

AAEON Technology Inc and Subsidiaries
Consolidated Financial Statements
With Independent Auditor's Review Report Thereon
June 30, 2020 and 2019
(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 June 30, 2020 and 2019

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To AAEON Technology Inc:

Introduction

We have reviewed the accompanying consolidated balance sheets of AAEON Technology Inc. and its subsidiaries (the "Group") as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, as well as the consolidated statement of changes in equity and cash flows for the six-month periods ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. It is the responsibility of the management to prepare and ensure fair presentation of these 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 is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as described in the following paragraph, we conducted our reviews in accordance with Statement on Auditing Standards No. 65 - "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit 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 \$716,750 thousand and \$755,580 thousand as of June 30, 2020 and 2019, and accounted for 7.22% and 7.41% of consolidated total assets, respectively; they also represented \$132,270 thousand and \$127,708 thousand of total liabilities, which accounted for 6.96% and 5.93% of consolidated total liabilities, respectively, and total comprehensive income (loss) amounting to \$5,046 thousand, \$10,751 thousand, \$(13,925) thousand, and 8,323 thousand, constituting 1.86%, 10.38%, (6.68%) and 2.23% of consolidated total comprehensive income (loss) for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, respectively. These amounts and the related information disclosed in the accompanying consolidated financial statements were based on the unreviewed financial statements of consolidated subsidiaries and investments accounted for under equity method.

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" as endorsed by the Financial Supervisory Commission, or compromised the fair view of the consolidated financial position of AAEON as of June 30, 2020 and 2019, and of its consolidated financial performance for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019 and its consolidated cash flow for the six-month periods ended June 30, 2020 and 2019, 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 \$3,879,418 thousand and \$3,994,767 thousand as of June 30, 2020 and 2019, which accounted for 39.08% and 39.19% of consolidated total assets on the respective dates; total comprehensive income recognized from the above companies amounted to \$14,196 thousand, \$7,350 thousand, \$(7,921) thousand and \$48,450 thousand, constituting 5.23%, 7.10%, (3.8%) and 13.01% of consolidated comprehensive income for the three-month periods ended June 30, 2020 and 2019, and for the six-month periods ended June 30, 2020 and 2019, respectively.

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

August 11, 2020

Notes to Readers

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

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


AAEON Technology Inc. and Subsidiaries
Consolidated Balance Sheets
June 30, 2020, December 31, 2019 and June 30, 2019
 (The consolidated balance sheets as of June 30, 2020 and 2019, were reviewed, not audited)
 (Expressed in thousands of New Taiwan Dollars)

| Assets | Notes | June 30, 2020 | | December 31, 2019 | | June 30, 2019 | | |
|---------------------------|----------------------------------|---------------|---------------------|-------------------|---------------------|---------------|----------------------|------------|
| | | Amount | % | Amount | % | Amount | % | |
| Current asset | | | | | | | | |
| 1100 | Cash and cash equivalents | 6. (1) | \$ 2,545,180 | 25 | \$ 2,516,971 | 26 | \$ 2,869,108 | 28 |
| 1110 | Financial asset at fair value | 6. (2) | | | | | | |
| | through profit or loss - current | | 462,856 | 5 | 508,167 | 5 | 516,693 | 5 |
| 1150 | Net notes receivable | 6. (4) | 7,352 | - | 12,722 | - | 5,383 | - |
| 1170 | Net accounts receivable | 6. (4) | 925,322 | 9 | 752,782 | 8 | 881,294 | 9 |
| 1200 | Other Receivables | | 207,705 | 2 | 22,119 | - | 158,710 | 1 |
| 130X | Inventories | 6. (5) | 978,575 | 10 | 938,977 | 10 | 830,017 | 8 |
| 1410 | Prepayments | | 72,660 | 1 | 56,148 | 1 | 62,039 | 1 |
| 1479 | Other current assets - other | 8 | 3,448 | - | 2,348 | - | 2,663 | - |
| 11XX | Total current assets | | <u>5,203,098</u> | <u>52</u> | <u>4,810,234</u> | <u>50</u> | <u>5,325,907</u> | <u>52</u> |
| Non-current assets | | | | | | | | |
| 1510 | Financial asset at fair value | 6. (2) | | | | | | |
| | through profit or loss - | | | | | | | |
| | non-current | | 62,156 | 1 | 64,157 | 1 | 37,707 | - |
| 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 | | 3,879,418 | 39 | 3,987,493 | 41 | 3,994,767 | 39 |
| 1600 | Property, Plant and Equipment | 6. (7), 8 | 579,782 | 6 | 595,882 | 6 | 601,927 | 6 |
| 1755 | Right-of-use assets | 6. (8) | 52,007 | - | 59,305 | 1 | 75,062 | 1 |
| 1760 | Net Investment Property | | 54,272 | 1 | 58,370 | - | 68,331 | 1 |
| 1780 | Intangible assets | | 22,361 | - | 23,993 | - | 5,340 | - |
| 1840 | Deferred income tax assets | | 59,982 | 1 | 62,563 | 1 | 64,445 | 1 |
| 1900 | Other non-current assets | | 11,922 | - | 13,565 | - | 18,255 | - |
| 15XX | Total non-current assets | | <u>4,724,281</u> | <u>48</u> | <u>4,867,709</u> | <u>50</u> | <u>4,868,215</u> | <u>48</u> |
| 1XXX | Total Assets | | <u>\$ 9,927,379</u> | <u>100</u> | <u>\$ 9,677,943</u> | <u>100</u> | <u>\$ 10,194,122</u> | <u>100</u> |

(Continued)

AAEON Technology Inc. and Subsidiaries

Consolidated Balance Sheets

June 30, 2020, December 31, 2019 and June 30, 2019

(The consolidated balance sheets as of June 30, 2020 and 2019, were reviewed, not audited)

(Expressed in thousands of New Taiwan Dollars)

| Liabilities and equity | Notes | June 30, 2020 | | December 31, 2019 | | June 30, 2019 | | |
|--|--|---------------|---------------------|-------------------|---------------------|---------------|----------------------|------------|
| | | Amount | % | Amount | % | Amount | % | |
| Current liability | | | | | | | | |
| 2100 | Short-term borrowings | 6. (9) | \$ 64,767 | 1 | \$ 44,370 | 1 | \$ 57,150 | 1 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6. (10) | - | - | - | - | 7 | - |
| 2130 | Contract Liability - Current | 6. (17) | 124,185 | 1 | 109,489 | 1 | 125,360 | 1 |
| 2150 | Notes Payable | | - | - | - | - | 1,321 | - |
| 2170 | Accounts Payable | 7 | 455,105 | 5 | 483,480 | 5 | 578,581 | 6 |
| 2200 | Other Payables | 6. (11), 7 | 932,062 | 10 | 386,887 | 4 | 1,061,418 | 10 |
| 2230 | Current income tax liabilities | | 118,057 | 1 | 108,720 | 1 | 110,391 | 1 |
| 2250 | Provisions for liabilities - Current | | 29,124 | - | 37,937 | - | 37,876 | - |
| 2280 | Lease Liabilities - Current | | 33,537 | - | 39,151 | 1 | 44,838 | 1 |
| 2399 | Other current liabilities - other | | 24,948 | - | 24,364 | - | 26,117 | - |
| 21XX | Total current liabilities | | <u>1,781,785</u> | <u>18</u> | <u>1,234,398</u> | <u>13</u> | <u>2,043,059</u> | <u>20</u> |
| Non-current liabilities | | | | | | | | |
| 2527 | Contract Liability - non-current | 6. (17) | 67,684 | 1 | 69,000 | 1 | 37,448 | 1 |
| 2550 | Provisions for liabilities - non-current | | 7,204 | - | 7,641 | - | 9,222 | - |
| 2570 | Deferred income tax liabilities | | 24,479 | - | 27,060 | - | 29,028 | - |
| 2580 | Lease Liabilities - non-current | | 19,169 | - | 21,091 | - | 30,801 | - |
| 2670 | Other non-current liabilities - other | | 1,394 | - | 2,240 | - | 2,396 | - |
| 25XX | Total non-current liabilities | | <u>119,930</u> | <u>1</u> | <u>127,032</u> | <u>1</u> | <u>108,950</u> | <u>1</u> |
| 2XXX | Total Liabilities | | <u>1,901,715</u> | <u>19</u> | <u>1,361,430</u> | <u>14</u> | <u>2,151,954</u> | <u>21</u> |
| Equity | | | | | | | | |
| Equity attributable to owners of parent | | | | | | | | |
| Share capital | | | | | | | | |
| 3110 | Common stock | 6. (14) | 1,484,985 | 15 | 1,484,985 | 15 | 1,484,985 | 15 |
| Capital surplus | | | | | | | | |
| 3200 | Capital surplus | 6. (15) | 5,391,728 | 53 | 5,348,750 | 55 | 5,347,024 | 52 |
| Retained earnings | | | | | | | | |
| 3310 | Legal reserve | 6. (16) | 387,553 | 4 | 332,568 | 3 | 332,568 | 3 |
| 3320 | Special reserve | | 63,315 | 1 | 45,314 | 1 | 45,314 | - |
| 3350 | Unappropriated retained earnings | | 299,662 | 3 | 652,212 | 7 | 390,166 | 4 |
| Other Equity | | | | | | | | |
| 3400 | Other Equity | | (78,439) | - | (63,315) | - | (33,757) | - |
| 31XX | Total equity attributable to owners of parent | | <u>7,548,804</u> | <u>76</u> | <u>7,800,514</u> | <u>81</u> | <u>7,566,250</u> | <u>74</u> |
| 36XX | Non-controlling interests | 4. (3) | <u>476,860</u> | <u>5</u> | <u>515,999</u> | <u>5</u> | <u>475,918</u> | <u>5</u> |
| 3XXX | Total equity | | <u>8,025,664</u> | <u>81</u> | <u>8,316,513</u> | <u>86</u> | <u>8,042,168</u> | <u>79</u> |
| Material Contingent Liabilities and 9 | | | | | | | | |
| Unrecognized Contractual Commitments | | | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 9,927,379</u> | <u>100</u> | <u>\$ 9,677,943</u> | <u>100</u> | <u>\$ 10,194,122</u> | <u>100</u> |

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

Chairman: Yung-Shun Chuang

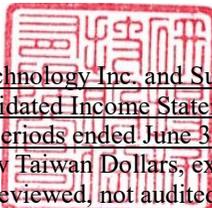


Manager: Chien-Hung Lin



Accounting Supervisor: Ren-Chun Wang




AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
For the six-month periods ended June 30, 2020 and 2019
 (Expressed in thousands of New Taiwan Dollars, except earnings per share data)
 (Reviewed, not audited)

| Item | Notes | For the three-month periods ended June 30, | | | | For the six-month periods ended June 30, | | | | |
|------|--|--|--------------|--------|--------------|--|--------------|--------|--------------|-------|
| | | 2020 | | 2019 | | 2020 | | 2019 | | |
| | | Amount | % | Amount | % | Amount | % | Amount | % | |
| 4000 | Operating income | 6. (17), 7 | \$ 1,602,325 | 100 | \$ 1,604,614 | 100 | \$ 3,000,526 | 100 | \$ 3,145,883 | 100 |
| 5000 | Operating cost | 6. (5)(21) (22), 7. | (1,072,346) | (67) | (1,060,029) | (66) | (2,015,804) | (67) | (2,109,353) | (67) |
| 5900 | Operating profit | | 529,979 | 33 | 544,585 | 34 | 984,722 | 33 | 1,036,530 | 33 |
| | Operating expenses | 6. (12)(21)(22), 7. | | | | | | | | |
| 6100 | Selling Expenses | | (135,406) | (8) | (158,318) | (10) | (296,146) | (10) | (311,216) | (10) |
| 6200 | Administrative expenses | | (65,106) | (4) | (59,349) | (4) | (129,086) | (4) | (116,868) | (4) |
| 6300 | Research and development expenses | | (125,870) | (8) | (124,735) | (8) | (235,814) | (8) | (231,824) | (7) |
| 6450 | Expected credit impairment losses (gains) | 12. (2) | 784 | - | (4,642) | - | (287) | - | (15,366) | - |
| 6000 | Total operating expense | | (325,598) | (20) | (347,044) | (22) | (661,333) | (22) | (675,274) | (21) |
| 6900 | Operating income | | 204,381 | 13 | 197,541 | 12 | 323,389 | 11 | 361,256 | 12 |
| | Non-operating income and expenses | | | | | | | | | |
| 7100 | Interest income | | 2,252 | - | 3,898 | - | 4,422 | - | 6,415 | - |
| 7010 | Other income | 6. (18) | 16,220 | 1 | 5,088 | - | 19,111 | - | 8,898 | - |
| 7020 | Other gains and losses | 6. (19) | 92,256 | 6 | (52,201) | (3) | (39,435) | (1) | 44,772 | 2 |
| 7050 | Financial costs | 6. (20) | (898) | - | (1,405) | - | (1,718) | - | (2,824) | - |
| 7060 | Share of the profit of associates and joint ventures accounted for under equity method | 6. (6) | (5,057) | (1) | 7,154 | 1 | (870) | - | 38,211 | 1 |
| 7000 | Total non-operating income and expenses | | 104,773 | 6 | (37,466) | (2) | (18,490) | (1) | 95,472 | 3 |
| 7900 | Profit (loss) before income tax | | 309,154 | 19 | 160,075 | 10 | 304,899 | 10 | 456,728 | 15 |
| 7950 | Income tax expenses | 6. (23) | (49,664) | (3) | (52,629) | (4) | (80,279) | (2) | (92,270) | (3) |
| 8200 | Profit (loss) for the period | | \$ 259,490 | 16 | \$ 107,446 | 6 | \$ 224,620 | 8 | \$ 364,458 | 12 |

