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2022 ANNUAL REPORT

Website: www.aaeon.com

Annual Report: mops.twse.com.tw

研揚科技股份有限公司
AAEON Technology Inc.

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(V) EXCHANGEABLE BOND EXCHANGE MARKETPLACE

None

(VI) COMPANY WEBSITE

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I. Letter to the Shareholders

Dear Shareholders:

Thank you for attending the 2023 General Shareholders' Meeting.

The year of 2022 was a challenging year. The outbreak of the pandemic at the beginning of the year affected the Company's operations. Then, we were faced with the issues of a shortage of materials and a difficulty in shipments. The shortage of labor and cabinets impacted the delivery, prolonging the delivery time. All of this was testing AAEON's management team's business administration skills.

Fortunately, with all the staff's collective endeavors, we overcame the difficulties one by one and achieved brilliant performance. The 2022 annual revenue increased by 32%, gross profit increased by 48%, and net income after tax increased by 129%. The annual revenue, gross profit, and net income after tax all hit record highs, which may be the best performance over the past ten years.

Details are as follows:

1. The 2022 Business result

(I) Business performance

1. Revenues and profits: AAEON's consolidated operating income in 2022 was \$8,352,076 thousand, gross profit was \$2,753,135 thousand, operating revenue was \$1,194,090 thousand, net income after tax was \$1,177,836 thousand, net profit attributable to the parent company was \$1,074,460 thousand, while earnings per share (EPS) was \$10.03.
2. Revenue analysis: In terms of regions, all regions except China witnessed double-digit growth. Among them, we witnessed the best performance in Europe and the United States, with a growth rate of 30%. The growth rate of emerging markets also reached 27%. Regarding product lines, almost all product lines witnessed double-digit growth, of which network security has grown by 70%, and embedded mainboards, industrial mainboards, system platforms, and rugged tablets have also grown by 25–30%.
3. Budget implementation: The Company did not publish our financial forecast in 2022.
4. Client management: AAEON continues to manage client relations and proactively develops new clients. During 2022, we have developed more than 40 major clients, each worth more than US\$1 million. 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 2022, we created a total of more than US\$5 million in revenue in this regard.
5. Other operational results:
 - Won the 10th place in the Middle-Standing Enterprises Group of the CSR Awards of the CommonWealth magazine
 - Certified with Taiwan i Sports
 - Won the 10th Award for Outstanding Taiwanese Business in China

(II) Research and development and innovations

1. BOXER-8240AI won the Best Choice Awards in 2022.
2. AAEON launched the DeNext product line, the world's smallest single board computer with the highest performance capabilities.
3. AAEON launched a number of new products, including GENE-ADP6 and UP6000, which were widely reported by well-known international media.
4. AAEON took the lead in the industry to launch Nvidia Jetson Orin products.

(III) Marketing and promotion

1. The Company's official website traffic continued to hit new heights, with the annual traffic exceeding 1.5 million visits and the AI network traffic also exceeding 500,000 visits.
2. In the post-pandemic era, physical exhibitions have been held gradually. We have participated in important exhibitions in various places and held seminars with our partners. Thus, we have worked with many new clients and created many new business opportunities.

2. 2023 business plan

The year of 2023 is a year full of uncertainties. Global inflation has resulted in hidden concerns about economic recession, high inventory levels has led to declining demand, and the economic conflict between China and the United States has divided the world into two. All of this has made it more difficult for businesses in 2023, and the growth estimation is also full of uncertainties.

However, despite the pessimism in the macro environment, there are still many markets with excellent growth opportunities, such as green energy, electric vehicles, robots, network security and smart cities, which are expected to bolster AAEON's growth.

(I) Business strategy

1. Enhance customized services, improve the customized process, and provide flexible, quick, and high-quality customized services.
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. Continue to innovate products and processes, launch competitive products, and improve operational effectiveness.
4. Enter new markets or increase market share through joint ventures or mergers and acquisitions.

(II) Important strategies

1. Expand the business scope and business teams, increase sales channels, and promote e-commerce.
2. Reinforce customer relations and differentiate global KA, regional KA, and sales KA to provide exclusive services and meet different needs.
3. Develop markets vertically, set up a business development manager (BDM) team, and develop important clients in vertical industries.

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

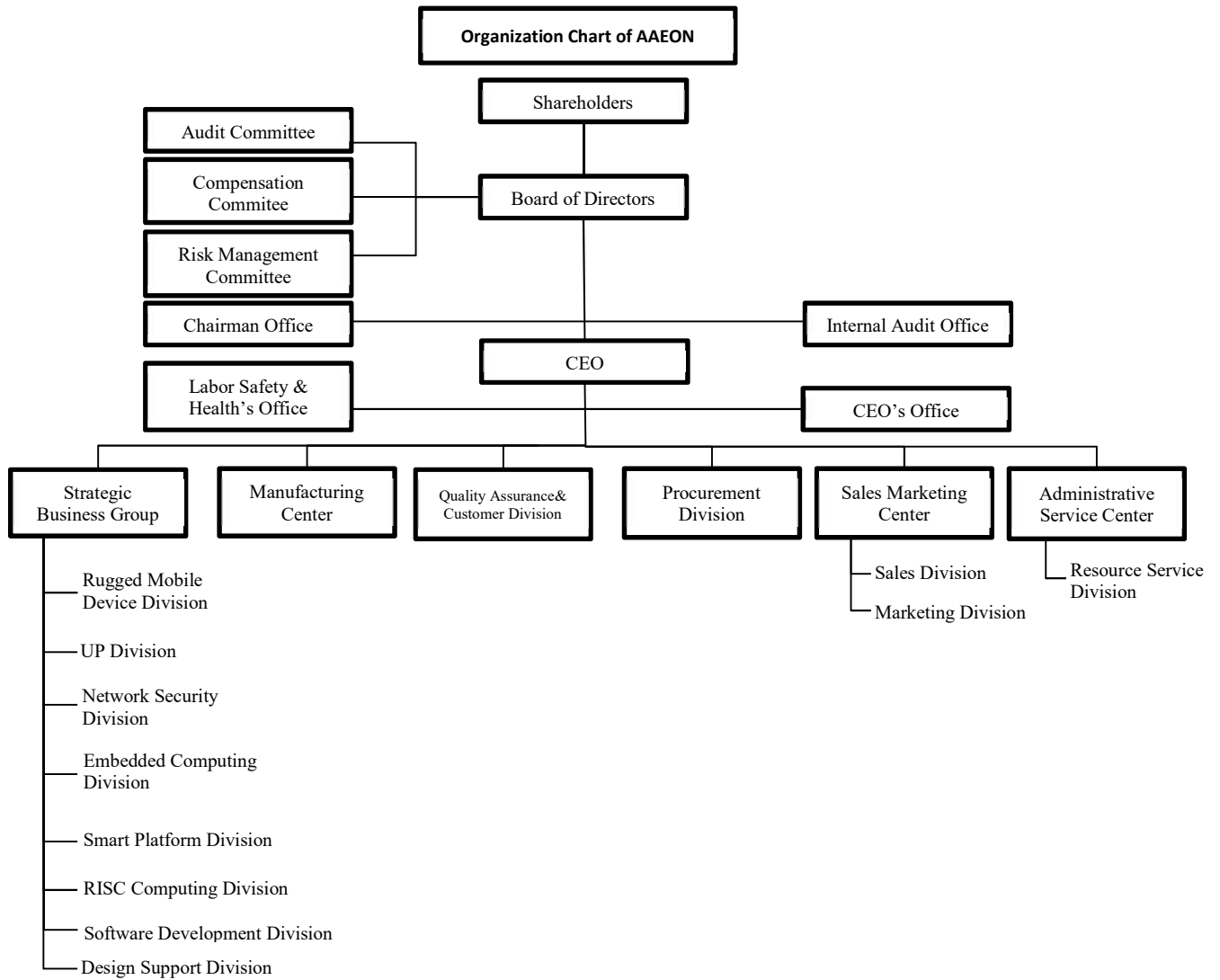
Year	Timeline of Important Events
2010	<ul style="list-style-type: none"> The original name of the Company was “Giant Sun Tech Co., Ltd,” founded on December 1, 2010.
2011	<ul style="list-style-type: none"> The Company merged with “AAEON Technology Inc.” (referred to as Original AAEON), on June 1, 2011.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

Year	Timeline of Important Events
	<ul style="list-style-type: none"> • The Company was awarded the 2018 Taiwan Excellence Award. • Three products won the Computex d&I Award. • BOXER-6640M won the Vision Systems Design Award.
2019	<ul style="list-style-type: none"> • The Company was awarded the Commonwealth Magazine Corporate Citizen Award. • The Company was awarded Taiwan Corporate Sustainability Awards. • Two products of the Company were awarded the 2019 Taiwan Excellence Award • Two products won the Computex d&iAward.
2020	<ul style="list-style-type: none"> • The Company was awarded the Commonwealth Magazine Corporate Citizen Award. • The Company was awarded the 2020 Taiwan Excellence Award.
2021	<ul style="list-style-type: none"> • The Company was awarded the 26th MBNQA - Comprehensive Excellence Award • The Company was awarded the Commonwealth Magazine Corporate Citizen Award • Four products of the Company were awarded the 2021 Taiwan Excellence Award • The innovative Atlas Roadside Unit (RSU) wins honors at the 2021 System integration Award • The innovative Atlas Roadside Unit (RSU) wins honors at the 2021 Computex d&i Awards
2022	<ul style="list-style-type: none"> • Won the Excellence in Corporate Social Responsibilities Award. • Two products won the Taiwan Excellence Awards. • BOXER-8240AI won the Gold Award of the Best Choice Awards at COMPUTEX Taipei.

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.
CEO's 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.
Internal 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.
RISC Computing Division	Responsible for establishing RISC product lines, bringing them to market, and providing technical support and services. Leverage the RISC product line to improve the company's market competitiveness in smart city and other related applications.
Rugged Mobile Device Division	Responsible for product planning, research and development, and design improvement of rugged portable products and tablets.
UP Division	UP product development, UP brand promotion and customized services derived from UP. And with the UP product line, AAEMON becomes a bridge between innovators and industrial applications.
Network Security Division	R&D, design and improvement and product planning of systems including network security products (FWS) and network monitoring platform (NVR).
Embedded Computing Division	R&D, design and improvement and product planning of embedded single board and modularized motherboard.
Smart Platform 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 Assurance & Customer Division	Planning, implementation and management of the Company's overall quality management system including ISO related systems, supervision of the formulation and implementation of quality systems to achieve quality policies and goals, establishment of relevant standards, systems and procedures for complete quality verification and inspection, and continual improvement of product design, manufacture, and customer service to comply with quality policy implementation.
Manufacturing Center	Implementation and progress control of the overall production plan. Product manufacturing quality management, and improvement, planning and management of production efficiency.

Department	Functions
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.
Sales 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, V.P., Assistant V.P., and the heads of various departments and branches

(I) Directors and Supervisors

1. Information of directors

April 2, 2023; 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)
				41-60	61-70	71-75				Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
				Chairman	Republic of China	Jui Hai Investment Co.,Ltd.								May 27, 2022	3 years	Nov. 22, 2011	4,515,000			3.02%	4,515,000	3.02%	
Republic of China	Representative: Yung-Shun, Chuang	Male			V		May 27, 2022	3 years	Nov. 22, 2011	19,664,000	13.15%	19,664,000	13.15%	-	-	-	-	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)	Director	Fu-Chun, Chuang	first-degree	-
Director	Republic of China	Jui Hai Investment Co.,Ltd.					May 27, 2022	3 years	Nov. 22, 2011	4,515,000	3.02%	4,515,000	3.02%	-	-	-	-	-	-	None	None	None	-
	Republic of China	Representative: Ying-Chen Li	Male		V		May 27, 2022	3 years	Nov. 22, 2011	1,113,000	0.74%	1,113,000	0.74%	-	-	-	-	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	3.02%	4,515,000	3.02%	-	-	-	-	-	-	None	None	None	-
	Republic of China	Representative: Wei-Chun, Yen (Note 4)	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 5)	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)
				41-60	61-70	71-75				Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	Jui Hai Investment Co.,Ltd.				May 27, 2022	3 years	May 27, 2022	4,515,000	3.02%	4,515,000	3.02%	-	-	-	-	-	-	None	None	None	-	
	Republic of China	Representative: Fu-Chun, Chuang (Note 6)	Male	V		May 27, 2022	3 years	May 27, 2022	133,000	0.09%	133,000	0.09%	-	-	-	-	Bachelor of Electrical Engineering, Cornell University Master of Engineering Management, University of Southern California (USC) Northwestern University Electrical Engineering Master's Program President of ONYX HEALTHCARE USA, INC.	(Note 7)	Director	Yung-Shun, Chuang	first-degree	-	
Director	Republic of China	ASUSTeK Computer Inc.				May 27, 2022	3 years	Nov. 22, 2011	43,756,000	29.26%	43,756,000	29.26%	-	-	-	-	-	-	None	None	None	-	
	Republic of China	Representative: Jonny Shih	Male	V		May 27, 2022	3 years	Nov. 22, 2011	-	-	-	-	-	-	-	-	MBA of National Chiao Tung University Chairman of ASUS	(Note 8)	Director	Jonathan Tsang	second-degree	-	
Director	Republic of China	ASUSTeK Computer Inc.				May 27, 2022	3 years	Nov. 22, 2011	43,756,000	29.26%	43,756,000	29.26%	-	-	-	-	-	-	None	None	None	-	
	Republic of China	Representative: Jonathan Tsang	Male	V		May 27, 2022	3 years	Nov. 22, 2011	-	-	-	-	-	-	-	-	MBA of Houston University President of ASUS	(Note 9)	Director	Jonny Shih	second-degree	-	
Director	Republic of China	ASUSTeK Computer Inc.				May 27, 2022	3 years	Feb. 21, 2019	43,756,000	29.26%	43,756,000	29.26%	-	-	-	-	-	-	None	None	None	-	
	Republic of China	Representative: S.Y. Hsu	Male	V		May 27, 2022	3 years	Feb. 21, 2019	-	-	-	-	-	-	-	-	EMBA of National Chengchi University Co-CEO of ASUS	(Note 10)	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)
				41-60	61-70	71-75				Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	IBASE Technology Inc.				May 27, 2022	3 years	May 31, 2019	41,698,468	27.88%	41,698,468	27.88%	-	-	-	-	-	-	-	None	None	None	-
	Republic of China	Representative: Chiu-Hsu, Lin	Male		V													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	-
Director	Republic of China	IBASE Technology Inc.				May 27, 2022	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														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 27, 2022	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 11)	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)
				41-60	61-70	71-75				Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Kun-Chih, Chen	Male	V			May 27, 2022	3 years	May 31, 2019	-	-	-	-	-	-	-	-	Ph.D., University of Southern California Associate Professor, National Taiwan University	Associate Professor, National Taiwan University	None	None	None	-
Independent Director	Republic of China	Chris Kao (Note 12)	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	-
Independent Director	Republic of China	Xiulian Lin (Note 13)	Female			V	May 27, 2022	3 years	May 27, 2022	-	-	-	-	-	-	-	-	Drexel University Research Institute Department of Accounting, National Taiwan University Partner of Deloitte United Accounting Firm	(Note 14)	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., 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., 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., IBASE TECHNOLOGY INC., JET ONE TECHNOLOGY CO., LTD. Independent director of the following companies: Arcadyan Technology Corp., Axix Corp. Executive Director of LITEMAX Electronics (Shanghai) Inc.
- Note 4: Director Wei-Chun, Yen, Representative of Jui Hai Investment Co.,Ltd., was re-elected and resigned by the shareholders' meeting on May 27, 2022.
- Note 5: 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 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 6: Director Fu-Chun, Chuang, Representative of Jui Hai Investment Co.,Ltd., was re-elected as director by the shareholders' meeting on May 27, 2022.
- Note 7: Director of the following companies: Fu Li Investment Co., Ltd., Jui Hai Investment Co., Ltd., YanXin Investment Co., Ltd., PROTECTLIFE INTERNATIONAL BIOMEDICAL INC. Supervisor of the following companies: MedAlliance Inc., Lithoniel Inc.
- Note 8: Chairman of the following companies: ASUSTEK COMPUTER INC., Hua-Cheng Venture Capital Corp., Hua-Min Investment Co., Ltd., ASUSTOR INC., ASUS INTERNATIONAL LIMITED, and CHANNEL PILOT 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., eCrowd Media, Inc and GAIUS AUTOMOTIVE INC.
- Note 9: 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 10: 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 11: 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.
- Note 12: Director Chris Kao, was re-elected and resigned by the shareholders' meeting on May 27, 2022.
- Note 13: Director Xiulian Lin, was re-elected as director by the shareholders' meeting on May 27, 2022.
- Note 14: Director of the following companies: Pinyou United Accounting Firm · Pinyou Real Estate Appraiser Office · Chengxin Land and Political Bureau. Chairman of Human Management Consulting Co., Ltd. Independent Director of the following companies: PLEASANT HOTELS INTERNATIONAL INC. · ART EMPEROR CO., LTD. · 1 PRODUCTION FILM CO.

2. Corporate shareholders' main shareholders

Apr. 2, 2023

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)(2.65%), Yuanta Taiwan High Dividend Fund Account(1.88%), New Labor Pension Fund(1.88%), Morgan Stanley & Co. International Plc. (1.69%), Silchester International Investors International Value Equity Trust (1.49%) , Fubon Life Insurance Co., Ltd. (1.35%), Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.34%), JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.22%)
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. (31.68%), Bank SinoPac managed Fuh-Hwa Small Capital Fund Investment Account (2.24%), 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 (1.79%), Chun-Bao Investment Co., Ltd. (1.61%),WINMATE INC. (1.10%) Chiu-Hsu, Lin (0.95%), Bank SinoPac managed Fuh-Hwa Taiwan Good Income Fund Investment Account (0.94%), Hexin Investment Co., Ltd (0.93%), Bank SinoPac managed Fuh-Hwa Life Goal Balance Fund Investment Account (0.90%), Mega International commercial bank managed Fuh-Hwa Digital Economy Fund Investment Account (0.88%)
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. 10, 2022 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 Jul. 22, 2022 provided by IBASE Technology Inc.

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

Apr. 2, 2023

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. (15.73%), Onyx Healthcare Inc.(13.43%), IBase Technololy Inc.(6.38%), JuiHai Investment Co., Ltd.(5.64%), Premier Touch Corporation(4.14%), Ru-Yong, Liu(3.04%), Kevin Yeh (2.56%), Bi-Ling, Liu (1.70%), Ken Lu (1.54%), Wei-Sheng, Wang (1.40%)

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 Apr. 1, 2023 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.	2
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.	

Name Criteria	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.	1
Fu-Chun, Chuang	Graduated from the University of Southern California (USC) with a master's degree in engineering management and the Northwestern University with a master's degree in electrical engineering; is the President of Onyx Healthcare USA, Inc.; has five years or more of work experience in commerce and the Company's business and has business administration skills in the industry.	There is no one of the circumstances of Section 30 of the Company Law.	
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: (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.	
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.		3
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 Compensation 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.		1

<p>Xiulian Lin</p>	<p>Graduated from Drexel University with a master's degree; is the head of the CHAMPiON group (accounting firm and appraisal firm) and the head of the Chengxin Land Administration Agency; is the convener of the Company's Auditing Committee and a member of the Company's Compensation Committee; has five years or more of experience working as a lecturer (or above) in commerce, law, finance, accounting, or any disciplines relevant to the Company's business at a public or private tertiary institution.</p>	<p>(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.</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 one 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</p>
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		<p>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, 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,</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>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 Compensation 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, V.P., Assistant V.P., and Departments Heads.

April 2, 2023; 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	13.15%	-	-	-	-	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	0.74%	-	-	-	-	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	410,000	0.27%	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	327,000	0.22%	-	-	-	-	President of AAEON (US Branch)	None	-	-	-	-
Vice President of Office of the President	Republic of China	Kuo-Chiang, Wang	Male	Nov. 1, 2013	60,000	0.04%	-	-	-	-	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	6,000	0%	-	-	-	-	MS in Mechanical Engineering, National Central University Product Manager of Quanmax Inc Product Manager of AAEON	None	-	-	-	-
Assistant V.P. of OEM Product Division	Republic of China	Li-Kai, Lai (Note 5)	Male	Apr. 1, 2015	28,000	0.02%	-	-	-	-	University of Southern California, Electrical Engineering, M.S. Manager of AAEON	None	-	-	-	-
Assistant V.P. of OEM Product Division	Republic of China	Jen-Chieh, Huang	Male	Apr. 1, 2015	0	0%	-	-	-	-	M.S. in Electrical and Control Engineering National Chiao Tung University Manager of AAEON	None	-	-	-	-
Vice President 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 V.P. of System Platform Product Division	Republic of China	Shao-Chou, Hsueh	Male	Oct. 1, 2012	4,000	0%	-	-	-	-	B.S. in Mechanical Engineering National Cheng Kung University M.B.A. National Taipei University Product Manager of Axiomtek Product Manager of Advantech Co., Ltd.	None	-	-	-	-
Assistant V.P. of Network Security Product	Republic of China	Wen-Ming, Ni	Male	Apr. 1, 2015	50,000	0.03%	-	-	-	-	B.S. Electronic Engineering China University of Science and Technology R&D Manager of Lanner Electronics	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	
Division / Design Support Division																
Vice President of Manufacturing Division / Procurement Division	Republic of China	Chi-Hung, Liao	Male	Mar. 16, 2016	37,000	0.02%	-	-	-	-	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 V.P. of Business Division	Republic of China	Shu-Chen, Li	Female	Nov. 3, 2015	4,000	0%	-	-	-	-	EMBA, National Chengchi University CEO Specialist / Assistant V.P. of Advantech Co., Ltd. President of Zippy Technology Corp. (China region) Vice Sales General Manager of Good Way Technology Co., Ltd.	None	-	-	-	-
Senior Assistant V.P. 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 Manager of Resource Service Division	Republic of China	Jen-Chung Wang	Female	Feb. 26, 2020	11,000	0.01%	-	-	-	-	M.B.A. in Business Administration Long Island University Assistant Manager of PwC Taiwan Assistant Manager of LiteOn Technology	None	-	-	-	-
Internal Audit 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	-	-	-	-
Manager of President Office	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	-	-	-	-
Assistant V.P. of Manufacturing Center-Board Manufacturing Div.	Republic of China	Jansin Lee	Male	Apr. 1, 2023	0	0%	-	-	-	-	B.S. in Electrical and Electronic Engineering, St. John's & St. Mary's Institute of Technology Manager of Axiomtek Assistant V.P. of Avalue Technology	None	-	-	-	-
Assistant V.P. of Corporate Marketing Division	Republic of China	Chris Chuang	Male	Apr. 1, 2023	15,000	0%	-	-	-	-	B.S. in International Business National Taiwan University Senior Manager of ATEN International Co., Ltd	None	-	-	-	-
Assistant V.P. of Information technology Dept.	Republic of China	Hank Peng	Male	Apr. 1, 2023	0	0%	-	-	-	-	M.B.A. in Business Administration University of Northern Virginia Manager of Advantech Co., Ltd. Manager of EATON PHOENIXTEC MMPL CO., LTD	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., 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., IBASE Technology Inc., JET ONE TECHNOLOGY CO., LTD., Independent director of the following companies: Arcadyan Technology Corp., Axix Corp., Executive Director of Litemax Shanghai Branch Office
- Note 4: Senior Advisor Chung-Ming, Hsu has retired in Jan. 2022.
- Note 5: Assistant V.P. Li-Kai, Lai was on unpaid leave from Dec. 2019.

3. Directors', Supervisors' President's and V.P. 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
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	Jui Hai Investment Co.,Ltd. - Fu-Chun, Chuang																					
Director	ASUSTeK Computer Inc. - Jonny Shih	1,802	1,802	0	0	8,712	9,672	369	369	1.01%	1.10%	9,374	16,243	108	159	5,076	0	6,744	0	2.37%	3.26%	84,513
Director	ASUSTeK Computer Inc. - Jonathan Tsang																					
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	Xiulian Lin																					
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 2022 profit after tax was \$1,074,460 thousand.

Note 2: The remuneration to Directors and employees for the year 2022 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, Xiulian Lin, Chiu-Hsu, Lin, Yu-Nan, Chen, Yung-Shun, Chuang, Ying-Chen Li, Fu-Chun, Chuang	Jui Hai Investment Co., Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Xiulian Lin, Chiu-Hsu, Lin, Yu-Nan, Chen, Yung-Shun, Chuang, Ying-Chen Li, Fu-Chun, Chuang	Jui Hai Investment Co., Ltd., Wei-Chun, Yen, ASUSTeK Computer Inc., Chris Kao, Daho Yen, Kun-Chih, Chen, Xiulian Lin, Chiu-Hsu, Lin, Yu-Nan, Chen, Fu-Chun, Chuang	Jui Hai Investment Co., Ltd., Wei-Chun, Yen, Chris Kao, Daho Yen, Kun-Chih, Chen, Xiulian Lin, 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)				Fu-Chun, Chuang
5,000,000(inclusive)~10,000,000 (exclusive)			Yung-Shun, Chuang, Ying-Chen Li	Yung-Shun, Chuang, Ying-Chen Li
10,000,000(inclusive)~15,000,000 (exclusive)				
15,000,000(inclusive)~30,000,000 (exclusive)				
30,000,000(inclusive)~50,000,000 (exclusive)				
50,000,000(inclusive)~100,000,000 (exclusive)				
> \$100,000,000				ASUSTeK Computer Inc.,
Total	12 persons	12 persons	12 persons	12 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	17,104	20,071	535.8	535.8	11,412	12,577	31,912	0	33,024	0	5.67%	6.16%	24,302
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 2022 profit after tax was \$1,074,460 thousand.

Note 2: The remuneration to Directors and employees for the year 2022 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 V.P.	
	The Company	Companies in the financial statements
Less than 1,000,000	Chung-Ming, Hsu	Chung-Ming, Hsu
1,000,000(inclusive)~2,000,000 (exclusive)		
2,000,000(inclusive)~3,500,000 (exclusive)	Kuo-Chiang, Wang	
3,500,000(inclusive)~5,000,000 (exclusive)		Kuo-Chiang, Wang
5,000,000(inclusive)~10,000,000 (exclusive)	Yung-Shun, Chuang, Ying-Chen Li, Chi-Hung, Liao, Yu-Yu, Chu	Yung-Shun, Chuang, Ying-Chen Li, Chi-Hung, Liao, Yu-Yu, Chu
10,000,000(inclusive)~15,000,000 (exclusive)		
15,000,000(inclusive)~30,000,000 (exclusive)	Chien-Hung, Lin	Chien-Hung, Lin
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	49,776	49,776	4.63%
	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 V.P.	Yun-Chen, Tu				
	Vice President	Yu-Yu, Chu				
	Assistant V.P.	Jen-Chieh, Huang				
	Assistant V.P.	Li-Kai, Lai (Note 3)				
	Senior Assistant V.P.	Shao-Chou, Hsueh				
	Assistant V.P.	Wen-Ming, Ni				
	Senior Assistant V.P.	Shu-Chen, Li				
	Manager	Jen-Chung Wang				
	Chief Internal Auditor	Wan-Hui, Chiu				
Chief Corporate Governance Officer	Ming-Han Hsieh					

Note 1: The Company's 2022 profit after tax was \$1,074,460 thousand.

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

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

(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	2021		2022	
	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 (%)	8.74%	10.06%	6.68%	7.26%

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 V.P.

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. the salary level is determined according to the position held by the company, the responsibility or performance achieved and 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 6 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	6	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting.

Director	Jui Hai Investment Co.,Ltd. Representative: Ying-Chen Li	6	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting.
Director	ASUSTeK Computer Inc. Representative: Jonny Shih	6	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting.
Director	ASUSTeK Computer Inc. Representative: Jonathan Tsang	6	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting.
Director	ASUSTeK Computer Inc. Representative: S.Y. Hsu	5	1	83%	Re-elected at the May 27, 2022 General Shareholders' Meeting.
Director	Jui Hai Investment Co., Ltd. Representative: Wei-Chun, Yen	3	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting. (should attendance in person 3 meetings), resigned by the shareholders' meeting on May 27, 2022.
Director	Jui Hai Investment Co., Ltd. Representative: Fu-Chun, Chuang	3	0	100%	New elected at the May 27, 2022 General Shareholders' Meeting. (should attendance in person 3 meetings)
Director	IBASE Technology Inc. Representative: Chiu-Hsu, Lin	6	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting
Director	IBASE Technology Inc. Representative: Yu-Nan, Chen	6	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting
Independent Director	Chris Kao	3	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting. (should attendance in person 3 meetings), resigned by the shareholders' meeting on May 27, 2022.
Independent Director	Daho Yen	6	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting
Independent Director	Kun-Chih, Chen	6	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting

Independent Director	Xiulian Lin	3	0	100%	New elected at the May 27, 2022 General Shareholders' Meeting. (should attendance in person 3 meetings)
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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 16th time of the 4th term (Feb. 25, 2022)	Distribution of 2021 Remuneration to employees and Directors (Actual)	V	None	None	Except for the interested parties, approved by all the attendees.
The 16th time of the 4th term (Feb. 25, 2022)	The distribution of 2021 retained earnings	V	None	None	Approved by all the attendees.
The 16th time of the 4th term (Feb. 25, 2022)	Proposed to distribute NT\$0.5 per share in cash from additional paid-in capital.	V	None	None	Approved by all the attendees.
The 16th time of the 4th term (Feb. 25, 2022)	Donation of NT\$2 million to AAEON EDUCATION FOUNDATION.	V	None	None	Except for the interested parties, approved by all the attendees.
The 16th time of the 4th term (Feb. 25, 2022)	Participate in the ONYX HEALTHCARE INC.'s cash capital increase project	V	None	None	Except for the interested parties, approved by all the attendees.
The 16th time of the 4th term (Feb. 25, 2022)	Suggestions of manager's salary adjustment for 2022	V	None	None	Except for the interested parties, approved by all the attendees.
The 17th time of the 4th term (Apr. 15, 2022)	Nomination of Directors and Independent Directors Candidates	V	None	None	Except for the interested parties, approved by all the attendees.
The 17th time of the 4th term (Apr. 15, 2022)	Proposed to remove the non-compete clause for new directors.	V	None	None	Except for the interested parties, approved by all the attendees.
The 17th time of the 4th term (Apr. 15, 2022)	Application for comprehensive credit line and renewal of transactions of derivatives.	V	None	None	Approved by all the attendees.
The 18th time of the 4th term (May. 4, 2022)	2022 Internal Control and Internal Audit System Amendment Proposal	V	None	None	Approved by all the attendees.
The 18th time of the 4th term (May. 4, 2022)	Office bidding case on the 6th floor of Building B of "Xindian Baogao Smart Industrial Park"	V	None	None	Approved by all the attendees.

