

AAEON Technology Inc and Subsidiaries
Consolidated Financial Statements
With Independent Auditor's Review Report Thereon
March 31, 2021 and 2020
(Stock Code: 6579)

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

AAEON Technology Inc. and Subsidiaries
Consolidated Financial Statements
With Independent Auditor's Review Report Thereon March 31, 2021 and 2020

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To AAEON Technology Inc:

Introduction

We have reviewed the accompanying consolidated balance sheets of AAEON Technology Inc. (hereinafter referred to as "AAEON") and its subsidiaries as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies. It is the responsibility of the management to prepare and ensure fair presentation of consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, international financial reporting standards approved by the Financial Supervisory Commission, and IAS 34 - "Interim Financial Reporting". Our responsibility as auditor is to form a conclusion based on our reviews.

Scope of Review

Except as described in the "Basis for qualified conclusion" paragraph, we, the auditors, have performed the review in accordance with Statement on Auditing Standards No. 65 - "Financial Statement Review". The procedures executed in our review of consolidated financial statements include inquiry (mainly with employees responsible for financial and accounting affairs), analysis and other review-related processes. The scope of financial statement review is significantly smaller than a financial statement audit, therefore we may not be able to detect all material issues through the steps we have taken, and are unable to provide an opinion.

Basis for qualified conclusion

As mentioned in Note 4. (3) of the consolidated financial statements, some non-significant subsidiaries were consolidated using non-auditor reviewed financial statements for the corresponding period, which the sum of assets represented by such subsidiaries totaled \$795,631 thousand and \$720,819 thousand as of March 31, 2021 and 2020, and accounted for 8.08% and 7.47% of consolidated total assets, respectively; they also represented \$148,218 thousand and \$121,769 thousand of total liabilities, which accounted for 10.47% and 8.73% of consolidated total liabilities, respectively. Comprehensive losses reported by the above subsidiaries amounted to \$8,327 thousand and \$(18,971) thousand for the three-month periods ended March 31, 2021 and 2020, which accounted for 17.74% and 29.99% of total comprehensive income for the respective periods.

Qualified conclusion

Based on our reviews and the reports of other independent auditors (please refer to other matter), none of the material disclosures of the consolidated financial statements mentioned above exhibited any misstatement that did not conform with Regulations Governing the Preparation of

Financial Reports by Securities Issuers or the version of IAS 34 - "Interim Financial Reporting" approved by the Financial Supervisory Commission, or compromised the fair view of the consolidated financial position of AAEON as of March 31, 2021 and 2020, and consolidated business performance and consolidated cash flow for the three-month periods ended March 31, 2021 and 2020, except for the matters discussed in the "Basis for qualified conclusion" paragraph and potential adjustments to the consolidated financial statements if financial statements of non-significant subsidiaries were to be auditor-reviewed.

Other matter – Reference to the reviews of other independent auditors

We did not review the financial statements of certain investments accounted for under equity method. Those financial statements were reviewed by other independent auditors whose reports thereon have been furnished to us and our conclusion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors. These investments accounted for under equity method amounted to \$3,890,001 thousand and \$3,865,191 thousand as of March 31, 2021 and 2020, which accounted for 39.53% and 40.04% of consolidated total assets on the respective dates; comprehensive income recognized from the above companies amounted to \$14,774 thousand and \$(22,117) thousand for the three-month periods ended March 31, 2021 and 2020, which accounted for 31.48% and 34.96% of consolidated comprehensive income for the respective periods.

PwC Taiwan

Certified Public Accountant

Shih-Rong Weng

Chun-Yao Lin

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

(Formerly known as) Securities and Futures Commission, The Ministry of Finance
Approval reference: (1996)Tai-Tsai-Cheng (VI) No. 68702

May 7, 2021

Notes to Readers

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

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


AAEON Technology Inc. and Subsidiaries
Consolidated Balance Sheets
March 31, 2021, December 31, 2020 and March 31, 2020
 (The consolidated balance sheets as of March 31, 2021 and 2020, were reviewed, not audited)
 (Expressed in thousands of New Taiwan Dollars)

Assets	Notes	March 31, 2021		December 31, 2020		March 31, 2020		
		Amount	%	Amount	%	Amount	%	
Current asset								
1100	Cash and cash equivalents	6. (1)	\$ 2,864,665	29	\$ 2,727,931	28	\$ 2,622,395	27
1110	Financial asset at fair value	6. (2)						
	through profit or loss - current		448,889	5	456,957	5	369,139	4
1150	Net notes receivable	6. (4)	11,116	-	16,870	-	11,230	-
1170	Net accounts receivable	6. (4)	576,609	6	661,456	7	822,017	9
1200	Other receivables	7	110,703	1	21,773	-	124,498	1
130X	Inventories	6. (5)	909,848	9	826,311	9	905,098	9
1410	Prepayments		94,881	1	67,079	1	74,997	1
1479	Other current assets - other	6.(7), 8	15,126	-	15,467	-	3,557	-
11XX	Total current assets		<u>5,031,837</u>	<u>51</u>	<u>4,793,844</u>	<u>50</u>	<u>4,932,931</u>	<u>51</u>
Non-current assets								
1510	Financial asset at fair value	6. (2)						
	through profit or loss -							
	non-current		71,980	1	68,639	1	58,692	1
1517	Financial asset at fair value	6. (3)						
	through other comprehensive							
	income - non-current		2,381	-	2,381	-	2,381	-
1550	Investments accounted for	6. (6)						
	under equity method		3,890,001	39	3,969,157	41	3,865,191	40
1600	Property, plant and equipment	6. (7), 8	571,268	6	564,531	6	590,081	6
1755	Right-of-use assets	6. (8)	107,356	1	33,139	-	53,357	-
1760	Investment property		52,319	1	54,057	1	56,414	1
1780	Intangible assets		21,461	-	24,669	-	21,925	-
1840	Deferred tax assets		50,259	1	50,626	1	58,348	1
1900	Other non-current assets		42,834	-	16,075	-	13,034	-
15XX	Total non-current assets		<u>4,809,859</u>	<u>49</u>	<u>4,783,274</u>	<u>50</u>	<u>4,719,423</u>	<u>49</u>
1XXX	Total assets		<u>\$ 9,841,696</u>	<u>100</u>	<u>\$ 9,577,118</u>	<u>100</u>	<u>\$ 9,652,354</u>	<u>100</u>

(Continued)


AAEON Technology Inc. and Subsidiaries
Consolidated Balance Sheets
March 31, 2021, December 31, 2020, and March 31, 2020
 (The consolidated balance sheets as of March 31, 2021 and 2020, were reviewed, not audited)
 (Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	March 31, 2021		December 31, 2020		March 31, 2020		
		Amount	%	Amount	%	Amount	%	
Current liability								
2100	Short-term borrowings	6. (9)	\$ 20,973	-	\$ 38,875	1	\$ 43,826	1
2120	Financial liabilities at fair value through profit or loss - current	6. (10)	116	-	-	-	88	-
2130	Contract liability - current	6. (17)	195,666	2	174,971	2	137,405	1
2150	Notes payables		483	-	725	-	-	-
2170	Accounts payables	7	478,592	5	327,414	4	469,981	5
2200	Other payables	6. (11), 7	371,393	4	385,235	4	370,202	4
2230	Current tax liabilities		87,677	1	86,916	1	136,412	1
2250	Provisions - current		27,589	-	27,366	-	26,721	-
2280	Lease liability - current		34,045	-	20,509	-	37,974	-
2399	Other current liabilities - other		27,164	-	26,709	-	52,599	1
21XX	Total current liabilities		<u>1,243,698</u>	<u>12</u>	<u>1,088,720</u>	<u>12</u>	<u>1,275,208</u>	<u>13</u>
Non-current liabilities								
2527	Contract Liability - non-current	6. (17)	57,169	1	59,844	1	68,033	1
2550	Provisions - non-current		7,229	-	7,369	-	7,154	-
2570	Deferred tax liabilities		31,734	-	33,389	-	26,833	-
2580	Lease Liabilities - non-current		74,289	1	13,560	-	16,560	-
2670	Other non-current liabilities - other		1,859	-	1,783	-	1,663	-
25XX	Total non-current liabilities		<u>172,280</u>	<u>2</u>	<u>115,945</u>	<u>1</u>	<u>120,243</u>	<u>1</u>
2XXX	Total Liabilities		<u>1,415,978</u>	<u>14</u>	<u>1,204,665</u>	<u>13</u>	<u>1,395,451</u>	<u>14</u>
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Share capital-common stock	6. (14)	1,484,985	15	1,484,985	16	1,484,985	15
Capital surplus								
3200	Capital surplus	6. (15)	5,479,167	56	5,473,802	56	5,352,912	55
Retained earnings								
3310	Legal reserve	6. (16)	387,553	4	387,553	4	332,568	3
3320	Special reserve		63,315	1	63,315	1	45,314	1
3350	Undistributed retained earnings		520,308	5	484,744	5	616,855	6
Other Equity								
3400	Other Equity		(49,106)	-	(53,278)	-	(90,896)	-
31XX	Total equity attributable to owners of parent		<u>7,886,222</u>	<u>81</u>	<u>7,841,121</u>	<u>82</u>	<u>7,741,738</u>	<u>80</u>
36XX	Non-controlling interests	4. (3)	<u>539,496</u>	<u>5</u>	<u>531,332</u>	<u>5</u>	<u>515,165</u>	<u>6</u>
3XXX	Total equity		<u>8,425,718</u>	<u>86</u>	<u>8,372,453</u>	<u>87</u>	<u>8,256,903</u>	<u>86</u>
Material Contingent Liabilities and Unrecognized Contractual Commitments								
3X2X	Total liabilities and equity		<u>\$ 9,841,696</u>	<u>100</u>	<u>\$ 9,577,118</u>	<u>100</u>	<u>\$ 9,652,354</u>	<u>100</u>

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

Chairman: Yung-Shun Chuang

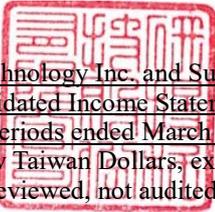


Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang




AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
For the three-month periods ended March 31, 2021 and 2020
 (Expressed in thousands of New Taiwan Dollars, except earnings per share data)
 (Reviewed, not audited)