(Continued)


AAEON Technology Inc. and Subsidiaries
Consolidated Income Statement
For the six-month periods ended June 30, 2020 and 2019
 (Expressed in thousands of New Taiwan Dollars, except earnings per share data)
 (Reviewed, not audited)

| Item | Notes | For the three-month periods ended June 30, | | | | For the six-month periods ended June 30, | | | |
|---|---------|--|------|------------|------|--|------|------------|------|
| | | 2020 | | 2019 | | 2020 | | 2019 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| Other comprehensive income | | | | | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | | | | |
| 8316 | 6. (3) | \$ - | - | (\$ 4,758) | - | \$ - | - | (\$ 7,969) | - |
| 8320 | 6. (6) | 21,501 | 1 | 964 | - | (1,406) | - | 9,827 | - |
| 8310 | | 21,501 | 1 | (3,794) | - | (1,406) | - | 1,858 | - |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | | |
| 8361 | | (8,864) | - | 810 | - | (11,508) | (1) | 7,210 | - |
| 8370 | 6. (6) | (2,248) | - | (768) | - | (5,645) | - | 412 | - |
| 8399 | 6. (23) | 1,791 | - | (162) | - | 2,347 | - | (1,442) | - |
| 8360 | | (9,321) | - | (120) | - | (14,806) | (1) | 6,180 | - |
| 8500 | | \$ 271,670 | 17 | \$ 103,532 | 6 | \$ 208,408 | 7 | \$ 372,496 | 12 |
| Profit attributable to: | | | | | | | | | |
| 8610 | | \$ 231,500 | 14 | \$ 59,341 | 3 | \$ 196,653 | 7 | \$ 289,620 | 9 |
| 8620 | | 27,990 | 2 | 48,105 | 3 | 27,967 | 1 | 74,838 | 3 |
| | | \$ 259,490 | 16 | \$ 107,446 | 6 | \$ 224,620 | 8 | \$ 364,458 | 12 |
| Total comprehensive income (loss) attributable to: | | | | | | | | | |
| 8710 | | \$ 243,957 | 15 | \$ 57,448 | 3 | \$ 181,529 | 6 | \$ 301,177 | 10 |
| 8720 | | 27,713 | 2 | 46,084 | 3 | 26,879 | 1 | 71,319 | 2 |
| | | \$ 271,670 | 17 | \$ 103,532 | 6 | \$ 208,408 | 7 | \$ 372,496 | 12 |
| Basic earnings (loss) per share | | | | | | | | | |
| 9750 | 6. (24) | \$ | 2.17 | \$ | 0.56 | \$ | 1.84 | \$ | 2.71 |
| Diluted earnings (loss) per share | | | | | | | | | |
| 9850 | 6. (24) | \$ | 2.16 | \$ | 0.55 | \$ | 1.83 | \$ | 2.70 |

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

Chairman: Yung-Shun Chuang



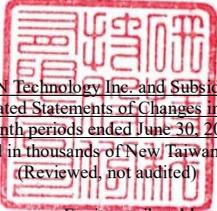
Manager: Chien-Hung Lin

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Accounting Supervisor: Ren-Chun Wang




 AAEON Technology Inc. and Subsidiaries
 Consolidated Statements of Changes in Equity
 For the six-month periods ended June 30, 2020 and 2019
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

| Equity attributable to owners of parent | | | | | | | | | | | | |
|--|------------|----------------------|---------------------------------|-------------------|------------------|----------------------------------|--|---|---|---------------------|---------------------------|---------------------|
| | Notes | Retained earnings | | | | | Other Equity | | | | | |
| | | Common share capital | Capital surplus - share premium | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Total | Non-controlling interests | Total equity |
| <u>For the six-month period ended June 30, 2019</u> | | | | | | | | | | | | |
| Balance on January 1, 2019 | | \$ 1,484,985 | \$ 5,361,226 | \$ 259,282 | \$ 46,033 | \$ 783,773 | (\$ 20,497) | (\$ 23,172) | (\$ 1,645) | \$ 7,889,985 | \$ 478,414 | \$ 8,368,399 |
| Profit for the period | | - | - | - | - | 289,620 | - | - | - | 289,620 | 74,838 | 364,458 |
| Other comprehensive income | | - | - | - | - | - | 5,693 | 5,864 | - | 11,557 | (3,519) | 8,038 |
| Total comprehensive income | | - | - | - | - | 289,620 | 5,693 | 5,864 | - | 301,177 | 71,319 | 372,496 |
| Appropriations of 2018 earnings | 6. (16) | | | | | | | | | | | |
| Legal reserve | | - | - | 73,286 | - | (73,286) | - | - | - | - | - | - |
| Reversal of special reserve | | - | - | - | (719) | 719 | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (608,844) | - | - | - | (608,844) | - | (608,844) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | 6. (15) | - | (19,899) | - | - | - | - | - | - | (19,899) | - | (19,899) |
| Effect from long-term investment that has not been recognized based on shareholding percentage | 6. (6)(15) | - | 5,697 | - | - | (492) | - | - | - | 5,205 | - | 5,205 |
| Change in associates and joint ventures accounted for under equity method | 6. (6) | - | - | - | - | (1,374) | - | - | - | (1,374) | - | (1,374) |
| Changes in non-controlling interests-cash dividends | | - | - | - | - | - | - | - | - | - | (65,018) | (65,018) |
| Changes in non-controlling interests - acquisition of additional interests in subsidiaries | | - | - | - | - | - | - | - | - | - | (8,797) | (8,797) |
| Balance at June 30, 2019 | | <u>\$ 1,484,985</u> | <u>\$ 5,347,024</u> | <u>\$ 332,568</u> | <u>\$ 45,314</u> | <u>\$ 390,116</u> | <u>(\$ 14,804)</u> | <u>(\$ 17,308)</u> | <u>(\$ 1,645)</u> | <u>\$ 7,566,250</u> | <u>\$ 475,918</u> | <u>\$ 8,042,168</u> |

(Continued)

AAEON Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
For the six-month periods ended June 30, 2020 and 2019
(Expressed in thousands of New Taiwan Dollars)
(Reviewed, not audited)

Equity attributable to owners of parent

| | Notes | Retained earnings | | | | | Other Equity | | | Total | Non-controlling interests | Total equity |
|--|--------------|----------------------|---------------------------------|---------------|-----------------|----------------------------------|--|---|---|--------------|---------------------------|--------------|
| | | Common share capital | Capital surplus - share premium | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | | | |
| <u>For the six-month period ended June 30, 2020</u> | | | | | | | | | | | | |
| Balance on January 1, 2020 | | \$ 1,484,985 | \$ 5,348,750 | \$ 332,568 | \$ 45,314 | \$ 652,212 | (\$ 36,180) | (\$ 25,004) | (\$ 2,131) | \$ 7,800,514 | \$ 515,999 | \$ 8,316,513 |
| Profit for the period | | - | - | - | - | 196,653 | - | - | - | 196,653 | 27,967 | 224,620 |
| Other comprehensive income | | - | - | - | - | - | (13,612) | (1,512) | - | (15,124) | (1,088) | (16,212) |
| Total comprehensive income | | - | - | - | - | 196,653 | (13,612) | (1,512) | - | 181,529 | 26,879 | 208,408 |
| Appropriations of 2019 earnings | 6. (16) | | | | | | | | | | | |
| Legal reserve | | - | - | 54,985 | - | (54,985) | - | - | - | - | - | - |
| Reversal of special reserve | | - | - | - | 18,001 | (18,001) | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (475,195) | - | - | - | (475,195) | - | (475,195) |
| Effect from long-term investment that has not been recognized based on shareholding percentage | 6. (6)(15) | - | 35,372 | - | - | - | - | - | - | 35,372 | - | 35,372 |
| Change in associates and joint ventures accounted for under equity method | 6. (6)(15) | - | (284) | - | - | - | - | - | - | (284) | - | (284) |
| Share-based Payment | 6. (13) (15) | - | 7,890 | - | - | (1,022) | - | - | - | 6,868 | - | 6,868 |
| Changes in non-controlling interests-cash dividends | | - | - | - | - | - | - | - | - | - | (66,018) | (66,018) |
| Balance at June 30, 2020 | | \$ 1,484,985 | \$ 5,391,728 | \$ 387,553 | \$ 63,315 | \$ 299,662 | (\$ 49,792) | (\$ 25,516) | (\$ 2,131) | \$ 7,548,804 | \$ 476,860 | \$ 8,025,664 |

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

Chairman: Yung-Shun Chuang

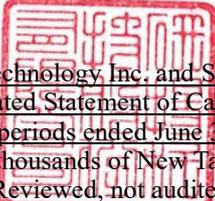


Manager: Chien-Hung Lin



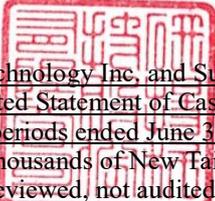
Accounting Supervisor: Ren-Chun Wang




AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the six-month periods ended June 30, 2020 and 2019
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

| | Notes | For the six-month periods ended June 30, | |
|---|------------------|--|------------|
| | | 2020 | 2019 |
| <u>Cash flows from operating activities</u> | | | |
| Profit before tax | | \$ 304,899 | \$ 456,728 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation expense | 6. (7) (8) (21) | 45,935 | 46,596 |
| Amortization expenses | 6. (21) | 6,231 | 2,569 |
| Expected credit impairment losses (gains) | 12.(2) | 287 | 15,366 |
| Costs of share-based payment awards | 6. (13) | 6,868 | - |
| Interest income | | (4,422) | (6,415) |
| Dividends income | 6. (18) | (13,369) | (1,075) |
| Interest expenses | 6. (8)(20) | 1,718 | 2,824 |
| Net gains from financial assets and liabilities at fair value through profit or loss | 6. (2) (10) (19) | 55,486 | (37,776) |
| Losses on disposal of property, plant and equipment | 6. (7) (19) | 9 | 81 |
| Depreciation expense of investment property (other gains and losses) | | 2,576 | 2,942 |
| Share of profit of associates accounted for under equity method | 6. (6) | 870 | (38,211) |
| Changes in operating assets and liabilities | | | |
| Net changes in operating assets | | | |
| Financial assets and liabilities at fair value through profit or loss | | (8,174) | 31,224 |
| Notes and accounts receivable | | (166,880) | (57,966) |
| Other Receivables | | (18,689) | 3,810 |
| Inventories | | (39,598) | 110,335 |
| Prepayments | | (16,512) | (9,858) |
| Net changes in operating liabilities | | | |
| Contract liability | | 13,380 | (10,388) |
| Notes and accounts payable | | (28,375) | 11,459 |
| Other Payables | | 5,980 | 18,760 |
| Other current liabilities | | 584 | 11,803 |
| Provisions for liabilities | | (9,250) | (6,579) |
| Net cash from operating activities | | 139,554 | 546,229 |
| Interest received | | 4,422 | 6,415 |
| Interest paid | 6. (8) | (1,718) | (2,824) |
| Income taxes paid | | (68,312) | (79,575) |
| Net cash flows from operating activities | | 73,946 | 470,245 |

(Continued)


AAEON Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the six-month periods ended June 30, 2020 and 2019
 (Expressed in thousands of New Taiwan Dollars)
 (Reviewed, not audited)

| | Notes | For the six-month periods ended June 30, | |
|--|---------|--|--------------|
| | | 2020 | 2019 |
| <u>Cash flows from investing activities</u> | | | |
| (Increase) decrease in other current assets | | (\$ 1,100) | \$ 100 |
| Acquisition of investments accounted for under equity method | 6. (6) | (18,286) | - |
| Acquisition of property, plant and equipment | 6. (25) | (11,738) | (6,632) |
| Disposal of property, plant and equipment | 6. (7) | 230 | 122 |
| Acquisition of intangible asset | | (4,000) | (848) |
| Increase in other non-current assets | | (1,136) | (5,329) |
| Net cash flows used in investing activities | | (36,030) | (12,587) |
| <u>Cash flows from financing activities</u> | | | |
| Increase (decrease) in short-term borrowings | | 20,915 | (11,154) |
| Repayment of lease principal | 6. (8) | (23,084) | (22,318) |
| Decrease in other non-current liabilities | | (846) | - |
| Acquired shareholding of subsidiary | | - | (28,696) |
| Net cash flows from financing activities | | (3,015) | (62,168) |
| Effects due to changes in exchange rate | | (6,692) | 7,440 |
| Increase in cash and cash equivalents | | 28,209 | 402,930 |
| Cash and cash equivalents at the beginning of periods | | 2,516,971 | 2,466,178 |
| Cash and cash equivalents at the end of periods | | \$ 2,545,180 | \$ 2,869,108 |

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

Chairman: Yung-Shun Chuang

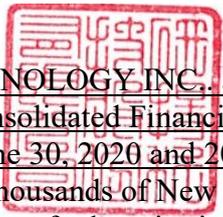


Manager: Chien-Hung Lin



Accounting Supervisor: Ren-Chun Wang




AAEON TECHNOLOGY INC. and Subsidiaries
Notes of Consolidated Financial Statements
June 30, 2020 and 2019
(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 on August 4, 2020.

