014	380,000	0.26%	2,000	0%	-	-	MS in Electrical Engineering National Taiwan University Vice Sales Manager of HP / Agilent President of Advantech Co., Ltd. (Europe Region) Vice President of Advantech Co., Ltd.	Director of the ONYX HEALTHCARE INC.	-	-	-	-
Senior Advisor	Republic of China	Chung-Ming, Hsu (Note 4)	Male	Jul. 1, 2015	389,000	0.26%	-	-	-	-	President of AAEON (US Branch)	None	-	-	-	-
Vice Manager of Office of the President	Republic of China	Kuo-Chiang, Wang	Male	Nov. 1, 2013	2,000	0%	-	-	-	-	B.B.A. in Business Administration, Tunghai University President of Twinhead International Corp. (China Branch) President of Advantech Co., Ltd. (Shanghai Branch) President Nexcom International Co., Ltd. (Shanghai Branch)	None	-	-	-	-
Manager of Rugged Portable Device Division	Republic of China	Da-De, Yang	Male	Mar. 15, 2021	0	0%	-	-	-	-	MS in Mechanical Engineering, National Central University Product Manager of Quanmax Inc Product Manager of AAEON	None	-	-	-	-
Assistant Manager of OEM Product Division	Republic of China	Li-Kai, Lai (Note 5)	Male	Apr. 1, 2015	34,000	0.02%	-	-	-	-	University of Southern California, Electrical Engineering, M.S. Manager of AAEON	None	-	-	-	-
Assistant Manager of OEM Product Division	Republic of China	Jen-Chieh, Huang	Male	Apr. 1, 2015	1,000	0%	-	-	-	-	M.S. in Electrical and Control Engineering National Chiao Tung University Manager of AAEON	None	-	-	-	-
Vice Manager of Embedded Single Board Product Division	Republic of China	Yu-Yu, Chu	Male	Jun. 27, 2011	0	0%	-	-	-	-	M.B.A. Yuan Ze University Division Chief of ICP Electronics Inc.	None	-	-	-	-
Senior Assistant Vice Manager of System Platform Product Division	Republic of China	Shao-Chou, Hsueh	Male	Oct. 1, 2012	4,000	0%	-	-	-	-	B.S. in Mechanical Engineering National Cheng Kung University M.B.A. National Taipei University Product Manager of Axiomtek Product Manager of Advantech Co., Ltd.	None	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Assistant Manager of Network Security Product Division / Design Support Division	Republic of China	Wen-Ming, Ni	Male	Apr. 1, 2015	55,000	0.04%	-	-	-	-	B.S. Electronic Engineering China University of Science and Technology R&D Manager of Lanner Electronics	None	-	-	-	-
Vice Manager of Manufacturing Division / Procurement Division	Republic of China	Chi-Hung, Liao	Male	Mar. 16, 2016	13,000	0.01%	-	-	-	-	B.S. in Electrical Engineering National Taiwan University of Science and Technology M.S. in Electrical and Computer Engineering University of Arizona	None	-	-	-	-
Senior Assistant Vice Manager of Business Division	Republic of China	Shu-Chen, Li	Female	Nov. 3, 2015	4,000	0%	-	-	-	-	EMBA, National Chengchi University CEO Specialist / Senior Manager of Advantech Co., Ltd. President of Zippy Technology Corp. (China region) Vice Sales General Manager of Good Way Technology Co., Ltd.	None	-	-	-	-
Senior Assistant Vice Manager Service Division	Republic of China	Yun-Chen, Tu	Female	Apr. 1, 2015	68,000	0.05%	-	-	-	-	B.B.A. in Accounting Chung Yuan Christian University Manager of LiteOn Technology	Supervisor of ONYX HEALTHCARE (SHANGHAI) LTD. Supervisor of AAEON Technology (Suzhou) Inc.	-	-	-	-
Accounting Assistant Manager of Resource Service Division	Republic of China	Jen-Chung Wang	Female	Feb. 26, 2020	2,000	0%	-	-	-	-	M.B.A. in Business Administration Long Island University Assistant Manager of PwC Taiwan Assistant Manager of LiteOn Technology	None	-	-	-	-
Internal Audit Vice Project Manager	Republic of China	Wan-Hui, Chiu	Female	Apr. 1, 2015	0	0%	-	-	-	-	Chinese Institute of Municipal Administration Auditor of Chien Kuo Construction Co., Ltd. Senior Auditor of Wang Film Productions Co., Ltd.	None	-	-	-	-
President Office Manager	Republic of China	Ming-Han Hsieh	Male	Nov. 5, 2021	0	0%	-	-	-	-	B.S. in Law National Taiwan University Legal Manager of Cyber Power Systems, Inc.	None	-	-	-	-

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest-level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

Note 2: Chairman of the following companies: ONYX HEALTHCARE INC., AAEON TECHNOLOGY (SUZHOU) INC., ONYX HEALTHCARE (SHANGHAI) LTD., AAEON INVESTMENT, CO., LTD., YanXin Investment Co., Ltd., Fu Li Investment Co., Ltd., EverFocus Co., Ltd. Director of the following companies: AAEON Electronics, Inc., AAEON Technology (Europe) B.V., AAEON Technology GmbH, AAEON Technology Singapore Pte. Ltd., ONYX Healthcare USA, Inc., ONYX Healthcare Europe B.V, AAEON



EDUCATION FOUNDATION, ATECH OEM INC., Qi Ye Electronics (Dong Wan) Co., Ltd., Dan Yang Qi Ye Technology Co., Ltd., LITEMAX ELECTRONICS INC., Litemax Technology, Inc., King Core Electronics Inc., Allied Biotech Corp., Sunengine Corp., Ltd., MACHVISION,INC., Co., Ltd., Machvision (Dong Wan) Testing Equipment Co., Ltd., Xac Automation Corp., CHC Healthcare Group, Top Union (SuZhou) Co., Ltd., Allied Oriental International Ltd., Mcfees Group Inc., NTUT Star Investment Co., Ltd., Feng Xin Venture Capital Co., Ltd., IHELPER INC., IBASE Technology Inc., WINMATE INC. Independent director of the following companies: Top Union Electronics Corp., TAIFLEX SCIENTIFIC CO., LTD.

Note 3: Chairman of the following companies: LITEMAX ELECTRONICS INC. Director of the following companies: AAEON TECHNOLOGY (SUZHOU) INC., Eutech Microelectronics Inc., Litemax Technology, Inc., Yen Shun Technology Corp. Independent director of the following companies: Arcadyan Technology Corp., Axix Corp.

Note 4: Senior Advisor Chung-Ming, Hsu has retired in Jan. 2022.

Note 5: Assistant Manager Li-Kai, Lai was on unpaid leave from Dec. 2019.

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

#### 1. Remuneration of Directors

Unit: NT\$ thousand / thousand shares

Title	Name	Directors' remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration of part-time employee						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Remuneration to Directors (C) (Note 2)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Remuneration to employees (G) (Note 2)						
		The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company		Companies in the financial statements			The Company	Companies in the financial statements
														Cash amount	Stock amount	Cash amount	Stock amount					
Chairman	Jui Hai Investment Co.,Ltd. - Yung-Shun, Chuang																					
Director	Jui Hai Investment Co.,Ltd. - Ying-Chen Li																					
Director	Jui Hai Investment Co.,Ltd. - Wei-Chun, Yen																					
Director	ASUSTeK Computer Inc. - Jonny Shih																					
Director	ASUSTeK Computer Inc. - Jonathan Tsang	1,800	1,800	0	0	4,500	5,460	522	522	1.51%	1.73%	7,817	9,901	108	108	2,300	0	2,840	0	3.78%	4.57%	164,835
Director	ASUSTeK Computer Inc. - S.Y. Hsu																					
Director	IBASE Technology Inc. - Chiu-Hsu, Lin																					
Director	IBASE Technology Inc. - Yu-Nan, Chen																					
Independent Director	Chris Kao																					
Independent Director	Daho Yen																					
Independent Director	Kun-Chih, Chen																					

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

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

Note 1: The Company's 2021 profit after tax was \$451,025 thousand.

Note 2: The remuneration to Directors and employees for the year 2021 is not yet distributed. The above is only an estimate.

### Remuneration Bracket

Range of Remuneration	Name of directors			
	Total of (A+B+C+D)		The total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company	Companies in the financial statements	The Company	Companies in the financial statements
Less than 1,000,000	Jui Hai Investment Co., Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Chiu-Hsu, Lin, Yu-Nan, Chen, Yung-Shun, Chuang, Ying-Chen Li	Jui Hai Investment Co., Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Chiu-Hsu, Lin, Yu-Nan, Chen, Yung-Shun, Chuang, Ying-Chen Li	Jui Hai Investment Co., Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Chiu-Hsu, Lin, Yu-Nan, Chen	Jui Hai Investment Co., Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Chiu-Hsu, Lin, Yu-Nan, Chen
1,000,000(inclusive)~2,000,000 (exclusive)				
2,000,000(inclusive)~3,500,000 (exclusive)				
3,500,000(inclusive)~5,000,000 (exclusive)			Ying-Chen Li	Ying-Chen Li
5,000,000(inclusive)~10,000,000 (exclusive)			Yung-Shun, Chuang	Yung-Shun, Chuang
10,000,000(inclusive)~15,000,000 (exclusive)				
15,000,000(inclusive)~30,000,000 (exclusive)				
30,000,000(inclusive)~50,000,000 (exclusive)				
50,000,000(inclusive)~100,000,000 (exclusive)				
> \$100,000,000				ASUSTeK Computer Inc.,
Total	10 persons	10 persons	10 persons	10 persons

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

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

### 3. Remuneration of President and Vice President

Unit: NT\$ thousand / thousand shares

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and allowances (C)		Remuneration to employees (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company		Companies in the financial statements		The Company	Companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Yung-Shun, Chuang	18,842	22,339	634.8	634.8	6,968	7,924	6,170	0	6,170	0	7.23%	8.22%	16,422
CSO	Ying-Chen Li													
President	Chien-Hung, Lin													
Senior Advisor	Chung-Ming, Hsu (Note 3)													
Vice President	Kuo-Chiang, Wang													
Vice President	Chi-Hung, Liao													
Vice President	Yu-Yu, Chu													

Note 1: The Company's 2021 profit after tax was \$451,025 thousand.

Note 2: The remuneration to Directors and employees for the year 2021 is not yet distributed. The above is only an estimate.

Note 3: Senior Advisor Chung-Ming, Hsu has retired in Jan. 2022.

Table of salaries scale

Range of Remuneration	Names of the Presidents and the Vice Presidents	
	The Company	Companies in the financial statements
Less than 1,000,000		
1,000,000(inclusive)~2,000,000 (exclusive)		
2,000,000(inclusive)~3,500,000 (exclusive)	Kuo-Chiang, Wang, Chung-Ming, Hsu	Chung-Ming, Hsu
3,500,000(inclusive)~5,000,000 (exclusive)	Ying-Chen Li, Chi-Hung, Liao, Yu-Yu, Chu	Ying-Chen Li, Chi-Hung, Liao, Yu-Yu, Chu, Kuo-Chiang, Wang
5,000,000(inclusive)~10,000,000 (exclusive)	Yung-Shun, Chuang, Chien-Hung, Lin	Yung-Shun, Chuang, Chien-Hung, Lin
10,000,000(inclusive)~15,000,000 (exclusive)		
15,000,000(inclusive)~30,000,000 (exclusive)		
30,000,000(inclusive)~50,000,000 (exclusive)		
50,000,000(inclusive)~100,000,000 (exclusive)		
> \$100,000,000		
Total	7 persons	7 persons

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

Unit: NT\$ thousand

	Title	Name	Stock amount	Cash amount	Total	Total as a percentage of after-tax net profit (%) (Note 1)
Manager	Chairman	Yung-Shun, Chuang	0	10,620	10,620	2.35%
	CSO	Ying-Chen Li				
	President	Chien-Hung, Lin				
	Senior Advisor	Chung-Ming, Hsu (Note 2)				
	Vice President	Chi-Hung, Liao				
	Vice President	Kuo-Chiang, Wang				
	Senior Assistant Vice Manager	Yun-Chen, Tu				
	Vice Manager	Yu-Yu, Chu				
	Assistant Manager	Jen-Chieh, Huang				
	Assistant Manager	Li-Kai, Lai (Note 3)				
	Senior Assistant Vice Manager	Shao-Chou, Hsueh				
	Assistant Manager	Wen-Ming, Ni				
	Senior Assistant Vice Manager	Shu-Chen, Li				
	Assistant Manager	Jen-Chung Wang				
	Chief Internal Auditor	Wan-Hui, Chiu				
	Chief Corporate Governance Officer	Hsiao-Jung, Liu (Note 4)				
	Chief Corporate Governance Officer	Ming-Han Hsieh (Note 4)				

Note 1: The Company's 2021 profit after tax was \$451,025 thousand.

Note 2: Senior Advisor Chung-Ming, Hsu has retired in Jan. 2022.

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

Note 4: Hsiao-Jung, Liu resigned from the Chief Corporate Governance Officer in Oct. 2021, and the manager Ming-Han Hsieh filled in the position.

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

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

Unit: NT\$ thousand; %

Item	2020		2021	
	The Company	Consolidated financial statements	The Company	Consolidated financial statements
Total remuneration to Directors, Supervisors, President, and Vice President as a percentage of the net profit after tax (%)	10.73%	12.10%	8.74%	10.06%

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

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

(A) Director

The company's directors' remuneration shall be authorized in accordance with the company's articles of association and the regulations on remuneration of directors and managers, according to the degree of participation in the company's operations and the value of their contributions, and considering domestic and foreign industry standards, the company's operating performance, future operations and risk appetite. Determined by the board of directors. The distribution of directors' remuneration shall be based on the company's articles of association. After deducting accumulated losses from the profits of the current year (that is, the pre-tax profits have not yet deducted the distribution of employee remuneration and director's remuneration expenses), if there is any remaining balance, no more than 1% shall be appropriated as directors' remuneration. Independent Directors do not participate in the distribution of another directors' remuneration.

(B) Presidents and the Vice Presidents

In accordance with the regulations on remuneration of directors and managers, the remuneration of the general manager and deputy general managers includes salary, bonus and employee remuneration. It is negotiated with reference to the industry standard; the distribution standard of employee remuneration is in accordance with the company's articles of association, submitted to the board of directors and issued after the resolution and approval of the shareholders' meeting.

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

Regarding the procedure for determining remuneration, the overall operating performance of the Company and the individual's contribution to the Company's performance are taken into consideration to determine a reasonable remuneration. In addition, in order to reduce future operating risks, the Company will review the remuneration system at any time in accordance with the actual operating performance and relevant laws and regulations in order to maintain the Company's

sustainable operations and risk control. To sum up, the Company's policies and procedures for distribution of remuneration to Directors, President and Vice President are positively related to operating performance.

4. Corporate governance

(I) The operation of the Board of Directors

The Board of Directors held 7 meetings(A) in the most recent fiscal year. The record of the Directors' attendances is shown below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Jui Hai Investment Co.,Ltd. Representative: Yung-Shun, Chuang	7	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Director	Jui Hai Investment Co.,Ltd. Representative: Ying-Chen Li	7	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Director	ASUSTeK Computer Inc. Representative: Jonny Shih	6	0	86%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Director	ASUSTeK Computer Inc. Representative: Jonathan Tsang	7	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Director	ASUSTeK Computer Inc. Representative: S.Y. Hsu	6	0	86%	Asustek sent a juristic representative on Feb. 21, 2019 instead. Re-elected at the May 31, 2019 General Shareholders' Meeting
Director	Jui Hai Investment Co., Ltd. Representative: Wei-Chun, Yen	7	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Director	IBASE Technology Inc. Representative: Chiu-Hsu, Lin	7	0	100%	New elected at the May 31, 2019 General Shareholders' Meeting
Director	IBASE Technology Inc. Representative: Yu-Nan, Chen	7	0	100%	New elected at the May 31, 2019 General Shareholders' Meeting
Independent Director	Chris Kao	7	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting.
Independent Director	Daho Yen	7	0	100%	New elected at the May 31, 2019 General Shareholders' Meeting

Independent Director	Kun-Chih, Chen	7	0	100%	New elected at the May 31, 2019 General Shareholders' Meeting
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Other remarks:

I. If any of the following circumstances happens in the operation of the Board of Directors, it shall describe the date, term, agenda, opinion of independent directors and the Company's treatment of these opinions:

(1) The provision of the Securities and Exchange Act, Article 14-3:

Board of Directors	Agenda	Items listed in Article 14-3 of Securities and Exchange Act	Opinion of independent director	Company's treatment of the opinions	Resolution
The 9 <sup>th</sup> time of the 4 <sup>th</sup> term (Jan. 22, 2021)	Distribution of 2020 Remuneration to employees and Directors (self-settlement)	V	None	None	Except for the interested parties, approved by all the attendees.
The 9 <sup>th</sup> time of the 4 <sup>th</sup> term (Jan. 22, 2021)	Year-end bonus distribution plan for managers in 2020	V	None	None	Approved by all the attendees.
The 9 <sup>th</sup> time of the 4 <sup>th</sup> term (Jan. 22, 2021)	Discussion to approve the lifting of non competition restrictions for manager	V	None	None	Except for the interested parties, approved by all the attendees.
The 10 <sup>th</sup> time of the 4 <sup>th</sup> term (Feb. 26, 2021)	Distribution of 2020 Remuneration to employees and Directors	V	None	None	Approved by all the attendees.
The 10 <sup>th</sup> time of the 4 <sup>th</sup> term (Feb. 26, 2021)	It is proposed to distribute NTD 0.5 per share in cash from additional paid-in capital.	V	None	None	Approved by all the attendees.
The 10 <sup>th</sup> time of the 4 <sup>th</sup> term (Feb. 26, 2021)	Suggestions of manager's salary adjustment for 2021	V	None	None	Approved by all the attendees.
The 10 <sup>th</sup> time of the 4 <sup>th</sup> term (Feb. 26, 2021)	Donation of \$ 200 million to AAEON EDUCATION FOUNDATION.	V	None	None	Except for the interested parties, approved by all the attendees.
The 10 <sup>th</sup> time of the 4 <sup>th</sup> term (Feb. 26, 2021)	Distribution of 2020 Remuneration to employees and Directors (Actual)	V	None	None	Approved by all the attendees.



The 11 <sup>th</sup> time of the 4 <sup>th</sup> term (May. 7, 2021)	Applicaton for comprehensive credit line and renewal of transactions of derivatives.	V	None	None	Approved by all the attendees.
The 13 <sup>th</sup> time of the 4 <sup>th</sup> term (Aug. 6, 2021)	The case of leasing houses and parking spaces from its subsidiary, ONYX HEALTHCARE INC.	V	None	None	Except for the interested parties, approved by all the attendees.
The 13 <sup>th</sup> time of the 4 <sup>th</sup> term (Aug. 6, 2021)	Distribution suggestions of 2020 remuneration to directors and supervisors	V	None	None	Except for the interested parties, approved by all the attendees.
The 13 <sup>th</sup> time of the 4 <sup>th</sup> term (Aug. 6, 2021)	Distribution suggestions of 2020 remuneration to managers	V	None	None	Approved by all the attendees.
The 15 <sup>th</sup> time of the 4 <sup>th</sup> term (Dec. 22, 2021)	Disposition of Yanchuang Technology Co., Ltd.	V	None	None	Approved by all the attendees.
The 15 <sup>th</sup> time of the 4 <sup>th</sup> term (Dec. 22, 2021)	UNITECH ELECTRONICS CO., LTD. Cash Subscription and Disposal Case	V	None	None	Approved by all the attendees.
The 15 <sup>th</sup> time of the 4 <sup>th</sup> term (Dec. 22, 2021)	2021 and 2022 audit fee	V	None	None	Approved by all the attendees.
The 15 <sup>th</sup> time of the 4 <sup>th</sup> term (Dec. 22, 2021)	The distribution of 2021 annual bonus to managers	V	None	None	Approved by all the attendees.
The 15 <sup>th</sup> time of the 4 <sup>th</sup> term (Dec. 22, 2021)	Distribution of 2021 Remuneration to employees and Directors (estimate)	V	None	None	Except for the interested parties, approved by all the attendees.

(2) If an Independent Director has a dissenting or qualified opinion which is on record or stated in a written statement regarding a motion not mentioned above: None.

II. With respect to the avoidance of conflicting interest agenda, describe the names of directors, details of the relevant agenda, reasons for avoiding conflict of interest, and the voting decisions:

Date	Agenda	Name of director	Reason for interest avoidance	Participation in Resolution
Jan. 22, 2021	Distribution of 2020 Remuneration to employees and Directors (self-settlement)	Yung-Shun, Chuang, YingChen Li, WeiChun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen	Yung-Shun, Chuang, YingChen Li, WeiChun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen are the concerned parties	Yung-Shun, Chuang, YingChen Li, Wei-Chun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, ChiuHsu, Lin, Yu-Nan, Chen avoided the interest pursuant to the law, and did not participate in voting.
Jan. 22, 2021	Discussion to approve the lifting of non-competition restrictions for manager	Yung-Shun, Chuang	Yung-Shun, Chuang, is the concerned parties	Yung-Shun, Chuang, avoided the conflict interest pursuant to the law, and did not participate in the voting.
Feb. 26, 2021	Donation of \$ 200 million to AAEON EDUCATION FOUNDATION.	Yung-Shun, Chuang, Wei-Chun, Yen	Yung-Shun, Chuang, WeiChun, Yen are the concerned parties	Yung-Shun, Chuang, WeiChun, Yen avoided the conflict interest pursuant to the law, and did not participate in the voting.
Aug. 6, 2021	The case of leasing houses and parking spaces from its subsidiary, ONYX HEALTHCARE INC.	Yung-Shun, Chuang	Yung-Shun, Chuang, is the concerned parties	Yung-Shun, Chuang, avoided the conflict interest pursuant to the law, and did not participate in the voting.
Aug. 6, 2021	Distribution suggestions of 2020 remuneration to directors and supervisors	Yung-Shun, Chuang, YingChen Li, WeiChun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen	Yung-Shun, Chuang, YingChen Li, WeiChun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen are the concerned parties	Yung-Shun, Chuang, YingChen Li, Wei-Chun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, ChiuHsu, Lin, Yu-Nan, Chen avoided the interest pursuant to the law, and did not participate in voting.
Dec. 22, 2021	Distribution of 2021 Remuneration to employees and Directors (estimate)	Yung-Shun, Chuang, YingChen Li, WeiChun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen	Yung-Shun, Chuang, YingChen Li, WeiChun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen are the concerned parties	Yung-Shun, Chuang, YingChen Li, Wei-Chun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, ChiuHsu, Lin, Yu-Nan, Chen avoided the interest pursuant to the law, and did not participate in voting.

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

Frequency	Period	Scope	Method	Content
Once a year	January 1, 2021 to December 31, 2021	Board of Directors	Performance assessment results of the Board	<ol style="list-style-type: none"> <li>1. The degree of participation in the company's operations.</li> <li>2. Improvement in the quality of decision making by the board of directors.</li> <li>3. The composition and structure of the board of directors.</li> <li>4. Director election and continuing education.</li> <li>5. Internal controls.</li> </ol>
		Members of Board of Directors	Survey of assessment on members of Board of Directors	<ol style="list-style-type: none"> <li>1. Their grasp of the company's goals and missions.</li> <li>2. Their recognition of director's duties.</li> <li>3. The degree of participation in the company's operations.</li> <li>4. Their management of internal relationships and communication.</li> <li>5. Their professionalism and continuing professional education.</li> <li>6. Internal controls.</li> </ol>
		Audit Committee	Survey of assessment on members of Audit Committee	<ol style="list-style-type: none"> <li>1. The degree of participation in the company's operations.</li> <li>2. Understanding in the Audit Committee's duties.</li> <li>3. Improvement on decision making quality of the Audit Committee.</li> <li>4. Composition and election of Audit Committee members.</li> <li>5. Internal controls.</li> </ol>
		Remuneration Committee	Survey of assessment on members of Remuneration Committee	<ol style="list-style-type: none"> <li>1. The degree of participation in the company's operations.</li> <li>2. Understanding in the Remuneration Committee's duties.</li> <li>3. Improvement on decision-making quality of the Remuneration Committee.</li> <li>4. Composition and election of Remuneration Committee members.</li> <li>5. Internal controls.</li> </ol>

		Risk Management Committee	Risk Management Committee self-evaluation questionnaire	<ol style="list-style-type: none"> <li>1. The degree of participation in the company's operations.</li> <li>2. Understanding in the Risk Management Committee's duties.</li> <li>3. Improvement on decision-making quality of the Risk management Committee.</li> <li>4. Composition and election of Risk management Committee members.</li> <li>5. Internal controls.</li> </ol>
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Details:

On Jul. 25, 2017, the Board has approved the “Self-Evaluation or Peer Assessment of the Board of Directors”, and stipulated that the evaluation must be completed before the deadline and submitted to the Board. In Dec. 2019, the Board made the 1<sup>st</sup> amendment to the “Self-Evaluation or Peer Assessment of the Board of Directors.” the results of the performance evaluation of the Board of Directors for 2021 were reported to the Board of Directors on Feb. 25, 2022.

2021 Evaluation results: Board self-evaluation and peer-assessment: Excellent; Audit Committee self-evaluation: Excellent; Remuneration Committee self-evaluation: Excellent; Risk Management Committee self-evaluation: Excellent.

Suggestions for the 2021 Board of Directors’ performance external evaluation results:

- (1) Each of the Company’s director is specialized in a certain field, but currently all directors are male. It is suggested that the Company increase the number of female directors in the re-election of directors at this year’s shareholders' meeting, and that the number of independent directors reach one-third of all directors, to achieve board diversity. The Company will discuss and set out a plan in this direction.
- (2) The impact of the pandemic on the supply of components this year has affected the Company's performance. It is suggested that the Company can adopt different channels in the future to provide its directors with information on real-time operations; as such the directors with different professional backgrounds can provide advice to the Company, thereby maximizing the function of the board. The Company has come to a conclusion that if the changes in the monthly revenue by more than 50% compared with the same period in the future, we will inform the directors immediately.
- (3) The Company has attached great importance to the issues of sustainable development and information security. To keep abreast of challenges and opportunities more effectively in the future, it is suggested that the Company establish relevant functional committees gradually, such as a nomination committee, a sustainability committee, or information security committee, to assist the board of directors in supervising the Company, protect investors’ rights, and facilitate its sustainable development. The Company will discuss the establishment of a nomination committee.

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

IV. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g., the establishment of an Audit Committee, improving information transparency etc), and the progress of such enhancements:

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

(II) The operations of the Auditing Committee:

The Audit Committee held 5 meetings (A) in the most recent fiscal year (2021). The record of the Independent Directors' attendances is shown below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Members	Chris Kao	5	0	100%	—
Members	Daho Yen	5	0	100%	—
Members	Kun-Chih, Chen	5	0	100%	—

Other remarks:

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

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

Audit Committee	Agenda	Items listed in Article 14-5 of Securities and Exchange Act	Opinion of independent director	Company's treatment of the opinions	Resolution
The 8 <sup>th</sup> time of the 2 <sup>nd</sup> term (Feb. 26, 2021)	1. Declaration of 2020 Internal Control Policies 2. 2020 business report and financial statements 3. The distribution of 2020 retained earnings 4. Donation of \$200 million to AAEON EDUCATION FOUNDATION	V	None	None	Approved by all the attendees.
The 9 <sup>th</sup> time of the 2 <sup>nd</sup> term (May. 7, 2021)	1. 2021 Q1 financial report	V	None	None	Approved by all the attendees.
The 10 <sup>th</sup> time of the 2 <sup>nd</sup> term (Aug. 6, 2021)	1. The case of leasing houses and parking spaces from its subsidiary, ONYX HEALTHCARE INC. 2. 2.2021 Q2 financial report	V	None	None	Approved by all the attendees.
The 11 <sup>th</sup> time of the 2 <sup>nd</sup> term (Nov. 5, 2021)	1. 2021 Q3 financial report 2. 2022 internal audit plan	V	None	None	Approved by all the attendees.
The 12 <sup>th</sup> time of the 2 <sup>nd</sup> term (Dec. 22, 2021)	1. 2021 and 2022 audit fee	V	None	None	Approved by all the attendees.

(II) In addition to the aforementioned motions, other motions without approval by the Auditing Committee but passed by the Board with 2/3 of the Directors: No such matter.

II. Situation of the implementation of the Independent Directors' avoidance of interest. If such situation exists, name of Independent Directors, motion, reason for interest avoidance and their participation in resolution shall be stated as follows: No such matter. All members have fully expressed their opinions at the meetings.

III. Enforcement of Corporate Governance Implemented by the Company and Reasons for Discrepancy (incl. material matters in the communication, method and results of the Company's financial position, sales performance):

- (I) Communication between independent directors and the internal chief auditor.
1. The internal chief auditor submits an audit report of the prior month before the end of each month as per the implementation of the annual audit plan and prepares an improvement tracking report every quarter and submits it to the independent directors for review. If they have any doubts, they communicate with the internal chief auditor by phone or email at any time.
  2. At the Audit Committee and the Board meetings held quarterly, the internal chief auditor reports on the Company's audit business to each independent director. In the event of a major anomaly, the auditor prepares a report immediately to notify each independent director. As of the latest meeting, it proceeded as usual without any anomaly.
  3. Usually, the independent directors can directly contact the auditor by phone or email or face to face as needed, and the communication situation is smooth.

(II) Summary of communication between the independent directors and the internal chief auditor in 2021:

Date	Attendee	Communication focus	Communication results
2021/12/27	Independent Director Kun-Chih Chen Independent Director DaHo Yen Independent Director Chris Kao Internal chief auditor Wan-Hui Chiu	1. Corporate Governance Evaluation- description of question 2.15. 2. 2021 internal audit implementation report.	No question raised.

(III) Communication between the independent directors and CPA:

1. The CPA explained the audit (review) matters for the financial statements and the audit results related to the key audit matters for the financial statements for 2021 at an Audit Committee meeting and engaged in discussion with the independent directors, and the communication was smooth.
2. In addition to the communication in the Audit Committee meetings, if independent directors have any question, they can communicate with the CPA by phone, video, or email at any time.

(IV) Summary of communication between the independent directors and the CPA in 2021:

Date	Attendee	Communication focus	Implementation results
2021/12/23	Independent Director Kun-Chih Chen Independent Director DaHo Yen Independent Director Chris Kao CPA Shih-Rong Weng	Updated the audit plan for the 2021 consolidated financial statements and the 2021 Individual financial statements before the audit.	1. The CPA reported to the independent directors on the update of the communication matters with the governing body in the audit planning stage, and the matters communicated included risk assessment, audit plan, audit of overall materiality, discussion of material matters with the management, and relevant matters, while answering the independent directors' questions about the audit plan. 2. All the attending independent directors were informed and agreed with the update.

IV. The following matters as the major works of the year:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual and semi-annual financial reports.
11. Other material matters as may be required by this Corporation or by the competent authority.



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

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

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

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

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis? Are the results of the evaluation reported at the Board Meeting and used as reference for remuneration and the nomination for re-election?	V		<p>(III) On Jul. 25, 2017, the Board has approved the “Self-Evaluation or Peer Assessment of the Board of Directors”, and stipulated that the evaluation must be completed before the deadline and submitted to the Board. In Dec. 2019, the Board made 1<sup>st</sup> amendment to the “Self-Evaluation or Peer Assessment of the Board of Directors”. Results of self-evaluation by members of the the Board of directors: Excellent, External evaluation: Good, Auditing Committee self-evaluation: Excellent. Remuneration Committee self-evaluation: Excellent. Results of self-evaluation by members of the Risk Management Committee: Excellent. 2021 suggestions to Board’s performance assessment from external evaluation:</p> <p>(1) Each director has his own specialty, but all of them are male at present. It is suggested that the number of female directors can be increased when the shareholders' meeting is re-elected this year, and the number of independent directors is planned to reach 1/3 of all director seats. In order to achieve the goal of director diversity. The company will discuss and plan in this direction.</p> <p>(2) This year, due to the epidemic, the supply of components and the company’s performance were affected. It is suggested that the company can use multiple channels inform directors with the company’s operating status in the future, so that directors with different professional</p>	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
(IV) Will the Company have the independence of the public accountant evaluated regularly?	V		<p>backgrounds can provide opinions to the company efficiently. The company considers that if the current month's revenue changes by more than 50% compared with the same period in the future, it will provide an explanation for the directors to understand immediately.</p> <p>(3) The company has attached great importance to the issues of sustainable development and information security. In order to more effectively grasp the challenges and opportunities in the future, it is suggested that the company can follow the future development strategy, corporate governance goals, and gradually add relevant functional committees, such as Nomination Committee, Sustainability Committee, Information Security Committee, etc., assist the board of directors to supervise the company, protect the rights of investors, and facilitate the sustainable operation of the company. The Company will consider establishing a nomination committee. The evaluation results will also be used as a reference for the remuneration and remuneration of individual directors and their nomination for re-appointment.</p> <p>(IV) In order to implement corporate governance, the Board of the Company regularly evaluates the independence and competence of CPAs. The relevant</p>	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			evaluations are based on the evaluation of independence items stipulated in the Bulletin 10 of the “Norm of Professional Ethics for CPA”. The 16 <sup>th</sup> time of the 4 <sup>th</sup> term Board of Directors on Feb. 25, 2022, submitted the independence evaluation report of the CPAs, and the evaluation report is detailed in [Attachment 2]. After evaluation, the CPA Weng, Shih-Rong and Lin, Chun-Yao of PwC Taiwan meet the Company's independence assessment standards and are sufficient as the Company's CPAs.	
IV. Does the TWSE/TPEX listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?	V		The Chief Corporate Governance Officer Hsiao-Jung, Liu, has resigned in October, 2021, the manager Ming-Han Hsieh took over the position after approved by the board of directors on Nov. 5, 2021, responsible for corporate governance related matters. Main responsibilities of Chief Corporate Governance Officer are as follows: I. Provide the content of “Corporate Governance Best Practice Principles” or “Corporate Governance Evaluation” to facilitate the agenda working unit to conduct Board Shareholders Meetings in accordance with relevant corporate governance standards. II. Provide the content of “Corporate Governance Best Practice Principles” or “Corporate Governance Evaluation” to facilitate the agenda working unit to complete Board Shareholders Meetings minutes in accordance with relevant corporate governance standards.	No discrepancy

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>III. Assist with Directors' taking of office and continuing education</p> <p>IV. Provide Directors with information required for business operation.</p> <p>V. Assist the Board of Directors in the compliance of laws and regulations.</p> <p>VI. Other matters as required by the Company's Article of Incorporation or contract.</p> <p>The professional service in 2021 is as follows:</p> <ol style="list-style-type: none"> <li>1. Assist independent directors and general directors in performing their duties, provide required information, and arrange continuing education for directors.</li> <li>2. Assist with the compliance matters for the Board of Directors and shareholders' meeting procedures and resolutions.</li> <li>3. Assist the Board of Directors in releasing material information about important resolutions, after a meeting, to help investors keep abreast of trading information.</li> <li>4. Remind the dedicated Board meeting group: To notify the directors of the Board meeting agenda seven days in advance, convene meetings, and provide meeting materials, and remind directors of recusal in advance, if applicable, and complete the Board meeting minutes within 20 days after each meeting.</li> <li>5. Reminder to the Board: Process filing of Shareholders' Meeting and to produce meeting notice within the</li> </ol>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>legally-stipulated deadline, meeting agenda, meeting minutes, and to file for changes when amendment of the Company's Articles of Incorporation or Procedures of Elections for Directors shall take place.</p> <p>For details on continuing education of Directors and Chief Corporate Governance Officer in the year of 2021, please refer to [Attachment 3] and [Attachment 4].</p>	
V. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibility concerns of the stakeholders?	V		<p>Company's Spokesperson as stated in this annual report  Name: Yun-Chen, Tu  Title: Senior Assistant Vice Manager  TEL: (02)8919-1234  E-mail: speaker@aaeon.com.tw</p> <p>Company's Deputy Spokesperson  Name: Chien-Chun, Chuang  Title: Senior Manager  TEL: +886-2-8919-1234  E-mail: speaker@aaeon.com.tw</p> <p>Due to the communication windows of various stakeholders, the relevant information will be adjusted from time to time due to actual business situations and planning factors. For the latest information, please refer to the Company's official website.</p> <p>The Company has set up a stakeholder section on the website.</p>	No discrepancy



Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p><u>AAEON and employees</u></p> <ul style="list-style-type: none"> <li>● Through the suggestion box and a hotline for sexual harassment complaints, the employees can express their opinions at any time and get a response from relevant departments of the Company.</li> <li>● At regular employee-management meetings and welfare committee employee representatives meet the Company representatives and communicate face-to-face. The Company's employees do not form a trade union by themselves, so they do not need to sign a collective agreement in accordance with the Collective Agreement Act. However, employee-management meetings are held in accordance with relevant procedures as a regular communication channel between the company and employees. On Apr. 22, Jul. 29, and Nov. 4, 2021 and Jan. 23, 2022, 4 employee-management meetings were held. A total of 34 representatives of employees and management participated the meetings. and a total of 1 proposal was successfully adopted throughout the year.</li> <li>● Through the Company's internal mailbox, relevant health and epidemic prevention information is sent to the employees from time to time.</li> <li>● Internal customer satisfaction surveys, and pay attention to the voice of internal customers and employees.</li> </ul>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<ul style="list-style-type: none"> <li>● Other non-scheduled thematic questionnaires</li> </ul> <p><u>AAEON and Shareholders</u>  The Company's "Shareholding structure and shareholders' equity", "The constitution and obligations of the board of directors", "Establishment of Communication Channels with Stakeholders" and "Disclosure of information" are implemented in accordance to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" formulated by the FSC and AAEON's "Corporate Governance Best Practice Principles". In addition to the annual report issued every year, the Company's financial, business, and equity changes are also disclosed to the investors and the public at the MOPS.</p> <p><u>AAEON and Customers</u>  The "Customer Satisfaction Survey" for global customers is conducted every year. Surveys are conducted on marketing support, product management, logistics, quality, and service. This customer satisfaction survey is an important basis for the Company's continuous improvement. Regular dealer seminars and local product exhibitions are held to understand customer needs and make the most direct communication and response.</p> <p><u>AAEON and Suppliers</u>  In accordance with the Company's quality policy, environmental policy and environmental protection</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>concept, we proactively carry out written communications with suppliers, including the "Environmental Protection Concept Declaration Letter", proclaiming our quality policy and environmental declaration, and invite them to work together for environmental improvement. We also administer the "Quality and Environmental Management Survey Form, inviting them to jointly comply with the relevant government environmental protection laws and regulations, in waste reduction and environmental protection. An ISO 9001 and ISO 14000 certified company will be listed as a priority supplier. Supplier evaluation and site visits: On-site inspection and communication with suppliers about their delivery stability and quality.</p> <p><u>AAEON and Community</u></p> <p>Through the AAEON EDUCATION FOUNDATION's arts and culture activities and the public welfare activities, we discuss and communicate with the local companies in the community, organize arts and cultural displays, blood donation and other public welfare activities. We proactively arrange art and cultural displays in public areas manufacturers and employees, creating a clean and tidy environment atmosphere.</p> <p><u>AAEON and Government and other Agencies</u></p> <ul style="list-style-type: none"> <li>● We actively participate in seminars or symposia organize by governments or competent authorities.</li> <li>● We participate in activities organized by external associations: Taipei Computer Association: obtain</li> </ul>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			information about education, training, markets, or exhibitions through member participation; or medical institutions related to employee health promotion. <ul style="list-style-type: none"> <li>We participate in community management committees, such as the Far East Century ABC Management Committee: we participation in the development of industrial park communities.</li> </ul>	
VI. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		The Company has appointed a professional stock agent (KGI Securities Co., Ltd.) to handle shareholders affairs.	No discrepancy
VII. Disclosure of information				
(I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		(I) The Company have disclosed the financial business and corporate governance information on company website.	No discrepancy
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		(II) The Company has a designated person responsible for the collection of disclosed information, in accordance with the relevant authority's regulations on information disclosure, and implement the spokesman system.	No discrepancy
(III) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report Q1, Q2, Q3 financial reports and	V		(III) The Company announces and discloses relevant information within the time limit. For related situations, please refer to MOPS.	No discrepancy

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

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

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

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>informed at any time about the updates of laws and regulations related to corporate governance.</p> <p><u>Risk management policies and risk assessment standards:</u></p> <p>I. In order to implement corporate governance and improve the risk management system, in August 2020, the Board of Directors approved the establishment of a Risk Management Committee under the Board of Directors, and approved the Risk Management Regulations of AAEON Technology Inc. and the Risk Management Committee Charter of AAEON Technology Inc., with the aim of reducing the potential risks of corporate operations and integrating risk management and response into daily and decision-making operations.</p> <p>II. Risk management policy and scope</p> <p>(I) Policy: In view of various risks, the Risk Management Committee shall formulate management objectives, organizational structure, scope of responsibilities, risk management procedures, and other mechanisms, and implement risk management policies, so as to effectively identify, measure, and control the Company's various risks. It shall also control the risks arising from business activities to an acceptable range to reduce the possibility and consequences of damage, consider the</p>	



Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>opportunities brought about by risk crises, and ensure the achievement of operational and performance targets and the sustainable operation of the Company.</p> <p>(II) Scope: It shall devise relevant appropriate procedures and implement risk management operating procedures in the aspects, ranging from strategic risk, operational risk, financial risk, information security, intellectual property patents, climate change, risks arising from environmental protection- and climate-related regulations and other international regulatory agreements, public health to all business activities related to the Company's products, production, and service processes (six management dimensions of production, marketing, human resources, research and development, finance, and strategy execution).</p> <p>III. Risk measurement standards According to the principle of materiality, it shall provide appropriate risk management for all stakeholders through enterprise risk management operations, and measure the frequency of risk incidents and the severity of the impact on the Company's operations using a risk matrix, while defining the priority and risk levels of risks and adopting the corresponding risk management strategy according to each risk level.</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>IV. Operations of the Risk Management Committee</p> <p>(I) Members: The 1st Risk Management Committee consists of 3 independent directors (one of which serves as the chair of the committee), 1 Chairman, and 1 President, with a total of 5 members.</p> <p>(II) Meeting attendance rate: 1 meeting was held in each month in Mar., May, Aug. and Oct, 2021, totaling 4 times, and attendance rates were 100%.</p> <p>(III) Meeting contents:</p> <ol style="list-style-type: none"> <li>1. The content of the meeting in March 2021: Laws and regulations on change of insider equity and matters to be noted.</li> <li>2. The content of the meeting in May 2021: Intellectual property management approaches</li> <li>3. The content of the meeting in August 2021: <ol style="list-style-type: none"> <li>(1) Report on the overview of ISO risk assessment.</li> <li>(2) An introduction to the Task Force on Climate-related Financial Disclosures (TCFD) and the standards issued by the Sustainability Accounting Standards Board (SASB).</li> </ol> </li> <li>4. The content of the meeting in October 2021: Risks and Opportunities from Carbon Neutrality and Carbon Tax to the IPC Industry and Countermeasures</li> </ol>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			<p>(IV) Report to the Board of Directors on the operation status of the Risk Management Committee: November 5, 2021.</p> <p><u>Implementation of customer policies:</u> In addition to regularly visiting customers and convening dealer meetings, the Company also conducts annual customer satisfaction surveys to understand the actual needs of customers in marketing, logistics management, and technical services, and the customers may list the recommendations to ensure that customer needs are understood and properly addressed.</p> <p><u>The purchase of Liability Insurance for Directors and Supervisors:</u> The Company has purchased Liability Insurance for Directors and Supervisors.</p>	

IX. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and proposes the matters with priority for improvement and the respective measures. (Company that does not participate in the evaluation please leave blank):

In the 7th Corporate Governance Evaluation and Self-evaluation organized by the Corporate Governance Center, Taiwan Stock Exchange Corporation, 72 items are expected to be scored, 10 items are expected to have no points obtained, of which the items without points obtained: “The company releases material information in English simultaneously” and “The company's financial statements are approved by the board of directors or submitted to the board of directors 7 days before the release date, and the financial statements are released 1 day after the date of approval or submission” are prioritized as improvement items.