The 2th time of the 5th term (Aug. 3, 2022)	Replacement and update of some equipment in the SMT production line of the board factory	V	None	None	Approved by all the attendees.
The 2th time of the 5th term (Aug. 3, 2022)	Acquisition of ONYX HEALTHCARE INC.'s right to use asset change case	V	None	None	Except for the interested parties, approved by all the attendees.
The 2th time of the 5th term (Aug. 3, 2022)	The case of purchasing real estate and parking spaces from the related party of LITEMAX ELECTRONICS INC.	V	None	None	Except for the interested parties, approved by all the attendees.
The 2th time of the 5th term (Aug. 3, 2022)	Submit the 2021 Directors' Remuneration Distribution Proposal	V	None	None	Except for the interested parties, approved by all the attendees.
The 2th time of the 5th term (Aug. 3, 2022)	Submit the 2021 manager employee remuneration distribution proposal	V	None	None	Except for the interested parties, approved by all the attendees.
The 16th time of the 4th term (Feb. 25, 2022)	Distribution of 2021 Remuneration to employees and Directors (Actual)	V	None	None	Except for the interested parties, approved by all the attendees.
The 2th time of the 5th term (Aug. 3, 2022)	Submit the 2022 annual manager performance bonus distribution proposal	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
Feb. 25, 2022	Distribution of 2021 Remuneration to employees and Directors (Actual)	Yung-Shun, Chuang, Ying-Chen Li, Wei-Chun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen	Yung-Shun, Chuang, Ying-Chen Li, Wei-Chun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen are the concerned parties	Yung-Shun, Chuang, Ying-Chen Li, Wei-Chun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen avoided the interest pursuant to the law, and did not participate in voting.
Feb. 25, 2022	Donation of \$ 2 million to AAEN EDUCATION FOUNDATION.	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. 25, 2022	Participate in the ONYX HEALTHCARE INC.'s cash capital increase project	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. 25, 2022	Suggestions of manager's salary adjustment for 2022	Yung-Shun, Chuang, Ying-Chen Li,	Yung-Shun, Chuang, Ying-Chen Li, are the concerned parties	Yung-Shun, Chuang, Ying-Chen Li, avoided the conflict interest pursuant to the law, and did not participate in the voting.
Aug. 3, 2022	Acquisition of ONYX HEALTHCARE INC.'s	Yung-Shun, Chuang	Yung-Shun, Chuang, is the concerned parties	Yung-Shun, Chuang, avoided the conflict interest pursuant to

	right to use asset change case			the law, and did not participate in the voting.
Aug. 3, 2022	The case of purchasing real estate and parking spaces from the related party of LITEMAX ELECTRONICS INC.	Ying-Chen Li	Ying-Chen Li, are the concerned parties	Ying-Chen Li, avoided the conflict interest pursuant to the law, and did not participate in the voting.
Aug. 3, 2022	Submit the 2021 Directors' Remuneration Distribution Proposal	Yung-Shun, Chuang, Ying-Chen Li, Wei-Chun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen	Yung-Shun, Chuang, YingChen Li, Wei-Chun, Yen, Jonny Shih, Jonathan Tsang, S.Y. Hsu, Chiu-Hsu, Lin, Yu-Nan, Chen are the concerned parties	Yung-Shun, Chuang, Ying-Chen 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.
Aug. 3, 2022	Submit the 2021 manager employee remuneration distribution proposal	Yung-Shun, Chuang, Ying-Chen Li,	Yung-Shun, Chuang, Ying-Chen Li, are the concerned parties	Yung-Shun, Chuang, YingChen Li, avoided the conflict interest pursuant to the law, and did not participate in the voting.
Aug. 3, 2022	Submit the 2022 annual manager performance bonus distribution proposal	Yung-Shun, Chuang, Ying-Chen Li,	Yung-Shun, Chuang, Ying-Chen Li, are the concerned parties	Yung-Shun, Chuang, YingChen Li, avoided the conflict interest pursuant to the law, and did not participate in the 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, 2022 to December 31, 2022	Board of Directors	Performance assessment results of the Board	<ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Improvement in the quality of decision making by the board of directors. 3. The composition and structure of the board of directors. 4. Director election and continuing education. 5. Internal controls.
		Members of Board of Directors	Survey of assessment on members of Board of Directors	<ol style="list-style-type: none"> 1. Their grasp of the company's goals and missions. 2. Their recognition of director's duties. 3. The degree of participation in the company's operations. 4. Their management of internal relationships and communication. 5. Their professionalism and continuing professional education. 6. Internal controls.
		Audit Committee	Survey of assessment on members of Audit	<ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Understanding in the Audit Committee's duties.

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

Details:

On Jul. 25, 2017, the Board has approved the “Self-Evaluation or Peer Assessment of the Board of Directors”, and stipulated that the evaluation must be completed before the deadline and submitted to the Board. In Dec. 2019, the Board made the 1st amendment to the “Self-Evaluation or Peer Assessment of the Board of Directors.” the results of the performance evaluation of the Board of Directors for 2022 were reported to the Board of Directors on Jan. 9, 2023.

2022 Evaluation results: Board self-evaluation and peer-assessment: Excellent; Audit Committee self-evaluation: Excellent; Compensation Committee self-evaluation: Excellent; Risk Management Committee self-evaluation: Excellent.

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

- (1) Per the advice in the 2021 external board performance evaluation results, each one of the Company's directors is specialized in a certain field, but, at present, all directors are male. It is suggested that the Company increase the number of female directors and that the number of independent directors reach one-third of all directors, to achieve board diversity. The Company has increased the number of female directors during an election of new directors at the 2022 shareholders' meeting and will draw up a plan to increase the ratio of independent directors in the future.
- (2) Per the advice in the 2021 external board performance evaluation results, 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 is still at the stage of discussion, 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 Compensation 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 4 meetings (A) in the most recent fiscal year (2022). 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	2	0	100%	Re-elected at the May 31, 2019 General Shareholders' Meeting. (should attendance in person 2 meetings), resigned by the shareholders' meeting on May 27, 2022.
Members	Daho Yen	4	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting
Members	Kun-Chih, Chen	4	0	100%	Re-elected at the May 27, 2022 General Shareholders' Meeting
Members	Xiulian Lin	2	0	100%	New elected at the May 27, 2022 General Shareholders' Meeting. (should attendance in person 2 meetings)

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 13th time of the 2nd term (Feb. 25, 2022)	1. Declaration of 2021 Internal Control Policies 2. 2021 business report and financial statements 3. The distribution of 2021 retained earnings 4. Donation of NT\$2 million to AAEON EDUCATION FOUNDATION.	V	None	None	Approved by all the attendees.
The 14th time of the 2nd term (May. 4, 2022)	1. 2022 Internal Control and Internal Audit System Amendment Proposal 2. Amendments to some articles of the company's "Procedures for Acquisition or Disposal of Assets" 3. 2021 Q1 financial report 4. Participated in the office bidding case on the 6th floor of Building B of "Xindian Baogao Smart Industrial Park"	V	None	None	Approved by all the attendees.
The 1th time of the 3rd term (Aug. 3, 2022)	1. 2022 Q2 financial report 2. Replacement and update of some equipment in the SMT production line of the board factory 3. The case of purchasing real estate and parking spaces from the related party of LITEMAX ELECTRONICS INC.	V	None	None	Approved by all the attendees.
The 2th time of the 3rd term (Nov. 2, 2022)	1. 2022 Q3 financial report 2. 2023 internal audit plan	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. The internal audit supervisor communicates with the independent directors, and held Audit Committee and the Board meetings 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, the communication between the independent director and the internal audit supervisor, on Nov. 2, 2022, explained the inventory loss of the subsidiary –ONYX HEALTHCARE INC, in the third quarter, and made report on Nov. 30, 2022.
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 2022:

Date	Attendee	Communication focus	Communication results
2022/2/25	Independent Director Kun-Chih Chen Independent Director DaHo Yen Independent Director Chris Kao Internal chief auditor Wan-Hui Chiu	1. 2022.01 Internal Audit Implementation Report. 2. 2021 Statement of Internal Control	No question raised.
2022/5/4 (video conference)	Independent Director Kun-Chih Chen Independent Director Chris Kao Internal chief auditor Wan-Hui Chiu	1. 2022.01-03 Internal Audit Implementation Report. 2. The revision proposal of internal control and internal audit	No question raised.
2022/8/3	Independent Director Kun-Chih Chen Independent Director DaHo Yen Independent Director Chris Kao Internal chief auditor Wan-Hui Chiu	2022.01-06 Internal Audit Implementation Report.	No question raised.
2022/11/2	Independent Director Kun-Chih Chen Independent Director DaHo Yen Independent Director Chris Kao Internal chief auditor Wan-Hui Chiu Legal Director Ming-Han Hsieh	1. 2022.01-09 Internal Audit Implementation Report. 2. Plan of internal audit in 2023 3. Explanation of the inventory loss of the subsidiary –ONYX HEALTHCARE INC, in the third quarter	Regarding the inventory loss of the subsidiary- ONYX HEALTHCARE INC,, after discussion by all independent directors, recommended to implement a special audit including the collection of relevant reports and to improve the lack of internal control, and report at the next meeting. In addition, the audit plan in 2023 needs to strengthen the audit intensity of subsidiaries, as well as the internal control deficiencies and improvements proposed for special audits, and related audit items need to be continuously tracked and reviewed.
2022/11/30 (video conference)	Independent Director Kun-Chih Chen Independent Director DaHo Yen	Report of inventory loss of the subsidiary – ONYX HEALTHCARE INC,	1. After the meeting, the Company and ONYX provided 2021 year-end inventory list.

	Independent Director Chris Kao Internal chief auditor Wan-Hui Chiu		<p>2. Reviewing the related personnel between the Company and ONYX by confirm the arrival and resignation dates, and whether there are emails related to this matter during this period.</p> <p>3. In view of the lack of internal control in this project, the internal control should be strengthened, and the Company is requested to review and improve according to the mechanism; as for the negligence of relevant personnel, respect the company's decision.</p>
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(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 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 2022:

Date	Attendee	Communication focus	Implementation results
2022/11/02	Independent Director Kun-Chih Chen Independent Director DaHo Yen Independent Director Xiulian Lin CPA Shih-Jung Weng	<ol style="list-style-type: none"> 1. Updated the audit plan for the 2022 consolidated financial statements and the 2022 Individual financial statements before the audit. 2. Explanation of the audit quality index information (AQIs) and the revised content of the Code of Ethics for International Professional Accountants 	<ol style="list-style-type: none"> 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. The CPA reported to the independent directors the Explanation of the audit quality index information (AQIs) and the revised content of the Code of Ethics for International Professional Accountants 3. 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 Compensation 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 41 years. Currently, there are 11 Directors, including 3 Independent Directors and 8 juridical director representatives., 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 work hard to achieve the specific management objectives of the board diversity policy. We have appointed a female director with the professional background in accounting and finance when selecting board members in 2022.</p> <p>(II) The Company has established a Compensation 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		(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 st 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. Compensation Committee self-evaluation: Excellent. Results of self-evaluation by members of the Risk Management Committee: Excellent.	No discrepancy
(IV) Will the Company have the independence of the public accountant evaluated regularly?	V		(IV) In order to implement corporate governance, the Board of the Company regularly evaluates the independence and competence of CPAs. The relevant evaluations are based on the evaluation of independence items stipulated in the Bulletin 10 of the “Norm of Professional Ethics for CPA”. The 5 th time of the 5 th term Board of Directors on Feb. 24 2023, submitted the independence evaluation report of the CPAs, and the evaluation report is detailed in [Attachment 2]. After evaluation, the CPA Shu-Chiung Chang and Lin, Chun-Yao of PwC Taiwan meet the Company's independence assessment standards and are sufficient as the Company's CPAs.	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. Does the TWSE/TPEX listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?	V		<p>The 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:</p> <ol style="list-style-type: none"> 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. III. Assist with Directors’ taking of office and continuing education IV. Provide Directors with information required for business operation. V. Assist the Board of Directors in the compliance of laws and regulations. VI. Other matters as required by the Company’s Article of Incorporation or contract. <p>The professional service in 2022 is as follows:</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	
			<ol style="list-style-type: none"> 1. Assist independent directors and general directors in performing their duties, provide required information, and arrange continuing education for directors. 2. Assist with the compliance matters for the Board of Directors and shareholders' meeting procedures and resolutions. 3. Assist the Board of Directors in releasing material information about important resolutions, after a meeting, to help investors keep abreast of trading information. 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. 5. Reminder to the Board: Process filing of Shareholders' Meeting and to produce meeting notice within the legally-stipulated deadline, meeting agenda, meeting minutes, and to file for changes when amendment of the Company's Articles of Incorporation or Procedures of Elections for Directors shall take place. <p>For details on continuing education of Directors and Chief Corporate Governance Officer in the year of 2022, please refer to [Attachment 3] and [Attachment 4].</p>	
V. Has the Company established a communication channel with the	V		Company's Spokesperson as stated in this annual report Name: Yun-Chen, Tu	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	
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?			<p>Title: Senior Assistant V.P. TEL: (02)8919-1234 E-mail: speaker@aaeon.com.tw</p> <p>Company's Deputy Spokesperson Name: Chris Chuang Title: Assistant V.P. TEL: +886-2-8919-1234 E-mail: speaker@aaeon.com.tw</p> <p>Due to the communication windows of various stakeholders, the relevant information will be adjusted from time to time due to actual business situations and planning factors. For the latest information, please refer to the Company's official website.</p> <p>The Company has set up a stakeholder section on the website.</p> <p><u>AAEON and employees</u></p> <ul style="list-style-type: none"> ● Through the suggestion box and a hotline for sexual harassment complaints, the employees can express their opinions at any time and get a response from relevant departments of the Company. ● At regular employee-management meetings and welfare committee employee representatives meet the Company representatives and communicate face-to-face. The Company's employees do not form a trade union by themselves, so they do not need to sign a collective agreement in accordance with the 	

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>Collective Agreement Act. However, employee-management meetings are held in accordance with relevant procedures as a regular communication channel between the company and employees.</p> <p>On Feb. 23, May. 25, Aug. 24, Nov. 3, 2022, 4 employee-management meetings were held. A total of 39 representatives of employees and management participated the meetings. and a total of 2 proposal was successfully adopted throughout the year.</p> <ul style="list-style-type: none"> ● Through the Company's internal mailbox, relevant health and epidemic prevention information is sent to the employees from time to time. ● Internal customer satisfaction surveys, and pay attention to the voice of internal customers and employees. ● Other non-scheduled thematic questionnaires <p><u>AAEON and Shareholders</u></p> <p>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</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>changes are also disclosed to the investors and the public at the MOPS.</p> <p><u>AAEON and Customers</u></p> <p>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></p> <p>In accordance with the Company's quality policy, environmental policy and environmental protection 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>	

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 Community</u> Through the AAEON EDUCATION FOUNDATION's arts and culture activities and the public welfare activities, we discuss and communicate with the local companies in the community, organize arts and cultural displays, blood donation and other public welfare activities. We proactively arrange art and cultural displays in public areas manufacturers and employees, creating a clean and tidy environment atmosphere.</p> <p><u>AAEON and Government and other Agencies</u></p> <ul style="list-style-type: none"> ● We actively participate in seminars or symposia organize by governments or competent authorities. ● We participate in activities organized by external associations: Taipei Computer Association: obtain information about education, training, markets, or exhibitions through member participation; or medical institutions related to employee health promotion. ● We participate in community management committees, such as the Far East Century ABC Management Committee: we participation in the development of industrial park communities. 	
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				

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) 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 the operating status of each month in advance of the prescribed deadline?	V		(III) The Company announces and discloses relevant information within the time limit. For related situations, please refer to MOPS.	No discrepancy
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	V		<u>Employees' rights and care to employees:</u> The Company strictly abides by the provisions of various labor laws, the Company does not discriminate employees by age, gender, race, religion, color, nationality, etc. and employer and employees sign an employment contract with their own their consent. The Company establishes various communication channels. If any employees need to communicate and interact directly with the management, they can directly submit opinions or suggestions to the management via telephone or email at any time, and they	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	
directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?			<p>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> <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</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>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> <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</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>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 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> 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>	

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>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 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,</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>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> <p>IV. Operations of the Risk Management Committee</p> <p>(I) Members: The 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 April, 2022, totaling 1 time, and attendance rates were 100%.</p> <p>(III) Meeting contents: The Russo-Ukraine War researches and promotes the current impact and countermeasures.</p> <p>(IV) Report to the Board of Directors on the operation status of the Risk Management Committee: January 9, 2023.</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>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>	
<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):</p> <p>Regarding the results of the 9th Corporate Governance Evaluation hosted by the Corporate Governance Center, Taiwan Stock Exchange Corporation, we expected to score points for 68 indicators and fail to score points for another ten indicators. The ten indicators, including "Does the company disclose the professional qualifications and experience of the audit committee members and its annual work priorities and operations?" and "Does at least one of the company's internal auditors have a certificate, such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), or Certified public accountant (CPA) certificate?", are prioritized for improvement.</p>				

[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 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 41 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
				41 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 (Note 1)	Republic of China	Male			V				V	V				V	V	V	V	V	V	V	V	V
Fu-Chun, Chuang (Note 2)	Republic of China	Male		V							V	V	V	V	V	V	V	V	V	V	V	V
Chiu-Hsu, Lin	Republic of China	Male			V						V	V	V	V	V	V	V	V	V	V	V	V
Yu-Nan, Chen	Republic of China	Male		V							V	V	V	V	V	V	V	V	V	V	V	V
Chris Kao (Note 3)	Republic of China	Male				V		V			V			V	V	V	V	V	V	V	V	V
Daho Yen	Republic of China	Male				V		V	V								V				V	V
Kun-Chih, Chen	Republic of China	Male		V				V		V					V							V
Xiulian Lin (Note 4)	Republic of China	Female		V				V		V					V	V			V			V

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

Note 1: Wei-Chun, Yen was appointed as the legal representative of Jui Hai Investment Co.,Ltd., resigned by the shareholders' meeting on May 27, 2022.

Note 2: Fu-Chun, Chuang was appointed as the legal representative of Jui Hai Investment Co.,Ltd., and was new-elected on May 27, 2022.

Note 3: The Independent Director Chris Kao resigned by the shareholders' meeting on May 27, 2022.

Note 4: The Independent Director Xiulian Lin was new-elected on May 27, 2022.

AAEON Technology Inc.
Assessment criteria of accountant's independence
Feb. 16, 2023

CPA Firm: PricewaterhouseCoopers, Taiwan

CPA: Shu-Chiung Chang 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	Chang, Shu-Chiung started to act as the Company's CPA in Q1 of 2023 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] 2022 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	2022/3/10	2022/3/10	QUANTUM INTERNATIONAL CORP. & Taiwan Stock Exchange	On Independent Directors and the 2022 Shareholders' Meeting from an International Perspective	1	7	
		2022/4/22	2022/4/22	Taiwan Institute for Sustainable Energy	Taishin 30 Net Zero Summit Forum	3		
		2022/5/23	2022/5/23	Corporate Governance Association in Taiwan	What Investors Are Thinking - Sustainable Business Transformation in ESG Investment and Financing	3		
Director	Ying-Chen Li	2022/3/9	2022/3/9	Taiwan Institute of Directors	2022 Leadership Institute Forum on Rebooting in the New Reality - Digital New Taiwan	3	6	
		2022/4/22	2022/4/22	Taiwan Institute for Sustainable Energy	Taishin 30 Net Zero Summit Forum	3		
Director	Fu-Chun, Chuang	2022/6/28	2022/6/28	Taiwan Institute of Directors	2022 Annual Conference of the Taiwan Institute of Directors on Exploration on the Next-Generation Core Competence in an Era of Drastic Change	3	12	
		2022/11/13	2022/11/13	Taiwan Stock Exchange	2022 Cathay Sustainable Finance and Climate Change Summit	9		
Director	Jonny Shih	2022/7/20	2022/7/20	Corporate Governance Association in Taiwan	A Look at Sustainable Corporate Governance from the Perspective of Risk - From Corporate Governance to ESG	3	6	
		2022/11/10	2022/11/10	Corporate Governance Association in Taiwan	A Look at How Enterprises Can Effectively Maintain Brand Value Through Trademark Cases	3		
Director	Jonathan Tsang	2022/7/20	2022/7/20	Corporate Governance Association in Taiwan	A Look at Sustainable Corporate Governance from the Perspective of Risk - From Corporate Governance to ESG	3	6	
		2022/11/10	2022/11/10	Corporate Governance Association in Taiwan	A Look at How Enterprises Can Effectively Maintain Brand Value Through Trademark Cases	3		
Director	S.Y. Hsu	2022/7/20	2022/7/20	Corporate Governance Association in Taiwan	A Look at Sustainable Corporate Governance from the Perspective of Risk - From Corporate Governance to ESG	3	6	
		2022/11/10	2022/11/10	Corporate Governance Association in Taiwan	A Look at How Enterprises Can Effectively Maintain Brand Value Through Trademark Cases	3		

Title	Name	Training date		Organizer	Course name	Training hours	Total Training hours of the year	Remarks
		Start	End					
Director	Chiu-Hsu, Lin	2022/4/22	2022/4/22	Taiwan Institute for Sustainable Energy	Taishin 30 Net Zero Summit Forum	3	6	
		2022/11/14	2022/11/14	Accounting Research and Development Foundation	Analysis of the Latest Corporate Governance Policies and Corporate Governance Evaluation Practices	3		
Director	Yu-Nan, Chen	2022/4/22	2022/4/22	Taiwan Institute for Sustainable Energy	Taishin 30 Net Zero Summit Forum	3	6	
		2022/11/14	2022/11/14	Accounting Research and Development Foundation	Analysis of the Latest Corporate Governance Policies and Corporate Governance Evaluation Practices	3		
Independent Director	Daho Yen	2022/2/22	2022/2/22	Corporate Governance Association in Taiwan	ESG-related Legal Issues to be Considered by the Board of Directors	3	9	
		2022/3/9	2022/3/9	Taiwan Institute of Directors	2022 Leadership Institute Forum on Rebooting in the New Reality - Digital New Taiwan	3		
		2022/8/19	2022/8/19	Corporate Governance Association in Taiwan	Case Study - Disputes Over Business Management Right	3		
Independent Director	Kun-Chih, Chen	2022/3/9	2022/3/9	Taiwan Institute of Directors	2022 Leadership Institute Forum on Rebooting in the New Reality - Digital New Taiwan	3	6	
		2022/9/29	2022/9/29	Taipei Exchange	Case Study - Disputes Over Business Management Right	3		
Independent Director	Xiulian Lin	2022/3/23	2022/3/23	Securities and Futures Institute	Corporate Governance and Securities Laws and Regulations	3	8	
		2022/7/27	2022/7/27	Taiwan Stock Exchange & Taipei Exchange	Awareness-Raising Event on Sustainable Development Roadmap by Industry	2		
		2022/8/25	2022/8/25	Taipei Exchange	Insider Equity Awareness-Raising Seminar for Companies Listed in TPEX and Emerging Stock Market	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 2022 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	Ming-Han Hsieh	2022/12/15	2022/12/15	Accounting Research and Development Foundation	Advanced (Independent) Directors and Supervisors and Corporate Governance Officer Practices Seminar - How Directors and Supervisors Supervise the Establishment and Implementation of a Complete Risk Management System	3	18
		2022/12/21	2022/12/21	Accounting Research and Development Foundation	Advanced (Independent) Directors and Supervisors and Corporate Governance Officer Practices Seminar - How Directors and Supervisors Should Supervise Company Risk Management and Crisis Management	3	
		2022/12/27	2022/12/28	Accounting Research and Development Foundation	(Independent) Directors and Supervisors and Corporate Governance Officer Practices Seminar - Taipei Session	12	

(IV) Status the operation of the Compensation Committee

Identity		Criteria	Professional Qualification and Experience	Independence Criteria (Note)	Number of other public companies in which the individual is concurrently serving as a Compensation Committee of these companies.
Name					
Independent Director (Chairperson)	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 Compensation Committee and a member of the Company's Audit 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	0
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	Xiulian Lin		Graduated from Drexel University with a master's degree; is the head of the CHAMPiON group (accounting firm and appraisal firm) and the head of the Chengxin Land Administration Agency; is the convener of the Company's Auditing Committee and a member of the Company's Compensation Committee; has five years or more of experience working as a lecturer (or above) in commerce, law, finance, accounting, or any disciplines relevant to the Company's business at a public or private tertiary institution.	Meet the independence requirements	3

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 Compensation 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 Compensation Committee

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

(2) Term of office of current committee members:

3rd Committee: May. 31, 2016 to May. 30, 2022. There was 1 Compensation Committee meeting in the most recent fiscal year (2022). The attendance is as follows:

Title	Name	Actual attendance (B)	By Proxy	Attendance Rate (B/A)	Remarks
Members	Chris Kao	1	0	100 %	
Members	Daho Yen	1	0	100 %	
Members	Kun-Chih, Chen	1	0	100 %	
<p>Other remarks:</p> <p>1. The Board may not accept the recommendations of the Compensation 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 Compensation Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Compensation Committee, specify the difference and the reasons): None.</p> <p>2. Where members of the Compensation 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>					

4th Committee: May. 27, 2022 to May. 26, 2025. There was 1 Compensation Committee meeting in the most recent fiscal year (2022). The attendance is as follows:

Title	Name	Actual attendance (B)	By Proxy	Attendance Rate (B/A)	Remarks
Members	Daho Yen	1	0	100 %	
Members	Kun-Chih, Chen	1	0	100 %	
Members	Xiulian Lin	1	0	100 %	
<p>Other remarks:</p> <p>1. The Board may not accept the recommendations of the Compensation 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 Compensation Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Compensation Committee, specify the difference and the reasons): None.</p> <p>2. Where members of the Compensation 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 Compensation Committee Meetings

Compensation Committee	Details of the relevant agendas and the subsequent	Resolution	Company's response to Compensation Committee's opinions
9 th times of the 3 rd term Feb. 25, 2022	<ol style="list-style-type: none"> 1. Proposal for Appropriation of 2021 Employee and Director Bonuses (actual amount). 2. Proposal for the 2022 Non-Sales Non-SBU Incentive Bonus. 3. Proposal for 2022 Manager Salary Adjustment. 	Approved by all committee members	Submitted to the Board and was approved by all Board members.
1 st times of the 4 th term Aug. 3, 2022	<ol style="list-style-type: none"> 1. Proposal for suggestion issue on Allocation of 2021 Director Bonuses. 2. Proposal for suggestion issue on Allocation of 2021 Employee Bonuses to Managers. 3. Proposal for suggestion issue on Allocation of 2022 Performance 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)	Daho Yen		Law.
Independent Director	Kun-Chih, Chen		Accounting
Independent Director	Chris Kao		Business risk management
Independent Director	Xiulian Lin		Accounting
Chairman	Yung-Shun Chuang		Business risk management
President	Chien-Hung, Lin		Business risk management

Note: The term of office of the members of the Risk Management Committee is the same as that of the appointed Board.

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"> 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. 2. The Risk Management Committee shall report its operation to the Board of Directors at least once a year.
Risk Management Committee	"Risk-Management Measures" and "Risk Management Committee"	<ol style="list-style-type: none"> 1. They are evaluated quarterly. 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.

Organization	Basis	Description
	Oranization Regulation"	3. The operation of the risk management team is reviewed at least once a year.
Risk Management team	QR2-002 Risk Management Operation Standard	1. The content of the risk assessment items is reviewed from June to July every year. 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).

7. Information on the operations of the Risk Management Committee

There was 1 Risk Management Committee meeting in the most recent fiscal year (2022). The attendance is as follow

(1) Attendance

Title	Name	Number of meetings (A)	Attendance (B)	Percentage of attendance (%) [B/A]
Independent Director (Chairperson)	Daho Yen	1	1	100 %
Independent Director	Kun-Chih, Chen	1	1	100 %
Independent Director	Chris Kao	1	1	100 %
Chairman	Yung-Shun Chuang	1	1	100 %
President	Chien-Hung Lin	1	1	100 %

(2) Date and content of meeting

Date	Content
Apr. 01, 2022	The Russo-Ukraine War researches and promotes the current impact and countermeasures

(3) Date of the latest report to the Board of Directors on the business implemented by the Risk Management Committee: January 9, 2023.

(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		<p>In accordance with Article 9 of the Sustainable Development Best Practice Principles of AAEON Technology Inc., the Company has established an ESG Office, a sustainable development unit, under the Chairman’s Office to improve the management of sustainable business development. The ESG Office has established a sustainable development promotion organization to be committed to corporate governance, sustainable environment, happy workplace, shared prosperity with society, and a sustainable value chain, to meet AAEON’s commitment to business administration stakeholders, environmental protection, and social charity, thereby fulfilling our responsibilities as a corporate social citizen.</p> <p>AAEON’s major topics in the sustainable development policy include "Emphasis on corporate governance", "Fulfillment of corporate commitments", "Expansion of social participation", and "Promotion of environmental protection", and we carry out various projects through the ESG Office with reference to the United Nations' 17 Sustainable Development Goals (SDGs). We have established the ESG Office, a concurrent unit, in accordance with the Sustainable Development Best Practice Principles, and it reported on and discussed the progress of relevant matters with the Board of Directors in May, August, and November 2022.</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	
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		<p>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.”</p> <p>II. Risk management scope 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</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	
			<p>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 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.</p>	
<p>III. Environmental issues</p> <p>(I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?</p>	V		<p>(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.</p> <p>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.</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	
(II) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	V		<p>Regular detection of carbon dioxide concentration: The carbon dioxide concentration is measured semi-annually (in March and September every year), and the inspection results are publicly disclosed in the Company's announcement column.</p> <p>(II) The Company sorts, recycles and reuses resources. The use of hazardous substances is prohibited in product manufacturing, and the design and development are in compliance with regulations of RoHS, REACH, WEEE of EU.</p> <p><u>Waste and Resource Recycling Management</u> AAEON’s waste generated internally reached a total of 15.802 metric tons during 2022, of which waste plastics accounted for 70.9%, occupying the largest portion, including plastic trays, tubes, empty cans; and packaging materials from incoming materials (IC tubes, trays, reels and plastic panels), scrap break-away, occupying the second largest portion, which accounted for 21.2%, and scrap iron ranked third at 5.4%; 100% of the waste was recycled and reused.</p> <p><u>Industrial Waste Management</u> The Company’s industrial waste manufacturers are selected in accordance with the Environmental Protection Administration's regulations. They are selected among the list provided by the website of Industrial Waste Report and Management System, Environmental Protection Administration, Executive Yuan. The factories' information is obtained from the "Permit Inquiry". Our partner manufacturers have provided Waste Treatment</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 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>Permit issued by the Environmental Protection Administration, or Recycling Permit issued by the Ministry of Economy Affairs, indicating their code of waste types permitted is aligned with the Company’s waste. The industrial waste and liquid waste generated by AAEON during the production and operation process are all handled by qualified factories, and relevant information is regularly uploaded to government websites in accordance with laws and regulations.</p> <p><u>Proceeds from Recoverables</u> In 2022, a total of 1.95 metric tons of tin slag was exchanged for 1,074 kg of lead-free new tin rods, and other industrial waste totaled to \$ 26,083.</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

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 record the greenhouse gas emissions, water consumption and total weight of waste produced in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	V		<p>(IV) Greenhouse gas emissions: In 2021, 2,763.576 kWh of electricity was used, it is estimated that the greenhouse gas emissions from employee commuting in 2021 was 1,403,584 kgCO₂e., 2,861,947 kWh of electricity used in 2022, It is estimated that the greenhouse gas emissions from employee commuting in 2022 was 1,445,969 kgCO₂e. 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: https://www.aeon.com/tw/csr/environmental-friendly</p> <p><u>Water Usage:</u> Water consumption throughout 2021 = 4,635 m³ = 4,635 metric tons. Water consumption throughout 2022 = 4,678 m³ = 4,678 metric tons, an increase of 0.9%. We failed to reach the annual target of reducing water consumption by 1%. We continued the measures, such as posting water efficiency slogans and offering water efficiency courses, while working with the management unit to study and plan other water efficiency management measures.</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	
			<p><u>Total waste amount:</u> It was a total of 11.923 metric tons for 2021 and 15.802 metric tons for 2022. Due to the revenue growth, the total weight of waste slightly increased. We will instruct all units to coordinate and discuss methods to gradually reduce waste.</p> <p><u>Greenhouse gas inventory:</u> AAEON established a greenhouse gas inventory promotion organization in 2022 to conduct inventories of the Company's headcount, electricity consumption, transportation, and supplies procured. At present, we plan to appoint external consultants for coaching, with the goal of obtaining ISO-14064-1 certification (greenhouse gas verification).</p>	
<p>IV. Social Issues</p> <p>(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?</p>	V		<p>(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</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	
			<p>disclose human rights policy declarations. AAEON’s human rights policy declaration is as follows:</p> <ul style="list-style-type: none"> ● No child labor: comply with local minimum age laws and regulations, no child labor. ● Above minimum wage: Provide employees with the wages and benefits that meet or exceed the requirements of local laws and regulations. ● Working hours: Meet or better than local laws and regulations, provide employees with paid vacation, do not force employees to work more than the maximum daily working hours stipulated by local laws and regulations, and comply with the requirements of overtime wages or necessary compensation. ● Non-discrimination: Discrimination based on race, color, age, gender, sexual orientation, religion, disability, work membership or political orientation is prohibited. Everyone has the right to equal protection without discrimination. ● No inhumane treatment: Harassment, physical abuse or threats are prohibited. ● Free choice of occupation: Coercion, guarantee (including debt repayment) or deed to force domestic or foreign workers to work is prohibited. Do not hire involuntary prison workers, servitude or human trafficking, and ensure that all employees work voluntarily. Provide a labor 	

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	V		<p>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.</p> <ul style="list-style-type: none"> ● Health and safety: Provide a healthy and safe working environment for all employees with mutual trust and respect. ● Freedom of assembly: According to the law, all employees have the right to freedom of assembly and association and to participation in local legal unions. The employer must not interfere or prohibit it. <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-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></p> <p>The Company's current main welfare measures include cultural and recreational activities, employee travel, emergency assistance, festival</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	
performance in employee compensation?			<p>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 complies with the Labor Standards Act and applicable regulations and provides a leave system in compliance with the laws and regulations. The leave system is operating well. We also implement the relevant regulations and systems that are better than what is required by the law:</p> <ol style="list-style-type: none"> 1. We pay the full salary to female employees who have been employed for fewer than six months and apply for maternity leave of five days, one week or four weeks. 2. We added birthday leave and provide one day of paid leave to employees on their birthdays. 3. We adjusted female menstrual leave and provided the maximum of 42 days of half-pay leave throughout the year. 4. We added a new childbirth transportation subsidy with a monthly upper limit of NT\$3,000. 5. We increased the childbirth cash gift to NT\$10,000 per child. 	