Item	Notes	For the three-month periods ended March 31			
		2021		2020	
		Amount	%	Amount	%
4000 Operating income	6. (17), 7	\$ 1,266,555	100	\$ 1,398,201	100
5000 Operating cost	6. (5)(21)				
	(22), 7.	(891,353)	(70)	(943,458)	(68)
5900 Operating profit		375,202	30	454,743	32
Operating expenses	6. (12)(21)				
	(22), 7.				
6100 Selling Expenses		(123,528)	(10)	(160,740)	(11)
6200 General and administrative expenses		(73,734)	(6)	(63,980)	(5)
6300 Research and development expenses		(126,457)	(10)	(109,944)	(8)
6450 Expected credit impairment losses (gains)	12. (2)	(29)	-	(1,071)	-
6000 Total operating expense		(323,748)	(26)	(335,735)	(24)
6900 Operating income		51,454	4	119,008	8
Non-operating income and expenses					
7100 Interest income		1,058	-	2,170	-
7010 Other income	6. (18)	3,069	-	2,891	-
7020 Other gains and losses	6. (19)	(11,527)	(1)	(131,691)	(9)
7050 Financial costs	6. (20)	(885)	-	(820)	-
7060 Share of the profit of associates and joint ventures accounted for under equity method	6. (6)	7,758	1	4,187	-
7000 Total non-operating income and expenses		(527)	-	(123,263)	(9)
7900 Profit (loss) before income tax		50,927	4	(4,255)	(1)
7950 Income tax expenses	6. (23)	(7,543)	(1)	(30,615)	(2)
8200 Profit (loss) for the period		\$ 43,384	3	\$ 34,870	(3)

(Continued)

AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement

For the three-month periods ended March 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars, except earnings per share data)
(Reviewed, not audited)

Item	Notes	For the three-month periods ended March 31			
		2021		2020	
		Amount	%	Amount	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method - not to be reclassified to profit or loss in subsequent periods	6. (6)			
		\$ 6,506	1	(\$ 22,907)	(2)
8310	Total amount not to be reclassified to profit or loss in subsequent periods		6,506	1	(22,907)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(4,327)	-	(2,644)
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method - to be reclassified to profit or loss	6. (6)	510	-	(3,397)
8399	Income tax relating to the components of other comprehensive income	6. (23)	864	-	556
8360	Total amount to be reclassified to profit or loss in subsequent periods		(2,953)	-	(5,485)
8500	Total comprehensive income		\$ 46,937	4	(\$ 63,262)
Profit attributable to:					
8610	Owners of parent		\$ 36,053	2	(\$ 34,847)
8620	Non-controlling interests		7,331	1	(23)
			\$ 43,384	3	(\$ 34,870)
Total comprehensive income (loss) attributable to:					
8710	Owners of parent		\$ 40,225	3	(\$ 62,428)
8720	Non-controlling interests		6,712	1	(834)
			\$ 46,937	4	(\$ 63,262)
Basic earnings (loss) per share					
9750	Total basic earnings (loss) per share	6. (24)	\$	0.34	(\$ 0.33)
Diluted earnings (loss) per share					
9850	Total diluted earnings (loss) per share	6. (24)	\$	0.34	(\$ 0.33)

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

Chairman: Yung-Shun Chuang

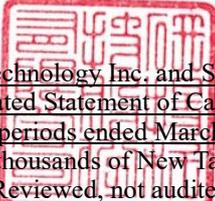


Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang




AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the three-month periods ended March 31, 2021 and 2020
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

	Notes	For the three-month periods ended March 31	
		2021	2020
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 50,927	(\$ 4,255)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6. (7) (8) (21)	19,950	23,054
Amortization expenses	6. (21)	4,206	3,183
Expected credit impairment losses (gains)	12. (2)	29	1,071
Costs of share-based payment awards	6. (13)	6,288	3,463
Interest income		(1,058)	(2,170)
Interest expenses	6. (8) (9) (20)	885	820
Net gains from financial assets and liabilities at fair value through profit or loss	6. (2) (10) (19)	4,843	141,261
Losses on disposal of property, plant and equipment	6. (7) (19)	79	8
Depreciation expense of investment property (other gains and losses)		1,323	1,302
Share of profit of associates accounted for under equity method	6. (6)	(7,758)	(4,187)
Lease modification loss	6. (8) (19)	6	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		-	3,320
Notes and accounts receivable		90,470	(69,062)
Other Receivables		6,329	3,465
Inventories		(83,537)	33,879
Prepayments		(27,802)	(18,849)
Net changes in operating liabilities			
contract liability		18,020	26,949
Notes and accounts payable		150,936	(10,849)
Other Payables		(22,804)	(14,653)
Other current liabilities		455	28,235
Provisions for liabilities		83	(11,703)
Other non-current liabilities		76	(577)
Net cash from operating activities		211,946	133,705
Interest received		1,058	2,170
Interest paid		(885)	(820)
Income taxes paid		(10,614)	(168)
Net cash flows from operating activities		201,505	134,887

(Continued)


AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the three-month periods ended March 31, 2021 and 2020
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

	Notes	For the three-month periods ended March 31	
		2021	2020
<u>Cash flows from investing activities</u>			
Other increase in current assets		\$ 341	(\$ 1,209)
Acquisition of investments accounted for under equity method	6. (6)	(1,289)	(5,470)
Acquisition of property, plant and equipment	6. (25)	(6,854)	(7,153)
Disposal of property, plant and equipment	6. (7)	62	143
Acquisition of intangible asset		(715)	(756)
Decrease in other non-current assets		(28,007)	112
Net cash flows used in investing activities		(36,462)	(14,333)
<u>Cash flows from financing activities</u>			
Decrease in short-term borrowings	6. (26)	(17,977)	(903)
Repayment of lease principal	6. (8) (26)	(10,598)	(11,325)
Net cash flows from financing activities		(28,575)	(12,228)
Effects due to changes in exchange rate		266	(2,902)
Increase in cash and cash equivalents		136,734	105,424
Cash and cash equivalents at the beginning of periods		2,727,931	2,516,971
Cash and cash equivalents at the end of periods		\$ 2,864,665	\$ 2,622,395

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang




AAEON TECHNOLOGY INC. and Subsidiaries
Notes of Consolidated Financial Statements
March 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars,
except as of otherwise indicated)
(Reviewed, not audited)

I. Company Profile

AAEON Technology Co., Ltd. (hereinafter referred to as the "the Company") was established in the Republic of China. The main businesses of the company and its subsidiaries (hereinafter collectively referred to as the "Group") include the manufacturing, processing and imports/exports of computer peripherals, electronic components, computer test instruments, computer PCB functional testing, and radio telecommunication equipment and its components; the R&D, design, manufacturing, processing, and trading of various industrial computers, medical computers, industrial controllers, quantity controllers, and components; industrial computer automation design and services, as well as the import/export of related materials. The Company has been listed on Taiwan Stock Exchange since August 2017. Asustek Computer Co., Ltd. holds 40.72% of the Company's shares (including indirect holdings) and is the Group's ultimate parent company.

II. Date and Procedures for the Authorization of Financial Reports

These consolidated financial statements were reported to the Board of Directors and issued on May 7, 2021.

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 2020 are listed below:

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

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

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

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

None.

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

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

<u>Newly issued revised or amended standards and interpretations</u>	<u>Effective date issued by IASB</u>
Amendments to IFRS 3, "Reference to the conceptual framework"	January 1, 2022
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
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	April 1, 2021
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IAS 1, "Classification of liabilities as current or noncurrent"	January 1, 2023
Amendments to IAS 1, "Disclosure of accounting policies"	January 1, 2023
Amendments to IAS 8, "Definition of accounting estimates"	January 1, 2023
Amendments to IAS 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 material impact on the Group.	

IV. Summary of Significant Accounting Policies

The following is a description of significant accounting policies in regards to statement of compliance, basis of preparation, basis of consolidation and addition. Unless otherwise stated, all other accounting policies shall remain unchanged from Note 4. of the 2020 consolidated financial statements and apply consistently across all reporting periods.

(I) Statement of compliance

1. This consolidated financial report has been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 - "Interim Financial Reporting".
2. This consolidated financial report shall be read in conjunction with the 2020 consolidated financial report.

(II) Basis of preparation

1. The consolidated financial statements have been prepared on a historical cost basis except for the following reasons:
 - (1) Financial assets and liabilities (including derivatives) that have been measured at fair value through profit or loss.
 - (2) Financial assets that have been measured at fair value through other comprehensive income.

2. For the preparation of financial statements in conformity with the IFRS, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, it requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying AAEON's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Preparation principle of consolidated financial statement:

This consolidated financial report has been prepared on the same basis as the 2020 consolidated financial report.

2. The subsidiaries included in the consolidated financial statements:

Investor	Subsidiary name	Business	Ownership (%)			Notes
			2021/3/31	2020/12/31	2020/3/31	
AAEON	AAEON ELECTRONICS, INC. (AEI)	Sales of IPC and PC peripherals	100%	100%	100%	
AAEON	AAEON TECHNOLOGY CO., LTD. (ATCL)	Investment of IPC and interface card	100%	100%	100%	Note 1
AAEON	AAEON TECHNOLOGY (EUROPE) B.V.(ANI)	Sales of IPC and PC peripherals	100%	100%	100%	Note 1
AAEON	AAEON INVESTMENT, CO., LTD. (AAEONI)	Investment of IPC and PC peripherals	100%	100%	100%	Note 1
AAEON	ONYX HEALTHCARE INC. (ONYX)	Design, manufacture and sales of medical PC	50.00%	50.00%	50.00%	
AAEON	AAEON TECHNOLOGY SINGAPORE PTE. LTD (ASG)	Sales of IPC and PC peripherals	100%	100%	100%	Note 1
ATCL	AAEON TECHNOLOGY (SUZHOU) INC. (ACI)	Production and sales of IPC and interface card	100%	100%	100%	Note 1

Investor	Subsidiary name	Business	Ownership (%)			Notes
			2021/3/31	2020/12/31	2020/3/31	
ANI	AAEON TECHNOLOGY GMBH(AGI)	Sales of IPC and PC peripherals	100%	100%	100%	Note 1
ONYX	ONYX HEALTHCARE EUROPE B.V.(ONI)	Marketing support and maintenance of medical PC and peripherals	100%	100%	100%	Note 1
ONYX	ONYX HEALTHCARE USA, INC. (OHU)	Sales of medical PC and peripherals	100%	100%	100%	Note 1
ONYX	ONYX HEALTHCARE (SHANGHAI) LTD. (OCI)	Sales of medical PC and peripherals	100%	100%	100%	Note 1
ONYX	IHELPER INC. (IHELPER)	R&D and sales of medical robots	46.00%	46.00%	46.00%	Notes 1. and 2.

Note 1: Given that the entities did not meet the definitions of material subsidiary, their financial reports as of March 31, 2021 and 2020, were not reviewed by auditors.