[Attachment 1] Individual directors for diversification of Board members

As for the composition of the Board of Directors, an appropriate diversification policy is formulated based on its operations, operation type, and development needs, which shall include but not limited to the following two major standards

- (I) Basic conditions and values: Gender, age, nationality, culture, etc.
- (II) Professional knowledge and skills: Professional background, professional skills, and industry experience, etc.

The members of the Board of Directors are selected base on the Company's operations, operation type and development needs, and all have different expertise in various fields. There are currently 11 directors, including 3 independent directors (2 with less than 3 years in term of office; 1 with 3 years (inclusive) to 9 years in term of office), 8 representatives of institutional directors. They are all males of R.O.C. nationality, and 2 of them serve as employees of the Company concurrently. They have extensive experiences and qualifications, all of whom are over 45 years old and have worked in various fields for many years. with stable and outstanding professionals, with diversified professional backgrounds and ability to perform duties.

The Company continues to work hard to achieve the specific management objectives of the diversity policy of the Board of Directors. It is expected that in the future selection of Board members, priority will be given to recruiting at least one female director with a legal, accounting, or financial background to join the Board.

Diversification Items Name	Profile							Professional Background						Performance Abilities								
	Nationality	Gender	Employee of the Company	Age			Term of independent directors		Law	Accounting	Finance	Industry	Marketing	Technology	Operational judgment	Accounting and financial analysis	Business Management	Crisis Management	Knowledge of Industry	International market view	Leadership	Decision-making
				45 to 60	61 to 70	71 to 75	Under 3 years	3~9 years														
Yung-Shun, Chuang	Republic of China	Male	V		V						V	V	V	V	V	V	V	V	V	V	V	V
Jonny Shih	Republic of China	Male			V						V	V	V	V	V	V	V	V	V	V	V	V
Jonathan Tsang	Republic of China	Male			V						V	V	V	V	V	V	V	V	V	V	V	V
S.Y. Hsu	Republic of China	Male		V							V		V	V	V	V	V	V	V	V	V	V
Ying-Chen Li	Republic of China	Male	V		V						V	V	V	V	V	V	V	V	V	V	V	V
Wei-Chun, Yen	Republic of China	Male			V				V	V				V	V	V	V	V	V	V	V	V
Chiu-Hsu, Lin (Note 1)	Republic of China	Male			V						V	V	V	V	V	V	V	V	V	V	V	V
Yu-Nan, Chen (Note 2)	Republic of China	Male		V							V	V	V	V	V	V	V	V	V	V	V	V
Chris Kao	Republic of China	Male				V		V			V			V	V	V	V	V	V	V	V	V
Daho Yen (Note 3)	Republic of China	Male				V	V		V								V				V	V
Kun-Chih, Chen (Note 4)	Republic of China	Male		V			V			V					V							V

Explanation: Please put a “V” in corresponding boxes.

Note 1:Chiu-Hsu, Lin was appointed as the legal representative of IBASE Technology Inc. and assumed office on May 31, 2019.

Note 2:Yu-Nan, Chen was appointed as the legal representative of IBASE Technology Inc. and assumed office on May 31, 2019.

Note 3:The Independent Director Daho Yen assumed office at the Shareholders’ Meeting on May 31, 2019.

Note 4:The Independent Director Kun-Chih, Chen assumed office at the Shareholders’ Meeting on May 31, 2019.

**AAEON Technology Inc.**  
**Assessment criteria of accountant's independence**  
**Jan. 28, 2022**

CPA Firm: PricewaterhouseCoopers, Taiwan

CPA: Weng, Shih-Rong and Lin, Chun-Yao

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

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

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

Chairman:



Manager:



Accounting Supervisor:



[Attachment 3] 2021 Continuing Education of Directors:

Title	Name	Training date		Organizer	Course name	Training hours	Total Training hours of the year	Remarks
		Start	End					
Director	Yung-Shun, Chuang	2021/05/04	2021/05/04	Corporate Governance Association in Taiwan	Innovation, Digital Technology, and Competitive Advantage	3	8	
		2021/05/05	2021/05/05	Corporate Governance Association in Taiwan	Discussion on Legal Issues of Instant Messaging	3		
		2021/08/31	2021/08/31	Taipei Exchange	2021 Taipei Sustainable Upgrade Online Forum	2		
Director	Ying-Chen Li	2021/04/26	2021/04/26	National Innovation and Entrepreneurship Association ,R.O.C.(TAIWAN)	Enterprise Digital Transformation Strategy and New Thinking of Corporate Risk Management in Digital Age	3	8	
		2021/09/01	2021/09/01	Taipei Exchange	2021 Taipei Sustainable Upgrade Online Forum	2		
		2021/10/13	2021/10/13	Securities and Futures Institute	2021 Insider Equity Transaction Compliance Seminar	3		
Director	Wei-Chun, Yen	2021/09/01	2021/09/01	Financial Supervisory Commission, R.O.C.(TAIWAN)	The 13th Taipei Corporate Governance Forum (Morning Session)	3	6	
		2021/09/01	2021/09/01	Financial Supervisory Commission, R.O.C.(TAIWAN)	The 13th Taipei Corporate Governance Forum (Afternoon Session)	3		
Director	Jonny Shih	2021/08/11	2021/08/11	Corporate Governance Association in Taiwan	Comprehensive Activation of Enterprises' Digital Resilience- From the Perspective of Ransomware Virus Emergency Response and Recovery	3	6	
		2021/11/10	2021/11/10	Corporate Governance Association in Taiwan	Analysis of Important Tax Measures and Trends at Home and Abroad	3		
Director	Jonathan Tsang	2021/08/11	2021/08/11	Corporate Governance Association in Taiwan	Comprehensive Activation of Enterprises' Digital Resilience- From the Perspective of Ransomware Virus Emergency Response and Recovery	3	6	
		2021/11/10	2021/11/10	Corporate Governance Association in Taiwan	Analysis of Important Tax Measures and Trends at Home and Abroad	3		

Title	Name	Training date		Organizer	Course name	Training hours	Total Training hours of the year	Remarks
		Start	End					
Director	S.Y. Hsu	2021/08/11	2021/08/11	Corporate Governance Association in Taiwan	Comprehensive Activation of Enterprises' Digital Resilience- From the Perspective of Ransomware Virus Emergency Response and Recovery	3	6	
		2021/11/10	2021/11/10	Corporate Governance Association in Taiwan	Analysis of Important Tax Measures and Trends at Home and Abroad	3		
Director	Chiu-Hsu, Lin	2021/09/01	2021/09/01	Financial Supervisory Commission, R.O.C.(TAIWAN)	The 13th Taipei Corporate Governance Forum (Morning Session)	3	6	
		2021/12/22	2021/12/22	Taiwan Securities Association	5G Development Trend and Industrial Technology Application	3		
Director	Yu-Nan, Chen	2021/09/01	2021/09/01	Financial Supervisory Commission, R.O.C.(TAIWAN)	The 13th Taipei Corporate Governance Forum (Afternoon Session)	3	6	
		2021/12/22	2021/12/22	Taiwan Securities Association	5G Development Trend and Industrial Technology Application	3		
Independent Director	Chris Kao	2021/09/01	2021/09/01	Financial Supervisory Commission, R.O.C.(TAIWAN)	The 13th Taipei Corporate Governance Forum (Afternoon Session)	3	6	
		2021/12/08	2021/12/08	Accounting Research and Development Foundation	How to Properly Exercise Independent Directors' Power from the Perspective of the Securities and Exchange Act	3		
Independent Director	Daho Yen	2021/11/08	2021/11/08	Corporate Governance Association in Taiwan	How to Prevent Insider Trading and Case Study	3	6	
		2021/11/08	2021/11/08	Corporate Governance Association in Taiwan	Corporate Social Responsibility (CSR and ESG) in Corporate Governance Evaluation	3		
Independent Director	Kun-Chih, Chen	2021/09/01	2021/09/01	Financial Supervisory Commission, R.O.C.(TAIWAN)	The 13th Taipei Corporate Governance Forum (Morning Session)	3	6	
		2021/09/01	2021/09/01	Financial Supervisory Commission, R.O.C.(TAIWAN)	The 13th Taipei Corporate Governance Forum (Afternoon Session)	3		

Note: According to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies", the continuing education of new and re-elected Directors of the Company in 2021 meets the hours requirements, and according to relevant measures, the number of Directors' training hours are disclosed annual reports, public information observatory and company website.

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

Title	Name	Training date		Organizer	Course name	Training hours	Training hours for the year
		Start	End				
Chief Corporate Governance Officer	Hsiao-Jung, Liu (Note)	2021/06/22	2021/06/22	Accounting Research and Development Foundation	Comprehensive Analysis of Corporate Governance 3.0—Blueprint for Sustainable Development	3	12
		2021/07/20	2021/07/20	Accounting Research and Development Foundation	New Policies for Corporate Sustainable Development and Each Aspect of Climate Governance	3	
		2021/07/28	2021/07/28	Accounting Research and Development Foundation	Analysis of the Positive Impact of ESG on Enterprises and Creation of a New Low-Carbon Green Value Model	3	
		2021/07/30	2021/07/30	Accounting Research and Development Foundation	Shareholders' Emphasis on ESG Investing Trends and TCFD Recommendations	3	

Note: Hsiao-Jung, Liu resigned from the Chief Corporate Governance Officer in Oct. 2021, and the manager Ming-Han Hsieh filled in the position.



**(IV) Status the operation of the Remuneration Committee**

Identity		Criteria	Professional Qualification and Experience	Independence Criteria (Note)	Number of other public companies in which the individual is concurrently serving as a remuneration committee of these companies.
Name					
Independent Director (Chairperson)	Chris Kao		Graduated from the State University of New York's Institute of Electrical Engineering with a master's degree, and is a member of the company's audit committee and compensation committee. He has more than five years of work experience in business, legal affairs, finance, accounting or corporate business.	Meet the independence requirements	
Independent Director	Daho Yen		Graduated from the University of South America with a Master of Laws degree, is a member of the company's audit committee and compensation committee, and has more than five years of professional occupations such as judges, prosecutors, lawyers, accountants or other national examinations required by the company's business to obtain certificates and the work experience required by the technician.	Meet the independence requirements	3
Independent Director	Kun-Chih, Chen		Graduated from the University of Southern California with a Ph.D. in Accounting, and is currently an associate professor of the Accounting Department of National Taiwan University. He is the convener of the Company's Audit Committee and a member of the Remuneration Committee. He has more than five years of business, legal, financial, accounting or corporate business related materials. Work experience required for lecturers in colleges and universities.	Meet the independence requirements	1

Note : the member met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under another's name, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
- (5) Not a director, supervisor, or employee of institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or was appointed pursuant to Article 27 Paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

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

2. Information on the operation of the Remuneration Committee

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

(2) Term of office of current committee members:

3<sup>rd</sup> Committee: May. 31, 2016 to May. 30, 2022. There were 4 remuneration committee meetings

(A) in the most recent fiscal year (2021). The attendance is as follows:

Title	Name	Actual attendance (B)	By Proxy	Attendance Rate (B/A)	Remarks
Members	Chris Kao	4	0	100 %	
Members	Daho Yen	4	0	100 %	
Members	Kun-Chih, Chen	4	0	100 %	
<p>Other remarks:</p> <p>1. The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons): None.</p> <p>2. Where members of the Remuneration Committee may have adverse opinions or qualified opinions in their resolutions on record or in written declaration, specify the date and session of the committee, the content of the motion, the opinions of all other members, and the responses to the adverse opinions: None.</p>					

(3) Discussion Matters and Resolutions of Remuneration Committee Meetings

Remuneration Committee	Details of the relevant agendas and the subsequent	Resolution	Company's response to Remuneration Committee's opinions
5 <sup>th</sup> times of the 3 <sup>rd</sup> term Jan. 22, 2021	1. Proposal for Appropriation of 2020 Employee and Director Bonuses (estimate amount). 2. Proposal for Allocation of 2020 Year-end Bonuses to Managers.	Approved by all committee members	Submitted to the Board and was approved by all Board members.
6 <sup>th</sup> times of the 3 <sup>rd</sup> term Feb. 26, 2021	1. Proposal for Appropriation of 2020 Employee and Director Bonuses (actual amount). 2. Proposal for the 2021 Non-Sales Non-SBU Incentive Bonus. 3. Proposal for 2021 Manager Salary Adjustment.	Approved by all committee members	Submitted to the Board and was approved by all Board members.
7 <sup>th</sup> times of the 3 <sup>rd</sup> term Aug. 6, 2021	1. Proposal for suggestion issue on Allocation of 2020 Director Bonuses. 2. Proposal for suggestion issue on Allocation of 2020 Employee Bonuses to Managers.	Approved by all committee members	Submitted to the Board and was approved by all Board members.
8 <sup>th</sup> times of the 3 <sup>rd</sup> term Dec. 22, 2021	1. Proposal for Appropriation of 2021 Employee and Director Bonuses (estimate amount). 2. Proposal for suggestion issue on Allocation of 2021 Year-end Bonuses to Managers.	Approved by all committee members	Submitted to the Board and was approved by all Board members.

(V) Status the operation of the risk management committee

1. In order to implement corporate governance and improve the risk management system, the board of directors approved the establishment of a risk management committee under the board of directors in August 2019, and approved "Risk-Management Measures" and "Risk Management Committee Organization Regulation" The purpose is to reduce the potential risks of the company's operations, and integrate risk management and handling into daily operations and decision-making operations.
2. Policy  
As per the Risk Management Regulations of AAEON approved by the Board of Directors: In view of various risks, the Risk Management Committee shall formulate management objectives, organizational structure, scope of responsibilities, risk management procedures, and other mechanisms, and implement risk management policies, so as to effectively identify, measure, and control the Company's various risks. It shall also control the risks arising from business activities to an acceptable range to reduce the possibility and consequences of damage, consider the opportunities brought about by risk crises, and ensure the achievement of operational and performance targets and the sustainable operation of the Company.
3. Strategy  
Implement environmental, social, and governance (ESG) risk management assessment on a regular basis, conduct appropriate risk management for all stakeholders, and measure the frequency of risk incidents and the severity of the impact on the Company's operations using a risk matrix, while defining the priority and levels of risks as per the principle of materiality and adopting the corresponding risk management strategy according to each risk level.
4. Scope  
As for the scope of risk management: It shall devise relevant appropriate procedures and implement risk management operating procedures in the aspects, ranging from strategic risk, operational risk, financial risk, information security, intellectual property patents, climate change, risks arising from environmental protection- and climate-related regulations and other international regulatory agreements, public health to all business activities related to the Company's products, production, and service processes (six management dimensions of production, marketing, human resources, research and development, finance, and strategy execution).
5. Authority and member of risk management committee
  - (1) Authority  
According to the 4 terms of "Risk Management Committee Organization Regulation", the authorities of risk management committee as follows,
    - Manage the overall risk management of the company, and propose revisions to risk management policies, structures, and organizational functions based on qualitative and quantitative reference materials.
    - Report to the board of directors on a regular basis, and timely reflect the implementation of risk management to the board of directors, and make necessary improvement suggestions.
    - Execute the risk management decisions of the board of directors, and regularly review the development, establishment and execution effectiveness of the company's overall risk management mechanism.
    - Set risk appetite, tolerance and targets, and review and manage overall company risk.
    - Assist and supervise the company's risk management activities.
    - Adjust the risk category, risk limit allocation and assumption method according to changes in the environment.

(2) Members

There are currently 5 members, including 3 independent directors, 1 chairman and 1 president as follows,

Identity		Criteria	Professional Qualification and Experience
Name			
Independent Director (Chairperson)	Chris Kao		Business risk management
Independent Director	Daho Yen		Law.
Independent Director	Kun-Chih, Chen		Accounting
Chairman	Yung-Shun Chuang		Business risk management
President	Chien-Hung, Lin		Business risk management

6. Organization structure, basis and description of risk management

Organization	Basis	Description
Board of Directors	Article 19-2 of the Articles of the company	<ol style="list-style-type: none"><li>1. 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.</li><li>2. The Risk Management Committee shall report its operation to the Board of Directors at least once a year.</li></ol>
Risk Management Committee	"Risk-Management Measures" and "Risk Management Committee Organization Regulation"	<ol style="list-style-type: none"><li>1. They are evaluated quarterly.</li><li>2. Topics, such as information security, intellectual property patents, climate change, regulations on environmental protection or climate and risks from other international regulations and agreements, public health, or new forms of irregular risks, will be arranged after approved by committee members.</li><li>3. The operation of the risk management team is reviewed at least once a year.</li></ol>
Risk Management team	QR2-002 Risk Management Operation Standard	<ol style="list-style-type: none"><li>1. The content of the risk assessment items is reviewed from June to July every year.</li><li>2. The content of the risk assessment items includes strategic risk, operational risk, and financial risk, as well as business operations related to the Company's products, production, and service processes (six management dimensions: production, marketing, human resources, research and development, finance, and strategy execution).</li></ol>

7. Information on the operations of the Risk Management Committee

(1) Attendance

Title	Name	Number of meetings (A)	Attendance (B)	Percentage of attendance (%) [B/A]
Independent Director (Chairperson)	Daho Yen	4	4	100 %
Independent Director	Kun-Chih, Chen	4	4	100 %
Independent Director	Chris Kao	4	4	100 %
Chairman	Yung-Shun Chuang	4	4	100 %
President	Chien-Hung Lin	4	4	100 %

(2) Date and content of meeting

Date	Content
March 22, 2021	Regulations on change of insider equity and matters to be noted.
May 24, 2021	Intellectual property rights management.
August 23, 2021	An introduction to the Task Force on Climate-related Financial Disclosures (TCFD) and the standards issued by the Sustainability Accounting Standards Board (SASB).
October 25, 2021	Risks and opportunities from carbon neutrality and carbon tax to the IPC industry and countermeasures

(3) Date of the latest report to the Board of Directors on the business implemented by the Risk Management Committee: November 5, 2021.

(VI) Implementation of the promotion of sustainable development and the differences and reasons for the code of practice for sustainable development of listed OTC companies

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
I. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and the board of directors supervises the situation?	V		The Company has established a governance organizational structure to promote sustainable development and set up a sustainable development promotion unit, CSR Office, under the Chairman’s Office, while having established promotion task forces in charge of corporate governance, corporate commitment, social engagement, and environmental protection, respectively, to fulfill AAEON's commitments to business management, various stakeholders, environmental protection, and social charity, thereby fulfilling the responsibility as a corporate social citizen. As per our corporate sustainable development policy, we attach importance to corporate governance, fulfill corporate commitment, expand social engagement, and promote environmental protection, while setting out our management guidelines with reference to the United Nations 17 Sustainable Development Goals (SDGs). We reported and discussed the implementation of relevant matters with the Board of Directors in January, August, and November 2021.	No significant difference
II. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		I. In August 2020, the Board of Directors approved the establishment of a Risk Management Committee under the Board of Directors, and approved the “Risk Management Regulations of AAEON Technology Inc.” and the “Risk Management Committee Charter of AAEON Technology Inc.” II. Risk management scope	No significant difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>In accordance with Article 4 of the “Risk Management Regulations of AAEON Technology Inc.” regarding the risk management scope, the committee shall devise relevant appropriate procedures and implement risk management operating procedures in the aspects, ranging from “strategic risk,” “operational risk,” “financial risk,” “information security,” “intellectual property patents,” “climate change,” risks arising from environmental protection- and climate-related regulations and other international regulatory agreements, public health to all business activities related to the Company's products, production, and service processes (six management dimensions of production, marketing, human resources, research and development, finance, and strategy execution).</p> <p>III. Risk management policy  In view of various risks, the Risk Management Committee shall formulate management objectives, organizational structure, scope of responsibilities, risk management procedures, and other mechanisms, and implement risk management policies, so as to effectively identify, measure, and control the Company’s various risks. It shall also control the risks arising from business activities to an acceptable range to reduce the possibility and consequences of damage, consider the opportunities brought about by risk crises, and ensure the achievement of operational and performance targets and the sustainable operation of the Company.</p> <p>IV. According to the principle of materiality, it shall be responsible for environmental, social, and corporate governance issues related to the</p>	



Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Company’s operations, and measure the frequency of risk incidents and the severity of the impact on the Company’s operations using a risk matrix, while defining the priority and risk levels of risks and adopting the corresponding risk management strategy according to each risk level. The daily operation is carried out by the risk management team according to the risk management operating standards.	
III. Environmental issues (I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		(I) The Company establishes a safe working environment in accordance with the Occupational Safety and Health Act. The Company regularly inspects the water quality and carbon dioxide concentration of the water in the water dispenser in accordance with the law, and publicly discloses the relevant test results in the Company's bulletin board. Regular inspection of the water quality of the water dispenser: Two samples are taken every quarter (in January, April, July and October of each year), and the results are placed on the wall of each water dispenser. Regular detection of carbon dioxide concentration: The carbon dioxide concentration is measured semi-annually (in January and July every year), and the inspection results are publicly disclosed in the Company's announcement column.	No significant difference
(II) Is the Company committed to enhance the utilization efficiency of	V		(II) The Company sorts, recycles and reuses resources. The use of hazardous substances is prohibited in product manufacturing, and the	No significant difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
resources and use renewable materials that are with low impact on the environmental?			<p>design and development are in compliance with regulations of RoHS, REACH, WEEE of EU.</p> <p><u>Waste and Resource Recycling Management</u>  The total waste generated by AAEON's internal production for 2021 was 11.923 metric tons, of which waste plastic accounted for the most 67.3%, including plastic trays, tubes, empty cans, all packaging materials removed after feeding (IC tube, Tray disks, reels, plastic panels), break-aways was the second highest, accounting for 24.7%, waste iron ranked the third accounted for 4.6% and 100% of the waste treatment channels are recycled and reused.</p> <p><u>Industrial Waste Management</u>  The Company's industrial waste manufacturers are selected in accordance with the Environmental Protection Administration's regulations. They are selected among the lost provided by the website of Industrial Waste Report and Management System, Environmental Protection Administration, Executive Yuan. The factories' information is obtained from the "Permit Inquiry". Our partner manufacturers have provided Waste Treatment Permit issued by the Environmental Protection Administration, or Recycling Permit issued by the Ministry of Economy Affairs, indicating their code of waste types permitted is aligned with the Company's waste.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(III) Does the Company assess the potential risks and possibilities of climate changes to the Company now and in the future, and take measures to respond to climate-related issues?	V		<p>The industrial waste and liquid waste generated by AAEON during the production and operation process are all handled by qualified factories, and relevant information is regularly uploaded to government websites in accordance with laws and regulations.</p> <p><u>Proceeds from Recoverables</u> In 2021, a total of 2.24 metric tons of tin slag was exchanged for 1,636 kg of lead-free new tin rods, and other industrial waste totaled to \$ 24,843.</p> <p>(III) The company evaluates climate change and climate warming factors and is committed to energy saving and environmental protection goals. In product design, the Company is committed to light weight and low energy consumption design. In the manufacturing part, it focuses on green renewable energy and waste recycling. In addition, the Company saves energy and water. There are specific measures for using paper. For example: waste paper recycling and reuse, electronic forms, etc. We also announce monthly about the importance of energy conservation and environmental protection to our employees. We have a 8.5% reduction in paper use compared to last year.</p>	No significant difference
(IV) Does the Company record the greenhouse gas emissions, water consumption and total weight of waste produced in the past two years,	V		<p>(IV) Greenhouse gas emissions: It is estimated that the greenhouse gas emissions from employee commuting in 2021 was 193,149 kgCO<sub>2</sub>e. In 2020, 2,691,207 kWh of electricity was used. It is estimated that the greenhouse gas emissions from</p>	No significant difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?			<p>employee commuting in 2020 was 1,339,089 kgCO<sub>2</sub>e. 2,691,287 kWh of electricity used in 2021, It is estimated that the greenhouse gas emissions from employee commuting in 2021 was 1,403,584 kgCO<sub>2</sub>e, The increase was due to increased revenue. The Company will participate in government energy efficiency performance projects to reduce greenhouse gas emissions. For the implementation of daily life resource management, reduction of environmental load, photocopy paper environmental management goals and performance, and electricity use electricity management goals and performance, please refer to: <a href="https://www.aeon.com/tw/csr/environmental-friendly">https://www.aeon.com/tw/csr/environmental-friendly</a></p> <p><u>Water Usage:</u> 2020 annual water consumption = 4,425 m<sup>3</sup> = 4,425 metric tons. 2021 annual water consumption = 4,635 m<sup>3</sup> = 4,635 metric tons, has increased 4.75%, without reaching the annual target of 1% annual reduction goal. We continue with the measures such as posting water-saving slogans and conducting water-saving courses, the administrative department still dedicated themselves to planning water-saving measures meet the epidemic prevention requirement.</p> <p><u>Total waste amount:</u> There were 10.798 metric tons of waste in 2020 and 11.923 metric tons in 2021. The increase in the total weight of waste is due to the increase in revenue. The Company will instruct all units to coordinate and discuss measures for reducing waste reduction.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
IV. Social Issues (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		(I) The Company complies with relevant labor regulations, protects the legitimate rights and interests of employees, and manages employees in a bilateral communication manner. The Company's official website contains the content of the human rights declaration, which reads as follows: AAEON does not discriminate against employees based on race, gender, age, party, religion, and disability. The Company’s hiring policy not only in compliance with local minimum age regulations, local laws, EICC and other relevant regulations, but also in accordance with the United Nations Universal Declaration of Human Rights to disclose human rights policy declarations. AAEON’s human rights policy declaration is as follows: <ul style="list-style-type: none"> <li>● No child labor: comply with local minimum age laws and regulations, no child labor.</li> <li>● Above minimum wage: Provide employees with the wages and benefits that meet or exceed the requirements of local laws and regulations.</li> <li>● Working hours: Meet or better than local laws and regulations, provide employees with paid vacation, do not force employees to work more than the maximum daily working hours stipulated by local laws and regulations, and comply with the requirements of overtime wages or necessary compensation.</li> </ul>	No significant difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<ul style="list-style-type: none"> <li>● Non-discrimination: Discrimination based on race, color, age, gender, sexual orientation, religion, disability, work membership or political orientation is prohibited. Everyone has the right to equal protection without discrimination.</li> <li>● No inhumane treatment: Harassment, physical abuse or threats are prohibited.</li> <li>● Free choice of occupation: Coercion, guarantee (including debt repayment) or deed to force domestic or foreign workers to work is prohibited. Do not hire involuntary prison workers, servitude or human trafficking, and ensure that all employees work voluntarily. Provide a labor contract written in the employee's mother tongue. Unless required by law, the employee's identity document (ID, passport, work permit or residence permit) must not be withheld.</li> <li>● Health and safety: Provide a healthy and safe working environment for all employees with mutual trust and respect.</li> <li>● Freedom of assembly: According to the law, all employees have the right to freedom of assembly and association and to participation in local legal unions. The employer must not interfere or prohibit it.</li> </ul> <p>The above items are also implemented in the Company’s various management activities, including work rules and recruitment and appointment regulations, In particular, the work rules also specify the regulations on avoidance of a hostile work environment, anti-</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(II) Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect the results of operating performance in employee compensation?	V		<p>discrimination, respect for employees, equal employment opportunity, no child labor, sexual harassment prevention, and labor-management meetings (Articles 15, 16, 17, 20, 80, 81, 82, 83, 84 of the work rules). In addition, the Company has listed sexual harassment prevention as a training topic in the education and training courses for new employees.</p> <p>(II) Implementation status of various employee welfare measures (including salary, vacation and other benefits)</p> <p><u>Employee welfare measures and implementation:</u> The Company's current main welfare measures include cultural and recreational activities, employee travel, emergency assistance, festival bonus, weddings and funerals, and maternity subsidies. There are employee group insurance, community activities, employee dividends and other measures.</p> <p><u>Leave system and its implementation:</u> The Company provides employees with a vacation system in accordance with the Labor Standards Act and relevant regulations. The Company's vacation system complies with the regulations. At present, the vacation system is well implemented. For female employees who have worked for less than 6 months and applied for maternity leave for 5 days, 1 week, and 4 weeks, the salary will be paid in full. This system is superior to the regulations.</p> <p><u>Retirement system and its implementation:</u></p>	No significant difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		<p>The Company formulates employee retirement policies in accordance with the provisions of the Labor Standards Act, and adopts a defined contribution system in accordance with the "Labor Pension Act". The retirement benefits are paid by the Company with 6% of the monthly salary as pension, which is saved in a personal special account for pensions.</p> <p>The Company's Articles of Incorporation stipulate that a certain percentage of the Company's profit for the current year is allocated as employee remuneration, and the results of operating performance are appropriately reflected in employee compensation.</p> <p>(III) The Company's work environment shaped for employees' safety and health is as follows</p> <ol style="list-style-type: none"> <li>1. Regularly provide safety and health education and training As per Articles 16 and 17 of the Occupational Safety and Health Education and Training Rules. <ol style="list-style-type: none"> <li>(1) Provide new employees and operators who replaced old ones with general safety and health education for three hours.</li> <li>(2) Provide on-the-job personnel with safety and health education and training for three hours every three years.</li> </ol> </li> </ol>	No significant difference



Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(3) Provide various safety and health education and training (first aiders; three hours every three years ).</p> <p>(4) Provide various safety and health education and training (class-1 managers of occupational safety and health affairs and supervisors in charge of organic solvent operations; six hours every two years. ).</p> <p>(5) Provide various safety and health education and training (occupational safety and health administrators, Class-1 occupational safety management specialist;12 hours every two years ).</p> <p>(6) Provide various safety and health education and training (occupational health nurses; 12 hours every three years).</p> <p>2. Regularly carry out firefighting drills Strengthen the disaster prevention education in the plants, improve personnel's awareness of disaster prevention, prevent disasters from occurring, and carry out fire training on a regular basis. As per Article 13 of the Fire Services Act and Article 15 of the Enforcement Rules of Fire Services Act, Such a drill is carried out every six months.</p> <p>3. Regularly monitor work environment</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Prevent occupational accidents, protect workers' health, prevent injuries caused by chemical hazards, provide workers with a healthy and comfortable work environment, and regularly monitor the work environment. Perform tests of organic solvents and CO<sup>2</sup> in the work environment every six months.</p> <p>4. Voluntary safety and health inspections to protect workers' personal safety</p> <p>(1) Regularly inspect firefighting equipment and regularly inspect all firefighting facilities every year.</p> <p>(2) Check and record each protective equipment for the on-site machinery and equipment, such as safety face shields and emergency button switch.</p> <p>5. Formulated the Safety and Health Work Rules formulated as per the Occupational Safety and Health Act and the Enforcement Rules of the Occupational Safety and Health Act and announced the safety and health management regulations for employees to follow.</p> <p>6. Regularly hold health checkups and implement health management and health promotion</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(1) Hold annual health checkups for in-service employees.</p> <p>(2) Implement health management and health promotion and layered management as per Article 15 of the Labor Health Protection Rules, to protect workers’ health.</p> <p>(3) Arrange an on-site physician consultation session once a month.</p> <p>Additional information is as follows:  The Company's work content does not pose a special health hazard. Regular work-up health inspections for on-the-job workers are carried out, and work safety education and training are implemented. The Company also occasionally organizes activities such as employee travel to help employees develop physical and mental health. For the safety of the work environment of employees, the Occupational Safety Office convenes occupational safety committee meetings on a quarterly basis. Representatives of employees and management are invited to submit proposals for improving the safe and healthy working environment. For physical health, the Company arranges health inspections for employees every year. The inspection rate reached 98.6% in 2021. It was found that the biggest problems of employees insufficient exercise. In response to these health problems, weight loss activities (aerobic boxing, Taichi, billiards, badminton, basketball, yoga) while hold annual ball games were planned, and diet courses were promoted to help employees lose weight. The Company</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(IV) Does the Company have an effective career capacity development training program established for the employees?	V		<p>encourages employees to exercise more good for physical and mental health. We worked with the Health Promotion Administration, Ministry of Health and Welfare, to hold a tobacco-free event, so we were nominated for the 2021 Excellent Healthy Workplaces - Smoke-free Health Award hosted by the Health Promotion Administration. In terms of psychological health, we work with the Teacher Chang Foundation, together with our employee assistance program, and regularly provide our employees with the foundation’s column monthly, while offering psychological relief courses and painting and handmade courses to alleviate their stress.</p> <p>In 2021, the Occupational Safety Office conducted work-related education and training (such as fire escape drills, first aid training, etc.) for 957 participants with a total of 2,964 hours. Health promotion related practices, lectures and experiences were held 23 times in total, with a total of 568 participants.</p> <p>(IV) The Company provides relevant internal and external professional education and training to enrich employees' career skills. The Company also encourages employees to evaluate their interests, skills, values and goals and communicate personal career intentions with their managers for future career plans. The Company organized internal and external education and training in 2021 with 5,282 participants and a total of 9,527 person-hours.</p>	No significant difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(V) Does the Company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer protection policies and complaint procedures?	V		(V) The Company strives to achieve the goal of "customer satisfaction" and attaches great importance to protecting customer privacy. Customers can utilize the communication channels to handle customer complaints and provide customers with complete product information. The Company's products comply with relevant regulations and international standards.	No significant difference
(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?	V		(VI) The Company devotes in the energy-saving and carbon-reduction functions of the products provided by suppliers and enhance corporate social responsibility. For the implementation of the quality and environmental management system in corporates of long-term cooperation for more than several times a year, in addition to the signing of the "Quality and Environmental Protection Concepts Letter", and the interactive communication about and improvement on environmental protection measures, ethical codes of conduct and corporate social responsibility, we have asked the partners to fill in the questionnaire of "Quality and Environmental Management System and Code of Conduct", which inquires about the status of "Quality Management System",	No significant difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>"Labor", "Safety and Health", "Behavioral Ethics", "Enterprises" "Social Responsibility" content, and evaluate the response content as the basis for future counseling and improvement. After completing the questionnaire, the partners of the Company are required to sign a "Clean Transaction Statement" to implement good business ethical behaviors such as honest transactions, no bribery, no bribery, and avoidance of benefits at all stages of business transaction execution.</p> <p>The Company carries out environmental activities with customers and suppliers, in 2020, we signed the Tamsui River Convention with Commonwealth magazine to promote the importance of protecting rivers within the Company. In the same year, we adopted the Datianliao Beach in Tamsui as a cleaning and maintenance area, and also carried out environmental protection activities with customers and suppliers. AAEON Technology, Onyx, and Litemax jointly organized a joint beach cleaning event on Dec 11, 2021. A total of 102 employees and their family members participated in this event. Accumulated to the year of 2021, the number of volunteers has reached 463 members, and a total of 1162.4 kilograms of garbage have been picked up. This event was of special significance as Yung-Shun Chuang, Chairman o AAEON and Onyx led the employees and their family members to roll up their sleeves to clean the beach as a way to</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			show their determination to love the earth and support beach cleaning. AAEON and Onyx jointly donated \$200,000 to the Luodong Forest District Office as a forest maintenance fund, accumulated to the year of 2021, while donated amount to \$365,200, adopting 2.12 hectares of mountain forests, in the hope of greatly reducing carbon emissions through photosynthesis. Through the experience of tree planting and beach cleaning public welfare activities, employees and family members can understand the importance of maintaining and cherishing the earth, and can also convey such concepts to their relatives and friends.	
V. Does the Company prepare its non-financial reports such as Corporate Social Responsibility Report in accordance to the internationally-used reporting standards or guidelines?  Have such reports been assured, verified or certified by a third party?	V	V	AAEON's Corporate Social Responsibility Report was compiled by the Corporate Social Responsibility Office, and referenced to the Global Sustainability Standards Board (GSSB) to formulate the GRI Standards. The Company provides index descriptions, corresponding chapters or supplementary explanations, and page numbers, hoping to provide an overview of AAEON's achievements in various aspects of corporate social responsibility. Please refer to the company website for relative information.  AAEON compiles its Corporate Social Responsibility Report voluntarily. The content is prepared with reference to domestic and international guidelines. The report has not yet obtained the assurance opinions of third-party verification units. However, we will perform related operations in accordance with actual needs in the future.	No significant difference  No significant difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
VI. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company has established the “Corporate Social Responsibility Best Practice Principles”. The Company is committed to the implementation of policies in the corporate social responsibilities, and there is no discrepancy between the policy and the Company’s implementation.				
VII. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: The Company is handling matters proactively in accordance to laws and regulations.				