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> |
|--|--------------------------------------|
| Amendment to IAS 1 and IAS 8, "Disclosure Initiative - definition of material" | January 1, 2020 |
| Amendments to IFRS 3, "Definition of a business" | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7, "Interest rate benchmark reform" | January 1, 2020 |
| Amendments to IFRS 16, "Covid-19-Related Rent Concessions" | June 1, 2020 |

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

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

None.

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

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

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by IASB</u> |
|---|-----------------------------------|
| Amendments to IFRS 4, “Extension of the Temporary Exemption from Applying IFRS 9” | January 1, 2021 |
| 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 IASB |
| 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 non-current” | January 1, 2023 |
| Amendments to IFRS 16, “Property, Plant and Equipment: Proceeds before Intended Use” | January 1, 2022 |
| Amendments to IFRS 37, “Onerous Contracts—Cost of Fulfilling a Contract” | January 1, 2022 |
| Annual Improvements to IFRS Standards 2018–2020 | January 1, 2022 |

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

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 2019 consolidated financial statements and apply consistently across all reporting periods.

(I) Compliance Statement

1. These consolidated financial statements of the Group have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 - "Interim Financial Reporting" as endorsed by the FSC.
2. This consolidated financial report shall be read in conjunction with the 2019 consolidated financial report.

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss.
 - (2) Financial assets 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 2019 consolidated financial report.

2. Subsidiaries included in the consolidated financial statements:

| Investor | Subsidiary name | Business | Ownership (%) | | | Notes |
|----------|---|---|---------------|------------|-----------|--------|
| | | | 2020/6/30 | 2019/12/31 | 2019/6/30 | |
| AAEON | AAEON ELECTRONICS, INC. (AEI) | Sales of IPC and PC peripherals | 100% | 100% | 100% | |
| AAEON | AAEON DEVELOPMENT INC. (ADI) | Investment of IPC and PC peripherals | - | - | 100% | Note 1 |
| AAEON | AAEON TECHNOLOGY CO., LTD. (ATCL) | Investment of IPC and interface card | 100% | 100% | 100% | Note 2 |
| AAEON | AAEON TECHNOLOGY (EUROPE) B.V.(ANI) | Sales of IPC and PC peripherals | 100% | 100% | 100% | Note 2 |
| AAEON | AAEON INVESTMENT, CO., LTD. (AAEONI) | Investment of IPC and PC peripherals | 100% | 100% | 100% | Note 2 |
| 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% | - | Note 2 |
| ADI | AAEON TECHNOLOGY SINGAPORE PTE. LTD (ASG) | Sales of IPC and PC peripherals | - | - | 100% | Note 2 |

| Investor | Subsidiary name | Business | Ownership (%) | | | Notes |
|----------|---------------------------------------|---|---------------|------------|-----------|-----------------|
| | | | 2020/6/30 | 2019/12/31 | 2019/6/30 | |
| ATCL | AAEON TECHNOLOGY (SUZHOU) INC. (ACI) | Production and sales of IPC and interface card | 100% | 100% | 100% | Note 2 |
| ANI | AAEON TECHNOLOGY GMBH(AGI) | Sales of IPC and PC peripherals | 100% | 100% | 100% | Note 2 |
| ONYX | ONYX HEALTHCARE EUROPE B.V.(ONI) | Marketing support and maintenance of medical PC and peripherals | 100% | 100% | 100% | Note 2 |
| ONYX | ONYX HEALTHCARE USA, INC. (OHU) | Sales of medical PC and peripherals | 100% | 100% | 100% | |
| ONYX | ONYX HEALTHCARE (SHANGHAI) LTD. (OCI) | Sales of medical PC and peripherals | 100% | 100% | 100% | Note 2 |
| ONYX | IHELPER INC. (IHELPER) | R&D and sales of medical robots | 46.00% | 46.00% | 46.00% | Notes 2. and 3. |

Note 1: Completed liquidation on December 2019.

Note 2: Given that the entities did not meet the definitions of material subsidiary, their financial reports as of June 30, 2020 and 2019, were not reviewed by auditors.

Note 3: 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. Subsidiaries not included in the consolidated financial statements: None.

4. Adjustments for subsidiaries with different end of financial reporting period: None.

5. Significant restrictions: None.

6. Subsidiaries that have non-controlling interests that are material to the Group:

The Group's total non-controlling interests as of June 30, 2020, December 31, 2019 and June 30, 2019, amounted to \$476,860, \$515,999 and \$475,918, respectively. AAEON's subsidiaries with significant non-controlling interests are as follows:

| Subsidiary Name | Main business location | Non-controlling interests 2020/6/30 | | Non-controlling interests 2019/12/31 | |
|-----------------|------------------------|--|--------------------|---|--------------------|
| | | Amount | Ownership interest | Amount | Ownership interest |
| ONYX | Taiwan | \$ 467,099 | 50.00% | \$ 503,918 | 50.00% |

| Subsidiary Name | Main business location | Non-controlling interests 2019/12/31 | |
|-----------------|------------------------|---|--------------------|
| | | Amount | Ownership interest |
| ONYX | Taiwan | \$ 461,893 | 50.00% |

Summarized financial information of subsidiaries:

Balance sheet

| | ONYX | | |
|-------------------------|-------------|--------------|-------------|
| | 2020/6/30 | 2019/12/31 | 2019/6/30 |
| Current asset | \$ 813,407 | \$ 776,699 | \$ 882,226 |
| Non-current assets | 604,383 | 602,187 | 553,356 |
| Current liability | (407,441) | (288,720) | (457,781) |
| Non-current liabilities | (66,301) | (70,155) | (39,903) |
| Total Net Assets | \$ 944,048 | \$ 1,020,011 | \$ 937,898 |

Statement of comprehensive income

| | ONYX | |
|--|--|------------|
| | For the three-month periods ended June 30, | |
| | 2020 | 2019 |
| Income | \$ 367,395 | \$ 453,852 |
| Profit before tax | \$ 72,043 | \$ 121,461 |
| Income tax expense | (15,183) | (24,225) |
| Net income | 56,860 | 97,236 |
| Other comprehensive income (net amount after tax) | (553) | (4,042) |
| Total comprehensive income | \$ 56,307 | \$ 93,194 |
| Total comprehensive income attributable to non-controlling interests | \$ 28,587 | \$ 47,122 |
| Dividends paid to non-controlling interests | \$ 66,018 | \$ 65,018 |

| | ONYX | |
|--|--|------------|
| | For the six-month periods ended June 30, | |
| | 2020 | 2019 |
| Income | \$ 619,733 | \$ 837,000 |
| Profit before tax | \$ 74,492 | \$ 189,054 |
| Income tax expense | (16,232) | (37,986) |
| Net income | 58,260 | 151,068 |
| Other comprehensive income (net amount after tax) | (2,174) | (7,043) |
| Total comprehensive income | \$ 56,086 | \$ 144,025 |
| Total comprehensive income attributable to non-controlling interests | \$ 29,200 | \$ 73,244 |
| Dividends paid to non-controlling interests | \$ 66,018 | \$ 65,018 |

Cash flow statement

| | ONYX | |
|---|--|------------|
| | For the six-month periods ended June 30, | |
| | 2020 | 2019 |
| Net cash inflow (outflow) from operating activities | (\$ 53,876) | \$ 194,741 |
| Net cash flows used in investing activities | (25,414) | (6,252) |
| Net cash flows from financing activities | (8,121) | (6,125) |
| Effects of exchange rate changes on cash and cash equivalents | (1,999) | 900 |
| Increase (decrease) in current cash and cash equivalents | (89,410) | 183,264 |
| Cash and cash equivalents at the beginning of periods | 408,555 | 222,321 |
| Cash and cash equivalents at the end of periods | \$ 319,145 | \$ 405,585 |

(IV) Income tax

1. Income tax expense includes current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at balance sheets date in the countries where the Group operates and generate taxable income. Management periodically evaluates the status of income tax filings in accordance with applicable tax laws, and estimates income tax liabilities based on taxes expected to be paid to tax authorities where applicable. An additional tax is levied on the unappropriated earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheets liability method, on temporary

differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Balance Sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (or tax law) that have been enacted or substantially enacted by the date of the balance sheets and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each date of balance sheets, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
6. 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 2019 consolidated financial report.

VI. Details of significant accounts

(I) Cash and cash equivalents

| | 2020/6/30 | 2019/12/31 | 2019/6/30 |
|---------------------------------------|--------------|--------------|--------------|
| Reserve cash and working capital | \$ 1,553 | \$ 1,314 | \$ 1,399 |
| Checking accounts and demand deposits | 2,472,878 | 2,465,857 | 2,822,379 |
| Time deposit | 70,749 | 49,800 | 45,330 |
| Total | \$ 2,545,180 | \$ 2,516,971 | \$ 2,869,108 |

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>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> |
|--|-------------------|-------------------|-------------------|
| Current: | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| Listed and OTC stocks | \$ 173,171 | \$ 164,733 | \$ 164,733 |
| Emerging stocks | 3,000 | 3,000 | 3,000 |
| Unlisted and non-OTC stocks | 77,744 | 77,744 | 77,744 |
| Beneficiary certificates | 31,141 | 31,141 | 31,141 |
| Derivatives | | | |
| - Forward exchange contracts | - | 77 | 144 |
| - Cross currency swap | - | 177 | 9 |
| | <u>285,056</u> | <u>276,872</u> | <u>276,771</u> |
| Valuation adjustment | <u>177,800</u> | <u>231,295</u> | <u>239,922</u> |
| Subtotal | <u>\$ 462,856</u> | <u>\$ 508,167</u> | <u>\$ 516,693</u> |
| Non-current: | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| Unlisted and non-OTC stocks | \$ 59,070 | \$ 59,070 | \$ 29,070 |
| Hybrid instrument | 10,832 | 10,832 | 10,832 |
| | <u>69,902</u> | <u>69,902</u> | <u>39,902</u> |
| Valuation adjustment | <u>(7,746)</u> | <u>(5,745)</u> | <u>(2,195)</u> |
| Subtotal | <u>\$ 62,156</u> | <u>\$ 64,157</u> | <u>\$ 37,707</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 June 30, 2020, December 31, 2019 and June 30, 2019.
2. Amounts recognized in profit of loss in relation to financial assets at fair value through profit or loss are listed below:

| | For the three-month periods ended June 30, | |
|--|--|-------------|
| | 2020 | 2019 |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instruments | \$ 85,353 | (\$ 56,584) |
| Beneficiary certificates | 475 | 212 |
| Derivatives | 13 | 118 |
| Hybrid instrument | (81) | 471 |
| Total | \$ 85,760 | (\$ 55,783) |

| | For the six-month periods ended June 30, | |
|--|--|-----------|
| | 2020 | 2019 |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instruments | (\$ 54,545) | \$ 36,850 |
| Beneficiary certificates | (148) | 582 |
| Derivatives | (31) | (140) |
| Hybrid instrument | 27 | 1,112 |
| Total | (\$ 54,697) | \$ 38,404 |

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

4. The Group entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

| Derivative financial assets | 2019/12/31 | |
|-----------------------------|-----------------------------------|---------------------|
| | Contract amount (nominal amounts) | Contract period |
| Current: | | |
| Forward exchange contracts | | |
| - Buy NTD and sell USD | USD 200,000 | 2019.12.4~2020.1.3 |
| Cross currency swap | | |
| - Buy NTD and sell USD | USD 500,000 | 2019.12.4~2020.1.3 |
| | | |
| Derivative financial assets | 2019/6/30 | |
| | Contract amount (nominal amounts) | Contract period |
| Current: | | |
| Forward exchange contracts | | |
| - Buy NTD and sell USD | USD 200,000 | 2019.6.11~2019.7.11 |
| - Buy NTD and sell USD | USD 200,000 | 2019.6.17~2019.7.17 |
| Cross currency swap | | |
| - Buy NTD and sell USD | USD 500,000 | 2019.6.20~2019.7.24 |

(1) Forward exchange contracts

The Group entered into forward exchange contracts to sell USD to hedge exchange rate

risk of export proceeds. However, these forward exchange contracts are not accounted for under hedge accounting.