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

3. The subsidiaries excluded from the consolidated financial statements: None.

4. Different adjustments from subsidiaries during the reporting period: None.

5. Significant restrictions: None.

6. Subsidiaries with material non-controlling interests

AAEON's total non-controlling interests as of March 31, 2021, December 31, 2020 and March 31, 2020 were \$539,496, \$531,332 and \$515,165, respectively. AAEON's subsidiaries with significant non-controlling interests are as follows:

Subsidiary Name	Main business location	Non-controlling interests		Non-controlling interests	
		2021/3/31		2020/12/31	
		Amount	Ownership interest	Amount	Ownership interest
ONYX	Taiwan	\$ 530,296	50.00%	\$ 521,419	50.00%

Subsidiary Name	Main business location	Non-controlling interests	
		2020/3/31	
		Amount	Ownership interest
ONYX	Taiwan	\$ 504,530	50.00%

Summarized financial information of subsidiaries:

Balance sheet

	ONYX		
	2021/3/31	2020/12/31	2020/3/31
Current asset	\$ 725,137	\$ 763,280	\$ 721,275
Non-current assets	722,316	629,925	609,794
Current liability	(283,821)	(279,181)	(244,386)
Non-current liabilities	(91,723)	(61,175)	(66,893)
Total Net Assets	\$ 1,071,909	\$ 1,052,849	\$ 1,019,790

Statement of comprehensive income

	ONYX	
	For the three-month periods ended March 31,	
	2021	2020
Income	\$ 273,277	\$ 252,338
Profit before tax	\$ 17,687	\$ 2,449
Income tax expense	(1,025)	(1,049)
Net income	16,662	1,400
Other comprehensive income (net amount after tax)	(506)	(1,621)
Total comprehensive income	\$ 16,156	(\$ 221)
Total comprehensive income attributable to non-controlling interests	\$ 8,711	(\$ 1,446)

Cash flow statement

	ONYX	
	For the three-month periods ended March 31,	
	2021	2020
Net cash inflow (outflow) from operating activities	\$ 37,456	(\$ 42,108)
Net cash flows used in investing activities	(33,397)	(7,498)
Net cash flows from financing activities	(3,430)	(4,089)
Effects of exchange rate changes on cash and cash equivalents	(593)	400
Increase (decrease) in current cash and cash equivalents	36	(53,295)
Cash and cash equivalents at the beginning of periods	392,364	408,555
Cash and cash equivalents at the end of periods	\$ 392,400	\$ 355,260

(IV) Income tax

If tax rate changes within a financial period, the Group will recognize impact in the same

period in one lump sum. For changes unrelated to income tax and profit or loss, impacts are recognized in other comprehensive income or under equity item. Changes concerning income tax or profit or loss items are recognized through profit or loss.

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

No material changes had taken place in the current period; please refer to Note 5. of the 2020 consolidated financial report.

VI. Significant Accounting Items

(I) Cash and cash equivalents

	2021/3/31	2020/12/31	2020/3/31
Cash on hand and petty cash	\$ 1,353	\$ 1,554	\$ 1,597
Check deposit and current deposit	2,778,768	2,676,577	2,570,998
Time deposit	84,544	49,800	49,800
Total	<u>\$ 2,864,665</u>	<u>\$ 2,727,931</u>	<u>\$ 2,622,395</u>

1. Due to good credit quality of the Group's principal financial institutions and the Group's relationships with multiple financial institutions, the exposure to a diversified set of risks would lower the probability of a default.

2. Please refer to Note 8 for the Group's collateral provision in the form of cash and cash equivalent guarantees.

(II) Net loss (gains) from financial assets and liabilities

<u>Item</u>	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
Current:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed and OTC stocks	\$ 173,171	\$ 173,171	\$ 161,697
Emerging stocks	3,000	3,000	3,000
Unlisted and non-OTC stocks	77,744	77,744	77,744
Beneficiary securities	31,141	31,141	31,141
Derivatives			
-Forward exchange contracts	-	-	37
	<u>285,056</u>	<u>285,056</u>	<u>273,619</u>
Valuation adjustment	163,833	171,901	95,520
Subtotal	<u>\$ 448,889</u>	<u>\$ 456,957</u>	<u>\$ 369,139</u>

Item	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
Non-current:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted and non-OTC stocks	\$ 59,070	\$ 59,070	\$ 59,070
Hybrid instrument	<u>10,832</u>	<u>10,832</u>	<u>10,832</u>
	69,902	69,902	69,902
Valuation adjustment	<u>2,078</u>	<u>(1,263)</u>	<u>(11,210)</u>
Subtotal	<u>\$ 71,980</u>	<u>\$ 68,639</u>	<u>\$ 58,692</u>

1. The hybrid instrument is a contract that contains both a host contract and embedded options of the unlisted company V-net AAEON Corporation Ltd. (hereinafter referred to as V-net). The options provide original shareholders the right to resell/repurchase stocks of the Company and V-net at the original transaction price. Please refer to Note 12 (3) 8 for the fair value as of March 31, 2021, December 31, 2020 and March 31, 2020.

2. Details of financial assets at fair value through profit or loss recognized as income:

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instrument	(\$ 3,836)	(\$ 139,898)
Beneficiary securities	(129)	(623)
Derivatives	-	(44)
Hybrid instrument	<u>(762)</u>	<u>108</u>
Total	<u>(\$ 4,727)</u>	<u>(\$ 140,457)</u>

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

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

Derivative financial assets	<u>2020/3/31</u>	
	<u>Contract amount (nominal amounts)</u>	<u>Contract period</u>
Current:		
Foreign currency forward contract		
- Buy NTD and sell USD	USD 510,000	2020.3.16~2020.4.17
- Buy NTD and sell USD	USD 510,000	2020.3.19~2020.4.23
- Buy NTD and sell USD	USD 200,000	2020.3.09~2020.4.08
- Buy NTD and sell USD	USD 200,000	2020.3.19~2020.4.17

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

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

<u>Item</u>	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
Non-current:			
Equity instrument			
Unlisted and non-OTC stocks	\$ 39,334	\$ 39,334	\$ 39,334
Valuation adjustment	(36,953)	(36,953)	(36,953)
Total	<u>\$ 2,381</u>	<u>\$ 2,381</u>	<u>\$ 2,381</u>

1. AAEON chose to classify the strategic investment on MELTEN CONNECTED HEALTHCARE INC. as financial assets measured at fair value through other comprehensive income. The fair value of the investments as of March 31, 2021, December 31, 2020 and March 31, 2020 were \$2,381.
2. Financial assets at fair value through other comprehensive income has no income and comprehensive income recognized for the three-month periods ended March 31, 2021 and 2020.
3. The Group has no financial assets measured at fair value through other comprehensive income pledged as collaterals.

(IV) Notes and accounts receivables

	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
Notes receivable	\$ 11,116	\$ 16,870	\$ 11,230
Accounts receivable	\$ 592,966	\$ 677,886	\$ 846,984
Less: Loss allowance	(16,357)	(16,430)	(24,967)
	<u>\$ 576,609</u>	<u>\$ 661,456</u>	<u>\$ 822,017</u>

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

<u>Accounts receivable</u>	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
Not past due	\$ 511,419	\$ 555,375	\$ 609,294
Within 30 days	50,838	95,411	188,894
31-60 days	12,009	10,086	21,275
61-90 days	3,150	689	3,378
91-180 days	320	1,132	2,242
Over 181 days	15,230	15,193	21,901
	<u>\$ 592,966</u>	<u>\$ 677,886</u>	<u>\$ 846,984</u>

<u>Notes receivable</u>	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
Not past due	\$ 11,116	\$ 16,870	\$ 11,230

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

2. The Group does not hold any collateral over the accounts and notes receivables.
3. Balances of accounts and notes receivable as of March 31, 2021, December 31, 2020 and March 31, 2020 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2020 were \$789,648 and \$24,144, respectively.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of March 31, 2021, December 31, 2020 and March 31, 2020 were \$11,116, \$16,870 and \$11,230, respectively, and the maximum exposure to the credit risk of accounts receivable as of March 31, 2021, December 31, 2020 and March 31, 2020 were \$576,609, \$661,456 and \$822,017, respectively.
5. Please refer to Note 12 (2) for credit risk information of notes and accounts receivable.

(V) Inventories

	2021/3/31		
	Cost	Valuation allowance	Carrying amount
Raw material	\$ 516,712	(\$ 59,034)	\$ 457,678
Work in progress	307,573	(30,569)	277,004
Finished good	186,361	(28,103)	158,258
Merchandise Inventories	18,657	(1,854)	16,803
Inventories in transit	105	-	105
Total	\$ 1,029,408	(\$ 119,560)	\$ 909,848

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

	2020/3/31		
	Cost	Valuation allowance	Carrying amount
Raw material	\$ 487,507	(\$ 54,996)	\$ 432,511
Work in progress	353,064	(72,131)	280,933
Finished good	187,271	(21,155)	166,116
Merchandise Inventories	19,581	(2,829)	16,752
Inventories in transit	8,786	-	8,786
Total	\$ 1,056,209	(\$ 151,111)	\$ 905,098

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

	For the three-month periods ended March 31,	
	2021	2020
Cost of Inventories sold	\$ 881,049	\$ 953,995
Inventories obsolescence and devaluation loss (reversal gain)	9,730 (	10,693)
Losses on disposal of inventories	591	148
Others	(17)	8
	<u>\$ 891,353</u>	<u>\$ 943,458</u>

For the three-month periods ended March 31, 2021, AAEON had recognized reversal gains from sale of Inventories previously devalued.