(VII) Proper enforcement of business integrity

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

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
<p>II. Proper enforcement of business integrity</p> <p>(I) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?</p>	V		(I) The Company conducts transactions and procurements in accordance with relevant laws and regulations, and reviews the supplier's performance to avoid transactions with those who have records of dishonesty.	No discrepancy in general
<p>(II) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics, and report to the Board about any operation policies. and plans and supervision on honesty and integrity and prevention of dishonesty on a regular basis (at least once a year)?</p>	V		<p>(II) The Company's Chairman Office is responsible for the promotion of the integrity management unit and reports to the Board regularly (at least once a year). However, in accordance with the principle of sustainable business, the selection of manager shall be based on integrity. If the principle of integrity management is violated, there will be punishment and such matter will be reported to the Board.</p> <p>1. In July 15, 2020, the implementation status of relevant measures, risk management, and additional audit staff in the month of education and training implementation, are reviewed. Reports regarding the above matters are prepared and reported to the Board. The complaint mailbox for the general personnel: Aaeon.direct@aaeon.com.tw. Matters will be handled by the Chief Internal Auditor.</p>	No discrepancy in general

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			<p>The complaint mailbox for the senior management and Directors: Aaeon.AC@aeon.com.tw. Matters will be handled by Chairman of the Audit Committee. As of Dec 31, 2021, both the Chief Internal Auditor and the Chairperson of the Auditing Committee replied “No complaints have been received in the complaint mailbox.”</p> <p>2. In accordance with the requirements of ISO 9001: 2015 and the risk management operating standard (QR2-002), each unit shall review and assess risks at least once a year to ensure the appropriateness of risk assessment. In early July, the Company sent a notice confirming amendments or addition of new assessment items. In view of the globalization and internationalization of the pandemic, the impact is far-reaching. In the face of the threat of various infectious diseases at home and abroad (such as COVID-19), each unit will assess whether such factors need to be included in the risk assessment items of this assessment. The risk assessment work coordination unit will complete the annual risk management assessment results within the planned period.</p>	

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			<p>3. In 2021, we held internal and external education and training sessions related to ethical management issues (including ethical code of conduct, ethical management code, ethical management operating procedures, code of conduct, labor safety and health management, accounting systems, and internal control, etc.) with a total of 5,282 participants and a total of 9,527 hours.</p> <p>4. We implement self-assessment of the internal control system on a regular basis every year, evaluate the operation of various ethical management measures, and issue a statement on the internal control system based on the assessment results and report to the Board of Directors.</p>	
(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		(III) In order to prevent conflicts of interest, administrative reporting channels can be used to proactively explain whether they have potential conflicts of interest with the Company.	No discrepancy in general
(IV) Has the Company established effective accounting and internal control systems for the implementation of policies, prepared audit plans	V		(IV) The Company's Internal Audit Office carries out its audit work in accordance with the implementation procedures of internal control and auditing system	No discrepancy in general

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
<p>according to the evaluation result of dishonesty risks, and audit such execution and compliance, or hire external auditors to audit such execution and compliance?</p> <p>(V) Has the Company organized corporate management internal and external education and training programs on a regular basis?</p>	V		<p>formulated by the FSC, and assigns auditors to conduct auditing operations in accordance with the annual audit plan.</p> <p>(V) The Company promotes honest business philosophy to employees through online or physical courses. The Company has organized corporate management internal and external education and training programs on a regular basis (Incl. Code of Ethical Conduct, Code of Business Conduct, Procedures for Ethical Management and Guidelines for Conduct, Labor Safety and Health Management, Accounting System and Internal Control), with a total of 5,282 participants and 9,527 hours.</p>	No discrepancy in general
<p>III. The operations of the Company's Report System</p> <p>(I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p>	V		<p>(I) If issued be found involved in dishonesty, employees can directly report such fraudulent or improper behavior to their senior supervisors. The Company also keeps the identity of the informer and the content of the report confidential to prevent retaliation. The Company has a normal administrative procedure for disciplinary and appeal system and will pose disciplinary punishment on the offenders.</p>	No discrepancy in general

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
(II) Has the Company established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?	V		(II) The Company's "Code of Business Conduct" and "Procedures for Ethical Management and Guidelines for Conduct" have established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms.	No discrepancy in general
(III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		(III) The Company's "Code of Business Conduct" and "Procedures for Ethical Management and Guidelines for Conduct" have stipulated that the Company shall be held responsible for confidentiality of the informer and shall not have any improper punishment.	No discrepancy in general
IV. Enhanced information disclosure Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	V		The Company has set up a Corporate Governance section on the Company's website and disclosed the established "Code of Business Conduct" in public information.	No discrepancy in general
V. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has formulated the "Code of Business Conduct" and "Procedures for Ethical Management and Guidelines for Conduct" and has implemented accordingly.				
VI. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity):				

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
In order to build a sound corporate culture of integrity management and the sound development of the Company for sound business operations, the Company has formulated the “Code of Business Conduct” and “Procedures for Ethical Management and Guidelines for Conduct”, the implementation of which is disclosed in the annual report.				

(VI) Disclosure to the Company's Corporate Governance Principles: The regulations formulated by the Company, such as “Code of Ethical Conduct”, “Code of Business Conduct”, “Procedures for Ethical Management and Guidelines for Conduct”, “Rules for Board Meetings”, “Corporate Social Responsibility Best Practice Principles”, “Rules and Procedures for Board Meetings”, “Rules and Procedures of Shareholders’ Meetings”, “Procedure for the Election of Directors”, “Charter of Audit Committee”, “Charter of Remuneration Committee”, “Code of Corporate Governance Practice”, “Self-Evaluation or Peer Assessment of the Board of Directors and Functional Committees”, “Corporate Governance Best Practice Principles”, “Regulations Governing the Self-Evaluation by the Board of Directors or Peer Evaluation” are disclosed on MOPS and the Company’s website.

(VII) Other information that facilitates the understanding in the Company’s corporate governance should be also disclosed: None.

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

1. Declaration of Internal Control Policies



**AAEON Technology Inc.**

Declaration of Internal Control Policies

Date: Feb. 25, 2022

Based on the findings of a self-assessment, AAEON Technology Inc. (AAEON) states the following with regard to its internal control system during the year 2021:

- I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities The Company's board of directors and managers. These policies were implemented throughout The Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
- IV. The Company adopted the abovementioned criteria to evaluate the effectiveness of its policy design and execution.
- V. Based on the findings of such evaluation, AAEON believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure relating to the public statement above are subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed by the Board of Directors in their meeting held on February 25, 2022, with none of the eleven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

AAEON Technology Inc.



Chairman: Yung-Shun Chuang



(Seal)

President: Chien-Hung, Lin



(Seal)

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



(X) For the most recent fiscal year or during the current fiscal year up to the printing date of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

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

1. Shareholders' Meeting:

Type of Meetings	Major Motions	Execution
July 9, 2021 General Meeting of shareholders	1. Adoption of the 2020 Business Report and Financial Statements.	The motion was voted upon and passed, and was the basis for the 2020 surplus distribution.
	2. The distribution of 2020 retained earnings	This motion was passed according to the vote. The Chairman set the ex-dividend date to be Aug. 1, 2021, and the cash dividend payment date to be Aug. 18, 2021.
	3. It is proposed to distribute NTD0.5 per share in cash from additional paid-in capital.	The motion was passed according to the vote, and was executed in accordance to the resolution at the Shareholders' Meeting.
	4. Amendment to the "Procedures of Lending Funds to Others. "	The motion was passed according to the vote, and was executed in accordance to the resolution at the Shareholders' Meeting.
	5. Amendment to the "Rules of Procedure for Shareholders Meetings"	The motion was passed according to the vote, and was executed in accordance to the resolution at the Shareholders' Meeting.
	6. Amendment to the "Procedures for Election of Directors"	The motion was passed according to the vote, and was executed in accordance to the resolution at the Shareholders' Meeting.

2. Board of Directors:

Type of Meetings	Convening date	Important Resolution Items
Board of Directors	2021.01.22	<ol style="list-style-type: none"> <li>1. Amendments to the company's "Corporate Governance Best Practice Principles"</li> <li>2. Amendments to the company's "Rules of Procedure for Shareholders Meeting", "Procedures for Election of Directors", "Regulations Governing Procedure for Board of Directors Meetings", "Rules Governing the Scope of Powers of Independent Directors", "establishment of the standard operating procedures for processing a director's request"</li> <li>3. Distribution of 2020 Remuneration to employees and Directors (self-settlement)</li> <li>4. Year-end bonus distribution plan for managers in 2020</li> <li>5. Discussion to approve the lifting of non-competition restrictions for manager</li> </ol>
Board of Directors	2021.02.26	<ol style="list-style-type: none"> <li>1. Declaration of 2020 Internal Control Policies</li> <li>2. 2020 business report and financial statements</li> <li>3. The distribution of 2020 retained earnings</li> <li>4. It is proposed to distribute NTD0.5 per share in cash from additional paid-in capital.</li> <li>5. 2021 business plan and budgets</li> <li>6. Convening of the 2021 Annual General Meeting</li> <li>7. Rules for distribution of bonus for 2021 Non-Sales NonSBU</li> <li>8. Adjustment of the salaries for managers for 2021</li> <li>9. Donation of NT\$ 200 million to AAEON EDUCATION FOUNDATION.</li> </ol>
Board of Directors	2021.05.07	<ol style="list-style-type: none"> <li>1. Application for comprehensive credit line and renewal of transactions of derivatives.</li> <li>2. Amends some of the provisions of the company's "Remuneration Committee Charter"</li> </ol>
Board of Directors	2021.06.11	Proposal for the postponement of the date of the 2021 Annual General Meeting of Shareholders
Board of Directors	2021.08.06	<ol style="list-style-type: none"> <li>1. 2021Q2 Financial report</li> <li>2. The case of leasing houses and parking spaces from its subsidiary, ONYX HEALTHCARE INC.</li> <li>3. Distribution suggestions of 2020 remuneration to directors and supervisors</li> <li>4. Distribution suggestions of 2020 remuneration to managers (estimate)</li> </ol>
Board of	2021.11.05	<ol style="list-style-type: none"> <li>1. Internal Audit plan for 2021</li> </ol>

Type of Meetings	Convening date	Important Resolution Items
Directors		2. Amendments to the company's "Corporate Governance Best Practice Principles" 3. Amendments to the company's "Self-Evaluation or Peer Evaluation of the Board of Directors" 4. Set up a "Nomination Committee" and formulate a "Nomination Committee Organization Rules". 5. Report on the appointment of the head of corporate governance
Board of Directors	2021.12.22	1. Amendments to the company's "Rules of Procedure for Shareholders Meeting" 2. 2021 and 2022 audit fee 3. The distribution of 2021 annual bonus to managers 4. Distribution of 2021 Remuneration to employees and Directors (estimate)

(XIII) If the directors or supervisors have different opinions on the resolutions reached by the Board of Directors with a record or written statement made in the most recent year and up to the printing date of the annual report, please state the content of the opinion: None.

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

Title	Name	Appointment date	Dismissal date	Reason
Chief Corporate Governance Officer	Hsiao-Jung, Liu	Aug. 07, 2019	Oct. 29, 2021	Resignation

#### 5. Disclosure of CPAs' remuneration

Unit: NTD Thousand

Auditor's firm	Name of CPA	Audit period	Audit remuneration	Non-audit remuneration	Total	Remarks
Pricewaterhouse Coopers, Taiwan	Weng, Shih-Rong	Jan. 1, 2021 – Dec. 31, 2021	3,020	110	3,130	Note
	Lin, Chun-Yao					

Note: The Company's non-audit fees (others) include 60 thousand for inventory destruction, 50 thousand for review of salary information checklist of full-time employees who are not in managerial positions.

- (I) If non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such CPA firm are one quarter or more of the audit fees paid thereto: None
- (II) If the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: None.

#### 6. Information of CPA:

- (I) Information relating to the former CPA

Date of reappointment	Dec. 24, 2019		
Reason for reappointment	Based on the need for accountant rotation in the relevant laws and regulations, the Company's audit CPA for financial statement is changed starting Q1 in 2020. Then CPAs Chang, Shu-Chiung, and Lin, Chun-Yao, are replaced by Weng, Shih-Rong and Lin, Chun-Yao.		
Was the termination of audit services initiated by the principal or by the CPA	Participants		CPA
	Situation		Principal
	Service terminated by		Not applicable
Service no longer accepted (continued) by			
Reasons for issuing opinions other than unqualified opinions in the recent 2 years	None		
Disagreements with the issuer	Yes	-	Accounting policy or practice
		-	Financial statement disclosure
		-	Audit coverage or procedures
		-	Others
		-	
	None	✓	
Details: None.			
Other disclosures (Disclosures deemed necessary under Article 10.6.1.4~ Article 10.6.1.7 of The Guidelines)	None		

(II) Information relating to the successor CPA

Name of firm	PricewaterhouseCoopers, Taiwan
Name of CPA	Weng, Shih-Rong, Lin, Chun-Yao
Date of reappointment	Dec. 24, 2019
Prior to the formal engagement, any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report	None
Written disagreements from the succeeding auditor against the opinions made by the former CPA	None

7. Company Chairperson, President, or Any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm: None
8. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the printing date of the Annual Report) by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent

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

Unit: shares

Title	Name	2021		As of Mar. 29, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Jui Hai Investment Co., Ltd.	-	-	-	-
Institutional Directors, President or Shareholders Holding Greater Than a 10 Percent Stake in the Company	Yung-Shun, Chuang	-	-	-	-
Legal representative and CSO	Ying-Chen Li	-	-	-	-
Legal representative	Wei-Chun, Yen	-	-	-	-
Directors and Shareholders Holding Greater Than a 10 Percent Stake in the Company	ASUSTeK Computer Inc.	-	-	-	-
Legal representative	Jonny Shih	-	-	-	-
Legal representative	Jonathan Tsang	-	-	-	-
Legal representative	S.Y. Hsu	-	-	-	-
Independent Director	Chris Kao	-	-	-	-
Independent Director	Daho Yen	-	-	-	-
Independent Director	Kun-Chih, Chen	-	-	-	-
President	Chien-Hung, Lin	140,000	-	15,000	-
Vice President	Chi-Hung, Liao	-	-	-	-
Senior Advisor	Chung-Ming, Hsu (Note 1)	(14,000)	-	-	-
Vice President	Kuo-Chiang, Wang	-	-	(8,000)	-
Vice President	Yu-Yu, Chu	-	-	-	-
Senior Assistant Vice Presidents	Shu-Chen, Li	-	-	-	-
Assistant Manager	Jen-Chieh, Huang	-	-	-	-
Assistant Manager	Li-Kai, Lai (Note 2)	-	-	-	-
Senior Assistant Vice Presidents	Shao-Chou, Hsueh	-	-	-	-
Assistant Manager	Wen-Ming, Ni	-	-	-	-

Title	Name	2021		As of Mar. 29, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Project Manager	Wan-Hui, Chiu	-	-	-	-
Senior Assistant Vice Presidents	Yun-Chen, Tu	-	-	-	-
Assistant Manager	Jen-Chung Wang	-	-	-	-
Project Assistant Manager	Hsiao-Jung, Liu (Note 3)	-	-	-	-
Manager	Ming-Han, Hsieh (Note 3)	-	-	-	-

Note 1: Senior Advisor Chung-Ming, Hsu has retired in Jan. 2022.

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

Note 3: Hsiao-Jung, Liu resigned from the chief corporate governance officer in Oct. 2021, and the manager Ming-Han Hsieh filled in the position.

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

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

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

March 29, 2022; Unit: shares

Name	Shares Held In Own Name		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2nd tier under the Civil Code, and the name and affiliation, if applicable.		Remarks
	Shares	Percentage	Shares	Percentage	Shares	Percentage	Name	Relation	
ASUSTeK Computer Inc.	43,756,000	29.43	-	-	-	-	HUA-MIN INVESTMENT CO.,LTD. HUA-CHENG VENTURE CAPITAL CORP.	Parent company and subsidiary Parent company and subsidiary	-
Representative : Jonny Shih	-	-	-	-	-	-	-	-	-
IBASE Technology Inc.	41,698,468	28.05	-	-	-	-	-	-	-
Yung-Shun, Chuang	19,664,000	13.23	-	-	-	-	Jui Hai Investment Co.,Ltd.	Spouse of the company's responsible person	-
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.62	-	-	-	-	ASUSTeK Computer Inc. HUA-MIN INVESTMENT CO.,LTD.	Parent company and subsidiary Affiliate	- -
Representative : Jonny Shih	-	-	-	-	-	-	-	-	-
HUA-MIN INVESTMENT CO.,LTD.	8,359,000	5.62	-	-	-	-	ASUSTeK Computer Inc. HUA-CHENG VENTURE CAPITAL CORP.	Parent company and subsidiary Affiliate	- -
Representative : Jonny Shih	-	-	-	-	-	-	-	-	-
Jui Hai Investment Co.,Ltd.	4,515,000	3.04	-	-	-	-	Yung-Shun, Chuang	Spouse of the company's responsible person	-
Representative : Hui-Mei, Huang	-	-	-	-	-	-	-	-	-
Yu-Ming, Huang	4,233,000	2.85	-	-	-	-	-	-	-
Wu-Sung, Chuang	1,128,000	0.76	-	-	-	-	Yung-Shun, Chuang	Brother of Yung-Shun, Chuang	-
Ying-Chen Li	1,113,000	0.75	-	-	-	-	-	-	-
Hsiu-Li, Chuang	972,000	0.65	-	-	-	-	Yung-Shun, Chuang	Sister of Yung-Shun, Chuang	-

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

Unit: Thousand shares; %

Invested businesses	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Quantity	Shareholdings percentage	Quantity	Shareholdings percentage	Quantity	Shareholdings percentage
AAEON Electronics, Inc.	490,000	100.00	-	-	490,000	100.00
AAEON Technology Co., Ltd.	8,807,097	100.00	-	-	8,807,097	100.00
AAEON Technology (Europe) B.V.	-	100.00	-	-	-	100.00
AAEON INVESTMENT, CO., LTD.	15,000,000	100.00	-	-	15,000,000	100.00
ONYX HEALTHCARE INC.	15,132,074	50.00	5,203,712	17.20	20,335,786	67.20
LITEMAX ELECTRONICS INC. (Note )	5,015,050	11.99	4,068,871	9.76	9,083,921	21.75
IBASE Technology Inc. (Note)	52,921,856	31.68	3,216,625	1.92	56,138,481	33.60
AAEON Technology Singapore Pte. Ltd.	465,840	100.00	-	-	465,840	100.00
AAEON TECHNOLOGY (SUZHOU) INC.	-	-	-	100.00	-	100.00
AAEON Technology GmbH	-	-	-	100.00	-	100.00
ONYX Healthcare USA, Inc.	-	-	200,000	100.00	200,000	100.00
ONYX Healthcare Europe B.V.	-	-	100,000	100.00	100,000	100.00
ONYX HEALTHCARE (SHANGHAI) LTD.	-	-	-	100.00	-	100.00
IHELPER INC.	-	-	1,716,000	47.67	1,716,000	47.67
Winmate Tex Inc. (Note )	-	-	14,341,000	19.77	14,341,000	19.77

Note : Long-term investment under equity method



#### IV. Funding Status

##### 1. Capital and shares

##### (I) Source of capital

##### 1. Issued shares

Unit: thousand shares; NT\$ thousand

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

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

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

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

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

##### 2. Type of Stock

March 29, 2022; Unit: shares

Share Type	Authorized capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary shares	148,655,468	51,344,532	200,000,000	Listed stocks

##### 3. Information regarding self-registration: None.

## (II) Status of shareholders

March 29, 2022; Unit: shares

Shareholders structure Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	2	28	1,983	20	2,033
Shareholding (shares)	0	22,000	108,228,144	40,060,324	345,000	148,655,468
Percentage (%)	0	0.01%	72.80%	26.96%	0.23%	100.00%

## (III) Shareholding distribution status

March 29, 2022; Unit: number of shareholders; shares; %

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 to 999	204	20,960	0.01
1,000 to 5,000	1,422	2,699,080	1.82
5,001 to 10,000	206	1,678,299	1.13
10,001 to 15,000	57	753,000	0.51
15,001 to 20,000	33	608,000	0.41
20,001 to 30,000	33	821,000	0.55
30,001 to 40,000	15	546,000	0.37
40,001 to 50,000	8	365,661	0.25
50,001 to 100,000	23	1,548,000	1.04
100,001 to 200,000	13	1,978,000	1.33
200,001 to 400,000	7	2,414,000	1.62
400,001 to 600,000	1	505,000	0.34
600,001 to 800,000	0	0	0.00
800,001 to 1,000,000	2	1,893,000	1.27
1,000,001 and above	9	132,825,468	89.35
Total	2,033	148,655,468	100.00

## (IV) List of major shareholders

March 29, 2022; Unit: shares; %

Shareholder's Name	Shareholding Shares	Percentage
ASUSTeK Computer Inc.	43,756,000	29.43
IBASE Technology Inc.	41,698,468	28.05
Yung-Shun, Chuang	19,664,000	13.23
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.62
HUA-MIN INVESTMENT CO.,LTD.	8,359,000	5.62
Jui Hai Investment Co.,Ltd.	4,515,000	3.04
Yu-Ming, Huang	4,233,000	2.85

Shareholding	Shares	Percentage
Shareholder's Name		
Wu-Sung, Chuang	1,128,000	0.76
Ying-Chen Li	1,113,000	0.75
Hsiu-Li, Chuang	972,000	0.65

(V) Market price, net worth, earnings, dividend per share

Unit: NT\$

Item	Year	2020	2021	As of Mar. 29 2022	
Market price per share	Highest	81.6	75.8	75.8	
	Lowest	54.3	58.6	67.8	
	Average	69.09	66.66	71.81	
Net worth per share	Before dividend distribution	52.80	52.95		
	After dividend distribution	50.30	Not yet appropriated		
Earnings per share	Weighted Average Shares (thousand shares)		106,800	106,803	106,803
	Earnings per share (Note 1)	Cum-dividend	3.58	4.22	
		Ex-dividend	3.58	Not yet appropriated	
Dividends per share	Cash dividends	From retained earnings	2.5	2.6 (Note 2)	
		From capital surplus	0.5	0.5 (Note 2)	
	Stock dividends	From retained earnings	-	-	
		From capital surplus	-	-	
Accumulated Undistributed Dividends		-	-		
Return on Investment	Price / Earnings Ratio(Note 3)		19.30	15.80	
	Price / Dividend Ratio (Note 3)		23.03	21.50	
	Cash Dividend Yield Rate (Note 3)		4.34%	4.65%	

Note 1: If retrospective adjustment is required due to free allotment or other circumstances, the earnings per share before and after adjustment shall be listed.

Note 2: As of the printing date of this Annual report, Cash dividends distributed to common shareholders from the capital surplus would be \$0.5 per share which approved by the resolutions of the board of directors of the Company on February 25, 2022.

Note 3: Price-earnings ratio = Average Market Price / Earnings per Share. Price / dividend ratio = Average Market Price / Cash Dividends per Share. Cash dividend yield rate= Cash dividends per share / Average Market Price

(VI) Dividend policy and implementation status

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

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

the opening undistributed earnings, and proposed by the Board for the distribution of retained earnings, then distributed after approved at the Shareholders' Meeting.

The future distribution of retained 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. The procedure for determining remuneration is based on the Company's "Procedure for the Performance Assessment of the Board and Managers". In addition to the Company's overall operating performance, industry risks, and development trends, the Company also takes into consideration the individual performance and contribution to Company to determine a reasonable remuneration. Relevant performance evaluations and reasonableness of the remuneration are reviewed by the Remuneration Committee and the Board of Directors. The remuneration system is reviewed at any time in accordance with actual operation status of the Company and relevant laws to ensure the Company's sustainable operation and risk control.

2. Proposed distribution of dividend

The proposal for the distribution of 2021 profits was passed at the meeting of the Board of Directors on Feb. 25, 2022. The proposal for distribution of dividend will be discussed at the annual shareholders' meeting are as follows:

Unit: NT\$

Items	Amount
Opening undistributed earnings	85,463,294
Current year net income after tax	451,025,155
Share-based payment	(1,938,572)
Profit after tax of current year and undistributed earnings other than profit after tax	449,086,583
Legal reserve appropriated	(44,908,658)
Reversal (provision) of Special reserve	(11,526,833)
Earnings to be allocated	478,114,386
Earnings distribution:	
Dividends to Shareholders (at \$ 2.6 per share)	(386,408,017)

Cash dividends distributed to common shareholders from the capital surplus would be \$74,309, \$0.5 per share.

(VII) The proposed free share placement in the current year shall have no impact on the Company's operating performance and earnings per share: Not applicable. All dividends have been resolved to be distributed by cash by the Board Meeting on Feb. 25, 2022.

(VIII) Remuneration for directors and supervisors

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

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

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

2. The standard of accruing employee compensation and remuneration of the Board of Directors and Supervisors, the standard of distributing employees' compensation in the form of stock bonus, and the accounting treatment of difference between the actual distribution amount and the accrued amount: No difference between the actual and estimated amount
3. Distribution of Remuneration approved by the Board of Directors:
  - (1) The amount of remuneration distributed to employees and Directors in forms of cash or shares. If there is a difference from the estimated annual amount of the recognized expenses, the amount, reason and treatment should be disclosed:

The distribution of 2021 remuneration has been approved resolved by the Board of Directors on Feb. 25, 2022. The distribution of remuneration to employees, Directors and Supervisors is as follows, and is the same as the recognized amount:

Remuneration to employees: \$46,872,000.  
Remuneration to Directors: \$4,500,000.
  - (2) The amount of any employee compensation distributed in stocks as a percentage of the sum of the current after-tax net income and total employee compensation: None.
4. The actual distribution of employee, Director, and Supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

The distribution of 2020 remuneration has been approved by the e-voting result of the shareholders' meeting. on May 28, 2021. The distribution of bonus to employees and remuneration to Directors and Supervisors are as follows:

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

Remuneration to employees: \$44,767,000  
Remuneration to Directors: \$4,050,000.
  - (2) If there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated: No discrepancy.

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

2. Bonds  
None.
3. Preference shares  
None.
4. Global Depository Receipts  
None.

## 5. Employee Stock Options

### (I) Issuance of Employee Stock Options

Mar. 29, 2022

The types of employee subscription warrants	2019 employee subscription warrants								
Approval date	Sep. 2, 2019								
Issue date	Nov. 26, 2019								
Units issued	3,000 units								
Shares of stock options to be issued as a percentage of outstanding shares	2.02022								
Duration	The term of the employee subscription warrants is five years. The subscription warrants and the rights thereof cannot be transferred, pledged, gifted to others, or other ways of disposal. However, successor is not limited subject to the above.								
Conversion measures	The Company shall issue new common shares.								
Period and ratio (%) in which subscription is restricted	Employees may exercise their subscription rights according the following vesting schedule two years after issuance. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Vesting date</u></th> <th style="text-align: left;"><u>Cumulative vesting</u></th> </tr> </thead> <tbody> <tr> <td>2<sup>nd</sup> year</td> <td>50%</td> </tr> <tr> <td>3<sup>rd</sup> year</td> <td>75%</td> </tr> <tr> <td>4<sup>th</sup> year</td> <td>100%</td> </tr> </tbody> </table>	<u>Vesting date</u>	<u>Cumulative vesting</u>	2 <sup>nd</sup> year	50%	3 <sup>rd</sup> year	75%	4 <sup>th</sup> year	100%
<u>Vesting date</u>	<u>Cumulative vesting</u>								
2 <sup>nd</sup> year	50%								
3 <sup>rd</sup> year	75%								
4 <sup>th</sup> year	100%								
Converted shares	0 shares								
Exercised amount	\$ 0								
Number of shares yet to be converted	2,519,000								
Adjusted exercise price for those who have yet to exercise their rights	\$65.7								
Unexercised shares as a percentage of total issued shares	1.69631								
Impact on possible dilution of shareholdings	This stock option is vested over three years starting the third year after issuance. The shareholders' equity is diluted year by year, and thus the dilutive effect is limited.								

(II) List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options:

Mar. 29, 2022

	Title	Name	No. of Stock Options (thousand shares)	Stock Options as a Percentage of Shares Issued	Exercised			Unexercised				
					No. of Shares Converted (thousand shares)	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Managers	President	Chien-Hung, Lin	1,144	0.77	120	65.7	7,884	0.08	1,024	2019 strike price per share: \$ 72.3	0	0.69
	Vice President	Chi-Hung, Liao										
	Vice President	Kuo-Chiang, Wang										
	Senior Assistant Vice Presidents	Yu-Yu, Chu										
	Senior Assistant Vice Presidents	Yun-Chen, Tu										
	Assistant Manager	Li-Kai, Lai										
	Senior Assistant Vice Presidents	Shu-Chen, Li										
	Senior Assistant Vice Presidents	Shao-Chou, Hsueh										
	Assistant Manager	Jen-Chieh, Huang										
	Assistant Manager	Wen-Ming, Ni										
	Project Manager	Wan-Hui, Chiu										
	Assistant Manager	Jen-Chung Wang										
	Manager	Ming-Han Hsieh										
Senior Manager	Chien-Chun, Chuang											
Manager	Da-De, Yang											
Employee	Top Ten Employees (Note 1)		436	0.29	25	65.7	1,642.5	0.02	411		0	0.28

Note 1: For the Salary confidentiality principle, the name and title are non-disclosure.

6. Employee stock options restriction  
None.
7. Status of New Share Issuance in Connection with Mergers and Acquisitions  
None.
8. Financing Plans and Implementation  
None.

**V. Business Performance**

1. Content of business

(I) Business scope

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

Unit: NT\$ thousand

Item \ Year	2020		2021	
	Amount	Proportion	Amount	Proportion
Single board computers and peripherals	2,850,633	48.33%	2,987,542	47.06%
Industrial system products	2,522,706	42.77%	2,721,089	42.87%
Others	524,846	8.90%	639,073	10.07%
Total	5,898,185	100.00%	6,347,704	100.00%

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

3. Main products:  
Embedded single-board computers, industrial-grade motherboards, embedded computers, in-vehicle computers, industrial-grade LCD monitors, industrial-grade Panel PCs, industrial-grade LCD display workstations, PC / 104 single-board computer add-on cards, slot-type single-board computers and Backplanes, industrial-grade innovative development boards, rugged tablet computers, network equipment, artificial intelligence edge computing devices, IoT gateways, intelligent vending machines, intelligent street lighting solutions, and DMS design and manufacturing.
4. New products development:
  - (1) Artificial intelligence (AI) Edge Computing modules and devices
  - (2) Machine vision solutions



- (3) Industrial-grade innovative development board and its peripherals
- (4) Smart city related IoT solutions
- (5) Supports Linux and Android operating systems
- (6) Single-board computers and embedded computers designed for the needs of vertical industries according to the nature of the industries
- (7) More wide temperature embedded single board computers and systems

## (II) Industry overview

### 1. Present state of the industry and development

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

#### (1) Industrial PC

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

#### (2) Intelligent retail

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

Point of Sales (POS) is the most basic IT tool used in the retail industry. In the past, it was a traditional electronic cash register (ECR). Its function is mainly for the calculation of total transaction amount and printing invoices and receipts during trading. However, for the easy of inventory management, speeding up checkout and reducing the risk of manual input errors, retailers later introduced computer systems to facilitate the process. Later, the system is incorporated with network, scanners,

and touch functions. In addition to basic functions, POS can also perform personnel attendance management, inbound and outbound management, transaction behavior analysis. The POS system is not only used in the retail industry, but also widely used in the catering industry, hotel industry and other industries. Nowadays, many stores are evolving into large and chain-oriented scales. The POS system has become an indispensable management tool for intelligent retail and logistics. Therefore, the POS system has also become one of the development priorities of many industrial PC manufacturers.

### (3) Intelligent manufacturing

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

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

### (4) Intelligent transportation

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

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

In recent years, intelligent transportation has become one of the key projects promoted by countries all over the world, especially in the United States, Japan,

Europe and many other advanced countries. With the promotion of intelligent transportation policies, it is expected to effectively reduce the national cost for casualties and injuries caused by car accidents and transport congestion. It also helps promote economic development and increase national productivity.

#### (5) Network Security

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

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

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

#### (6) AI Edge computing

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

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

Taking self-driving cars as an example, the sensor of a self-driving car generates a large amount of data to be used as the basis for judging the control of the vehicle.

If all the data is uploaded to the cloud for computing, the response of the car may be delayed or even out of control when the connection is delayed or interrupted. In such case, the consequences will be unimaginable. If the self-driving system uses edge computing to perform certain part of the calculation and judgment by, and other parts by the cloud, the self-driving car can be safely controlled with the powerful computing power of the cloud. It is foreseeable that with the popularization of IoT and various new services, the importance of AI edge computing will also increase.

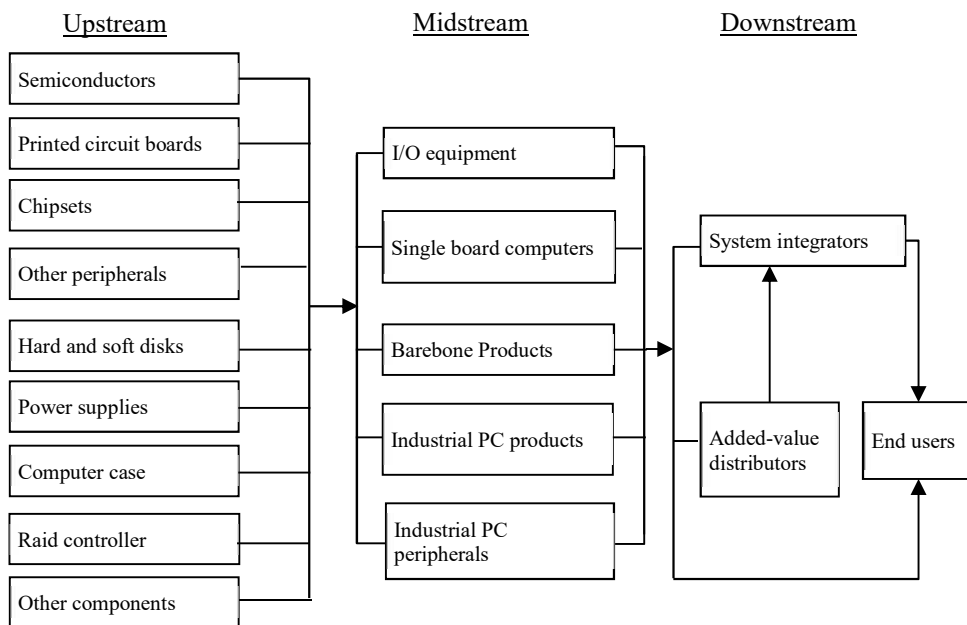
2. Association between upstream, midstream, and downstream industry participants

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

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

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

Downstream: system integrators, distributors, and end users.



3. Product development trends and competition

(1) Product development trends

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

A. Embedded PC

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

#### B. Industrial PC

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

#### C. Panel PC

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

#### D. Network Application

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

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

#### E. Rugged Tablet Computer (RTC)

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

intelligent logistics, intelligent warehousing, intelligent retail and other application fields.

(2) Competition

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

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

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

(III) Technological research and development

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

Unit: NT\$  
thousand; %

Item	Year	
	2020	2021
Research and development expenses	464,753	495,114
Net revenue	5,898,185	6,347,704
As a percentage of net revenue	7.88%	7.80%

Note 1: As of the printing date of this annual report, there are 2022Q1 financial reports documents to be audited by the CPAs.

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

2020	<ul style="list-style-type: none"> <li>● Embedded single-board computers and motherboards /modular computers / industrial-grade motherboards / chassis-type single-board computers and backplanes: PICO-WHU4、GENE-WHU6、EPIC-SKH7、ASDM-L-CFS、NANOCOM-WHU、PCM-CFS、EPD-ACISND、M2AI-2280-5209、M2AI-2242-520、MINI-AI-520、PICO-WHU4 A11、ASDM-L-CFS-CL、GENESYS-KBU6、PICO-WHU4-SEMI、GENESYS-APL7、GENE-SKU6 Rev.B、BIO-ST03-P2U1-A11、HSB-800I-A11、GENE-5315 Rev. A、GENE-5315 Rev. B、GENE-5315 Rev. B</li> <li>● Panel PC System / Embedded Computer System / Industrial LCD:BOXER-6641、7 nch V-NET、BOXER-8410AI、BOXER-6842M、BOXER-8222AI、BOXER-8240AI、BOXER-6639H、PBA-5592、BOXER-6313I、BOXER-8251AI、BOXER-8250AI</li> <li>● Rugged computer: 800V、Peregrine、X3W、NEWLED board、DHBOX、RDS-241V</li> <li>● Industrial-grade innovative development board / IoT gateway:JCI-STRA、AXONE6、DK-GW001、UPX-ISHI5-A20-08064、HCFA-MBPLC、AI-OFP15601、KLXN-A10-0432、FWS-8600、AVO-2272、FWS-2275、FWS-2272 B1.0、NIM-S26D、MAX-Q370B、MIX-H310A2、MIX-Q370D2、EMB-APL2、MAX-Q370C、MIX-Q370A2、MIX-H310D2、ATX-H310A、EVN-CFL、VGS-7840、ATX-Q170B、FAY-APL、IMBM-H81C、MAXL1、OLR-001、SRG-3352</li> </ul>
2021	<ul style="list-style-type: none"> <li>● Embedded single-board computers and motherboards /modular computers / industrial-grade motherboards / chassis-type single-board computers and backplanes: PICO-KBU4-BIO、ESBD-ACIES02、ECB-920A-A11、GENE-CML5、AQ7-APL Rev.B、EPIC-CFS7-PUC、GENESYS-WHU6、CEXD-AEIAMZ01、EPD-AAENTI、EPCD-AEUCSI、EPIC-BT07-A13、GENE-APL7 A11、GENE-APL6 A11、GENE-BSW5 A12、GENE-WHU6 A11、GENE-KBU6 A11、PICO-APL1 A11、GENE-BT05 A12、EPIC-KBS7 A11、PICO-BT01 A12、NANOCOM-WHU Rev.B、PICO-TGU4、EPD-AEUCBF、BIB-BGEBT07、CEXD-USALC01、CEXD-OHUQSI01、GENE-TGU6、PICO-EHL4、COM-TGUC6、GENE-APL5 A12、COM-CFHB6-A11</li> <li>● Panel PC System / Embedded Computer System / Industrial LCD:BOXER-8521AI、BOXER-8253AI、BOXER-6839-CFL、BOXER-6642-CML、OMNI-2155HTT-CML、BOXER-8230AI、BOXER-8223AI、BOXER-8233AI、BOXER-6643-TGU、BOXER-6840-CFL、BOXER-6450-TGU、BOXER-8231AI、ACP-1106M</li> <li>● Industrial-grade innovative development board / IoT gateway : FWS-2365、VPC-THA3350、SMK-7825、VPC-3302、FWS-2364、VPC-5620S、FWS-7840、FWS-2280、PER-T605、UPCR-RELAY16-HAT01、UPN-APL01、BZB-K3、UPX-TGL01、ITS-GW01、UPN-EHL01、UPCR-CPL3、UPN-EDGE-APL01、UPX-EDGE-TGL01、GW65 &amp; SV87、NOW-AREC-KS700、LS-804、BSE-001、SLC-001、SRG-3352C、SRG-ACAN、SRG-ADIO</li> </ul>

	<ul style="list-style-type: none"> <li>● Rugged Tablet PC : Ruentex-710RK 、TG1373 、TG1335 、Infinity</li> </ul>
As of printing date of the annual report	<ul style="list-style-type: none"> <li>● Embedded single-board computers and motherboards /modular computers / industrial-grade motherboards / chassis-type single-board computers and backplanes : GENESYS-CML5 GENESYS-BT05 、GENE-SKU6 B12</li> <li>● Industrial-grade innovative development board / IoT gateway : UP-CHT01 B1.0 、MIX-EHLD1</li> </ul>

3. The Company has proposed to invest \$460,000 in R&D by the end of 2022.

(IV) Long- and short-term business development plans

1. Marketing strategy

(1) Short-term plan

- A. Actively develop new industries and markets in new fields.
- B. Strengthen the image of Intel Titanium Partner and nVidia Elite Partner to increase company awareness and develop new business by co-marketing with Intel and nVidia.
- C. Promote our own brands, to obtain customer recognition through exhibitions and online marketing activities.
- D. Set up AAEON eShop, provide quick delivery service within 3 ~ 5 working days, so that customers all over the world can receive and test our products in time.