(2) Cross currency swap

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

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

| <u>Item</u> | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</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. The Group has elected to classify investment on MELTEN CONNECTED HEALTHCARE INC. that is considered to be strategic investments as financial assets measured at fair value through other comprehensive income. The fair value of the investments amounted to \$2,381 on June 30, 2020, December 31, 2019 and June 30, 2019.
2. Details of financial assets at fair value through other comprehensive income recognized as income and comprehensive income:

| | <u>For the three-month periods ended June 30,</u> | |
|--|---|---------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Equity instrument measured at fair value through other comprehensive income</u> | | |
| Changes in fair value recognized in other comprehensive income | <u>\$ -</u> | <u>(\$ 4,758)</u> |

| | <u>For the six-month periods ended June 30,</u> | |
|--|---|---------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Equity instrument measured at fair value through other comprehensive income</u> | | |
| Changes in fair value recognized in other comprehensive income | <u>\$ -</u> | <u>(\$ 7,969)</u> |

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

(IV) Notes and accounts receivables

| | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> |
|----------------------|-------------------|-------------------|-------------------|
| Notes receivable | \$ 7,352 | \$ 12,722 | \$ 5,383 |
| Accounts receivable | \$ 949,176 | \$ 776,926 | \$ 900,384 |
| Less: Loss allowance | (23,854) | (24,144) | (19,090) |
| | <u>\$ 925,322</u> | <u>\$ 752,782</u> | <u>\$ 881,294</u> |

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

| <u>Accounts receivable</u> | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> |
|----------------------------|-------------------|-------------------|-------------------|
| Not past due | \$ 664,781 | \$ 560,469 | \$ 662,772 |
| Within 30 days | 218,116 | 155,137 | 161,624 |
| 31-60 days | 32,625 | 29,640 | 41,239 |
| 61-90 days | 8,675 | 840 | 14,334 |
| 91-180 days | 9,009 | 15,519 | 10,476 |
| Over 181 days | 15,970 | 15,321 | 9,939 |
| | <u>\$ 949,176</u> | <u>\$ 776,926</u> | <u>\$ 900,384</u> |

| <u>Notes receivable</u> | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> |
|-------------------------|------------------|-------------------|------------------|
| Not past due | \$ 7,352 | \$ 12,722 | \$ 5,383 |

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

2. The Group does not hold any financial assets as security for accounts and notes receivables.
3. Balances of accounts and notes receivable as of June 30, 2020, December 31, 2019 and June 30, 2019 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2019 were \$847,801 and \$3,777, respectively.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of June 30, 2020, December 31, 2019 and June 30, 2019 were \$7,352, \$12,722 and \$5,383, respectively, and the maximum exposure to the credit risk of accounts receivable as of June 30, 2020, December 31, 2019 and June 30, 2019 were \$925,322, \$752,782 and \$881,294, respectively.
5. Please refer to Note 12 (2) for credit risk information of notes and accounts receivable.

(V) Inventories

| | 2020/6/30 | | |
|-------------------------|---------------------|----------------------------|------------------------|
| | <u>Cost</u> | <u>Valuation allowance</u> | <u>Carrying amount</u> |
| Raw material | \$ 500,382 | (\$ 57,088) | \$ 443,294 |
| Work in progress | 387,601 | (56,816) | 330,785 |
| Finished good | 205,863 | (25,367) | 180,496 |
| Merchandise Inventories | 17,560 | (2,412) | 15,148 |
| Inventories in transit | 8,852 | - | 8,852 |
| Total | <u>\$ 1,120,258</u> | <u>(\$ 141,683)</u> | <u>\$ 978,575</u> |

| | 2019/12/31 | | |
|-------------------------|---------------------|----------------------------|------------------------|
| | <u>Cost</u> | <u>Valuation allowance</u> | <u>Carrying amount</u> |
| Raw material | \$ 430,210 | (\$ 52,918) | \$ 377,292 |
| Work in progress | 413,395 | (70,210) | 343,185 |
| Finished good | 225,197 | (23,367) | 201,830 |
| Merchandise Inventories | 19,225 | (2,555) | 16,670 |
| Total | <u>\$ 1,088,027</u> | <u>(\$ 149,050)</u> | <u>\$ 938,977</u> |

| | 2019/6/30 | | |
|-------------------------|---------------------|----------------------------|------------------------|
| | <u>Cost</u> | <u>Valuation allowance</u> | <u>Carrying amount</u> |
| Raw material | \$ 467,622 | (\$ 76,864) | \$ 390,758 |
| Work in progress | 327,382 | (86,446) | 240,936 |
| Finished good | 214,118 | (25,986) | 188,132 |
| Merchandise Inventories | 12,392 | (2,312) | 10,080 |
| Inventories in transit | 111 | - | 111 |
| Total | <u>\$ 1,021,625</u> | <u>(\$ 191,608)</u> | <u>\$ 830,017</u> |

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

| | For the three-month periods ended June 30, | |
|---|--|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Cost of Inventories sold | \$ 1,079,719 | \$ 1,035,930 |
| Inventories obsolescence and devaluation loss (reversal gain) | (13,105) | 21,345 |
| Losses on disposal of inventories | 1,250 | 2,607 |
| Others | 4,482 | 147 |
| | <u>\$ 1,072,346</u> | <u>\$ 1,060,029</u> |

| | For the six-month periods ended June 30, | |
|---|--|---------------------|
| | 2020 | 2019 |
| Cost of Inventories sold | \$ 2,033,714 | \$ 2,050,104 |
| Inventories obsolescence and devaluation loss (reversal gain) | (23,798) | 55,242 |
| Losses on disposal of inventories | 1,398 | 4,010 |
| Others | 4,490 | (3) |
| | <u>\$ 2,015,804</u> | <u>\$ 2,109,353</u> |

For the three-month periods ended June 30, 2020, and for the six-month periods ended June 30, 2020, the ghad recognized reversal gains from sale of Inventories previously devalued.

(VI) Investments accounted for under equity method

| | 2020 | 2019 |
|---|---------------------|---------------------|
| At January 1 | \$ 3,987,493 | \$ 3,573,849 |
| Increase in Investments accounted for under equity method | 18,286 | 509,575 |
| Share of investment income accounted for using the equity method | (870) | 38,211 |
| Distribution of investment income accounted for using the equity method | (153,528) | (140,936) |
| Changes in capital surplus and retained earnings | 35,088 | 3,829 |
| Changes in other equity | (7,051) | 10,239 |
| At June 30 | <u>\$ 3,879,418</u> | <u>\$ 3,994,767</u> |

| Investee | 2020/6/30 | | 2019/12/31 | |
|--------------------------|---------------|---------------------|---------------|---------------------|
| | Ownership (%) | Book value | Ownership (%) | Book value |
| LITEMAX ELECTRONICS INC. | 12.01 | \$ 100,983 | 12.09 | \$ 111,998 |
| IBASE TECHNOLOGY INC. | 30.79 | 3,270,097 | 30.55 | 3,369,909 |
| WINMATE INC. | 13.45 | 508,338 | 12.97 | 505,586 |
| | | <u>\$ 3,879,418</u> | | <u>\$ 3,987,493</u> |

| Investee | 2019/6/30 | |
|-----------------------------|---------------|---------------------|
| | Ownership (%) | Book value |
| LITEMAX ELECTRONICS INC. | 12.09 | \$ 101,189 |
| IBASE TECHNOLOGY INC. | 30.56 | 3,404,672 |
| WINMATE INC. | 12.95 | 488,906 |
| | | <u>\$ 3,994,767</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 the Group holds 30% equity interest and significant influence in IBASE; for this reason, IBASE has been accounted using the equity method since then. According to the share exchange agreement, the two parties agree to notify the other party of the transaction terms and conditions in writing, providing the preferential right of subscription for the following changes in shareholdings:

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

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

Balance sheet

| | IBASE TECHNOLOGY INC. | | |
|--|-----------------------|---------------------|---------------------|
| | 2020/6/30 | 2019/12/31 | 2019/6/30 |
| Current asset | \$ 3,459,232 | \$ 2,890,779 | \$ 3,368,295 |
| Non-current assets | 5,449,049 | 4,893,276 | 4,071,400 |
| Current liability | (1,266,392) | (2,210,287) | (2,046,858) |
| Non-current liabilities | (2,444,185) | (234,036) | (118,323) |
| Net assets fair value of trade marks, other intangible and tangible assets adjustment | 2,745,006 | 2,901,563 | 3,039,349 |
| Adjusted Net Assets | <u>\$ 7,942,710</u> | <u>\$ 8,241,295</u> | <u>\$ 8,313,863</u> |
| Share of net assets of the affiliate | \$ 2,291,679 | \$ 2,391,491 | \$ 2,426,254 |
| Goodwill | 978,418 | 978,418 | 978,418 |
| Book value of associates | <u>\$ 3,270,097</u> | <u>\$ 3,369,909</u> | <u>\$ 3,404,672</u> |

Statement of comprehensive income

| | <u>IBASE TECHNOLOGY INC.</u> | |
|---|---|-------------|
| | <u>For the three-month periods ended June 30,</u> | |
| | <u>2020</u> | <u>2019</u> |
| Income | \$ 920,241 | \$ 912,039 |
| Net income of continuing operations | 45,101 | 64,440 |
| Other comprehensive income (net amount after tax) | 58,422 | 521 |
| Total comprehensive income | 103,523 | 64,961 |
| Fair value adjustment | (38,133) | (38,133) |
| Adjusted total comprehensive income | \$ 65,390 | \$ 26,828 |
| Dividends received from associates | \$ 105,844 | \$ 105,844 |

| | <u>IBASE TECHNOLOGY INC.</u> | |
|---|---|--------------|
| | <u>For the six-month periods ended June 30,</u> | |
| | <u>2020</u> | <u>2019</u> |
| Income | \$ 1,959,941 | \$ 1,858,704 |
| Net income of continuing operations | 61,012 | \$ 175,571 |
| Other comprehensive income (net amount after tax) | (20,782) | 39,690 |
| Total comprehensive income | 40,230 | \$ 215,261 |
| Fair value adjustment | (76,267) | (76,267) |
| Adjusted total comprehensive income | \$ 36,037 | \$ 138,994 |
| Dividends received from associates | \$ 105,844 | \$ 105,844 |

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

| | <u>For the three-month periods ended June 30,</u> | |
|---|---|-------------|
| | <u>2020</u> | <u>2019</u> |
| Net income of continuing operations | \$ 11,371 | \$ 8,285 |
| Other comprehensive income (net amount after tax) | 752 | - |
| Total comprehensive income | \$ 12,123 | \$ 8,285 |

| | <u>For the six-month periods ended June 30,</u> | |
|---|---|-------------|
| | <u>2020</u> | <u>2019</u> |
| Net income of continuing operations | \$ 22,676 | \$ 14,342 |
| Other comprehensive income (net amount after tax) | (1,256) | - |
| Total comprehensive income | \$ 21,420 | \$ 14,342 |

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

| | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| LITEMAX ELECTRONICS INC. | \$ 235,206 | \$ 244,233 | \$ 208,877 |
| IBASE TECHNOLOGY INC. | 2,116,874 | 2,325,916 | 2,392,068 |
| WINMATE INC. | 589,458 | 514,965 | 491,810 |
| | <u>\$ 2,941,538</u> | <u>\$ 3,085,114</u> | <u>\$ 3,092,755</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. since May 24, 2019.

(VII) Property, Plant and Equipment

| | <u>2020</u> | | | | | |
|---|-------------------|-------------------|--|----------------------------|--|-------------------|
| | <u>Land</u> | <u>Buildings</u> | <u>Machinery and equipment</u> | <u>Other equipment</u> | <u>Construction in progress and equipment under installation</u> | <u>Total</u> |
| January 1 Cost | \$ 288,107 | \$ 329,469 | \$ 117,843 | \$ 185,198 | \$ 7,501 | \$ 928,118 |
| Accumulated depreciation and impairment | - | (113,508) | (80,189) | (138,539) | - | (332,236) |
| | <u>\$ 288,107</u> | <u>\$ 215,961</u> | <u>\$ 37,654</u> | <u>\$ 46,659</u> | <u>\$ 7,501</u> | <u>\$ 595,882</u> |
| January 1 Additions | - | - | 1,269 | 3,779 | 4,582 | 9,630 |
| Disposal | - | - | - | (239) | - | (239) |
| Reclassification | - | - | 2,859 | 6,401 | (8,605) | 655 |
| Depreciation expense | - | (4,437) | (5,487) | (13,343) | - | (23,267) |
| Net exchange differences | (880) | (1,766) | (20) | (213) | - | (2,879) |
| June 30 | <u>\$ 287,227</u> | <u>\$ 209,758</u> | <u>\$ 36,275</u> | <u>\$ 43,044</u> | <u>\$ 3,478</u> | <u>\$ 579,782</u> |
| June 30 Cost | \$ 287,227 | \$ 324,106 | \$ 78,641 | \$ 180,746 | \$ 3,478 | \$ 874,198 |
| Accumulated depreciation and impairment | - | (114,348) | (42,366) | (137,702) | - | (294,416) |
| | <u>\$ 288,227</u> | <u>\$ 209,758</u> | <u>\$ 36,275</u> | <u>\$ 43,044</u> | <u>\$ 3,478</u> | <u>\$ 579,782</u> |