(VI) Investments accounted for under equity method

	2021	2020
At January 1	\$ 3,969,157	\$ 3,987,493
Increase in investments accounted for under equity method	1,289	5,470
Share of investment income accounted for under equity method	7,758	4,187
Distribution of investment income accounted for under equity method	(95,259)	(105,844)
Changes in capital surplus and retained earnings	40	189
Changes in other equity	7,016	(26,304)
At March 31	<u>\$ 3,890,001</u>	<u>\$ 3,865,191</u>

Investee	2021/3/31		2020/12/31	
	Ownership (%)	Book value	Ownership (%)	Book value
LITEMAX ELECTRONICS INC.	12.00	\$ 103,750	12.00	\$ 101,813
IBASE TECHNOLOGY INC.	30.79	3,238,734	30.79	3,330,242
WINMATE INC.	13.61	547,517	13.60	537,102
		<u>\$ 3,890,001</u>		<u>\$ 3,969,157</u>

Investee	2020/3/31	
	Ownership (%)	Book value
LITEMAX ELECTRONICS INC.	12.03	\$ 116,174
IBASE TECHNOLOGY INC.	30.79	3,233,081
WINMATE INC.INC.	13.11	515,936
		<u>\$ 3,865,191</u>

1. On June 11, 2018, the Company signed a share exchange agreement with IBASE TECHNOLOGY INC. and increased its capital by issuing 41,698 thousand new shares for the exchange 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 AAEON a 30% equity interest and significant influence in Ibase; for this reason, Ibase has been accounted using the equity method since then. According to the share exchange agreement, the two parties agree to notify the other party of the transaction terms and conditions in writing, providing the preferential right of subscription for the following changes in shareholdings:
 - (1) Either party wishes to reduce shares of the other party which are acquired based on the share exchange agreement.
 - (2) Either party wishes to increase its shareholding in the other party within three years after the contract is signed.
2. Summarized aggregated financial information of the Group's share in these associates is as follows:

Balance sheet

	IBASE TECHNOLOGY INC.		
	2021/3/31	2020/12/31	2020/3/31
Current asset	\$ 4,412,491	\$ 4,432,800	\$ 3,150,877
Non-current assets	6,127,343	5,552,039	5,368,322
Current liability	(1,947,171)	(1,129,958)	(1,388,624)
Non-current liabilities	(2,850,069)	(2,972,518)	(2,276,971)
Net assets fair value of trade marks, other intangible and tangible assets adjustment	2,545,989	2,589,452	2,833,732
Adjusted net assets	<u>\$ 8,288,583</u>	<u>\$ 8,471,815</u>	<u>\$ 7,687,336</u>
Share of net assets of the affiliate	\$ 2,260,316	\$ 2,351,824	\$ 2,254,663
Goodwill	978,418	978,418	978,418
Book value of affiliates	<u>\$ 3,238,734</u>	<u>\$ 3,330,242</u>	<u>\$ 3,233,081</u>

Statement of comprehensive income

	IBASE TECHNOLOGY INC.	
	For the three-month periods ended March 31,	
	2021	2020
Income	\$ 1,046,291	\$ 1,039,700
Net income of continuing operations	157	\$ 15,911
Other comprehensive income (net amount after tax)	24,575	(79,204)
Total comprehensive income	24,732	(63,293)
Fair value adjustment	(38,134)	(38,134)
Adjusted total comprehensive income	<u>(\$ 13,402)</u>	<u>(\$ 101,427)</u>

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Net income of continuing operations	\$ 11,725	\$ 11,305
Other comprehensive income (net amount after tax)	(738)	(2,008)
Total comprehensive income	<u>\$ 10,987</u>	<u>\$ 9,297</u>

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

	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
LITEMAX ELECTRONICS INC.	\$ 183,802	\$ 191,073	\$ 203,110
IBASE TECHNOLOGY INC.	2,013,677	2,048,076	1,791,405
WINMATE INC.	778,191	739,360	477,137
	<u>\$ 2,975,670</u>	<u>\$ 2,978,509</u>	<u>\$ 2,471,652</u>

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 30.79% 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 12.00% of the voting power of LITEMAX ELECTRONICS INC., as the single largest shareholder. Considering that the remaining 88% of LITEMAX's equity is concentrated in investors from other parties, the number of votes for the minority voting rights holders to act together has surpassed that of the Group, Therefore, the Group has no control over the company and only has significant influence on LITEMAX.

(VII) Property, Plant and Equipment

2021

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1						
Cost	\$ 284,334	\$ 320,442	\$ 79,157	\$ 174,157	\$ 5,083	\$ 863,173
Accumulated depreciation and impairment	-	(117,284)	(48,051)	(133,307)	-	(298,642)
	<u>\$ 284,334</u>	<u>\$ 203,158</u>	<u>\$ 31,106</u>	<u>\$ 40,850</u>	<u>\$ 5,083</u>	<u>\$ 564,531</u>
January 1	\$ 284,334	\$ 203,158	\$ 31,106	\$ 40,850	\$ 5,083	\$ 564,531
Additions	-	-	530	14,700	586	15,816
Disposal	-	-	-	(141)	-	(141)
Reclassification	-	-	143	3,838	(3,017)	964
Depreciation expense	-	(2,139)	(2,605)	(4,847)	-	(9,591)
Net exchange differences	138	(101)	(10)	(338)	-	(311)
March 31	<u>\$ 284,472</u>	<u>\$ 200,918</u>	<u>\$ 29,164</u>	<u>\$ 54,062</u>	<u>\$ 2,652</u>	<u>\$ 571,268</u>
March 31						
Cost	\$ 284,472	\$ 320,241	\$ 80,206	\$ 189,932	\$ 2,652	\$ 877,503
Accumulated depreciation and impairment	-	(119,323)	(50,597)	(136,315)	-	(306,235)
	<u>\$ 284,472</u>	<u>\$ 200,918</u>	<u>\$ 29,609</u>	<u>\$ 53,617</u>	<u>\$ 2,652</u>	<u>\$ 571,268</u>

2020

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1						
Cost	\$ 288,107	\$ 329,469	\$ 117,843	\$ 185,198	\$ 7,501	\$ 928,118
Accumulated depreciation and impairment	-	(113,508)	(80,189)	(138,539)	-	(332,236)
	<u>\$ 288,107</u>	<u>\$ 215,961</u>	<u>\$ 37,654</u>	<u>\$ 46,659</u>	<u>\$ 7,501</u>	<u>\$ 595,882</u>
January 1	\$ 288,107	\$ 215,961	\$ 37,654	\$ 46,659	\$ 7,501	\$ 595,882
Additions	-	-	1,069	1,445	2,607	5,121
Disposal	-	-	-	(151)	-	(151)
Reclassification	-	-	2,773	6,487	(9,203)	57
Depreciation expense	-	(2,242)	(2,618)	(6,803)	-	(11,663)
Net exchange differences	616	342	(15)	(108)	-	835
March 31	<u>\$ 288,723</u>	<u>\$ 214,061</u>	<u>\$ 38,863</u>	<u>\$ 47,529</u>	<u>\$ 905</u>	<u>\$ 590,081</u>
March 31						
Cost	\$ 288,723	\$ 328,473	\$ 97,485	\$ 188,559	\$ 905	\$ 904,145
Accumulated depreciation and impairment	-	(114,412)	(58,622)	(141,030)	-	(314,064)
	<u>\$ 288,723</u>	<u>\$ 214,061</u>	<u>\$ 38,863</u>	<u>\$ 47,529</u>	<u>\$ 905</u>	<u>\$ 590,081</u>

1. The above property, plant and equipment are assets for self-use requirement.
2. Please refer to Note 8 for the property, plant and equipment as collaterals for loans.
3. The Group signed a real estate purchase contract in Xindian District on March 26, 2021. The contract price was \$280,077 (tax included). As of March 31, 2021, the paid price was \$28,008 (tax included). The land and related buildings were still in the transfer process, the relevant prepaid contract amount has recognized as other non-current assets, and the relevant capital expenditures that have been contracted but not yet incurred are \$252,069 (tax included).

(VIII) Lease transactions - lessee

1. The underlying assets in the Group's lease include houses, transportation equipment and other equipment. The contract term period typically ranges from 1 to 5 years. The lease contract is negotiated individually and contains various terms and conditions, with no other restrictions imposed.
2. The lease term of part of the Group's houses and transportation equipment is no more than 12 months, with leases of office equipment which are low-value assets.
3. The carrying amount of right-of-use assets and the amount of depreciation expense recognized are as follows:

	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
	Carrying amount	Carrying amount	Carrying amount
Building	\$ 92,869	\$ 20,285	\$ 38,916
Transportation equipment	12,065	10,878	13,805
Other equipment	2,422	1,976	636
	<u>\$ 107,356</u>	<u>\$ 33,139</u>	<u>\$ 53,357</u>

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
	Depreciation expense	Depreciation expense
Building	\$ 8,498	\$ 9,597
Transportation equipment	1,741	1,756
Other equipment	120	38
	<u>\$ 10,359</u>	<u>\$ 11,391</u>

4. For the three months ended March 31, 2021 and 2020, the additions to right-of use assets were \$85,997 and \$5,982, respectively.

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

	For the three-month periods ended March 31,	
	2021	2020
Items affecting profit or loss		
Interest expenses on lease liabilities	\$ 474	\$ 421
Expenses on short-term lease contracts	4,404	4,298
Expenses on leases of low-value assets	11	6
Lease modification loss	6	-

6. For the three-month periods ended March 31, 2021 and 2020, the Group's total cash outflow for leases were \$15,487 and \$16,050, respectively.

(IX) Short-term borrowings

Nature of the borrowing	2021/3/31	Interest rate range	Collateral
Borrowings from banks			
Guaranteed borrowings	\$ 20,973	3.80%~5.00%	Property, Plant and Equipment

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

Nature of the borrowing	2020/3/31	Interest rate range	Collateral
Borrowings from banks			
Guaranteed borrowings	\$ 43,826	5.00%~5.15%	Property, Plant and Equipment

1. For the three months ended March 31, 2021 and 2020, interest expenses recognized through profit or loss were \$411 and \$399, respectively.

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

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

Item	2021/3/31	2020/12/31	2020/3/31
Current:			
Financial asset or liability held for trading			
Derivatives – foreign currency forward contract	\$ 116	\$ -	-
Derivatives – cross currency swap	-	-	88
Total	\$ 116	\$ -	\$ 88

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

	For the three-month periods ended March 31,	
	2021	2020
Financial asset or liability held for trading		
Derivatives	(\$ 116)	(\$ 804)

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

Derivative financial liabilities	2021/3/31	
	Contract amount (nominal amounts)	Contract period
Current:		
Foreign currency forward contract		
- Buy NTD and sell USD	USD 200,000	2021.03.08~2021.04.07
- Buy NTD and sell USD	USD 200,000	2021.03.19~2021.04.16

Derivative financial liabilities	2020/3/31	
	Contract amount (nominal amounts)	Contract period
Current:		
Currency and interest rate swaps		
- Buy NTD and sell USD	USD 500,000	2020.3.9~2020.4.13

Currency and interest rate swaps

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

(XI) Other payables

	2021/3/31	2020/12/31	2020/3/31
Accrued payroll, employee's compensation and bonuses	\$ 205,485	\$ 224,993	\$ 193,002
Accrued technical service fee	39,524	40,135	37,107
Accrued assembly costs	1,600	370	418
Accrued commission fee	32,378	38,034	33,553
Others	92,406	81,703	106,122
	\$ 371,393	\$ 385,235	\$ 370,202

(XII) 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 AA EON in accordance with the above retirement policy for were \$8,964 and \$8,091 for the three months periods ended March 31, 2021 and 2020 respectively.

(XIII) Share-based Payment

1. The Company

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

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 arrangements are for equity-settled share-based payments.