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><u>Retirement system and its implementation:</u></p> <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"> 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"> (1) Provide new employees and operators who replaced old ones with general safety and health education for three hours. (2) Provide on-the-job personnel with safety and health education and training for three hours every three years. 	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 CO² 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, implementation of hierarchical management to protect labor 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 arranged for an employee health examination per year to safeguard their health and for doctors to provide on-site services at the Company every month. The pandemic has caused a great deal of inconvenience during 2022. To maintain employees' health, we</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>allowed employees to apply for work from home under the precondition that they could take care of their families and the Company could operate normally, thereby achieving a win-win situation. AAEON cares about employees’ health. In addition to offering health courses from time to time, we have a number of sports clubs in place (boxing, aerobics, Tai Chi, table tennis, badminton, basketball and yoga) and motivate employees to participate in activities often. Therefore, the Company was certified with Taiwan i Sports by the Sports Administration, Ministry of Education, in 2022. 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 psychologists provide employees with one-on-one consulting services at the Company.</p> <p>7. In 2022, the Occupational Safety Office conducted work-related education and training (such as fire escape drills, first aid training, etc.) for 587 participants with a total of 2,276 hours.</p> <p>8. Due to the pandemic, Health promotion related practices, lectures and experiences were only held 2 times in total, with a total of 51 participants with a total of 102 person-hours</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		(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 2022 with 6,073 participants and a total of 11,823 person-hours.	No significant difference
(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,	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	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	
occupational safety and health, or labor rights, and their implementation?			<p>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", "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 engaged in environmental protection activities with clients and suppliers.</p> <p>Global warming and climate change are daunting issues. The government and various enterprises have set carbon free by 2050 as a common goal, and AAEON is no exception.</p> <p>1.The Company contributes both money and efforts to energy-saving and carbon reduction projects. We invited the affiliate,</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>Onyx Healthcare Inc., to donate to the Luodong Forest District Office as a afforestation fund. As of 2022, we have donated a total of \$565,200. The Chairman led employees to experience tree planting in person. During the tree planting activity, he stated that the most important thing of tree planting, in addition to water and soil conservation, is to achieve carbon neutrality and reduce carbon emissions. From 2020 through 2022, AAEON has adopted 3.12 tons of forestland and planted a total of 4,680 saplings, which could reduce a total of 117,180 kilograms of carbon emissions (cyclic calculation).</p> <p>2. In addition to tree planting, AAEON adopted Datianliao Beach in Tamsui for cleanup and maintenance, and also engages in environmental protection activities with clients and suppliers. AAEON, Onyx and Litemax organized a joint beach cleanup program together. A total of 130 employees and family members participated in the cleanup activity. A total of 593 person-times worked as volunteers during 2022, who picked a total of 1,486.9 kilograms of trash.</p> <p>3. This activity was of particular significance as Yung-Shun Chuang, Chairman of AAEON and Onyx, led the employees and their family members to roll up their sleeves to clean up the beach, as a move to show our determination to care for the Earth and support beach cleanup. The experiences of tree planting, beach</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			cleanup and other social charity events, allowed our employees and their family members to realize the importance of maintaining and cherishing the Earth, and they will, in turn, share 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
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 January 9, 2023, 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 Boad. 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, 2022, 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	
(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		3. 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.	No discrepancy in general
(IV) Has the Company established effective accounting and internal control systems for the implementation of policies, prepared audit plans according to the evaluation result of dishonesty risks, and audit such execution and compliance, or hire external auditors to audit such execution and compliance?	V		(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. (IV) The Company's Internal Audit Office carries out its audit work in accordance with the implementation procedures of internal control and auditing system formulated by the FSC, and assigns auditors to conduct auditing operations in accordance with the annual audit plan.	No discrepancy in general
(V) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		(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	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	
			Conduct, Procedures for Ethical Management and Guidelines for Conduct, Labor Safety and Health Management, Accounting System and Internal Control), with a total of 1,081 participants and 1,081 hours.	
<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		(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.	No discrepancy in general
<p>(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?</p>	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
<p>(III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?</p>	V		(III) The Company's "Code of Business Conduct" and "Procedures for Ethical Management and Guidelines for Conduct" have stipulated that the	No discrepancy in general

Items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			Company shall be held responsible for confidentiality of the informer and shall not have any improper punishment.	
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): 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.				

(VIII) 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 Compensation 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.

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

(X) 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. 24, 2023

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 2022:

- 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, 2022, 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 24, 2023, 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.

(XI) 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.

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

1. Shareholders' Meeting:

Type of Meetings	Major Motions	Execution
May 27, 2022 General Meeting of shareholders	1. Adoption of the 2021 Business Report and Financial Statements.	The motion was voted upon and passed, and was the basis for the 2021 surplus distribution.
	2. The distribution of 2021 retained earnings	This motion was passed according to the vote. The Chairman set the ex-dividend date to be July 2, 2022, and the cash dividend payment date to be July 20, 2022.
	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. Proposal for the election of the fifth session of directors: List of elected directors: Representatives of Jui Hai Investment Co.,Ltd. : Yung-Shun, Chuang, Ying-Chen Li, and Fu-Chun, Chuang ; Representatives of the chairman of ASUSTeK Computer Inc. : Jonny Shih , Jonathan Tsang, and S.Y. Hsu; Representatives of the chairman of IBASE Technology Inc. : Chiu-Hsu, Lin , Yu-Nan, Chen. The list of independent directors elected: Daho Yen, Kun-Chih, Chen , and Xiulian Lin .	According to the selection list of the shareholders' meeting, the registration of company changes was completed with the Ministry of Economic Affairs on June 23, 2022.
	5. Proposed to remove the non-compete clause for new directors.	The results of the resolution have been complied with and the non-compete restriction of 11 directors (including 3 independent directors) of the 5th session has been lifted.
	6. 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.

2. Board of Directors:

Type of Meetings	Convening date	Important Resolution Items
Board of Directors	2022.02.25	<ol style="list-style-type: none"> 1. Declaration of 2021 Internal Control Policies 2. 2020 business report and financial statements 3. The distribution of 2020 retained earnings 4. Proposed to distribute \$0.5 per share in cash from additional paid-in capital. 5. 2022 business plan and budgets 6. Election of the fifth session of directors 7. Convening of the 2022 Annual General Meeting 8. In the fourth quarter of 2021, the case of converting employee stock option certificates into new shares was executed. 9. Donation of \$2 million to AAEON EDUCATION FOUNDATION. 10. Participate in the ONYX HEALTHCARE INC.'s cash capital increase project 11. Rules for distribution of bonus for 2022 Non-Sales NonSBU 12. Adjustment of the salaries for managers for 2022
Board of Directors	2022.04.15	<ol style="list-style-type: none"> 1. Amendments to the Company's "Articles of Incorporation" 2. Proposal on convening the 2022 Annual General Meeting of Shareholders (Additional Discussion Proposal) 3. Nomination of Directors and Independent Directors Candidates 4. Proposed to remove the non-compete clause for new directors. 5. Application for comprehensive credit line and renewal of transactions of derivatives.
Board of Directors	2022.05.04	<ol style="list-style-type: none"> 1. 2022 Internal Control and Internal Audit System Amendment Proposal 2. Amendments to the Company's "Procedures of Acquisition or Disposal of Assets" 3. 2022Q1 Financial report 4. Office bidding case on the 6th floor of Building B of "Xindian Baogao Smart Industrial Park" 5. In the first quarter of 2022, the case of converting employee stock option certificates into new shares was executed.
Board of Directors	2022.05.27	<ol style="list-style-type: none"> 1. Elect a new chairman 2. Appointment of members of the 4th Salary and Remuneration Committee
Board of Directors	2022.08.03	<ol style="list-style-type: none"> 1. 2022Q2 Financial report 2. In the second quarter of 2022, the case of converting employee stock option certificates into new shares was executed. 3. Appointment of members of the second session of the Risk Management Committee 4. Replacement and update of some equipment in the SMT production line of the board factory 5. Acquisition of ONYX HEALTHCARE INC.'s right to use asset change case

Type of Meetings	Convening date	Important Resolution Items
		<ol style="list-style-type: none"> 6. The case of purchasing real estate and parking spaces from the related party of LITEMAX ELECTRONICS INC. 7. Submit the 2021 Directors' Remuneration Distribution Proposal 8. Submit the 2021 manager employee remuneration distribution proposal 9. Submit the 2022 annual manager performance bonus distribution proposal
Board of Directors	2022.11.02	<ol style="list-style-type: none"> 1. 2022Q3 Financial report 2. In the third quarter of 2022, the case of converting employee stock option certificates into new shares was executed. 3. Internal Audit plan for 2023
Board of Directors	2023.01.09	<ol style="list-style-type: none"> 1. Revision of some articles of the company's "Internal Material Information Processing Procedures" 2. Revision of some articles of the company's "Procedures for Preventing Insider Trading Management" 3. Amendments to some articles of the company's "Rules of Procedure for the Board of Directors" 4. Submit the 2022 bonus distribution proposal for managers 5. Submit the 2022 employee remuneration and director remuneration proposal (estimated amount)
Board of Directors	2023.02.24	<ol style="list-style-type: none"> 1. 2022 internal control effectiveness and internal control system statement 2. 2022 business report and financial statements 3. The distribution of 2022 retained earnings 4. 2023 business plan and budget 5. Convening of the 2023 Annual General Meeting 6. Revision of the company's "Corporate Social Responsibility Code of Practice" and "Corporate Social Responsibility Organization Chart" 7. Revision of some articles of the company's "Corporate Governance Code" 8. In the fourth quarter of 2022, the case of converting employee stock option certificates into new shares was executed 9. Amendments to some articles of the company's "Articles of Association" 10. Accountant Independence Assessment Case 11. The case of changing the company's certified accountant 12. Donation of \$2 million to AAEON EDUCATION FOUNDATION.
Board of Directors	2023.03.23	<ol style="list-style-type: none"> 1. Issuance of new shares by means of capital increase and transfer of shares

(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: None.

5. Disclosure of CPAs' remuneration

Unit: NTD Thousand

Auditor's firm	Name of CPA	Audit period	Audit Fee	Non-audit Fee	Total	Remarks
Pricewaterhouse Coopers, Taiwan	Weng, Shih-Jung	Jan. 1, 2022 – Dec. 31, 2022	2,700	430	3,130	Note
	Lin, Chun-Yao					

Note: The non-audit service fees include 270 thousand for tax audit report, 50 thousand for concurrent business tax filing, 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: Since the audit fee includes tax audit report fee and service fee of concurrent business tax filing in previous year.

6. Information of 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	2022		As of Apr. 2, 2023	
		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 (Note 1)	-	-	-	-
Directors and Shareholders Holding Greater Than a 10 Percent Stake in the Company	ASUSTeK Computer Inc.	-	-	-	-
Legal representative	Jonny Shih	-	-	-	-

Title	Name	2022		As of Apr. 2, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Legal representative	Jonathan Tsang	-	-	-	-
Legal representative	S.Y. Hsu	-	-	-	-
Legal representative	Fu-Chun, Chuang (Note 2)	-	-	-	-
Independent Director	Chris Kao (Note 3)	-	-	-	-
Independent Director	Daho Yen	-	-	-	-
Independent Director	Kun-Chih, Chen	-	-	-	-
Independent Director	Xiulian Lin (Note 4)	-	-	-	-
President	Chien-Hung, Lin	45,000	-	-	-
Vice President	Chi-Hung, Liao	40,000	-	(16,000)	-
Senior Advisor	Chung-Ming, Hsu (Note 5)	-	-	-	-
Vice President	Kuo-Chiang, Wang	5,000	-	45,000	-
Vice President	Yu-Yu, Chu	-	-	-	-
Senior Assistant V.P.	Shu-Chen, Li	-	-	-	-
Assistant V.P.	Jen-Chieh, Huang	17,000	-	(18,000)	-
Assistant V.P.	Li-Kai, Lai (Note 6)	(34,000)	-	28,000	-
Senior Assistant V.P.	Shao-Chou, Hsueh	-	-	-	-
Assistant V.P.	Wen-Ming, Ni	(5,000)	-	-	-
Manager	Wan-Hui, Chiu	12,000	-	(12,000)	-
Senior Assistant V.P.	Yun-Chen, Tu	-	-	-	-
Manager	Jen-Chung Wang	4,000	-	5,000	-
Manager	Ming-Han, Hsieh	-	-	-	-
Assistant V.P.	Chris Chuang	-	-	13,000	-
Assistant V.P.	Hank Peng	-	-	-	-
Assistant V.P.	Jansin Lee	-	-	-	-

Note 1: Director Wei-Chun, Yen, Representative of Jui Hai Investment Co. Ltd., was re-elected and resigned by the shareholders' meeting on May 27, 2022.

Note 2: Director Fu-Chun, Chuang, Representative of Jui Hai Investment Co. Ltd., was new-elected as director by the shareholders' meeting on May 27, 2022.

Note 3: Director Chris Kao, was re-elected and resigned by the shareholders' meeting on May 27, 2022.

Note 4: Director Xiulian Lin, was new-elected as director by the shareholders' meeting on May 27, 2022.

Note 5: Senior Advisor Chung-Ming, Hsu has retired in Jan. 2022.

Note 6: Assistant V.P. Li-Kai, Lai was on unpaid leave from Dec. 2019.

Note 7: Assistant V.P. Chris Chuang, Hank Peng, Jansin Lee became manager from April.1,2023.

(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.

April 2, 2023; 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	29.26	-	-	-	-	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	27.88	-	-	-	-	-	-	-
Yung-Shun, Chuang	19,664,000	13.15	-	-	-	-	Jui Hai Investment Co.,Ltd.	Spouse of the company's responsible person	-
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.59	-	-	-	-	ASUSTeK Computer Inc. HUA-MIN INVESTMENT CO.,LTD.	Parent company and subsidiary Affiliate	- -
Representative : Jonny Shih	-	-	-	-	-	-	-	-	-
HUA-MIN INVESTMENT CO.,LTD.	8,359,000	5.59	-	-	-	-	ASUSTeK Computer Inc. HUA-CHENG VENTURE CAPITAL CORP.	Parent company and subsidiary Affiliate	- -
Representative : Jonny Shih	-	-	-	-	-	-	-	-	-
Jui Hai Investment Co.,Ltd.	4,515,000	3.02	-	-	-	-	Yung-Shun, Chuang	Spouse of the company's responsible person	-
Representative : Hui-Mei, Huang	-	-	-	-	-	-	-	-	-
Yu-Ming, Huang	4,233,000	2.83	-	-	-	-	-	-	-
Ching-Yun, Hsu	1,481,000	0.99	-	-	-	-	-	-	-
Ying-Chen Li	1,113,000	0.74	-	-	-	-	-	-	-
Shu-Hua Li Chuang	987,000	0.66	-	-	-	-	-	-	-

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.	16,257,179	48.88	5,264,421	15.82	21,521,600	64.70
LITEMAX ELECTRONICS INC. (Note)	5,015,050	11.97	3,933,871	9.38	8,948,921	21.35
IBASE Technology Inc. (Note)	52,921,856	28.61	3,884,625	2.10	56,806,481	30.71
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.	-	-	1,836,000	51.00	1,836,000	51.00
Winmate Tex Inc. (Note)	-	-	15,014,000	19.68	15,014,000	19.68

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
2022.04	10	200,000	2,000,000	148,618	1,486,185	Conversion of stock option into 120 thousand shares	None	Note 5
2022.06	10	200,000	2,000,000	148,655	1,486,555	Conversion of stock option into 37 thousand shares	None	Note 6
2022.08	10	200,000	2,000,000	148,737	1,487,375	Conversion of stock option into 82 thousand shares	None	Note 7
2022.11	10	200,000	2,000,000	149,082	1,490,825	Conversion of stock option into 345 thousand shares	None	Note 8
2023.03	10	200,000	2,000,000	149,225	1,492,255	Conversion of stock option into 143 thousand shares	None	Note 9

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.

Note 5: Jing-Shou-Shang-Zi Letter No. 11101044300 dated Apr. 11, 2022.

Note 6: Jing-Shou-Shang-Zi Letter No. 11101087560 dated Jun. 07, 2022.

Note 7: Jing-Shou-Shang-Zi Letter No. 11101163000 dated Aug. 26, 2022.

Note 8: Jing-Shou-Shang-Zi Letter No. 11101222520 dated Nov. 24, 2022.

Note 9: Jing-Shou-Shang-Zi Letter No. 11230043040 dated Mar. 21, 2023.

2. Type of Stock

April 2, 2023; Unit: shares

Share Type	Authorized capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary shares	149,566,468	50,433,532	200,000,000	Listed stocks

3. Information regarding self-registration: None.

(II) Status of shareholders

April 2, 2023; Unit: shares

Shareholders structure Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	3	35	1,945	25	2,008
Shareholding (shares)	0	262,000	108,210,924	40,268,023	825,521	149,566,468
Percentage (%)	0	0.18	72.35	26.92	0.55	100.00

(III) Shareholding distribution status

April 2, 2023; Unit: number of shareholders; shares; %

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 to 999	324	27,089	0.02
1,000 to 5,000	1,288	2,445,011	1.63
5,001 to 10,000	171	1,374,788	0.92
10,001 to 15,000	57	734,000	0.49
15,001 to 20,000	44	810,000	0.54
20,001 to 30,000	34	864,150	0.58
30,001 to 40,000	18	654,441	0.44
40,001 to 50,000	10	461,000	0.31
50,001 to 100,000	30	2,067,521	1.38
100,001 to 200,000	10	1,374,000	0.92
200,001 to 400,000	8	2,366,000	1.58
400,001 to 600,000	3	1,384,000	0.93
600,001 to 800,000	0	0	0.00
800,001 to 1,000,000	2	1,826,000	1.22
1,000,001 and above	9	133,178,468	89.04
Total	2,008	149,566,468	100.00

(IV) List of major shareholders

April 2, 2023; Unit: shares; %

Shareholding Shareholder's Name	Shares	Percentage
ASUSTeK Computer Inc.	43,756,000	29.26
IBASE Technology Inc.	41,698,468	27.88
Yung-Shun, Chuang	19,664,000	13.15
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.59
HUA-MIN INVESTMENT CO.,LTD.	8,359,000	5.59
Jui Hai Investment Co.,Ltd.	4,515,000	3.02
Yu-Ming, Huang	4,233,000	2.83
Ching-Yun,Hsu	1,481,000	0.99
Ying-Chen Li	1,113,000	0.74
Shu-Hua Li Chuan	987,000	0.66

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

Unit: NT\$

Item		Year	2021	2022	As of Apr. 2 2023
Market price per share	Highest		75.8	95.5	102.0
	Lowest		58.6	67.8	86.2
	Average		66.66	79.01	94.68
Net worth per share	Before dividend distribution		52.95	57.92	
	After dividend distribution		49.85	Not yet appropriated	
Earnings per share	Weighted Average Shares (thousand shares)		106,800	107,152	107,675
	Earnings per share (Note 1)	Cum-dividend	4.22	10.03	
		Ex-dividend	4.22	Not yet appropriated	
Dividends per share	Cash dividends	From retained earnings	2.6	5.0 (Note 2)	
		From capital surplus	0.5	-	
	Stock dividends	From retained earnings	-	-	
		From capital surplus	-	-	
Accumulated Undistributed Dividends			-	-	
Return on Investment	Price / Earnings Ratio(Note 3)		15.80	7.88	
	Price / Dividend Ratio (Note 3)		21.50	15.80	
	Cash Dividend Yield Rate (Note 3)		4.65%	6.33%	

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 retained earnings would be \$5 per share which approved by the resolutions of the board of directors of the Company on February 24, 2023.

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 Compensation 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 2022 profits was passed at the meeting of the Board of Directors on Feb. 24, 2023. The proposal for distribution of dividend will be discussed at the annual shareholders' meeting are as follows:

Unit: NT\$

Items	Amount
Opening undistributed earnings	91,706,369
Current year net income after tax	1,074,459,778
Share-based payment	(347,159)
Profit after tax of current year and undistributed earnings other than profit after tax	1,074,112,619
Legal reserve appropriated	(107,411,262)
Reversal (provision) of Special reserve	52,445,506
Earnings to be allocated	1,110,853,232
Earnings distribution:	
Dividends to Shareholders (at \$ 5 per share)	(746,127,340)

- (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. 24, 2023.
- (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 2022 remuneration has been approved resolved by the Board of Directors on Feb. 24, 2023. The distribution of remuneration to employees, Directors and Supervisors is as follows, and is the same as the recognized amount:
Remuneration to employees: \$118,958,000
Remuneration to Directors: \$8,712,000
 - (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 2021 remuneration has been approved by the e-voting result of the shareholders' meeting. on May 27, 2022. 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: \$46,872,000
Remuneration to Directors: \$4,500,000
 - (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

Apr. 2, 2023

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	2.00580								
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="0" style="width: 100%;"> <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>2nd year</td> <td>50%</td> </tr> <tr> <td>3rd year</td> <td>75%</td> </tr> <tr> <td>4th year</td> <td>100%</td> </tr> </tbody> </table>	<u>Vesting date</u>	<u>Cumulative vesting</u>	2 nd year	50%	3 rd year	75%	4 th year	100%
<u>Vesting date</u>	<u>Cumulative vesting</u>								
2 nd year	50%								
3 rd year	75%								
4 th year	100%								
Converted shares	0 shares								
Exercised amount	\$ 0								
Number of shares yet to be converted	1,536,000								
Adjusted exercise price for those who have yet to exercise their rights	\$63.1								
Unexercised shares as a percentage of total issued shares	1.02697								
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:

Apr. 2, 2023

	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	1,236	0.83	392	65.7/63.1	25,047.2	0.26	844	2019 strike price per share: \$ 72.3	53,256.4	0.57
	Vice President	Chi-Hung, Liao										
	Vice President	Kuo-Chiang, Wang										
	Vice President	Yu-Yu, Chu										
	Senior Assistant V.P.	Yun-Chen, Tu										
	Assistant V.P.	Li-Kai, Lai										
	Senior Assistant V.P.	Shu-Chen, Li										
	Senior Assistant V.P.	Shao-Chou, Hsueh										
	Assistant V.P.	Jen-Chieh, Huang										
	Assistant V.P.	Wen-Ming, Ni										
	Manager	Wan-Hui, Chiu										
	Manager	Jen-Chung Wang										
	Manager	Ming-Han Hsieh										
	Assistant V.P.	Chris Chuang										
Assistant V.P.	Hank Peng											
Assistant V.P.	Jansin Lee											
Employee	Top Ten Employees (Note 1)		412	0.28	244	65.7/63.1	15,542	0.17	168		10,600.8	0.11

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

On March 23, 2023, the Company's board of directors resolved to issue new shares for capital increase and acquire Jetway Information Co., Ltd. for share exchange. The company expects to issue 10,523 thousand shares of common stock to acquire 26,308 thousand shares of Jetway Information Co., Ltd., and the estimated base date for share exchange is April 28, 2023.

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	2021		2022	
		Amount	Proportion	Amount	Proportion
Single board computers and peripherals		2,987,542	47.06%	4,084,002	48.90%
Industrial system products		2,721,089	42.87%	3,703,443	44.34%
Others		639,073	10.07%	564,631	6.76%
Total		6,347,704	100.00%	8,352,076	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) modules and Edge Computing devices
- (2) Industrial-grade innovative development board and its peripherals
- (3) Smart city related IoT solutions
- (4) Server and server boards
- (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

(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)Smart retail

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

Point of Sales (POS) is the most basic IT tool used in the retail industry. In the past, it was a traditional electronic cash register (ECR). Its function is mainly for the calculation of total transaction amount and printing invoices and receipts during trading. However, for the easy of inventory management, speeding up checkout and reducing the risk of manual input errors, retailers later introduced computer systems to facilitate the process. Later, the system is incorporated with network, scanners, and touch functions. In addition to basic functions, POS can also perform personnel attendance management, inbound and outbound management, transaction behavior analysis. The POS system is not only used in the retail industry, but also widely used in the catering industry, hotel industry and other industries. Nowadays, many stores are evolving into large and chain-oriented scales. The POS system has become an indispensable management tool for intelligent retail and logistics. Therefore, the POS system has also become one of the development priorities of many industrial PC manufacturers.

(3)Intelligent manufacturing

Intelligent manufacturing is the introduction of intelligence in the overall

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

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

(4) 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.

(5) 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.

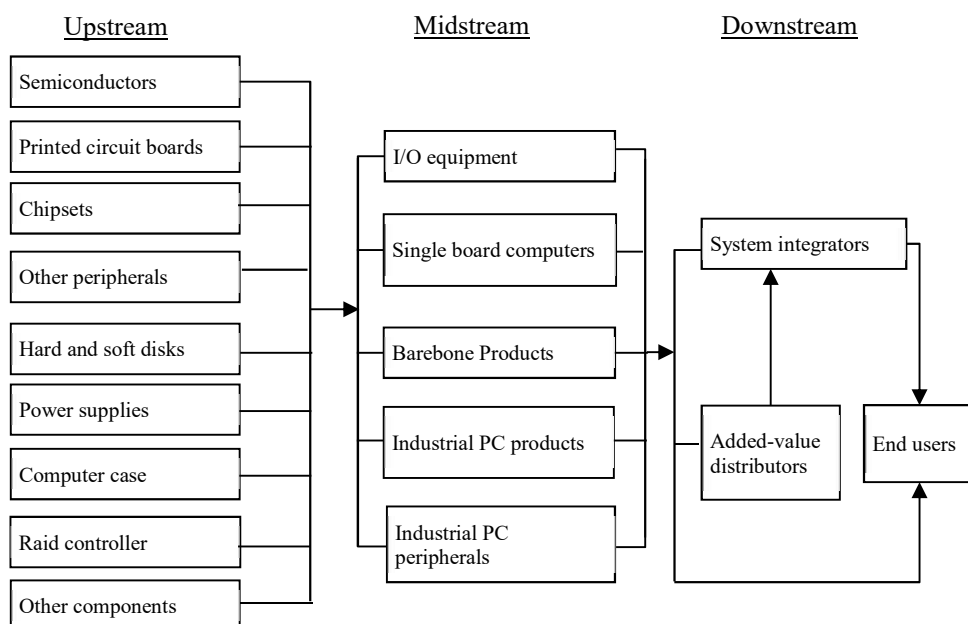
2. Correlation of the upstream, midstream, and downstream of the industry

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; %

Year	2021	2022
Item		
Research and development expenses	495,114	599,554
Net revenue	6,347,704	8,352,076
As a percentage of net revenue	7.80%	7.18%

Note 1: As of the printing date of this annual report, there are 2023Q1 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

2021	<ul style="list-style-type: none"> ● Embedded single-board computers and motherboards /modular computers / industrial-grade motherboards / chassis-type single-board computers and backplanes: PICO-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 ● 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 ● 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 & SV87、NOW-AREC-KS700、LS-804、BSE-001、SLC-001、SRG-3352C、SRG-ACAN、SRG-ADIO ● Rugged Tablet PC : Ruentex-710RK、TG1373、TG1335、Infinity
2022	<ul style="list-style-type: none"> ● 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、GENE-EHL5、PICO-V2K4、ESBD-ACIES03、GENE-KBU6-MLD、EPIC-TGH7、COM-TGHB6、GENE-ADP6、NANOCOM-EHL、de next-TGU8、COM-ICDB7、M2AI-2280-720、PICO-TGU4-SEMI、M2AI-2242-720、NANOCOM-BT-A11、PFM-540I A11、GENE-BT06 A12、MINI-AI-720、GENE-BT04 A12、COM-SKHB6 A11、GENESYSM-TGU6、NANOCOM-APL B10、Smarter AI Mirror、PICO-EHL4-A11、PICO-V2K4-SEMI、EPD-AEIATX-K ● Industrial-grade innovative development board / IoT gateway : UP-CHT01 B1.0、MIX-EHLD1、ARES-WHI0、FWS-7541、ICS-6280、FWS-2277、UP-APL03、UPS-EHL01、UPE-NUC12、UPX-ADLP01、UPN-EDGE-EHL01、UPN-APL01 B10、UP-APL01

	<p>B1.0、UP-EDGE-APL03、VEND-CRST01、UP-APL03-B1.0、UPS-EDGE-EHL01、FAY-TLU、FAY-EHL、SRG-APL、LS-AK3、SRG-IMX8、SRG-4858P</p> <ul style="list-style-type: none"> ● Panel PC System / Embedded Computer System / Industrial LCD: ACP-1106MRK、BOXER-8256AI、ACP-1076MUP、BOXER-8240AI-C1 ● Rugged Tablet PC : ROKS 3.0
As of printing date of the annual report	<ul style="list-style-type: none"> ● Embedded single-board computers and motherboards /modular computers / industrial-grade motherboards / chassis-type single-board computers and backplanes : de next-V2K8、GENESYSM-ADP6、PICO-APL2 ● Panel PC System / Embedded Computer System / Industrial LCD: BOXER-6645-ADS、BOXER-8641AI ● Industrial-grade innovative development board / IoT gateway : ZEUS-WHI0

3. The Company has proposed to invest \$514,000 in R&D by the end of 2023.

(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 AAEMON 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. Introduce artificial intelligence into 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 components.
4. Business operation
 - (1) Short-term plan
 - A. Strive to flatten the organization structure and adopt the strategy of hiring elites.
 - B. Take passionate and proactive manner toward team operation.
 - C. Organization integration of project management
 - (2) Mid-long-term plan
 - A. Take a focused business strategy.
 - B. Each business department is a flexible and strong operating organization, which supports each other under the common resources and strategic leadership of the headquarters, forming a solid enterprise group and establishing the management and marketing capabilities of multinational enterprises.
5. Financial plans
 - (1) Short-term plan
 - A. Effective cost control.
 - B. Expand the Company's popularity.
 - C. With steady and flexible use of funds to minimize the cost, in order to facilitate the Company's future development.
 - (2) Mid-long-term plan
 - A. Establish potential for financial operation and flexible operation.