2019

| | Land | Buildings | Machinery and equipment | Other equipment | Construction in progress and equipment under installation | Total |
|---|-------------------|-------------------|-------------------------|------------------|---|-------------------|
| January 1 | | | | | | |
| Cost | \$ 289,956 | \$ 316,735 | \$ 112,249 | \$ 226,483 | \$ 69 | \$ 945,492 |
| Accumulated depreciation and impairment | - | (94,968) | (67,366) | (164,436) | - | (326,770) |
| | <u>\$ 289,956</u> | <u>\$ 221,767</u> | <u>\$ 44,883</u> | <u>\$ 62,047</u> | <u>\$ 69</u> | <u>\$ 618,722</u> |
| January 1 | \$ 289,956 | \$ 221,767 | \$ 44,883 | \$ 62,047 | \$ 69 | \$ 618,722 |
| Additions | - | 1,581 | 1,287 | 3,392 | 746 | 7,006 |
| Disposal | - | - | - | (203) | - | (203) |
| Reclassification | - | 1,136 | 202 | (1,136) | (62) | 140 |
| Depreciation expense | - | (4,884) | (6,685) | (14,409) | - | (25,978) |
| Net exchange differences | 868 | 1,321 | 19 | 32 | - | 2,240 |
| June 30 | <u>\$ 290,824</u> | <u>\$ 220,921</u> | <u>\$ 39,706</u> | <u>\$ 49,723</u> | <u>\$ 753</u> | <u>\$ 601,927</u> |
| June 30 | | | | | | |
| Cost | \$ 290,824 | \$ 328,207 | \$ 113,841 | \$ 188,207 | \$ 753 | \$ 921,832 |
| Accumulated depreciation and impairment | - | (107,286) | (74,135) | (138,484) | - | (319,905) |
| | <u>\$ 290,824</u> | <u>\$ 220,921</u> | <u>\$ 39,706</u> | <u>\$ 49,723</u> | <u>\$ 753</u> | <u>\$ 601,927</u> |

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

(VIII) Leasing arrangements - lessee

1. The Group leases various assets including buildings, transportation equipment and other equipment. The rental contracts are typically made for periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, the lease agreements do not impose covenants.
2. The lease term of part of the Group's houses and transportation equipment is no more than 12 months, with leases of office equipment which are low-value assets.
3. The carrying amount of right-of-use assets and the amount of depreciation expense recognized are as follows:

| | 2020/6/30 | 2019/12/31 | 2019/6/30 |
|--------------------------|------------------------|------------------------|------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Building | \$ 39,360 | \$ 44,860 | \$ 61,368 |
| Transportation equipment | 12,049 | 13,772 | 12,944 |
| Other equipment | 598 | 673 | 750 |
| | <u>\$ 52,007</u> | <u>\$ 59,305</u> | <u>\$ 75,062</u> |

| | For the three-month periods ended June 30, | |
|--------------------------|--|-----------------------------|
| | 2020 | 2019 |
| | <u>Depreciation expense</u> | <u>Depreciation expense</u> |
| Building | \$ 9,503 | \$ 8,198 |
| Transportation equipment | 1,736 | 1,036 |
| Other equipment | 38 | 38 |
| | <u>\$ 11,277</u> | <u>\$ 9,272</u> |
| | For the six-month periods ended June 30, | |
| | 2020 | 2019 |
| | <u>Depreciation expense</u> | <u>Depreciation expense</u> |
| Building | \$ 19,100 | \$ 17,797 |
| Transportation equipment | 3,492 | 2,745 |
| Other equipment | 76 | 76 |
| | <u>\$ 22,668</u> | <u>\$ 20,618</u> |

4. For the three-month periods ended June 30, 2020 and 2019, and the six-month periods ended June 30, 2020 and 2019 to the acquisitions of right-of-use assets were \$10,089, \$0, \$16,071 and \$15,097, respectively.
5. The information on income and expense accounts relating to lease contracts is as follows:

| | For the three-month periods ended June 30, | |
|--|--|----------|
| | 2020 | 2019 |
| <u>Items affecting profit or loss</u> | | |
| Interest expenses on lease liabilities | \$ 352 | \$ 454 |
| Expenses on short-term lease contracts | 3,418 | 5,729 |
| Expenses on leases of low-value assets | 7 | 6 |
| | For the six-month periods ended June 30, | |
| | 2020 | 2019 |
| <u>Items affecting profit or loss</u> | | |
| Interest expenses on lease liabilities | \$ 773 | \$ 1,227 |
| Expenses on short-term lease contracts | 7,716 | 9,350 |
| Expenses on leases of low-value assets | 13 | 14 |

6. For the six-month periods ended June 30, 2020 and 2019, the Group's total cash outflow for leases was \$31,586 and \$32,909, respectively.

(IX) Short-term borrowings

| <u>Nature of the borrowing</u> | <u>2020/6/30</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|--------------------------------|------------------|----------------------------|-------------------------------|
| Borrowings from banks | | | |
| Credit borrowings | \$ 22,544 | 1.00% | None |
| Guaranteed borrowings | 42,223 | 5.00%~5.15% | Property, Plant and Equipment |
| | <u>\$ 64,767</u> | | |

| <u>Nature of the borrowing</u> | <u>2019/12/31</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|--------------------------------|-------------------|----------------------------|-------------------------------|
| Borrowings from banks | | | |
| Guaranteed borrowings | \$ 44,370 | 5.15%~5.40% | Property, Plant and Equipment |

| <u>Nature of the borrowing</u> | <u>2019/6/30</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|--------------------------------|------------------|----------------------------|-------------------------------|
| Borrowings from banks | | | |
| Guaranteed borrowings | \$ 57,150 | 5.65%~5.90% | Property, Plant and Equipment |

1. For the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, interest expenses recognized through profit or loss were \$546, \$942, \$945 and \$1,574, 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

| <u>Item</u> | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> |
|---|------------------|-------------------|------------------|
| Current: | | | |
| Financial asset or liability held for trading | | | |
| Derivatives – forward exchange contracts | \$ - | \$ - | \$ 7 |

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

| | <u>For the three-month periods ended June 30,</u> | |
|---|---|-------------|
| | <u>2020</u> | <u>2019</u> |
| Financial asset or liability held for trading | | |
| Derivatives | \$ 15 | (\$ 528) |
| | <u>For the six-month periods ended June 30,</u> | |
| | <u>2020</u> | <u>2019</u> |
| Financial asset or liability held for trading | | |
| Derivatives | (\$ 789) | (\$ 628) |

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

| 2019/12/31 | | |
|----------------------------------|--------------------------------------|----------------------|
| Derivative financial liabilities | Contract amount (nominal amounts) | Contract period |
| Current: | | |
| Cross currency swap | | |
| - Buy NTD and sell USD | USD 500,000 | 2019.12.18~2020.1.20 |
| 2019/6/30 | | |
| Derivative financial liabilities | Contract amount (nominal amounts) | Contract period |
| Current: | | |
| Forward exchange contracts | | |
| - Buy NTD and sell USD | USD 200,000 | 2019.6.28~2019.7.26 |

(1) Forward exchange contracts

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

(2) Cross currency swap

The Group's cross currency swap contracts 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

| | 2020/6/30 | 2019/12/31 | 2019/6/30 |
|--|-------------------|-------------------|---------------------|
| Accrued payroll, employee's compensation and bonuses | \$ 245,946 | \$ 223,800 | \$ 227,386 |
| Accrued technical service fee | 34,067 | 40,153 | 38,745 |
| Accrued assembly costs | 477 | 3,874 | 5,853 |
| Accrued dividends | 541,213 | - | 673,862 |
| Others | 110,359 | 119,060 | 115,572 |
| | <u>\$ 932,062</u> | <u>\$ 386,887</u> | <u>\$ 1,061,418</u> |

(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 AAEON in accordance with the above retirement policy for were \$7,521, \$7,589, \$15,612, and \$15,110 for the three months periods ended June 30, 2020 and 2019, and for the six months periods ended June 30, 2020 and 2019 ,respectively.

(XIII) Share-based Payment

1. AAEON had the following share-based payment agreement active for the six months periods ended June 30, 2020 and 2019:

| 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 six-months periods ended June 30, 2020 | |
|--|--|--|
| | No. of units (shares in thousands) | Weighted average exercise price (in dollars) |
| Options outstanding at beginning of period | 3,000 | NT\$ 72.3 |
| Options granted | - | - |
| Options outstanding at the end of period | 3,000 | - |
| 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 | 2020/6/30 | |
|-----------------------------------|--------------------------|---------------|--|--------------------------------|
| | | | No. of units (shares in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2019.11.26 | 2024.11.25 | 3,000 | NT\$ 72.3 |

| Arrangement type | Authorized issue date | Maturity date | 2019/12/31 | |
|-----------------------------------|--------------------------|---------------|---------------------------------------|--------------------------------|
| | | | Number of shares (in thousands) | Exercise price (in dollars) |
| Plan of employee stock options | 2019.11.26 | 2024.11.25 | 3,000 | NT\$ 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 | NT\$ 72.3 | NT\$ 72.3 | 26.88% | 3.875 years | 0.58% | NT\$ 15.7445 |

5. Expenses of share-based payment transaction:

| | For the three-month periods ended June 30, | |
|-------------------|--|------|
| | 2020 | 2019 |
| Equity settlement | \$ 3,405 | \$ - |

| | For the t-month periods ended June 30, | |
|-------------------|--|------|
| | 2020 | 2019 |
| Equity settlement | \$ 6,868 | \$ - |

(XIV) Share capital

1. As of June 30, 2020 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 six months periods ended June 30, 2020 and 2019.
2. On April 30, 2019, the Company passed the issuance of employee stock options (ESOs) by resolution of the board of directors, which was amended on November 12, 2019 by resolution of the board of directors. A total of 3,000 ESOs were issued, and each ESO granted the right to buy 1,000 shares. A total of 3,000 thousand new common shares were issued for exercising the ESOs, of which the exercise price per share are set in accordance with relevant regulations.
3. As of June 30, 2020, AAEON's associates - 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.

| | 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 | - | - | - | 35,372 | - | - | 35,372 |
| Change in associates and joint ventures accounted for under equity method | - | - | - | (284) | - | (| 284) |
| Share-based Payment | - | - | - | - | 7,890 | - | 7,890 |
| June 30 | \$ 4,902,942 | \$ 213,200 | \$ 213,637 | \$ 48,497 | \$ 11,271 | \$ 2,181 | \$ 5,391,728 |

| 2019 | | | | | | | |
|--|---------------|---|--|--------------------------------------|-----------------------|----------|--------------|
| | 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 | \$ 233,099 | \$ 213,637 | \$ 7,532 | \$ 1,835 | \$ 2,181 | \$ 5,361,226 |
| Difference between consideration and carrying amount of subsidiaries acquired | | - (19,899) | - | - | - | - | - (19,899) |
| Effect from long-term investment that has not been recognized based on shareholding percentage | | - | - | 5,697 | - | - | 5,697 |
| June 30 | \$ 4,902,942 | \$ 213,200 | \$ 213,637 | \$ 13,229 | \$ 1,835 | \$ 2,181 | \$ 5,347,024 |

(XVI) Retained earnings

1. Under the Company's Article of Incorporation, the profit in a fiscal year, shall first be utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings at the beginning of the period shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.
2. In the future, the Company may have the surplus profit distributable as dividends in part or in whole considering the financial, business and operational factors. The ratio of share dividend shall exceed 5% of distributable earnings. Surplus distribution can be in the form of cash or stock dividends. For the measurement of future capital requirements and capital structure, cash dividend shall not be less than 10% of the total amount of dividends in the future, and the actual distribution amount shall be adopted by resolution of the shareholders' meeting.
3. Unless losses have been covered or where legal reserve is distributed by the issuance of new shares or by cash in proportion to the shareholders' existing shareholding, the Company shall not make distributions out of legal reserve, of which only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.
4. (1) For surplus distribution, the Company shall appropriate special reserve to the debit balance of other equity on the end of the reporting period. When the debit balance of other equity is reversed, the reversal amount can be included in distributable surplus.
 (2) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
5. The Company's appropriations of 2019 and 2018 earnings had been resolved at the stockholders' meeting on May 27, 2020 and May 31, 2019, respectively. Details are summarized below:

| | 2019 | | 2018 | |
|---|-------------------|--|-------------------|--|
| | Amount | Dividends per share (in NT dollars) | Amount | Dividends per share (in NT dollars) |
| Provision (reversal) of Special reserve | \$ 18,001 | | (\$ 719) | |
| Legal reserve | 54,985 | | 73,286 | |
| Cash dividends | 475,195 | \$ 3.20 | 608,844 | \$ 4.10 |
| | <u>\$ 548,181</u> | | <u>\$ 681,411</u> | |

The result of appropriations of 2019 and 2018 which were the same as the proposal submitted by the Board of Directors.