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

	For the three-months periods ended March 31, 2021	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	2,912	\$ 68.8
Options exercisable at the end of period	-	-
	For the three-months periods ended March 31, 2020	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	3,000	72.3
Options exercisable at the end of period	-	-

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

Arrangement type	Authorized issue date	Maturity date	2021/3/31	
			Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2019.11.26	2024.11.25	2,912	\$ 68.8

Arrangement type	Authorized issue date	Maturity date	2020/12/31	
			Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2019.11.26	2024.11.25	3,000	\$ 68.8

Arrangement type	Authorized issue date	Maturity date	2019/3/31	
			Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2019.11.26	2024.11.25	3,000	\$ 72.3

(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 three-month periods ended March 31,	
	2021	2020
Equity settlement	\$ 3,384	\$ 3,463

2. Subsidiary- ONYX HEALTHCARE INC. (ONYX)

(1) ONYX had the following share-based payment agreement active for the three-month period ended March 31, 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

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

Details for the three-month period ended March, 2020: None.

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

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

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

Arrangement type	Authorized issue date	Maturity date	2021/12/31	
			No. of units (shares in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.08.06	2025.08.06	1,000	\$ 139.5

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

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

Arrangement type	Grant date	Quantity granted (thousand)	Stock price	Exercise price	Expected price Volatility	Expected option life years	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	0.29%	\$ 35.39

(5) Expenses of share-based payment transaction:

	For the three-months periods ended March 31, 2021	For the three-months periods ended March 31, 2020
Equity settlement	\$ 2,904	\$ -

(XIV) Share capital

- As of March 31, 2021 the Company's authorized capital was \$2,000,000 (including 5,000 thousand shares reserved for issuing employee stock options), with paid-in capital of \$1,484,985, divided into 148,498 thousand shares, each at par value of NT\$10 per share. Proceeds have been fully collected for the issued shares. The Company had 148,498 thousand common shares outstanding for the three months periods ended March 31, 2021 and 2020.

2. On April 30, 2019, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was then amended on November 12, 2019 by resolution of the board of directors. A total of 3,000 ESOs were issued, and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.
3. As of March 31, 2021 AAEON's affiliate - IBASE owned 41,698 thousand of AAEON's shares.

(XV) Capital surplus

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

	2021						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	\$ 4,902,942	\$ 213,200	\$ 215,992	\$ 119,513	\$ 19,974	\$ 2,181	\$ 5,473,802
Changes in ownership interests in subsidiaries	-	-	1,835	-	(1,835)	-	-
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	38	-	-	38
Change in associates and joint ventures accounted for under equity method	-	-	-	2	-	-	2
Share-based Payment	-	-	1,452	-	3,873	-	5,325
March 31	\$ 4,902,942	\$ 213,200	\$ 219,279	\$ 119,553	\$ 22,012	\$ 2,181	\$ 5,479,167

	2020						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Recognition of changes in ownership interest in subsidiary	Affiliate company net equity changes	Employee Share option	Others	Total
January 1	\$ 4,902,942	\$ 213,200	\$ 213,637	\$ 13,409	\$ 3,381	\$ 2,181	\$ 5,348,750
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	(1,473)	-	-	(1,473)
Change in associates and joint ventures accounted for under equity method	-	-	-	1,662	-	-	1,662
Share-based Payment	-	-	-	-	3,973	-	3,973
March 31	\$ 4,902,942	\$ 213,200	\$ 213,637	\$ 13,598	\$ 7,354	\$ 2,181	\$ 5,352,912

(XVI) Retained earnings

- Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings at the beginning of the period shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.
- In the future, the Company may have the surplus profit distributable as dividends in part or in whole considering the financial, business and operational factors. The ratio of share dividend shall exceed 5% of distributable earnings. Surplus distribution can be in the form of cash or stock dividends. For the measurement of future capital requirements and capital structure, cash dividend shall not be less than 10% of the total 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 2019 and 2018 earnings distribution proposals were raised by the board of directors and resolved during shareholder meeting on February 26, 2020 and May 31, 2019,

respectively; details are as follows:

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

Cash dividends distributed to common shareholders from the capital surplus would be \$74,249 (\$0.5 per share) which approved by the resolutions of the board of directors of the Company on February 26, 2021.

The result of appropriations of 2020 which has not yet been approved by the resolutions of the shareholders' meeting.

(XVII) Operating income

	For the three-month periods ended March 31,	
	2021	2020
Revenue from Contracts with Customers	\$ 1,266,555	\$ 1,398,201

1. Disaggregation of revenue from contracts with customers

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

For the three-month periods ended March 31, 2021	IPC	Medical PC	Total
	Revenue from Contracts with Customers	\$ 994,372	\$ 272,183	$ 1,266,555
Time of income recognition			
Income recognized at a point in time	993,555	264,844	1,258,399
Revenue recognized over time	817	7,339	8,156
Total	<u>\$ 994,372</u>	<u>\$ 272,183</u>	<u>\$ 1,266,555</u>
For the three-month periods ended March 31, 2020	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 1,158,069	\$ 240,132	\$ 1,398,201
Time of income recognition			
Income recognized at a point in time	1,156,885	235,725	1,392,610
Revenue recognized over time	1,184	4,407	5,591
Total	<u>\$ 1,158,069</u>	<u>\$ 240,132</u>	<u>\$ 1,398,201</u>

2. Contract liability

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

	2021/3/31	2020/12/31	2020/3/31	2020/1/1
Contract Liability - Current:				
Advances from customers	\$ 179,694	\$ 158,221	\$ 117,623	\$ 86,760
Warranty contract	15,972	16,750	19,782	22,729
Contract Liability - Non-current:				
Advances from customers	31,976	31,995	34,441	34,454
Warranty contract	25,193	27,849	33,592	34,546
Total	<u>\$ 252,835</u>	<u>\$ 234,815</u>	<u>\$ 205,438</u>	<u>\$ 178,489</u>

(2) Recognized income of contract liabilities at January 1

	For the three-month periods ended March 31,	
	2021	2020
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	\$ 45,660	\$ 26,517
Warranty contract	4,659	5,119
Total	<u>\$ 50,319</u>	<u>\$ 31,636</u>

(XVIII) Other income

	For the three-month periods ended March 31,	
	2021	2020
Rental income	\$ 3,069	\$ 2,891

(XIX) Other gains and losses

	For the three-month periods ended March 31,	
	2021	2020
Losses on disposal of property, plant and equipment	(\$ 79)	(\$ 8)
Gain on foreign currency exchange	(8,801)	7,097
Net income from financial assets and liabilities at fair value through profit or loss (Note)	(4,843)	(141,261)
Depreciation, investment property, buildings.	(1,323)	(1,302)
Lease modification loss	(6)	-
Other income	3,525	3,783
	<u>(\$ 11,527)</u>	<u>(\$ 131,691)</u>

Note: AAEON recognized gains (or losses) on financial asset valuation (including realized and unrealized) totaling \$11,989 and \$122,753 for the periods January 1 to March 31, 2021 and 2020, respectively, for possession and sale of shares of Machvision Inc. Fair value (closing price) of the abovementioned shares is explained below: (unit: NTD)

	For the three-month periods ended March 31,	
	2021	2020
Opening	\$ 294.50	\$ 360.50
Closing	\$ 284.50	\$ 253.50

(XX) Financial costs

	For the three-month periods ended March 31,	
	2021	2020
Interest expenses	\$ 411	\$ 399
Leased liabilities interest expenses	474	421
	\$ 885	\$ 820

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

	For the three-month periods ended March 31,					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Expenses from employee benefits	\$ 60,690	\$ 220,615	\$ 281,305	\$ 57,532	\$ 221,233	\$ 278,765
Depreciation expense	11,297	8,653	19,950	13,529	9,525	23,054
Amortization expenses	574	3,632	4,206	648	2,535	3,183

(XXII) Expenses from employee benefits

	For the three-month periods ended March 31,	
	2021	2020
Salaries expenses	\$ 248,647	\$ 246,523
Labor and national health insurance expenses	21,188	20,955
Pension expenses	8,964	8,091
Other employment expenses	2,506	3,196
	\$ 281,305	\$ 278,765

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

2. For the three months periods ended March 31, 2021 and 2020, based on the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at \$2,527 and \$4,248, respectively, while the remuneration of directors were estimated at \$349 and \$854, respectively, which are recognized as salary expenses.

Amounts for the period January 1 to March 31, 2021, were estimated based on profitability at the time and the percentages stipulated in Articles of Incorporation.

Amounts of 2020 employee and director remuneration resolved by the board of directors were consistent with the amounts recognized in the 2020 financial report, which were \$44,767 and \$4,050, respectively. Employee remuneration is intended to be paid in cash, but no actual payment has been made.

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

(XXIII) Income tax

1. Income tax expense

- (1) Components of income tax expense:

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax from current income	\$ 7,943	\$ 26,051
Deferred tax		
Origination and reversal of temporary differences	(400)	4,564
Income tax expense	<u>\$ 7,543</u>	<u>\$ 30,615</u>
(2) Income tax relative to other comprehensive income:		
Differences in translation of foreign operations	<u>(\$ 864)</u>	<u>(\$ 556)</u>

2. Profit-seeking enterprise business income tax returns of the Company and domestic subsidiaries have been certified by the tax authority as follows:

	<u>Certification</u>
(1) AAEONI, ONYX, IHELPER INC.	2019
(2) The Company	2018

(XXIV) Earnings per share

	For the three-month periods ended March 31, 2021		
	After-tax amount	Weighted average Outstanding shares (in thousand)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Current net income attributable to common shareholders of parent company	\$ 36,053	106,800	\$ 0.34
<u>Diluted earnings per share</u>			
Dilutive effect of potential common shares		463	
Current net income attributable to common shareholders of parent company plus effect of potential common shares	\$ 36,053	107,263	\$ 0.34

	For the three-month periods ended March 31, 2020		
	After-tax amount	Weighted average outstanding shares (in thousand)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Current net income attributable to common shareholders of parent company	(\$ 34,847)	106,800	(\$ 0.33)

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

(XXV) Supplemental cash flow information

1. Partial cash payments for investing activities:

	For the three-month periods ended March 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 15,816	\$ 5,121
Add : Opening balance of payable on equipment	1,296	2,108
Less: Ending balance of payable on equipment	(10,258)	(76)
Cash paid during the period	\$ 6,854	\$ 7,153

2. Non-cash flow from financing activities:

	For the three-month periods ended March 31,	
	2021	2020
Declared cash dividends not yet paid from Investments accounted for under equity method	\$ 95,259	\$ 105,844

(XIX) Changes in liabilities arising from financing activities

	2021		
	Short-term borrowings	Lease liability	Total
January 1	\$ 38,875	\$ 34,069	\$ 72,944
Changes in cash flow from financing	(17,977)	(10,598)	(28,575)
Effect on changes in exchange rate	75	(630)	(555)
Changes in others without cash flow	-	85,493	85,493
Cash paid during the period	\$ 20,973	\$ 108,334	\$ 129,307