(2) Mid-long-term plan

- A. Set up strongholds in countries with important markets in the world, establish branches / subsidiaries to promote own brands
- B. Continue to provide high-quality products and after-sales services, gain customer trust, and maintain good long-time relations.
- C. Develop more large-scale ODM / DMS customers.
- D. Strategic alliance with industrial computer manufacturers of complementary product lines, for cross-selling.

2. Production strategy

(1) Short-term plan

- A. Establish a quick and instant production system.
- B. Strategic alliance with professional manufacturers.
- C. Expand the capability of system assembly.

(2) Mid-long-term plan

- A. Meet the quality standards of world-class manufacturing plants.
- B. Establish a competent center-and-satellite system.
- C. Strategic alliance with key component manufacturers.

3. Product development trends

(1) Short-term plan

- A. Produce stable, reliable and competitive single board computers.
- B. Accelerate the customer adoption process with Q Plus Service quick service provided by expert team.
- C. Produce fast, professional and highly reliable ODM products.
- D. Speed up R&D time and improve product life cycle.
- E. Introduce artificial intelligence different product lines.

(2) Mid-long-term plan



- A. Produce products that meet the needs of vertical industries.
- B. Cooperate with cloud vendors to provide IoT products and services.
- C. Cooperate with application software and sensor manufacturers to provide artificial intelligence solutions.
- D. Develop products that are easy to use, affordable and good in quality.
- E. Create user-friendly and easy-to-use products.
- F. Production of high-quality, low-cost key component.

4. Business operation

(1) Short-term plan

- A. Strive to flatten the organization structure and adopt the strategy of hiring elites.
- B. Take passionate and proactive manner toward team operation.
- C. Organization integration of project management.

(2) Mid-long-term plan

- A. Take a focused business strategy.
- B. Each business department is a flexible and strong operating organization, which supports each other under the common resources and strategic leadership of the headquarters, forming a solid enterprise group and establishing the management and marketing capabilities of multinational enterprises

5. Financial plans

(1) Short-term plan

- A. Effective cost control.
- B. Expand the Company's popularity.
- C. With steady and flexible use of funds to minimize the cost, in order to facilitate the Company's future development.

(2) Mid-long-term plan

- A. Establish potential for financial operation and flexible operation.

2. Market and Sales Overview

(I) Market analysis

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

Unit: NT\$ thousand; %

Area \ Year	2020		2021	
	Sales volume	Percentage	Sales volume	Percentage
Domestic sales	280,645	4.76%	376,675	5.93%
Exports	5,617,540	95.24%	5,971,029	94.07%
Total	5,898,185	100.00%	6,347,704	100.00%

2. Market share

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

3. Future market supply/demand and growth potentials

### (1) Industrial PC

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

In recent years, due to the falling prices of chips, the popularity of wireless communication devices, and the rise of big data, along with the maturity of cloud storage and IPv6 Internet, IoT is having a significant development. Due to the wide range of applications of the IoT, according to the research organization IDC, the number of IoT devices in the world will reach 41.6 billion sets by 2025, generating up to 79.4ZB of data. According to another report of the IDC, global IoT spending will reach USD 1.1 trillion in 2025, with a compound annual growth rate of 11.4% between 2021 and 2025. The architecture of IoT integrates industrial technologies such as computers, telecommunications, and automation. Among them, industrial PCs are the pivotal device for the automation and control of the IoT. At present, countries around the world attach great importance to the construction of the IoT. Therefore, it is expected to drive the increase in the output value of the industrial computer industry.

### (2) Intelligent retail

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

According to the report of ResearchAndMarkets.com, it is estimated that the global smart retail market will reach USD 68.8 billion in 2026, with a CAGR of 24.9% from 2021 to 2026.

### (3) Smart manufacturing

The global smart manufacturing market is expected to welcome a golden period of growth across five years, starting with an annual revenue of US305 billion in 2021 and surpassing US450 billion in annual revenue in 2025 at a 10.5% CAGR, according to TrendForce's latest investigations. This growth can be attributed to several factors, including the accelerating digital transformation efforts from enterprises, the increased demand from industrial automation and WFH applications, and the emergence of 5G, advanced AI technologies, and other value-added services.

TrendForce believes that the core feature of smart manufacturing lies in its ability to deliver instant feedback through the integration of virtual data and real,

physical equipment. Hence, low latency, high security, and fast computing power have become increasingly important for smart manufacturing development, which will revolve around edge computing and 5G applications, including AR/VR, machine vision, digital twins, and predictive maintenance, all of which will experience considerable upgrades in functionality thanks to smart manufacturing.

#### (4) Intelligent transportation

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

According to the research report published by MarketsandMarkets, the Intelligent Transportation System market is expected to grow from USD 42.2 billion in 2021 to USD 68.0 billion by 2026, at a CAGR of 10.0% from 2021 to 2026. The key factors driving the growth of the ITS market include government efforts to ensure road and public safety, increased need to reduce traffic congestion, favorable government initiatives for effective traffic management, high adoption of ecofriendly automobile technology, and rapid development of smart cities globally, and others.

#### (5) Network Security

According to the research report published by Technavio, the network security appliance market share is expected to increase by USD 8.82 billion from 2021 to 2026, and the market's growth momentum will accelerate at a CAGR of 8.95%.

The increasing need for improvement in security systems is one of the key drivers accelerating the network security appliance market growth. With a rise in the use of smart devices connected to the network, there is a boost in frequency and complexity of cyberattacks, compelling companies to enhance the quality of data protection. The usage of outdated technologies leads to an increase in malware attacks. Hence, organizations need to upgrade their IT expertise and train their staff appropriately to understand the output and comply with actions. However, to save on the expenses required in training the staff, companies are outsourcing the security responsibilities to network security service providers, wherein they have a team of skilled experts to provide better data security. Therefore, the need to manage the massive network infrastructure in organizations has boosted the demand for the network security appliances.

#### (6) Edge computing

The global edge computing market size is anticipated to reach USD 61.14 billion by 2028, exhibiting a CAGR of 38.4% over the forecast period, according to a new report by Grand View Research, Inc. The amalgamation of Artificial Intelligence (AI) into the edge ecosystem is expected to drive market growth. An edge AI system is expected to help enterprises make real-time decisions in a matter of milliseconds. The need to eliminate the privacy issues associated with transmitting large amounts of data and issues related to latency and bandwidth, which reduce the data transmission capacity of an organization, are expected to

drive the market growth over the next few years.

#### 4. Competitive advantage

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

##### (1) Strong R&D capability

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

##### (2) Outstanding product quality

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

##### (3) Flexible customized service

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

##### (4) Strategic resource shared with ASUS Group

In 2011, as ASUS was optimistic about the future development of IoT, ASUS acquired the Company, and thus the Company has become a member of the ASUS Group. In addition to expanding sales with its own excellent R&D technology and

business development capabilities, the Company also has a strategic alliance with the Asus Group to grasp the industrial business opportunities of IoT. For example, We are in cooperation with Asus Cloud Corp., a member of the ASUS Group, in launching and sales of the IoT solution “AirBox”. In addition, due to the small production quantity and diversity of industrial PCs, the procurement of raw materials is less possible to reach economic scale, resulting in higher procurement costs of raw materials. The Company and its subsidiaries have further reduced costs through joint bargaining with the parent company ASUS to strengthen product competitiveness.

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

(1) Favorable factors

(A) The rapid development of PC applications

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

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

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

(C) Complete information industry structure

Taiwan’s information industry system has matured, and the industrial structure is complete. Both the advantages of vertical integration and vertical division have taken shape. Domestic manufacturers have also made considerable progress in the development of upstream key components in recent years. Such complete information industry structure can effectively

support the development of the industrial PC industry. Therefore, for the industry, the supply of raw materials, abundance of technical talents, and large-scale mass production and management capabilities all contribute to the industrial PC industry competing with foreign manufacturers in terms of product cost and quality competitiveness.

(2) Unfavorable factors and response policy of development vision

(A) Rapid changes in specifications

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

Responsive strategies:

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

(B) Higher raw material costs

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

Responsive strategies:

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

(C) Increase in labor and rental expenses

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

Responsive strategies:

The Company and its subsidiaries strengthened process management, and developed automated equipment to improve production efficiency and yield. The Company replaced its manual reliance with higher technology, to

offset the negative effects of rising labor costs. Besides, the Company also strengthens employee education and training to enhance the skills and productivity of employees. The Company takes a proactive approach in creating economies of scale, and to make prudent assessments on the price of orders to reduce the impact of labor costs on operating performance.

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

1. Intended use of the main products

(1) Single board computers

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

(2) System products

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

2. Production processes of the products

(1) SMT production line

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

(2) Add-on and touch-up line

Bake substrates → Adjustable speed chain → Automatic tin  
(Trolley type hot air oven) component insertion conveyor soldering  
(Chain insertion conveyor) (Automatic tin soldering machine)

→ Cleaning off tin and flux residue with → Soldering touch-up and  
distilled water with machine assembly of fragile  
(Cleaning machine + Ultra-pure water machine) components  
(Touch-up conveyor belt)

→ Test  
(Internal circuit tester)

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

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

(III) The supply of main raw materials

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

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

(IV) List of principal suppliers and clients

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

Unit: NT\$ thousand

Item	2020				2021			
	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer
1	A	966,213	27.45	The parent company	A	997,585	20.75	The parent company
2	B	409,051	11.62	None	B	661,481	13.76	None
	Others	2,144,898	60.93	-	Others	3,149,355	65.49	-
	Purchase - net	3,520,162	100.00	-	Purchase - net	4,808,421	100.00	-

Explanation of the reason for any change in the amount: There is no significant changes in the year 2021 and 2020.



2. Names of any clients that have sold 10 percent or more of the Company's sales in either of the preceding 2 fiscal years: None.

(V) Production for the most recent 2 fiscal years

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

Production volume and value  Major products (or department classification)	Year	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Single board computers and peripherals		252	254	1,222,489	253	263	1,218,904
Industrial system products		223	238	1,452,119	252	298	1,620,908
Total		475	492	2,674,608	506	559	2,839,812

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

(VI) Sales for the most recent 2 fiscal years

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

Sales Volume/Value  Major products (or department classification)	Year	2020				2021			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Single board computers and peripherals		42	157,604	628	2,693,029	52	233,340	561	2,754,202
Industrial system products		8	80,246	254	2,442,460	64	103,996	420	2,617,093
Others		531	42,795	3,485	482,051	121	39,339	5,508	599,734
Total		581	280,645	4,367	5,617,540	237	376,675	6,489	5,971,029

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

Unit: person

Year		2020	2021	As of Mar. 29, 2022
Number of employees	Production	320	325	312
	Construction	239	234	242
	Sale	149	150	151
	Administration	103	102	100
	Total	811	811	805
Average age		41.26	41.84	42.12
Average years of service		6.88	7.40	7.5
Education	Ph.D	1	3	3
	Masters	165	153	153
	Bachelor's Degree	480	494	487
	Senior High School	149	148	149
	Below Senior High School	16	13	13

4. Environmental protection expenditure

In the most recent year and as of the date of publication of the annual report, the total amount of losses and penalties due to environmental pollution (including compensation and violations of environmental protection laws and regulations as a result of environmental protection audits, should list the date of the punishment, the name of the punishment, the provisions of the violation, the content of the violation, Disposition content) and disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably estimated, it should explain the fact that it cannot be reasonably estimated: None.

5. Labor relations

- (I) Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees.

1. Employee welfare measures and implementation

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

2. Retirement system and its implementation

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

3. Status continuing education and training

In order to improve the quality and work skills of employees, the Company actively encourages employees to participate in various training courses. In addition to planning

internal training courses for employees' professional knowledge needs and inheritance, employees must also apply for external education training according to business and work needs.

4. Negotiation between labor and employer

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

5. Various employee rights protection measures

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

(II) List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: There is not incidence of labor dispute in the most recent 2 fiscal years and up to the printing date of the annual report.

6. Information security management

(I) List the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.

1. Information security risk management framework: ISO27001 ISMS.
2. Information security policy: everyone is responsible for the information security.
3. Specific management plan: ISO27001 ISMS Manual.
4. Invest resources in security management: Resource Service-Information Division.

(II) List the losses, possible impacts and countermeasures suffered from major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.: None.

7. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Contract of product procurement	ASUSTeK Computer Inc.	Starting Sep. 1, 2017	Procurement	None
Contract of product sales	Wincor	Starting Nov. 03, 2015	Sales	None
Contract of product supply	NCR	Starting Nov. 29, 2016	Sales	None

## VI. Financial summary

### 1. Five-Year Balance Sheets and Statement of Comprehensive income summary

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

Unit: NT\$ thousand

Items		Year	Financial information from the past five years (Note 1)				
			2017	2018	2019	2020	2021
Current assets			4,880,144	5,345,112	4,810,234	4,793,844	5,143,956
Property, plant, and equipment			645,810	618,722	595,882	564,531	800,321
Intangible assets			3,967	5,972	23,993	24,669	17,726
Other assets			286,105	3,765,395	4,247,834	4,194,074	4,254,002
Total assets			5,816,026	9,735,201	9,677,943	9,577,118	10,216,005
Current liabilities	Before distribution		1,030,926	1,294,950	1,234,398	1,088,720	1,519,846
	After distribution		1,538,226	1,903,794	1,709,593	1,534,215	Note 2
Non-current liabilities			153,190	71,852	127,032	115,945	305,631
Total liabilities	Before distribution		1,184,116	1,366,802	1,361,430	1,204,665	1,825,477
	After distribution		1,691,416	1,975,646	1,836,625	1,650,160	Note 2
Equity attributable to shareholders of the parent			4,188,623	7,889,985	7,800,514	7,841,121	7,868,758
Share capital			1,068,000	1,484,985	1,484,985	1,484,985	1,486,185
Capital surplus	Before distribution		2,272,484	5,361,226	5,348,750	5,473,802	5,433,926
	After distribution		2,272,484	5,361,226	5,348,750	5,399,553	Note 2
Retained earnings	Before distribution		894,172	1,089,088	1,030,094	935,612	1,013,452
	After distribution		386,872	480,244	554,899	564,366	Note 2
Other equity			(46,033)	(45,314)	(63,315)	(53,278)	(64,805)
Treasury stock			—	—	—	—	—
Non-controlling interests			443,287	478,414	515,999	531,332	521,770
Total equity	Before distribution		4,631,910	8,368,399	8,316,513	8,372,453	8,390,528
	After distribution		4,124,610	7,759,555	7,841,318	7,926,958	Note 2

Note 1: The financial documents in the aforementioned fiscal years have been audited by CPAs. As of the printing date of this annual report, there are 2022 Q1 financial reports documents to be audited by the CPAs.

Note 2: The Company's profit distribution for the year 2021 is not yet approved by the Shareholders' Meeting.

2. Comprehensive income statement - IFRS (consolidated)

Unit: NT\$ thousand

Items \ Year	Financial information from the past five years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenues	5,411,540	5,800,255	6,148,380	5,898,185	6,347,704
Operating gross profit	1,686,992	1,788,231	2,063,922	1,930,453	1,855,051
Operating gains and losses	458,313	464,073	719,959	620,592	548,641
Non-operating revenues and expenses	245,373	470,177	110,469	(17,854)	77,392
Earnings before tax	703,686	934,250	830,428	602,738	626,033
Business units in continuing operation					
Current period net profit	619,145	828,626	668,245	464,171	513,753
Gain(loss) from discontinued operations	—	—	—	—	—
Current period net profit (loss)	619,145	828,626	668,245	464,171	513,753
Other comprehensive income for the period (post-tax profit or loss)	(33,091)	(37,544)	(22,694)	7,672	(13,979)
Total comprehensive income for the period	586,054	791,082	645,551	471,843	499,774
Net income attributable to owners of the parent company	560,197	732,861	552,152	382,810	451,025
Net income attributable to non-controlling interests	58,948	95,765	116,093	81,361	62,728
Total comprehensive income attributable to owners of the parent company	529,304	709,154	534,151	392,847	439,498
Total comprehensive income attributable to non-controlling interests	56,750	81,928	111,400	78,996	60,276
Earnings per share	5.6	6.86	5.17	3.58	4.22

Note: The financial documents in the aforementioned fiscal years have been audited by CPAs. As of the printing date of this annual report, there are 2022 Q1 financial reports documents to be audited by the CPAs.

3. Condensed balance sheet - IFRS (individual)

Unit: NT\$ thousand

Items		Year	Financial information from the past five years (Note 1)			
		2017	2018	2019	2020	2021
Current assets		3,418,840	3,769,033	3,682,162	3,539,101	3,897,683
Property, plant, and equipment		410,023	387,270	374,734	360,601	325,869
Intangible assets		2,589	4,957	23,435	19,421	12,899
Other assets		1,198,431	4,688,924	4,653,481	4,651,742	4,680,662
Total assets		5,029,883	8,850,184	8,733,812	8,570,865	8,917,113
Current liabilities	Before distribution	801,929	924,324	890,431	686,650	971,504
	After distribution	1,309,229	1,533,168	1,365,626	1,132,145	Note 2
Non-current liabilities		39,331	35,875	42,867	43,094	76,851
Total liabilities	Before distribution	841,260	960,199	933,298	729,744	1,048,355
	After distribution	1,348,560	1,569,043	1,408,493	1,175,239	Note 2
Equity attributable to shareholders of the parent		4,188,623	7,889,985	7,800,514	7,841,121	7,868,758
Share capital		1,068,000	1,484,985	1,484,985	1,484,985	1,486,185
Capital surplus	Before distribution	2,272,484	5,361,226	5,348,750	5,473,802	5,433,926
	After distribution	2,272,484	5,361,226	5,348,750	5,399,553	Note 2
Retained earnings	Before distribution	894,172	1,089,088	1,030,094	935,612	1,013,452
	After distribution	386,872	480,244	554,899	564,366	Note 2
Other equity		(46,033)	(45,314)	(63,315)	(53,278)	(64,805)
Treasury stock		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	4,188,623	7,889,985	7,800,514	7,841,121	7,868,758
	After distribution	3,681,323	7,281,141	7,325,319	7,395,626	Note 2

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

Note 2: The Company's profit distribution for the year 2021 is not yet approved by the Shareholders' Meeting.

4. Comprehensive income statement - IFRS (individual)

Unit: NT\$ thousand

Item	Year	Financial information from the past five years (Note)				
		2017	2018	2019	2020	2021
Operating revenues		3,809,723	4,092,106	4,265,294	4,085,537	4,430,500
Operating gross profit		977,039	1,042,310	1,165,879	1,124,632	1,065,110
Operating gains and losses		302,433	314,159	461,333	448,619	400,530
Non-operating revenues and expenses		310,594	487,548	197,036	32,978	139,947
Earnings before tax		613,027	801,707	658,369	481,597	540,477
Business units in continuing operation						
Current period net profit		560,197	732,861	552,152	382,810	451,025
gain(loss) from discontinued operations		—	—	—	—	—
Current period net profit (loss)		560,197	732,861	552,152	382,810	451,025
Other comprehensive income for the period (post-tax profit or loss)		(30,893)	(23,707)	(18,001)	10,037	(11,527)
Total comprehensive income for the period		529,304	709,154	534,151	392,847	439,498
Net income attributable to owners of the parent company		5.60	6.86	5.17	3.58	4.22

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

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

Year	CPA Firm	Name of CPA	Audit opinion
2017	PwC Taiwan	Chang, Shu-Chiung, Tseng, Hui-Chin	Unqualified opinion
2018	PwC Taiwan	Chang, Shu-Chiung, Tseng, Hui-Chin	Unqualified opinion
2019	PwC Taiwan	Chang, Shu-Chiung, Lin, Chun-Yao	Unqualified opinion
2020	PwC Taiwan	Weng, Shih-Rong, Lin, Chun-Yao	Unqualified opinion
2021	PwC Taiwan	Weng, Shih-Rong, Lin, Chun-Yao	Unqualified opinion

## 2. Five-Year Financial Analysis

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

Items of analysis		Financial Analysis for the most recent five years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to assets ratio	20.36	14.04	14.07	12.58	17.87
	Ratio of long-term capital to property, plant and equipment	740.95	1,364.14	1,416.98	1,503.62	1,086.58
Solvency (%)	Current ratio	473.37	412.77	389.68	440.32	338.45
	Liquid ratio	371.89	336.12	309.07	358.26	232.69
	Interest coverage ratio	140.48	220.15	140.45	171.46	129.52
Operating ability	Account receivable turnover (times)	6.80	7.31	7.51	7.95	6.64
	Days sales in account receivable	54	50	49	46	55
	Inventory turnover (times)	3.51	3.86	3.75	3.92	3.51
	Account payable turnover (times)	6.57	7.59	7.77	9.78	9.88
	Average days in sales	104	95	97	93	104
	Rate of real estate, plant buildings and equipment turnover (times)	8.28	9.28	10.12	10.17	9.30
	Total asset turnover (times)	1.01	0.74	0.63	0.61	0.64
Profitability	Return on assets (%)	11.67	10.70	6.93	4.85	5.23
	Return on shareholders' equity (%)	15.28	12.75	8.01	5.56	6.13
	Income before tax as a percentage of paid-in capital (%)	65.89	62.91	55.92	40.59	42.12
	Net profit margin (%)	11.44	14.29	10.87	7.87	8.09
	Earnings per share (\$)	5.60	6.86	5.17	3.58	4.22
Cash flow	Cash flow ratio (%)	46.85	23.87	59.91	66.47	(25.60)
	Cash flow adequacy ratio (%)	104.76	99.49	121.74	129.30	68.81
	Cash re-investment ratio (%)	9.31	(2.26)	1.49	2.84	(9.30)
Leverage	Operating leverage	4.06	4.15	3.02	3.35	3.74
	Financial leverage	1.01	1.01	1.01	1.01	1.01

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

1. Increase in Debt to assets ratio: due to the increase in short-term borrowing.
2. Decrease in Ratio of long-term capital to property, plant and equipment: Mainly caused by the increase of property, plant and equipment.
3. Decrease in Current ratio: Mainly caused by the increase of short-term borrowing and accounts payables.
4. Decrease in Liquid ratio: inventory and current liabilities were increase in 2021.
5. Decrease in Interest coverage ratio: mainly due to the interest expense increased by the short-borrowing more than that for 2020.
6. Increase in Days sales in account receivable: due to the increase in accounts receivables.



7. Decrease in Cash flow ratio and Cash flow adequacy ratio: caused by the increase in net cash flowout from operating activities for 2021.
8. Decrease in Cash re-investment ratio : caused by the increase in net cash flowout from operating activitie and increase in property, plant and equipment for 2021.

Note 1: As of the printing date of this annual report, there are 2022 Q1 financial reports documents to be audited by the CPAs.

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

Items of analysis		Financial Analysis for the most recent five years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to assets ratio	16.73	10.85	10.69	8.51	11.76
	Ratio of long-term capital to property, plant and equipment	1,031.15	2,046.60	2,093.05	2,186.41	2,438.28
Solvency (%)	Current ratio	426.33	407.76	413.53	515.42	401.20
	Liquid ratio	343.46	335.61	339.18	430.56	287.67
	Interest coverage ratio	7,213.08	Note 2	853.81	1,733.36	462.95
Operating ability	Account receivable turnover (times)	7.54	7.86	6.86	7.57	6.15
	Days sales in account receivable	48	46	53	48	59
	Inventory turnover (times)	4.07	4.16	4.07	4.30	3.84
	Account payable turnover (times)	5.76	6.86	7.33	9.47	9.75
	Average days in sales	90	88	90	85	95
	Rate of real estate, plant buildings and equipment turnover (times)	9.38	10.26	11.19	11.11	12.91
	Total asset turnover (times)	0.84	0.59	0.49	0.47	0.51
Profitability	Return on assets (%)	12.36	10.56	6.29	4.43	5.17
	Return on shareholders' equity (%)	15.54	12.13	7.04	4.89	5.74
	Income before tax as a percentage of paid-in capital (%)	57.40	53.99	44.34	32.43	36.37
	Net profit margin (%)	14.70	17.91	12.95	9.37	10.18
	Earnings per share (\$)	5.60	6.86	5.17	3.58	4.22
Cash flow	Cash flow ratio (%)	47.26	63.20	39.40	80.24	(49.92)
	Cash flow adequacy ratio (%)	91.14	98.91	104.76	112.92	48.89
	Cash re-investment ratio (%)	(1.72)	0.95	(3.23)	0.95	(11.58)
Leverage	Operating leverage	3.72	3.55	2.79	2.77	3.07
	Financial leverage	1.00	1.00	1.00	1.00	1.00

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

1. Increase in Debt to assets ratio: due to the increase in accounts payables.
2. Decrease in Current ratio and Liquid ratio: due to the increase in accounts payables.

3. Decrease in Interest coverage ratio: mainly due to increase of Income before tax and interest expense.
4. Increase in Days sales in account receivable: due to the increase in accounts receivables.
5. Decrease in Cash flow ratio, Cash flow adequacy ratio and Cash re-investment ratio: caused by the increase in net cash flowout from operating activitie.

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

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

#### Financial analysis calculation formula

##### 1. Financial structure

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

##### 2. Solvency

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

##### 3. Operating ability

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

##### 4. Profitability

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

##### 5. Cash flow

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

##### 6. Leverage:

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

3. Audit committee's report in the most recent year  
Please refer to Attachment 1.
4. Annual Consolidated Financial statements in the most recent years  
Please refer to Attachment 2.
5. Annual parent company only financial statements in the most recent years  
Please refer to Attachment 3.
6. If the company or its affiliates have experienced financial difficulties, the annual report shall explain how said difficulties will affect the company's financial situation  
None.

## VII. Review of financial conditions, financial performance, and risk management

### 1. Financial Analysis

Unit: NT\$ thousand

Item	Year		Difference	
	2020	2021	Amount	Rate of change (%)
Current assets	4,793,844	5,143,956	350,112	7.30
Property, plant, and equipment	564,531	800,321	235,790	41.77
Intangible assets	24,669	17,726	(6,943)	(28.14)
Other assets	4,194,074	4,254,002	59,928	1.43
Total assets	9,577,118	10,216,005	638,887	6.67
Current liabilities	1,088,720	1,519,846	431,126	39.60
Non-current liabilities	115,945	305,631	189,686	163.60
Total liabilities	1,204,665	1,825,477	620,812	51.53
Share capital	1,484,985	1,486,185	1,200	0.08
Capital reserve	5,473,802	5,433,926	(39,876)	(0.73)
Retained earnings	935,612	1,013,452	77,840	8.32
Other equity	(53,278)	(64,805)	(11,527)	(21.64)
Non-controlling interests	531,332	521,770	(9,562)	(1.80)
Total shareholders' equity	8,372,453	8,390,528	18,075	0.22
<p>1. The annual report shall list the main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof (For changes exceeds 20% or amounts to over NT\$ 10 million, explanation shall be provided):</p> <ol style="list-style-type: none"> <li>(1) Increase in property, plant and equipment: caused by acquirement of plant.</li> <li>(2) Increase in current liabilities: mainly caused by increase in short-term borrowings, accounts payables and contract liabilities.</li> <li>(3) Increase in non-current liabilities: caused by increase in long-term borrowings and lease liabilities.</li> <li>(4) Increase in total liabilities: caused by increase in borrowings, accouts payables, contract liabilities and lease liabilities.</li> <li>(5) Decrease in othe equity: caused by decrease in financial statements translation differences of foreign operations.</li> </ol> <p>2. Measures to be taken in response: The aforementioned changes have no significant adverse impact on the Company.</p>				

## 2. Operation results Analysis

Unit: NT\$ thousand

Item \ Year	2020	2021	Increase (decrease)	Rate of change (%)
Operating revenue - net	5,898,185	6,347,704	449,519	7.62
Operating cost	3,967,732	4,492,653	524,921	13.23
Operating gross profit	1,930,453	1,855,051	(75,402)	(3.91)
Operating expenses	1,309,861	1,306,410	(3,451)	(0.26)
Net Operating Income	620,592	548,641	(71,951)	(11.59)
Non-operating revenues and expenses	(17,854)	77,392	95,246	533.47
Earnings before tax	602,738	626,033	23,295	3.86
Income tax expense	138,567	112,280	(26,287)	(18.97)
Current period net profit	464,171	513,753	49,582	10.68
<p>1. The annual report shall list the main reasons for any material change in the company's operating revenues, operating income, or income before tax during the past 2 fiscal years, and describe the effect thereof (For changes exceeds 20% or amounts to over NT\$ 10 million, explanation shall be provided).</p> <p>Increase in Non-operating revenue and expenses: Due to increase in Net loss from financial assets and liabilities at fair value through profit and share of the profit of the associates and joint ventures accounted for under equity method.</p> <p>2. Sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response: As the Company has not prepared and announced financial forecasts, the expected sales volume and basis are not applicable, and there has no significant irregularities in the Company's overall performance, so there is no need to formulate a plan.</p>				

### 3. Cash Flow Analysis

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

Unit: NT\$ thousand

Item \ Year	2020	2021	Increase (decrease)	Variation Ratio (%)
Operating activities	723,700	(389,032)	(1,112,732)	(153.76)
Investing activities	85,510	(163,943)	(249,453)	(291.72)
Financing activities	(590,254)	(319,198)	271,056	45.92
Net cash inflow (outflow)	210,960	(886,441)	(1,097,401)	(520.19)
Analysis of variance in cash flows:				
(1) Operating activities: : Mainly due to the increase in accounts receivables and inventory.				
(2) Investing activities: Mainly due to acquisition for the property, plant and equipment in 2021.				
(3) Financing activities: : Mainly due to the increase in borrowings.				

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

(III) Liquidity analysis for the coming year:

Unit: NT\$ thousand

Opening cash balance	Expected net cash flow from operating activities for the year	Expected net cash inflow (outflow) from financing activities for the year	Expected cash surplus (deficit)	Remediation measures against expected cash flow deficit	
				Investment plans	Financing plans
1,841,520	491,412	(475,540)	1,857,392	-	-
1. Cash flow analysis for the next year:					
(1) Operating activities: Mainly the increase in expected operating revenue and profit for the coming year.					
(2) Investing activities: There is no proposed major investing activities in the coming year.					
(3) Financing activities: Mainly the distribution of cash dividends.					
2. Remediation measures against expected cash flow deficit: None					

4. Major Capital Expenditure Items:  
None.

5. Investment Policy in Last Year, Main Causes for Profits or Losses; Improvement Plans and the Investment Plans for the Coming Year

(1) Reinvestment policies:

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

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

The investments under equity method of the Company and its subsidiaries are for long-term strategic purposes. In 2021, the investment under equity method made a gain of \$74,406 thousand. In the future, the Company will continue with mainly long-term strategic investment and continue to carefully evaluate the reinvestment plans.

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

6. Risk management analysis

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

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

The interest expenses of the Company and its subsidiaries in 2021 and 2020 were \$4,871 thousand and \$3,536 thousand, respectively, which accounted for 0.78% and 0.59% of the pre-tax net profit, respectively. The interest expense accounts for a small percentage of net profit before tax, indicating that the changes in interest rate have no significant impact on the Company's operations. The Company regularly assesses the interest rate of bank loans and maintains close contact with banks to obtain a more favorable interest rate to reduce interest expenses. In addition, the Company's financial stability and good creditworthiness are based on the principle of conservative and stable capital planning. It is expected that future interest rate changes will not have a significant impact on the overall operation of the Company.

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

The net foreign currency exchange gains (loss) of the Company and its subsidiaries in 2022 and 2020 were \$(29,237) thousand and \$(45,749) thousand respectively, accounting for 0.46% and 0.78% of the operating income. The changes of exchange rate have no significant effect on the Company.

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

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

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

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

(III) Future Research & Development Projects and Corresponding Budget

1. Future R&D plans are as follows:

For a long time, the industrial PCs have always had a stable market growth, and the development of peripherals is becoming complete. For R&D, the Company adopts an approach that is to develop technology and products simultaneously. In terms of technology, in addition to design innovation and improvement for the core technology, the Company also conducts research based on the unique technologies required by different vertical

markets. Its scope covers POS, ATM, industrial automation, IoT, artificial intelligence, computer vision, edge computing and other technologies. The Company corporates, the R&D results into the various new products designed to continuously strengthen the uniqueness of the products to obtain the technology of the leading industry, thereby increasing the market share of the products.

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

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



2. Estimated R&D expenses are as follows:

The estimated R&D expenses to be invested by the Company and its subsidiaries will be based on the development of new products and technologies. In order to ensure and enhance the Company's competitive advantage, the Company continues to invest manpower and material resources in the development of new products, and applies adjustments at any time according to operating conditions and needs. This is to ensure that a high competitive advantage and flexibility to comply with market needs at any time, and thus to strengthen R&D output of new products. The Company has proposed to invest \$460,000 in R&D by the end of 2022.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

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

(V) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

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

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures.

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

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans None.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

1. Sales operations

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

2. Purchase operations

The suppliers of the Company and its subsidiaries are distributors and parts suppliers. The main supply items are industrial motherboards and system products. The purchase ratio of supplier, ASUS, has reached 20% in year 2021 and 2020. However,

ASUS is the parent company of the Company, and the supply status so far is still good. There has been no shortage or interruption of supply that affects the Company's business affairs.

- (X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.
- (XI) Effects of, Risks Relating to and Response to the Changes in Management Rights None.
- (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the printing date of the annual report: None.

(XIII) Cyber attack risk:

The company has established a complete network and computer security protection system with ISO27001 certification, to control and maintain the Company's operations, manufacturing, accounting and other important enterprise functions. The Company constructs a high-availability system and a remote host backup mechanism to ensure service operations and data, and transfers the backup data to remote space for storage. The Company also strengthens various computer room simulation tests and emergency response exercises to ensure the normal operation of the information system and data preservation. This is to reduce the risk of system interruption caused by unwarned natural disasters and human negligence to meet the expected target time for system recovery.

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

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

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

In such cases, the Company may have to compensate customers for losses due to delays or interruption of orders. The Company may need to bear huge costs to implement remedies and improvement measures to strengthen the Company's network security system, or may also cause the Company to assume significant legal responsibility or regulatory

investigations caused by the leakage of information about customers or third parties to which the Company has confidential obligations.

In the year 2021 and as of the printing date of the annual report, the Company did not experience any major cyber attacks or incidents that have or may have a significant adverse impact on the Company's business and operations, and has not been involved in any litigation case or Regulatory investigation.

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

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

(XIV) Other Major Risks: None.

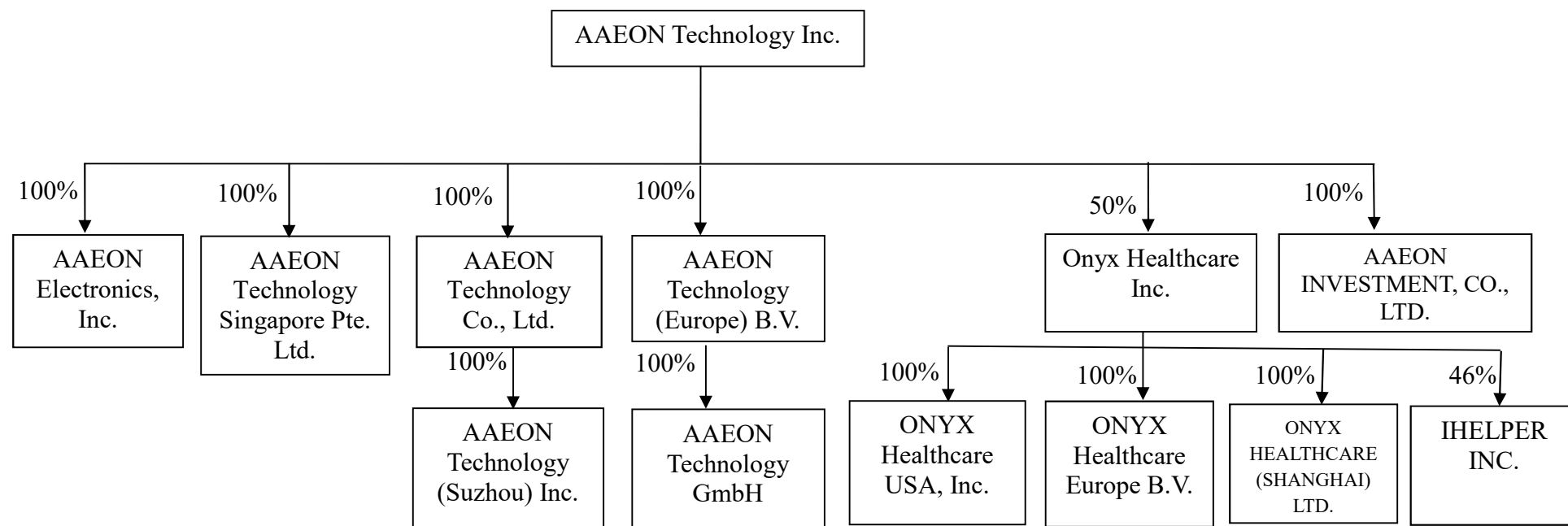
7. Other important disclosures  
None.

## VIII. Special Disclosure

### 1. Summary of Affiliated companies

#### (I) Affiliates consolidated business report

##### 1. Organization chart for affiliates



## 2. Profiles of the bank's subsidiaries

Name of enterprise	Date of foundation	Location	Paid-in Capital (NT\$ thousand) (Note 1)	Main business activities or products
AAEON Electronics, Inc.	Jun. 6, 1995	U.S.	135,632	Sales of industrial PCs and computer peripherals
AAEON Technology Ltd.	Sep. 11, 2001	BVI	243,780	Investment of industrial PCs and interface cards
AAEON Technology (Europe) B.V.	Mar. 4, 2005	The Netherlands	3,132	Sales of industrial PCs and computer peripherals
AAEON INVESTMENT, CO., LTD.	Jun. 6, 2009	Taiwan	150,000	Investment of industrial PCs and computer peripherals
AAEON Technology Singapore Pte. Ltd.	Mar. 30, 2004	Singapore	11,936	Sales of industrial PCs and computer peripherals
AAEON Technology GmbH	Oct. 23, 2007	Germany	940	Sales of industrial PCs and computer peripherals
AAEON Technology (Suzhou) Inc.	Nov. 1, 2001	China	240,547	Production and sales of industrial PCs and interface cards
ONYX HEALTHCARE INC.	Feb. 2, 2010	Taiwan	302,612	Design, manufacture and sales of medical computers
ONYX Healthcare USA, Inc.	Nov. 22, 2011	U.S.	55,360	Sales of medical computers and peripherals
AAEON Technology Europe B.V.	May 16, 2012	The Netherlands	3,132	Sales support and maintenance of medical computers and peripherals
ONYX HEALTHCARE (SHANGHAI) LTD.	Sep. 15, 2014	China	60,896	Sales of medical computers and peripherals
IHELPER INC.	Feb. 26, 2018	Taiwan	36,000	R&D and sales of medical robots

Note 1: For paid-in capital in foreign currencies, the amount in foreign currency has been converted into NT\$ at the exchange rate on Dec. 31, 2021.