2. Market and Sales Overview

(I) Market analysis

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

Unit: NT\$ thousand; %

Area \ Year	2021		2022	
	Sales volume	Percentage	Sales volume	Percentage
Domestic sales	376,675	5.93%	549,582	6.58%
Exports	5,971,029	94.07%	7,802,494	93.42%
Total	6,347,704	100.00%	8,352,076	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.

According to the research report published by MarketsandMarkets, the industrial PC market size is expected to grow from \$5.0 billion in 2023 to \$6.6 billion by 2028, at a CAGR of 5.5%. The market growth is driven by factors including high demand for industrial IoT by manufacturing companies and steady move of manufacturing sector toward digitalization.

(2) Smart 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 Meticulous Market Research Pvt. Ltd., it is estimated that the global smart retail market will reach \$91.36 billion in 2030, with a CAGR of 22.4% from 2023 to 2030.

(3) Smart manufacturing

According to TrendForce research, companies are moving actively on energy conservation and carbon reduction. In the short term, the introduction of automation as an intelligent foundation will attract increasing attention from the industry and emerging market demands such as remote operations, virtual reality, and simulation operations will become more practical in the medium term. This stage of development is expected to solve the dilemma posed by the slow progress of Industry 4.0, accelerate the development of related technologies, and drive the global smart manufacturing market to reach \$620 billion by 2026.

According to TrendForce, there are quite a variety of ways for the manufacturing industry to move towards sustainable operation. Looking at the common man-machine-material law in factory management, design of low-carbon machinery and equipment, selection of packaging materials, circular economy business model, use of renewable energy, and even the use of green construction facilities are all tools and means. Considering cost and benefit, production process improvement and

overall environmental monitoring are key areas of current Industry 4.0 greening technology.

(4) Network Security

According to the research report published by Technavio, the network security appliance market share is expected to increase by \$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.

(5) Edge computing

The global edge computing market size is expected to reach \$155.90 billion by 2030, and is expected to expand at 37.9% CAGR from 2023 to 2030, 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

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

(2) Add-on and touch-up line

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

(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	2021				2022			
	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer
1	A	1,048,132	21.80	The parent company	A	1,284,764	22.40	The parent company
2	B	661,481	13.76	None	B	1,063,826	18.54	None
	Others	3,098,808	64.44	-	Others	3,389,324	59.06	-
	Purchase - net	4,808,421	100.00	-	Purchase - net	5,737,914	100.00	-

Explanation of the reason for any change in the amount: There is no significant changes in the year 2022 and 2021.

- 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	2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Single board computers and peripherals		253	263	1,218,904	338	332	1,597,679
Industrial system products		252	298	1,620,908	326	354	2,132,519
Total		506	559	2,839,812	664	685	3,730,199

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	Year	2021				2022			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Major products (or department classification)									
Single board computers and peripherals		52	233,340	561	2,754,202	83	373,045	672	3,710,957
Industrial system products		64	103,996	420	2,617,093	13	127,024	392	3,576,418
Others		121	39,339	5,508	599,734	249	49,513	1,012	515,119
Total		237	376,675	6,489	5,971,029	363	549,582	2,077	7,802,494

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		2021	2022	As of Apr. 2, 2023
Number of employees	Production	325	348	360
	Construction	234	240	242
	Sale	150	153	157
	Administration	102	100	104
	Total	811	841	863
Average age		41.84	41.93	42.30
Average years of service		7.40	7.45	7.51
Education	Ph.D	3	2	2
	Masters	153	156	160
	Bachelor's Degree	494	506	513
	Senior High School	148	164	174
	Below Senior High School	13	13	14

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)				
			2018	2019	2020	2021	2022
Current assets			5,345,112	4,810,234	4,793,844	5,143,956	5,918,961
Property, plant, and equipment			618,722	595,882	564,531	800,321	805,741
Intangible assets			5,972	23,993	24,669	17,726	13,313
Other assets			3,765,395	4,247,834	4,194,074	4,254,002	4,664,971
Total assets			9,735,201	9,677,943	9,577,118	10,216,005	11,402,986
Current liabilities	Before distribution		1,294,950	1,234,398	1,088,720	1,519,846	1,659,745
	After distribution		1,903,794	1,709,593	1,534,215	1,980,563	Note 2
Non-current liabilities				127,032	115,945	305,631	380,343
Total liabilities	Before distribution		1,366,802	1,361,430	1,204,665	1,825,477	2,040,088
	After distribution		1,975,646	1,836,625	1,650,160	2,286,194	Note 2
Equity attributable to shareholders of the parent			7,889,985	7,800,514	7,841,121	7,868,758	8,642,423
Share capital			1,484,985	1,484,985	1,484,985	1,486,185	1,492,255
Capital surplus	Before distribution		5,361,226	5,348,750	5,473,802	5,433,926	5,461,370
	After distribution		5,361,226	5,348,750	5,399,553	5,359,617	Note 2
Retained earnings	Before distribution		1,089,088	1,030,094	935,612	1,013,452	1,701,157
	After distribution		480,244	554,899	564,366	627,044	Note 2
Other equity			(45,314)	(63,315)	(53,278)	(64,805)	(12,359)
Treasury stock			—	—	—	—	—
Non-controlling interests			478,414	515,999	531,332	521,770	720,475
Total equity	Before distribution		8,368,399	8,316,513	8,372,453	8,390,528	9,362,898
	After distribution		7,759,555	7,841,318	7,926,958	7,929,811	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 2023 Q1 financial reports documents to be audited by the CPAs.

Note 2: The Company's profit distribution for the year 2022 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)				
	2018	2019	2020	2021	2022
Operating revenues	5,800,255	6,148,380	5,898,185	6,347,704	8,352,076
Operating gross profit	1,788,231	2,063,922	1,930,453	1,855,051	2,753,135
Operating gains and losses	464,073	719,959	620,592	548,641	1,194,090
Earnings before tax	470,177	110,469	(17,854)	77,392	268,942
Business units in continuing operation					
Current period net profit	934,250	830,428	602,738	626,033	1,463,032
Gain(loss) from discontinued operations	828,626	668,245	464,171	513,753	1,177,836
Current period net profit (loss)	—	—	—	—	—
Other comprehensive income for the period (post-tax profit or loss)	828,626	668,245	464,171	513,753	1,177,836
Total comprehensive income for the period	(37,544)	(22,694)	7,672	(13,979)	60,583
Net income attributable to owners of the parent company	791,082	645,551	471,843	499,774	1,238,419
Net income attributable to non-controlling interests	732,861	552,152	382,810	451,025	1,074,460
Total comprehensive income attributable to owners of the parent company	95,765	116,093	81,361	62,728	103,376
Total comprehensive income attributable to non-controlling interests	709,154	534,151	392,847	439,498	1,126,906
Earnings per share	81,928	111,400	78,996	60,276	111,513
Earnings before tax	6.86	5.17	3.58	4.22	10.03

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 2023 Q1 financial reports documents to be audited by the CPAs.

3. Condensed balance sheet - IFRS (individual)

Unit: NT\$ thousand

Year		Financial information from the past five years (Note 1)				
		2018	2019	2020	2021	2022
Items						
Current assets		3,769,033	3,682,162	3,539,101	3,897,683	4,252,776
Property, plant, and equipment		387,270	374,734	360,601	325,869	325,782
Intangible assets		4,957	23,435	19,421	12,899	7,395
Other assets		4,688,924	4,653,481	4,651,742	4,680,662	5,300,267
Total assets		8,850,184	8,733,812	8,570,865	8,917,113	9,886,220
Current liabilities	Before distribution	924,324	890,431	686,650	971,504	1,134,432
	After distribution	1,533,168	1,365,626	1,132,145	1,432,221	Note 2
Non-current liabilities		35,875	42,867	43,094	76,851	109,365
Total liabilities	Before distribution	960,199	933,298	729,744	1,048,355	1,243,797
	After distribution	1,569,043	1,408,493	1,175,239	1,509,072	Note 2
Equity attributable to shareholders of the parent		7,889,985	7,800,514	7,841,121	7,868,758	8,642,423
Share capital		1,484,985	1,484,985	1,484,985	1,486,185	1,492,255
Capital surplus	Before distribution	5,361,226	5,348,750	5,473,802	5,433,926	5,461,370
	After distribution	5,361,226	5,348,750	5,399,553	5,359,617	Note 2
Retained earnings	Before distribution	1,089,088	1,030,094	935,612	1,013,452	1,701,157
	After distribution	480,244	554,899	564,366	627,044	Note 2
Other equity		(45,314)	(63,315)	(53,278)	(64,805)	(12,359)
Treasury stock		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	7,889,985	7,800,514	7,841,121	7,868,758	8,642,423
	After distribution	7,281,141	7,325,319	7,395,626	7,408,041	Note 2

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

Note 2: The Company's profit distribution for the year 2022 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)				
		2018	2019	2020	2021	2022
Operating revenues		4,092,106	4,265,294	4,085,537	4,430,500	5,940,824
Operating gross profit		1,042,310	1,165,879	1,124,632	1,065,110	1,694,485
Operating gains and losses		314,159	461,333	448,619	400,530	950,740
Non-operating revenues and expenses		487,548	197,036	32,978	139,947	344,417
Earnings before tax		801,707	658,369	481,597	540,477	1,295,157
Business units in continuing operation						
Current period net profit		732,861	552,152	382,810	451,025	1,074,460
gain(loss) from discontinued operations		-	-	-	-	-
Current period net profit (loss)		732,861	552,152	382,810	451,025	1,074,460
Other comprehensive income for the period (post-tax profit or loss)		(23,707)	(18,001)	10,037	(11,527)	52,446
Total comprehensive income for the period		709,154	534,151	392,847	439,498	1,126,906
Net income attributable to owners of the parent company		6.86	5.17	3.58	4.22	10.03

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
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-Jung, Lin, Chun-Yao	Unqualified opinion
2021	PwC Taiwan	Weng, Shih-Jung, Lin, Chun-Yao	Unqualified opinion
2022	PwC Taiwan	Weng, Shih-Jung, 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				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	14.04	14.07	12.58	17.87	17.89
	Ratio of long-term capital to property, plant and equipment	1,364.14	1,416.98	1,503.62	1,086.58	1,209.23
Solvency (%)	Current ratio	412.77	389.68	440.32	338.45	356.62
	Liquid ratio	336.12	309.07	358.26	232.69	225.22
	Interest coverage ratio	220.15	140.45	171.46	129.52	245.29
Operating ability	Account receivable turnover (times)	7.31	7.51	7.95	6.64	6.99
	Days sales in account receivable	50	49	46	55	52
	Inventory turnover (times)	3.86	3.75	3.92	3.51	2.90
	Account payable turnover (times)	7.59	7.77	9.78	9.88	11.01
	Average days in sales	95	97	93	104	126
	Rate of real estate, plant buildings and equipment turnover (times)	9.28	10.12	10.17	9.30	10.40
	Total asset turnover (times)	0.74	0.63	0.61	0.64	0.77
Profitability	Return on assets (%)	10.70	6.93	4.85	5.23	10.94
	Return on shareholders' equity (%)	12.75	8.01	5.56	6.13	13.27
	Income before tax as a percentage of paid-in capital (%)	62.91	55.92	40.59	42.12	98.04
	Net profit margin (%)	14.29	10.87	7.87	8.09	14.10
	Earnings per share (\$)	6.86	5.17	3.58	4.22	10.03
Cash flow	Cash flow ratio (%)	23.87	59.91	66.47	(25.60)	48.57
	Cash flow adequacy ratio (%)	99.49	121.74	129.30	68.81	50.43
	Cash re-investment ratio (%)	(2.26)	1.49	2.84	(9.30)	3.44
Leverage	Operating leverage	4.15	3.02	3.35	3.74	2.49
	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 Interest coverage ratio: due to the increase in net profit before interest and tax / interest expenses.
2. Increase in Average days in sales and. Total asset turnover: due to the increase in inventory.
3. Increase in all ratio of Profitability: due to the increase in net income in 2022.
4. Increase in Cash flow ratio and Cash re-investment ratio: due to the increase in net cash flow from operating activity.
5. Decrease in Operating leverage: mainly due to the increase in operating revenue.

Note 1: As of the printing date of this annual report, there are 2023 Q1 financial reports documents to be audited by the CPAs.

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

Year (Note 1)		Financial Analysis for the most recent five years				
		2018	2019	2020	2021	2022
Items of analysis						
Financial structure (%)	Debt to assets ratio	10.85	10.69	8.51	11.76	12.58
	Ratio of long-term capital to property, plant and equipment	2,046.60	2,093.05	2,186.41	2,438.28	2,686.39
Solvency (%)	Current ratio	407.76	413.53	515.42	401.20	374.88
	Liquid ratio	335.61	339.18	430.56	287.67	234.86
	Interest coverage ratio	Note 2	853.81	1,733.36	462.95	717.74
Operating ability	Account receivable turnover (times)	7.86	6.86	7.57	6.15	6.28
	Days sales in account receivable	46	53	48	59	58
	Inventory turnover (times)	4.16	4.07	4.30	3.84	3.08
	Account payable turnover (times)	6.86	7.33	9.47	9.75	11.15
	Average days in sales	88	90	85	95	119
	Rate of real estate, plant buildings and equipment turnover (times)	10.26	11.19	11.11	12.91	18.23
	Total asset turnover (times)	0.59	0.49	0.47	0.51	0.63
Profitability	Return on assets (%)	10.56	6.29	4.43	5.17	11.44
	Return on shareholders' equity (%)	12.13	7.04	4.89	5.74	13.01
	Income before tax as a percentage of paid-in capital (%)	53.99	44.34	32.43	36.37	86.79
	Net profit margin (%)	17.91	12.95	9.37	10.18	18.09
	Earnings per share (\$)	6.86	5.17	3.58	4.22	10.03
Cash flow	Cash flow ratio (%)	63.20	39.40	80.24	(49.92)	66.27
	Cash flow adequacy ratio (%)	98.91	104.76	112.92	48.89	47.64
	Cash re-investment ratio (%)	0.95	(3.23)	0.95	(11.58)	3.29
Leverage	Operating leverage	3.55	2.79	2.77	3.07	2.03
	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. Average days in sales and Total asset turnover: due to the increase in inventory.
2. Increase in Rate of real estate, plant buildings and equipment turnover (times), Return on assets, Return on shareholders' equity, Income before tax as a percentage of paid-in capital, Net profit margin, and Earnings per share: due to the increase in net income in 2022.
3. Decrease in Operating leverage: mainly due to the increase in operating revenue.

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	
	2021	2022	Amount	Rate of change (%)
Current assets	5,143,956	5,918,961	775,005	15.07
Property, plant, and equipment	800,321	805,741	5,420	0.68
Intangible assets	17,726	13,313	(4,413)	(24.90)
Other assets	4,254,002	4,664,971	410,969	9.66
Total assets	10,216,005	11,402,986	1,186,981	11.62
Current liabilities	1,519,846	1,659,745	139,899	9.20
Non-current liabilities	305,631	380,343	74,712	24.45
Total liabilities	1,825,477	2,040,088	214,611	11.76
Share capital	1,486,185	1,492,255	6,070	0.41
Capital reserve	5,433,926	5,461,370	27,444	0.51
Retained earnings	1,013,452	1,701,157	687,705	67.86
Other equity	(64,805)	(12,359)	52,446	80.93
Non-controlling interests	521,770	720,475	198,705	38.08
Total shareholders' equity	8,390,528	9,362,898	972,370	11.59
<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> <p>(1) Increase in non-current liabilities: caused by increase in contract liabilities and lease liabilities.</p> <p>(2) Increase in Retained earnings: caused by increase in increase in net income in 2022.</p> <p>(3) Increase in othe equity: caused by decrease in financial statements translation differences of foreign operations.</p> <p>(4) Increase in Non-controlling interests: caused by increase in increase in net income in 2022.</p> <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	2021	2022	Increase (decrease)	Rate of change (%)
Operating revenue - net	6,347,704	8,352,076	2,004,372	31.58
Operating cost	4,492,653	5,598,941	1,106,288	24.62
Operating gross profit	1,855,051	2,753,135	898,084	48.41
Operating expenses	1,306,410	1,559,045	252,635	19.34
Net Operating Income	548,641	1,194,090	645,449	117.65
Non-operating revenues and expenses	77,392	268,942	191,550	247.51
Earnings before tax	626,033	1,463,032	836,999	133.70
Income tax expense	112,280	285,196	172,916	154.00
Current period net profit	513,753	1,177,836	664,083	129.26
<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>(1) Increase in Operating revenue - net: due to increase in shipments.</p> <p>(2) Increase in Net Operating Income, Earnings before tax: due to increase in revenue.</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	2021	2022	Increase (decrease)	Variation Ratio (%)
Operating activities	(389,032)	806,202	1,195,234	307.23
Investing activities	(163,943)	29,728	193,671	118.13
Financing activities	(319,198)	(475,761)	(156,563)	49.05
Net cash inflow (outflow)	(886,441)	392,683	1,279,124	144.30
Analysis of variance in cash flows:				
(1) Operating activities: : Mainly due to the increase in Earnings before tax.				
(2) Investing activities: Mainly due to the decrease in acquisition for the property, plant and equipment in 2022.				
(3) Financing activities: : Mainly due to the repayment of 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
2,234,203	878,331	(796,211)	2,316,323	-	-
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 2022, the investment under equity method made a gain of \$317,029 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:

On March 23, 2023, the Company's board of directors resolved to issue new shares for capital increase and acquire Jetway Information Co., Ltd. for share exchange. The company expects to issue 10,523 thousand shares of common stock to acquire 26,308 thousand shares of Jetway Information Co., Ltd., and the estimated base date for share exchange is April 28, 2023. After the completion of this share exchange, the company will hold 35.09% of the shares of Jetway Information Co., Ltd.

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 2022 and 2021 were \$5,989 thousand and \$4,871 thousand, respectively, which accounted for 0.41% and 0.78% 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 2021 were \$63,175 thousand and \$(29,237) thousand respectively, accounting for 0.76% and 0.46% 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. With the advent of Industry 4.0 and the Internet of Things, alongside the rapid development of artificial intelligence, new opportunities and commercial potential have arisen. The Company has actively invested in smart retail, intelligent manufacturing, smart city, network security and other related industrial chains. The Company establishes a partnership with Intel. With Intel's 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 strength 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 \$514,000 in R&D by the end of 2023.

(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 2022 and 2021. 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 2022 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.

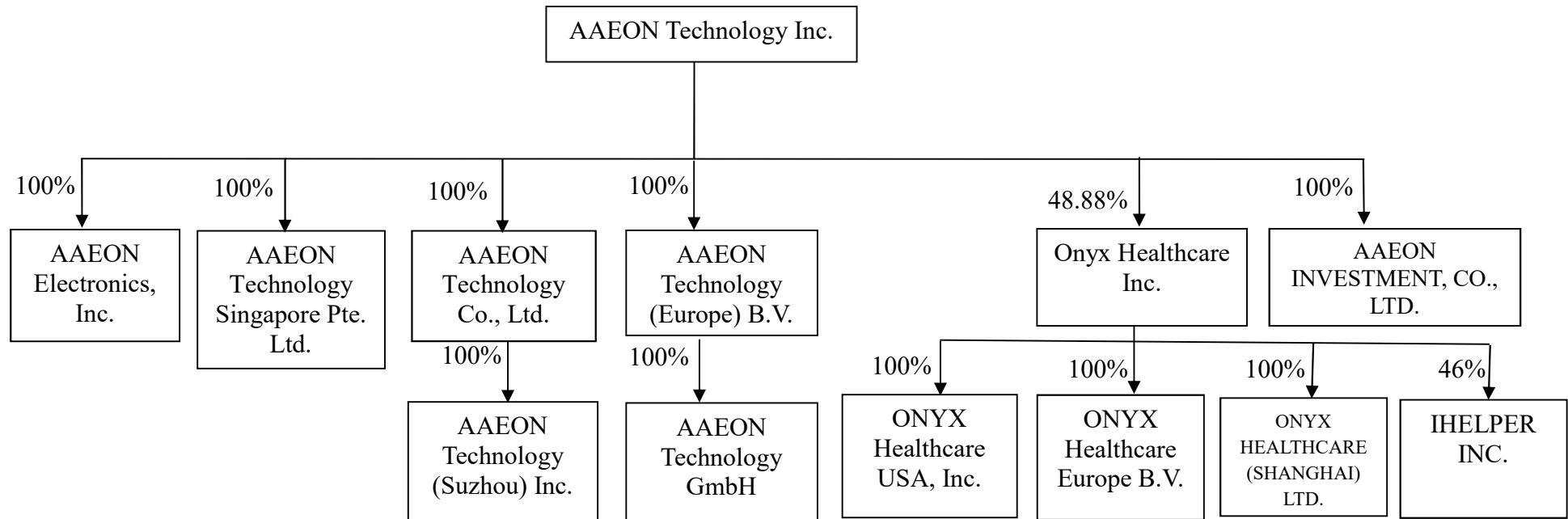
7. Other important disclosures
None.

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.	150,479	Sales of industrial PCs and computer peripherals
AAEON Technology Ltd.	Sep. 11, 2001	BVI	270,466	Investment of industrial PCs and interface cards
AAEON Technology (Europe) B.V.	Mar. 4, 2005	The Netherlands	3,272	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	13,346	Sales of industrial PCs and computer peripherals
AAEON Technology GmbH	Oct. 23, 2007	Germany	982	Sales of industrial PCs and computer peripherals
AAEON Technology (Suzhou) Inc.	Nov. 1, 2001	China	266,878	Production and sales of industrial PCs and interface cards
ONYX HEALTHCARE INC.	Feb. 2, 2010	Taiwan	332,612	Design, manufacture and sales of medical computers
ONYX Healthcare USA, Inc.	Nov. 22, 2011	U.S.	61,420	Sales of medical computers and peripherals
AAEON Technology Europe B.V.	May 16, 2012	The Netherlands	3,272	Sales support and maintenance of medical computers and peripherals
ONYX HEALTHCARE (SHANGHAI) LTD.	Sep. 15, 2014	China	64,749	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, 2022.

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)	219,080	0.66
	Director	AAEON Technology (representative: Chien-Hung, Lin)	16,257,179	48.88
	Director / President	AAEON Technology (representative: Feng-Hsiang, Wang)	-	-
	Independent Director	Chih-Hao, Li	-	-
	Independent Director	He-Chun, Tseng,	57,169	0.17
	Independent Director	Hsiu-Mei, Liao	-	-
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	ONYX HEALTHCARE INC. (representative: Ying-Te, Chen)	-	-
	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.	150,479	573,466	256,207	317,259	1,786,661	43,920	49,514	-
AAEON Technology Co., Ltd.	270,466	240,439	10	240,429	-	(128)	(15,729)	-
AAEON Technology (Europe) B.V.	3,272	543,671	469,921	73,750	2,078,931	39,422	34,144	-
AAEON INVESTMENT, CO., LTD.	150,000	128,947	42	128,905	-	(98)	9,526	0.64
AAEON Technology Singapore Pte. Ltd.	13,346	99,766	34,412	65,354	168,614	7,258	4,214	-
AAEON Technology GmbH	982	71,521	50,671	20,850	34,119	956	915	-
AAEON Technology (Suzhou) Inc.	266,878	378,917	141,106	237,811	555,235	(15,793)	(15,878)	-
ONYX HEALTHCARE INC.	332,612	1,914,216	522,373	1,391,843	1,329,319	178,800	202,963	6.24
ONYX Healthcare USA, Inc.	61,420	219,919	129,528	90,391	664,979	(31,045)	(20,292)	-
ONYX Healthcare Europe B.V.	3,272	32,625	12,572	20,053	64,566	684	164	-
IHELPER INC.	36,000	16,829	78	16,751	2,292	306	323	0.09
ONYX HEALTHCARE (SHANGHAI) LTD.	64,749	7,557	922	6,635	522	(2,059)	(1,895)	-

(I) Consolidated financial reports auditor's report

For the year ended December 31, 2022, 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.

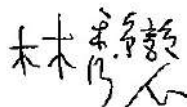
Attachment 1: Audit Committees' Review Report

Audit Committee's Review Report of AAEON Technology Inc.

The Board of Directors has prepared the AAEON Technology Inc. (“the Company”) 2022 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: Ms. Xiulian Lin

Handwritten signature in Chinese characters, appearing to be '林秀蓮' (Lin Xiulian).

February 24, 2023

Attachment 2: 2022 Consolidated Financial Report

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, 2022 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 24, 2023

INDEPENDENT AUDITORS' REPORT

(2023) Tsai-Shen-Bao-Tzi No.22003277

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, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2022 and 2021, 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, 2022, and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022 and 2021 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 that came into effect 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 Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. 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 Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Group's 2022 consolidated financial statements. These matters were addressed in the context of our audits of the consolidated financial statements as a whole and, in forming our opinion thereon, 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 of top 10 sales customer with higher revenue growth rate

Description

Refer to Note 4(29) for the accounting policies on revenue recognition, and Note 6(19) 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. By comparing the top 10 sales customer lists between the years 2022 and 2021, it was found that the revenue growth of the Group in 2022 significantly increased due to the rising demand for industrial computers and systems from European and American clients. Therefore, we

have identified the existence of customers with higher revenue growth rates among the Group's top 10 sales targets 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 top ten sales customers with higher revenue growth rates.
3. Obtain and select relevant vouchers for the transactions involving operating revenue of top ten sales customers with higher revenue growth rates.

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.

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 \$4,143,549 thousand and \$3,922,180 thousand, constituting 36.34% and 38.35% of total assets as of December 31, 2022 and 2021, respectively, and the comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to \$340,359 thousand and \$76,303 thousand,

respectively, constituting for 27.48% and 15.27% of total comprehensive income for the years ended December 31, 2022 and 2021 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, 2022 and 2021.