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

(XVII) Operating income

| | For the three-month periods ended June 30, | |
|---------------------------------------|--|--------------|
| | 2020 | 2019 |
| Revenue from Contracts with Customers | \$ 1,602,325 | \$ 1,604,614 |

| | For the six-month periods ended June 30, | |
|---------------------------------------|--|--------------|
| | 2020 | 2019 |
| Revenue from Contracts with Customers | \$ 3,000,526 | \$ 3,145,883 |

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 June 30, 2020 | IPC | Medical PC | Total |
|--|---------------------------------------|-------------------|---------------------|
| | Revenue from Contracts with Customers | \$ 1,236,301 | \$ 366,024 |
| Timing of revenue recognition | | | |
| At a point time | 1,235,074 | 361,692 | 1,596,766 |
| Over time | 1,227 | 4,332 | 5,559 |
| Total | <u>\$ 1,236,301</u> | <u>\$ 366,024</u> | <u>\$ 1,602,325</u> |

| For the six-month periods ended June 30, 2020 | IPC | Medical PC | Total |
|--|---------------------------------------|-------------------|---------------------|
| | Revenue from Contracts with Customers | \$ 2,394,370 | \$ 606,156 |
| Timing of revenue recognition | | | |
| At a point time | 2,391,959 | 597,417 | 2,989,376 |
| Over time | 2,411 | 8,739 | 11,150 |
| Total | <u>\$ 2,394,370</u> | <u>\$ 606,156</u> | <u>\$ 3,000,526</u> |

| For the three-month periods ended June 30, 2019 | IPC | Medical PC | Total |
|--|--------------|------------|--------------|
| Revenue from Contracts with Customers | \$ 1,153,630 | \$ 450,984 | \$ 1,604,614 |
| Timing of revenue recognition | | | |
| At a point time | 1,152,237 | 446,573 | 1,598,810 |
| Over time | 1,393 | 4,411 | 5,804 |
| Total | \$ 1,153,630 | \$ 450,984 | \$ 1,604,614 |

| For the six-month periods ended June 30, 2019 | IPC | Medical PC | Total |
|--|--------------|------------|--------------|
| Revenue from Contracts with Customers | \$ 2,311,890 | \$ 833,993 | \$ 3,145,883 |
| Timing of revenue recognition | | | |
| At a point time | 2,309,619 | 825,694 | 3,135,313 |
| Over time | 2,271 | 8,299 | 10,570 |
| Total | \$ 2,311,890 | \$ 833,993 | \$ 3,145,883 |

2. Contract liability

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

| | 2020/6/30 | 2019/12/31 | 2019/6/30 | 2019/1/1 |
|-----------------------------------|------------|------------|------------|------------|
| Contract Liability - Current: | | | | |
| Advances from customers | \$ 105,592 | \$ 86,760 | \$ 99,737 | \$ 108,439 |
| Warranty contract | 18,593 | 22,729 | 25,623 | 25,666 |
| Contract Liability - Non-current: | | | | |
| Advances from customers | 34,391 | 34,454 | - | - |
| Warranty contract | 33,293 | 34,546 | 37,448 | 39,091 |
| Total | \$ 191,869 | \$ 178,489 | \$ 162,808 | \$ 173,196 |

(2) Recognized income of contract liabilities at January 1

| | For the three-month periods ended June 30, | |
|---|--|----------|
| | 2020 | 2019 |
| Beginning balance of contract liabilities | | |
| Recognized income | | |
| Advances from customers | \$ 13,630 | \$ 3,317 |
| Warranty contract | 6,029 | 5,804 |
| Total | \$ 19,659 | \$ 9,121 |

| | For the six-month periods ended June 30, | |
|---|--|-----------|
| | 2020 | 2019 |
| Beginning balance of contract liabilities | | |
| Recognized income | | |
| Advances from customers | \$ 40,147 | \$ 42,851 |
| Warranty contract | 11,148 | 10,570 |
| Total | \$ 51,295 | \$ 53,421 |

(XVIII) Other income

| | For the three-month periods ended June 30, | |
|------------------|--|-----------------|
| | 2020 | 2019 |
| Rental income | \$ 2,851 | \$ 4,013 |
| Dividend income | 13,369 | 1,075 |
| | <u>\$ 16,220</u> | <u>\$ 5,088</u> |
| | For the six-month periods ended June 30, | |
| | 2020 | 2019 |
| Rental income | \$ 5,742 | \$ 7,823 |
| Dividends income | 13,369 | 1,075 |
| | <u>\$ 19,111</u> | <u>\$ 8,898</u> |

(XIX) Other gains and losses

| | For the three-month periods ended June 30, | |
|--|--|----------------------|
| | 2020 | 2019 |
| Loss on disposal of property, plant and equipment | (\$ 1) | (\$ 81) |
| Foreign currency exchange (loss) gain | (15,087) | 3,418 |
| Net gain (loss) on financial assets and liabilities at fair value through profit or loss | 85,775 | (56,311) |
| Other income | 21,569 | 773 |
| | <u>\$ 92,256</u> | <u>(\$ 52,201)</u> |
| | For the six-month periods ended June 30, | |
| | 2020 | 2019 |
| Loss on disposal of property, plant and equipment | (\$ 9) | (\$ 81) |
| Foreign currency exchange (loss) gain | (7,990) | 5,719 |
| Net gain (loss) on financial assets and liabilities at fair value through profit or loss | (55,486) | 37,776 |
| Other income | 24,050 | 1,358 |
| | <u>(\$ 39,435)</u> | <u>\$ 44,772</u> |

Note: The Group recognized gains (or losses) on financial asset valuation (including realized and unrealized) totaling \$(53,055) and \$8,150 for the periods January 1 to June 30, 2020 and 2019, 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 six-month periods ended June 30, | |
|------|------------------------|--|-----------|
| | | 2020 | 2019 |
| | Beginning | \$ 360.50 | \$ 368.00 |
| | Closing | \$ 311.50 | \$ 370.00 |
| (XX) | <u>Financial costs</u> | | |

| | | For the three-month periods ended June 30, | |
|--|-------------------|--|----------|
| | | 2020 | 2019 |
| | Interest expenses | \$ 898 | \$ 1,405 |

| | | For the six-month periods ended June 30, | |
|--|-------------------|--|----------|
| | | 2020 | 2019 |
| | Interest expenses | \$ 1,718 | \$ 2,824 |

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

| | | For the three-month periods ended June 30, | | | | | |
|--|----------------------------|--|-------------------|------------|----------------|-------------------|------------|
| | | 2020 | | | 2019 | | |
| | | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| | Employee benefits expenses | \$ 63,241 | \$ 233,958 | \$ 297,199 | \$ 54,806 | \$ 229,391 | \$ 284,197 |
| | Depreciation expense | 13,761 | 9,120 | 22,881 | 13,925 | 8,178 | 22,103 |
| | Amortization expenses | 608 | 2,440 | 3,048 | 448 | 901 | 1,349 |

| | | For the six-month periods ended June 30, | | | | | |
|--|----------------------------|--|-------------------|------------|----------------|-------------------|------------|
| | | 2020 | | | 2019 | | |
| | | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| | Employee benefits expenses | \$ 120,773 | \$ 455,191 | \$ 575,964 | \$ 111,766 | \$ 451,177 | \$ 562,943 |
| | Depreciation expense | 27,290 | 18,645 | 45,935 | 28,216 | 18,380 | 46,596 |
| | Amortization expenses | 1,256 | 4,975 | 6,231 | 907 | 1,662 | 2,569 |

(XXII) Employee benefit expenses

| | | For the three-month periods ended June 30, | |
|--|---------------------------------|--|------------|
| | | 2020 | 2019 |
| | Salaries and wages | \$ 268,435 | \$ 252,950 |
| | Labor and health insurance fees | 18,377 | 18,135 |
| | Pension costs | 7,521 | 7,589 |
| | Other personnel expenses | 2,866 | 5,523 |
| | | \$ 297,199 | \$ 284,197 |

| | For the six-month periods ended June 30, | |
|---------------------------------|--|-------------------|
| | 2020 | 2019 |
| Salaries and wages | \$ 514,958 | \$ 500,454 |
| Labor and health insurance fees | 39,332 | 38,168 |
| Pension costs | 15,612 | 15,110 |
| Other personnel expenses | 6,062 | 9,211 |
| | <u>\$ 575,964</u> | <u>\$ 562,943</u> |

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 5% and remuneration of directors and supervisors at rates of no higher than 1%, of the remaining profit after deducting accumulated losses.
2. For the three months periods ended June 30, 2020 and 2019, and for the six months periods ended June 30, 2020 and 2019, based on the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at \$18,050, \$13,224, \$22,298 and \$25,835, respectively, while the remuneration of directors were estimated at \$1,190, \$1,050, \$2,044 and \$2,100, respectively, which are recognized as salaries and wages.

Amounts for the period January 1 to June 30, 2020, were estimated based on profitability at the time and the percentages stipulated in Articles of Incorporation.

Employees' compensation and directors' remuneration for 2019 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2019 financial statements., which were \$56,912 and \$5,439, respectively. Employees' compensation 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:

| | For the three-month periods ended June 30, | |
|---|--|------------------|
| | 2020 | 2019 |
| Current tax: | | |
| Current tax on profits for the period | \$ 51,050 | \$ 49,241 |
| Surtax on undistributed Retained Earnings | 1,147 | 2,643 |
| Adjustments in respect of prior period | (286) | (1,364) |
| Total current income tax | <u>\$ 51,911</u> | <u>\$ 50,520</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | (2,247) | 2,109 |
| Income tax expense | <u>\$ 49,664</u> | <u>\$ 52,629</u> |

| | <u>For the six-month periods ended June 30,</u> | |
|---|---|------------------|
| | <u>2020</u> | <u>2019</u> |
| Current income tax: | | |
| Income tax from current income | \$ 77,101 | \$ 91,667 |
| Surtax on undistributed Retained Earnings | 1,147 | 2,643 |
| Adjustments in respect of prior period | (286) | (542) |
| Total current income tax | <u>\$ 77,962</u> | <u>\$ 93,768</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | 2,317 | (1,498) |
| Income tax expense | <u>\$ 80,279</u> | <u>\$ 92,270</u> |

(2) Income tax relative to other comprehensive income:

| | <u>For the three-month periods ended June 30,</u> | |
|--|---|-------------|
| | <u>2020</u> | <u>2019</u> |
| Differences in translation of foreign operations | (\$ 1,791) | \$ 162 |

| | <u>For the six-month periods ended June 30,</u> | |
|--|---|-------------|
| | <u>2020</u> | <u>2019</u> |
| Differences in translation of foreign operations | (\$ 2,347) | \$ 1,442 |

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

| | <u>Certification</u> |
|---------------------|----------------------|
| (1) The Company | 2018 |
| (2) ONYX and AAEONI | 2018 |

| | <u>For the six-month periods ended June 30, 2020</u> | | |
|--|--|---------------------------|---------------------|
| | <u>Amount</u> | <u>Weighted average</u> | <u>Losses per</u> |
| | <u>after-tax</u> | <u>outstanding shares</u> | <u>share</u> |
| | | <u>(in thousand)</u> | <u>(in dollars)</u> |
| <u>Basic (diluted) losses per share</u> | | | |
| Profit attributable to ordinary shareholders of parent company | <u>\$ 196,653</u> | 106,800 | <u>NT\$ 1.84</u> |
| <u>Diluted earnings per share</u> | | | |
| Dilutive effect of potential ordinary shares | | | |
| Employees' bonuses | | <u>570</u> | |
| Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 196,653</u> | <u>107,370</u> | <u>NT\$ 1.83</u> |

| | <u>For the six-month periods ended June 30, 2019</u> | | |
|--|--|---------------------------|---------------------|
| | <u>Amount</u> | <u>Weighted average</u> | <u>Losses per</u> |
| | <u>after-tax</u> | <u>outstanding shares</u> | <u>share</u> |
| | | <u>(in thousand)</u> | <u>(in dollars)</u> |
| <u>Basic (diluted) losses per share</u> | | | |
| Profit attributable to ordinary shareholders of parent company | <u>\$ 289,620</u> | 106,800 | <u>NT\$ 2.71</u> |
| <u>Diluted earnings per share</u> | | | |
| Dilutive effect of potential common shares | | | |
| Employees' bonuses | | <u>396</u> | |
| Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 289,620</u> | <u>107,196</u> | <u>NT\$ 2.70</u> |

1. The company's employee stock options were not included in the calculation of diluted earnings per share due to the anti-dilution effect for the three-month periods ended June 30, 2019 and for the six-month periods ended June 30, 2020.
2. The Company applies the equity method for the exchange of shares with IBAS, 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. Investing activities with partial cash payments:

| | <u>For the six-month periods ended June 30,</u> | |
|---|---|-----------------|
| | <u>2020</u> | <u>2019</u> |
| Acquisition of property, plant and equipment | \$ 9,630 | \$ 7,006 |
| Add : Opening balance of payable on equipment | 2,108 | 141 |
| Less : Ending balance of payable on equipment | - | (515) |
| Cash paid during the period | <u>\$ 11,738</u> | <u>\$ 6,632</u> |

2. Financing activities without cash flow:

| | <u>For the six-month periods ended June 30,</u> | |
|----------------|---|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Cash dividends | <u>\$ 475,195</u> | <u>\$ 608,844</u> |

VII. Related party transaction

(I) Parent and ultimate controlling party

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

(II) Names of related parties and relationship

| <u>Name of related party</u> | <u>Relation</u> |
|------------------------------|--|
| ASUSTEK COMPUTER INC. | Ultimate parent company |
| IBASE TECHNOLOGY INC. | Associate - Investee accounted for under the equity method |
| IBASE GAMING INC. | Associate - Subsidiary of IBASE TECHNOLOGY INC. |
| LITEMAX ELECTRONICS INC. | Associate - Investee accounted for under the equity method |
| WINMATE INC. | Associate - Investee accounted for under the equity method by the Company's subsidiary (Note 1) |
| ATECH OEM INC. | Other related party - the Company's Chairman as a director |
| KING CORE ELECTRONICS INC. | Other related party - the Company's Chairman as a director (Note 2) |
| 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 AAEON EDUCATION FOUNDATION's Chairman |
| WT MICROELECTRONICS CO. | Other related party - Investee accounted for under the equity method by the Company's Fellow subsidiary (Note 3) |

| Name of related party | Relation |
|-----------------------------|--|
| 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 1: WINMATE INC. has become AAEON's affiliate since May 24, 2019.