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

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

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

Name of enterprise	Title	Name or the representative person	Shares held	
			Shares	%
AAEON ELECTRONICS, INC.	Chairman of the Board	AAEON Technology (representative: Yung-Shun, Chuang)	490,000	100.00
	President	Paul Yang	—	—
AAEON TECHNOLOGY CO., LTD.	Chairman and President	AAEON Technology (representative: Yung-Shun, Chuang)	8,807,097	100.00
AAEON TECHNOLOGY (EUROPE) B.V.	Chairman	AAEON Technology (representative: Yung-Shun, Chuang)	—	100.00
AAEON TECHNOLOGY GMBH	Director	AAEON Technology (Europe) B.V. (representative: Yung-Shun, Chuang)	—	100.00
	Director	AAEON TECHNOLOGY (EUROPE) B.V. (representative: Li-Kai LAI)	—	—
AAEON INVESTMENT, CO., LTD.	Chairman and President	AAEON Technology (representative: Yung-Shun, Chuang)	15,000,000	100.00
ONYX HEALTHCARE INC.	Chairman	Rui Hai Investment Co., Ltd. (representative: Yung-Shun, Chuang)	203,919	0.67
	Director	AAEON Technology (representative: Chien-Hung, Lin)	15,132,074	50.00
	Director / President	AAEON Technology (representative: Feng-Hsiang, Wang)	—	—
	Director	Tsu-De, Li	—	—
	Independent Director	San-Liang, Li	—	—
	Independent Director	Po-Wen, Chiang	—	—
	Independent Director	Yi-Hui, Tai	—	—
AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Director	AAEON Technology (representative: Yung-Shun, Chuang)	465,840	100.00
AAEON Technology (Suzhou) Inc.	Chairman	AAEON Technology Co., Ltd. (representative: Yung-Shun, Chuang)	—	100.00

Name of enterprise	Title	Name or the representative person	Shares held	
			Shares	%
ONYX HEALTHCARE USA, INC.	Chairman	ONYX HEALTHCARE INC. (representative: Yung-Shun, Chuang)	200,000	100.00
ONYX HEALTHCARE EUROPE B.V.	Chairman	ONYX HEALTHCARE INC. (representative: Yung-Shun, Chuang)	100,000	100.00
ONYX HEALTHCARE (SHANGHAI) LTD.	Chairman	ONYX HEALTHCARE INC. (representative: Yung-Shun, Chuang)	—	100.00
	Director	ONYX HEALTHCARE INC. (representative: Chin-Lung, Hsu)	—	—
	Director / President	ONYX HEALTHCARE INC. (representative: Feng-Hsiang, Wang)	—	—
	Supervisors	ONYX HEALTHCARE INC. (representative: Yun-Chen, Tu)	—	—
IHHELPER INC.	Chairman	Kinpo Electronics Inc.(representative: Wei-Chung Chen)	1,584,000	44.00
	Director	Kinpo Electronics Inc.(representative: Qing-Hua Xiao)	—	—
	Director	ONYX HEALTHCARE INC. (representative: Yung-Shun, Chuang)	1,656,000	46.00
	Director / President	ONYX HEALTHCARE INC. (representative: Feng-Hsiang, Wang)	—	—
	Director	Tsu-De, Li	—	—
	Supervisor:	Chih-Yun, Hsi	—	—

## 6. Operating highlights of the affiliates

Unit: NT\$ thousand

Name of enterprise	Share capital	Total assets	Total liabilities	Net value	Operating revenues	Operating profit	After-tax net profit	Earnings per share
AAEON Electronics, Inc.	135,632	531,300	291,562	239,738	1,193,856	10,236	25,783	-
AAEON Technology Co., Ltd.	243,780	252,169	10	252,159	-	(74)	27,032	-
AAEON Technology (Europe) B.V.	3,132	317,703	281,651	36,052	1,026,417	4,200	5,245	-
AAEON INVESTMENT, CO., LTD.	150,000	119,460	81	119,379	-	(98)	(5,175)	(0.35)
AAEON Technology Singapore Pte. Ltd.	11,936	84,856	30,388	54,468	153,298	8,729	6,990	-
AAEON Technology GmbH	940	33,723	14,679	19,044	35,505	306	811	-
AAEON Technology (Suzhou) Inc.	240,547	364,712	115,022	249,690	678,688	25,464	27,177	-
ONYX HEALTHCARE INC.	302,612	1,638,314	612,419	1,025,895	935,272	79,686	127,551	4.22
ONYX Healthcare USA, Inc.	55,360	245,106	145,239	99,867	545,515	(5,831)	(631)	-
ONYX Healthcare Europe B.V.	3,132	26,882	7,851	19,031	62,255	5,110	4,215	-
IHELPER INC.	36,000	18,160	1,733	16,427	3,831	(1,932)	(1,930)	(0.54)
ONYX HEALTHCARE (SHANGHAI) LTD.	60,896	9,855	1,456	8,399	12	(2,584)	(2,588)	-

### (I) Consolidated financial reports auditor's report

For the year ended December 31, 2021, the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the companies required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

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

#### 2. Private placements of securities in the Most Recent Years

None.

#### 3. The shares in the Company Held or Disposed of by subsidiaries in the Most Recent Years

None.

#### 4. Other supplementary information

None.

#### 5. Any Events in the most recent fiscal year and as of the printing date of this annual report that had significant impacts on shareholders' right or security prices as stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan

None.



## **Attachment 1: Audit Committees' Review Report**

### Audit Committee's Review Report of AAEON Technology Inc.

The Board of Directors has prepared the AAEON Technology Inc. (“the Company”) 2021 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 

**February 25, 2022**

AAEON Technology Inc. and Subsidiaries

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as those included in the consolidated financial statements of AAEON Technology Inc. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10“Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of AAEON Technology Inc. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Hereby certify.

Company Name: AAEON Technology Inc.

Representative: Yung-Shun Chuang



February 25, 2022

## INDEPENDENT AUDITORS' REPORT

(2022) Tsai-Shen-Bao-Tzi No.21003230

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

### **Opinion**

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

In our opinion, based on our audits and the reports of the other independent auditors, (please refer to the "Other Matters"), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS") for the year ended December 31, 2021; Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

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

Key audit matters for the Group's consolidated financial statements in the current period are stated as follows:

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

##### Description

Refer to Note 4(29) for the accounting policies on revenue recognition, and Note 6(18) for the details of operating revenue.

The Group is primarily engaged in design, manufacturing and sales of industrial computers, medical computers and peripherals. Since product orders are affected by project cycles, needs to focus on entering new markets and accepting orders of new projects, there will be changes in the top ten customers. After comparing the top ten sales customers in the Taiwan in 2021 and 2020, the

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

#### How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assess and test the financial statements, the internal control procedures of sales transactions are based on the Group's internal control system.
2. View the relevant industry background information of newly listed top ten sales customers.
3. Obtain and select relevant vouchers for the transactions involving operating revenue of the newly listed top ten sales customers.

### **Evaluation of inventories**

#### Description

Refer to Note 4(12) for the accounting policies on the evaluation of inventories; Note 5 for the uncertainty of accounting estimate and assumptions for evaluation of inventories, and Note 6(5) for the details of inventory.

The Group is primarily engaged in 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. The Group'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, the Group 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.

#### How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assess the policy on allowance for inventory valuation loss based on our understanding of the operations and industry of the Group.
2. Inspect the managements individually identified out-of-date inventory list and checked the related supporting documents.
3. Test the basis of market value used in calculating the net realizable valued of inventory and validated the accuracy of net realizable value calculation of selected samples.

### **Impairment loss on investments accounted for under equity method**

#### Description

Refer to Note 4(13) for accounting policies on investments accounted for under equity method; refer to Note 5 for the uncertainty of accounting estimates and assumptions of investments accounted for under equity method; refer to Note 6 (6) for the details of investments accounted for

under equity method.

The Group's investment on IBASE TECHNOLOGY INC. (hereinafter referred to as "IBASE") under equity method is the recoverable amount estimated by calculating the value in use, and is used as the basis for impairment assessment. Since the assessment of value in use involves the management's subjective estimates of future cash flows and discounted cash flows at the appropriate discount rate. We believe that the 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 under equity method - IBASE's assessment on reduced premium is listed as one of the key audit matters.

#### How our audit addressed the matter

1. Understand and measure the corresponding policies and precedures of management for impairment loss, includes collecting internal and external resourse, long and short-term operational prospect mearsurement and industry change situation.
2. Obtain valuation report issued by the expert's nominated by the management of the Company, and performed audit procedures as follows:
  - (1) Review the expert qualification for assessing their independency, objectivity and competency.
  - (2) Assess the valuation model adopted by expert and the reasonableness of future cash flow based on our understanding of the operations and industry of IBASE.
  - (3) Assess the relevance and reasonableness of material assumption adopted by expert (including estimated revenue growth, gross profit margin, operating expense ratio and discount rate), and inspect the accuracy of calculation.

#### **Other matters – Reference to the audits of other independent auditors**

We did not audit the financial statement of certain investments accounted for under equity method. These investments accounted for under equity method amountded to \$3,922,180 thousand and \$3,969,157 thousand, constituting 38.35% and 41.44% of total assets as of December 31, 2021 and 2020, respectively, and the comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to \$76,303 thousand and \$1,569 thousand, respectively, constituting for 15.27% and 0.33% of total comprehensive income for the years ended December 31,2021 and 2020, respectively. The financial statements of these investments accounted for under equity method were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

#### **Other matters – Parent company only financial reports**

We have audited and expressed an unmodified opinion with Other Matters section on the parent company only financial statements of AAEON Technology Inc. as of and for the years ended December 31, 2021 and 2020.

#### **Responsibilities of management and those charged with governance for the consolidated 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 Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, as endorsed by Financial Supervisory Commission, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

### **Independent 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 ROC GAAS 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 ROC GAAS, 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 Group 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 Group 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 Group 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 Group 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 2021 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

Weng, Shih-Rong

Lin, Chun-Yao

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

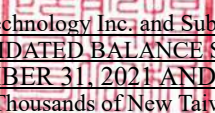
Securities Commission, Ministry of Finance  
Approval reference: (1996) Tai-Tsai-Cheng (VI) No. 68702

February 25, 2022

#### **Notes to Readers**

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

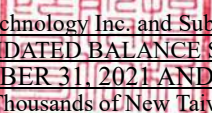
The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent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

  
 AAEON Technology Inc. and Subsidiaries  
 CONSOLIDATED BALANCE SHEET  
 DECEMBER 31, 2021 AND 2020  
 (Expressed In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current asset</b>						
1100	Cash and cash equivalents	6. (1)	\$ 1,841,520	18	\$ 2,727,931	28
1110	Financial asset at fair value through profit or loss - current	6. (2)	425,306	4	456,957	5
1150	Net notes receivable	6. (4)	23,655	-	16,870	-
1170	Net accounts receivable	6. (4)	1,174,099	11	661,456	7
1200	Other receivables		57,692	1	21,773	-
1220	Current tax assets		12,603			
130X	Inventories	6. (5)	1,518,035	15	826,311	9
1410	Prepayments		89,415	1	67,079	1
1479	Other current liabilities - other	8	1,631	-	15,467	-
11XX	<b>Total current assets</b>		<u>5,143,956</u>	<u>50</u>	<u>4,793,844</u>	<u>50</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value through profit or loss - non-current	6. (2)	65,217	1	68,639	1
1517	Financial assets at fair value through other comprehensive income - non-current	6. (3)	32,381	-	2,381	-
1550	Investments accounted for under equity method	6. (6)	3,922,180	38	3,969,157	41
1600	Property, plant and equipment	6. (7), 8	800,321	8	564,531	6
1755	Right-of-use assets	6. (8)	82,067	1	33,139	-
1760	Investment property		79,758	1	54,057	1
1780	Intangible assets		17,726	-	24,669	-
1840	Deferred tax assets	6. (24)	57,557	1	50,626	1
1900	Other non-current assets	8	14,842	-	16,075	-
15XX	<b>Total non-current assets</b>		<u>5,072,049</u>	<u>50</u>	<u>4,783,274</u>	<u>50</u>
1XXX	<b>Total assets</b>		<u>\$ 10,216,005</u>	<u>100</u>	<u>\$ 9,577,118</u>	<u>100</u>

(Continued)



  
 AAEON Technology Inc. and Subsidiaries  
 CONSOLIDATED BALANCE SHEET  
 DECEMBER 31, 2021 AND 2020  
 (Expressed In Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current liability</b>						
2100	Short-term borrowings	6. (9), and 8	\$ 105,000	1	\$ 38,875	1
2130	Contract liability - current	6. (18)	226,231	2	174,971	2
2150	Notes payables		-	-	725	-
2170	Accounts payables	7	580,911	6	327,414	4
2200	Other payables	6. (12), and 7	433,117	4	385,235	4
2230	Current tax liabilities		73,617	1	86,916	1
2250	Provisions - current		27,411	-	27,366	-
2280	Lease liability - current		29,303	-	20,509	-
2320	Long-term liabilities-current Portion	6. (11), 8	10,744	-	-	-
2399	Other current liabilities - other		33,512	1	26,709	-
21XX	<b>Total current liabilities</b>		<u>1,519,846</u>	<u>15</u>	<u>1,088,720</u>	<u>12</u>
<b>Non-current liabilities</b>						
2527	Contract liability - non-current	6. (18)	47,341	-	59,844	1
2540	Long-term borrowings	6. (11), 8	155,043	2	-	-
2550	Provisions - non-current		8,014	-	7,369	-
2570	Deferred tax liabilities	6. (24)	39,438	-	33,389	-
2580	Lease liability - non-current		53,639	1	13,560	-
2670	Other non-current liabilities - other		2,156	-	1,783	-
25XX	<b>Total non-current liabilities</b>		<u>305,631</u>	<u>3</u>	<u>115,945</u>	<u>1</u>
2XXX	<b>Total liabilities</b>		<u>1,825,477</u>	<u>18</u>	<u>1,204,665</u>	<u>13</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Share capital-common stock	6. (15)	1,484,985	15	1,484,985	16
3140	Advance receipts for share capital		1,200	-	-	-
<b>Capital surplus</b>						
3200	Capital surplus	6. (14) (16)	5,433,926	53	5,473,802	56
<b>Retained earnings</b>						
3310	Legal reserve	6. (17)	425,624	4	387,553	4
3320	Special reserve		53,278	1	63,315	1
3350	Undistributed retained earnings		534,550	5	484,744	5
<b>Other Equity</b>						
3400	Other Equity		(64,805)	(1)	(53,278)	-
31XX	<b>Total equity attributable to owners of parent</b>		<u>7,868,758</u>	<u>77</u>	<u>7,841,121</u>	<u>82</u>
36XX	<b>Non-controlling interests</b>	4. (3)	<u>521,770</u>	<u>5</u>	<u>531,332</u>	<u>5</u>
3XXX	<b>Total equity</b>		<u>8,390,528</u>	<u>82</u>	<u>8,372,453</u>	<u>87</u>
<b>Significant contingent liabilities and 9 unrecognized contract commitments</b>						
<b>Significant events after the balance 11 sheet date</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 10,216,005</u>	<u>100</u>	<u>\$ 9,577,118</u>	<u>100</u>

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang



  
 AAEON Technology Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
 (Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Item	Notes	2021		2020	
			Amount	%	Amount	%
4000	<b>Operating income</b>	6. (18), 7	\$ 6,347,704	100	\$ 5,898,185	100
5000	<b>Operating cost</b>	6. (5) (22) (23), and 7	( 4,492,653)	( 71)	( 3,967,732)	( 67)
5900	<b>Operating profit</b>		1,855,051	29	1,930,453	33
	<b>Operating expenses</b>	6. (13)(22)(23) and 7				
6100	Selling expense		( 508,093)	( 8)	( 583,180)	( 10)
6200	General and administrative expenses		( 301,043)	( 4)	( 269,815)	( 4)
6300	Research and development expenses		( 495,114)	( 8)	( 464,753)	( 8)
6450	Expected credit impairment (loss) or gain	12. (2)	( 2,160)	-	7,887	-
6000	<b>Total operating expense</b>		( 1,306,410)	( 20)	( 1,309,861)	( 22)
6900	<b>Operating income</b>		548,641	9	620,592	11
	<b>Non-operating income and expenses</b>					
7100	Interest income		4,724	-	7,124	-
7010	Other income	6. (19)	33,096	-	28,871	-
7020	Other gains and losses	6. (20)	( 29,963)	-	( 34,744)	( 1)
7050	Financial costs	6. (21)	( 4,871)	-	( 3,536)	-
7060	Share of the profit of the associates and joint ventures accounted for under equity method	6. (6)	74,406	1	( 15,569)	-
7000	<b>Total non-operating income and expenses</b>		77,392	1	( 17,854)	( 1)
7900	<b>Profit before income tax</b>		626,033	10	602,738	10
7950	Income tax expense	6. (24)	( 112,280)	( 2)	( 138,567)	( 2)
8200	<b>Profit for the year</b>		\$ 513,753	8	\$ 464,171	8

(Continued)

  
**AAEON Technology Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
 (Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	Notes	2021		2020	
		Amount	%	Amount	%
<b>Other comprehensive income (loss)</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method - not to be reclassified to profit or loss in subsequent periods	\$ 6,410	-	\$ 20,672	-
8310	<b>Total amount not to be reclassified to profit or loss in subsequent periods</b>	<u>6,410</u>	-	<u>20,672</u>	-
<b>To be reclassified to profit or loss in subsequent periods</b>					
8361	Financial statements translation differences of foreign operations	( 19,844)	-	( 11,831)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method - to be reclassified to profit or loss in subsequent periods	( 4,513)	-	( 3,534)	-
8399	Income tax relating to the components of other comprehensive income	<u>3,968</u>	-	<u>2,365</u>	-
8360	<b>Total amount to be reclassified to profit or loss in subsequent periods</b>	<u>( 20,389)</u>	-	<u>( 13,000)</u>	-
8500	<b>Total comprehensive income</b>	<u>\$ 499,774</u>	<u>8</u>	<u>\$ 471,843</u>	<u>8</u>
<b>Net income attributable to:</b>					
8610	Shareholders of the parent	\$ 451,025	7	\$ 382,810	7
8620	Non-controlling interest	<u>62,728</u>	<u>1</u>	<u>81,361</u>	<u>1</u>
		<u>\$ 513,753</u>	<u>8</u>	<u>\$ 464,171</u>	<u>8</u>
<b>Total comprehensive income attributable to:</b>					
8710	Shareholders of the parent	\$ 439,498	7	\$ 392,847	7
8720	Non-controlling interest	<u>60,276</u>	<u>1</u>	<u>78,996</u>	<u>1</u>
		<u>\$ 499,774</u>	<u>8</u>	<u>\$ 471,843</u>	<u>8</u>
<b>Basic earnings per share</b>					
9750	<b>Total basic earnings per share</b>	<u>\$</u>	<u>4.22</u>	<u>\$</u>	<u>3.58</u>
<b>Diluted earnings per share</b>					
9850	<b>Total diluted earnings per share</b>	<u>\$</u>	<u>4.19</u>	<u>\$</u>	<u>3.56</u>

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang





AAEON Technology Inc. and Subsidiaries  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
 (Expressed in thousands of New Taiwan Dollars)

	Notes	Equity attributable to owners of the parent											
		Share Capital	Retained Earnings					Other Equity					
		Common share capital	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings	Financial statements differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total
<b>For the year ended December 31, 2020</b>													
Balance at January 1, 2020		\$ 1,484,985	\$ -	\$ 5,348,750	\$ 332,568	\$ 45,314	\$ 652,212	(\$ 36,180)	(\$ 25,004)	(\$ 2,131)	\$ 7,800,514	\$ 515,999	\$ 8,316,513
Profit for the period		-	-	-	-	-	382,810	-	-	-	382,810	81,361	464,171
Other comprehensive income		-	-	-	-	-	-	(11,137)	21,174	-	10,037	(2,365)	7,672
Total comprehensive income		-	-	-	-	-	382,810	(11,137)	21,174	-	392,847	78,996	471,843
Appropriations of 2019 earnings:	6. (17)												
Legal reserve		-	-	-	54,985	-	(54,985)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	-	18,001	(18,001)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(475,195)	-	-	-	(475,195)	-	(475,195)
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (6) (16)	-	-	(114)	-	-	-	-	-	-	(114)	-	(114)
Change in associates and joint ventures accounted for under equity method	6. (6) (16)	-	-	106,218	-	-	-	-	-	-	106,218	-	106,218
Share-based Payment	6. (14) (16)	-	-	18,948	-	-	(2,097)	-	-	-	16,851	2,355	19,206
Changes in non-controlling interests-cash dividends	4 (3)	-	-	-	-	-	-	-	-	-	-	(66,018)	(66,018)
Balance at December 31, 2020		\$ 1,484,985	\$ -	\$ 5,473,802	\$ 387,553	\$ 63,315	\$ 484,744	(\$ 47,317)	(\$ 3,830)	(\$ 2,131)	\$ 7,841,121	\$ 531,332	\$ 8,372,453
<b>For the year ended December 31, 2021</b>													
Balance at January 1, 2021		\$ 1,484,985	\$ -	\$ 5,473,802	\$ 387,553	\$ 63,315	\$ 484,744	(\$ 47,317)	(\$ 3,830)	(\$ 2,131)	\$ 7,841,121	\$ 531,332	\$ 8,372,453
Profit for the period		-	-	-	-	-	451,025	-	-	-	451,025	62,728	513,753
Other comprehensive income		-	-	-	-	-	-	(18,090)	6,563	-	(11,527)	(2,452)	(13,979)
Total comprehensive income		-	-	-	-	-	451,025	(18,090)	6,563	-	439,498	60,276	499,774
Appropriations of 2020 earnings:	6. (17)												
Legal reserve		-	-	-	38,071	-	(38,071)	-	-	-	-	-	-
Special reserve		-	-	-	-	(10,037)	10,037	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(371,246)	-	-	-	(371,246)	-	(371,246)
Capital surplus-cash dividend	6. (16) (17)	-	-	(74,249)	-	-	-	-	-	-	(74,249)	-	(74,249)
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (6) (16)	-	-	(1,535)	-	-	-	-	-	-	(1,535)	-	(1,535)
Change in associates and joint ventures accounted for under equity method	6. (6) (16)	-	-	9,318	-	-	-	-	-	-	9,318	-	9,318
Share-based Payment	6. (14) (16)	-	-	19,906	-	-	(1,939)	-	-	-	17,967	5,808	23,775
Employee stock options exercised		-	1,200	6,684	-	-	-	-	-	-	7,884	-	7,884
Changes in non-controlling interests-cash dividends	4 (3)	-	-	-	-	-	-	-	-	-	-	(75,646)	(75,646)
Balance at December 31, 2021		\$ 1,484,985	\$ 1,200	\$ 5,433,926	\$ 425,624	\$ 53,278	\$ 534,550	(\$ 65,407)	\$ 2,733	(\$ 2,131)	\$ 7,868,758	\$ 521,770	\$ 8,390,528

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin




Accounting Supervisor: Jen-Chung Wang



  
 AAeon Technology Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
 (Expressed in thousands of New Taiwan Dollars)

	Notes	For the years ended December 31,	
		2021	2020
<b>Cash flows from operating activities</b>			
Profit before tax		\$ 626,033	\$ 602,738
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6 (7) (8) (22)	79,308	89,401
Amortization expenses	6 (22)	15,034	13,148
Expected credit impairment losses (gains)	12 (2)	2,160 (	7,887 )
Costs of share-based payment awards	6 (14)	23,775	19,206
Interest income		( 4,724 ) (	7,124 )
Dividends income	6 (19)	( 19,530 ) (	17,348 )
Interest expenses	6 (8) (9) (21)	4,871	3,536
Net loss from financial assets and liabilities at fair value through profit or loss	6 (2) (10) (20)	24,662	55,316
Losses on disposal of property, plant and equipment	6 (7) (20)	809	27
Transferred to expenses and losses		1,801	-
Depreciation expense of investment property (other gains and losses)	6 (20)	6,191	5,177
Share of profit of associates accounted for under equity method	6 (6)	( 74,406 )	15,569
Gain on lease modification	6. (8)(20)	( 55 )	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		( 13,776 ) (	979 )
Notes and accounts receivable		( 521,775 )	95,237
Other receivables		( 35,138 )	628
Inventories		( 691,724 )	112,666
Prepayments		( 22,336 ) (	10,931 )
Net changes in operating liabilities			
Contract liability		38,757	56,326
Notes and accounts payable		252,772 (	155,341 )
Other payables		46,366 (	840 )
Other current liabilities		6,803	2,345
Provisions for liabilities		690 (	10,843 )
Other non-current liabilities		373 (	457 )
Net cash from operating activities		( 253,059 )	859,570
Interest received		4,724	7,124
Interest paid	6 (8)	( 4,819 ) (	3,536 )
Income taxes paid		( 135,878 )	( 139,458 )
Net cash flows from operating activities		( 389,032 )	723,700

(Continued)

  
 AAeon Technology Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
 (Expressed in thousands of New Taiwan Dollars)

	Notes	For the years ended December 31,	
		2021	2020
<b>Cash flows from investing activities</b>			
Acquired financial assets at fair value through profit or loss		(\$ 8,769)	(\$ 11,474)
Disposal of financial assets at fair value through profit or loss		32,956	3,865
Acquired financial assets at fair value through other comprehensive income		( 30,000)	-
Decrease (increase) in other current assets		13,836	( 13,119)
Acquisition of investments accounted for under equity method	6 (6)	( 14,584)	( 27,951)
Acquisition of property, plant and equipment	6 (26)	( 315,929)	( 20,077)
Disposal of property, plant and equipment	6 (7)	1,078	354
Acquisition of intangible asset		( 7,132)	( 12,707)
Increase in other non-current assets		( 576)	( 4,688)
Dividends received		165,177	171,307
Net cash flows from investing activities		( 163,943)	85,510
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings	6 (27)	67,217	( 3,275)
Increase in long-term borrowings	6 (27)	172,000	-
Reimbursement in long-term borrowings	6 (27)	( 6,213)	-
Repayment of lease principal	6 (8) (27)	( 38,945)	( 45,766)
Acquired shareholding of subsidiary		-	-
Changes in non-controlling interests - cash dividends for non-controlling interests	4 (3)	( 75,646)	( 66,018)
Employee share options exercised	6 (17)	( 445,495)	( 475,195)
Cash dividends paid	6 (14)	7,884	-
Net cash flows from financing activities		( 319,198)	( 590,254)
Effects due to changes in exchange rate		( 14,238)	( 7,996)
Increase (decrease) in cash and cash equivalents		( 886,411)	210,960
Cash and cash equivalents at the beginning of periods		2,727,931	2,516,971
Cash and cash equivalents at the end of periods		\$ 1,841,520	\$ 2,727,931

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

Chairman: Yung-Shun Chuang

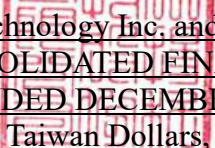


Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang



  
AAEON Technology Inc. and Subsidiaries  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan Dollars, except as of otherwise indicated)

I. Company Profile

AAEON Technology Co., Ltd. ("the Company") was established in the Republic of China. The main businesses of the company and its subsidiaries ("the Group") include the manufacturing, processing and imports and exports of computer peripherals, electronic components, computer test instruments, computer PCB functional testing, and radio telecommunication equipment and its components; the R&D, design, manufacturing, processing and trading of various industrial computers, medical computers, industrial controllers, quantity controllers and components; industrial computer automation design and services, as well as the import/export of related materials. The Company has been listed on Taiwan Stock Exchange since August 2017. Asustek Computer Co., Ltd. holds 40.69% of the Company's shares (including indirect holdings) and is the Group's ultimate parent company.

II. Date and Procedures for the Authorization of Financial Reports

These consolidated financial reports were approved by the board of directors on February 25, 2022.

III. New or Revised Standards and Applied Interpretation

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

Standards or interpretations issued, revised or amended by IASB which are endorsed by FSC at 2021 are listed below:

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

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

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, "Classification of liabilities as current or noncurrent"	January 1, 2023
Amendments to IAS 1, "Disclosure of accounting policies"	January 1, 2023
Amendments to IAS 8, "Definition of accounting estimates"	January 1, 2023
Amendments to IAS 12, "Deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023

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

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
  - (1) Financial assets and financial liabilities (including derivatives) that have been measured at fair value through profit of loss.
  - (2) Financial assets and financial liabilities that have been measured at fair value through other comprehensive income.
2. For the preparation of financial statements in conformity with the IFRS, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, it requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Preparation principle of consolidated financial statement:
  - (1) All subsidiaries are included in the Group's consolidated financial statements.



Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests.
- (4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (5) When the Group loses the control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. The subsidiaries included in the consolidated financial statements:

Investor	Investee	Business	Ownership interest		Notes
			2021/12/31	2020/12/31	
AAEON.	AAEON ELECTRONICS, INC. (AEI)	Sales of IPC and PC peripherals	100%	100%	
AAEON.	AAEON TECHNOLOGY CO., LTD (ATCL)	Investment of IPC and interface card	100%	100%	
AAEON.	AAEON TECHNOLOGY (EUROPE) B.V.(ANI)	Sales of IPC and PC peripherals	100%	100%	
AAEON.	AAEON INVESTMENT, CO., LTD. (AAEONI)	Investment of IPC and PC peripherals	100%	100%	

Investor	Investee	Business	Ownership interest		Notes
			2021/12/31	2020/12/31	
AAEON.	ONYX HEALTHCARE INC. (ONYX)	Design, manufacture and sales of medical PC	50.00%	50.00%	
AAEON.	AAEON TECHNOLOGY SINGAPORE PTE. LTD (ASG)	Sales of IPC and PC peripherals	100%	100%	
ATCL	AAEON TECHNOLOGY (SUZHOU) INC.(ACI)	Production and sales of IPC and interface card	100%	100%	
ANI	AAEON TECHNOLOGY GMBH(AGI)	Sales of IPC and PC peripherals	100%	100%	
ONYX	ONYX HEALTHCARE EUROPE B.V. (ONI)	Marketing support and maintenance of medical PC and peripherals	100%	100%	
ONYX	ONYX HEALTHCARE USA, INC. (OHU)	Sales of medical PC and peripherals	100%	100%	
ONYX	ONYX HEALTHCARE (SHANGHAI) LTD (OCI)	Sales of medical PC and peripherals	100%	100%	
ONYX	IHELPER INC. (IHELPER)	R&D and sales of medical robots	46.00%	46.00%	Note

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

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

The Group's total non-controlling interests as of December 31, 2021 and 2020 were \$521,770 and \$531,332, respectively. The Group's subsidiaries with significant non-controlling interests are as follows:

Subsidiary Name	Main business location	Non-controlling interests		Non-controlling interests	
		2021/12/31		2020/12/31	
		Amount	Ownership interest	Amount	Ownership interest
ONYX	Taiwan	\$ 512,899	50.00%	\$ 521,419	50.00%

Summarized financial information of subsidiaries:

Balance sheet

	ONYX	
	2021/12/31	2020/12/31
Current asset	\$ 698,415	\$ 763,280
Non-current assets	1,003,518	629,925
Current liability	( 431,310 )	( 279,181 )
Non-current liabilities	( 235,857 )	( 61,175 )
Total Net Assets	\$ 1,034,766	\$ 1,052,849

Statement of comprehensive income

	ONYX	
	For the years ended December 31,	
	2021	2020
Income	\$ 1,201,760	\$ 1,347,304
Profit before tax	\$ 140,112	\$ 202,612
Income tax expense	( 13,603 )	( 37,705 )
Net income	126,509	164,907
Other comprehensive income (net amount after tax)	( 4,903 )	( 4,730 )
Total comprehensive income	\$ 121,606	\$ 160,177
Total comprehensive income attributable to non-controlling interests	\$ 61,318	\$ 81,165
Dividends paid to non-controlling interests	\$ 75,646	\$ 66,018

Cash flow statement

	ONYX	
	For the years ended December 31,	
	2021	2020
Net cash inflow (outflow) from operating activities	\$ 17,128	\$ 191,106
Net cash flows used in investing activities	( 332,060 )	( 53,891 )
Net cash flows from financing activities	109,893	( 148,911 )
Effects of exchange rate changes on cash and cash equivalents	( 4,432 )	( 4,495 )
Decrease in current cash and cash equivalents	( 209,471 )	( 16,191 )
Cash and cash equivalents at the beginning of periods	392,364	408,555
Cash and cash equivalents at the end of periods	\$ 182,893	\$ 392,364

(IV) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in “New Taiwan Dollars (NTD)”, which is the Group’s functional and presentation currency.

1. Foreign currency transaction and account balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions where items are

remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange difference arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within “other gains and losses”.

2. Translation of foreign operations:

The operating results and financial position of all the group entities, associates and joint arrangement that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- C. All resulting exchange differences are recognized in other comprehensive income.

(V) Classification of current and non-current items

1. Assets that meet one of the following conditions are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date;
- (4) Cash or a cash equivalent, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be settled within twelve months from the balance sheet date;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current liabilities.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investment readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
4. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

1. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (1) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (2) The assets' contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using transaction date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

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

(IX) Accounts and notes receivable

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

(X) Impairment of financial assets

For accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has

increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(XI) Derecognition of financial assets

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

1. The contractual rights to receive the cash flows from the financial assets expire.
2. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
3. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(XII) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XIII) Investments accounted for under equity method

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
2. The Group's share of its associates' post-acquisition profits or losses or other comprehensive income is recognized as current profit or loss or other comprehensive income as appropriate. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
3. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. When the affiliate issues additional shares, if the Group does not subscribe or acquire based on the proportion, which lead to a change in investment proportion but still with significant influence, the increase or decrease in net equity value are adjusted against the "capital reserve" and "investments accounted for using the equity method". If the Group's investment is reduced, apart from the above adjustments, the Group reclassifies to profit or loss the proportion of the gain or loss previously recognized in other comprehensive income relative to that reduction in ownership interest.
6. Upon loss of significant influence over an associate, the Group remeasures any

investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

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

(XIV) Property, plant and equipment

1. Property, plant and equipment are stated at cost, and the amount of interest incurred during the construction period are capitalized.
2. Subsequent costs are included in the carrying amount of an asset or recognized as an asset only if it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced shall be derecognized. All other repair and maintenance costs are recognized in profit or loss as incurred.
3. Except for land which is not depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it should be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of the financial reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated economic lives of various assets are as follows:

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

(XV) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

1. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease

payments are fixed payment, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

3. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (1) The amount of the initial measurement of lease liability;

- (2) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

4. With regard to the modification on reducing lease scope, lessee would decrease the carrying amount of right of use asset to reflect the termination of partial or overall lease contract, the difference in carrying amount and the amount of lease liability remeasurement is recognized in profit or loss.

(XVI) Investment property

Investment properties are measured initially at cost, and are subsequently measured using the cost model. Except for land, investment property is depreciated on a straight-line basis over its useful life of 50 years.

(XVII) Intangible assets

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

(XVIII) Impairment of non-financial assets

The Group assesses at the end of the financial reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or decrease, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. However, the reversal should not exceed the carrying amount, net of depreciation or amortization had the impairment not been recognized.

(XIX) Borrowings

Borrowings is recognized initially at fair value, net of transaction costs incurred. after deducting transaction costs at initial recognition. Subsequently, any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(XX) Accounts and notes payable

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



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

1. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
2. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(XXII) Derecognition of financial liabilities

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

(XXIII) Non-hedging derivatives

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

(XXIV) Provisions

Provisions (warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(XXV) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pension funds - Defined contribution plans

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

3. Employee compensation and remuneration for directors and supervisors

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

(XXVI) Share-based payment for employees

The equity-settled share-based payment arrangement equals the grant-date fair value of

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

(XXVII) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of the financial reporting period, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVIII) Dividend

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

## (XXIX) Revenue recognition

### 1. Sales of products

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

### 2. Warrant income

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

## (XXX) Government grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received, recognized in fair value. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expense for the related costs for which the grants are intended to compensate.

## (XXXI) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions at the end of the financial reporting period and estimates concerning future events. The resulting accounting

estimates and assumptions might be different from the actual results, and will be continually evaluated and adjusted based on historical experience and other factors; These estimates and assumptions have the risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

Significant Accounting Estimations

1. Evaluation of inventories

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

As of December 31, 2021, the carrying amount of the Group's inventory was \$1,518,035.

2. Impairment loss on investments accounted for under equity method

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

As of December 31, 2021, the carrying amount of the Group's investment on IBASE TECHNOLOGY INC. under equity method was \$3,257,009.

VI. Details of significant accounts

(I) Cash and cash equivalents

	2021/12/31	2020/12/31
Cash on hand and petty cash	\$ 1,082	\$ 1,554
Checking accounts and demand deposits	1,806,751	2,676,577
Time deposit	33,687	49,800
Total	\$ 1,841,520	\$ 2,727,931

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

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

<u>Item</u>	<u>2021/12/31</u>	<u>2020/12/31</u>
Current:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 159,125	\$ 173,171
Emerging stocks	3,000	3,000
Unlisted and non-OTC stocks	73,744	77,744
Beneficiary certificates	25,000	31,141
	<u>260,869</u>	<u>285,056</u>
Valuation adjustment	164,437	171,901
Subtotal	<u>\$ 425,306</u>	<u>\$ 456,957</u>

<u>Item</u>	<u>2021/12/31</u>	<u>2020/12/31</u>
Non-current:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted and non-OTC stocks	\$ 59,070	\$ 59,070
Hybrid instrument	10,832	10,832
	<u>69,902</u>	<u>69,902</u>
Valuation adjustment	( 4,685 )	( 1,263 )
Subtotal	<u>\$ 65,217</u>	<u>\$ 68,639</u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instrument	(\$ 23,041 )	(\$ 54,508 )
Beneficiary certificates	1	334
Derivatives	-	( 20 )
Hybrid instrument	( 1,566 )	90
Total	<u>(\$ 24,606 )</u>	<u>(\$ 54,104 )</u>

3. The Group has no financial assets measured at fair value through profit or loss pledged as collaterals.

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

<u>Item</u>	<u>2021/12/31</u>	<u>2020/12/31</u>
Non-current:		
Equity instrument		
Unlisted and non-OTC stocks	\$ 69,334	\$ 39,334
Valuation adjustment	( 36,953 )	( 36,953 )
Total	<u>\$ 32,381</u>	<u>\$ 2,381</u>

1. The Group has elected to classify investment on MELTEN CONNECTED HEALTHCARE INC. and PROTECTLIFE INTERNATIONAL BIOMEDICAL INC., which are considered to be strategic investments as financial assets measured at fair value through other comprehensive income. The fair value of the investments amounted to \$32,381, \$2,381 on December 31, 2021, and 2020 separately.
2. Financial assets at fair value through other comprehensive income has no income and comprehensive income recognized for the year ended December 31, 2021 and 2020.
3. The Group has no financial assets measured at fair value through other comprehensive income pledged to others.

(IV) Notes and accounts receivable

	<u>2021/12/31</u>	<u>2020/12/31</u>
Notes receivable	<u>\$ 23,655</u>	<u>\$ 16,870</u>
Accounts receivable	\$ 1,192,502	\$ 677,886
Less: Loss allowance	( 18,403 )	( 16,430 )
	<u>\$ 1,174,099</u>	<u>\$ 661,456</u>

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

	<u>2021/12/31</u>		<u>2020/12/31</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,030,420	\$ 23,655	\$ 555,375	\$ 16,870
Within 30 days	131,116	-	95,411	-
31-60 days	7,938	-	10,086	-
61-90 days	4,725	-	689	-
91-180 days	1,687	-	1,132	-
Over 181 days	16,616	-	15,193	-
	<u>\$ 1,192,502</u>	<u>\$ 23,655</u>	<u>\$ 677,886</u>	<u>\$ 16,870</u>

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

2. The Group does not hold any financial assets as security for accounts and notes receivables.
3. Balances of accounts and notes receivable as of December 31, 2021 and 2020 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2020 were \$789,648 and \$24,144, respectively.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2021, and 2020 were \$23,655, \$16,870, respectively, and the maximum exposure to the credit risk of accounts receivable

as of December 31, 2021 and 2020 were \$1,174,099 and \$661,456, respectively.