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 the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Group’s internal control.
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 2022 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-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 24, 2023

Note 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, 2022 AND 2021
 (Expressed In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current asset						
1100	Cash and cash equivalents	6. (1)	\$ 2,234,203	20	\$ 1,841,520	18
1110	Financial asset at fair value through profit or loss - current	6. (2) and 7	307,675	3	425,306	4
1150	Net notes receivable	6. (4)	17,615	-	23,655	-
1170	Net accounts receivable	6. (4)	1,135,029	10	1,174,099	11
1200	Other receivables	7	26,067	-	57,692	1
1220	Current tax assets		15,510	-	12,603	-
130X	Inventories	6. (5)	2,088,345	18	1,518,035	15
1410	Prepayments		92,483	1	89,415	1
1479	Other current liabilities - other	8	2,034	-	1,631	-
11XX	Total current assets		<u>5,918,961</u>	<u>52</u>	<u>5,143,956</u>	<u>50</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6. (2)	55,503	1	65,217	1
1517	Financial assets at fair value through other comprehensive income - non-current	6. (3)	27,536	-	32,381	-
1550	Investments accounted for under equity method	6. (6)	4,143,549	36	3,922,180	38
1600	Property, plant and equipment	6. (7), 8	805,741	7	800,321	8
1755	Right-of-use assets	6. (8)	121,490	1	82,067	1
1760	Investment property	6. (9) and 7	222,929	2	79,758	1
1780	Intangible assets		13,313	-	17,726	-
1840	Deferred tax assets	6. (25)	74,247	1	57,557	1
1900	Other non-current assets	8	19,717	-	14,842	-
15XX	Total non-current assets		<u>5,484,025</u>	<u>48</u>	<u>5,072,049</u>	<u>50</u>
1XXX	Total assets		<u>\$ 11,402,986</u>	<u>100</u>	<u>\$ 10,216,005</u>	<u>100</u>

(Continued)


 AAEON Technology Inc. and Subsidiaries
 CONSOLIDATED BALANCE SHEET
 DECEMBER 31, 2022 AND 2021
 (Expressed In Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current liability						
2100	Short-term borrowings	6. (10)	\$ -	-	\$ 105,000	1
2130	Contract liability - current	6. (19)	255,211	2	226,231	2
2150	Notes payables		19	-	-	-
2170	Accounts payables		365,065	3	487,425	5
2180	Accounts payables-related parties	7	70,908	1	93,486	1
2200	Other payables	6. (13), and 7	593,533	5	433,117	4
2230	Current tax liabilities		253,864	2	73,617	1
2250	Provisions - current		34,423	-	27,411	-
2280	Lease liability - current		38,406	1	29,303	-
2320	Long-term liabilities-current Portion	6. (12), 8	10,376	-	10,744	-
2399	Other current liabilities - other		37,940	1	33,512	1
21XX	Total current liabilities		<u>1,659,745</u>	<u>15</u>	<u>1,519,846</u>	<u>15</u>
Non-current liabilities						
2527	Contract liability - non-current	6. (19)	73,425	1	47,341	-
2540	Long-term borrowings	6. (12), 8	144,910	1	155,043	2
2550	Provisions - non-current		11,317	-	8,014	-
2570	Deferred tax liabilities	6. (25)	57,861	-	39,438	-
2580	Lease liability - non-current		84,768	1	53,639	1
2670	Other non-current liabilities - other		8,062	-	2,156	-
25XX	Total non-current liabilities		<u>380,343</u>	<u>3</u>	<u>305,631</u>	<u>3</u>
2XXX	Total liabilities		<u>2,040,088</u>	<u>18</u>	<u>1,825,477</u>	<u>18</u>
Equity						
Equity attributable to owners of parent						
Share capital						
3110	Share capital-common stock	6. (16)	1,490,825	13	1,484,985	15
3140	Advance receipts for share capital		1,430	-	1,200	-
Capital surplus						
3200	Capital surplus	6. (15) (17)	5,461,370	48	5,433,926	53
Retained earnings						
3310	Legal reserve	6. (18)	470,533	4	425,624	4
3320	Special reserve		64,805	1	53,278	1
3350	Undistributed retained earnings		1,165,819	10	534,550	5
Other Equity						
3400	Other Equity		(12,359)	(-)	(64,805)	(1)
31XX	Total equity attributable to owners of parent		<u>8,642,423</u>	<u>76</u>	<u>7,868,758</u>	<u>77</u>
36XX	Non-controlling interests	4. (3)	<u>720,475</u>	<u>6</u>	<u>521,770</u>	<u>5</u>
3XXX	Total equity		<u>9,362,898</u>	<u>82</u>	<u>8,390,528</u>	<u>82</u>
Significant contingent liabilities and 9 unrecognized contract commitments						
Significant events after the balance 11 sheet date						
3X2X	Total liabilities and equity		<u>\$ 11,402,986</u>	<u>100</u>	<u>\$ 10,216,005</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, 2022 AND 2021
 (Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating income	6. (19), 7	\$ 8,352,076	100	\$ 6,347,704	100
5000 Operating cost	6. (5) (23) (24), and 7	(5,598,941)	(67)	(4,492,653)	(71)
5900 Operating profit		2,753,135	33	1,855,051	29
Operating expenses	6. (14)(23)(24) and 7				
6100 Selling expense		(588,291)	(7)	(508,093)	(8)
6200 General and administrative expenses		(368,231)	(5)	(301,043)	(4)
6300 Research and development expenses		(599,554)	(7)	(495,114)	(8)
6450 Expected credit impairment (loss) or gain	12. (2)	(2,969)	-	(2,160)	-
6000 Total operating expense		(1,559,045)	(19)	(1,306,410)	(20)
6900 Operating income		1,194,090	14	548,641	9
Non-operating income and expenses					
7100 Interest income		7,242	-	4,724	-
7010 Other income	6. (20)	35,953	-	33,096	-
7020 Other gains and losses	6. (21)	(85,293)	(1)	(29,963)	-
7050 Financial costs	6. (22)	(5,989)	-	(4,871)	-
7060 Share of the profit of the associates and joint ventures accounted for under equity method	6. (6)	317,029	4	74,406	1
7000 Total non-operating income and expenses		268,942	3	77,392	1
7900 Profit before income tax		1,463,032	17	626,033	10
7950 Income tax expense	6. (25)	(285,196)	(3)	(112,280)	(2)
8200 Profit for the year		\$ 1,177,836	14	\$ 513,753	8

(Continued)


AAEON Technology Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	Notes	2022		2021	
		Amount	%	Amount	%
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8316	Unrealized gains(losses) on financial assets at FVOCI	(\$ 4,845)	-	\$ -	-
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	16,347	-	6,410	-
8310	Total amount not to be reclassified to profit or loss in subsequent periods	<u>11,502</u>	-	<u>6,410</u>	-
To be reclassified to profit or loss in subsequent periods					
8361	Financial statements translation differences of foreign operations	52,621	1 (	19,844)	-
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	6,983	- (	4,513)	-
8399	Income tax relating to the components of other comprehensive income	(10,523)	-	3,968	-
8360	Total amount to be reclassified to profit or loss in subsequent periods	<u>49,081</u>	<u>1 (</u>	<u>20,389)</u>	<u>-</u>
8300	Net Other comprehensive income	<u>\$ 60,583</u>	<u>1 (</u>	<u>\$ 13,979)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 1,238,419</u>	<u>15</u>	<u>\$ 499,774</u>	<u>8</u>
Net income attributable to:					
8610	Shareholders of the parent	\$ 1,074,460	13	\$ 451,025	7
8620	Non-controlling interest	103,376	1	62,728	1
		<u>\$ 1,177,836</u>	<u>14</u>	<u>\$ 513,753</u>	<u>8</u>
Total comprehensive income attributable to:					
8710	Shareholders of the parent	\$ 1,126,906	14	\$ 439,498	7
8720	Non-controlling interest	111,513	1	60,276	1
		<u>\$ 1,238,419</u>	<u>15</u>	<u>\$ 499,774</u>	<u>8</u>
Basic earnings per share					
9750	Total basic earnings per share	<u>\$</u>	<u>10.03</u>	<u>\$</u>	<u>4.22</u>
Diluted earnings per share					
9850	Total diluted earnings per share	<u>\$</u>	<u>9.86</u>	<u>\$</u>	<u>4.19</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, 2022 AND 2021
 (Expressed in thousands of New Taiwan Dollars)

	Notes	Equity attributable to owners of the parent											
		Share Capital		Retained Earnings					Other Equity				Non-controlling interests	Total
	Common share capital	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	Total			
For the year ended December 31, 2021													
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. (18)	-	-	-	-	-	-	-	-	-	-	-	-
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. (17) (18)	-	-	(74,249)	-	-	-	-	-	(74,249)	-	(74,249)	-
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (6) (17)	-	-	(1,535)	-	-	-	-	-	(1,535)	-	(1,535)	-
Change in associates and joint ventures accounted for under equity method	6. (6) (17)	-	-	9,318	-	-	-	-	-	9,318	-	9,318	9,318
Share-based Payment	6. (15) (17)	-	-	19,906	-	(1,939)	-	-	-	17,967	5,808	23,775	23,775
Employee stock options exercised		-	1,200	6,684	-	-	-	-	-	7,884	-	7,884	7,884
Changes in non-controlling interests-cash dividends	4 (3)	-	-	-	-	-	-	-	-	-	(75,646)	(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
For the year ended December 31, 2022													
Balance at January 1, 2022		\$ 1,484,985	\$ 1,200	\$ 5,433,926	\$ 425,624	\$ 53,278	\$ 534,550	(\$ 65,407)	\$ 2,733	(\$ 2,131)	\$ 7,868,758	\$ 521,770	\$ 8,390,528
Profit for the period		-	-	-	-	-	1,074,460	-	-	-	1,074,460	103,376	1,177,836
Other comprehensive income		-	-	-	-	-	-	44,002	8,444	-	52,446	8,137	60,583
Total comprehensive income		-	-	-	-	-	1,074,460	44,002	8,444	-	1,126,906	111,513	1,238,419
Appropriations of 2021 earnings:	6. (18)	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	44,909	(44,909)	-	-	-	-	-	-	-
Special reserve		-	-	-	-	11,527	(11,527)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(386,408)	-	-	-	(386,408)	-	(386,408)	-
Capital surplus-cash dividend	6. (17) (18)	-	-	(74,309)	-	-	-	-	-	(74,309)	-	(74,309)	-
Differences between share price and book value from acquisition or disposal of subsidiaries	6. (17)	-	-	19,802	-	-	-	-	-	19,802	(19,802)	-	-
Recognition of changes in ownership interest in subsidiary	6. (17)	-	-	1,630	-	-	-	-	-	1,630	(1,630)	-	-
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (6) (17)	-	-	(443)	-	-	-	-	-	(443)	-	(443)	-
Change in associates and joint ventures accounted for under equity method	6. (6) (17)	-	-	37,860	-	-	-	-	-	37,860	-	37,860	37,860
Share-based Payment	6. (15) (17)	-	-	10,363	-	(347)	-	-	-	10,016	4,375	14,391	14,391
Employee stock options exercised	6. (15) (17)	5,840	230	32,541	-	-	-	-	-	38,611	-	38,611	38,611
Changes in non-controlling interests-subsidiary increase cash capital		-	-	-	-	-	-	-	-	-	172,266	172,266	172,266
Changes in non-controlling interests-cash dividends	4 (3)	-	-	-	-	-	-	-	-	-	(68,017)	(68,017)	(68,017)
Balance at December 31, 2022		\$ 1,490,825	\$ 1,430	\$ 5,461,370	\$ 470,533	\$ 64,805	\$ 1,165,819	(\$ 21,405)	\$ 11,177	(\$ 2,131)	\$ 8,642,423	\$ 720,475	\$ 9,362,898

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin

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Accounting Supervisor: Jen-Chung Wang




 AAeon Technology Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan Dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 1,463,032	\$ 626,033
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6 (7) (8) (23)	84,830	79,308
Amortization expenses	6 (23)	16,175	15,034
Expected credit impairment losses (gains)	12 (2)	2,969	2,160
Costs of share-based payment awards	6 (15)	22,565	23,775
Interest income		(7,242)	(4,724)
Dividends income	6 (20)	(18,256)	(19,530)
Interest expenses	6 (8) (10) (12) (22)	5,989	4,871
Net loss from financial assets and liabilities at fair value through profit or loss	6 (2) (21)	177,760	24,662
Losses on disposal of property, plant and equipment	6 (7) (21)	2,190	809
Transferred to expenses and losses		2,443	1,801
Depreciation expense of investment property (other gains and losses)	6 (9) (21)	6,613	6,191
Share of profit of associates accounted for under equity method	6 (6)	(317,029)	(74,406)
Gain on lease modification	6. (8)(21)	(36)	(55)
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		(104,919)	(13,776)
Notes and accounts receivable		41,585	(521,775)
Other receivables		31,821	(35,138)
Inventories		(570,310)	(691,724)
Prepayments		(3,068)	(22,336)
Net changes in operating liabilities			
Contract liability		55,064	38,757
Notes and accounts payable		(144,919)	252,772
Other payables		158,877	46,366
Other current liabilities		4,428	6,803
Provisions for liabilities		10,315	690
Other non-current liabilities		5,906	373
Net cash from operating activities		926,783	(253,059)
Interest received		7,242	4,724
Interest paid		(6,012)	(4,819)
Income taxes paid		(121,811)	(135,878)
Net cash flows from operating activities		806,202	(389,032)

(Continued)


 AAeon Technology Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan Dollars)

	Notes	For the years ended December 31,	
		2022	2021
Cash flows from investing activities			
Acquired financial assets at fair value through profit or loss		(\$ 5,168)	(\$ 8,769)
Disposal of financial assets at fair value through profit or loss		59,672	32,956
Acquired financial assets at fair value through other comprehensive income		-	(30,000)
Decrease (increase) in other current assets		(403)	13,836
Acquisition of investments accounted for under equity method	6 (6)	(15,802)	(14,584)
Acquisition of property, plant and equipment	6 (27)	(150,453)	(315,929)
Disposal of property, plant and equipment	6 (7)	-	1,078
Acquisition of intangible asset		(10,068)	(7,132)
Increase in other non-current assets		(38,515)	(576)
Dividends received		190,465	165,177
Net cash flows from investing activities		29,728	(163,943)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	6 (28)	(105,000)	67,217
Increase in long-term borrowings	6 (28)	-	172,000
Reimbursement in long-term borrowings	6 (28)	(10,501)	(6,213)
Repayment of lease principal	6 (8) (28)	(42,403)	(38,945)
Changes in non-controlling interests - cash dividends for non-controlling interests	4 (3)	(68,017)	(75,646)
Cash dividends paid	6 (18)	(460,717)	(445,495)
Changes in non-controlling interests-subsiary increase cash capital		172,266	-
Employee share options exercised	6 (15)	38,611	7,884
Net cash flows from financing activities		(475,761)	(319,198)
Effects due to changes in exchange rate		32,514	(14,238)
Increase (decrease) in cash and cash equivalents		392,683	(886,411)
Cash and cash equivalents at the beginning of periods		1,841,520	2,727,931
Cash and cash equivalents at the end of periods		\$ 2,234,203	\$ 1,841,520

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, 2022 AND 2021
(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 40.53% 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 24, 2023.

III. New or Revised Standards and Applied Interpretation

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

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

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

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

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

New standards interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>Newly issued revised or amended standards and interpretations</u>	<u>Effective date issued by IASB</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by

FSC are as follows:

<u>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
Amendments to IFRS 16, “Lease liability in a sale and lease back”	January 1, 2024
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 - comparative information’	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or noncurrent”	January 1, 2024
Amendments to IAS 1, “Non-current liabilities with covenants”	January 1, 2024

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
			2022/12/31	2021/12/31	
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%	
AAEON.	ONYX HEALTHCARE INC. (ONYX)	Design, manufacture and sales of medical PC	48.88%	50.00%	Note 1 and Note 2

Investor	Investee	Business	Ownership interest		Notes
			2022/12/31	2021/12/31	
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%	46%	Note 2

Note 1: ONYX has increased cash capital in March, 2022, be invested in different shareholding by the Company.

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

3. 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, 2022 and 2021 were \$720,475 and \$521,770, respectively. The Group's subsidiaries with significant non-controlling interests are as follows:

Subsidiary Name	Main business location	Non-controlling interests		Non-controlling interests	
		2022/12/31		2021/12/31	
		Amount	Ownership interest	Amount	Ownership interest
ONYX	Taiwan	\$ 711,430	51.12%	\$ 512,899	50.00%

Summarized financial information of subsidiaries:

Balance sheet

	ONYX	
	2022/12/31	2021/12/31
Current asset	\$ 939,028	\$ 698,415
Non-current assets	1,027,880	1,003,518
Current liability	(318,887)	(431,310)
Non-current liabilities	(247,132)	(235,857)
Total Net Assets	\$ 1,400,889	\$ 1,034,766

Statement of comprehensive income

	ONYX	
	For the years ended December 31,	
	2022	2021
Income	\$ 1,600,265	\$ 1,201,760
Profit before tax	\$ 242,034	\$ 140,112
Income tax expense	(38,896)	(13,603)
Net income	203,138	126,509
Other comprehensive income (net amount after tax)	15,970	(4,903)
Total comprehensive income	\$ 219,108	\$ 121,606
Total comprehensive income attributable to non-controlling interests	\$ 111,459	\$ 61,318
Dividends paid to non-controlling interests	\$ 68,017	\$ 75,646

Cash flow statement

	ONYX	
	For the years ended December 31,	
	2022	2021
Net cash inflow (outflow) from operating activities	\$ 161,791	\$ 17,128
Net cash flows used in investing activities	(31,032)	(332,060)
Net cash flows from financing activities	6,032	109,893
Effects of exchange rate changes on cash and cash equivalents	9,202	(4,432)
Decrease in current cash and cash equivalents	145,993	(209,471)
Cash and cash equivalents at the beginning of periods	182,893	392,364
Cash and cash equivalents at the end of periods	\$ 328,886	\$ 182,893

(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	2~10 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 28-50 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. Warranty 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, 2022, the carrying amount of the Group's inventory was \$2,088,345.

VI. Details of significant accounts

(I) Cash and cash equivalents

	<u>2022/12/31</u>	<u>2021/12/31</u>
Cash on hand and petty cash	\$ 1,003	\$ 1,082
Checking accounts and demand deposits	1,828,790	1,806,751
Time deposit	404,410	33,687
Total	<u>\$ 2,234,203</u>	<u>\$ 1,841,520</u>

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

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

<u>Item</u>	<u>2022/12/31</u>	<u>2021/12/31</u>
Current:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 98,777	\$ 159,125
Emerging stocks	3,000	3,000
Unlisted and non-OTC stocks	73,744	73,744
Beneficiary certificates	25,000	25,000
Convertible bond	104,900	-
	<u>305,421</u>	<u>260,869</u>
Valuation adjustment	2,254	164,437
Subtotal	<u>\$ 307,675</u>	<u>\$ 425,306</u>

Item	2022/12/31	2021/12/31
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
	69,902	69,902
Valuation adjustment	(14,399)	(4,685)
Subtotal	\$ 55,503	\$ 65,217

- 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, 2022 and 2021.
- Amounts recognized in profit of loss in relation to financial assets at fair value through profit or loss are listed below:

	For the years ended December 31,	
	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Equity instrument	(\$ 181,119)	(\$ 23,041)
Beneficiary certificates	142	1
Derivatives	(19)	-
Convertible bond	3,500	-
Hybrid instrument	(264)	(1,566)
Total	(\$ 177,760)	(\$ 24,606)

- 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

Item	2022/12/31	2021/12/31
Non-current:		
Equity instrument		
Unlisted and non-OTC stocks	\$ 69,334	\$ 69,334
Valuation adjustment	(41,798)	(36,953)
Total	\$ 27,536	\$ 32,381

- 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 \$27,536 and \$32,381 on December 31, 2022, and 2021 separately.
- Financial assets at fair value through other comprehensive income has amounted (\$4,845), and \$0 recognized for the year ended December 31, 2022 and 2021.

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

(IV) Notes and accounts receivable

	<u>2022/12/31</u>	<u>2021/12/31</u>
Notes receivable	\$ 17,615	\$ 23,655
Accounts receivable	\$ 1,156,626	\$ 1,192,502
Less: Loss allowance	(21,597)	(18,403)
	<u>\$ 1,135,029</u>	<u>\$ 1,174,099</u>

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

	<u>2022/12/31</u>	<u>2021/12/31</u>
Notes receivable		
Not past due	\$ 17,615	\$ 23,655
Accounts receivable		
Not past due	\$ 886,337	\$ 1,030,420
Within 30 days	202,075	131,116
31-60 days	38,215	7,938
61-90 days	13,849	4,725
91-180 days	2,973	1,687
Over 181 days	13,177	16,616
	<u>\$ 1,156,626</u>	<u>\$ 1,192,502</u>

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

- The Group does not hold any financial assets as security for accounts and notes receivables.
- Balances of accounts and notes receivable as of December 31, 2022 and 2021 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2021 were \$694,756 and \$16,430, respectively.
- Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2022, and 2021 were \$17,615, \$23,655, respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2022 and 2021 were \$1,135,029 and \$1,174,099, respectively.
- Please refer to Note 12 (2) for credit risk information of notes and accounts receivable.

(V) Inventories

	<u>2022/12/31</u>		
	<u>Cost</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>
Raw material	\$ 1,104,134	(\$ 92,359)	\$ 1,011,775
Work in progress	705,935	(23,097)	682,838
Finished good	397,401	(29,049)	368,352
Merchandise Inventories	27,351	(1,971)	25,380
Total	<u>\$ 2,234,821</u>	<u>(\$ 146,476)</u>	<u>\$ 2,088,345</u>

	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

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

	For the years ended December 31,	
	2022	2021
Cost of inventory sold	\$ 5,496,345	\$ 4,448,504
Inventories obsolescence and devaluation loss	71,813	62,569
Losses on disposal of inventories	11,724	4,044
Compensation income from inventories	-	(22,537)
Other operating costs	17,847	-
Others	1,212	73
	\$ 5,598,941	\$ 4,492,653

(VI) Investments accounted for under equity method

	2022	2021
At January 1	\$ 3,922,180	\$ 3,969,157
Increase in investments accounted for under equity method	15,802	14,584
Share of investment income accounted for under equity method	317,029	74,406
Distribution of investment income accounted for under equity method	(172,209)	(145,647)
Changes in capital surplus and retained earnings	37,417	7,783
Changes in other equity	23,330	1,897
At December 31	\$ 4,143,549	\$ 3,922,180

Investee	2022/12/31		2021/12/31	
	Ownership (%)	Book value	Ownership (%)	Book value
LITEMAX ELECTRONICS INC.	11.97	\$ 116,696	11.99	\$ 103,896
IBASE TECHNOLOGY INC.	28.61	3,420,216	31.91	3,257,009
WINMATE INC.	13.99	606,637	13.85	561,275
		\$ 4,143,549		\$ 3,922,180

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.	
	2022/12/31	2021/12/31
Current asset	\$ 5,616,501	\$ 5,503,123
Non-current assets	6,795,424	5,047,175
Current liability	(2,078,957)	(3,034,399)
Non-current liabilities	(2,924,708)	(1,699,749)
Net assets fair value of trade marks, other intangible and tangible assets adjustment	1,887,254	2,306,129
Adjusted net assets	<u>\$ 9,295,514</u>	<u>\$ 8,122,279</u>
Share of net assets of the affiliate	\$ 2,441,798	\$ 2,278,591
Goodwill	978,418	978,418
Book value of affiliates	<u>\$ 3,420,216</u>	<u>\$ 3,257,009</u>

Statement of comprehensive income

	For the years ended December 31,	
	2022	2021
Income	\$ 6,774,831	\$ 5,706,855
Net income of continuing operations	1,139,571	220,759
Other comprehensive income (net amount after tax)	53,740	9,144
Total comprehensive income	1,193,311	229,903
Fair value adjustment	(152,762)	(152,535)
Adjusted total comprehensive income	<u>\$ 1,040,549</u>	<u>\$ 77,368</u>
Dividends received from associates	<u>\$ 114,552</u>	<u>\$ 96,952</u>

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,	
	2022	2021
Net income of continuing operations	\$ 88,701	\$ 62,797
Other comprehensive income (net amount after tax)	11,759	(894)
Total comprehensive income	\$ 100,460	\$ 61,903

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

	2022/12/31	2021/12/31
LITEMAX ELECTRONICS INC.	\$ 189,067	\$ 185,808
IBASE TECHNOLOGY INC.	4,090,859	2,156,566
WINMATE INC.	850,252	787,214
	\$ 5,130,178	\$ 3,129,588

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 28.61% 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 11.97% of the voting power of LITEMAX ELECTRONICS INC., as the single largest shareholder. Considering that the remaining 88.03% of LITEMAX's equity is concentrated in investors from other parties, the number of votes for the minority voting rights holders to act together has surpassed that of the Group, Therefore, the Group has no control over the company and only has significant influence on LITEMAX.

(VII) Property, Plant and Equipment

2022

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1						
Cost	\$ 511,982	\$ 310,595	\$ 69,224	\$ 200,338	\$ 1,307	\$ 1,093,446
Accumulated depreciation and impairment	-	(101,534)	(45,528)	(146,063)	-	(293,125)
	<u>\$ 511,982</u>	<u>\$ 209,061</u>	<u>\$ 23,696</u>	<u>\$ 54,275</u>	<u>\$ 1,307</u>	<u>\$ 800,321</u>
January 1	\$ 511,982	\$ 209,061	\$ 23,696	\$ 54,275	\$ 1,307	\$ 800,321
Additions (Note 1)	-	-	3,310	15,121	133,584	152,015
Disposal	-	-	-	(2,190)	-	(2,190)
Reclassification (Note 2)	(29,152)	(271)	31,819	5,598	(126,521)	(118,527)
Depreciation expense	-	(8,566)	(7,918)	(25,450)	-	(41,934)
Net exchange differences	7,623	8,003	17	413	-	16,056
December 31	<u>\$ 490,453</u>	<u>\$ 208,227</u>	<u>\$ 50,924</u>	<u>\$ 47,767</u>	<u>\$ 8,370</u>	<u>\$ 805,741</u>
December 31	\$ 490,453	\$ 319,367	\$ 98,346	\$ 197,458	\$ 8,370	\$ 1,113,994
Cost						
Accumulated depreciation and impairment	-	(111,140)	(47,422)	(149,691)	-	(308,253)
	<u>\$ 490,453</u>	<u>\$ 208,227</u>	<u>\$ 50,924</u>	<u>\$ 47,767</u>	<u>\$ 8,370</u>	<u>\$ 805,741</u>

2021

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1						
Cost	\$ 284,334	\$ 320,442	\$ 79,157	\$ 174,157	\$ 5,083	\$ 863,173
Accumulated depreciation and impairment	-	(117,284)	(48,051)	(133,307)	-	(298,642)
	<u>\$ 284,334</u>	<u>\$ 203,158</u>	<u>\$ 31,106</u>	<u>\$ 40,850</u>	<u>\$ 5,083</u>	<u>\$ 564,531</u>
January 1	\$ 284,334	\$ 203,158	\$ 31,106	\$ 40,850	\$ 5,083	\$ 564,531
Additions	229,660	48,955	1,438	33,131	4,209	317,393
Disposal	-	-	(13)	(1,874)	-	(1,887)
Reclassification	-	(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	\$ 511,982	\$ 310,595	\$ 69,224	\$ 200,338	\$ 1,307	\$ 1,093,446
Cost						
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>

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

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

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

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

(VIII) Lease transactions - lessee

1. The Group leases various assets including buildings, transportation equipment and other equipment. The rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, the lease agreements do not impose covenants.

2. The lease term of part of the Group's houses and transportation equipment is no more than 12 months, with leases of office equipment which are low-value assets.

3. The carrying amount of right-of-use assets and the amount of depreciation expense recognized are as follows:

	2022/12/31	2021/12/31
	Carrying amount	Carrying amount
Buildings	\$ 113,403	\$ 73,014
Transportation equipment	6,415	6,952
Other equipment	1,672	2,101
	<u>\$ 121,490</u>	<u>\$ 82,067</u>

	For the years ended December 31,	
	2022	2021
	Depreciation expense	Depreciation expense
Buildings	\$ 36,635	\$ 30,488
Transportation equipment	5,833	7,247
Other equipment	428	442
	<u>\$ 42,896</u>	<u>\$ 38,177</u>

4. For the years ended December 31, 2022 and 2021 to the acquisitions of right-of-use assets were \$83,727 and \$97,041, respectively.

5. The information on income and expense accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2022	2021
	Depreciation expense	Depreciation expense
Building	\$ 3,244	\$ 2,461
Transportation equipment	19,455	19,845
Other equipment	59	59
Gain on lease modification	36	55

6. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases was \$65,161 and \$61,310, respectively.

(IX) Investment property

		2022		
		Land	Buildings	Total
January 1				
Cost	\$	-	\$ 169,788	\$ 169,788
Accumulated depreciation and impairment		-	(90,030)	(90,030)
	\$	-	\$ 79,758	\$ 79,758
		Land	Buildings	Total
January 1	\$	-	\$ 79,758	\$ 79,758
Reclassification (Note)		128,073	20,979	149,052
Depreciation expense		-	(6,613)	(6,613)
Net exchange differences		-	732	732
December 31	\$	128,073	\$ 94,856	\$ 222,929
		Land	Buildings	Total
December 31				
Cost	\$	128,073	\$ 192,206	\$ 320,279
Accumulated depreciation and impairment		-	(97,350)	(97,350)
	\$	128,073	\$ 94,856	\$ 222,929
		2021		
		Land	Buildings	Total
January 1				
Cost	\$	-	\$ 117,134	\$ 117,134
Accumulated depreciation and impairment		-	(63,077)	(63,077)
	\$	-	\$ 54,057	\$ 54,057
		Land	Buildings	Total
January 1	\$	-	\$ 54,057	\$ 54,057
Reclassification (Note)		-	32,590	32,590
Depreciation expense		-	(6,191)	(6,191)
Net exchange differences		-	(698)	(698)
December 31	\$	-	\$ 79,758	\$ 79,758
		Land	Buildings	Total
December 31				
Cost	\$	-	\$ 169,788	\$ 169,788
Accumulated depreciation and impairment		-	(90,030)	(90,030)
	\$	-	\$ 79,758	\$ 79,758

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

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

	For the year ended December 31,	
	2022	2021
Rent income	\$ 13,101	\$ 9,511
Related direct operating cost & expense	\$ 6,613	\$ 6,191

2. The fair value of investment property for the year ended December 31, 2022, and 2021 was \$484,540 and \$320,974 which base on the evaluation results of nearby transaction prices.

(X) Short-term borrowings

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

- The short-term borrowing for the nine months ended December 31, 2022: None.
- For the year ended December 31, 2022 and 2021, interest expenses recognized through profit or loss were \$364 and \$1,354, respectively.

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

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

	For the years ended December 31,	
	2022	2021
Financial asset or liability held for trading		
Derivatives	\$ -	(\$ 56)

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.

(XII) Long-term borrowings

Type of borrowing	Period and Repayment method	Interest rate range	Collateral	2022/12/31
Borrowings from banks				
Guaranteed borrowings	2021.5.28-2036.5.28 Monthly amortization of principal and interest	1.73%	Land, Buildings	\$ 155,286
Less: Current portions of long-term loans				(10,376)
				\$ 144,910

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

1. The interest recognized in profit or loss for the year ended December 31, 2022 and 2021 were \$2,097 and \$1,056, respectively.
2. Please refer to Note 8 for the details of collateral.

(XIII) Other payables

	2022/12/31	2021/12/31
Accrued payroll, employee's compensation and bonuses	\$ 375,968	\$ 272,654
Accrued technical service fee (Note 7 (3) 6.)	37,859	46,917
Accrued assembly costs	-	308
Accrued commission fee	65,546	25,442
Accrued research and development fee	73,679	61,684
Others	40,481	26,112
	\$ 593,533	\$ 433,117

(XIV) 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 \$40,352, and \$38,707 for the years ended December 31, 2022 and 2021, respectively.

(XV) 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, 2022 and 2021:

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

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

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

	<u>For the year ended December 31, 2022</u>	
	<u>No. of units (shares in thousands)</u>	<u>Weighted average exercise price (in dollars)</u>
Options outstanding at beginning of period	2,556	\$ 65.7
Options exercised	(607)	63.6
Options forfeited	(72)	65.7
Options outstanding at the end of period	<u>1,877</u>	63.1
Options exercisable at the end of period	<u>1,236</u>	

	<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>	

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

<u>Arrangement type</u>	<u>Authorized issue date</u>	<u>Maturity date</u>	<u>2022/12/31</u>	
			<u>Number of shares (in thousands)</u>	<u>Exercise price (in dollars)</u>
Plan of employee stock options	2019.11.26	2024.11.25	1,877	\$ 63.1

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

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

Arrangement type	Grant date	Quantity granted (thousand)	Stock price	Exercise price	Expected price Volatility	Expected option life	Risk-free interest rate	Fair value per unit (in dollars)
Plan of employee stock options	2019.11.26	3,000	\$ 72.3	\$ 72.3	26.88%	3.875 years	0.58%	\$ 15.7445

(5) Expenses of share-based payment transaction:

	For the years ended December 31,	
	2022	2021
Equity settlement	\$ 5,605	\$ 12,158

2. Subsidiary- ONYX HEALTHCARE INC. (ONYX)

(1) ONYX had the following share-based payment agreement active for the years ended December 31, 2022 and 2021:

Arrangement type	Grant date	Quantity granted (thousand)	Contract period	Vesting conditions
Plan of employee stock options	2020.08.06	1,000	5 years	Service of 2~4 years
Increase cash capital reserved for employees	2022.01.25	418	Not applicable	Immediately

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

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

	For the year ended December 31, 2022	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	1,000	\$ 121.5
Options expired	(128)	-
Options outstanding at the end of period	872	114.7
Options exercisable at the end of period	436	-

	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	-	-

(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	2022/12/31	
			No. of units (shares in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.08.06	2025.08.06	872	\$ 114.7

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

(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
Increase cash capital reserved for employees	2022.01.25	418	\$ 107.5	\$ 88.0	18.32%	0.16 years	0.34%	19.5567

(5) Expenses of share-based payment transaction:

	For the year ended December 31,	
	2022	2021
Increase cash capital reserved for employees	\$ 8,174	\$ -
Equity settlement	8,786	11,617
	<u>\$ 16,960</u>	<u>\$ 11,617</u>

(XVI) Share capital

- As of December 31, 2022, the Company's authorized capital was \$2,000,000 (including 5,000 thousand shares reserved for issuing employee stock options), with paid-in capital of \$1,492,225, divided into 149,225 thousand shares, each at par value of \$10 per share. Proceeds have been fully collected for the issued shares.

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

	2022	2021
1/1	148,618	148,498
Employee stock options exercised	607	120
12/31	149,225	148,618

- On April 30, 2019, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was amended on November 12, 2019 by resolution of the board of directors. A total of 3,000 ESOs were issued, and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.
- As of December 31, 2022, AAEON's associates - IBASE owned 41,698 thousand of AAEON's shares.