Note 2: KING CORE ELECTRONICS INC. is no longer a related party of AAEON since January 1, 2020.

Note 3: WT MICROELECTRONICS CO. has become AAEON's related party since April 21, 2020.

(III) Significant transactions and balances with related parties

1. Operating income

| | <u>For the three-month periods ended June 30,</u> | |
|------------------------|---|-----------------|
| | 2020 | 2019 |
| Sales of goods | | |
| Ultimate parent entity | \$ 57 | \$ 391 |
| Associates | 111 | 174 |
| Other related party | 439 | 1,978 |
| Total | <u>\$ 607</u> | <u>\$ 2,543</u> |

| | <u>For the six-month periods ended June 30,</u> | |
|------------------------|---|-----------------|
| | 2020 | 2019 |
| Sales of goods | | |
| Ultimate parent entity | \$ 309 | \$ 398 |
| Associates | 345 | 275 |
| Other related party | 4,620 | 5,460 |
| Total | <u>\$ 5,274</u> | <u>\$ 6,133</u> |

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

2. Purchases

| | For the three-month periods ended June 30, | |
|---|--|-------------------|
| | 2020 | 2019 |
| Goods purchased | | |
| Ultimate parent entity— ASUSTEK COMPUTER INC. | \$ 280,446 | \$ 281,083 |
| Associates | 4,076 | 2,531 |
| Fellow subsidiary | 241 | 1,923 |
| Other related party | 10,247 | 213 |
| Total | <u>\$ 295,010</u> | <u>\$ 285,750</u> |

| | For the six-month periods ended June 30, | |
|---|--|-------------------|
| | 2020 | 2019 |
| Goods purchased | | |
| Ultimate parent entity— ASUSTEK COMPUTER INC. | \$ 509,286 | \$ 588,048 |
| Associates | 18,633 | 4,139 |
| Fellow subsidiary | 299 | 3,552 |
| Other related party | 10,388 | 790 |
| Total | <u>\$ 538,606</u> | <u>\$ 596,529</u> |

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

3. Operating expenses

| | For the three-month periods ended June 30, | |
|------------------------|--|------------------|
| | 2020 | 2019 |
| Ultimate parent entity | \$ 17,534 | \$ 22,217 |
| Associates | 829 | 773 |
| Fellow subsidiary | - | 84 |
| Other related party | 81 | 219 |
| Total | <u>\$ 18,444</u> | <u>\$ 23,293</u> |

| | For the six-month periods ended June 30, | |
|------------------------|--|------------------|
| | 2020 | 2019 |
| Ultimate parent entity | \$ 33,081 | \$ 35,478 |
| Associates | 1,816 | 1,695 |
| Fellow subsidiary | - | 271 |
| Other related party | 1,319 | 444 |
| Total | <u>\$ 36,216</u> | <u>\$ 37,888</u> |

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

4. Payables from related parties

| | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> |
|--|------------------|-------------------|-------------------|
| Accounts Payable | | | |
| Ultimate parent entity – ASUSTEK COMPUTER INC. | \$ 76,507 | \$ 106,039 | \$ 164,354 |
| Associates | 678 | 1,621 | 1,433 |
| Fellow subsidiary | 214 | 21 | 1,026 |
| Other related party | 3,699 | 972 | 264 |
| Total | <u>\$ 81,098</u> | <u>\$ 108,653</u> | <u>\$ 167,077</u> |

5. Other payables

| | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> |
|------------------------|------------------|-------------------|------------------|
| Other Payables | | | |
| Ultimate parent entity | \$ 34,067 | \$ 40,153 | \$ 38,745 |
| Associates | 72 | 6 | 173 |
| Fellow subsidiary | - | - | 90 |
| Other related party | 1,110 | 20 | 77 |
| Total | <u>\$ 35,249</u> | <u>\$ 40,179</u> | <u>\$ 39,085</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 June 30,</u> | |
|---|---|------------------|
| | <u>2020</u> | <u>2019</u> |
| Salaries and other short-term employee benefits | \$ 10,416 | \$ 11,652 |
| Post-employment benefits | 379 | 404 |
| Total | <u>\$ 10,795</u> | <u>\$ 12,056</u> |

| | <u>For the six-month periods ended June 30,</u> | |
|---|---|------------------|
| | <u>2020</u> | <u>2019</u> |
| Salaries and other short-term employee benefits | \$ 31,337 | \$ 30,865 |
| Post-employment benefits | 758 | 763 |
| Total | <u>\$ 32,095</u> | <u>\$ 31,628</u> |

VIII. Pledged Assets

The Company's pledged assets are summarized below:

| <u>Pledged assets</u> | <u>Book value</u> | | | <u>Guarantee purpose</u> |
|--|-------------------|-------------------|-------------------|--|
| | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> | |
| Property, Plant and Equipment | \$ 205,265 | \$ 209,818 | \$ 219,510 | Loans and credit limits |
| Restricted time deposit (including other current assets) | 889 | 899 | 932 | Foreign exchange forward transactions, |
| | <u>\$ 206,154</u> | <u>\$ 210,717</u> | <u>\$ 220,442</u> | |

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of June 30, 2020, the Group has issued a promissory note of \$ 450,000 required for the application a comprehensive credit line and transactions of derivatives.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

None.

XII. Others

(1) Capital management

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

(2) Financial instrument

1. Type of financial instrument

| | <u>2020/6/30</u> | <u>2019/12/31</u> | <u>2019/6/30</u> |
|--|---------------------|---------------------|---------------------|
| <u>Financial asset</u> | | | |
| Financial assets at fair value through profit or loss | | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ 525,012 | \$ 572,324 | \$ 554,400 |
| Financial assets at fair value through other comprehensive income | | | |
| Designation of equity instrument | 2,381 | 2,381 | 2,381 |
| Financial assets at amortized cost/ loans and receivables | | | |
| Cash and cash equivalents | 2,545,180 | 2,516,971 | 2,869,108 |
| Notes receivable | 7,352 | 12,722 | 5,383 |
| Accounts receivable | 925,322 | 752,782 | 881,294 |
| Other Receivables | 207,705 | 22,119 | 158,710 |
| Restricted time deposit (including other current assets) | 889 | 899 | 932 |
| Refundable deposits (including other non-current assets) | 10,905 | 12,095 | 12,839 |
| | <u>\$ 4,224,746</u> | <u>\$ 3,892,293</u> | <u>\$ 4,485,047</u> |
| <u>Financial liability</u> | | | |
| Financial liability at fair value through profit or loss | | | |
| Financial liability held for trading | \$ - | \$ - | \$ 7 |
| Financial liabilities at amortized cost | | | |
| Short-term borrowings | 64,767 | 44,370 | 57,150 |
| Notes Payable | - | - | 1,321 |
| Accounts Payable | 455,105 | 483,480 | 578,581 |
| Other Payables | 932,062 | 386,887 | 1,061,418 |
| | <u>\$ 1,451,934</u> | <u>\$ 914,737</u> | <u>\$ 1,698,477</u> |
| Lease liabilities (including current and non-current) | <u>\$ 52,706</u> | <u>\$ 60,242</u> | <u>\$ 75,639</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 management has set up the policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the company's treasury. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD and RMB. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting recognition of costs of purchasing inventories.
- C. The Group uses forward exchange and Cross currency swap 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 other certain subsidiaries' functional currency is USD, SGD, and CNY), it may be affected by exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | | 2020/6/30 | | |
|--|----|------------------------------------|---------------|---------------------|
| | | Foreign currency (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial asset</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 37,303 | 29.63 | \$ 1,105,288 |
| EUR:NTD | | 318 | 33.27 | 10,580 |
| USD:CNY | | 101 | 7.07 | 2,993 |
| USD:SGD | | 281 | 1.40 | 8,326 |
| <u>Financial liability</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 9,326 | 29.63 | \$ 276,329 |
| EUR:NTD | | 286 | 33.27 | 9,515 |
| USD:CNY | | 2,341 | 7.07 | 69,364 |
| USD:SGD | | 441 | 1.40 | 13,067 |

| | | 2019/12/31 | | |
|--|----|------------------------------------|---------------|---------------------|
| | | Foreign currency (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial asset</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 34,447 | 29.98 | \$ 1,032,721 |
| EUR:NTD | | 255 | 33.59 | 8,565 |
| USD:CNY | | 95 | 6.96 | 2,848 |
| USD:SGD | | 550 | 1.35 | 16,489 |
| <u>Financial liability</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 14,617 | 29.98 | \$ 438,218 |
| EUR:NTD | | 300 | 33.59 | 10,077 |
| USD:CNY | | 1,958 | 6.96 | 58,701 |
| USD:SGD | | 411 | 1.35 | 12,322 |

| | | 2019/6/30 | | |
|--|----|------------------------------------|---------------|---------------------|
| | | Foreign currency (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial asset</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 41,080 | 31.06 | \$ 1,275,945 |
| EUR:NTD | | 639 | 35.38 | 22,608 |
| USD:CNY | | 14 | 6.87 | 435 |
| USD:SGD | | 96 | 1.35 | 2,982 |
| <u>Financial liability</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 12,420 | 31.06 | \$ 385,765 |
| EUR:NTD | | 410 | 35.38 | 14,506 |
| USD:CNY | | 2,228 | 6.87 | 69,202 |
| USD:SGD | | 379 | 1.35 | 11,772 |

- 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 June 30, 2020 and 2019, and the six months periods ended June 30, 2020 and 2019, amounted to \$(15,087), \$3,418, \$(7,990) and \$5,719, respectively.
- F. The Group's foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

| | | For the six-month periods ended June 30,2020 | | |
|--|----|--|------------------|--|
| | | 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% | \$ | 11,053 | \$ - |
| EUR:NTD | 1% | | 106 | - |
| USD:CNY | 1% | | 30 | - |
| USD:SGD | 1% | | 83 | - |
| <u>Financial liability</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 2,759 | \$ - |
| EUR:NTD | 1% | | 95 | - |
| USD:CNY | 1% | | 694 | - |
| USD:SGD | 1% | | 131 | - |

| For the six-month periods ended June 30, 2019 | | | | |
|--|---------------------|----|------------------|--|
| Sensitivity analysis | | | | |
| | Extent of change | | Effect on income | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | |
| <u>Financial asset</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 12,759 \$ | - |
| EUR:NTD | 1% | | 226 | - |
| USD:CNY | 1% | | 4 | - |
| USD:SGD | 1% | | 30 | - |
| <u>Financial liability</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 3,858 \$ | - |
| EUR:NTD | 1% | | 145 | - |
| USD:CNY | 1% | | 692 | - |
| USD:SGD | 1% | | 118 | - |

Price risk

- A. The Group's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group mainly invests in equity instruments and open-end funds issued by domestic companies. The value of equity instruments is susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase or decrease of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase or decrease net income for the six-month periods ended June 30, 2020 and 2019 by \$4,807 and \$5,095, respectively. A change of 1% in the price of the aforementioned financial assets at fair value through other comprehensive income could increase or decrease the Group's other comprehensive income for the six-month periods ended June 30, 2020 and 2019, amounted to \$24.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises mainly from long-term and short-term borrowings issued at variable rates, which exposes the Group to cash flow interest rate risk is partially offset by cash and cash equivalents held at variable rates. During the six months periods ended June 30, 2020 and 2019, the Group's borrowings at variable rate 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 six months period ended June 30, 2020 and 2019,

will decrease or increase by \$162 and \$143, 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 June 30, 2020, December 31, 2019 and June 30, 2019, 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: \$478,780 and \$310 as of June 30, 2020, \$489,154 and \$300 as of December 31, 2019, and \$537,017 and \$420 as of June 30, 2019, 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 June 30, 2020, December 31, 2019 and June 30, 2019 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>2020/6/30</u> | | | | | | | |
| Expected loss rate | 0%~1.50% | 0%~5.21% | 0.09%~19.39% | 0.49%~41.97% | 1.42%~65.35% | 100% | |
| Total book value | \$ 321,613 | \$ 95,320 | \$ 31,429 | \$ 8,675 | \$ 1,314 | \$ 19,049 | \$ 477,400 |
| Loss allowance | \$ 254 | \$ 415 | \$ 2,418 | \$ 753 | \$ 655 | \$ 19,049 | \$ 23,544 |
| | 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>2019/12/31</u> | | | | | | | |
| Expected loss rate | 0%~1.50% | 0%~5.21% | 0.09%~19.39% | 0.49%~41.97% | 1.42%~65.35% | 100% | |
| Total book value | \$ 195,463 | \$ 42,910 | \$ 27,288 | \$ 606 | \$ 14,490 | \$ 16,350 | \$ 297,107 |
| Loss allowance | \$ 81 | \$ 169 | \$ 23 | \$ 30 | \$ 7,191 | \$ 16,350 | \$ 23,844 |

| | 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 |
|--------------------|-------------|----------------------------|---------------------|---------------------|---------------------|----------------------|------------|
| 2019/6/30 | | | | | | | |
| Expected loss rate | 0.08%~0.37% | 0.37%~3.47% | 0.12%~14.20% | 0.49%~36.72% | 50% | 100% | |
| Total book value | \$ 273,750 | \$ 39,084 | \$ 19,215 | \$ 14,309 | \$ 3,792 | \$ 16,440 | \$ 366,590 |
| Loss allowance | \$ 40 | \$ 44 | \$ 307 | \$ 596 | \$ 1,678 | \$ 16,005 | \$ 18,670 |

(3) The total book values of the accounts receivable-related parties as of June 30, 2020, December 31, 2019 and June 30, 2019 were \$348, \$3,387 and \$2,160, 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) | |
|---------------------------------|--|-----------|
| | 2020 | 2019 |
| January 1 | \$ 24,144 | \$ 3,777 |
| Write off of impairment loss | 287 | 15,366 |
| Forex effect | (577) | (53) |
| June 30 | \$ 23,854 | \$ 19,090 |

From the loss recognized for the six months periods ended June 30, 2020 and 2019, the impairment losses for accounts receivable arising from customer contracts were \$287 and \$15,366, respectively.