5. Please refer to Note 12 (2) for credit risk information of notes and accounts receivable.

(V) Inventories

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

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

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

	For the years ended December 31,	
	2021	2020
Cost of inventory sold	\$ 4,448,504	\$ 3,971,694
Inventories obsolescence and devaluation loss	62,569	13,473
Losses on disposal of inventories	4,044	8,029
Compensation income from inventories	( 22,537 )	( 24,574 )
Others	73	( 890 )
	\$ 4,492,653	\$ 3,967,732

(VI) Investments accounted for under equity method

	2021	2020
At January 1	\$ 3,969,157	\$ 3,987,493
Increase in investments accounted for under equity method	14,584	27,951
Share of investment income accounted for under equity method	74,406	( 15,569 )
Distribution of investment income accounted for under equity method	( 145,647 )	( 153,958 )
Changes in capital surplus and retained earnings	7,783	106,104
Changes in other equity	1,897	17,136
At December 31	\$ 3,922,180	\$ 3,969,157

Investee	2021/12/31		2020/12/31	
	Ownership (%)	Book value	Ownership (%)	Book value
LITEMAX ELECTRONICS INC.	11.99	\$ 103,896	12.00	\$ 101,813
IBASE TECHNOLOGY INC.	31.91	3,257,009	30.79	3,330,242
WINMATE INC.	13.85	561,275	13.60	537,102
		<u>\$ 3,922,180</u>		<u>\$ 3,969,157</u>

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

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

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

Balance sheet

	IBASE TECHNOLOGY INC.	
	2021/12/31	2020/12/31
Current asset	\$ 5,503,123	\$ 4,432,800
Non-current assets	5,047,175	5,552,039
Current liability	( 3,034,399 )	( 1,129,958 )
Non-current liabilities	( 1,699,749 )	( 2,972,518 )
Net assets fair value of trade marks, other intangible and tangible assets adjustment	2,306,129	2,589,452
Adjusted net assets	<u>\$ 8,122,279</u>	<u>\$ 8,471,815</u>
Share of net assets of the affiliate	\$ 2,278,591	\$ 2,351,824
Goodwill	978,418	978,418
Book value of affiliates	<u>\$ 3,257,009</u>	<u>\$ 3,330,242</u>



Statement of comprehensive income

	For the years ended December 31,	
	2021	2020
Income	\$ 5,706,855	\$ 4,239,154
Net income of continuing operations	220,759	60,386
Other comprehensive income (net amount after tax)	9,144	63,344
Total comprehensive income	229,903	123,730
Fair value adjustment	( 152,535 )	( 152,535 )
Adjusted total comprehensive income	\$ 77,368	( \$ 28,805 )
Dividends received from associates	\$ 96,952	\$ 106,275

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

	For the years ended December 31,	
	2021	2020
Net income of continuing operations	\$ 62,797	\$ 42,383
Other comprehensive income (net amount after tax)	( 894 )	( 1,205 )
Total comprehensive income	\$ 61,903	\$ 41,178

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

	2021/12/31	2020/12/31
LITEMAX ELECTRONICS INC.	\$ 185,808	\$ 191,073
IBASE TECHNOLOGY INC.	2,156,566	2,048,076
WINMATE INC.	787,214	739,360
	\$ 3,129,588	\$ 2,978,509

5. Although the Group holds less than 20% of the voting power of Litemax Electronics Inc., it has significant influence to Litemax and has adopted the equity method for evaluation as its shareholding percentage is the highest, and has also been serving as a director of Litemax.
6. Although the Group holds less than 20% of the voting power of Winmate Inc., it has adopted the equity method for evaluation as its subsidiary Onyx has served as a director of Winmate Inc.
7. The Group holds 31.91% of the voting power of IBASE TECHNOLOGY INC., as the single largest shareholder. Considering the participation of other shareholders in the previous shareholders' meeting and the voting rights of major proposals, the Group has no actual ability to direct relevant activities. Therefore, the Group has no control over the company and only has a significant influence.

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

(VII) Property, Plant and Equipment

		2021					
		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1	Cost	\$ 284,334	\$ 320,442	\$ 79,157	\$ 174,157	\$ 5,083	\$ 863,173
	Accumulated depreciation and impairment	-	( 117,284 )	( 48,051 )	( 133,307 )	-	( 298,642 )
		<u>\$ 284,334</u>	<u>\$ 203,158</u>	<u>\$ 31,106</u>	<u>\$ 40,850</u>	<u>\$ 5,083</u>	<u>\$ 564,531</u>
January 1	Additions (Note 1)	229,660	48,955	1,438	33,131	4,209	317,393
	Disposal	-	-	( 13 )	( 1,874 )	-	( 1,887 )
	Reclassification (Note 2)	-	( 32,590 )	794	6,613	( 7,985 )	( 33,168 )
	Depreciation expense	-	( 7,831 )	( 9,619 )	( 23,681 )	-	( 41,131 )
	Net exchange differences	( 2,012 )	( 2,631 )	( 10 )	( 764 )	-	( 5,417 )
December 31		<u>\$ 511,982</u>	<u>\$ 209,061</u>	<u>\$ 23,696</u>	<u>\$ 54,275</u>	<u>\$ 1,307</u>	<u>\$ 800,321</u>
December 31	Cost	\$ 511,982	\$ 310,595	\$ 69,224	\$ 200,338	\$ 1,307	\$ 1,093,446
	Accumulated depreciation and impairment	-	( 101,534 )	( 45,528 )	( 146,063 )	-	( 293,125 )
		<u>\$ 511,982</u>	<u>\$ 209,061</u>	<u>\$ 23,696</u>	<u>\$ 54,275</u>	<u>\$ 1,307</u>	<u>\$ 800,321</u>
		2020					
		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1	Cost	\$ 288,107	\$ 329,469	\$ 117,843	\$ 185,198	\$ 7,501	\$ 928,118
	Accumulated depreciation and impairment	-	( 113,508 )	( 80,189 )	( 138,539 )	-	( 332,236 )
		<u>\$ 288,107</u>	<u>\$ 215,961</u>	<u>\$ 37,654</u>	<u>\$ 46,659</u>	<u>\$ 7,501</u>	<u>\$ 595,882</u>
January 1	Additions	-	-	1,618	9,853	7,794	19,265
	Disposal	-	-	-	( 381 )	-	( 381 )
	Reclassification	-	-	2,859	8,368	( 10,212 )	1,015
	Depreciation expense	-	( 8,741 )	( 11,046 )	( 24,068 )	-	( 43,855 )
	Net exchange differences	( 3,773 )	( 4,062 )	21	419	-	( 7,395 )
December 31		<u>\$ 284,334</u>	<u>\$ 203,158</u>	<u>\$ 31,106</u>	<u>\$ 40,850</u>	<u>\$ 5,083</u>	<u>\$ 564,531</u>
December 31	Cost	\$ 284,334	\$ 320,442	\$ 79,157	\$ 174,157	\$ 5,083	\$ 863,173
	Accumulated depreciation and impairment	-	( 117,284 )	( 48,051 )	( 133,307 )	-	( 298,642 )
		<u>\$ 284,334</u>	<u>\$ 203,158</u>	<u>\$ 31,106</u>	<u>\$ 40,850</u>	<u>\$ 5,083</u>	<u>\$ 564,531</u>

Note 1: The Group has signed a real estate of Xindian purchase contract on March 26, 2021, amounted to \$280,077 (tax included), and completed the transfer commission in May, 2021.

Note 2: Mainly reclassified from property, plant and equipment to investment property

1. The above property, plant and equipment are assets for self-use requirement.

2. Please refer to Note 8 for the property, plant and equipment as collaterals for loans.

(VIII) Lease transactions - lessee

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

	2021/12/31	2020/12/31
	Carrying amount	Carrying amount
Buildings	\$ 73,014	\$ 20,285
Transportation equipment	6,952	10,878
Other equipment	2,101	1,976
	<u>\$ 82,067</u>	<u>\$ 33,139</u>

	For the years ended December 31,	
	2021	2020
	Depreciation expense	Depreciation expense
Buildings	\$ 30,488	\$ 37,664
Transportation equipment	7,247	7,521
Other equipment	442	361
	<u>\$ 38,177</u>	<u>\$ 45,546</u>

- For the years ended December 31, 2021 and 2020 to the acquisitions of right-of-use assets were \$97,041 and \$20,610, respectively.
- The information on income and expense accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2021	2020
	Depreciation expense	Depreciation expense
Building	\$ 2,461	\$ 1,578
Transportation equipment	19,845	14,238
Other equipment	59	22
Gain on lease modification	55	-

- For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases was \$61,310 and \$61,604, respectively.

(IX) Short-term borrowings

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

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

1. For the years ended December 31, 2021 and 2020, interest expenses recognized through profit or loss were \$1,354 and \$1,947

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

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

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial asset or liability held for trading</u>		
Derivatives	( \$ 56 )	( \$ 1,212 )

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

(XI) Long-term borrowings

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

1. There's no long-term borrowings for the year ended December 31, 2020.

2. The interest recognized in profit or loss for the year ended December 31, 2021 is \$1,056.

3. Please refer to Note 8 for the details of collateral.

(XII) Other payables

	<u>2021/12/31</u>	<u>2020/12/31</u>
Accrued payroll, employee's compensation and bonuses	\$ 272,654	\$ 224,993
Accrued technical service fee (Note 7 (3) 4.)	46,917	40,135
Accrued assembly costs	308	370
Accrued commission fee	25,442	38,034
Others	87,796	81,703
	<u>\$ 433,117</u>	<u>\$ 385,235</u>

(XIII) Pension

1. Since July 1, 2005, the Company and its domestic subsidiaries have established certain retirement payout methods applicable for domestic employees in accordance with the "Labor Pension Act." The Company and its domestic subsidiaries choose to apply the labor pension system stipulated in the "Labor Pension Act" and allocate pensions on a monthly basis to the individual labor pension account managed by the Bureau of Labor Insurance at 6% of monthly wage. Based on the principal and accrued dividends from an employee's individual labor pension account, labor pension shall be paid by monthly pension payments or by lump-sum payment upon retirement.
2. In accordance with the pension insurance system formulated by the People's Republic of China, ACI and OCI has allocated provisions for pension insurance based on a specified ratio of the overall wage of local employees. Each employee's retirement pension is managed by the government, and ACI and OCI have no further obligations except to be responsible for monthly allocation.
3. AEI and OHU currently have a personal pension scheme under the Company's support. The Company and the employees are jointly liable for the employee's pension fund, of which the company allocates 3% of total wage, and the pension is capped by the amount paid by employees.
4. ASG, ANI, AGI and ONI shall allocate pensions in accordance with local laws and regulations.
5. Pension costs recognized by AAEON in accordance with the above retirement policy for were \$38,707, and \$31,232 for the years ended December 31, 2021 and 2020, respectively.

(XIV) Share-based Payment

1. The Company

- (1) The Company had the following share-based payment agreement active for the nine-months periods ended December 31, 2021 and 2020:

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

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

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

	<u>For the year ended December 31, 2021</u>	
	<u>No. of units (shares in thousands)</u>	<u>Weighted average exercise price (in dollars)</u>
Options outstanding at beginning of period	2,912	\$ 68.8
Options exercised	( 120 )	65.7
Options forfeited	( 236 )	68.4
Options outstanding at the end of period	<u>2,556</u>	65.7
Options exercisable at the end of period	<u>1,218</u>	

	For the year ended December 31, 2020	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	3,000	\$ 72.3
Options forfeited	( 88 )	68.8
Options outstanding at the end of period	<u>2,912</u>	68.8
Options exercisable at the end of period	<u>-</u>	

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

			2021/12/31	
Arrangement type	Authorized issue date	Maturity date	Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.11.26	2024.11.25	2,556	\$ 65.7

			2020/12/31	
Arrangement type	Authorized issue date	Maturity date	Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.11.26	2024.11.25	2,912	\$ 68.8

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

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

(5) Expenses of share-based payment transaction:

	For the years ended December 31,	
	2021	2020
Equity settlement	\$ 12,158	\$ 14,496

## 2. Subsidiary- ONYX HEALTHCARE INC. (ONYX)

(1) ONYX had the following share-based payment agreement active for the years ended December 31, 2021 and 2020:

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

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

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

	For the year ended December 31, 2021	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	1,000	\$ 139.5
Options outstanding at the end of period	1,000	121.5
Options exercisable at the end of period	-	-

	For the year ended December 31, 2020	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	-	\$ -
Options granted	1,000	139.5
Options outstanding at the end of period	1,000	139.5
Options exercisable at the end of period	-	-

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

Arrangement type	Authorized issue date	Maturity date	2021/12/31	
			No. of units (shares in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.08.06	2025.08.06	1,000	\$ 121.5

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

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

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

(5) Expenses of share-based payment transaction:

Equity settlement	For the year ended December 31,	
	2021	2020
	\$ 11,617	\$ 4,710

(XV) Share capital

1. As of December 31, 2021, the Company's authorized capital was \$2,000,000 (including 5,000 thousand shares reserved for issuing employee stock options), with paid-in capital of \$1,486,185, divided into 148,618 thousand shares, each at par value of \$10 per share. Proceeds have been fully collected for the issued shares. The Company had 148,618 and 148,498 thousand common shares outstanding for the years ended December 31, 2021 and 2020 separately.

Movements in the number of the Company's ordinary shares outstanding are as follows (unit: shares in thousands):

	2021	2020
1/1	148,498	148,498
Employee stock options exercised	120	-
12/31	148,618	148,498

2. On April 30, 2020, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was amended on November 12, 2020 by resolution of the board of directors. A total of 3,000 ESOs were issued, and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.
3. As of December 31, 2021, AAEON's associates - IBASE owned 41,698 thousand of AAEON's shares.

(XVI) Capital surplus

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

	2021						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Recognition of changes in ownership interest in subsidiary	Affiliate company net equity changes	Employee Share option	Others	Total
January 1	\$ 4,902,942	\$ 213,200	\$ 215,992	\$ 119,513	\$ 19,974	\$ 2,181	\$ 5,473,802
Cash dividends	( 74,249 )	-	-	-	-	-	( 74,249 )
Changes in ownership interest in subsidiary	-	-	1,835	-	( 1,835 )	-	-
Employee stock options exercised	8,396	-	-	-	( 1,712 )	-	6,684
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	( 1,535 )	-	-	( 1,535 )
Change in associates and joint ventures accounted for under equity method	-	-	-	9,318	-	-	9,318
Share-based Payment	-	-	5,809	-	14,097	-	19,906
December 31	\$ 4,837,089	\$ 213,200	\$ 223,636	\$ 127,296	\$ 30,524	\$ 2,181	\$ 5,433,926



	2020						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Recognition of changes in ownership interest in subsidiary	Affiliate company net equity changes	Employee Share option	Others	Total
January 1	\$ 4,902,942	\$ 213,200	\$ 213,637	\$ 13,409	\$ 3,381	\$ 2,181	\$ 5,348,750
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	( 114 )	-	-	( 114 )
Change in associates and joint ventures accounted for under equity method	-	-	-	106,218	-	-	106,218
Share-based Payment	-	-	2,355	-	16,593	-	18,948
December 31	\$ 4,902,942	\$ 213,200	\$ 215,992	\$ 119,513	\$ 19,974	\$ 2,181	\$ 5,473,802

(XVII) Retained earnings

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

5. The Company's appropriations of 2020 and 2019 earnings had been approved by the e-voting and resolved at the stockholders' meeting on May 28, 2021 and May 27, 2020, respectively. Details are summarized below:

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

Cash dividends distributed to common shareholders from the capital surplus would be \$74,249 (\$0.5 per share) which approved by the e-voting result regarding the earnings appropriation and cash appropriation from the capital surplus for 2020 reached the legal resolution threshold on May 28, 2021.

The result of appropriations of 2020 and 2019 which were the same as the proposal submitted by the Board of Directors

6. The 2021 surplus distributions approved by the resolutions of the board of directors of the Company on February 25, 2022 are as follows:

	2021	
	Amount	Dividends per share (in dollars)
Reversal of Special reserve	\$ 11,527	
Legal reserve	44,909	
Cash dividends	386,408	\$ 2.60
	<u>\$ 442,844</u>	

Cash dividends distributed to common shareholders from the capital surplus would be \$74,309 (\$0.5 per share) which approved by the resolutions of the board of directors of the Company on February 25, 2022.

The result of appropriations of 2021 which has not yet been approved by the resolutions of the shareholders' meeting.

(XVIII) Operating income

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ 6,347,704	\$ 5,898,185

1. Disaggregation of revenue from contracts with customers

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

For the year ended December 31,			
2021	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 5,156,832	\$ 1,190,872	\$ 6,347,704
Timing of revenue recognition			
At a point time	\$ 5,153,569	\$ 1,157,932	\$ 6,311,501
Over time	3,263	32,940	36,203
Total	\$ 5,156,832	\$ 1,190,872	\$ 6,347,704

For the year ended December 31,			
2020	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 4,566,476	\$ 1,331,709	\$ 5,898,185
Timing of revenue recognition			
At a point time	\$ 4,561,388	\$ 1,314,523	\$ 5,875,911
Over time	5,088	17,186	22,274
Total	\$ 4,566,476	\$ 1,331,709	\$ 5,898,185

2. Contract liability

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

	2021/12/31	2020/12/31	2020/1/1
Contract Liability - Current:			
Advances from customers	\$ 212,285	\$ 158,221	\$ 86,760
Warranty contract	13,946	16,750	22,729
Contract Liability -			
Non-current:			
Advances from customers	26,024	31,995	34,454
Warranty contract	21,317	27,849	34,546
Total	\$ 273,572	\$ 234,815	\$ 178,489

(2) Recognized income of contract liabilities at January 1

	For the years ended December 31,	
	2021	2020
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	\$ 79,185	\$ 57,347
Warranty contract	17,766	22,198
Total	\$ 96,951	\$ 79,545

(XIX) Other income

	For the years ended December 31,	
	2021	2020
Rental income	\$ 13,566	\$ 11,523
Dividend income	19,530	17,348
Total	\$ 33,096	\$ 28,871

(XX) Other gains and losses

	For the years ended December 31,	
	2021	2020
Net loss on financial assets and liabilities at fair value through profit or loss	(\$ 24,662)	(\$ 55,316)
Loss on Foreign currency exchange	( 29,237)	( 45,749)
Loss on disposal of property, plant and equipment	( 809)	( 27)
Depreciation of investment property, buildings.	( 6,191)	( 5,177)
Gain on lease modification	55	-
Government subsidy	10,944	44,399
Other income	19,937	27,126
	<u>(\$ 29,963)</u>	<u>(\$ 34,744)</u>

(XXI) Financial costs

	For the years ended December 31,	
	2021	2020
Interest expenses	\$ 2,410	\$ 1,958
Interest expense on lease liabilities	2,461	1,578
	<u>\$ 4,871</u>	<u>\$ 3,536</u>

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

	For the years ended December 31,					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expenses	\$ 260,127	\$ 923,707	\$ 1,183,834	\$ 236,737	\$ 914,821	\$ 1,151,558
Depreciation expense	41,023	38,285	79,308	52,719	36,682	89,401
Amortization expenses	2,136	12,898	15,034	2,402	10,746	13,148

(XXIII) Employee benefit expenses

	For the years ended December 31,	
	2021	2020
Salaries and wages	\$ 1,047,275	\$ 1,023,945
Labor and health insurance fees	86,197	84,348
Pension costs	38,707	31,232
Other personnel expenses	11,655	12,033
	<u>\$ 1,183,834</u>	<u>\$ 1,151,558</u>

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 5% and remuneration of directors and supervisors at rates of no higher than 1%, of the remaining profit after deducting accumulated losses.

2. For the years ended December 31, 2021 and 2020, based on the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at \$46,872 and \$44,767, respectively, while the remuneration of directors were estimated at \$4,500 and \$4,050, respectively, which are recognized as salaries and wages.

Employees' compensation and directors' remuneration for 2020 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2020 financial statements., which were \$44,767 and \$4,050, respectively. Employees' compensation have been paid in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(XXIV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax from current income	\$ 112,148	\$ 119,296
Surtax on undistributed Retained Earnings	-	1,147
Adjustments in respect of prior period	( 2,941 )	( 2,405 )
Total current income tax	<u>109,207</u>	<u>118,038</u>
Deferred tax		
Origination and reversal of temporary differences	3,073	20,529
Income tax expense	<u>\$ 112,280</u>	<u>\$ 138,567</u>

(2) Income tax relative to other comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Currency translation differences	( \$ 3,968 )	( \$ 2,365 )

2. Reconciliation between income tax expense and accounting profit

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Income tax calculated by based on profit before tax and statutory tax rate (Note)	\$ 146,934	\$ 142,513
Expenses disallowed by tax regulation	380	5,075
Tax exempt income by tax regulation	( 29,000 )	( 7,150 )
Temporary differences unrecognized as deferred tax assets	( 3,093 )	( 613 )
Prior year income tax overestimation	( 2,941 )	( 2,405 )
Income tax on undistributed earnings	-	1,147
Income tax expense	<u>\$ 112,280</u>	<u>\$ 138,567</u>

Note: The basis of the applicable tax rate is depends on the the relevant country regulation.

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

		2021				
		January 1	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange rate changes	December 31
Deferred tax assets:						
Temporary differences:						
Unrealized provisions for warranty	\$	6,947	\$ 138	\$ -	\$ -	\$ 7,085
Unrealized gross margin		8,398	4,309	-	-	12,707
Decline in value of inventories		20,940	( 415 )	-	-	20,525
Currency translation differences		5,079	-	3,968	-	9,047
Others		9,262	( 1,012 )	-	( 57 )	8,193
Subtotal	\$	50,626	\$ 3,020	\$ 3,968	( \$ 57 )	\$ 57,557
Deferred tax liabilities:						
Investment income from foreign investees	( \$	31,678 )	( \$ 7,760 )	\$ -	\$ -	( \$ 39,438 )
Others	(	1,711 )	1,667	-	44	-
Sub-total	( \$	33,389 )	( 6,093 )	-	44	( \$ 39,438 )
Total	\$	17,237	( \$ 3,073 )	\$ 3,968	( \$ 13 )	\$ 18,119

		2020				
		January 1	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange rate changes	December 31
Deferred tax assets:						
Temporary differences:						
Unrealized provisions for warranty	\$	9,115	( \$ 2,168 )	\$ -	\$ -	\$ 6,947
Unrealized gross margin		10,703	( 2,305 )	-	-	8,398
Decline in value of inventories		28,119	( 7,179 )	-	-	20,940
Currency translation differences		2,714	-	2,365	-	5,079
Others		11,912	( 2,520 )	-	( 130 )	9,262
Subtotal	\$	62,563	( \$ 14,172 )	\$ 2,365	( \$ 130 )	\$ 50,626
Deferred tax liabilities:						
Investment income from foreign investees	( \$	26,999 )	( \$ 4,679 )	\$ -	\$ -	( \$ 31,678 )
Others	(	61 )	( 1,678 )	-	28	( 1,711 )
Sub-total	( \$	27,060 )	( 6,357 )	-	28	( \$ 33,389 )
Total	\$	35,503	( \$ 20,529 )	\$ 2,365	( \$ 102 )	\$ 17,237

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

	Certification		
(1) The Company, AAEONI, ONYX and IHELPER	2019		
<u>(XXV) Earnings per share</u>			
	For the year ended December 31, 2021		
	Amount after-tax	Weighted average outstanding shares (in thousand)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	\$ 451,025	106,803	\$ 4.22
<u>Diluted earnings per share</u>			
Dilutive effect of potential ordinary shares	\$ 451,025	106,803	
Employees' bonuses		794	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	\$ 451,025	107,597	\$ 4.19

	For the year ended December 31, 2020		
	Amount after-tax	Weighted average outstanding shares (in thousand)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	\$ 382,810	106,800	\$ 3.58
<u>Diluted earnings per share</u>			
Dilutive effect of potential ordinary shares	\$ 382,810	106,800	
Employees' bonuses		725	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	\$ 382,810	107,525	\$ 3.56

1. The Company's employee stock options were not included in the calculation of diluted earnings per share due to its anti-dilutive impact on earnings per share in 2020 and 2020.
2. The Company applies the equity method for the exchange of shares with IBASE, and applies the treasury stock method for investments on IBASE. In calculating earnings per share, the Company recognizes IBASE's shareholding as treasury shares which is a deduction from equity.

(XXVI) Supplemental cash flow information

Investing activities with partial cash payments:

	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 317,393	\$ 19,265
Add: Opening balance of payable on equipment	1,296	2,108
Less: Ending balance of payable on equipment	( 2,760 )	( 1,296 )
Cash paid during the period	<u>\$ 315,929</u>	<u>\$ 20,077</u>

(XXVII) Changes in liabilities arising from financing activities

	2021			
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liability	Total
January 1	\$ 38,875	\$ -	\$ 34,069	\$ 72,944
Changes in cash flow from financing	67,217	165,787	( 38,945 )	194,059
Effect on changes in exchange rate	( 1,092 )	-	( 1,136 )	( 2,228 )
Changes in others without cash flow	-	-	88,954	88,954
Cash paid during the period	<u>\$ 105,000</u>	<u>\$ 165,787</u>	<u>\$ 82,942</u>	<u>\$ 353,729</u>

	2020		
	Short-term borrowings	Lease liability	Total
January 1	\$ 44,370	\$ 60,242	\$ 104,612
Changes in cash flow from financing	( 3,275 )	( 45,766 )	( 49,041 )
Effect on changes in exchange rate	( 2,220 )	( 1,017 )	( 3,237 )
Changes in others without cash flow	-	20,610	20,610
Cash paid during the period	<u>\$ 38,875</u>	<u>\$ 34,069</u>	<u>\$ 72,944</u>

VII. Related party transaction

(I) Parent and ultimate controlling party

The Company is controlled by ASUSTEK COMPUTER INC. (incorporated in R.O.C.), the ultimate parent of the Company with 40.69% ownership (including indirect shareholdings) of the Company.

(II) Related parties

Name of related party	Relation
ASUSTEK COMPUTER INC.	Ultimate parent company
IBASE TECHNOLOGY INC.	Associate - Investee accounted for under the equity method
IBASE GAMING INC.	Associate - Subsidiary of IBASE TECHNOLOGY INC.



Name of related party	Relation
LITEMAX ELECTRONICS INC.	Associate - Investee accounted for under the equity method
WINMATE INC.	Associate - Investee accounted for under the equity method by the Company's subsidiary
ATECH OEM INC.	Other related party - the Company's Chairman as a director
MACHVISION, INC.	Other related party - the Company's Chairman as a director
FU LI INVESTMENT INC.	Other related party - the Company's Chairman as Fuli's Chairman
EVERFOCUS ELECTRONICS CORP.	Other related party - the Company's Chairman as EVERFOCUS ELECTRONICS CORP's Chairman
AAEON EDUCATION FOUNDATION	Other related party - the Company's Chairman as a director
WT MICROELECTRONICS CO.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
TECHMOSA INTERNATIONAL INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
MORRIHAN INTERNATIONAL CORP.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
NUVISION TECHNOLOGY, INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
MAXTEK TECHNOLOGY CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
HONGTECH ELECTRONICS CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
SPARK TECHNOLOGIES INC.	Other related party - the Company's Chairman is spouse of SPARK TECHNOLOGIES INC.'s Chairman
LYDS TECH.	Other related party - the Company's Chairman is spouse of LYDS TECH.'s Chairman
MEDALLIANCE INC.	Other related party - the Company's Chairman is first degree relative of MEDALLIANCE INC.'s Chairman
Yung-Shun Chuang	Other related party- the Company's Chairman
ASUS TECHNOLOGY INC.	Fellow subsidiary — same as ultimate parent entity
ASUS COMPUTER INTERNATIONAL	Fellow subsidiary — same as ultimate parent entity
ASKEY COMPUTER CORP.	Fellow subsidiary — same as ultimate parent entity

Note: WT MICROELECTRONICS CO and its subsidiaries have become the Group's related party since April 21, 2020.

(III) Significant transactions with related parties

1. Operating income

	For the years ended December 31,	
	2021	2020
Sales of goods		
Ultimate parent entity	\$ 1,390	\$ 454
Associates	1,504	1,267
Fellow subsidiary	4	-
Other related party	9,383	9,192
Total	<u>\$ 12,281</u>	<u>\$ 10,913</u>

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

## 2. Purchases

	For the years ended December 31,	
	2021	2020
Goods purchased		
Ultimate parent entity— ASUSTEK COMPUTER INC.	\$ 1,048,132	\$ 966,213
Associates	20,775	23,641
Fellow subsidiary	74	430
Other related party	103,544	51,232
Total	\$ 1,172,525	\$ 1,041,516

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

## 3. Operating expenses

	For the years ended December 31,	
	2021	2020
Ultimate parent entity	\$ 74,841	\$ 65,110
Associates	3,005	3,902
Fellow subsidiary	84	1
Other related party	4,722	4,733
Total	\$ 82,652	\$ 73,746

The above operating expenses mainly comprised technical service fees, and were presented as operating expenses – research and development expenses.

## 4. Payables from related parties

	2021/12/31	2020/12/31
Accounts Payable		
Ultimate parent entity — ASUSTEK COMPUTER INC.	\$ 75,332	\$ 55,938
Associates	331	121
Other related party	17,823	8,217
Total	\$ 93,486	\$ 64,276

## 5. Other payables

	2021/12/31	2020/12/31
Other Payables		
Ultimate parent entity	\$ 46,917	\$ 40,135
Other related party	609	210
Total	\$ 47,526	\$ 40,345

Mainly comprises technical service fee payable.

(IV) Key management remuneration

	For the years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 62,977	\$ 67,111
Post-employment benefits	1,546	1,525
Total	\$ 64,523	\$ 68,636

VIII. Pledged Assets

The Group's pledged assets are summarized below:

Pledged assets	Book value		Guarantee purpose
	2021/12/31	2020/12/31	
Property, Plant and Equipment	\$ 470,670	\$ 200,011	Loans and credit limits
Restricted time deposit (including other current assets)	830	854	Foreign exchange forward transactions, Office, warehouse deposit and project guarantee deposit.
Guarantee deposits (including Other current and non-current assets)	10,448	11,091	
	\$ 481,948	\$ 211,956	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of December 31, 2021, the Group has issued a promissory note of \$ 450,000 required for the application a comprehensive credit line and transactions of derivatives.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

For the 2021 surplus distribution proposed by the board of directors in February 25, 2022, please refer to Note 6 (17) 6.

XII. Others Matters

(I) Capital management

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

(II) Financial instrument

1. Type of financial instrument

	<u>2021/12/31</u>	<u>2020/12/31</u>
<u>Financial asset</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 490,523	\$ 525,596
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	32,381	2,381
Financial assets at amortized cost/ loans and receivables		
Cash and cash equivalents	1,841,520	2,727,931
Notes receivable	23,655	16,870
Accounts receivable	1,174,099	661,456
Other receivables	57,692	21,773
Restricted time deposit (including other current assets)	830	854
Refundable deposits (including other non-current assets)	10,448	11,091
	<u>\$ 3,631,148</u>	<u>\$ 3,967,952</u>
<u>Financial liability</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 105,000	\$ 38,875
Notes payable	-	725
Accounts payable	580,911	327,414
Other payables	433,117	385,235
Long-term borrowings (including current portion)	165,787	-
	<u>\$ 1,284,815</u>	<u>\$ 752,249</u>
Lease liabilities (including current and non-current)	<u>\$ 82,942</u>	<u>\$ 34,069</u>

2. Risk management policy

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

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

(1) Interest rate risk:

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

(2) Exchange rate risk:

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

(3) Credit risk:

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

3. The nature and level of material financial risks

(1) Market risk

Exchange rate risk

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

		2021/12/31		
		Foreign currency (in thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	49,575	27.68	\$ 1,372,236
EUR:NTD		427	31.32	13,374
USD:CNY		588	6.37	16,276
USD:SGD		309	1.35	8,553
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	13,513	27.68	\$ 374,040
EUR:NTD		431	31.32	13,499
USD:CNY		2,012	6.37	55,692
USD:SGD		687	1.35	19,016

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

- E. The overall realized and unrealized foreign exchange losses of the Group's monetary items that may be significantly affected by exchange rate fluctuations in 2021 and 2020 were \$29,237 and \$45,749 respectively.
- F. The Group's foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

		For the year ended December 31, 2021		
		Sensitivity analysis		
		Extent of change	Effect on income	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	13,722	\$ -
EUR:NTD	1%		134	-
USD:CNY	1%		163	-
USD:SGD	1%		86	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	3,740	\$ -
EUR:NTD	1%		135	-
USD:CNY	1%		557	-
USD:SGD	1%		190	-

For the year ended December 31, 2020

Sensitivity analysis

	Extent of change	Effect on income	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 9,813	\$ -
EUR:NTD	1%	299	-
USD:CNY	1%	28	-
USD:SGD	1%	76	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,207	-
EUR:NTD	1%	72	-
USD:CNY	1%	450	-
USD:SGD	1%	168	-

Price risk

- A. The Group's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group mainly invests in equity instruments and open-end funds issued by domestic companies. The value of equity instruments is susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase or decrease of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase or decrease net income for the years ended December 31, 2021 and 2020 by \$4,546 and \$4,807, respectively. A change of 1% in the price of the aforementioned financial assets at fair value through other comprehensive income could increase or decrease the Group's other comprehensive income for the years ended December 31, 2021 and 2020, amounted to \$324 and \$24.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises mainly from long-term and short-term borrowings issued at variable rates, which exposes the Group to cash flow interest rate risk is partially offset by cash and cash equivalents held at variable rates. During the year ended December 31, 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in USD.
- B. Assuming all other factors remain unchanged, if the NTD borrowing rate rises or falls by 0.25%, net income for the year ended December 31, 2021 will decrease or increase by \$677, mainly due to changes in interest expenses that arise from floating rate borrowings.
- C. Assuming all other factors remain unchanged, if the USD borrowing rate rises or falls by 0.25%, net income for the year ended December 31, 2020, will decrease or increase by \$97, mainly due to changes in interest expenses that arise from floating rate borrowings.

(2) Credit risk

- A. The Group's credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge its obligation under the contract, which is mainly due to the inability of counterparties to meet the terms of their contracts for collecting the cash flows of the receivables.
- B. The Group establishes credit risk policies based on its own risk management perspective. In accordance with internal credit policies, credit risks are required to be managed and analyzed before each of the Group's operating entity set up the terms and conditions for payment and delivery for each new customer. The internal risk control system evaluates the customers' credit quality based on their financial conditions, past experience and other factors. Individual risk exposure limits are set by the board of directors based on internal or external risk ratings, and credit lines are monitored on a regular basis.
- C. The Group adopts IFRS 9 to provide a presumption that default has occurred when contractual payments are more than 90 days past due.
- D. The Group adopts IFRS 9 to provide the following presumption as basis for judging whether the credit risk on a financial instrument has increased significantly since the initial recognition:

It is deemed that credit risk after the original recognition of financial assets has increased significantly when contractual payments are more than 30 days past due.

- E. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- F. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2021, and 2020, the Group had no recourse claims that had been written off.
- G. (1) Expected loss rate for customers of the outstanding credit group is estimated at 0.2%. Total accounts receivable and loss provisions for this group of customers were reported at: \$636,344 and \$340 as of December 31, 2021; \$338,509 and \$293 as of December 31, 2020.

(2) The Group considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2021 and 2020 is as follows:

	Not yet due	Past due within 30 days	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	Total
<u>2021/12/31</u>							
Expected loss rate	0%~1.62%	0%~5.75%	0%~21.18%	0%~43.44%	1.54%~52.04%	100%	
Total book value	\$ 469,261	\$ 79,263	\$ 6,671	\$ 4,725	\$ 1,667	\$ 15,158	\$ 576,745
Loss allowance	\$ 532	\$ 700	\$ 97	\$ 743	\$ 833	\$ 15,158	\$ 18,063

	Not yet due	Past due within 30 days	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	Total
<u>2020/12/31</u>							
Expected loss rate	0%~1.74%	0.01%~5.74%	0.15%~23.13%	0.49%~46.95%	2.92%~63.89%	100%	
Total book value	\$ 282,163	\$ 46,104	\$ 9,415	\$ 689	\$ 1,071	\$ 15,210	\$ 354,652
Loss allowance	\$ 35	\$ 154	\$ 408	\$ 69	\$ 261	\$ 15,210	\$ 16,137

- (3) The total book values of the accounts receivable-related parties as of December 31, 2021 and 2020 were \$3,068 and \$1,595, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of \$0.



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

	Notes and accounts receivable (including related parties)	
	2021	2020
January 1	\$ 16,430	\$ 24,144
Write off (Reverse) of impairment loss	2,160 (	7,887 )
Net exchange difference	( 187 )	173
December 31	\$ 18,403	\$ 16,430

From the loss recognized for the years ended December 31, 2021 and 2020, the impairment losses and the reverse of impairment loss for accounts receivable arising from customer contracts were \$2,160 and \$7,887, respectively.

(3) Liquidity risk

- A. Cash flow is forecasted by each of the Group's operating entity and summarized by the finance department. The Group's finance department monitors liquidity forecasting to ensure that it has sufficient funds to meet the operational requirements.
- B. The Group had available borrowing limits of \$539,913 and \$569,256 as of December 31, 2021 and 2020, respectively.
- C. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, whereas derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

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

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

(III) Information on fair value

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

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

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

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

2. Financial instruments not measured at fair value

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

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

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

2021/12/31	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
<b>Asset</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 393,132	\$ 4,575	\$ 56,854	\$ 454,561
Beneficiary certificates	26,510	-	-	26,510
Hybrid instruments	-	-	9,452	9,452
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	32,381	32,381
Total	<u>\$ 419,642</u>	<u>\$ 4,575</u>	<u>\$ 98,687</u>	<u>\$ 522,904</u>

2020/12/31	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
<b>Asset</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 416,967	\$ 5,055	\$ 58,710	\$ 480,732
Beneficiary certificates	33,846	-	-	33,846
Hybrid instruments	-	-	11,018	11,018
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
<b>Total</b>	<u>\$ 450,813</u>	<u>\$ 5,055</u>	<u>\$ 72,109</u>	<u>\$ 527,977</u>

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

	<u>Listed and OTC stocks</u>	<u>Open-end funds</u>
Market quoted price	Closing prices	Net asset value
B. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.		
C. The Group adopts valuation techniques widely used by market participants for evaluating non-standardized and less complex financial instruments. The parameters used in the valuation models of such financial instruments are usually market observable information.		
D. The evaluation of derivatives is based on the valuation model generally accepted by market users, such as the discount method. Foreign currency forward contracts are usually evaluated based on the current forward exchange rates.		
E. The output of the evaluation model is an estimated value, and the valuation technique may not reflect all the relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted based on additional parameters, such as the model risk or liquidity risk. According to the Group's management policies of fair value valuation model and related control procedures, its management believes that valuation adjustments are appropriate and necessary for the fair values of financial and non-financial instruments to be presented fairly in the consolidated balance sheet. The price information and parameters used in the evaluation process are carefully evaluated, with appropriate adjustments according to current market conditions.		

4. For the year ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

5. The following table shows changes in 3rd level inputs in 2021 and 2020:

	2021		2020	
	Equity instruments		Equity instruments	
January 1	\$	72,109	\$	67,627
Additions		30,000		-
Recognized in profit (loss) (Note )	(	3,422 )		4,482
December 31	\$	98,687	\$	72,109

Changes in unrealized gains or losses on assets and liabilities owned at the end of the period

( \$ 3,422 ) \$ 4,482

Note : Recognized as other gains (losses).