(XVII) Capital surplus

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

	2022						Total
	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	
January 1	\$ 4,837,089	\$ 213,200	\$ 223,636	\$ 127,296	\$ 30,524	\$ 2,181	\$ 5,433,926
Cash dividends	(74,309)	-	-	-	-	-	(74,309)
Differences between share price and book value from acquisition or disposal of subsidiaries	-	19,802	-	-	-	-	19,802
Changes in ownership interest in subsidiary	-	-	1,630	-	-	-	1,630
Employee stock options exercised	41,351	-	-	-	(8,810)	-	32,541
Options expired	-	-	-	-	(228)	228	-
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	(443)	-	-	(443)
Change in associates and joint ventures accounted for under equity method	-	-	-	37,860	-	-	37,860
Share-based Payment	-	-	4,411	-	5,952	-	10,363
December 31	\$ 4,804,131	\$ 233,002	\$ 229,677	\$ 164,713	\$ 27,438	\$ 2,409	\$ 5,461,370

	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

(XVIII) Retained earnings

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

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

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

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

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

The result of appropriations of 2021 and 2020 which were the same as the proposal submitted by the Board of Directors

6. The 2022 surplus distributions approved by the resolutions of the board of directors of the Company on February 24, 2023 are as follows:

	2022	
	Amount	Dividends per share (in dollars)
Provision (reversal) of Special reserve	(\$ 52,445)	
Legal reserve	107,411	
Cash dividends	746,127	\$ 5.00
	<u>\$ 801,093</u>	

As of February 24, 2023, the result of appropriations of 2022 earnings stated above has not been resolved by the shareholders.

(XIX) Operating income

	For the years ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 8,352,076	\$ 6,347,704

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, 2022			
	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 6,767,876	\$ 1,584,200	\$ 8,352,076
Timing of revenue recognition			
At a point time	\$ 6,765,117	\$ 1,542,652	\$ 8,307,769
Over time	2,579	41,548	44,307
Total	\$ 6,767,876	\$ 1,584,200	\$ 8,352,076

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

2. Contract liability

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

	2022/12/31	2021/12/31	2021/1/1
Contract Liability - Current:			
Advances from customers	\$ 244,311	\$ 212,285	\$ 158,221
Warranty contract	10,900	13,946	16,750
Contract Liability -			
Non-current:			
Advances from customers	54,939	26,024	31,995
Warranty contract	18,486	21,317	27,849
Total	\$ 328,636	\$ 273,572	\$ 234,815

(2) Recognized income of contract liabilities at January 1

	For the years ended December 31,	
	2022	2021
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	\$ 156,854	\$ 79,185
Warranty contract	13,971	17,766
Total	\$ 170,825	\$ 96,951

(XX) Other income

	For the years ended December 31,	
	2022	2021
Rental income	\$ 17,697	\$ 13,566
Dividend income	18,256	19,530
Total	\$ 35,953	\$ 33,096

(XXI) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net loss on financial assets and liabilities at fair value through profit or loss	(\$ 177,760)	(\$ 24,662)
Loss on Foreign currency exchange	63,175	(29,237)
Loss on disposal of property, plant and equipment	(2,190)	(809)
Depreciation of investment property, buildings.	(6,613)	(6,191)
Gain on lease modification	36	55
Government subsidy	546	10,944
Other income	37,513	19,937
	<u>(\$ 85,293)</u>	<u>(\$ 29,963)</u>

(XXII) Financial costs

	For the years ended December 31,	
	2022	2021
Interest expenses	\$ 2,745	\$ 2,410
Interest expense on lease liabilities	3,244	2,461
	<u>\$ 5,989</u>	<u>\$ 4,871</u>

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

	For the years ended December 31,					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expenses	\$ 316,924	\$ 1,079,148	\$ 1,396,072	\$ 260,127	\$ 923,707	\$ 1,183,834
Depreciation expense	36,382	48,448	84,830	41,023	38,285	79,308
Amortization expenses	1,684	14,491	16,175	2,136	12,898	15,034

(XXIV) Employee benefit expenses

	For the years ended December 31,	
	2022	2021
Salaries and wages	\$ 1,251,308	\$ 1,047,275
Labor and health insurance fees	87,989	86,197
Pension costs	40,352	38,707
Other personnel expenses	16,423	11,655
	<u>\$ 1,396,072</u>	<u>\$ 1,183,834</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, 2022 and 2021, based on the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at \$118,958 and \$46,872, respectively, while the remuneration of directors were estimated at \$8,712 and \$4,500, respectively, which are recognized as salaries and wages.

Employees' compensation and directors' remuneration for 2021 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2021 financial statements., which were \$46,872 and \$4,500, respectively. Employees' compensation 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.

(XXV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current income tax:		
Income tax from current income	\$ 292,050	\$ 112,148
Surtax on undistributed Retained Earnings	915	-
Adjustments in respect of prior period	866	(2,941)
Total current income tax	<u>293,831</u>	<u>109,207</u>
Deferred tax		
Origination and reversal of temporary differences	(8,635)	3,073
Income tax expense	<u>\$ 285,196</u>	<u>\$ 112,280</u>

(2) Income tax relative to other comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Currency translation differences	<u>\$ 10,523</u>	<u>(\$ 3,968)</u>

2. Reconciliation between income tax expense and accounting profit

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Income tax calculated by based on profit before tax and statutory tax rate (Note)	\$ 333,022	\$ 146,934
Expenses disallowed by tax regulation	5	380
Tax exempt income by tax regulation	(51,395)	(29,000)
Temporary differences unrecognized as deferred tax assets	1,783	(3,093)
Prior year income tax overestimation	866	(2,941)
Income tax on undistributed earnings	915	-
Income tax expense	<u>\$ 285,196</u>	<u>\$ 112,280</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:

		2022				
		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	\$	7,085	\$ 2,063	\$ -	\$ -	\$ 9,148
Unrealized gross margin		12,707	5,045	-	-	17,752
Decline in value of inventories		20,525	8,233	-	-	28,758
Investment income from foreign investees		-	3,127	-	-	3,127
Currency translation differences		9,047	-	(8,414)	-	633
Others		8,193	6,480	-	156	14,829
Subtotal	\$	<u>57,557</u>	<u>\$ 24,948</u>	<u>(\$ 8,414)</u>	<u>\$ 156</u>	<u>\$ 74,247</u>
Deferred tax liabilities:						
Investment income from foreign investees	(\$	39,438)	(\$ 16,309)	\$ -	\$ -	(\$ 55,747)
Currency translation differences		-	-	(2,109)	-	(2,109)
Others		-	(4)	-	(1)	(5)
Sub-total	(\$	<u>39,438)</u>	<u>(16,313)</u>	<u>(2,109)</u>	<u>(1)</u>	<u>(\$ 57,861)</u>
Total	\$	<u>18,119</u>	<u>\$ 8,635</u>	<u>(\$ 10,523)</u>	<u>\$ 155</u>	<u>\$ 16,386</u>

		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	\$	<u>50,626</u>	<u>\$ 3,020</u>	<u>\$ 3,968</u>	<u>(\$ 57)</u>	<u>\$ 57,557</u>
Deferred tax liabilities:						
Investment income from foreign investees	(\$	31,678)	(\$ 7,760)	\$ -	\$ -	(\$ 39,438)
Others	(	1,711)	1,667	-	44	-
Sub-total	(\$	<u>33,389)</u>	<u>(6,093)</u>	<u>-</u>	<u>44</u>	<u>(\$ 39,438)</u>
Total	\$	<u>17,237</u>	<u>(\$ 3,073)</u>	<u>\$ 3,968</u>	<u>(\$ 13)</u>	<u>\$ 18,119</u>

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	2020

(XXVI) Earnings per share

	For the year ended December 31, 2022		
	Amount after-tax	Weighted average outstanding shares (in thousand)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	\$ 1,074,460	107,152	\$ 10.03
<u>Diluted earnings per share</u>			
Dilutive effect of potential ordinary shares			
Employee stock options		327	
Employees' bonuses		1,483	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	\$ 1,074,460	108,962	\$ 9.86

	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			
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

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.
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.

(XXVII) Supplemental cash flow information

Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment	\$ 152,015	\$ 317,393
Add: Opening balance of payable on equipment	2,760	1,296
Less: Ending balance of payable on equipment	(4,322)	(2,760)
Cash paid during the period	<u>\$ 150,453</u>	<u>\$ 315,929</u>

(XXVIII) Changes in liabilities arising from financing activities

	2022			
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liability	Total
January 1	\$ 105,000	\$ 165,787	\$ 82,942	\$ 353,729
Changes in cash flow from financing	(105,000)	(10,501)	(42,403)	(157,904)
Effect on changes in exchange rate	-	-	1,270	1,270
Changes in others without cash flow	-	-	81,365	81,365
Cash paid during the period	<u>\$ -</u>	<u>\$ 155,286</u>	<u>\$ 123,174</u>	<u>\$ 278,460</u>

	2021			
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liability	Total
January 1	\$ 38,875	\$ -	\$ 34,069	\$ 72,944
Changes in cash flow from financing	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>

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 40.53% ownership (including indirect shareholdings) of the Company.

(II) Related parties

<u>Name of related party</u>	<u>Relation</u>
ASUSTEK COMPUTER INC.	Ultimate parent company
IBASE TECHNOLOGY INC.	Associate - Investee accounted for under the equity method
IBASE GAMING INC.	Associate - Subsidiary of IBASE TECHNOLOGY INC.
IBASE (SHANGHAI) TECHNOLOGY INC.	Associate - Subsidiary of IBASE TECHNOLOGY INC.
LITEMAX ELECTRONICS INC.	Associate - Investee accounted for under the equity method
WINMATE INC.	Associate - Investee accounted for under the equity method by the Company's subsidiary
ATECH OEM INC.	Other related party - the Company's Chairman as a director
MACHVISION, INC.	Other related party - the Company's Chairman as a director
FU LI INVESTMENT INC.	Other related party - the Company's Chairman as Fuli's Chairman
EVERFOCUS ELECTRONICS CORP.	Other related party - the Company's Chairman as EVERFOCUS ELECTRONICS CORP's Chairman
AAEON EDUCATION FOUNDATION	Other related party - the Company's Chairman as a director
WT MICROELECTRONICS CO.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
TECHMOSA INTERNATIONAL INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
MORRIHAN INTERNATIONAL CORP.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
NUVISION TECHNOLOGY, INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
MAXTEK TECHNOLOGY CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
HONGTECH ELECTRONICS CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note)
SPARK TECHNOLOGIES INC.	Other related party - the Company's Chairman is spouse of SPARK TECHNOLOGIES INC.'s Chairman
LYDS TECHNOLOGIES INC.	Other related party - the Company's Chairman is spouse of LYDS TECHNOLOGIES INC.'s Chairman
MEDALLIANCE INC.	Other related party - the Company's Chairman is first degree relative of MEDALLIANCE INC.'s Chairman
JUI HAI INVESTMENT Co., Ltd.	Other related party - the Company's Chairman is spouse of JUI HAI INVESTMENT Co., Ltd.'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

(III) Significant transactions with related parties

1. Operating income

	For the years ended December 31,	
	2022	2021
Sales of goods		
Ultimate parent entity	\$ 7,265	\$ 1,390
Associates	3,969	1,504
Fellow subsidiary	7	4
Other related party	8,666	9,383
Total	<u>\$ 19,907</u>	<u>\$ 12,281</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,	
	2022	2021
Goods purchased		
Ultimate parent entity	\$ 1,284,764	\$ 1,048,132
Associates	22,635	20,775
Fellow subsidiary	159	74
Other related party	168,693	103,544
Total	<u>\$ 1,476,251</u>	<u>\$ 1,172,525</u>

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

3. Operating expenses

	For the years ended December 31,	
	2022	2021
Ultimate parent entity	\$ 89,633	\$ 74,841
Associates	1,589	3,005
Fellow subsidiary	1	84
Other related party	6,808	4,722
	<u>\$ 98,031</u>	<u>\$ 82,652</u>

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

(2) The above operating expenses include the amount donated by the Group to other related parties. The donation amount for both 2022 and 2021 fiscal years is \$3,000 each, aimed at promoting technology education and cultural development, fulfilling corporate social responsibility, and enhancing the corporate image of public welfare.

4. Other receivable from related parties

	2022/12/31	2021/12/31
Associates	\$ 389	252
Other related party	-	2,720
Total	\$ 389	\$ 2,972

Mainly comprised system service receivable

5. Payables from related parties

	2022/12/31	2021/12/31
Accounts Payable		
Ultimate parent entity	\$ 53,140	\$ 75,332
Associates	286	331
Other related party	17,482	17,823
Total	\$ 70,908	\$ 93,486

6. Other payables

	2022/12/31	2021/12/31
Other Payables		
Ultimate parent entity	\$ 37,859	\$ 46,917
Associates	4	-
Other related party	1,325	609
Total	\$ 39,188	\$ 47,526

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

7. Assets transaction

(1) Acquisition of investment property

	For the years ended December 31	
	2022	2021
Associates- LITEMAX ELECTRONICS INC.	\$ 119,405	\$ -

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

(2) Acquisition of financial assets

In the 2022 fiscal year, this group acquired 1,000 convertible corporate bonds of IBASE TECHNOLOGY INC. and recorded them as financial assets measured at fair value through profit or loss. The acquisition price was \$104,900, and the carrying amount on December 31, 2022 was \$108,400.

(IV) Key management remuneration

	For the years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 77,542	\$ 62,977
Post-employment benefits	1,435	1,546
Stock-based compensation	5,157	7,966
Total	\$ 84,134	\$ 72,489

VIII. Pledged Assets

The Group's pledged assets are summarized below:

<u>Pledged assets</u>	<u>Book value</u>		<u>Guarantee purpose</u>
	<u>2022/12/31</u>	<u>2021/12/31</u>	
Property, Plant and Equipment	\$ 482,633	\$ 470,670	Loans and credit limits
Restricted time deposit (including other current assets)	921	830	Foreign exchange forward transactions,
Guarantee deposits (including Other current and non-current assets)	12,337	10,448	Office, warehouse deposit and project guarantee deposit.
	<u>\$ 495,891</u>	<u>\$ 481,948</u>	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of December 31, 2022, the Group has issued a promissory note of \$ 450,000 required for the application a comprehensive credit line and transactions of derivatives.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

For the 2022 surplus distribution proposed by the board of directors in February 24, 2023, please refer to Note 6 (18) 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>2022/12/31</u>	<u>2021/12/31</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	\$ 363,178	\$ 490,523
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	27,536	32,381
Financial assets at amortized cost/ loans and receivables		
Cash and cash equivalents	2,234,203	1,841,520
Notes receivable	17,615	23,655
Accounts receivable	1,135,029	1,174,099
Other receivables	26,067	57,692
Restricted time deposit (including other current assets)	921	830
Refundable deposits (including other non-current assets)	12,337	10,448
	<u>\$ 3,816,886</u>	<u>\$ 3,631,148</u>
<u>Financial liability</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ -	\$ 105,000
Notes payable	19	-
Accounts payable	435,973	580,911
Other payables	593,533	433,117
Long-term borrowings (including current portion)	155,286	165,787
	<u>\$ 1,184,811</u>	<u>\$ 1,284,815</u>
Lease liabilities (including current and non-current)	<u>\$ 123,174</u>	<u>\$ 82,942</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 has established a policy that requires each company within the group to manage its functional currency's exchange rate risk. Each company should hedge its overall exchange rate risk through the finance department. The measurement of exchange rate risk is based on the expected transactions of highly probable US dollar income, and forward foreign exchange contracts and currency swaps are used to reduce the impact of exchange rate fluctuations on expected purchasing costs of inventory.
- C. This Group uses currency swaps to hedge against exchange rate risk, but does not apply hedge accounting. The financial assets or liabilities measured at fair value through profit or loss are recognized in the accounts. Please refer to Note 6(2) and (11) 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:

		2022/12/31		
		Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	71,406	30.71	\$ 2,192,878
EUR:NTD		502	32.72	16,425
USD:CNY		280	6.97	8,599
USD:SGD		292	1.34	8,967
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	11,005	30.71	\$ 337,964
USD:CNY		2,440	6.97	74,932
USD:SGD		673	1.34	20,668

2021/12/31

	Foreign currency		Book value
	(in thousands)	Exchange rate		(NTD)
(Foreign currency: functional currency)			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD:NTD	\$	49,575	27.68 \$ 1,372,236
EUR:NTD		427	31.32 13,374
USD:CNY		588	6.37 16,276
USD:SGD		309	1.35 8,553

Financial liabilityMonetary items

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

- E. The overall realized and unrealized foreign exchange gains or (losses) of the Group's monetary items that may be significantly affected by exchange rate fluctuations in 2022 and 2021 were \$63,175 and (\$29,237) 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, 2022

Sensitivity analysis

	Extent of change	Effect on other comprehensive income	
		Effect on income	
(Foreign currency: functional currency)			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 21,929	\$ -
EUR:NTD	1%	164	-
USD:CNY	1%	86	-
USD:SGD	1%	90	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 3,380	\$ -
USD:CNY	1%	749	-
USD:SGD	1%	207	-

For the year ended December 31, 2021				
Sensitivity analysis				
	Extent of change		Effect on income	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	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	-

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, 2022 and 2021 by \$2,189 and \$4,546, 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, 2022 and 2021, amounted to \$275 and \$324.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises mainly from short-term and long-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, 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in NTD and USD.
- B. Assuming all other factors remain unchanged, if the NTD borrowing rate rises or falls by 0.25%, net income for the year ended December 31, 2022 will decrease or increase by \$311 and \$541, respectively, 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, 2022 and 2021, will decrease or increase by \$0 and \$32, respectively, mainly due to changes in

interest expenses that arise from floating rate borrowings.

(2) Credit risk

- A. The Group's credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge its obligation under the contract, which is mainly due to the inability of counterparties to meet the terms of their contracts for collecting the cash flows of the receivables.
- B. The Group establishes credit risk policies based on its own risk management perspective. In accordance with internal credit policies, credit risks are required to be managed and analyzed before each of the Group's operating entity set up the terms and conditions for payment and delivery for each new customer. The internal risk control system evaluates the customers' credit quality based on their financial conditions, past experience and other factors. Individual risk exposure limits are set by the board of directors based on internal or external risk ratings, and credit lines are monitored on a regular basis.
- C. The Group adopts IFRS 9 to provide a presumption that default has occurred when contractual payments are more than 90 days past due.
- D. The Group adopts IFRS 9 to provide the following presumption as basis for judging whether the credit risk on a financial instrument has increased significantly since the initial recognition:

It is deemed that credit risk after the original recognition of financial assets has increased significantly when contractual payments are more than 30 days past due.

- E. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- F. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2022, and 2021, 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: \$429,553 and \$440 as of December 31, 2022; \$636,344 and \$340 as of December 31, 2021.

(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, 2022 and 2021 is as follows:

	Not yet due	Past due within 30 days	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	Total
<u>2022/12/31</u>							
Expected loss rate	0%~1.30%	0%~7.71%	0.07%~14.48%	3.33%~44.38%	4.94%~50.00%	100%	
Total book value	\$ 578,651	\$ 97,508	\$ 36,204	\$ 13,849	\$ 2,769	\$ 13,197	\$ 742,178
Loss allowance	\$ 1,250	\$ 1,961	\$ 1,992	\$ 1,889	\$ 868	\$ 13,197	\$ 21,157
<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

- (3) The total book values of the accounts receivable-related parties as of December 31, 2022 and 2021 were \$2,510 and \$3,068, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to

a loss allowance of \$0.

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

	Notes and accounts receivable (including related parties)	
	2022	2021
January 1	\$ 18,403	\$ 16,430
Recognition	2,969	2,160
Write-offs	(332)	-
Net exchange differences	557 (	187)
December 31	\$ 21,597	\$ 18,403

From the loss recognized for the years ended December 31, 2022 and 2021, the impairment losses for accounts receivable arising from customer contracts were \$2,969 and \$2,160, 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 \$680,094 and \$539,913 as of December 31, 2022 and 2021, respectively.
- C. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, whereas derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Non-derivative financial liabilities:

2022/12/31	Within 1 year	1-2 years	2-5 years	Over 5 years
Notes payable	\$ 19	\$ -	\$ -	\$ -
Accounts payable (including related parties)	435,973	-	-	-
Other payables	593,533	-	-	-
Long-term borrowings (including current portion and accrued interest)	12,973	12,973	38,920	109,193
Lease liabilities	41,044	24,321	68,290	-
Provisions	34,423	11,317	-	-

Non-derivative financial liabilities:

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

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 and convertible bonds with quoted market prices are all included.

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 are included.

Level 3: Unobservable inputs for the asset or liability. 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:

2022/12/31	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
Asset				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 167,325	\$ 4,209	\$ 47,405	\$ 218,939
Beneficiary certificates	26,652	-	-	26,652
Convertible bond	108,400	-	-	108,400
Hybrid instruments	-	-	9,187	9,187
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	27,536	27,536
Total	<u>\$ 302,377</u>	<u>\$ 4,209</u>	<u>\$ 84,128</u>	<u>\$ 390,714</u>

2021/12/31	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
Asset				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 393,132	\$ 4,575	\$ 56,854	\$ 454,561
Beneficiary certificates	26,510	-	-	26,510
Hybrid 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>

- (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 (level 1) which are classified as follows based on the characteristics of the financial instruments:

	<u>Listed and OTC stocks</u>	<u>Open-end funds</u>	<u>Convertible bond</u>
Market quoted price	Closing prices	Net asset value	The weighted average hundred-dollar price

- 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, 2022 and 2021, there was no transfer between Level 1 and Level 2.

5. The following table shows changes in 3rd level inputs in 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	Equity instruments	Equity instruments
January 1	\$ 98,687	\$ 72,109
Additions	-	30,000
Recognized in profit (loss) (Note 1)	(9,714)	(3,422)
Recognition in other comprehensive profit (loss) (Note 2)	(4,845)	-
December 31	<u>\$ 84,128</u>	<u>\$ 98,687</u>

Changes in unrealized gains or losses on assets and liabilities owned at the end of the period (Note 1) (\$ 9,714) (\$ 3,422)

Note 1: Recognized as other gains (losses).

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

6. There was no transfer into or out from Level 3 for the year ended December 31, 2022 and 2021.

7. The financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and any other necessary adjustments to the fair value.

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

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

	2022/12/31 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	\$ 26,956	Net asset value approach	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
Unlisted and non-OTC stocks	1,089	Comparable Listed and OTC companies analysis	Price to book ratio multiple, discount for lack of marketability	Not applicable	The higher the multiple, the higher the fair value; The higher the discount for lack of marketability, the lower the fair value. Note 2
Unlisted and non-OTC stocks	46,986	Discounted Cash Flow method	Note 1	Not applicable	Note 2
<u>Hybrid instrument:</u>					
Unlisted and non-OTC stocks	65,729	Discounted Cash Flow method	Note 1	Not applicable	Note 2
Embedded option (	56,542)	Options pricing model	Stock price volatility	Not applicable	The higher the stock price volatility, the higher the fair value

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

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

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

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

XIII. Disclosures

(1) Information on significant transactions

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

refer to Note 6 (2) and (11).

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:

	<u>For the year ended December 31, 2022</u>			
	<u>IPC</u>	<u>Medical PC</u>	<u>Elimination</u>	<u>Total</u>
Revenue from external customers	\$ 6,767,876	\$ 1,584,200	\$ -	\$ 8,352,076
Revenue from internal segments	194,961	16,065	(211,026)	-
Segment revenue	<u>\$ 6,962,837</u>	<u>\$ 1,600,265</u>	<u>(\$ 211,026)</u>	<u>\$ 8,352,076</u>
Segment profit or loss	<u>\$ 1,220,998</u>	<u>\$ 242,034</u>	<u>\$ -</u>	<u>\$ 1,463,032</u>
Segment profit or loss includes:				
Depreciation and amortization	<u>\$ 82,529</u>	<u>\$ 25,089</u>	<u>\$ -</u>	<u>\$ 107,618</u>

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>\$ 485,921</u>	<u>\$ 140,112</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>

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, 2022 and 2021 is as follows:

	2022		2021	
	Income	Non-current assets	Income	Non-current assets
Taiwan	\$ 3,093,690	\$ 910,758	\$ 2,795,219	\$ 748,326
China	549,374	69,825	664,340	76,790
Singapore	168,614	1,076	153,298	25
USA	2,422,342	158,855	1,729,592	144,482
Europe	2,118,056	30,339	1,005,255	14,643
Total	<u>\$ 8,352,076</u>	<u>\$ 1,170,853</u>	<u>\$ 6,347,704</u>	<u>\$ 984,266</u>

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 5% of consolidated operating income in 2022 and 2021 is as follows:

	2022	2021
A	\$ 450,083	\$ 322,111
B	173,649	311,089

AAEON Technology Inc. and Subsidiaries

MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2022

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

Schedule 1

Holding company	Marketable securities type and name				2022/12/31				
	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	\$ 26,652	-	\$ 26,652	None
"	Stock	Advantech Co.,Ltd.	"	"	802	265	-	265	"
"	"	MACHVISION,INC.	Other related party - the Company's Chairman as a director	"	1,180,198	154,016	2.64	154,016	"
"	"	ATECH OEM INC.	"	"	214	3	-	3	"
"	"	Unitech Electronics Co., Ltd.	None	"	259,657	5,830	0.35	5,830	"
"	"	LILEE SYSTEMS Ltd.	"	"	468,750	-	-	-	"
"	"	Allied Biotech Co.	Other related party - the Company's Chairman as a director	"	300,000	4,209	0.31	4,209	"
"	"	TELEION WIRELESS, INC.	None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,360	15.05	19,360	"
"	"	V-Net AAEON Corporation Ltd.	"	"	29	9,187	14.50	9,187	Note 3
AAEON INVESTMENT, CO., LTD.	Convertible bond	IBASE TECHNOLOGY INC.	Associate - Investee accounted for under the equity method	Financial assets at fair value through profit or loss - current	-	108,400	-	108,400	"
"	Stock	Sunengine Co., Ltd.	Other related party - the Company's Chairman as a director	"	156,903	1,089	2.75	1,089	None
ONYX HEALTHCARE INC.	"	MACHVISION,INC.	"	Financial assets at fair value through profit or loss - current	18,716	2,443	0.04	2,443	"
"	"	TOP UNION ELECTRONICS CORP.	None	"	199,927	4,768	0.16	4,768	"
"	"	INNO FUND III	"	Financial assets at fair value through profit or loss - non-current	3,000,000	26,956	13.04	26,956	"
"	"	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	"	"	750,000	25,155	6.30	25,155	"

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, 2022

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	\$ 1,284,764	28.86	month-end 30 days	-	-	(\$ 53,140)	(17.35)	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Subsidiary	(Sales)	(1,723,085)	(29.00)	60 days after invoice date	-	-	340,909	39.28	
"	AAEON ELECTRONICS, INC.	"	"	(1,468,511)	(24.72)	"	-	-	193,279	22.27	
"	AAEON TECHNOLOGY (SUZHOU) INC.	"	"	(291,742)	(4.91)	month-end 60 days	-	-	71,797	8.27	
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	"	"	(392,845)	(29.55)	month-end 90 days	-	-	88,426	36.88	

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, 2022

Schedule 3

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

Company Name	Related Party	Nature of Relationship	Ending balance (Note)	Turnover (%)	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action taken		
AAEON Technology Inc.	AAEON TECHNOLOGY (EUROPE) B.V.	Subsidiary	\$ 340,909	6.12	\$ -	-	\$ 212,552	\$ -
	AAEON ELECTRONICS, INC.	"	\$ 193,279	7.10	\$ -	-	\$ 228,833	\$ -

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, 2022

Schedule 4

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

Serial No. (Note 1)	Company Name	Related Party	Nature of relationships (Note 2)	Intercompany transaction			As a percentage of consolidated revenues or total assets (%) (Note 3)
				Financial Statement Account	Amount	Terms	
0	AAEON Technology Inc.	AAEON TECHNOLOGY (EUROPE) B.V	1	Net sales	\$ 1,723,085	60 days after invoice date	20.63
"	"	AAEON ELECTRONICS, INC.	1	Net sales	1,468,511	"	17.58
"	"	AAEON TECHNOLOGY (SUZHOU) INC.	1	Net sales	291,742	month-end 60 days	3.49
"	"	AAEON TECHNOLOGY (EUROPE) B.V	1	Account receivable	340,909	60 days after invoice date	2.99
"	"	AAEON ELECTRONICS, INC.	1	Account receivable	193,279	"	1.69
1	ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	3	Net sales	392,845	month-end 90 days	4.70

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, 2022

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31,2022			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2022/12/31	2021/12/31	Shares	Percentage (%)	Carrying Amount			
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	\$ 150,479	\$ 135,632	490,000	100.00	\$ 286,987	\$ 49,514	\$ 49,521	
"	AAEON TECHNOLOGY CO.,LTD	British Virgin Islands	Investment of IPC and interface card	270,466	243,780	8,807,097	100.00	225,621	(15,729)	(15,676)	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,272	3,132	-	100.00	63,351	34,144	34,144	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	13,346	11,936	465,840	100.00	64,147	4,214	4,214	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	128,905	9,526	9,526	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	172,368	73,358	16,257,179	48.88	668,700	202,963	99,343	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	11.97	116,696	210,228	25,765	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	28.61	3,420,216	1,135,052	228,327	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	982	940	-	100.00	20,850	915	-	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, 2022

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2022			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2022/12/31	2021/12/31	Shares	Percentage (%)	Carrying Amount			
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	USA	Sales of medical PC and peripherals	\$ 61,420	\$ 55,360	200,000	100.00	\$ 77,251	(\$ 20,292)	-	Note1
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,272	3,132	100,000	100.00	13,255	164	-	"
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	7,705	323	-	"
"	WINMATE INC.	"	Bid quotations, distributions and sales of LCD application equipment and modules	568,585	552,783	10,244,000	13.99	606,637	452,430	-	"

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, 2022, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 6

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

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Methods of investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Investee profit or loss for the period	The Company's direct or indirect holding percentage	Share of Profits / Losses (Note 2.(2)C)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Remarks
					Outflow	Inflow							
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	\$ 266,878	2	\$ 266,878	\$ -	\$ -	\$ 266,878	(\$ 15,878)	100%	(\$ 15,878)	\$ 237,811	\$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	67,562	1	67,562	-	-	67,562	(1,895)	100%	(1,895)	5,822	-	
		Investment Amounts Authorized by	Upper Limit on Investment Authorized by										
	Ending Balance of Accumulated Investment in Mainland China	Investment Commission, MOEA	Investment Commission, MOEA										
Company Name													
AAEON Technology Inc.	\$ 266,878	\$ 266,878	\$ 5,617,739										
Onyx Technology Inc.	67,562	67,562	840,533										

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, 2022, while others are converted to NTD under the exchange rate at the end period of the financial report.

AAEON Technology Inc. and Subsidiaries
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Schedule 7

Name of major shareholder	Shares	
	Total Shares Owned	Ownership (%)
ASUSTEK COMPUTER INC.	43,756,000	29.322
IBASE TECHNOLOGY INC.	41,698,468	27.943
Yung-Shun Chuang	19,664,000	13.177
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.602
HUA-MIN INVESTMENT CO., LTD.	8,359,000	5.602

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: 2022 Individual Financial Report

Independent Auditors' Report

(2023) Tsai-Shen-Bao-Tzi No. 22003217

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, 2022 and 2021, and the related statements of comprehensive income, of changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the audit of the separate financial statements section of our report. We are independent of AAEON in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 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 of top 10 sales customer with higher revenue growth rate

Description

Refer to Note 4(24) for the accounting policies on revenue recognition, and Note 6(15) 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. By comparing the top 10 sales customer lists between the years 2022 and 2021, it was found that the revenue growth of AAEON in 2022 significantly increased due to the rising demand for industrial computers and systems from European and American clients. Therefore, we have identified the existence of customers with higher revenue growth rates among the AAEON 's top 10 sales targets 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 top ten sales customers with higher revenue growth rates.
3. Obtain and select relevant vouchers for the transactions involving operating revenue of top ten sales customers with higher revenue growth rates.