	2020		
	Short-term borrowings	Lease liability	Total
January 1	\$ 44,370	\$ 60,242	\$ 104,612
Changes in cash flow from financing	(903)	(11,325)	(12,228)
Effect on changes in exchange rate	359	(365)	(6)
Changes in others without cash flow	-	5,982	5,982
Cash paid during the period	\$ 43,826	\$ 54,534	\$ 98,360

VII. Related party transaction

(I) Parent and ultimate controlling party

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

(II) Related parties

Name of related party	Relation
ASUSTEK COMPUTER INC.	Ultimate parent company
IBASE TECHNOLOGY INC.	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
WT MICROELECTRONICS	Other related party - Investee accounted for under the equity

Name of related party	Relation
CO.	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)
GUANG YAN JHIH NENG INC.	Other related party - the Company's Chairman is first degree relative of GUANG YAN JHIH NENG INC.'s Chairman
LIENYANG ELECTRONICS CORP.	Other related party - the Company's Chairman is first degree relative of LIENYANG ELECTRONICS CORP.'s Chairman
ASUS TECHNOLOGY INC.	Fellow subsidiary — same as ultimate parent entity
ASUS COMPUTER INTERNATIONAL	Fellow subsidiary — same as ultimate parent entity

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

(III) Significant transactions with related parties

1. Operating income

	<u>For the three-month periods ended March 31,</u>	
	2021	2020
Ultimate parent entity	\$ 180	\$ 252
Affiliate company	110	234
Other related party	1,198	4,181
Total	<u>\$ 1,488</u>	<u>\$ 4,667</u>

The Group's sales price to each of the aforementioned related parties is set based on the economic environment and market competition of each sales region. The Group has granted credit periods of 60 days EOM or 30 days EOD to its related parties, with no significant difference compared to general customers.

2. Purchases

	<u>For the three-month periods ended March 31,</u>	
	2021	2020
Goods purchased		
Ultimate parent entity— ASUSTEK COMPUTER INC.	\$ 194,027	\$ 228,840
Affiliate company	1,125	14,557
Fellow subsidiary	-	58
Other related party	20,282	141
Total	<u>\$ 215,434</u>	<u>\$ 243,596</u>

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

3. Operating expenses

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Ultimate parent entity	\$ 17,158	\$ 15,547
Affiliate company	457	987
Other related party	72	1,238
	<u>\$ 17,687</u>	<u>\$ 17,772</u>

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

4. Other accounts receivable

	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
Other accounts receivable			
Affiliate company			
-IBASE	\$ 95,259	\$ -	\$ 105,844

5. Payables from related parties

	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
Accounts Payable			
Ultimate parent entity			
— ASUSTEK	\$ 85,274	\$ 55,938	\$ 79,979
COMPUTER INC.			
Affiliate company	831	121	9,606
Other related party	13,861	8,217	-
Total	<u>\$ 99,966</u>	<u>\$ 64,276</u>	<u>\$ 89,585</u>

6. Other payables

	<u>2021/3/31</u>	<u>2020/12/31</u>	<u>2020/3/31</u>
Other Payables			
Ultimate parent entity	\$ 39,524	\$ 40,135	\$ 37,107
Affiliate company	3	-	2,349
Other related party	107	210	1,000
Total	<u>\$ 39,634</u>	<u>\$ 40,345</u>	<u>\$ 40,456</u>

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

(IV) Key management remuneration

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Wages and other short-term employee benefits	\$ 19,571	\$ 20,921
Post-employment benefits	386	379
Total	<u>\$ 19,957</u>	<u>\$ 21,300</u>

VIII. Assets pledged as collaterals

The Company's pledged assets are summarized below:

Asset	Book value			Guarantee purpose
	2021/3/31	2020/12/31	2020/3/31	
Property, Plant and Equipment	\$ 199,252	\$ 200,011	\$ 209,871	Loans and the line of credit
Restricted time deposit (including other current assets)	856	854	907	Collateral provided for foreign exchange forward contract
	<u>\$ 200,108</u>	<u>\$ 200,865</u>	<u>\$ 210,778</u>	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

1. As of March 31, 2021, AAEON has issued a promissory note of \$ 450,000 required for the application a comprehensive credit line and transactions of derivatives.
2. Please refer to Note 6 (7) 3.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

None.

XII. Others

(1) Capital management

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

(2) Financial instrument

1. Type of financial instrument

	2021/3/31	2020/12/31	2020/3/31
<u>Financial asset</u>			
At fair value through profit or loss - Financial asset			
Mandatory at fair value throughout profit or loss – financial asset	\$ 520,869	\$ 525,596	\$ 427,831
At fair value through other comprehensive income - financial asset			
Designated equity instrument investments	2,381	2,381	2,381
Financial assets measured at amortized cost / loans and receivables			
Cash and cash equivalents	2,864,665	2,727,931	2,622,395
Notes receivable	11,116	16,870	11,230
Accounts receivable	576,609	661,456	822,017
Other Receivables	110,703	21,773	124,498
Restricted time deposit (including other current assets)	856	854	907
Guarantee deposits (including other non-current assets)	10,703	11,091	10,989
	<u>\$ 4,097,902</u>	<u>\$ 3,967,952</u>	<u>\$ 4,022,248</u>
<u>Financial liability</u>			
At fair value through profit or loss - Financial liability			
Financial asset or liability held for trading	\$ 116	\$ -	\$ 88
Financial liabilities measured at amortized cost			
Short-term borrowings	20,973	38,875	43,826
Notes Payable	483	725	-
Accounts Payable	478,592	327,414	469,981
Other Payables	371,393	385,235	370,202
	<u>\$ 871,557</u>	<u>\$ 752,249</u>	<u>\$ 884,097</u>
Lease liabilities (including current and non-current)	<u>\$ 108,334</u>	<u>\$ 34,069</u>	<u>\$ 54,534</u>

2. Risk management policy

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

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

(1) Interest rate risk:

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

(2) Exchange rate risk:

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

(3) Credit risk:

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

3. The nature and level of material financial risks

(1) Market risk

Exchange rate risk

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

		2021/3/31		
		Foreign currency (in thousands)	Exchange rate	Carrying amount(NTD)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	29,181	28.54	\$ 832,826
EUR:NTD		601	33.48	20,121
USD:SGD		282	1.35	8,048
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	11,942	28.54	\$ 340,825
EUR:NTD		197	33.48	6,596
USD:CNY		2,150	6.57	61,361
USD:SGD		244	1.35	6,964

		2020/12/31		
		Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	34,456	28.48	\$ 981,307
EUR:NTD		853	35.02	29,872
USD:CNY		98	6.51	2,791
USD:SGD		268	1.32	7,633
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	7,750	28.48	\$ 220,720
EUR:NTD		205	35.02	7,179
USD:CNY		1,579	6.51	44,970
USD:SGD		590	1.32	16,803

		2020/3/31		
		Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	30,499	30.23	\$ 921,985
EUR:NTD		625	33.24	20,775
USD:CNY		166	7.10	5,018
USD:SGD		206	1.42	6,227
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	9,993	30.23	\$ 302,088
EUR:NTD		343	33.24	11,401
USD:CNY		2,537	7.10	76,694
USD:SGD		152	1.42	4,595

- E. The overall realized and unrealized foreign exchange gains and losses of AAEPN's monetary items that may be significantly affected by exchange rate fluctuations for the three months periods ended March 31, 2021 and 2020, were (\$8,801) and \$7,097, respectively.
- F. The Group's foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

		<u>For the three-month periods ended March 31, 2021</u>		
		Sensitivity analysis		
		Extent of change	Effect on income	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	8,328	\$ -
EUR:NTD	1%		201	-
USD:SGD	1%		80	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	3,408	\$ -
EUR:NTD	1%		66	-
USD:CNY	1%		614	-
USD:SGD	1%		70	-

For the three-month periods ended March 31, 2020			
Sensitivity analysis			
	Extent of change		Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 9,220	\$ -
EUR:NTD	1%	208	-
USD:CNY	1%	50	-
USD:SGD	1%	62	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 3,020	\$ -
EUR:NTD	1%	114	-
USD:CNY	1%	767	-
USD:SGD	1%	46	-

Price risk

- A. The Group is exposed to equity instrument price risk because of investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage the price risk arising from investments in equity instruments, the Group has diversified its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group mainly invests in equity instruments and open-end funds issued by domestic companies, of which the price of equity instruments will be affected by uncertainty of future value of the investment target. Assuming all other factors remain unchanged, if prices of equity instruments rise or fall by 1%, net income for the three months periods ended March 31, 2021 and 2020, would rise or fall by \$4,769 and \$4,168, respectively, for equity instruments measured at fair value through profit or loss, whereas other comprehensive income for the three months periods ended March 31, 2021 and 2020, would rise or fall by \$24, respectively, for financial assets measured at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises mainly from long-term and short-term borrowings at floating rates, which exposes the Group to cash flow interest rate risk, but part of the risk can be offset by cash and cash equivalents held at floating rates. For the three months periods ended March 31, 2021 and 2020, AAEON's floating rate borrowings were mainly denominated in USD.
- B. Assuming all other factors remain unchanged, if the USD borrowing rate rises or falls by 0.25%, net income for the three months period ended March 31, 2021 and 2020, will decrease or increase by \$52 and \$110, respectively mainly due to changes in interest expenses that arise from floating rate borrowings.

(2) Credit risk

- A. The Group's credit risk refers to the risk that the counterparty to a financial

instrument will cause a financial loss for the Group by failing to discharge its obligation under the contract, which is mainly due to the inability of counterparties to meet the terms of their contracts for collecting the cash flows of the receivables.