6. There was no transfer into or out from Level 3 for the year ended December 31, 2021 and 2020.
7. The financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and any other necessary adjustments to the fair value.

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

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

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

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

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

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

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

#### (IV) Other issues

Due to the impact of the COVID-19, upstream components and related materials are short of materials and the prices of related materials have increased. However, the company adopted adjustments to relevant procurement and stocking policies in response to the epidemic. The operating income in the year 2021 increased compared with the previous year since pulling goods gradually stabilized. The Group will continue to evaluate and manage the above issues.

### XIII. Disclosures

#### (1) Information on significant transactions

- A. Financing provided: None.
- B. Endorsements and guarantees provided: None.
- C. Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to schedule 1.
- D. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None.
- E. Acquisition of real estate properties at costs of at least \$300 million or 20% of the paid-in capital: None.
- F. Disposal of real estate properties at prices of at least \$300 million or 20% of the

paid-in capital: None.

- G. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Please refer to schedule 2.
- H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to schedule 3.
- I. Trading in derivative instruments undertaken during the reporting period: Please refer to Note 6 (2) and (10).
- J. Intercompany relationships and significant intercompany transactions: Please refer to Schedule 4.

(2) Information on investees

Names, locations and related information of investees (excluding investments in China): Please refer to Schedule 5.

(3) Information on investments in China

- A. Basic information: Please refer to Schedule 6.
- B. Information on investments in China - Investee significant transactions for invested businesses in China, either directly or indirectly through a third area: Please refer to Schedule 4.

(4) Information of major shareholders

Name and information of shareholders with more than 5% shareholding interest: Please refer to Schedule 7

XIV. Segment information

(1) General information

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

(2) Measurement of segment information

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

(3) Segment information

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

	For the year ended December 31, 2021			
	IPC	Medical PC	Elimination	Total
Revenue from external customers	\$ 5,156,832	\$ 1,190,872	\$ -	\$ 6,347,704
Revenue from internal segments	196,107	10,888	( 206,995 )	-
Segment revenue	<u>\$ 5,352,939</u>	<u>\$ 1,201,760</u>	<u>( \$ 206,995 )</u>	<u>\$ 6,347,704</u>
Segment profit or loss	<u>\$ 485,920</u>	<u>\$ 140,113</u>	<u>\$ -</u>	<u>\$ 626,033</u>
Segment profit or loss includes:				
Depreciation and amortization	<u>\$ 77,426</u>	<u>\$ 23,107</u>	<u>\$ -</u>	<u>\$ 100,533</u>

	For the year ended December 31, 2020			
	IPC	Medical PC	Elimination	Total
Revenue from external customers	\$ 4,566,476	\$ 1,331,709	\$ -	\$ 5,898,185
Revenue from internal segments	266,270	15,595	( 281,865 )	-
Segment revenue	\$ 4,832,746	\$ 1,347,304	( \$ 281,865 )	\$ 5,898,185
Segment profit or loss	\$ 400,126	\$ 202,612	\$ -	\$ 602,738
Segment profit or loss includes:				
Depreciation and amortization	\$ 81,645	\$ 26,081	\$ -	\$ 107,726

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

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

(4) Reconciliation for segment income

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

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	2021		2020	
	Income	Non-current assets	Income	Non-current assets
Taiwan	\$ 2,795,219	\$ 748,326	\$ 2,740,841	\$ 414,611
China	664,340	76,790	578,295	88,884
Singapore	153,298	25	167,856	874
USA	1,729,592	144,482	1,755,011	150,740
Europe	1,005,255	14,643	656,182	26,272
Total	\$ 6,347,704	\$ 984,266	\$ 5,898,185	\$ 681,381

The above non-current assets exclude financing instruments, deferred income tax assets and certain other non-current assets.

(6) Major customer information

The Group's customers exceeding 10% of consolidated operating income in 2021 and 2020 is as follows:

	2021	2020
A	\$ 311,089	\$ 455,921

## AAEON Technology Inc. and Subsidiaries

## MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2021

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

Schedule 1

Holding company	Marketable securities type and name				2021/12/31				
	Type	Name (Note 1)	Relationship with the Company	Financial Statement Account	Shares	Carrying value (Note2)	Percentage of Ownership (%)	Fair value	Remarks
AAEON Technology Inc.	Fund	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	2,091,070	\$ 26,510	-	\$ 26,510	None
"	Stock	Advantech Co.,Ltd.	"	"	802	318	-	318	"
"	"	MACHVISION,INC.	Other related party - the Company's Chairman as a director	"	1,180,198	329,275	2.64	329,275	"
"	"	ATECH OEM INC.	"	"	234	3	-	3	"
"	"	Unitech Electronics Co., Ltd.	None	"	549,657	12,285	0.73	12,285	"
"	"	LILEE SYSTEMS Ltd.	"	"	468,750	-	-	-	"
"	"	Allied Biotech Co.	Other related party - the Company's Chairman as a director	"	300,000	4,575	0.31	4,575	"
"	"	TELEION WIRELESS, INC.	None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,359	19.29	19,359	"
"	"	V-Net AAEON Corporation Ltd.	"	"	29	9,452	14.50	9,452	Note 3
AAEON INVESTMENT CO., LTD.	Stock	ATECH OEM INC.	Other related party - the Company's Chairman as a director	Financial assets at fair value through profit or loss - current	3,456,000	41,126	5.82	41,126	None
"	"	Sunengine Co., Ltd.	"	"	156,903	1,089	2.75	1,089	"
ONYX HEALTHCARE INC.	"	MACHVISION,INC.	"	Financial assets at fair value through profit or loss - current	18,716	5,222	0.04	5,222	"
"	"	TOP UNION ELECTRONICS CORP.	None	"	169,658	4,903	0.17	4,903	"
"	"	INNO FUND III	"	Financial assets at fair value through profit or loss - non-current	3,000,000	36,406	13.04	36,406	"
"	"	MELTEN CONNECTED HEALTHCARE INC.	"	Financial asset at fair value through other comprehensive income - non-current	4,193,548	2,381	6.61	2,381	"
"	"	PROTECTLIFE INTERNATIONAL BIOMEDICAL INC	"	"	2,500,000	30,000	6.30	30,000	"

Note1: The "securities" above refer to stocks, bonds, beneficiary certificates and derivatives included in IFRS 9 "Financial Instruments"

Note2: For those measured at fair value, please enter the carrying value after the valuation adjustment of fair value and deduction of accumulated impairment in the carrying value column. As for those assets not measured at fair value, please enter the carrying value of initial acquisition cost or amortized cost after deducting accumulated impairment in the carrying value column.

Note3: Hybrid contract with embedded options.



AAEON Technology Inc. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

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

Company Name	Related Party	Nature of Relationship	Purchase (sales)	Transaction			Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note)		Accounts and notes receivable (payable)		Note
				Amount	Percentage to total purchase (sales) (%)	Payment terms	Unit Price	Payment terms	Ending Balance	Percentage to total accounts and notes receivable or payable (%)	
AAEON Technology Inc.	ASUSTEK COMPUTER INC	Parent	Purchases	\$ 1,048,132	29.30	month-end 30 days	-	-	( \$ 75,332 )	( 16.65 )	
"	AAEON ELECTRONICS, INC.	Subsidiary	(Sales)	( 983,439 )	( 22.20 )	month-end 60 days	-	-	220,205	21.49	
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	"	( 707,740 )	( 15.97 )	"	-	-	221,870	21.66	
"	AAEON TECHNOLOGY (SUZHOU) INC.	"	"	( 311,994 )	( 7.04 )	"	-	-	53,464	5.22	
"	ONYX HEALTHCARE USA, INC.	"	"	( 122,769 )	( 2.77 )	"	-	-	25,449	2.48	
ONYX HEALTHCARE USA, INC.	ONYX HEALTHCARE USA, INC.	"	"	( 277,974 )	( 29.72 )	month-end 90 days	-	-	99,253	45.38	

Note: The reasons for difference between the related party transaction terms and the arms length terms of transaction shall be described in the price and loan term section.

AAEON Technology Inc. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

Schedule 3

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

Company Name	Related Party	Nature of Relationship	Ending balance (Note 1)	Turnover (%)	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action taken		
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	Subsidiary	\$ 220,205	7.17	\$ -	-	\$ 217,321	\$ -
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	221,870	4.73	-	-	68,217	-

Note: Please fill in separately based on accounts receivable, notes and other receivables of related parties.

AAEON Technology Inc. and Subsidiaries  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
(ONLY TRANSACTIONS AMOUNTING TO AT LEAST \$100 MILLION ARE DISCLOSED)

FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 4

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

Serial No. (Note 1)	Company Name	Related Party	Nature of relationships (Note 2)	Intercompany transaction			As a percentage of consolidated revenues or total assets (%) (Note 3)
				Financial Statement Account	Amount	Terms	
0	AAEON Technology Inc.	AAEON ELECTRONICS, INC.	1	Net sales	\$ 983,439	month-end 60 days	15.49
"	"	AAEON TECHNOLOGY (EUROPE) B.V	1	Net sales	707,740	"	11.15
"	"	AAEON TECHNOLOGY (SUZHOU) INC.	1	Net sales	311,994	"	4.92
"	"	ONYX HEALTHCARE USA, INC.	1	Net sales	122,769	"	1.93
		AAEON ELECTRONICS, INC.	1	Account receivable	220,205		2.16
		AAEON TECHNOLOGY (EUROPE) B.V.	1	Account receivable	221,870		2.17
1	ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	3	Net sales	277,974	month-end 90 days	4.38

Note 1: Intercompany transactions should be indicated in the numbered columns individually. The number is filled in as follows:

(1) Parent company is numbered 0.

(2) Subsidiaries are numbered sequentially according to company name from Arabic numeral 1.

Note 2: There are three types of relationships with counterparties (Disclosure is not required for the same intercompany transactions. For example: If the parent has already disclosed the intercompany transaction, the subsidiary is not required to disclose the same transaction.

For intercompany transactions between subsidiaries, if one of the subsidiary has already disclosed the transaction, the other subsidiary is not required to disclose the same transaction)

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: The calculation of transaction amount as a percentage of consolidated net revenue or total assets: in the case of financial statement accounts, ending balance is divided by consolidated total assets; in the case of income statement accounts, cumulative amount in the period is divided by consolidated net revenue.

Note 4: There is no need to disclose transactions of no more than \$100 million, and transactions shall be disclosed as assets and income.

AAEON Technology Inc. and Subsidiaries  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2020			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/12/31	2020/12/31	Shares	Percentage (%)	Carrying Amount			
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	\$ 135,632	\$ 139,552	490,000	100.00	\$ 221,656	\$ 25,783	\$ 25,783	
"	AAEON TECHNOLOGY CO.,LTD	British Virgin Islands	Investment of IPC and interface card	243,780	250,826	8,807,097	100.00	240,950	27,032	26,811	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,132	3,502	-	100.00	31,446	5,245	5,245	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	11,936	12,577	465,840	100.00	53,253	6,990	6,990	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	119,379	( 5,175 )	( 5,175 )	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	73,358	73,358	15,132,074	50.00	498,548	127,551	63,961	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	11.99	103,896	112,149	12,604	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	31.91	3,257,009	312,547	11,609	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	940	1,051	-	100.00	19,044	811	-	Note1

AAEON Technology Inc. and Subsidiaries  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2020			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/12/31	2020/12/31	Shares	Percentage (%)	Carrying Amount			
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	USA	Sales of medical PC and peripherals	\$ 55,360	\$ 56,960	200,000	100.00	\$ 94,100	( \$ 631 )	-	Note1
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,132	3,502	100,000	100.00	11,672	4,215	-	"
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	7,557	( 1,930 )	-	"
"	WINMATE INC.	"	Bid quotations, distributions and sales of LCD application equipment and modules	552,783	538,199	10,041,000	13.85	561,275	364,706	-	"

Note 1: According to relevant regulations, there is no need to fill in investment profit and loss disclosed in this period.

Note 2: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2021, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 6

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

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Methods of investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Investee profit or loss for the period	The Company's direct or indirect holding percentage	Share of Profits / Losses (Note 2. (2)C)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Remarks
					Outflow	Inflow							
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	\$ 240,547	2	\$ 240,547	\$ -	\$ -	\$ 240,547	\$ 27,177	100%	\$ 27,177	\$ 249,690	\$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	60,896	1	55,360	5,536	-	60,896	( 2,588 )	100%	( 2,588 )	7,508	-	
					Investment Amounts Authorized by	Upper Limit on Investment Authorized by							
<u>Company Name</u>	<u>Ending Balance of Accumulated Investment in Mainland China</u>	<u>Investment Commission, MOEA</u>	<u>Investment Commission, MOEA</u>										
AAEON Technology Inc.	\$ 240,547	\$ 240,547	\$ 5,034,317										
Onyx Technology Inc.	60,896	60,896	620,860										

Note 1: The methods of investment are listed below, please mark the category on schedule:

- (1) Investment in China companies directly.
- (2) Investment in China companies through AAEON TECHNOLOGY CO., LTD in a third region.
- (3) Other methods of investing in China.

Note 2: The column of investment profit or loss for the period:

- (1) It should be noted if the entity was in preparation stage without profit or loss on investment.
- (2) It should be noted that the basis of recognizing the profit or loss on investment includes the following:
  - A. Based on financial statements reviewed by an international accounting firm that is in collaboration with an accounting firm in the Republic of China.
  - B. Based on financial statements reviewed by auditor of the parent company in Taiwan.
  - C. Other basis

Note 3: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2021, while others are converted to NTD under the exchange rate at the end period of the financial report.

AAEON Technology Inc. and Subsidiaries  
INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021

Schedule 7

Name of major shareholder	Shares	
	Total Shares Owned	Ownership (%)
ASUSTEK COMPUTER INC.	43,756,000	29.442
IBASE TECHNOLOGY INC.	41,698,468	28.057
Yung-Shun Chuang	19,664,000	13.231
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.624
HUA-MIN INVESTMENT CO., LTD.	8,359,000	5.624

Note 1: In this chart, major shareholders are defined as shareholders with more than 5% collective holding interest in common and preferred shares that have been delivered via book entry (including treasury stocks), as shown in the records of TDCC on the final business day of each quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.

Note 2: For shareholders who have placed shareholding under trust, the above information shall be provided based on trust accounts created by the trustee. In which case, these shareholders may be required under the Securities and Exchange Act to make regulatory reporting on insiders with more than 10% ownership interest, which include shares held in own name and shares placed under trust that the shareholder has control over. Refer to Market Observation Post System for information on the reporting of insider shareholding

## Attachment 3: 2021 Individual Financial Report

### Independent Auditors' Report

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

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

#### **Opinion**

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

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matter section of our report, the separate financial statements present fairly, in all material respects, the separate financial position of AAEON as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

#### **Basis for opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of AAEON in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

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

Key audit matters for the separate financial statements in the current period are stated as follows:

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

##### Description

Refer to Note 4(22) for the accounting policies on revenue recognition, and Note 6(14) for the details of operating revenue.

AAEON is primarily engaged in the design, manufacturing and sales of industrial computers and peripherals. Since product orders are affected by project cycles, the Company needs to focus on entering new markets and accepting orders of new projects, there will be changes in the top ten customers. After comparing the top ten sales customers in the Taiwan in 2021 and 2020, the incorporation of newly listed top ten sales customers has a significant impact on the Company's operating revenue. With that, we listed the existence for incorporating the revenues of AAEON's newly listed top ten sales customers as one of the key audit matters.



### How our audit addressed the matter

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

1. Assess and test the financial statements, the internal control procedures of sales transactions are based on the Company's internal control system.
2. View the relevant industry background information of newly listed top ten sales customers.
3. Obtain and select relevant vouchers for the transactions involving operating revenue of the newly listed top ten sales customers.

### **Evaluation of inventories**

#### Description

Refer to Note 4(9) for the accounting policies on the evaluation of inventories; Note 5 for the uncertainty of accounting estimate and assumptions for evaluation of inventories, and Note 6(4) for the details of inventory.

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

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

### How our audit addressed the matter

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

1. Assess the policy on allowance for inventory valuation loss based on our understanding of the operations and industry of AAEON.
2. Inspect the managements individually identified out-of-date inventory list and checked the related supporting documents.
3. Test the basis of market value used in calculating the net realizable valued of inventory and validated the accuracy of net realizable value calculation of selected samples.

### **Impairment loss on investments accounted for under equity method**

#### Description

Refer to Note 4(10) for accounting policies on investments accounted for under equity method; refer to Note 5 for the uncertainty of accounting estimates and assumptions of investments accounted for under equity method; refer to Note 6 (5) for the details of investments accounted for under equity method.

AAEON's investment premium on IBASE TECHNOLOGY INC. (hereinafter referred to as "IBASE") under equity method is the recoverable amount estimated by calculating the value in use, and is used as the basis for impairment assessment. Since the assessment of value in use involves the management's subjective estimates of future cash flows and discounted cash flows at the appropriate discount rate, we believe that the 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 accounted for under equity method - IBASE's assessment on reduced premium is listed as one of the key audit matters.

#### How our audit addressed the matter

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

1. Understand and measure the corresponding policies and precedures of management for impairment loss, includes collecting internal and external resourse, long and short-term operational prospect mearsurement and industry change situation.
2. Obtain valuation report issued by the expert's nominated by the management of the Company, and performed audit procedures as follows:
  - (1) Review the expert qualification for assessing their independency, objectivity and competency.
  - (2) Assess the valuation model adopted by expert and the reasonableness of future cash flow based on our understanding of the operations and industry of IBASE.
  - (3) Assess the relevance and reasonableness of material assumption adopted by expert (including estimated revenue growth, gross profit margin, operating expense ratio and discount rate), and inspect the accuracy of calculation.

#### **Other matters – reference to the audits of other independent auditors**

We did not audit the financial statement of certain investments accounted for under equity method. These investments accounted for under equity method amountded to \$3,922,180 thousand and \$3,432,055 thousand, constituting 43.98% and 40.04% of total assets as of December 31, 2021 and 2020, respectively, and the comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to \$76,303 thousand and (\$31,129) thousand, respectively, constituting for 17.36% and (7.92%) of total comprehensive income for the years ended December 31, 2021 and 2020, respectively. The financial statements of these investments accounted for under equity method were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

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

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

In preparing the separate financial statements, management is responsible for assessing the ability to AAEON to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate AAEON or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

PwC Taiwan

Certified Public Accountant

Weng, Shih-Jung

Lin, Chun-Yao

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


Securities Commission, Ministry of Finance  
Approval reference: (1996) Tai-Tsai-Cheng (VI) No. 68702

February 25, 2022

#### **Notes to Readers**


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

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

  
 AAEON Technology Inc.  
 SEPARATE BALANCE SHEETS  
 DECEMBER 31, 2021 AND 2020  
 (Expressed In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current asset</b>						
1100	Cash and cash equivalents	6 (1)	\$ 1,362,293	15	\$ 2,131,484	25
1110	Financial asset at fair value through	6 (2)				
	profit or loss - current		372,966	4	390,461	5
1150	Net notes receivable	6 (3)	2,793	-	-	-
1170	Net accounts receivable	6 (3)	477,969	5	194,816	2
1180	Accounts receivable - net amount of	7				
	related party		543,690	6	221,383	3
1200	Other receivables	7	35,039	1	18,314	-
130X	Inventories	6 (4)	1,057,634	12	553,939	6
1410	Prepayments		45,299	1	28,704	-
11XX	<b>Total current assets</b>		<u>3,897,683</u>	<u>44</u>	<u>3,539,101</u>	<u>41</u>
<b>Non-current assets</b>						
1510	Financial asset at fair value through	6 (2)				
	profit or loss - non-current		28,811	-	30,378	-
1550	Investments accounted for under	6 (5)				
	equity method		4,526,137	51	4,576,864	54
1600	Property, plant and equipment	6 (6)	325,869	4	360,601	4
1755	Right-of-use assets	6 (7) and 7	48,419	1	2,336	-
1760	Investment property		31,648	-	-	-
1780	Intangible assets		12,899	-	19,421	-
1840	Deferred tax assets	6 (21)	37,142	-	33,717	1
1900	Other non-current assets		8,505	-	8,447	-
15XX	<b>Total non-current assets</b>		<u>5,019,430</u>	<u>56</u>	<u>5,031,764</u>	<u>59</u>
1XXX	<b>Total assets</b>		<u>\$ 8,917,113</u>	<u>100</u>	<u>\$ 8,570,865</u>	<u>100</u>

(Continued)

  
**AAEON Technology Inc.**  
**SEPARATE BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
 (Expressed In Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current liability</b>						
2130	Contract liability - current	6 (14)	\$ 76,855	1	\$ 80,279	1
2170	Accounts payables		348,184	4	171,059	2
2180	Accounts payables - related party	7	104,174	1	63,227	1
2200	Other payables	6 (8), 7	318,158	4	286,319	3
2230	Current tax liabilities		54,678	1	40,349	1
2250	Provisions - current		21,138	-	20,694	-
2280	Lease liability - current		21,816	-	2,397	-
2399	Other current liabilities - other		26,501	-	22,326	-
21XX	<b>Total current liabilities</b>		<u>971,504</u>	<u>11</u>	<u>686,650</u>	<u>8</u>
<b>Non-current liabilities</b>						
2527	Contract liability - non-current	6 (14)	5,203	-	6,773	-
2550	Provisions - non-current		6,014	-	5,427	-
2570	Deferred tax liabilities	6 (21)	38,161	1	30,601	1
2580	Lease liability - non-current		27,062	-	-	-
2600	Other non-current liabilities		411	-	293	-
25XX	<b>Total non-current liabilities</b>		<u>76,851</u>	<u>1</u>	<u>43,094</u>	<u>1</u>
2XXX	<b>Total liabilities</b>		<u>1,048,355</u>	<u>12</u>	<u>729,744</u>	<u>9</u>
<b>Equity</b>						
<b>Share capital</b>						
		6 (11)				
3110	Share capital-common stock		1,484,985	17	1,484,985	17
3140	Advance receipts for share capital		1,200	-	-	-
<b>Capital surplus</b>						
		6 (12)				
3200	Capital surplus		5,433,926	60	5,473,802	63
<b>Retained earnings</b>						
		6 (13)				
3310	Legal reserve		425,624	5	387,553	5
3320	Special reserve		53,278	1	63,315	1
3350	Undistributed retained earnings		534,550	6	484,744	6
<b>Other equity</b>						
3400	Other equity		(64,805)	(1)	(53,278)	(1)
3XXX	<b>Total equity</b>		<u>7,868,758</u>	<u>88</u>	<u>7,841,121</u>	<u>91</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 8,917,113</u>	<u>100</u>	<u>\$ 8,570,865</u>	<u>100</u>

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang



AAEON Technology Inc.  
**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	Notes	2021		2020	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6 (14), 7	\$ 4,430,500	100	\$ 4,085,537	100
5000 <b>Operating costs</b>	6 (4) (19) (20), 7	( 3,347,613)	( 76)	( 2,973,411)	( 73)
5900 <b>Gross profit from operations</b>		1,082,887	24	1,112,126	27
5910 Unrealized profit from sales		( 49,521)	( 1)	( 31,744)	( 1)
5920 Realized profit from sales		31,744	1	44,250	1
5950 <b>Gross profit form operations, net</b>		1,065,110	24	1,124,632	27
<b>Operating expenses</b>	6 (9) (19) (20) and 7				
6100 Selling expense		( 153,632)	( 3)	( 172,002)	( 4)
6200 General and administrative expenses		( 116,303)	( 3)	( 128,213)	( 3)
6300 Research and development expenses		( 394,732)	( 9)	( 377,457)	( 10)
6450 Expected credit impairment loss or (gain)	12 (2)	87	-	1,659	-
6000 <b>Total operating expense</b>		( 664,580)	( 15)	( 676,013)	( 17)
6900 <b>Operating income</b>		400,530	9	448,619	10
<b>Non-operating income and expenses</b>					
7100 Interest income	6 (15)	3,926	-	5,944	-
7010 Other income	6 (16)	18,022	1	21,043	1
7020 Other gains and losses	6 (17) and 7	( 28,659)	( 1)	( 78,001)	( 2)
7050 Financial costs	6 (18)	( 1,170)	-	( 278)	-
7070 Share of the profit of the subsidiaries, associates and joint ventures accounted for under equity method		147,828	3	84,270	2
7000 <b>Total non-operating income and expenses</b>		139,947	3	32,978	1
7900 <b>Profit before income tax</b>		540,477	12	481,597	11
7950 Income tax expense	6 (21)	( 89,452)	( 2)	( 98,787)	( 2)
8200 <b>Profit for the year</b>		\$ 451,025	10	\$ 382,810	9
<b>Other comprehensive income (loss)</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8330 Share of other comprehensive income of associates and joint ventures accounted for under equity method - not to be reclassified to profit or loss in subsequent periods		\$ 6,603	-	\$ 21,095	1
8310 <b>Total other comprehensive income (loss) that will not be reclassified to profit or loss</b>		6,603	-	21,095	1
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 17,138)	-	( 9,368)	-
8380 Share of other comprehensive income of associates and joint ventures accounted for under equity method - to be reclassified to profit or loss		( 3,968)	-	( 3,175)	-
8399 Income tax relating to the components of other comprehensive income	6 (21)	2,976	-	1,485	-
8360 <b>Total amount to be reclassified to profit or loss in subsequent periods</b>		( 18,130)	-	( 11,058)	-
8500 <b>Total comprehensive income</b>		\$ 439,498	10	\$ 392,847	10
<b>Basic earnings per share</b>	6 (22)				
9750 <b>Basic earnings per share</b>		\$ 4.22		\$ 3.58	
<b>Diluted earnings per share</b>	6 (22)				
9850 <b>Diluted earnings per share</b>		\$ 4.19		\$ 3.56	

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang





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

	Notes	Share Capital		Retained Earnings				Other Equity			Total
		Common shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	
<b>For the years ended December 31, 2020</b>											
Balance at January 1, 2020		\$ 1,484,985	\$ -	\$ 5,348,750	\$ 332,568	\$ 45,314	\$ 652,212	(\$ 36,180 )	(\$ 25,004 )	(\$ 2,131)	\$ 7,800,514
Profit for the period		-	-	-	-	-	382,810	-	-	-	382,810
Other comprehensive income		-	-	-	-	-	-	( 11,137 )	21,174	-	10,037
Total comprehensive income		-	-	-	-	-	382,810	( 11,137 )	21,174	-	392,847
Appropriations of 2019 earnings	6 (13)										
Legal reserve		-	-	-	54,985	-	( 54,985 )	-	-	-	-
Reversal of special reserve		-	-	-	-	18,001	( 18,001 )	-	-	-	-
Cash dividends		-	-	-	-	-	( 475,195 )	-	-	-	( 475,195 )
Effect from long-term investment that has not been recognized based on shareholding percentage	6 (12)	-	-	( 114 )	-	-	-	-	-	-	( 114 )
Change in associates and joint ventures accounted for under equity method	6 (12)	-	-	106,218	-	-	-	-	-	-	106,218
Share-based Payment	6 (10) (12)	-	-	18,948	-	-	( 2,097 )	-	-	-	16,851
Balance at December 31, 2020		\$ 1,484,985	\$ -	\$ 5,473,802	\$ 387,553	\$ 63,315	\$ 484,744	(\$ 47,317 )	(\$ 3,830 )	(\$ 2,131)	\$ 7,841,121
<b>For the year ended December 31, 2021</b>											
Balance at January 1, 2021		\$ 1,484,985	\$ -	\$ 5,473,802	\$ 387,553	\$ 63,315	\$ 484,744	(\$ 47,317 )	(\$ 3,830 )	(\$ 2,131)	\$ 7,841,121
Profit for the period		-	-	-	-	-	451,025	-	-	-	451,025
Other comprehensive income		-	-	-	-	-	-	( 18,090 )	6,563	-	( 11,527 )
Total comprehensive income		-	-	-	-	-	451,025	( 18,090 )	6,563	-	439,498
Appropriations of 2020 earnings:	6 (13)										
Legal reserve		-	-	-	38,071	-	( 38,071 )	-	-	-	-
Special reserve		-	-	-	-	( 10,037 )	10,037	-	-	-	-
Cash dividends		-	-	-	-	-	( 371,246 )	-	-	-	( 371,246 )
Capital surplus-cash dividend	6 (12)	-	-	( 74,249 )	-	-	-	-	-	-	( 74,249 )
Effect from long-term investment that has not been recognized based on shareholding percentage	6 (12)	-	-	( 1,535 )	-	-	-	-	-	-	( 1,535 )
Change in associates and joint ventures accounted for under equity method	6 (12)	-	-	9,318	-	-	-	-	-	-	9,318
Share-based Payment	6 (10) (12)	-	-	19,906	-	-	( 1,939 )	-	-	-	17,967
Employee stock options exercised	6 (10)	-	1,200	6,684	-	-	-	-	-	-	7,884
Balance at December 31, 2021		\$ 1,484,985	\$ 1,200	\$ 5,433,926	\$ 425,624	\$ 53,278	\$ 534,550	(\$ 65,407 )	\$ 2,733	(\$ 2,131)	\$ 7,868,758

Chairman: Yung-Shun Chuang



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

Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang





  
 AAEON Technology Inc.  
 SEPARATE STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
 (Expressed In Thousands of New Taiwan Dollars)

	Notes	For the years ended December 31,	
		2021	2020
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 540,477	\$ 481,597
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expenses	6. (6) (7) (19)	39,161	41,791
Amortization expenses	6. (19)	13,112	11,635
Expected credit impairment losses (gains)	12. (2) (	87 ) (	1,659 )
Costs of share-based payment awards	6. (10)	10,367	12,285
Interest income	6. (15) (	3,926 ) (	5,944 )
Dividend income	6. (16) (	13,312 ) (	15,725 )
Interest expenses	6. (7) (18)	1,170	278
Net loss from financial assets and liabilities at fair value through profit or loss	6. (2) (17)	18,679	71,610
Gain on disposal of property, plant and equipment	6. (17) (	88 )	-
Depreciation expense of investment property (other gains and losses)	6. (17)	942	-
Transferred to expenses and losses		1,800	-
Share of profit of associates accounted for under equity method		( 147,828 ) (	84,270 )
Realised (gain) loss on inter-affiliate accounts		17,777 (	12,506 )
Gain on lease modification	6. (7) (17) (	60 )	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss		( 5,381 )	80
Notes and accounts receivable (including related parties)		( 608,166 )	246,633
Other receivables		( 14,365 ) (	8,498 )
Inventories		( 503,695 )	83,077
Prepayments		( 16,966 ) (	3,683 )
Net changes in operating liabilities			
Contract liability		( 4,994 )	19,436
Notes and accounts payable (including related parties)		218,072 (	159,518 )
Other payables		32,268 (	8,999 )
Other current liabilities		4,175	1,844
Provisions for liabilities		1,031 (	8,350 )
Other non-current liabilities		118	-
Net cash from operating activities		( 419,719 )	661,114
Interest received		3,926	5,944
Interest paid	6. (7)	( 1,170 ) (	278 )
Income taxes paid		( 68,012 ) (	115,819 )
Net cash flows from operating activities		( 484,975 )	550,961

(Continued)

  
AAEON Technology Inc.  
**SEPARATE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
 (Expressed In Thousands of New Taiwan Dollars)

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

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang



  
AAEON Technology Inc.  
NOTES TO SEPARATE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan Dollars, except as of otherwise indicated)

I. Company Profile

AAEON Technology Co., Ltd. (AAEON or the Company) was established in the Republic of China. The main businesses include the manufacturing, processing, imports and exports of computer peripherals, electronic components, computer test instruments, computer PCB functional testing, and radio telecommunication equipment and its components; the R&D, design, manufacturing, processing and trading of various industrial computers, industrial controllers, quantity controllers and components; industrial computer automation design and services, as well as the import and export of related materials. The Company has been listed on Taiwan Stock Exchange since August 2017. Asustek Computer Co., Ltd. holds 40.69% of the Company's shares (including indirect holdings) and is the Company's ultimate parent company.

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

These separate financial statements were approved by the Board of Directors on February 25, 2022.

III. New or Revised Standards and Applied Interpretation

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

Standards or interpretations issued, revised or amended by IASB which are endorsed by FSC at 2021 are listed below:

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

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

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 - comparative information’	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or noncurrent”	January 1, 2023
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023

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

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance Statement

The separate financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. Except for the following significant items, these separate financial statements have been prepared under the historical cost convention:

Financial assets and liabilities (including derivatives) that have been measured at fair value

through profit or loss.

2. For the preparation of financial statements in conformity with the IFRS, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, it requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the separate financial statements are disclosed in Note 5.

(III) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The separate financial statements are presented in “New Taiwan Dollars (NTD)”, which is the Company’s functional and presentation currency.

1. Foreign currency transaction and account balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within “other gains and losses”.

2. Translation of foreign operations

The operating results and financial position of all the subsidiaries and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- A. Assets and liabilities for each balance sheets presented are translated at the closing exchange rate at the end of the financial reporting period;
- B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- C. All resulting exchange differences are recognized in other comprehensive income.

(IV) Classification of current and non-current items

1. Assets that meet one of the following conditions are classified as current assets:
  - (1) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (2) Assets held mainly for trading purposes.
  - (3) Assets that are expected to be realised within twelve months from the balance sheet date.
  - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
  - (1) Liabilities that are expected to be settled within the normal operating cycle;
  - (2) Liabilities arising mainly from trading activities;
  - (3) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current liabilities.

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

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
3. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
4. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(VI) Accounts and notes receivable

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

(VII) Impairment of financial assets

For accounts receivable that have a significant financing component, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(VIII) Derecognition of financial assets

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

1. The contractual rights to receive the cash flows from the financial asset expire.
2. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
3. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(IX) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

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

1. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equal or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the

fair value of the consideration paid or received is recognized directly in equity

5. When the Company loses the control in a subsidiary, the remaining investment is remeasured at fair value and initially recognized as fair value for the financial asset or initially recognized at cost for the investment in the affiliate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. The Company shall account for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Company would be reclassified to profit or loss on the disposal of the related assets or liabilities, the gain or loss from equity is reclassified to profit or loss when the Company loses significant influence.
6. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
7. The Company's share of its associates' post-acquisition profits or losses or other comprehensive income is recognized as current profit or loss or other comprehensive income as appropriate. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
8. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
9. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
10. When the affiliate issues additional shares, if the Company does not subscribe or acquire based on the proportion, which lead to a change in investment proportion but still with significant influence, the increase or decrease in net equity value are adjusted against the "capital reserve" and "investments accounted for using the equity method". If the Company's investment is reduced, apart from the above adjustments, the Company reclassifies to profit or loss the proportion of the gain or loss previously recognized in other comprehensive income relative to that reduction in ownership interest.
11. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
12. When the Company loses significant influence at the disposal of an associate, the Company shall account for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the Company would be



reclassified to profit or loss on the disposal of the related assets or liabilities, the gain or loss from equity is reclassified to profit or loss when the Company loses significant influence. If the Company still has significant influence on the affiliate, the proportionate amount of the gains or losses previously recognized in other comprehensive income is reclassified.

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

(XI) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the carrying amount of an asset or recognized as an asset only if it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced shall be derecognized. All other repair and maintenance costs are recognized in profit or loss as incurred.
3. Except for land which is not depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it should be depreciated separately.
4. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of the financial reporting period. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change. The estimated economic lives of various assets are as follows:

Buildings	40-50 years
Machinery and equipment	3-8 years
Other equipment	3-8 years

(XII) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

1. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a

straight-line basis over the lease term.

2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payment, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
3. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (1) The amount of the initial measurement of lease liability;
  - (2) Any lease payments made at or before the commencement date; andThe right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.
4. With regard to the modification on reducing lease scope, lessee would decrease the carrying amount of right of use asset to reflect the termination of partial or overall lease contract, the difference in carrying amount and the amount of lease liability remeasurement is recognized in profit or loss.

(XIII) Intangible asset

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

(XIV) Impairment of non-financial assets

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

(XV) Notes and accounts payable

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

(XVI) Derecognition of financial liabilities

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

(XVII) Provisions

Provisions (warranties) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(XVIII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

2. Pension funds - Defined contribution plans

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

3. Employees' compensation and directors' remuneration

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

(XIX) Share-based payment for employees

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

(XX) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is

recognized in other comprehensive income or equity.

2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of the financial reporting period, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXI) Dividend

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(XXII) Revenue recognition

1. Sales of products

- (1) The Company manufactures and sells products related to industrial computers, and sales revenue is recognized when control is transferred to the customer, that is, upon delivery of the product. The wholesaler has full discretion over the channel and price to sell the products, and there is no unsatisfied performance obligations

that could affect the wholesaler's acceptance of products. Delivery does not occur until the products have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the company has objective evidence that all criteria for acceptance have been satisfied.

- (2) Revenues from sales of products related to industrial computers are recorded based on the contract price net of the estimated volume discounts and returns at the time of sale. The quantity discounts and sales discounts given to customers are usually calculated on the basis of 6 months of cumulative sales. The Company estimates sales discounts based on historical experience under the expected value method, with revenue amount included to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur, while estimates are updated at the end of the reporting period. The estimated sales discount provided to customers as of the end of the reporting period is recognized as refund liability. The terms for sales transactions are payment 30-60 days after end of month. As the interval between transfer of the promised goods or services and payment by the customer is less than 12 months, the Company has not adjusted transaction price to reflect the time value of money.
- (3) The Company provides product warranty for the goods sold, and has the obligation to provide refund for the defective goods sold, while the provisions for sales return should be recognized.
- (4) Accounts receivable is recorded when the Company has the unconditional right to the consideration at that time since payment is due based only upon the passage of time.

## 2. Warrant income

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

## (XXIII) Government grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received, recognized in fair value. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expense for the related costs for which the grants are intended to compensate.

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

The preparation of these separate financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions at the end of the financial reporting period and estimates concerning future events. The resulting accounting estimates and assumptions might be different from the actual results, and will be continually evaluated and adjusted based on historical experience and other factors; These estimates and assumptions have the risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

### Significant Accounting Estimations

#### 1. Evaluation of inventories

Since inventory should be valued at the lower of cost and net realizable value, the Company must judge and estimate net realizable value of inventories at the reporting period. Due to the rapidly changing technology, the Company assesses the amount of inventories at the end of the reporting

period due to normal wear and tear, obsolescence, or no market value, and write down inventories to net realizable value. Inventory evaluation is mainly based on the estimate of product demand during a specific future period, which may lead to significant changes.

As of December 31, 2021, the carrying amount of the Company's inventory was \$1,057,634.

## 2. Impairment loss on investments accounted for under equity method

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

As of December 31, 2021, AAEON's investment on IBASE TECHNOLOGY INC. under equity method was \$3,257,009.

## VI. Details of significant accounts

### (I) Cash and cash equivalents

	2021/12/31	2020/12/31
Reserve cash and working capital	\$ 527	\$ 753
Checking accounts and demand deposits	1,361,766	2,130,731
Total	<u>\$ 1,362,293</u>	<u>\$ 2,131,484</u>

1. Due to good credit quality of the Company's principal financial institutions and the Company's relationships with multiple financial institutions, the exposure to a diversified set of risks would lower the probability of a default.

2. The Company has no cash and cash equivalents pledged to others.

### (II) Financial asset at fair value through profit or loss

<u>Item</u>	<u>2021/12/31</u>	<u>2020/12/31</u>
Current:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 96,764	\$ 98,528
Emerging stocks	3,000	3,000
Unlisted and non-OTC stocks	52,043	56,043
Beneficiary securities	25,000	25,000
	<u>176,807</u>	<u>182,571</u>
Valuation adjustment	196,159	207,890
Subtotal	<u>\$ 372,966</u>	<u>\$ 390,461</u>

Item	2021/12/31	2020/12/31
Non-current:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted and non-OTC stocks	\$ 29,070	\$ 29,070
Hybrid instrument	10,832	10,832
Valuation adjustment	39,902	39,902
Subtotal	( 11,091 )	( 9,524 )
	<u>\$ 28,811</u>	<u>\$ 30,378</u>

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

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

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

(III) Notes and accounts receivables

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

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

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

<u>Notes receivable</u>	<u>2021/12/31</u>	<u>2020/12/31</u>
Not past due	\$ 2,793	\$ -

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

- Balances of accounts and notes receivable as of December 31, 2021 and 2020 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2020 were \$351,752 and \$1,759 respectively.
- The Company does not hold any financial assets as security for accounts and notes receivables.
- Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2021 and 2020 were \$2,793 and \$0 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2021 and 2020 were \$477,969 and \$194,816, respectively.
- Please refer to Note 12 (2) for credit risk information of notes and accounts receivables.