Evaluation of inventories

Description

Refer to Note 4(10) 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 value of inventory and validated the accuracy of net realizable value calculation of selected samples.

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 amounted to \$4,143,549 thousand and \$3,922,180 thousand, constituting 41.91% and 43.98% of total assets as of December 31, 2022 and 2021, respectively, and the comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to \$340,359 thousand and \$76,303 thousand, respectively, constituting for 30.20% and 17.36% of total comprehensive income for the years ended December 31, 2022 and 2021, 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 24, 2023

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, 2022 AND 2021
 (Expressed In Thousands of New Taiwan Dollars)

	Assets	Notes	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current asset						
1100	Cash and cash equivalents	6 (1)	\$ 1,601,115	16	\$ 1,362,293	15
1110	Financial asset at fair value through profit or loss - current	6 (2)	190,975	2	372,966	4
1150	Net notes receivable	6 (3)	186	-	2,793	-
1170	Net accounts receivable	6 (3)	218,252	2	477,969	5
1180	Accounts receivable - net amount of related party		649,338	7	543,690	6
1200	Other receivables	7	4,497	-	35,039	1
130X	Inventories	6 (4)	1,546,458	16	1,057,634	12
1410	Prepayments		41,955	-	45,299	1
11XX	Total current assets		<u>4,252,776</u>	<u>43</u>	<u>3,897,683</u>	<u>44</u>
Non-current assets						
1510	Financial asset at fair value through profit or loss - non-current	6 (2)	28,547	-	28,811	-
1550	Investments accounted for under equity method	6 (5) and 7	4,974,623	50	4,526,137	51
1600	Property, plant and equipment	6 (6)	325,782	3	325,869	4
1755	Right-of-use assets	6 (7) and 7	57,027	1	48,419	1
1760	Investment property	6 (8) and 7	179,165	2	31,648	-
1780	Intangible assets		7,395	-	12,899	-
1840	Deferred tax assets	6 (22)	47,656	1	37,142	-
1900	Other non-current assets		13,249	-	8,505	-
15XX	Total non-current assets		<u>5,633,444</u>	<u>57</u>	<u>5,019,430</u>	<u>56</u>
1XXX	Total assets		<u>\$ 9,886,220</u>	<u>100</u>	<u>\$ 8,917,113</u>	<u>100</u>

(Continued)


 AAEON Technology Inc.
 SEPARATE BALANCE SHEETS
 DECEMBER 31, 2022 AND 2021
 (Expressed In Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current liability						
2130	Contract liability - current	6 (15)	\$ 111,357	1	\$ 76,855	1
2150	Notes payables		19	-	-	-
2170	Accounts payables		237,164	3	348,184	4
2180	Accounts payables - related party	7	69,146	1	104,174	1
2200	Other payables	6 (9) and 7	444,329	5	318,158	4
2230	Current tax liabilities		190,318	2	54,678	1
2250	Provisions - current		27,056	-	21,138	-
2280	Lease liability - current		21,973	-	21,816	-
2399	Other current liabilities - other		33,070	-	26,501	-
21XX	Total current liabilities		<u>1,134,432</u>	<u>12</u>	<u>971,504</u>	<u>11</u>
Non-current liabilities						
2527	Contract liability - non-current	6 (15)	5,565	-	5,203	-
2550	Provisions - non-current		8,989	-	6,014	-
2570	Deferred tax liabilities	6 (22)	57,856	1	38,161	1
2580	Lease liability - non-current		36,057	-	27,062	-
2600	Other non-current liabilities		898	-	411	-
25XX	Total non-current liabilities		<u>109,365</u>	<u>1</u>	<u>76,851</u>	<u>1</u>
2XXX	Total liabilities		<u>1,243,797</u>	<u>13</u>	<u>1,048,355</u>	<u>12</u>
Equity						
Share capital						
3110	Share capital-common stock	6 (12)	1,490,825	15	1,484,985	17
3140	Advance receipts for share capital		1,430	-	1,200	-
Capital surplus						
3200	Capital surplus	6 (13)	5,461,370	54	5,433,926	60
Retained earnings						
3310	Legal reserve	6 (14)	470,533	5	425,624	5
3320	Special reserve		64,805	1	53,278	1
3350	Undistributed retained earnings		1,165,819	12	534,550	6
Other equity						
3400	Other equity		(12,359)	-	(64,805)	(1)
3XXX	Total equity		<u>8,642,423</u>	<u>87</u>	<u>7,868,758</u>	<u>88</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 9,886,220</u>	<u>100</u>	<u>\$ 8,917,113</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, 2022 AND 2021
(Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6 (15) and 7	\$ 5,940,824	100	\$ 4,430,500	100
5000 Operating costs	6 (4) (20) (21) and 7	(4,227,853)	(71)	(3,347,613)	(76)
5900 Gross profit from operations		1,712,971	29	1,082,887	24
5910 Unrealized profit from sales		(68,007)	(1)	(49,521)	(1)
5920 Realized profit from sales		49,521	1	31,744	1
5950 Gross profit from operations, net		1,694,485	29	1,065,110	24
Operating expenses	6 (10) (20) (21) and 7				
6100 Selling expense		(103,727)	(2)	(153,632)	(3)
6200 General and administrative expenses		(144,209)	(3)	(116,303)	(3)
6300 Research and development expenses		(495,769)	(8)	(394,732)	(9)
6450 Expected credit impairment loss or (gain)	12 (2)	40	-	87	-
6000 Total operating expense		(743,745)	(13)	(664,580)	(15)
6900 Operating income		950,740	16	400,530	9
Non-operating income and expenses					
7100 Interest income	6 (16)	5,567	-	3,926	-
7010 Other income	6 (17) and 7	21,015	1	18,022	1
7020 Other gains and losses	6 (18) and 7	(115,522)	(2)	(28,659)	(1)
7050 Financial costs	6 (19)	(1,807)	-	(1,170)	-
7070 Share of the profit of the subsidiaries, associates and joint ventures accounted for under equity method		435,164	7	147,828	3
7000 Total non-operating income and expenses		344,417	6	139,947	3
7900 Profit before income tax		1,295,157	22	540,477	12
7950 Income tax expense	6 (22)	(220,697)	(4)	(89,452)	(2)
8200 Profit for the year		\$ 1,074,460	18	\$ 451,025	10
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
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		\$ 8,260	-	\$ 6,603	-
8310 Total other comprehensive income (loss) that will not be reclassified to profit or loss		8,260	-	6,603	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		46,056	1	(17,138)	-
8380 Share of other comprehensive income of associates and joint ventures accounted for under equity method - to be reclassified to profit or loss		6,389	-	(3,968)	-
8399 Income tax relating to the components of other comprehensive income	6 (22)	(8,259)	-	2,976	-
8360 Total amount to be reclassified to profit or loss in subsequent periods		44,186	1	(18,130)	-
8300 Net Other comprehensive income		\$ 52,446	1	(\$ 11,527)	-
8500 Total comprehensive income		\$ 1,126,906	19	\$ 439,498	10
Basic earnings per share	6 (23)				
9750 Basic earnings per share		\$	10.03	\$	4.22
Diluted earnings per share	6 (23)				
9850 Diluted earnings per share		\$	9.86	\$	4.19

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, 2022 AND 2021
(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	
For the years ended December 31, 2021											
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 (14)										
Legal reserve		-	-	-	38,071	-	(38,071)	-	-	-	-
Reversal of special reserve		-	-	-	-	(10,037)	10,037	-	-	-	-
Cash dividends		-	-	-	-	-	(371,246)	-	-	-	(371,246)
Capital surplus-cash dividend	6 (13) (14)	-	-	(74,249)	-	-	-	-	-	-	(74,249)
Effect from long-term investment that has not been recognized based on shareholding percentage	6 (13)	-	-	(1,535)	-	-	-	-	-	-	(1,535)
Change in associates and joint ventures accounted for under equity method	6 (13)	-	-	9,318	-	-	-	-	-	-	9,318
Share-based Payment	6 (11) (13)	-	-	19,906	-	-	(1,939)	-	-	-	17,967
Employee stock options exercised	6 (11) (12) (13)	-	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
For the year ended December 31, 2022											
Balance at January 1, 2022		\$ 1,484,985	\$ 1,200	\$ 5,433,926	\$ 425,624	\$ 53,278	\$ 534,550	(\$ 65,407)	\$ 2,733	(\$ 2,131)	\$ 7,868,758
Profit of the period		-	-	-	-	-	1,074,460	-	-	-	1,074,460
Other comprehensive income		-	-	-	-	-	-	44,002	8,444	-	52,446
Total comprehensive income		-	-	-	-	-	1,074,460	44,002	8,444	-	1,126,906
Appropriations of 2021 earnings:	6 (14)										
Legal reserve		-	-	-	44,909	-	(44,909)	-	-	-	-
Special reserve		-	-	-	-	11,527	(11,527)	-	-	-	-
Cash dividends		-	-	-	-	-	(386,408)	-	-	-	(386,408)
Capital surplus-cash dividend	6 (13) (14)	-	-	(74,309)	-	-	-	-	-	-	(74,309)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6 (13)	-	-	19,802	-	-	-	-	-	-	19,802
Recognition of changes in ownership interest in subsidiaries	6 (13)	-	-	1,630	-	-	-	-	-	-	1,630
Effect from long-term investment that has not been recognized based on shareholding percentage	6 (13)	-	-	(443)	-	-	-	-	-	-	(443)
Change in associates and joint ventures accounted for under equity method	6 (13)	-	-	37,860	-	-	-	-	-	-	37,860
Share-based Payment	6 (11) (13)	-	-	10,363	-	-	(347)	-	-	-	10,016
Employee stock options exercised	6 (11) (12) (13)	5,840	230	32,541	-	-	-	-	-	-	38,611
Balance at December 31, 2022		\$ 1,490,825	\$ 1,430	\$ 5,461,370	\$ 470,533	\$ 64,805	\$ 1,165,819	(\$ 21,405)	\$ 11,177	(\$ 2,131)	\$ 8,642,423

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, 2022 AND 2021
(Expressed In Thousands of New Taiwan Dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 1,295,157	\$ 540,477
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expenses	6. (6) (7) (20)	48,310	39,161
Amortization expenses	6. (20)	13,665	13,112
Expected credit impairment losses (gains)	12. (2)	40	(87)
Costs of share-based payment awards	6. (11)	4,647	10,367
Interest income	6. (16)	(5,567)	(3,926)
Dividend income	6. (17)	(14,547)	(13,312)
Interest expenses	6. (7) (19)	1,807	1,170
Net loss from financial assets and liabilities at fair value through profit or loss	6. (2) (18)	174,874	18,679
Gain on disposal of property, plant and equipment	6. (18)	-	(88)
Depreciation expense of investment property (other gains and losses)	6. (18)	1,264	942
Transferred to expenses and losses		1,868	1,800
Share of profit of associates accounted for under equity method		(435,164)	(147,828)
Realized (gain) loss on inter-affiliate accounts		18,486	17,777
Gain on lease modification	6. (7) (18)	(193)	(60)
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss		(813)	(5,381)
Notes and accounts receivable (including related parties)		156,636	(608,166)
Other receivables		28,182	(14,365)
Inventories		(488,824)	(503,695)
Prepayments		4,535	(16,966)
Net changes in operating liabilities			
Contract liability		34,864	(4,994)
Notes and accounts payable (including related parties)		(146,029)	218,072
Other payables		122,905	32,268
Other current liabilities		7,174	4,175
Provisions for liabilities		8,893	1,031
Other non-current liabilities		-	118
Net cash from operating activities		832,170	(419,719)
Interest received		5,567	3,926
Interest paid	6. (7)	(1,807)	(1,170)
Income taxes paid		(84,135)	(68,012)
Net cash flows from operating activities		751,795	(484,975)

(Continued)


 AAEON Technology Inc.
 SEPARATE STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed In Thousands of New Taiwan Dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>Cash flows from investing activities</u>			
Acquired financial assets at fair value through profit or loss		(\$ 259)	(\$ 5,146)
Disposal of financial assets at fair value through profit or loss		8,453	10,910
Acquisition of investments accounted for under equity method		(99,009)	-
Acquisition of property, plant and equipment	6. (24)	(133,744)	(19,266)
Proceeds from disposal of property, plant and equipment		-	1,031
Increase in intangible assets		(6,913)	(5,871)
Increase in refundable deposits		(1,822)	(555)
Increase in other non-current assets		(38,359)	(1,075)
Dividends received		209,009	192,588
Net cash flows from investing activities		(62,644)	172,616
<u>Cash flows from financing activities</u>			
Repayment of lease principal	6. (7) (25)	(28,710)	(19,221)
Cash dividends paid	6. (14)	(460,717)	(445,495)
Increase in refundable deposits		487	-
Employee share options exercised	6. (11)	38,611	7,884
Net cash flows from financing activities		(450,329)	(456,832)
Increase (decrease) in cash and cash equivalents		238,822	(769,191)
Cash and cash equivalents at the beginning of periods		1,362,293	2,131,484
Cash and cash equivalents at the end of periods		\$ 1,601,115	\$ 1,362,293

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, 2022 AND 2021
(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 40.53% 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 24, 2023.

III. New or Revised Standards and Applied Interpretation

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

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

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

The above standards and interpretations have no significant impact to the 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 2023 are as follows:

<u>Newly issued revised or amended standards and interpretations</u>	<u>Effective date issued by IASB</u>
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023

The above standards and interpretations have no significant impact to the 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
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 - comparative information’	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or non-current”	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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 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 retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences 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, 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 realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes.
- (3) Assets are expected to be realized 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) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

(VI) 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 amortized 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 recognized and derecognised using trade date accounting.
3. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
4. The Company recognizes 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.

(VII) 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.

(VIII) Impairment of financial assets

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

(IX) 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.

(X) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XI) 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 equal 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 is 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.

(XII) 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	2-8 years
Other equipment	3-8 years

(XIII) 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.

(XIV) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 28-50 years.

(XV) Intangible asset

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

(XVI) 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 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. 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 amortized historical cost would have been if the impairment had not been recognized.

(XVII) 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.

(XVIII) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(XIX) Provisions

Provisions (warranties) are recognized 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 recognized as interest expense. Provisions are not recognized for future operating losses.

(XX) 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 expense in that period when the employees render service.

2. Pension funds - Defined contribution plans

For defined contribution plan, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized 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 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.

(XXI) 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.

(XXII) 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.

(XXIII) 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.

(XXIV) 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.

(XXV) 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

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, 2022, the carrying amount of the Company's inventory was \$1,546,458.

VI. Details of significant accounts

(I) Cash and cash equivalents

	<u>2022/12/31</u>	<u>2021/12/31</u>
Reserve cash and working capital	\$ 395	\$ 527
Checking accounts and demand deposits	1,300,720	1,361,766
Time deposits	300,000	-
Total	<u>\$ 1,601,115</u>	<u>\$ 1,362,293</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>2022/12/31</u>	<u>2021/12/31</u>
Current:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 88,570	\$ 96,764
Emerging stocks	3,000	3,000
Unlisted and non-OTC stocks	52,043	52,043
Beneficiary securities	25,000	25,000
	<u>168,613</u>	<u>176,807</u>
Valuation adjustment	22,362	196,159
Subtotal	<u>\$ 190,975</u>	<u>\$ 372,966</u>

Item	2022/12/31	2021/12/31
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	(11,355)	(11,091)
	\$ 28,547	\$ 28,811

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 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, 2022 and 2021.
2. Amounts recognized in profit of loss in relation to financial assets at fair value through profit or loss are listed below:

	2022/12/31	2021/12/31
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 174,752)	(\$ 17,170)
Beneficiary certificates	142	58
Hybrid instrument	(264)	(1,567)
Total	(\$ 174,874)	(\$ 18,679)

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

(III) Notes and accounts receivables

	2022/12/31	2021/12/31
Notes receivable	\$ 186	\$ 2,793
Accounts receivable	\$ 218,305	\$ 477,982
Less: Loss allowance	(53)	(13)
	\$ 218,252	\$ 477,969

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

<u>Accounts receivable</u>	<u>2022/12/31</u>	<u>2021/12/31</u>
Not past due	\$ 180,573	\$ 437,761
Within 30 days	29,604	37,006
31-60 days	6,761	3,172
61-90 days	1,367	43
	<u>\$ 218,305</u>	<u>\$ 477,982</u>

<u>Notes receivable</u>	<u>2022/12/31</u>	<u>2021/12/31</u>
Not past due	\$ 186	\$ 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, 2022 and 2021 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2021 were \$194,916 and \$100 respectively.
- The Company does not 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, 2022 and 2021 were \$186 and \$2,793 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2022 and 2021 were \$218,252 and \$477,969, respectively.
- Please refer to Note 12 (2) for credit risk information of notes and accounts receivables.

(IV) Inventories

	<u>2022/12/31</u>		
	<u>Cost</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>
Raw material	\$ 904,912	(\$ 66,974)	\$ 837,938
Work in progress	557,196	(8,920)	548,276
Finished good	156,837	(6,613)	150,224
Merchandise inventory	11,416	(1,396)	10,020
Total	<u>\$ 1,630,361</u>	<u>(\$ 83,903)</u>	<u>\$ 1,546,458</u>
	<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>

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

	For the years ended December 31,	
	2022	2021
Cost of inventories sold	\$ 4,182,027	\$ 3,323,863
Loss on inventory valuation and obsolescence	45,834	46,325
Compensation income from inventories	-	(22,537)
Others	(8)	(38)
	<u>\$ 4,227,853</u>	<u>\$ 3,347,613</u>

(V) Investments accounted for under equity method

Investee	2022/12/31		2021/12/31	
	Ownership (%)	Book value	Ownership (%)	Book value
AAEON ELECTRONICS, INC.	100	\$ 286,987	100	\$ 221,656
AAEON TECHNOLOGY SINGAPORE PTE. LTD.	100	64,147	100	53,253
AAEON TECHNOLOGY CO., LTD	100	225,621	100	240,950
AAEON TECHNOLOGY (EUROPE) B.V.	100	63,351	100	31,446
AAEON INVESTMENT, CO., LTD.	100	128,905	100	119,379
ONYX HEALTHCARE INC.	48.88	668,700	50.00	498,548
LITEMAX ELECTRONICS INC.	11.97	116,696	11.99	103,896
IBASE TECHNOLOGY INC.	28.61	3,420,216	31.91	3,257,009
		<u>\$ 4,974,623</u>		<u>\$ 4,526,137</u>

1. Subsidiary

Information about the Company's subsidiaries is provided in Note 4 (3) of the 2022 consolidated financial statements.

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	
	2022/12/31	2021/12/31
Current asset	\$ 5,616,501	\$ 5,503,123
Non-current assets	6,795,424	5,047,175
Current liability	(2,078,957)	(3,034,399)
Non-current liabilities	(2,924,708)	(1,699,749)
Net assets fair value of trade marks, other intangible and tangible assets adjustment	1,887,254	2,306,129
Adjusted Net Assets	\$ 9,295,514	\$ 8,122,279
Share of net assets of the affiliate	\$ 2,441,798	\$ 2,278,591
Goodwill	978,418	978,418
Book value of affiliates	\$ 3,420,216	\$ 3,257,009

Statement of comprehensive income

	IBASE	
	For the years ended December 31,	
	2022	2021
Income	\$ 6,774,831	\$ 5,706,855
Net income of continuing operations	\$ 1,139,571	\$ 220,759
Other comprehensive income (net amount after tax)	53,740	9,144
Total comprehensive income	1,193,311	229,903
Fair value adjustment	(152,762)	(152,535)
Adjusted total comprehensive income	\$ 1,040,549	\$ 77,368
Dividends received from associates	\$ 114,552	\$ 96,952

- (3) The Company's share of their operating results of associates that are individually not significant to the Company:

As of December 31, 2022, and 2021, the carrying value of the Company's individually insignificant affiliates were \$116,696 and \$103,896, respectively.

	For the years ended December 31,	
	2022	2021
Net income of continuing operations	\$ 25,765	\$ 12,604
Other comprehensive income (net amount after tax)	(1)	38
Total comprehensive income	\$ 25,764	\$ 12,642

- (4) The fair value of the Company's associates which have quoted market price is as follows:

	2022/12/31	2021/12/31
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Litemax	\$	189,067	\$	185,808
IBASE		4,090,859		2,156,566
	\$	4,279,926	\$	2,342,374

(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 28.61% 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 11.97% equity interest. Considering that the remaining 88.03% of LITEMAX's equity is concentrated in investors from other parties, the number of votes for the minority voting rights holders to act together has surpassed that of the Group, Therefore, the Company has no control over the company and only has significant influence on LITEMAX.

(VI) Property, Plant and Equipment

		2022					
		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1	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>
January 1		\$ 212,691	\$ 66,459	\$ 19,164	\$ 26,248	\$ 1,307	\$ 325,869
	Additions	-	-	3,560	6,220	127,252	137,032
	Reclassification (Note)	(29,152)	-	31,819	993	(121,916)	(118,256)
	Depreciation expense	-	(2,193)	(6,124)	(10,546)	-	(18,863)
	December 31	<u>\$ 183,539</u>	<u>\$ 64,266</u>	<u>\$ 48,419</u>	<u>\$ 22,915</u>	<u>\$ 6,643</u>	<u>\$ 325,782</u>
December 31	Cost	\$ 183,539	\$ 111,836	\$ 77,959	\$ 43,487	\$ 6,643	\$ 423,464
	Accumulated depreciation and impairment	-	(47,570)	(29,540)	(20,572)	-	(97,682)
		<u>\$ 183,539</u>	<u>\$ 64,266</u>	<u>\$ 48,419</u>	<u>\$ 22,915</u>	<u>\$ 6,643</u>	<u>\$ 325,782</u>

		2021					
		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and	Total

					equipment to be inspected	
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>

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 1-5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, the lease agreements do not impose covenants.
2. The lease term of part of the 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:

	2022/12/31	2021/12/31
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 57,027	\$ 48,419

	For the years ended December 31,	
	2022	2021
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Buildings	\$ 29,447	\$ 19,536

4. For the years ended December 31, 2022 and 2021 to the acquisitions of right-of-use assets were \$49,123 and \$73,283 respectively.
5. The information on income and expense accounts relating to lease contracts is as follows:

For the years ended December 31,

	2022	2021
<u>Items affecting profit or loss</u>		
Interest expenses on lease liabilities	\$ 1,803	\$ 1,170
Expenses on short-term lease contracts	1,652	2,343
Gain on lease modification	193	60
6. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases was \$32,165 and \$22,734, respectively.		

(VIII) Investment property

	2022		
	Land	Buildings	Total
January 1			
Cost	\$ -	\$ 53,574	\$ 53,574
Accumulated depreciation and impairment	-	(21,926)	(21,926)
	<u>\$ -</u>	<u>\$ 31,648</u>	<u>\$ 31,648</u>
January 1	\$ -	\$ 31,648	\$ 31,648
Reclassification	128,073	20,708	148,781
Depreciation expense	-	(1,264)	(1,264)
December 31	<u>\$ 128,073</u>	<u>\$ 51,092</u>	<u>\$ 179,165</u>
December 31			
Cost	\$ 128,073	\$ 74,282	\$ 202,355
Accumulated depreciation and impairment	-	(23,190)	(23,190)
	<u>\$ 128,073</u>	<u>\$ 51,092</u>	<u>\$ 179,165</u>
	2021		
	Land	Buildings	Total
January 1	\$ -	\$ -	\$ -
Reclassification	-	32,590	32,590
Depreciation expense	-	(942)	(942)
December 31	<u>\$ -</u>	<u>\$ 31,648</u>	<u>\$ 31,648</u>
December 31			
Cost	\$ -	\$ 53,574	\$ 53,574
Accumulated depreciation and impairment	-	(21,926)	(21,926)
	<u>\$ -</u>	<u>\$ 31,648</u>	<u>\$ 31,648</u>

- Rental income from investment property and direct operating expenses arising from investment property are shown below:

	2022	2021
Rental income from investment property	\$ 6,055	\$ 3,132
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 1,264	\$ 942

- The fair value of the investment property held by the Group as at December 31, 2022 and 2021 was \$296,941 and \$171,934, respectively, which was valued by the transaction price in the vicinity.

(IX) Other Payables

	2022/12/31	2021/12/31
Accrued payroll, employee's compensation and bonuses	\$ 296,893	\$ 197,905
Accrued technical service fee	37,859	52,481
Accrued commission fee	64,867	30,212
Others	44,710	37,560
	\$ 444,329	\$ 318,158

(X) 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 \$20,389, and \$19,509 for the years ended December 31, 2022 and 2021, respectively.

(XI) Share-based Payment

- The Company had the following share-based payment arrangement active for the years ended December 31, 2022 and 2021.

Arrangement type	Grant date	Quantity granted (thousand)	Contract period	Vesting conditions
Plan of employee stock options	2019.11.26	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,			
	2022		2021	
	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	2,556	\$ 65.7	2,912	\$ 68.8
Options exercised	(607)	63.6	(120)	65.7
Options waived	(72)	65.7	(236)	68.4
Options outstanding at the end of period	1,877	63.1	2,556	65.7
Options exercisable at the end of period	1,236	-	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	2022/12/31	
			Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2019.11.26	2024.11.25	1,877	\$ 63.1

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

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

Arrangement type	Grant date	Quantity granted (thousand)	Stock price	Exercise price	Expected price Volatility	Expected option life	Risk-free interest rate	Fair value per unit (in dollars)
Plan of employee stock options	2019.11.26	3,000	\$ 72.3	\$ 72.3	26.88%	3.875 years	0.58%	\$ 15.7445

5. Expenses of share-based payment transaction:

	For the years ended December 31,	
	2022	2021
Equity settlement	\$ 4,647	\$ 10,367

(XII) Share capital

1. As of December 31, 2022, the Company's authorized capital was \$2,000,000 (including 5,000 thousand shares reserved for issuing employee stock options), with paid-in capital of \$1,492,255, divided into 149,225 thousand shares, each at par value of \$10 per share. All proceeds from shares issued have been collected.

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

	2022	2021
1/1	148,618	148,498
Employee stock options exercised	607	120
12/31	<u>149,225</u>	<u>148,618</u>

- On April 30, 2019, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was amended on November 12, 2019 by resolution of the board of directors. A total of 3,000 ESOs were issued, and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.
- As of December 31, 2022, the Company's associate - IBASE owned 41,698 thousand of AAeon's shares.

(XIII) Capital surplus

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

	2022						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Recognition of changes in ownership interest in subsidiary	Affiliate company net equity changes	Employee Share option	Others	Total
January 1	\$ 4,837,089	\$ 213,200	\$ 223,636	\$ 127,296	\$ 30,524	\$ 2,181	\$ 5,433,926
Cash dividends	(74,309)	-	-	-	-	-	(74,309)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	19,802	-	-	-	-	19,802
Changes in ownership interest in subsidiary	-	-	1,630	-	-	-	1,630
Employee stock options exercised	41,351	-	-	-	(8,810)	-	32,541
Employee share options forfeited	-	-	-	-	(228)	228	-
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	(443)	-	-	(443)
Change in associates and joint ventures accounted for under equity method	-	-	-	37,860	-	-	37,860
Share-based Payment	-	-	4,411	-	5,952	-	10,363
December 31	<u>\$ 4,804,131</u>	<u>\$ 233,002</u>	<u>\$ 229,677</u>	<u>\$ 164,713</u>	<u>\$ 27,438</u>	<u>\$ 2,409</u>	<u>\$ 5,461,370</u>

	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	\$ 4,837,089	\$ 213,200	\$ 223,636	\$ 127,296	\$ 30,524	\$ 2,181	\$ 5,433,926

(XIV) 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 2021 and 2020 earnings had been approved by the e-voting and resolved at the stockholders' meeting on May 27, 2022 and May 28, 2021, respectively. Details are summarized below:

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

As resolved by the shareholders on May 27, 2022, the Company distributed cash dividends to common shareholders from the capital surplus to \$74,309 (\$0.5 per share) for the appropriation of 2021 earnings.

On May 28, 2021, the shareholders resolved by the e-voting to distribute cash dividends amounting from the capital surplus to \$74,249 (\$0.5 per share) for the appropriation of 2020 earnings.

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

6. The 2022 surplus distributions approved by the resolutions of the board of directors of the Company on February 24, 2023 are as follows:

	2022	
	Amount	Dividends per share (in dollars)
Provision (reversal) of Special reserve	(\$ 52,445)	
Legal reserve	107,411	
Cash dividends	746,127	\$ 5.00
	<u>\$ 801,093</u>	

As of February 24, 2023, the 2022 surplus distributions stated above has not yet been resolved by the shareholders.

(XV) Operating income

	For the years ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 5,940,824	\$ 4,430,500

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	2022	2021
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Revenue from Contracts with Customers	\$ 5,940,824	\$ 4,430,500
Time of income recognition		
At a point time	5,938,065	4,427,237
Over time	2,759	3,263
Total	\$ 5,940,824	\$ 4,430,500

2. Contract liability

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

	2022/12/31	2021/12/31
Contract Liability - Current:		
Advances from customers	\$ 109,356	\$ 74,096
Warranty contract	2,001	2,759
Contract Liability - Non-current:		
Warranty contract	5,565	5,203
Total	\$ 116,922	\$ 82,058

(2) Recognized income of contract liabilities at January 1

	For the years ended December 31,	
	2022	2021
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	\$ 49,377	\$ 50,250
Warranty contract	2,759	3,263
Total	\$ 52,136	\$ 53,513

(XVI) Interest income

	For the years ended December 31,	
	2022	2021
Deposit interest income	\$ 5,567	\$ 3,926

(XVII) Other income

	For the years ended December 31,	
	2022	2021
Rental income	\$ 6,468	\$ 4,710
Dividend income	14,547	13,312
Total	\$ 21,015	\$ 18,022

(XVIII) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net loss from financial assets and liabilities at fair value through profit or loss	(\$ 171,874)	(\$ 18,679)
Net foreign exchange gains (losses)	51,264	(20,445)
Gain on disposal of property, plant and equipment	-	88
Depreciation of investment property, buildings.	(1,264)	(942)
Government subsidy	58	-
Gain on lease modification	193	60
Other income	9,101	11,259
Total	(\$ 115,522)	(\$ 28,659)

(XIX) Financial costs

	For the years ended December 31,	
	2022	2021
Lease liability-interest expenses	\$ 1,803	\$ 1,170
Imputed interest of rent deposit	4	-
Total	\$ 1,807	\$ 1,170

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

In 2022 and 2021, 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,					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expense	\$ 215,783	\$ 504,468	\$ 720,251	\$ 173,982	\$ 404,722	\$ 578,704
Depreciation expense	22,146	26,164	48,310	25,870	13,291	39,161
Amortization expenses	1,658	12,007	13,665	1,968	11,144	13,112

(XXI) Employee benefits expenses

	For the years ended December 31,	
	2022	2021
Salaries and wages	\$ 639,031	\$ 509,405
Labor and health insurance	41,047	37,715
Pension costs	20,389	19,509
Director's remuneration	10,883	5,922
Other personnel expenses	8,901	6,153
Total	\$ 720,251	\$ 578,704

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 2022 and 2021, based on the percentage stipulated in the Articles of Incorporation, employee compensation was estimated at \$118,958 and \$46,872 respectively, while the remuneration of directors and supervisors were estimated at \$8,712 and \$4,500 respectively, which are recognized as salary expenses and wages.