- B. The Group establishes credit risk policies based on its own risk management perspective. In accordance with internal credit policies, credit risks are required to be managed and analyzed before each of the Group's operating entity set up the terms and conditions for payment and delivery for each new customer. The internal risk control system evaluates the customers' credit quality based on their financial conditions, past experience and other factors. Individual risk exposure limits are set by the board of directors based on internal or external risk ratings, and credit lines are monitored on a regular basis.
- C. The Group adopts IFRS 9 to provide a presumption that default has occurred when contractual payments are more than 90 days past due.
- D. The Group adopts IFRS 9 to provide the following presumption as basis for judging whether the credit risk on a financial instrument has increased significantly since the initial recognition:
It is deemed that credit risk after the original recognition of financial assets has increased significantly when contractual payments are more than 30 days past due.
- E. The customers' accounts receivable are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- F. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of March 31, 2021, December 31, 2020 and March 31, 2020, AAEON had no recourse on claims that had been written off.
- G. (1) Expected loss rate for customers of the outstanding credit group is estimated at 0.2%. Total accounts receivable and loss provisions for this group of customers were reported at: \$299,314 and \$203 as of March 31, 2021, \$338,509 and \$293 as of December 31, 2020, and \$465,069 and \$242 as of March 31, 2020, respectively.
- (2) AAEON 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 March 31, 2021, December 31, 2020 and March 31, 2020 is as follows:

	Not yet due	Past due within 30 days	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	Total
<u>2021/3/31</u>							
Expected loss rate	0%~1.74%	0.01%~5.74%	0.15%~23.13%	0.49%~46.95%	2.92%~63.89%	100%	
Total book value	\$ 239,378	\$ 36,647	\$ 9,887	\$ 3,005	\$ -	\$ 15,548	\$ 304,465
Loss allowance	\$ 91	\$ 4	\$ 164	\$ 347	\$ -	\$ 15,548	\$ 16,154
<u>2020/12/31</u>							
Expected loss rate	0%~1.74%	0.01%~5.74%	0.15%~23.13%	0.49%~46.95%	2.92%~63.89%	100%	
Total book value	\$ 282,163	\$ 46,104	\$ 9,415	\$ 689	\$ 1,071	\$ 15,210	\$ 354,652
Loss allowance	\$ 35	\$ 154	\$ 408	\$ 69	\$ 261	\$ 15,210	\$ 16,137

	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
2020/3/31							
Expected loss rate	0%~1.50%	0%~5.21%	0.09%~19.39%	0.49%~41.97%	1.42%~65.35%	100%	
Total book value	\$ 255,103	\$ 85,115	\$ 21,223	\$ 3,198	\$ 171	\$ 23,971	\$ 388,781
Loss allowance	\$ 78	\$ 78	\$ 156	\$ 320	\$ 122	\$ 23,971	\$ 24,725

(3) The total book values of the accounts receivable-related parties as of March 31, 2021, December 31, 2020 and March 31, 2020 were \$303, \$1,595 and \$4,364, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of \$0.

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

	Notes and accounts receivable (including related parties)	
	2021	2020
January 1	\$ 16,430	\$ 24,144
Write off of impairment loss	29	1,071
Forex effect	(102)	(248)
March 31	\$ 16,357	\$ 24,967

From the loss recognized for the three months periods ended March 31, 2021 and 2020, the impairment losses for accounts receivable arising from customer contracts were \$29 and \$1,071, 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. AAeon had available borrowing limits of \$568,996, \$569,256 and \$564,613 as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.
- C. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, whereas derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Non-derivative financial liabilities:

2021/3/31	Within 1 year	1-2 years	2-5 years
Short-term borrowings	\$ 20,973	\$ -	\$ -
Notes payable	483	-	-
Accounts payable	478,592	-	-
Other payables	371,393	-	-
Lease liabilities	36,333	28,316	52,863
Provisions	27,589	7,229	-

<u>Derivative financial liabilities:</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
2021/3/31			
Forward exchange contracts	\$ 116	\$ -	\$ -

<u>Non-derivative financial liabilities:</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
2020/12/31			
Short-term borrowings	\$ 38,875	\$ -	\$ -
Notes payable	725	-	-
Accounts payable	327,414	-	-
Other payables	385,235	-	-
Lease liabilities	21,417	9,650	4,258
Provisions	27,366	7,369	-

<u>Non-derivative financial liabilities:</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
2020/3/31			
Short-term borrowings	\$ 43,826	\$ -	\$ -
Accounts payable	469,981	-	-
Other payables	370,202	-	-
Lease liabilities	38,909	11,825	5,317
Provisions	26,721	7,154	-

<u>Derivative financial liabilities:</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
2020/3/31			
Cross currency swap	\$ 88	\$ -	\$ -

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

(3) Information on fair value

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

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

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

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

2. Financial instruments not measured at fair value

The carrying amounts of the Group's cash and cash equivalents, notes receivable, accounts receivable, other receivables, limited time deposit (classified in the balance sheet as other current asset), guarantee deposits (classified in the balance sheet as other non-current asset), short-term borrowings, notes payable, accounts payable, other payables and lease liabilities are reasonable approximations of fair values.

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

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

2021/3/31	1st Level	2nd Level	3rd Level	Total
Asset				
<u>At fair value on a recurring basis</u>				
Net loss (gains) from financial assets and liabilities				
Equity securities	\$ 409,117	\$ 4,965	\$ 62,814	\$ 476,896
Beneficiary securities	33,717	-	-	33,717
Hybrid instrument	-	-	10,256	10,256
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
Total	\$ 442,834	\$ 4,965	\$ 75,451	\$ 523,250
<u>At fair value on a recurring basis</u>				
Financial liabilities at fair value through profit or loss				
Derivatives				
-Forward exchange contracts	\$ -	\$ 116	\$ -	\$ 116
2020/12/31	1st Level	2nd Level	3rd Level	Total
Asset				
<u>At fair value on a recurring basis</u>				
Net loss (gains) from financial assets and liabilities				
Equity securities	\$ 416,967	\$ 5,055	\$ 58,710	\$ 480,732
Beneficiary securities	33,846	-	-	33,846
Hybrid instrument	-	-	11,018	11,018
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
Total	\$ 450,813	\$ 5,055	\$ 72,109	\$ 527,977
2020/3/31	1st Level	2nd Level	3rd Level	Total
Asset				
<u>At fair value on a recurring basis</u>				
Net loss (gains) from financial assets and liabilities				
Equity securities	\$ 329,772	\$ 5,352	\$ 48,744	\$ 383,868

Beneficiary securities	32,889	-	-	32,889
Derivatives				
- Foreign currency forward contract	-	37	-	37
Hybrid instrument	-	-	11,037	11,037
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
Total	<u>\$ 362,661</u>	<u>\$ 5,389</u>	<u>\$ 62,162</u>	<u>\$ 430,212</u>

At fair value on a recurring basis

Financial liabilities at fair value through profit or loss

Derivatives

- Cross currency swap	<u>\$ -</u>	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 88</u>
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(2) The Group's approaches and assumptions for fair value measurement are as follows:

A. The Group adopts quoted prices as inputs used to measure fair value (1st level), which are classified as follows based on the characteristics of the financial instruments:

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

B. Except for the aforementioned financial instruments in an active market, the fair values of other financial instruments are obtained by using valuation techniques, or by reference to the quoted prices of counterparties.

C. The Group adopts valuation techniques widely used by market participants for evaluating non-standardized and less complex financial instruments. The parameters used in the valuation models of such financial instruments are usually market observable information.

D. The evaluation of derivatives is based on the valuation model generally accepted by market users, such as the discount method. Foreign currency forward contracts are usually evaluated based on the current forward exchange rates.

E. The output of the evaluation model is an estimated value, and the valuation technique may not reflect all the relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted based on additional parameters, such as the model risk or liquidity risk. According to the Group's management policies of fair value valuation model and related control procedures, its management believes that valuation adjustments are appropriate and necessary for the fair values of financial and non-financial instruments to be presented fairly in the consolidated balance sheet. The price information and parameters used in the evaluation process are carefully evaluated, with appropriate adjustments according to current market conditions.

4. Transfers have not occurred between 1st and 2nd level inputs for the three months periods ended March 31, 2021 and 2020.

5. The following table shows changes in 3rd level inputs for the three months periods ended March 31, 2021 and 2020:

	2020		2019
	Equity instrument		Equity instrument
January 1	\$ 72,109	\$	67,627
Gains (or losses) recognized through profit or loss (Note)	3,342	(	5,465)
March 31	\$ 75,451	\$	62,162

Changes in unrealized gains or losses on assets and liabilities owned at the end of the period that are	\$ 3,342	(\$ 5,465)
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Note: Classified in the balance sheet as other gains and losses.

- There had been no inward or outward transfer of level 3 input for the three months periods ended March 31, 2021 and 2020.
- The Group's validation process for 3rd level fair value measurement on financial instruments is independently performed by the Finance Department. The independent data sources are used to bring the evaluation results closer to the market, while ensuring the reasonableness of evaluation results with consistent resources and executable representative prices.
In addition, the Finance Department is responsible for formulated fair value valuation policies and evaluation procedures, and ensuring the Group's compliance with relevant IFRS regulations.
- The quantitative analysis of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs as valuation models for 3rd level fair value measurements are as follows:

	2021/3/31 Fair value	Valuation technique	Significant and unobservable input	Range (weighted average)	Relationship between input and fair value
<u>Equity instruments:</u>					
Shares of unlisted companies	\$ 43,454	Net asset value approach	N/A	N/A	The higher the value of net assets, the higher the fair value of the stocks Note 2
Shares of unlisted companies	21,741	Discounted Cash Flow Approach	Note 1	N/A	Note 2
<u>Hybrid instrument:</u>					
Shares of unlisted companies	52,065	Discounted Cash Flow Approach	Note 1	N/A	Note 2
Embedded option	(41,809)	Options pricing model	Price volatility	N/A	The higher the price volatility, the higher the fair value of the stocks

	2020/12/31 Fair value	Valuation technique	Significant and unobservable input	Range (weighted average)	Relationship between input and fair value
<u>Equity instruments:</u>					
Shares of unlisted companies	\$ 39,350	Net asset value approach	N/A	N/A	The higher the value of net assets, the higher the fair value of the stocks
Shares of unlisted companies	21,741	Discounted Cash Flow Approach	Note 1	N/A	Note 2
<u>Hybrid instrument:</u>					
Shares of unlisted companies	56,084	Discounted Cash Flow Approach	Note 1	N/A	Note 2
Embedded option (	45,066)	Options pricing model	Price volatility	N/A	The higher the price volatility, the higher the fair value of the stocks

	2020/3/31 Fair value	Valuation technique	Significant and unobservable input	Range (weighted average)	Relationship between input and fair value
<u>Equity instruments:</u>					
Shares of unlisted companies	\$ 29,384	Net asset value approach	N/A	N/A	The higher the value of net assets, the higher the fair value of the stocks
Shares of unlisted companies	21,741	Discounted Cash Flow Approach	Note 1	N/A	Note 2
<u>Hybrid instrument:</u>					
Shares of unlisted companies	42,112	Discounted Cash Flow Approach	Note 1	N/A	Note 2
Embedded option (	31,075)	Options pricing model	Price volatility	N/A	The higher the price volatility, the higher the fair value of the stocks

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

Note 2: The higher the discount for lack of marketability, the lower the fair value of the stocks; the higher the weighted average cost of capital discount for minority interest, the lower the fair value of the stocks; the higher the long-term sales growth and long-term net profit before tax, the higher the fair value of the stocks.

9. After careful assessment, the Group has selected valuation models and evaluation

parameters, but the application of the various valuation models or evaluation parameters may lead to different evaluation results.