(IV) Inventories

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

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



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

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

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

(V) Investments accounted for under equity method

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

1. Subsidiary

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

2. Associates

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

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

(B) Either party wishes to increase its shareholding in the other party within three years after the contract is signed.

- (2) Summarized aggregated financial information of the Company's share in these associates is as follows:

Balance sheet

	IBASE	
	2021/12/31	2020/12/31
Current asset	\$ 5,503,123	\$ 4,432,800
Non-current assets	5,047,175	5,552,039
Current liability	( 3,034,399)	( 1,129,958 )
Non-current liabilities	( 1,699,749)	( 2,972,518 )
Net assets fair value of trade marks, other intangible and tangible assets adjustment	2,306,129	2,589,452
Adjusted Net Assets	<u>\$ 8,122,279</u>	<u>\$ 8,471,815</u>
Share of net assets of the affiliate	\$ 2,278,591	\$ 2,351,824
Goodwill	978,418	978,418
Book value of affiliates	<u>\$ 3,257,009</u>	<u>\$ 3,330,242</u>

Statement of comprehensive income

	IBASE	
	For the years ended December 31,	
	2021	2020
Income	\$ 5,706,855	\$ 4,239,154
Net income of continuing operations	\$ 220,759	\$ 60,386
Other comprehensive income (net amount after tax)	9,144	60,344
Total comprehensive income	229,903	123,730
Fair value adjustment	( 152,535 )	( 152,535 )
Adjusted total comprehensive income	<u>\$ 77,368</u>	<u>( \$ 28,805 )</u>
Dividends received from associates	<u>\$ 96,952</u>	<u>\$ 106,275</u>

- (3) The Company's share of their operating results of associates that are individually not significant to the Company:

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

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

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

follows:

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

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

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

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

(VI) Property, Plant and Equipment

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

2020

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

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

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

(VII) Leasing arrangements-lessee

1. The Company holds buildings for rental with contracts made for period of 1-3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, the lease agreements do not impose covenants.
2. The lease term of part of the Company's buildings is no more than 12 months.
3. The carrying amount of right-of-use assets and the amount of depreciation expense recognized are as follows:

	<u>2021/12/31</u>	<u>2020/12/31</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 48,419	\$ 2,336

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Buildings	\$ 19,536	\$ 18,254

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

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

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

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

(VIII) Other Payables

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

(IX) Pension

Since July 1, 2005, the Company has established certain retirement payout methods applicable for domestic employees in accordance with the "Labor Pension Act". The Company would choose to apply the labor pension system stipulated in the "Labor Pension Act", and allocate pensions on a monthly basis to the individual labor pension account managed by the Bureau of Labor Insurance at 6% of monthly wage. Based on the principal and accrued dividends from an employee's individual labor pension account, labor pension shall be paid by monthly pension payments or by lump-sum payment upon retirement. Pension costs recognized by the Company in accordance with the above retirement policy for were \$19,509, and \$19,317 for the years ended December 31, 2021 and 2020, respectively.

(X) Share-based Payment

1. The Company had the following share-based payment arrangement active for the years ended December 31, 2021 and 2020.

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

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

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

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

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

Arrangement type	Authorized issue date	Maturity date	2021/12/31	
			Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.11.26	2024.11.25	2,556	\$ 65.7

Arrangement type	Authorized issue date	Maturity date	2020/12/31	
			Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.11.26	2024.11.25	2,912	\$ 68.8

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

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

5. Expenses of share-based payment transaction:

	For the years ended December 31,	
	2021	2020
Equity settlement	\$ 10,367	\$ 12,285
(XI) <u>Share capital</u>		

1. As of December 31, 2021, the Company's authorized capital was \$2,000,000 (including 5,000 thousand shares reserved for issuing employee stock options), with paid-in capital

of \$1,486,185, divided into 148,618 thousand shares, each at par value of \$10 per share. Proceeds have been fully collected for the issued shares. The Company had 148,618 and 148,498 thousand common shares outstanding for the years ended December 31, 2021 and 2020 separately.

Movements in the number of the Company's ordinary shares outstanding are as follows (unit: shares in thousands):

	2021	2020
1/1	148,498	148,498
Employee stock options exercised	120	-
12/31	<u>148,618</u>	<u>148,498</u>

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

3. As of December 31, 2021, the Company's associate - IBASE owned 41,698 thousand of AAEON's shares.

#### (XII) Capital surplus

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

	2021						
	Share premium	Difference between carrying amount of subsidiaries acquired or disposed	Recognition of changes in ownership interest in subsidiary	Affiliate company net equity changes	Employee Share option	Others	Total
January 1	\$ 4,902,942	\$ 213,200	\$ 215,992	\$ 119,513	\$ 19,974	\$ 2,181	\$ 5,473,802
Cash dividends	( 74,249 )	-	-	-	-	-	( 74,249 )
Changes in ownership interest in subsidiary	-	-	1,835	-	( 1,835 )	-	-
Employee stock options exercised	8,396	-	-	-	( 1,712 )	-	6,684
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	( 1,535 )	-	-	( 1,535 )
Change in associates and joint ventures accounted for under equity method	-	-	-	9,318	-	-	9,318
Share-based Payment	-	-	5,809	-	14,097	-	19,906
December 31	<u>\$ 4,837,089</u>	<u>\$ 213,200</u>	<u>\$ 223,636</u>	<u>\$ 127,296</u>	<u>\$ 30,524</u>	<u>\$ 2,181</u>	<u>\$ 5,433,926</u>

	2020						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Recognition of changes in ownership interest in subsidiary	Affiliate company net equity changes	Employee Share option	Others	Total
January 1	\$ 4,902,942	\$ 213,200	\$ 213,637	\$ 13,409	\$ 3,381	\$ 2,181	\$ 5,348,750
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	( 114 )	-	-	( 114 )
Change in associates and joint ventures accounted for under equity method	-	-	-	106,218	-	-	106,218
Share-based Payment	-	-	2,355	-	16,593	-	18,948
December 31	\$ 4,902,942	\$ 213,200	\$ 215,992	\$ 119,513	\$ 19,974	\$ 2,181	\$ 5,473,802

### (XIII) Retained earnings

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



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

Cash dividends distributed to common shareholders from the capital surplus would be \$74,249 (\$0.5 per share) which approved by the e-voting result regarding the earnings appropriation and cash appropriation from the capital surplus for 2020 reached the legal resolution threshold on May 28, 2021.

The result of appropriations of 2020 and 2019 which were the same as the proposal submitted by the Board of Directors.

6. The 2021 surplus distributions approved by the resolutions of the board of directors of the Company on February 25, 2022 are as follows:

	2021	
	Amount	Dividends per share (in dollars)
Provision (reversal) of Special reserve	\$ 11,527	
Legal reserve	44,909	
Cash dividends	386,408	\$ 2.60
	<u>\$ 442,844</u>	

Cash dividends distributed to common shareholders from the capital surplus would be \$74,309 (\$0.5 per share) which approved by the resolutions of the board of directors of the Company on February 25, 2022.

The result of appropriations of 2021 which has not yet been approved by the resolutions of the shareholders' meeting.

(XIV) Operating income

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

1. Disaggregation of revenue from contracts with customers

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

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

2. Contract liability

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

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

(2) Recognized income of contract liabilities at January 1

	For the years ended December 31,	
	2021	2020
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	\$ 50,250	\$ 45,654
Warranty contract	3,263	5,088
Total	\$ 53,513	\$ 50,742

(XV) Interest income

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

(XVI) Other income

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

(XVII) Other gains and losses

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

(XVIII) Financial costs

	For the years ended December 31,	
	2021	2020
Lease liability-interest expenses	<u>\$ 1,170</u>	<u>\$ 278</u>

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

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

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

(XX) Employee benefits expenses

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

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 5% and remuneration of directors and supervisors at rates of no higher than 1%, of the remaining profit after deducting accumulated losses.
2. In 2021 and 2020, based on the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at \$46,872 and \$44,767 respectively, while the remuneration of directors and supervisors were estimated at \$4,500 and \$4,050 respectively, which are recognized as salary expenses and wages.

Employees' compensation and directors' remuneration for 2020 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2020 financial statements., which were \$44,767 and \$4,050, respectively. Employees' compensation was distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

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

(XXI) Income tax

1. Income tax expense
  - (1) Components of income tax expense:

	For the years ended December 31,	
	2021	2020
Current income tax:		
Income tax from current income	\$ 83,466	\$ 83,335
Surtax on undistributed Retained Earnings	-	198
Adjustments in respect of prior period	( 1,125 )	( 2,118 )
Total current income tax	<u>82,341</u>	<u>81,415</u>
Deferred tax		
Origination and reversal of temporary differences	7,111	17,372
income tax expense	<u>\$ 89,452</u>	<u>\$ 98,787</u>

(2) Income tax relative to other comprehensive income:

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

2. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2021	2020
Income tax calculated by based on profit before tax and statutory tax rate	\$ 108,516	\$ 96,319
Expenses disallowed by tax regulation	2,049	3,334
Tax exempt income by tax regulation	( 2,663 )	( 3,145 )
Tax exempt of unrealized valuation gains on financial assets	3,736	14,338
Income exempt of net investment income	( 17,021 )	( 9,526 )
Temporary differences unrecognized as deferred tax assets	( 4,040 )	( 613 )
Prior year income tax overestimation	( 1,125 )	( 2,118 )
Income tax on undistributed earnings	-	198
Income tax expense	<u>\$ 89,452</u>	<u>\$ 98,787</u>

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

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

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

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

(XXII) Earnings per share

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

	2020		
	After-tax amount	Weighted average number of ordinary shares outstanding (in thousand)	Earnings per share (in dollars)
Basic earnings per share:			
Net income	\$ 382,810	106,800	\$ 3.58
Diluted earnings per share:			
Effect of dilutive potential ordinary shares:			
Employees' bonuses		725	
Diluted earnings per share:			
The effect of net profit plus potential ordinary shares	\$ 382,810	107,525	\$ 3.56

1. The Company's employee stock options were not included in the calculation of diluted earnings per share due to its anti-dilutive impact on earnings per share in 2021 and 2020.
2. The Company applies the equity method for the exchange of shares with IBASE, and applies the treasury stock method for investments on IBASE. In calculating earnings per share, the Company recognizes IBASE's shareholding as treasury shares which is a deduction from equity.

(XXIII) Supplemental cash flow information

Partial cash payments for investing activities:

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

(XXIV) Change of liabilities from financing activities

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

VII. Related party transaction

(I) Parent and ultimate controlling party

The Company is controlled by ASUSTEK COMPUTER INC. (incorporated in R.O.C.), the ultimate parent of the Company with 40.69% ownership (including indirect shareholdings) of the Company.

(II) Names of related parties and relationship

<u>Name of related party</u>	<u>Relation</u>
ASUSTEK COMPUTER INC.	Ultimate parent company
IBASE TECHNOLOGY INC.	Associate - Investee accounted for under the equity method
IBASE GAMING INC.	Associate - Subsidiary of IBASE TECHNOLOGY INC.
LITEMAX ELECTRONICS INC.	Associate - Investee accounted for under the equity method
WINMATE INC.	Associate - Investee accounted for under the equity method by the Company's subsidiary (Note 1)
ATECH OEM INC.	Other related party - the Company's Chairman as a director
MACHVISION, INC.	Other related party - the Company's Chairman as a director
FU LI INVESTMENT INC.	Other related party - the Company's Chairman as Fuli's Chairman
EVERFOCUS ELECTRONICS CORP.	Other related party - the Company's Chairman as EVERFOCUS ELECTRONICS CORP's Chairman
AAEON EDUCATION FOUNDATION	Other related party - the Company's Chairman as a director
ASUS TECHNOLOGY INC.	Fellow subsidiary — same as ultimate parent entity
ASKEY COMPUTER CORP.	Fellow subsidiary — same as ultimate parent entity
ASUS COMPUTER INTERNATIONAL	Fellow subsidiary — same as ultimate parent entity
AAEON ELECTRONICS, INC.	Subsidiary company of the Company
AAEON TECHNOLOGY (EUROPE) B.V.	Subsidiary company of the Company
AAEON TECHNOLOGY SINGAPORE PTE. LTD.	Subsidiary company of the Company
AAEON TECHNOLOGY (SUZHOU) INC.	Subsidiary company of the Company
ONYX HEALTHCARE USA, INC.	Subsidiary company of the Company



Name of related party	Relation
ONYX HEALTHCARE INC.	Subsidiary company of the Company
AAEON INVESTMENT, CO., LTD.	Subsidiary company of the Company
WT MICROELECTRONICS CO.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
TECHMOSA INTERNATIONAL INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
MORRIHAN INTERNATIONAL CORP.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
NUVISION TECHNOLOGY, INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
MAXTEK TECHNOLOGY CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
HONGTECH ELECTRONICS CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 1)
SPARK TECHNOLOGIES INC.	Other related party - the Company's Chairman is first degree relative of GUANG YAN JHIH NENG INC.'s Chairman
LYDS TECH.	Other related party - the Company's Chairman is first degree relative of LIENYANG ELECTRONICS CORP.'s Chairman
Note :	WT MICROELECTRONICS CO. and its subsidiary become AAEON's related party since April 21, 2020.

(III) Significant transactions with related parties

1. Operating income

	For the years ended December 31,	
	2021	2020
Sales of products		
Ultimate parent entity	\$ 1,390	\$ 348
Subsidiary		
AAEON ELECTRONICS, INC.	983,439	878,974
AAEON TECHNOLOGY (EUROPE) B.V.	707,740	481,741
AAEON TECHNOLOGY (SUZHOU) INC.	311,994	322,389
Others	243,601	308,102
Associates	1,364	1,265
Other related party	6,428	6,356
Total	\$ 2,255,956	\$ 1,999,175

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

## 2. Purchases

	For the years ended December 31,	
	2021	2020
Goods purchased:		
Ultimate parent entity – ASUSTEK COMPUTER INC.	\$ 1,048,132	\$ 966,213
Subsidiary	26,109	926
Associates	4,119	14,763
Fellow subsidiary	-	204
Other related party	97,377	45,477
Total	<u>\$ 1,175,737</u>	<u>\$ 1,027,583</u>

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

## 3. Operating expenses

	For the years ended December 31,	
	2021	2020
Ultimate parent entity – ASUSTEK COMPUTER INC.	\$ 74,841	\$ 65,110
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	68,311	83,337
Associates	1,306	1,454
Fellow subsidiary	84	1
Other related party	2,867	2,313
Total	<u>\$ 147,409</u>	<u>\$ 152,215</u>

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

## 4. Other income ,other gains and losses

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

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

## 5. Receivables from related parties

	<u>2021/12/31</u>	<u>2020/12/31</u>
Accounts receivable:		
Ultimate parent entity	\$ 53	\$ -
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	221,870	77,693
AAEON ELECTRONICS, INC.	220,205	54,026
AAEON TECHNOLOGY (SUZHOU) INC.	53,464	42,132
ONYX HEALTHCARE USA, INC.	25,449	31,634
AAEON TECHNOLOGY SINGAPORE PTE.LTD.	13,474	11,638
ONYX HEALTHCARE INC.	6,292	2,776
Associates	325	813
Other related party	2,558	671
Total	<u>\$ 543,690</u>	<u>\$ 221,383</u>
	<u>2021/12/31</u>	<u>2020/12/31</u>
Other receivables:		
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	\$ -	\$ 6,742
AAEON TECHNOLOGY (SUZHOU) INC.	266	775
ONYX HEALTHCARE INC.	131	229
Others	55	-
Associates	252	600
Other related party	2,720	-
Total	<u>\$ 3,424</u>	<u>\$ 8,346</u>

## 6. Payables from related parties

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

7. Lease transaction-leasee

(1) Right-of-use assets

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiary		
ONYX HEALTHCARE INC.	\$ 19,924	\$ -

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

(2) Lease liabilities

	<u>2021/12/31</u>	<u>2020/12/31</u>
	Subsidiary	
ONYX HEALTHCARE INC.	\$ 17,786	\$ -

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

8. Guarantee deposits

	<u>2021/12/31</u>	<u>2020/12/31</u>
Subsidiary		
ONYX HEALTHCARE INC.	\$ 1,148	\$ -

The security deposit for lease.

(IV) Key management remuneration

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

VIII. Pledged Assets

None.

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of December 31, 2021, the Company has issued a promissory note of \$ 450,000 required for the application a comprehensive credit line and transactions of derivatives.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

For the 2021 surplus distribution proposed by the board of directors in February 25, 2022, please refer to Note 6 (13) 6.

## XII. Others Matters

### (I) Capital management

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

### (II) Financial instrument

#### 1. Type of financial instrument

	<u>2021/12/31</u>	<u>2020/12/31</u>
<u>Financial asset</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 401,777	\$ 420,839
Financial assets measured at amortized cost/ loans and receivables		
Cash and cash equivalents	1,362,293	2,131,484
Notes receivable	2,793	-
Accounts receivable	1,021,659	416,199
Other receivables	35,039	18,314
Guarantee deposits (including other non-current assets)	4,238	3,683
	<u>\$ 2,827,799</u>	<u>\$ 2,990,519</u>
<u>Financial liability</u>		
Financial liabilities measured at amortized cost		
Accounts payable	\$ 452,358	\$ 234,286
Other payables	318,158	286,319
	<u>\$ 770,516</u>	<u>\$ 520,605</u>
Lease liabilities (including current and non-current)	<u>\$ 48,878</u>	<u>\$ 2,397</u>

#### 2. Risk management policy

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

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

##### (1) Interest rate risk:

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

##### (2) Exchange rate risk:

The Company uses derivative financial instruments such as forward foreign exchange

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

(3) Credit risk:

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

3. The nature and level of material financial risks

(1) Market risk

Exchange rate risk

- A. The Company's international operations have been subject to exchange rate risks arise from transactions denominated in a currency other than the functional currencies of the Company and its subsidiaries, which includes main currencies such as USD, SGD, EUR and RMB. Related exchange rate risks arise from future business transactions and recognized assets and liabilities.
- B. The management has set up the policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the company's treasury. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD and RMB. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting recognition of costs of purchasing inventories.
- C. Since the Company's businesses involves certain non-functional currencies (NTD is the functional currency of the Company and part of its subsidiaries, while the functional currencies of other subsidiaries include USD, SGD, and RMB), it may be affected by exchange rate fluctuations. The foreign currency assets and liabilities that may be significantly affected by exchange rate fluctuations are as follows:

		2021/12/31		
		Foreign currency (in thousand)	Exchange rate	Carrying amount
<b>(Foreign currency: functional currency)</b>				
<u>Financial asset</u>				
<u>Monetary items</u>				
	USD : NTD	\$ 44,580	27.68	\$ 1,233,974
	EUR : NTD	167	31.32	5,230
<u>Non-monetary items</u>				
	USD : NTD	\$ 8,661	27.68	\$ 239,736
	EUR : NTD	1,151	31.32	36,049

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

2020/12/31			
	Foreign currency (in thousand)	Exchange rate	Carrying amount
<b>(Foreign currency: functional currency)</b>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD : NTD	\$ 29,401	28.48	\$ 837,340
EUR : NTD	601	35.02	21,047
<u>Non-monetary items</u>			
USD : NTD	\$ 7,725	28.48	\$ 220,008
EUR : NTD	971	35.02	34,004

<u>Financial liability</u>			
<u>Monetary items</u>			
USD : NTD	\$ 6,959	28.48	\$ 198,192
EUR : NTD	106	35.02	3,712

- E. The overall realized and unrealized foreign exchange losses of the Company's monetary items that may be significantly affected by exchange rate fluctuations in 2021 and 2020 were \$20,445 and \$36,023, respectively.
- F. The Company's foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

For the year ended December 31, 2021			
Sensitivity analysis			
	Extent of change	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 12,340	-
EUR : NTD	1%	52	-

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

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

Price risk

- A. The Company's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The Company mainly invests in equity instruments and open-end funds issued by domestic companies. The value of equity instruments is susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase or decrease of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase or decrease net income for the nine-month periods ended December 31, 2021 and 2020 by \$3,658 and \$3,834, respectively.

Cash flow and fair value interest rate risk

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

(2) Credit risk

- A. The Company's credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligation under the contract, which is mainly due to the inability of



counterparties to meet the terms of their contracts for collecting the cash flows of the receivables.

- B. The Company establishes credit risk policies based on its own risk management perspective. In accordance with internal credit policies, credit risks are required to be managed and analyzed before each of the Company's operating entity set up the terms and conditions for payment and delivery for each new customer. The internal risk control system evaluates the customers' credit quality based on their financial conditions, past experience and other factors. Individual risk exposure limits are set by the board of directors based on internal or external risk ratings, and credit lines are monitored on a regular basis.
- C. The Company adopts IFRS 9 to provide a presumption that default has occurred when contractual payments are more than 90 days past due.
- D. The Company adopts IFRS 9 to provide the following presumption as basis for judging whether the credit risk on a financial instrument has increased significantly since the initial recognition:  
It is deemed that credit risk after the original recognition of financial assets has increased significantly when contractual payments are more than 30 days past due.
- E. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- F. The Company has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2021 and 2020, the Company had no recourse claims that had been written off.
- G. (1) The Company considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2021 and 2020 is as follows:

	Not yet due	Less than 30 days past due	30 days past due	60 days past due	90 days past due	120 days past due	Total
2021/12/31							
Expected loss rate	0%	0.01%	0.08%	6.19%	17.50%	100%	
Total book value	\$ -	\$ -	\$ 3,172	\$ 43	\$ -	\$ -	\$ 3,215
Loss allowance	\$ -	\$ -	\$ 2	\$ 3	\$ -	\$ -	\$ 5
2020/12/31							
Expected loss rate	0%	0%	0.15%	6.99%	16.53%	100%	
Total book value	\$ -	\$ -	\$ 1,899	\$ 210	\$ 766	\$ -	\$ 2,875
Loss allowance	\$ -	\$ -	\$ 2	\$ 9	\$ 87	\$ -	\$ 98

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

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

	Notes and accounts receivable (including related parties)	
	2021	2020
January 1	\$ 100	\$ 1,759
Reverse of impairment loss	( 87 )	( 1,659 )
December 31	\$ 13	\$ 100

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

(3) Liquidity risk

- A. Cash flow is forecasted by each of the Company's operating entity and summarized by the finance department. The Company's finance department monitors liquidity forecasting to ensure that it has sufficient funds to meet the operational requirements.
- B. The Company's had available borrowing limits of \$396,200 as of December 31, 2021 and 2020.
- C. The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, whereas derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

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

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

(III) Information on fair value

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

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

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

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

2. Financial instruments not measured at fair value

The carrying amounts of the Company's cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits (classified in the balance sheet as other non-current asset), notes payable, accounts payable, other payables and lease liabilities are reasonable approximations of fair values.

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

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

2021/12/31	1st Level	2nd Level	3rd Level	Total
<b>Asset</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 341,881	\$ 4,575	\$ 19,359	\$ 365,815
Beneficiary certificates	26,510	-	-	26,510
Hybrid instruments	-	-	9,452	9,452
Total	<u>\$ 368,391</u>	<u>\$ 4,575</u>	<u>\$ 28,811</u>	<u>\$ 401,777</u>

2020/12/31	1st Level	2nd Level	3rd Level	Total
<b>Asset</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 358,954	\$ 5,055	\$ 19,360	\$ 383,369
Beneficiary certificates	26,452	-	-	26,452
Hybrid instruments	-	-	11,018	11,018
<b>Total</b>	<b>\$ 385,406</b>	<b>\$ 5,055</b>	<b>\$ 30,378</b>	<b>\$ 420,839</b>

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

A. The Company adopts quoted prices as inputs used to measure fair value (1st level), which are classified as follows based on the characteristics of the financial instruments:

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

B. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

C. The Company adopts valuation techniques widely used by market participants for evaluating non-standardized and less complex financial instruments. The parameters used in the valuation models of such financial instruments are usually market observable information.

D. The evaluation of derivatives is based on the valuation model generally accepted by market users, such as the discount method. Forward exchange contracts are usually evaluated based on the current forward exchange rates.

E. The output of the evaluation model is an estimated value, and the valuation technique may not reflect all the relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted based on additional parameters, such as the model risk or liquidity risk. According to the Company's management policies of fair value valuation model and related control procedures, its management believes that valuation adjustments are appropriate and necessary for the fair values of financial and non-financial instruments to be presented fairly in the consolidated balance sheet. The price information and parameters used in the evaluation process are carefully evaluated, with appropriate adjustments according to current market conditions.

4. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

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

	2021	2020
	<u>Equity instrument</u>	<u>Equity instrument</u>
January 1	\$ 30,378	\$ 30,288
Loss recognized in income (Note)	( 1,567 )	90
December 31	<u>\$ 28,811</u>	<u>\$ 30,378</u>

Changes in unrealized gains or losses of assets and liabilities owned at the end of the period

( \$ 1,567 ) \$ 90

Note: Recognized as other gains and losses.

- There was no transfer into or out from Level 3 for the years ended December 31, 2021 and 2020.
- The financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and any other necessary adjustments to the fair value.

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

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

	<u>2021/12/31 Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interval (weighted average)</u>	<u>Relationship between inputs and fair value</u>
<u>Equity instruments:</u>					
Unlisted and non-OTC stocks	\$ 19,359	Discounted Cash Flow Approach	Note 1	Not applicable	Note 2
<u>Hybrid instrument:</u>					
Unlisted and non-OTC stocks	\$ 45,343	Discounted Cash Flow Approach	Note 1	Not applicable	Note 2
Embedded option	( \$ 35,891 )	Option Pricing Model	Price volatility	Not applicable	The higher the stock price volatility, the higher the fair value

	2020/12/31 Fair value	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
<u>Equity instruments:</u>					
Unlisted and non-OTC stocks	\$ 19,360	Discounted Cash Flow Approach	Note 1	Not applicable	Note 2
<u>Hybrid instrument:</u>					
Unlisted and non-OTC stocks	\$ 56,084	Discounted Cash Flow Approach	Note 1	Not applicable	Note 2
Embedded option	(\$ 45,066)	Option Pricing Model	Price volatility	Not applicable	The higher the stock price volatility, the higher the fair value

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

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

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

#### (IV) Other issues

Due to the impact of the COVID-19, upstream components and related materials are short of materials and the prices of related materials have increased. However, the company adopted adjustments to relevant procurement and stocking policies in response to the epidemic. The operating income in the year 2021 increased compared with the previous year since pulling goods gradually stabilized. The Group will continue to evaluate and manage the above issues.

### XIII. Disclosures

#### (1) Information on significant transactions

- A. Financing provided: None.
- B. Endorsements and guarantees provided: None.
- C. Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to schedule 1.
- D. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None.
- E. Acquisition of real estate properties at costs of at least \$300 million or 20% of the paid-in capital: None.
- F. Disposal of real estate properties at prices of at least \$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties of at least \$100 million or 20% of the

paid-in capital: Please refer to schedule 2.

- H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to schedule 3.
- I. Trading in derivative instruments undertaken during the reporting period: As of December 31, 2021, the derivative financial assets holds by the Company were expired, please refer to Note 6 (2) for the details of the gain or loss from the settlement of derivative financial assets.
- J. Intercompany relationships and significant intercompany transactions: Please refer to schedule 4.

(2) Information on investees

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

(3) Information on investments in China

- A. Information on investment in mainland China: Please refer to Schedule 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Schedule 4.

(4) Information of major shareholders

Name and information of shareholders with more than 5% shareholding interest: Please refer to Schedule 7.

XIV. Operating segment information

Not Applicable.

## AAEON Technology Inc. and Subsidiaries

## MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2021

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

Schedule 1

Holding company	Marketable securities type and name				2021/12/31				
	Type	Name (Note 1)	Relationship with the Company	Financial Statement Account	Shares	Carrying value (Note2)	Percentage of Ownership (%)	Fair value	Remarks
AAEON Technology Inc.	Fund	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	2,091,070	\$ 26,510	-	\$ 26,510	None
"	Stock	Advantech Co.,Ltd.	"	"	802	318	-	318	"
"	"	MACHVISION,INC.	Other related party - the Company's Chairman as a director	"	1,180,198	329,275	2.64	329,275	"
"	"	ATECH OEM INC.	"	"	234	3	-	3	"
"	"	Unitech Electronics Co., Ltd.	None	"	549,657	12,285	0.73	12,285	"
"	"	LILEE SYSTEMS Ltd.	"	"	468,750	-	-	-	"
"	"	Allied Biotech Co.	Other related party - the Company's Chairman as a director	"	300,000	4,575	0.31	4,575	"
"	"	TELEION WIRELESS, INC.	None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,359	19.29	19,359	"
"	"	V-Net AAEON Corporation Ltd.	"	"	29	9,452	14.50	9,452	Note 3
AAEON INVESTMENT, CO., LTD.	Stock	ATECH OEM INC.	Other related party - the Company's Chairman as a director	Financial assets at fair value through profit or loss - current	3,456,000	41,126	5.82	41,126	None
"	"	Sunengine Co., Ltd.	"	"	156,903	1,089	2.75	1,089	"
ONYX HEALTHCARE INC.	"	MACHVISION,INC.	"	Financial assets at fair value through profit or loss - current	18,716	5,222	0.04	5,222	"
"	"	TOP UNION ELECTRONICS CORP.	None	"	169,658	4,903	0.17	4,903	"
"	"	INNO FUND III	"	Financial assets at fair value through profit or loss - non-current	3,000,000	36,406	13.04	36,406	"
"	"	MELTEN CONNECTED HEALTHCARE INC.	"	Financial asset at fair value through other comprehensive income - non-current	4,193,548	2,381	6.61	2,381	"
"	"	PROTECTLIFE INTERNATIONAL BIOMEDICAL INC	"	"	2,500,000	30,000	6.30	30,000	"

Note1: The "securities" above refer to stocks, bonds, beneficiary certificates and derivatives included in IFRS 9 "Financial Instruments"

Note2: For those measured at fair value, please enter the carrying value after the valuation adjustment of fair value and deduction of accumulated impairment in the carrying value column. As for those assets not measured at fair value, please enter the carrying value of initial acquisition cost or amortized cost after deducting accumulated impairment in the carrying value column.

Note3: Hybrid contract with embedded options.



AAEON Technology Inc. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

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

Company Name	Related Party	Nature of Relationship	Purchase (sales)	Transaction			Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note)		Accounts and notes receivable (payable)		Note
				Amount	Percentage to total purchase (sales) (%)	Payment terms	Unit Price	Payment terms	Ending Balance	Percentage to total accounts and notes receivable or payable (%)	
AAEON Technology Inc.	ASUSTEK COMPUTER INC	Parent	Purchases	\$ 1,048,132	29.30	month-end 30 days	-	-	( \$ 75,332 )	( 16.65 )	
"	AAEON ELECTRONICS, INC.	Subsidiary	(Sales)	( 983,439 )	( 22.20 )	month-end 60 days	-	-	220,205	21.49	
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	"	( 707,740 )	( 15.97 )	"	-	-	221,870	21.66	
"	AAEON TECHNOLOGY (SUZHOU) INC.	"	"	( 311,994 )	( 7.04 )	"	-	-	53,464	5.22	
"	ONYX HEALTHCARE USA, INC.	"	"	( 122,769 )	( 2.77 )	"	-	-	25,449	2.48	
ONYX HEALTHCARE USA, INC.	ONYX HEALTHCARE USA, INC.	"	"	( 277,974 )	( 29.72 )	month-end 90 days	-	-	99,253	45.38	

Note: The reasons for difference between the related party transaction terms and the arms length terms of transaction shall be described in the price and loan term section.

AAEON Technology Inc. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

Schedule 3

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

Company Name	Related Party	Nature of Relationship	Ending balance (Note 1)	Turnover (%)	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action taken		
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	Subsidiary	\$ 220,205	7.17	\$ -	-	\$ 217,321	\$ -
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	221,870	4.73	-	-	68,217	-

Note: Please fill in separately based on accounts receivable, notes and other receivables of related parties.

AAEON Technology Inc. and Subsidiaries  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
(ONLY TRANSACTIONS AMOUNTING TO AT LEAST \$100 MILLION ARE DISCLOSED)

FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 4

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

Serial No. (Note 1)	Company Name	Related Party	Nature of relationships (Note 2)	Intercompany transaction			As a percentage of consolidated revenues or total assets (%) (Note 3)
				Financial Statement Account	Amount	Terms	
0	AAEON Technology Inc.	AAEON ELECTRONICS, INC.	1	Net sales	\$ 983,439	month-end 60 days	15.49
"	"	AAEON TECHNOLOGY (EUROPE) B.V	1	Net sales	707,740	"	11.15
"	"	AAEON TECHNOLOGY (SUZHOU) INC.	1	Net sales	311,994	"	4.92
"	"	ONYX HEALTHCARE USA, INC.	1	Net sales	122,769	"	1.93
		AAEON ELECTRONICS, INC.	1	Account receivable	220,205		2.16
		AAEON TECHNOLOGY (EUROPE) B.V.	1	Account receivable	221,870		2.17
1	ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	3	Net sales	277,974	month-end 90 days	4.38

Note 1: Intercompany transactions should be indicated in the numbered columns individually. The number is filled in as follows:

(1) Parent company is numbered 0.

(2) Subsidiaries are numbered sequentially according to company name from Arabic numeral 1.

Note 2: There are three types of relationships with counterparties (Disclosure is not required for the same intercompany transactions. For example: If the parent has already disclosed the intercompany transaction, the subsidiary is not required to disclose the same transaction.

For intercompany transactions between subsidiaries, if one of the subsidiary has already disclosed the transaction, the other subsidiary is not required to disclose the same transaction)

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: The calculation of transaction amount as a percentage of consolidated net revenue or total assets: in the case of financial statement accounts, ending balance is divided by consolidated total assets; in the case of income statement accounts, cumulative amount in the period is divided by consolidated net revenue.

Note 4: There is no need to disclose transactions of no more than \$100 million, and transactions shall be disclosed as assets and income.

AAEON Technology Inc. and Subsidiaries  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2020			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/12/31	2020/12/31	Shares	Percentage (%)	Carrying Amount			
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	\$ 135,632	\$ 139,552	490,000	100.00	\$ 221,656	\$ 25,783	\$ 25,783	
"	AAEON TECHNOLOGY CO.,LTD	British Virgin Islands	Investment of IPC and interface card	243,780	250,826	8,807,097	100.00	240,950	27,032	26,811	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,132	3,502	-	100.00	31,446	5,245	5,245	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	11,936	12,577	465,840	100.00	53,253	6,990	6,990	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	119,379	( 5,175 )	( 5,175 )	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	73,358	73,358	15,132,074	50.00	498,548	127,551	63,961	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	11.99	103,896	112,149	12,604	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	31.91	3,257,009	312,547	11,609	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	940	1,051	-	100.00	19,044	811	-	Note1

AAEON Technology Inc. and Subsidiaries  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2020			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/12/31	2020/12/31	Shares	Percentage (%)	Carrying Amount			
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	USA	Sales of medical PC and peripherals	\$ 55,360	\$ 56,960	200,000	100.00	\$ 94,100	( \$ 631 )	-	Note1
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,132	3,502	100,000	100.00	11,672	4,215	-	"
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	7,557	( 1,930 )	-	"
"	WINMATE INC.	"	Bid quotations, distributions and sales of LCD application equipment and modules	552,783	538,199	10,041,000	13.85	561,275	364,706	-	"

Note 1: According to relevant regulations, there is no need to fill in investment profit and loss disclosed in this period.

Note 2: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2021, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 6

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

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Methods of investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Investee profit or loss for the period	The Company's direct or indirect holding percentage	Share of Profits / Losses (Note 2. (2)C)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Remarks
					Outflow	Inflow							
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	\$ 240,547	2	\$ 240,547	\$ -	\$ -	\$ 240,547	\$ 27,177	100%	\$ 27,177	\$ 249,690	\$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	60,896	1	55,360	5,536	-	60,896	( 2,588 )	100%	( 2,588 )	7,508	-	
<u>Company Name</u>	<u>Ending Balance of Accumulated Investment in Mainland China</u>	<u>Investment Amounts Authorized by Investment Commission, MOEA</u>	<u>Upper Limit on Investment Authorized by Investment Commission, MOEA</u>										
AAEON Technology Inc.	\$ 240,547	\$ 240,547	\$ 5,034,317										
Onyx Technology Inc.	60,896	60,896	620,860										

Note 1: The methods of investment are listed below, please mark the category on schedule:

- (1) Investment in China companies directly.
- (2) Investment in China companies through AAEON TECHNOLOGY CO., LTD in a third region.
- (3) Other methods of investing in China.

Note 2: The column of investment profit or loss for the period:

- (1) It should be noted if the entity was in preparation stage without profit or loss on investment.
- (2) It should be noted that the basis of recognizing the profit or loss on investment includes the following:
  - A. Based on financial statements reviewed by an international accounting firm that is in collaboration with an accounting firm in the Republic of China.
  - B. Based on financial statements reviewed by auditor of the parent company in Taiwan.
  - C. Other basis

Note 3: The profit or loss of the amount involving foreign currencies are converted to NTD at the average exchange rate between January 1 and December 31, 2021, while others are converted to NTD under the exchange rate at the end period of the financial report.

AAEON Technology Inc. and Subsidiaries  
INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021

Schedule 7

Name of major shareholder	Shares	
	Total Shares Owned	Ownership (%)
ASUSTEK COMPUTER INC.	43,756,000	29.442
IBASE TECHNOLOGY INC.	41,698,468	28.057
Yung-Shun Chuang	19,664,000	13.231
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.624
HUA-MIN INVESTMENT CO., LTD.	8,359,000	5.624

Note 1: In this chart, major shareholders are defined as shareholders with more than 5% collective holding interest in common and preferred shares that have been delivered via book entry (including treasury stocks), as shown in the records of TDCC on the final business day of each quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.

Note 2: For shareholders who have placed shareholding under trust, the above information shall be provided based on trust accounts created by the trustee. In which case, these shareholders may be required under the Securities and Exchange Act to make regulatory reporting on insiders with more than 10% ownership interest, which include shares held in own name and shares placed under trust that the shareholder has control over. Refer to Market Observation Post System for information on the reporting of insider shareholding

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

Statement 1

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



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

Statement 2

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

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

Statement 3

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

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

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

Statement 4

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

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

Statement 5

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

Note 1: Acquisition of investee's stock dividends.

Note 2: The Company received cash dividends of \$181,636 from the investee.

Note 3: Recognition and adjustment of the investee's unrealized loss of financial assets measured by fair value through other comprehensive income, cumulative translation adjustment, changes on unrealized gains, effect from long-term investment that has not been recognized based on shareholding percentage, and the effect of share-based payments.

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

Statement 6

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

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

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

Statement 7

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

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

Statement 8

<u>Item</u>	<u>Amount</u>	<u>Remarks</u>
Indirect labor	\$ 84,448	
Depreciation expense	25,870	
Insurance premium	13,182	
Others	<u>35,447</u>	
	<u>\$ 158,947</u>	

Note: Each of the account did not exceed 5% of the total manufacturing overhead.

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

Statement 9

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

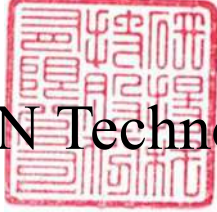


AAEON Technology Inc.  
RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan Dollars)

Statement 10

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

AAEON Technology Inc.



Chairman: Yung-Shun Chuang