Employees' compensation and directors' remuneration for 2021 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2021 financial statements., which were \$46,872 and \$4,500, respectively. Employees' compensation 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, 2022, and 2021, the Company had 517 and 501 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, 2022 and 2021 were \$1,396 and \$1,164, respectively.
 - (2) The Company's average employee salaries and wages for the year of 2022 and 2021 were \$1,258 and \$1,035 respectively.
 - (3) The change in the average employee salaries and wages adjustment is 21.55%.
 - (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 is designed to aligned with 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 Compensation Committee to achieve effective measurement for the overall remuneration of directors and managers.

(XXII) Income tax

1. Income tax expense
 - (1) Components of income tax expense:

For the years ended December 31,

	<u>2022</u>	<u>2021</u>
Current income tax:		
Income tax from current income	\$ 219,366	\$ 83,466
Surtax on undistributed Retained Earnings	409	-
Adjustments in respect of prior period	-	(1,125)
Total current income tax	<u>219,775</u>	<u>82,341</u>
Deferred tax		
Origination and reversal of temporary differences	922	7,111
income tax expense	<u>\$ 220,697</u>	<u>\$ 89,452</u>

(2) Income tax relative to other comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Currency translation differences	<u>\$ 8,259</u>	<u>(\$ 2,976)</u>

2. Reconciliation between income tax expense and accounting profit

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Income tax calculated by based on profit before tax and statutory tax rate	\$ 259,031	\$ 108,516
Expenses disallowed by tax regulation	-	2,049
Tax exempt income by tax regulation	(2,909)	(2,663)
Tax exempt of unrealized valuation gains on financial assets	34,975	3,736
Income exempt of net investment income	(72,592)	(17,021)
Temporary differences unrecognized as deferred tax assets	1,783	(4,040)
Prior year income tax overestimation	-	(1,125)
Income tax on undistributed earnings	409	-
Income tax expense	<u>\$ 220,697</u>	<u>\$ 89,452</u>

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

	2022			
	January 1	Recognized in income	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Unrealized provisions for warranty	\$ 5,430	\$ 1,779	\$ -	\$ 7,209
Unrealized gross margin	9,904	3,697	-	13,601
Decline in value of inventories	11,879	4,902	-	16,781
Currency translation differences	6,150	-	(6,150)	-
Others	3,779	6,286	-	10,065
Subtotal	<u>\$ 37,142</u>	<u>\$ 16,664</u>	<u>(\$ 6,150)</u>	<u>\$ 47,656</u>
Deferred tax liabilities:				
Unappropriated earnings of subsidiaries	(\$ 38,161)	(\$ 17,586)	\$ -	(\$ 55,747)
Exchange differences on translation of the financial statements of foreign operations	-	-	(2,109)	(2,109)
Subtotal	<u>(\$ 38,161)</u>	<u>(\$ 17,586)</u>	<u>(\$ 2,109)</u>	<u>(\$ 57,856)</u>
Total	<u>(\$ 1,019)</u>	<u>(\$ 922)</u>	<u>(\$ 8,259)</u>	<u>(\$ 10,200)</u>

	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
Exchange differences on translation of the financial statements of foreign operations	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:				
Unappropriated earnings of subsidiaries	(\$ 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>

4. The Tax Authority has examined the Company's income tax returns through 2020.

(XXIII) Earnings per share

	2022		
	After-tax amount	Weighted average number of ordinary shares outstanding (in thousand)	Earnings per share (in dollars)
Basic earnings per share:			
Net income	\$ 1,074,460	107,152	\$ 10.03
Diluted earnings per share:			
Effect of dilutive potential ordinary shares:		327	
Employees' bonuses		1,483	
Diluted earnings per share:			
The effect of net profit plus potential ordinary shares	\$ 1,074,460	108,962	\$ 9.86

	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:		794	
Employees' bonuses			
Diluted earnings per share:			
The effect of net profit plus potential ordinary shares	\$ 451,025	107,597	\$ 4.19

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.
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.

(XXIV) Supplemental cash flow information

Partial cash payments for investing activities:

	For the years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment	\$ 137,032	\$ 19,004
Add: Opening balance of payable on equipment	1,034	1,296
Less: Ending balance of payable on equipment	(4,322)	(1,034)
Cash paid during the period	\$ 133,744	\$ 19,266

(XXV) Change of liabilities from financing activities

	For the years ended December 31,	
	2022	2021
	<u>Lease liability</u>	<u>Lease liability</u>
January 1	\$ 48,878	\$ 2,397
Change of cash flow from financing activities	(28,710)	(19,221)
Change of non-cash flow	37,862	65,702
December 31	<u>\$ 58,030</u>	<u>\$ 48,878</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 40.53% 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
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

Name of related party	Relation
AAEON TECHNOLOGY (SUZHOU) INC.	Subsidiary company of the Company
ONYX HEALTHCARE USA, INC.	Subsidiary company of the Company
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
TECHMOSA INTERNATIONAL INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary
MORRIHAN INTERNATIONAL CORP.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary
NUVISION TECHNOLOGY, INC.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary
MAXTEK TECHNOLOGY CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary
HONGTECH ELECTRONICS CO., LTD.	Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary
SPARK TECHNOLOGIES INC.	Other related party - the Company's Chairman is spouse of SPARK TECHNOLOGIES INC.'s Chairman
LYDS TECHNOLOGIES INC.	Other related party - the Company's Chairman is spouse of LYDS TECHNOLOGIES INC.'s Chairman
JUI HAI INVESTMENT Co., Ltd.	Other related party - the Company's Chairman is spouse of relative of JUI HAI INVESTMENT Co., Ltd.'s Chairman

(III) Significant transactions with related parties

1. Operating income

	For the years ended December 31,	
	2022	2021
Sales of products		
Ultimate parent entity	\$ 7,265	\$ 1,390
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	1,723,085	707,740
AAEON ELECTRONICS, INC.	1,468,511	983,439
AAEON TECHNOLOGY (SUZHOU) INC.	291,742	311,994
Others	249,277	243,601
Associates	636	1,364
Fellow subsidiary	7	4
Other related party	6,501	6,424
Total	<u>\$ 3,747,024</u>	<u>\$ 2,255,956</u>

The sales prices of transactions with related parties were decided on the basis of the economic environment and market competition in each sales area. The terms of the transactions are due

30 to 90 days after the date of delivery. The terms of the above transactions are similar to those for third parties.

2. Purchases

	For the years ended December 31,	
	2022	2021
Goods purchased:		
Ultimate parent entity	\$ 1,284,764	\$ 1,048,132
Subsidiary	34,962	26,109
Associates	5,860	4,119
Other related party	158,203	97,377
Total	\$ 1,483,789	\$ 1,175,737

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 30-60 days after the date of delivery.

3. Operating expenses

	For the years ended December 31,	
	2022	2021
Ultimate parent entity	\$ 89,633	\$ 74,841
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	4	68,311
Associates	1,397	1,306
Fellow subsidiary	1	84
Other related party	4,695	2,867
Total	\$ 95,730	\$ 147,409

(1) The above operating expenses between the Company and related parties are mainly technical service fees for R & D activities.

(2) (2) The above operating expenses include the amount donated by the Company to other related parties. The donation amount for both 2022 and 2021 fiscal years is \$2,000 each, aimed at promoting technology education and humanistic development, fulfilling corporate social responsibility, and enhancing the corporate image in public welfare.

4. Other income, other gains and losses

	For the years ended December 31,	
	2022	2021
Subsidiary		
ONYX HEALTHCARE INC.	\$ 2,049	\$ 2,613
Others	366	17
Associates	1,720	3,027
Other related party	14,489	16,395
Total	\$ 18,624	\$ 22,052

The other income, other gains and losses above is mainly from the remuneration of directors and supervisors, system maintenance, dividend income, rental income and service income.

5. Receivables from related parties

	<u>2022/12/31</u>	<u>2021/12/31</u>
Accounts receivable:		
Ultimate parent entity	\$ 1,398	\$ 53
Subsidiary		
AAEON TECHNOLOGY (EUROPE) B.V.	340,909	221,870
AAEON ELECTRONICS, INC.	193,279	220,205
AAEON TECHNOLOGY (SUZHOU) INC.	71,797	53,464
AAEON TECHNOLOGY SINGAPORE PTE.LTD.	20,167	13,474
ONYX HEALTHCARE USA, INC.	17,152	25,449
ONYX HEALTHCARE INC.	3,663	6,292
Associates	151	325
Other related party	822	2,558
Total	<u>\$ 649,338</u>	<u>\$ 543,690</u>
	<u>2022/12/31</u>	<u>2021/12/31</u>
Other receivables:		
Subsidiary		
AAEON TECHNOLOGY (SUZHOU) INC.	1,059	266
ONYX HEALTHCARE INC.	131	131
Others		
	2	55
Associates	210	252
Other related party	-	2,720
Total	<u>\$ 1,402</u>	<u>\$ 3,424</u>
6. Payables from related parties		
	<u>2022/12/31</u>	<u>2021/12/31</u>
Accounts Payable		
Ultimate parent entity	\$ 53,140	\$ 75,332
Subsidiary	359	11,680
Associate	22	309
Other related party	15,625	16,853
Total	<u>\$ 69,146</u>	<u>\$ 104,174</u>
Other Payables		
Ultimate parent entity	\$ 37,859	\$ 46,917
Subsidiary	1,203	11,283
Other related party	166	623
Total	<u>\$ 39,228</u>	<u>\$ 58,823</u>

7. Lease transaction-lease

(1) Right-of-use assets

	For the years ended December 31,	
	2022	2021
Subsidiary		
ONYX HEALTHCARE INC.	\$ -	\$ 19,924

The Company leased office space from its subsidiaries and increased the right-of-use assets and lease liabilities by \$19,924 in the year of 2021, The lease period was from September 2021 to August 2024, and it was terminated early on December 31, 2022, resulting the gain on lease modification amounted \$193.

(2) Lease liabilities

	2022/12/31	2021/12/31
Subsidiary		
ONYX HEALTHCARE INC.	\$ -	\$ 17,786

For the years ended December 31, 2022 and 2021, the Company has paid \$6,897 and \$2,138, respectively.

8. Guarantee deposits

	2022/12/31	2021/12/31
Subsidiary		
ONYX HEALTHCARE INC.	\$ 1,148	\$ 1,148
Other related party	154	-
Total	\$ 1,302	\$ 1,148

The security deposit for lease.

9. Transaction of property

The acquisition of investment properties

	2022	2021
Associate		
LITEMAX ELECTRONICS INC.	\$ 119,405	\$ -

In September 2022, the company acquired investment properties from the related party for a total contract price of \$120,432 (tax included), which has been paid in full.

10. Transaction of financial assets

In April 2022, the Company participated in the cash capital increase of the subsidiary— ONYX HEALTHCARE INC.(recognized as investments accounted for under equity method), by investing \$99,009 and acquiring 1,125 thousand shares.

(IV) Key management remuneration

	2022	2021
Salaries and other short-term employee benefits	\$ 60,383	\$ 46,451
Post-employment benefits	980	1,076
Share-based Payment	1,889	3,645
Total	\$ 63,252	\$ 51,172

VIII. Pledged Assets

None.

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of December 31, 2022, 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 2022 surplus distribution proposed by the board of directors in February 24, 2023, please refer to Note 6 (14) 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>2022/12/31</u>	<u>2021/12/31</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	\$ 219,522	\$ 401,777
Financial assets measured at amortized cost/ loans and receivables		
Cash and cash equivalents	1,601,115	1,362,293
Notes receivable	186	2,793
Accounts receivable	867,590	1,021,659
Other receivables	4,497	35,039
Guarantee deposits (including other non-current assets)	6,060	4,238
	<u>\$ 2,698,970</u>	<u>\$ 2,827,799</u>
<u>Financial liability</u>		
Financial liabilities measured at amortized cost		
Notes payable	\$ 19	\$ -
Accounts payable (related parties included)	306,310	452,358
Other payables	444,329	318,158
	<u>\$ 750,658</u>	<u>\$ 770,516</u>
Lease liabilities (including current and non-current)	<u>\$ 58,030</u>	<u>\$ 48,878</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:

		2022/12/31		
		Foreign currency (in thousand)	Exchange rate	Carrying amount
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD : NTD	\$	62,933	30.71	\$ 1,932,672
EUR : NTD		4	32.72	131
<u>Non-monetary items</u>				
USD : NTD	\$	10,331	30.71	\$ 317,265
EUR : NTD		2,254	32.72	73,751
<u>Financial liability</u>				
<u>Monetary items</u>				
USD : NTD	\$	9,613	30.71	\$ 295,215
EUR : NTD		19	32.72	622

		2021/12/31		
		Foreign currency (in thousand)	Exchange rate	Carrying amount
(Foreign currency: functional currency)				
<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
<u>Financial liability</u>				
<u>Monetary items</u>				
USD : NTD	\$	12,273	27.68	\$ 339,717
EUR : NTD		197	31.32	6,170

- 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 2022 and 2021 were \$51,264 and (\$20,445), 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, 2022			
Sensitivity analysis			
Extent of change	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 19,327	\$ -
EUR : NTD	1%	1	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 2,952	\$ -
EUR : NTD	1%	6	-

For the year ended December 31, 2021			
Sensitivity analysis			
Extent of change	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 12,340	\$ -
EUR : NTD	1%	52	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 3,397	\$ -
EUR : NTD	1%	62	-

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, 2022 and 2021 by \$1,837 and \$3,658, 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, 2022 and 2021, 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, 2022 and 2021 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
2022/12/31							
Expected loss rate	0%	0%	0.07%	3.33%	15.21%	100%	
Total book value	\$ -	\$ -	\$ 6,761	\$ 1,367	\$ -	\$ -	\$ 8,128
Loss allowance	\$ -	\$ -	\$ 5	\$ 45	\$ -	\$ -	\$ 50
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

- (2) The total book values of the accounts receivable-related parties and customers with outstanding credit risk as of December 31, 2022 and 2021 were \$859,701 and \$1,021,250, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of \$3 and \$8, 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)	
	2022	2021
January 1	\$ 13	\$ 100
Recognition (reverse) of impairment loss	40	(87)
December 31	\$ 53	\$ 13

From the loss recognized in 2022 and 2021, the impairment losses for accounts receivable arising from customer contracts were (\$40) and \$87, 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, 2022 and 2021.
- 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:

2022/12/31	Within 1 year	1-2 years	2-5 years
Notes payable	\$ 19	\$ -	\$ -
Accounts payable	237,164	-	-
Accounts payable - related party	69,146	-	-
Other payables	444,329	-	-
Lease liabilities	23,100	16,671	20,551
Provisions	27,056	8,989	-

Non-derivative financial liabilities:

2021/12/31	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
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	-

- 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:

2022/12/31	1st Level	2nd Level	3rd Level	Total
Asset				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 160,114	\$ 4,209	\$ 19,360	\$ 183,683
Beneficiary certificates	26,652	-	-	26,652
Hybrid instruments	-	-	9,187	9,187
Total	\$ 186,766	\$ 4,209	\$ 28,547	\$ 219,522

2021/12/31	1st Level	2nd Level	3rd Level	Total
Asset				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 341,881	\$ 4,575	\$ 19,359	\$ 365,815
Beneficiary certificates	26,510	-	-	26,510
Hybrid instruments	-	-	9,452	9,452
Total	\$ 368,391	\$ 4,575	\$ 28,811	\$ 401,777

(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, 2022 and 2021, there was no transfer between Level 1 and Level 2.
 5. Movements on Level 3 for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
	Equity instrument	Equity instrument
January 1	\$ 28,811	\$ 30,378
Loss recognized in income (Note)	(264)	(1,567)
December 31	<u>\$ 28,547</u>	<u>\$ 28,811</u>

Changes in unrealized gains or losses of assets and liabilities owned at the end of the period

(\$ 264)	(\$ 1,567)
------------	--------------

Note: Recognized as other gains and losses.

6. There was no transfer into or out from Level 3 for the years ended December 31, 2022 and 2021.
7. The financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and any other necessary adjustments to the fair value.

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

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

	2022/12/31 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	\$ 65,729	Discounted Cash Flow Approach	Note 1	Not applicable	Note 2
Embedded option	(\$ 56,542)	Option Pricing Model	Price volatility	Not applicable	The higher the stock price volatility, the higher the fair value
	2021/12/31 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	\$ 19,359	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

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.

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).
- 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.

MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2022

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

Schedule 1

Holding company	Marketable securities type and name				2022/12/31				
	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	\$ 26,652	-	\$ 26,652	None
"	Stock	Advantech Co., Ltd.	"	"	802	265	-	265	"
"	"	MACHVISION INC.	Other related party - the Company's Chairman as a director	"	1,180,198	154,016	2.64	154,016	"
"	"	ATECH OEM INC.	"	"	214	3	-	3	"
"	"	Unitech Electronics Co., Ltd.	None	"	259,657	5,830	0.35	5,830	"
"	"	LILEE SYSTEMS Ltd.	"	"	468,750	-	-	-	"
"	"	Allied Biotech Co.	Other related party - the Company's Chairman as a director	"	300,000	4,209	0.31	4,209	"
"	"	TELEION WIRELESS, INC.	None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,360	15.05	19,360	"
"	"	V-Net AAEON Corporation Ltd.	"	"	29	9,187	14.50	9,187	Note 3
AAEON INVESTMENT, CO., LTD.	Convertible bonds	IBASE TECHNOLOGY INC.	Associate - Investee accounted for under the equity method	Financial assets at fair value through profit or loss - current	-	108,400	-	108,400	"
"	Stock	Sunengine Co., Ltd.	Other related party - the Company's Chairman as a director	"	156,903	1,089	2.75	1,089	None
ONYX HEALTHCARE INC.	"	MACHVISION INC.	"	Financial assets at fair value through profit or loss - current	18,716	2,443	0.04	2,443	"
"	"	TOP UNION ELECTRONICS CORP.	None	"	199,927	4,768	0.16	4,768	"
"	"	INNO FUND III	"	Financial assets at fair value through profit or loss - non-current	3,000,000	26,956	13.04	26,956	"
"	"	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	"	"	750,000	25,155	6.30	25,155	"

Note1: The "securities" above refer to stocks, bonds, beneficiary certificates and derivatives included in IFRS 9 "Financial Instruments"

Note2: For those measured at fair value, please enter the carrying value after the valuation adjustment of fair value and deduction of accumulated impairment in the carrying value column. As for those assets not measured at fair value, please enter the carrying value of initial acquisition cost or amortized cost after deducting accumulated impairment in the carrying value column.

Note3: Hybrid contract with embedded options.

AAEON Technology Inc

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

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	\$ 1,284,764	28.86	month-end 30 days	-	-	(\$ 53,140)	(17.35)	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Subsidiary	(Sales)	(1,723,085)	(29.00)	60 days after invoice date	-	-	340,909	39.28	
"	AAEON ELECTRONICS, INC.	"	"	(1,468,511)	(24.72)	"	-	-	193,279	22.27	
"	AAEON TECHNOLOGY (SUZHOU) INC.	"	"	(291,742)	(4.91)	month-end 60 days	-	-	71,797	8.27	
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	"	"	(392,845)	(29.55)	month-end 90 days	-	-	88,426	36.88	

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.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

Schedule 3

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

Company Name	Related Party	Nature of Relationship	Ending balance (Note)	Turnover (%)	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action taken		
AAEON Technology Inc.	AAEON TECHNOLOGY (EUROPE) B.V.	Subsidiary	\$ 340,909	6.12	\$ -	-	\$ 212,552	\$ -
"	AAEON ELECTRONICS, INC.	"	\$ 193,279	7.10	\$ -	-	\$ 228,833	\$ -

Note: Please fill in separately based on accounts receivable, notes and other receivables of related parties.

AAEON Technology Inc.
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(ONLY TRANSACTIONS AMOUNTING TO AT LEAST \$100 MILLION ARE DISCLOSED)

FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 4

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

Serial No. (Note 1)	Company Name	Related Party	Nature of relationships (Note 2)	Intercompany transaction			As a percentage of consolidated revenues or total assets (%) (Note 3)
				Financial Statement Account	Amount	Terms	
0	AAEON Technology Inc.	AAEON TECHNOLOGY (EUROPE) B. V	1	Net sales	\$ 1,723,085	60 days after invoice date	20.63
		AAEON ELECTRONICS, INC.	1	Net sales	1,468,511	"	17.58
"	"	AAEON TECHNOLOGY (SUZHOU) INC.	1	Net sales	291,742	month-end 60 days	3.49
"	"	AAEON TECHNOLOGY (EUROPE) B. V	1	Account receivable	340,909	60 days after invoice date	2.99
		AAEON ELECTRONICS, INC.	1	Account receivable	193,279	"	1.69
1	ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	3	Net sales	392,845	month-end 90 days	4.70

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 subsidiaries 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.
 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, 2022

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2022			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2022/12/31	2021/12/31	Shares	Percentage (%)	Carrying Amount			
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	\$ 150,479	\$ 135,632	490,000	100.00	\$ 286,987	\$ 49,514	\$ 49,521	
"	AAEON TECHNOLOGY CO., LTD	British Virgin Islands	Investment of IPC and interface card	270,466	243,780	8,807,097	100.00	225,621	(15,729)	(15,676)	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,272	3,132	-	100.00	63,351	34,144	34,144	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	13,346	11,936	465,840	100.00	64,147	4,214	4,214	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	128,905	9,526	9,526	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	172,368	73,358	16,257,179	48.88	668,700	202,963	99,343	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	11.97	116,696	210,228	25,765	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	28.61	3,420,216	1,135,052	228,327	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	982	940	-	100.00	20,850	915	-	Note1

AAEON Technology Inc.
 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, 2022

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of December 31, 2022			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2022/12/31	2021/12/31	Shares	Percentage (%)	Carrying Amount			
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	USA	Sales of medical PC and peripherals	\$ 61,420	\$ 55,360	200,000	100.00	\$ 77,251	(\$ 20,292)	-	Note1
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,272	3,132	100,000	100.00	13,255	164	-	"
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	7,705	323	-	"
"	WINMATE INC.	"	Bid quotations, distributions and sales of LCD application equipment and modules	568,585	552,783	10,244,000	13.99	606,637	452,430	-	"

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, 2022, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc.
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 6

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

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Methods of investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Investee profit or loss for the period	The Company's direct or indirect holding percentage	Share of Profits / Losses (Note 2. (2)C)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Remarks
					Outflow	Inflow							
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	\$ 266,878	2	\$ 266,878	\$ -	\$ -	\$ 266,878	(\$ 15,878)	100%	(\$ 15,878)	\$ 237,811	\$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	67,562	1	67,562	-	-	67,562	(1,895)	100%	(1,895)	5,822	-	
<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.	\$ 266,878	\$ 266,878	\$ 5,617,739										
Onyx Technology Inc.	67,562	67,562	840,533										

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. Another 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, 2022, while others are converted to NTD under the exchange rate at the end period of the financial report.

AAEON Technology Inc.
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Schedule 7

Name of major shareholder	Shares	
	Total Shares Owned	Ownership (%)
ASUSTEK COMPUTER INC.	43,756,000	29.322
IBASE TECHNOLOGY INC.	41,698,468	27.943
Yung-Shun Chuang	19,664,000	13.177
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.602
HUA-MIN INVESTMENT CO., LTD.	8,359,000	5.602

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, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 1

Item	Summary	Amount
Reserve cash		\$ 265
Petty cash		130
Bank deposit		
Checking accounts		19
Demand deposit		218,571
Foreign currency demand deposit	USD 35,233,017.30 Rate 30.71	1,082,006
	EUR 3,012.52 Rate 32.72	99
	JPY 2,331.00 Rate 0.2334	1
	HKD 6,144.70 Rate 3.937	24
Time deposits		300,000
		<u>\$ 1,601,115</u>

AAEON Technology Inc.
DETAILS OF FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT
DECEMBER 31, 2022
(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	\$ 331.00	\$ 265	
MACHVISION, INC.		1,180,198	10	11,802	-	81,221	130.50	154,016	
ATECH OEM INC.		214	10	2	-	4	15.10	3	
Unitech Electronics Co., Ltd.		259,657	10	2,597	-	7,310	22.45	5,830	
Subtotal				<u>\$ 14,409</u>		<u>\$ 88,570</u>		<u>\$ 160,114</u>	
Emerging stocks									
Allied Biotech Co.		300,000	\$ 10	<u>\$ 3,000</u>	-	<u>\$ 3,000</u>	\$ 14.03	<u>\$ 4,209</u>	
Unlisted and non-OTC stocks									
TELEION WIRELESS, INC.		149,700	10	1,497	-	8,638	-	-	
LILEE SYSTEMS Ltd.		468,750	10	4,688	-	43,405	-	-	
Subtotal				<u>\$ 6,185</u>		<u>\$ 52,043</u>		<u>\$ -</u>	
Open-end funds									
Mega Diamond Money Market		2,091,070		<u>\$ 25,000</u>		<u>\$ 25,000</u>	\$ 12.7458	<u>\$ 26,652</u>	
Total						<u>\$ 168,613</u>		<u>\$ 190,975</u>	

AAEON Technology Inc.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 3

Clients name	Amount
Accounts receivable	
MXC003	\$ 34,361
AIS001	29,076
EUK086	23,314
AJP138	12,522
PTW406	11,505
Others (Note)	107,527
	218,305
Less : Allowance for bad debt	(53)
	\$ 218,252
 Accounts receivable - related party	
AAEON TECHNOLOGY (EUROPE) B.V.	\$ 340,909
AAEON ELECTRONICS, INC.	193,279
AAEON TECHNOLOGY (SUZHOU) INC.	71,797
Others (Note)	43,353
	\$ 649,338

Note: Each individual customer balance did not exceed 5% of the account balance.

AAEON Technology Inc.
DETAILS OF INVENTORY
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 4

Item	Amount		Remarks
	Cost	Net realizable value	
Raw material	\$ 904,912	\$ 869,416	Allowance for inventory valuation and obsolescence losses are from the lower of the acquisition cost or net realizable value.
Work in progress	557,196	552,237	
Finished good	156,837	196,985	
Merchandise inventory	11,416	10,879	
Inventories in transit	-	-	
	1,630,361	\$ 1,629,517	
Less: Allowance for Inventory Valuation and Obsolescence Losses	(83,903)		
	\$ 1,546,458		

AAEON Technology Inc.
CHANGE IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 5

Name	January 1, 2022		Increase (Note 1)		Decrease (Note 2)		Investment gains (losses)	Other changes (Note 3)	December 31, 2022			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	\$ 221,656	-	\$ -	-	\$ -	\$ 49,521	\$ 15,810	490,000	100	\$ 286,987	\$ 647	\$ 317,259	None
AAEON TECHNOLOGY SINGAPORE PTE LTD. (ASG)	465,840	53,253	-	-	-	-	4,214	6,680	465,840	100	64,147	140	65,354	"
AAEON TECHNOLOGY CO., LTD (ATCL)	8,807,097	240,950	-	-	-	-	(15,676)	347	8,807,097	100	225,621	27	240,429	"
AAEON TECHNOLOGY(EUROPE)B.V.(ANI)	-	31,446	-	-	-	-	34,144	(2,239)	-	100	63,351	-	73,750	"
AAEON INVESTMENT, CO., LTD.	15,000,000	119,379	-	-	-	-	9,526	-	15,000,000	100	128,905	9	128,905	"
ONYX HEALTHCARE INC.	15,132,074	498,548	1,125,105	99,009	-	(65,029)	99,343	36,829	16,257,179	48.88	668,700	98	1,589,952	"
LITEMAX ELECTRONICS INC.	5,015,050	103,896	-	-	-	(12,521)	25,765	(444)	5,015,050	11.97	116,696	38	189,067	"
IBASE TECHNOLOGY INC.	52,921,856	3,257,009	-	-	-	(114,552)	228,327	49,432	52,921,856	28.61	3,420,216	77	4,090,859	"
Subtotal		<u>\$ 4,526,137</u>		<u>\$ 99,009</u>		<u>(\$ 192,102)</u>	<u>\$ 435,164</u>	<u>\$ 106,415</u>			<u>\$ 4,974,623</u>			

Note 1: Acquisition of investee's stock.

Note 2: The Company received cash dividends of \$192,102 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, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 6

<u>Customer name</u>	<u>Amount</u>
A	\$ 20,048
B	16,490
Others (Note)	<u>200,626</u>
Total	<u>\$ 237,164</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, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 7

Item	Amount
Merchandise inventory	
Inventory at January 1	\$ 18,433
Add: Purchases	59,010
Raw materials and work in progress transitioned into sales	171,450
Less: Inventory at December 31	(11,416)
Merchandise transitioned into work in progress	(1,797)
Merchandise transitioned into fees and others	(1,482)
Cost of merchandise purchased and sold	<u>234,198</u>
Direct materials	
Raw material at January 1 (including materials and supplies in transit)	667,626
Add: Materials purchased	2,696,181
Less: Raw materials at December 31	(904,912)
Raw materials transitioned into merchandise inventory	(91,755)
Raw materials transitioned into fees and others	(6,384)
Raw materials used	2,360,756
Direct labor	81,627
Production overheads	180,961
Manufacturing costs	<u>2,623,344</u>
Work in progress at January 1	325,135
Add: Work in progress purchased	469,863
Merchandise transitions	1,797
Less: Work in progress at December 31	(557,196)
Work in progress transitioned into merchandise inventory	(79,695)
Work in progress transitioned into fees and others	(32,677)
Cost of finished goods	2,750,571
Finished goods at January 1	105,834
Add: Finished goods purchased	1,196,977
Less: Finished goods at December 31	(156,837)
Cost of self-manufactured goods sold	3,896,545
Cost of conversion and other operating costs	<u>51,284</u>
Cost of inventory sold	4,182,027
Loss on inventory valuation and obsolescence	45,834
Others	(8)
Cost of sales	<u>\$ 4,227,853</u>

AAEON Technology Inc.
MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 8

<u>Item</u>	<u>Amount</u>	<u>Remarks</u>
Indirect labor	\$ 104,719	
Depreciation expense	21,946	
Insurance premium	14,758	
Others	<u>39,538</u>	
	<u>\$ 180,961</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, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 9

<u>Item</u>	<u>Amount</u>	<u>Remarks</u>
Salaries and wages expenditure	\$ 76,166	
Export fee	6,218	
Others	<u>21,343</u>	Note: Each of the account did not exceed 5% of the total account balance.
	<u>\$ 103,727</u>	

AAEON Technology Inc.
GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 10

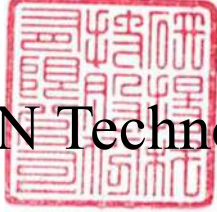
<u>Item</u>	<u>Amount</u>	<u>Remarks</u>
Salaries and wages expenditure	\$ 97,811	
Depreciation expense	10,319	
Others	<u>36,079</u>	Each of the account did not exceed 5% of the total account balance.
	<u>\$ 144,209</u>	

AAEON Technology Inc.
RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Statement 11

<u>Item</u>	<u>Amount</u>	<u>Remarks</u>
Salaries and wages expenditure	\$ 278,756	
Technical service fees	88,031	
Research expenses	45,822	Each of the account did not exceed 5% of the total account balance.
Others	83,160	
	<u>\$ 495,769</u>	

AAEON Technology Inc.



Chairman: Yung-Shun Chuang