XIII. Disclosures

(1) Information on significant transactions

- A. Financing provided: None.
- B. Endorsements and guarantees provided: None.
- C. Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to schedule 1.
- D. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None.
- E. Acquisition of real estate properties at costs of at least \$300 million or 20% of the paid-in capital: None.
- F. Disposal of real estate properties at prices of at least \$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Please refer to schedule 2.
- H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to schedule 3.
- I. Trading in derivative instruments undertaken during the reporting period: Please refer to Note 6 (2) and (10).
- J. Intercompany relationships and significant intercompany transactions: Please refer to Schedule 4.

(2) Information on investees

Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in mainland China): Please refer to Schedule 5.

(3) Information on investments in China

- A. Information on investment in mainland China: Please refer to Schedule 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Schedule 4.

(4) Information of major shareholders

Name and information of shareholders with more than 5% shareholding interest: Please refer to Schedule 7.

XIV. Segment information

(1) General information

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

bases, and measurement bases for segment information.

(2) Measurement of segment information

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

(3) Segment information

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

	For the three-month periods ended March 31,2021			
	IPC	Medical PC	Elimination	Total
Revenue from external customers	\$ 994,372	\$ 272,183	\$ -	\$ 1,266,555
Revenue from internal segments	52,659	1,094	(53,753)	-
Segment revenue	<u>\$ 1,047,031</u>	<u>\$ 273,277</u>	<u>(\$ 53,753)</u>	<u>\$ 1,266,555</u>
Segment profit or loss	<u>\$ 34,525</u>	<u>\$ 16,402</u>	<u>\$ -</u>	<u>\$ 50,927</u>
Segment profit or loss:				
Depreciation and amortization	<u>\$ 20,204</u>	<u>\$ 5,275</u>	<u>\$ -</u>	<u>\$ 25,479</u>

	For the three-month periods ended March 31,2020			
	IPC	Medical PC	Elimination	Total
Revenue from external customers	\$ 1,158,069	\$ 240,132	\$ -	\$ 1,398,201
Revenue from internal segments	51,185	12,206	(63,391)	-
Segment revenue	<u>\$ 1,209,254</u>	<u>\$ 252,338</u>	<u>(\$ 63,391)</u>	<u>\$ 1,398,201</u>
Segment profit or loss	<u>(\$ 6,704)</u>	<u>\$ 2,449</u>	<u>\$ -</u>	<u>(\$ 4,255)</u>
Segment profit or loss:				
Depreciation and amortization	<u>\$ 20,890</u>	<u>\$ 6,649</u>	<u>\$ -</u>	<u>\$ 27,539</u>

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

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

(4) Adjustment information on segment profit or loss

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

AAEON Technology Inc. and Subsidiaries

MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

MARCH 31, 2021

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

Schedule 1

Holding company	Marketable securities type and name			Financial Statement Account	2021/3/31				
	Type	Name (Note 1)	Relationship with the Company		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	\$ 26,471	-	\$ 26,471	None
"	Stock	Advantech Co.,Ltd.	"	"	802	284	-	284	"
"	"	MACHVISION,INC.	Other related party - the Company's Chairman as a director	"	1,180,198	335,766	2.64	335,766	"
"	"	ATECH OEM INC.	"	"	234	3	-	3	"
"	"	Unitech Electronics Co., Ltd.	None	"	549,600	11,239	1.17	11,239	"
"	"	LILEE SYSTEMS Ltd.	"	"	468,750	-	-	-	"
"	"	Econova Technology Co.	"	"	266,600	-	7.27	-	"
"	"	Allied Biotech Co.	Other related party - the Company's Chairman as a director	"	300,000	4,965	0.32	4,965	"
"	"	TELEION WIRELESS, INC.	None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,360	19.29	19,360	"
"	"	V-Net AAEON Corporation Ltd.	"	"	29	10,256	14.50	10,256	Note 3
AAEON INVESTMENT, CO., LTD.	Fund	HSBC Global Income Bond Fund	"	Financial assets at fair value through profit or loss - current	555,078	7,246	-	7,246	None
"	Stock	ATECH OEM INC.	Other related party - the Company's Chairman as a director	"	3,456,000	49,075	5.82	49,075	"
"	"	Mutto Optronics Co.	None	"	310,000	7,425	0.68	7,425	"
"	"	Sunengine Co., Ltd.	Other related party - the Company's Chairman as a director	"	156,903	1,090	2.75	1,090	"
ONYX HEALTHCARE INC.	"	MACHVISION,INC.	"	"	18,716	5,325	0.04	5,325	"
"	"	INNO FUND III	None	Financial assets at fair value through profit or loss - non-current	3,000,000	42,364	13.04	42,364	"
"	"	MELTEN CONNECTED HEALTHCARE INC.	"	Financial asset at fair value through other comprehensive income - non-current	4,193,548	2,381	6.47	2,381	"

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 NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

Schedule 2

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

Purchasing (sales) company	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)		Remarks
				Amount	Percentage of total purchase (sales) (%)	Duration of credit	Price	Duration of credit	Balance	Percentage of total accounts and notes receivable (payable) (%)	
AAEON Technology Inc.	ASUSTEK COMPUTER INC	Parent	Purchases	\$ 194,027	29.71	30 days after month-end	-	-	(\$ 85,274)	(23.32)	
"	AAEON ELECTRONICS, INC.	Subsidiary	(Sales)	(162,599)	(18.89)	60 days after month-end	-	-	77,851	15.86	
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	(Sales)	(147,811)	(17.17)	"	-	-	119,467	24.34	

Note: The reasons for difference between the related party transaction terms and the arms length terms of transaction shall be described in the ASP and loan term section.

AAEON Technology Inc. and Subsidiaries

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

MARCH 31, 2021

Schedule 3

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

Company Name	Related Party	Nature of Relationship	Ending balance (Note 1)	Turnover (%)	Overdue		Amounts Received in Subsequent Period	Allowance for doubtful account
					Amount	Action taken		
AAEON Technology Inc.	AAEON TECHNOLOGY (EUROPE) B.V.	Subsidiary	\$ 119,467	6.00	\$ -	-	\$ 16,602	\$ -

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

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

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

Schedule 4

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

Serial No. (Note 1)	Company Name	Related Party	Nature of relationships (Note 2)	Intercompany transaction			As a percentage of consolidated revenues or total assets (%) (Note 3)
				Financial Statement Account	Amount	Terms	
0	AAEON Technology Inc.	AAEON ELECTRONICS, INC.	1	Net sales	\$ 162,599	60 days after month-end	12.84
"	"	AAEON TECHNOLOGY (EUROPE) B.V.	1	Net sales	147,811	"	11.67
"	"	"	1	Accounts receivable	119,467	"	1.12

Note 1: Intercompany transactions should be indicated in the numbered columns individually. The number is filled in as follows:

- (1) Parent company is numbered 0.
- (2) Subsidiaries are numbered sequentially according to company name from Arabic numeral 1.

Note 2: There are three types of relationships with counterparties (Disclosure is not required for the same intercompany transactions. For example: If the parent has already disclosed the intercompany transaction, the subsidiary is not required to disclose the same transaction.

For intercompany transactions between subsidiaries, if one of the subsidiary has already disclosed the transaction, the other subsidiary is not required to disclose the same transaction)

- (1) Parent company to subsidiary
- (2) Subsidiary to parent company
- (3) Subsidiary to subsidiary

Note 3: The calculation of transaction amount as a percentage of consolidated net revenue or total assets: in the case of financial statement accounts, ending balance is divided by consolidated total assets; in the case of income statement accounts, cumulative amount in the period is divided by consolidated net revenue.

Note 4: There is no need to disclose transactions of no more than \$100 million, and transactions shall be disclosed as assets and income.

AAEON Technology Inc. and Subsidiaries
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of March 31,2020			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/3/31	2020/12/31	Shares	Percentage (%)	Carrying Amount			
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	\$ 139,822	\$ 139,552	490,000	100.00	\$ 209,303	(\$ 1,491)	(\$ 1,491)	
"	AAEON TECHNOLOGY CO.,LTD	British Virgin Islands	Investment of IPC and interface card	251,311	250,826	8,807,097	100.00	225,944	9,683	9,635	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,348	3,502	-	100.00	27,087	(1,888)	(1,888)	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	12,373	12,577	465,840	100.00	50,300	1,516	1,516	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	128,403	3,848	3,848	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	73,358	73,358	13,756,431	50.00	520,750	16,662	8,089	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	12.00	103,750	15,509	1,861	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	30.79	3,238,734	25,795	(3,967)	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	1,004	1,051	-	100.00	19,924	395	-	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 THREE-MONTH PERIOD ENDED MARCH 31, 2021

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of March 31, 2020			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/3/31	2020/12/31	Shares	Percentage (%)	Carrying Amount			
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	USA	Sales of medical PC and peripherals	\$ 57,070	\$ 56,960	200,000	100.00	\$ 93,165	(\$ 2,436)	-	Note1
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,348	3,025	100,000	100.00	16,398	1,230	-	"
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	7,838	(1,320)	-	"
"	WINMATE INC.	"	Bid quotations, distributions and sales of LCD application equipment and modules	539,488	538,199	9,863,000	13.61	549,534	81,844	-	"

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 March 31, 2021, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

Schedule 6

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

Name of investee	Main businesses and products	Paid-in capital	Methods of investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	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 March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020	Remarks
					Outflow	Inflow							
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	\$ 247,977	2	\$ 247,977	\$ -	\$ -	\$ 247,977	\$ 9,691	100%	\$ 9,691	\$ 231,649	\$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	57,070	1	57,070	-	-	57,070	(630)	100%	(630)	3,963	-	
<u>Company Name</u>	<u>Accumulated Investment in Mainland China as of March 31, 2020</u>	<u>Amount approved by Investment Commission, MOEA</u>	<u>Upper Limit on Investment</u>										
AAEON Technology Inc.	\$ 247,977	\$ 247,977	\$ 5,055,431										
Onyx Technology Inc.	57,070	57,070	643,145										

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 March 31, 2021, while others are converted to NTD under the exchange rate at the end period of the financial report.

AAEON Technology Inc. and Subsidiaries

Information of major shareholders

MARCH 31, 2021

Schedule 7

Name of major shareholder	Shares	
	Total Shares Owned	Ownership (%)
ASUSTEK COMPUTER INC.	43,756,000	29.466
IBASE TECHNOLOGY INC.	41,698,468	28.080
Yung-Shun Chuang	19,664,000	13.242
HUA-CHENG VENTURE CAPITAL CORP.	8,359,000	5.629
HUA-MIN INVESTMENT CO., LTD.	8,359,000	5.629

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