(3) Liquidity risk

- A. Cash flow is forecasted by each of the Group's operating entity and summarized by the finance department. The Group's finance department monitors liquidity forecasting to ensure that it has sufficient funds to meet the operational requirements.
- B. The Group had available borrowing limits of \$578,883, \$532,486 and \$519,384 as of June 30, 2020, December 31, 2019 and June 30, 2019, 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:

| 2020/6/30 | Within 1 year | 1-2 years | 2-5 years |
|-----------------------|---------------|-----------|-----------|
| Short-term borrowings | \$ 64,767 | \$ - | \$ - |
| Accounts Payable | 455,105 | - | - |
| Other Payables | 932,062 | - | - |
| Lease liabilities | 34,673 | 13,106 | 6,665 |
| Provisions | 29,124 | 7,204 | - |

Non-derivative financial liabilities:

| 2019/12/31 | Within 1 year | 1-2 years | 2-5 years |
|-----------------------|---------------|-----------|-----------|
| Short-term borrowings | \$ 44,370 | \$ - | \$ - |
| Accounts Payable | 483,480 | - | - |
| Other Payables | 386,887 | - | - |
| Lease liabilities | 40,702 | 15,971 | 6,037 |
| Provisions | 37,937 | 7,641 | - |

Non-derivative financial liabilities:

| 2019/6/30 | Within 1 year | 1-2 years | 2-5 years |
|-----------------------|---------------|-----------|-----------|
| Short-term borrowings | \$ 57,150 | \$ - | \$ - |
| Notes Payable | 1,321 | - | - |
| Accounts Payable | 578,581 | - | - |
| Other Payables | 1,061,418 | - | - |
| Lease liabilities | 46,978 | 25,063 | 7,394 |
| Provisions | 37,876 | 9,222 | - |

Derivative financial liabilities:

| 2019/6/30 | Within 1 year | 1-2 years | 2-5 years |
|----------------------------|---------------|-----------|-----------|
| Forward exchange contracts | \$ 7 | \$ - | \$ - |

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 identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates with quoted market prices is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The OTC stocks and the fair value of derivative financial instruments invested by the Group is included in Level 2.
- Level 3: Inputs for the asset or liability that are not based on observable market data. This includes equity instruments of non-active markets invested by the Group.

2. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, restricted deposit (classified in the balance sheet as other current asset), refundable deposits, (classified in the balance sheet as other non-current asset), short-term borrowings, notes payable, accounts payable, other payables and lease liabilities are

reasonable approximate to the fair values.

3. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(1) The related information of the nature of the assets and liabilities is as follows:

| 2020/6/30 | <u>1st Level</u> | <u>2nd Level</u> | <u>3rd Level</u> | <u>Total</u> |
|--|-------------------|------------------|------------------|-------------------|
| Asset | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 422,352 | \$ 6,051 | \$ 52,290 | \$ 480,693 |
| Beneficiary certificates | 33,364 | - | - | 33,364 |
| Hybrid instruments | - | - | 10,955 | 10,955 |
| Financial asset at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 2,381 | 2,381 |
| Total | <u>\$ 455,716</u> | <u>\$ 6,051</u> | <u>\$ 65,626</u> | <u>\$ 527,393</u> |
| | | | | |
| 2019/12/31 | <u>1st Level</u> | <u>2nd Level</u> | <u>3rd Level</u> | <u>Total</u> |
| Asset | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 468,068 | \$ 5,244 | \$ 54,318 | \$ 527,630 |
| Beneficiary certificates | 33,512 | - | - | 33,512 |
| Derivatives | | | | |
| - Forward exchange contracts | - | 77 | - | 77 |
| - Cross currency swap | - | 177 | - | 177 |
| Hybrid instrument | - | - | 10,928 | 10,928 |
| Financial asset at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 2,381 | 2,381 |
| Total | <u>\$ 501,580</u> | <u>\$ 5,498</u> | <u>\$ 67,627</u> | <u>\$ 574,705</u> |

| 2019/6/30 | <u>1st Level</u> | <u>2nd Level</u> | <u>3rd Level</u> | <u>Total</u> |
|--|-------------------|------------------|------------------|-------------------|
| Asset | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Net loss (gains) from financial assets and liabilities | | | | |
| Equity securities | \$ 476,708 | \$ 5,400 | \$ 27,385 | \$ 509,493 |
| Beneficiary securities | 33,343 | - | - | 33,343 |
| Derivatives | | | | |
| - Forward exchange contracts | - | 144 | - | 144 |
| - Cross currency swap | - | 9 | - | 9 |
| Hybrid instrument | - | - | 11,411 | 11,411 |
| Financial asset at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 2,381 | 2,381 |
| Total | <u>\$ 510,051</u> | <u>\$ 5,553</u> | <u>\$ 41,177</u> | <u>\$ 556,781</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivatives | | | | |
| - Forward exchange contracts | \$ - | \$ 7 | \$ - | \$ 7 |
| Total | <u>\$ -</u> | <u>\$ 7</u> | <u>\$ -</u> | <u>\$ 7</u> |

- (2) The Group's approaches and assumptions for fair value measurement are as follows:
- A. The Group adopts quoted prices as inputs used to measure fair value (1st level), which are classified as follows based on the characteristics of the financial instruments:

| | <u>Listed and OTC stocks</u> | <u>Open-end funds</u> |
|---------------------|------------------------------|-----------------------|
| Market quoted price | Closing prices | Net asset value |

- B. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- C. The Group adopts valuation techniques widely used by market participants for evaluating non-standardized and less complex financial instruments. The parameters used in the valuation models of such financial instruments are usually market observable information.
- D. The evaluation of derivatives is based on the valuation model generally accepted by market users, such as the discount method. Forward exchange contracts are usually evaluated based on the current forward exchange rates.
- E. The output of the evaluation model is an estimated value, and the valuation technique may not reflect all the relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted based on additional parameters, such as the model risk or liquidity risk. According to the Group's management policies of fair value valuation model and related control procedures, its management believes that valuation adjustments are appropriate and necessary for the fair values of financial and non-financial instruments to be presented fairly in the consolidated balance

sheet. The price information and parameters used in the evaluation process are carefully evaluated, with appropriate adjustments according to current market conditions.

4. For the six-month periods ended June 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.
5. Movements on Level 3 for the six-month periods ended June 30, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------------|---------------------------|
| | <u>Equity instruments</u> | <u>Equity instruments</u> |
| January 1 | \$ 67,627 | \$ 49,751 |
| Recognized in profit (loss) (Note 1) | (2,001) | (605) |
| Recognized in other comprehensive income (loss) (Note 2) | - | (7,969) |
| June 30 | <u>\$ 65,626</u> | <u>\$ 41,177</u> |

Changes in unrealized gains or losses on assets and liabilities owned at the end of the period (\$ 2,001) (\$ 605)

Note 1: Recognized as other gains (losses).

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

6. There was no transfer into or out from Level 3 for the six-month periods ended June 30, 2020 and 2019.
7. The financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and any other necessary adjustments to the fair value.

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

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

| | 2020/6/30 Fair value | Valuation technique | Significant and unobservable input | Range (weighted average) | Relationship between input and fair value |
|-----------------------------|--------------------------|-----------------------------|---|--------------------------------|--|
| <u>Equity instruments:</u> | | | | | |
| Unlisted and non-OTC stocks | \$ 32,930 | Net asset value approach | Not applicable | Not applicable | The higher the net assets value, the higher the fair value |
| Unlisted and non-OTC stocks | 21,741 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| <u>Hybrid instrument:</u> | | | | | |
| Unlisted and non-OTC stocks | 40,929 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Embedded option (| 29,974) | Options pricing model | Price volatility | Not applicable | The higher the net assets value, the higher the fair value |
| | 2019/12/31 Fair value | Valuation technique | Significant and unobservable input | Range (weighted average) | Relationship between input and fair value |
| <u>Equity instruments:</u> | | | | | |
| Unlisted and non-OTC stocks | \$ 34,958 | Net asset value approach | Not applicable | Not applicable | The higher the net assets value, the higher the fair value |
| Unlisted and non-OTC stocks | 21,741 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| <u>Hybrid instrument:</u> | | | | | |
| Unlisted and non-OTC stocks | 49,695 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Embedded option (| 38,767) | Options pricing model | Price volatility | Not applicable | The higher the net assets value, the higher the fair value |

| | 2019/6/30 Fair value | Valuation technique | Significant and unobservable input | Range (weighted average) | Relationship between input and fair value |
|-----------------------------|-------------------------|-----------------------------|---|--------------------------------|--|
| <u>Equity instruments:</u> | | | | | |
| Unlisted and non-OTC stocks | \$ 1,089 | Net asset value approach | Not applicable | Not applicable | The higher the net assets value, the higher the fair value |
| Unlisted and non-OTC stocks | 28,677 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| <u>Hybrid instrument:</u> | | | | | |
| Unlisted and non-OTC stocks | 13,543 | Discounted Cash Flow method | Note 1 | Not applicable | Note 2 |
| Embedded option | (2,132) | Options pricing model | Price volatility | Not applicable | The higher the net assets value, the higher the fair value |

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

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

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

XIII. Disclosures

(1) Information on significant transactions

- A. Financing provided: Please refer to schedule 1.
- 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 2.
- 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 3.

- H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to schedule 4.
- 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 5.

(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 6.

(3) Information on investments in China

- A. Information on investment in mainland China: Please refer to Schedule 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Schedule 5.

(4) Information of major shareholders

Name and information of shareholders with more than 5% shareholding interest: Please refer to Schedule 8.

XIV. Segment information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information in this period

(2) Measurement of segment information

The Group uses the revenue and pre-tax profit or loss as the measurement for operating segment profit and the basis of performance assessment. The accounting policies of the operating segments and the accounting policies described in Note 4 of the consolidated financial statements are the same.

(3) Segment information

Segment information provided to the chief operating decision-maker for the reportable segments is as follows:

| | <u>For the six-month periods ended June 30,2020</u> | | | |
|----------------------------------|---|-------------------|-----------------------|---------------------|
| | <u>IPC</u> | <u>Medical PC</u> | <u>Elimination</u> | <u>Total</u> |
| Revenue from external customers | \$ 2,394,370 | \$ 606,156 | \$ - | \$ 3,000,526 |
| Revenue from internal segments | 112,200 | 13,576 | (125,776) | - |
| Segment revenue | <u>\$ 2,506,570</u> | <u>\$ 619,732</u> | <u>(\$ 125,776)</u> | <u>\$ 3,000,526</u> |
| Segment profit or loss | <u>\$ 230,407</u> | <u>\$ 74,492</u> | <u>\$ -</u> | <u>\$ 304,899</u> |
| Segment profit or loss includes: | | | | |
| Depreciation and amortization | <u>\$ 41,215</u> | <u>\$ 13,527</u> | <u>\$ -</u> | <u>\$ 54,742</u> |

| | For the six-month periods ended June 30, 2019 | | | |
|----------------------------------|---|-------------------|-----------------------|---------------------|
| | IPC | Medical PC | Elimination | Total |
| Revenue from external customers | \$ 2,311,890 | \$ 833,993 | \$ - | \$ 3,145,883 |
| Revenue from internal segments | 134,098 | 3,007 | (137,105) | - |
| Segment revenue | <u>\$ 2,445,988</u> | <u>\$ 837,000</u> | <u>(\$ 137,105)</u> | <u>\$ 3,145,883</u> |
| Segment profit or loss | <u>\$ 267,674</u> | <u>\$ 189,054</u> | <u>\$ -</u> | <u>\$ 456,728</u> |
| Segment profit or loss includes: | | | | |
| Depreciation and amortization | <u>\$ 38,019</u> | <u>\$ 14,088</u> | <u>\$ -</u> | <u>\$ 52,107</u> |

Note 1: The intra-segment revenues have been eliminated to \$0.

Note 2: Because the Group's segment assets are not provided to the chief operating decision-marker, such items are not required to be disclosed.

(4) Adjustment information on segment profit or loss

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

AAEON Technology Inc. and Subsidiaries
 FINANCING PROVIDED
 FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

Schedule 1

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

| Serial No. (Note 1) | Financing Company | Counter-party | Financial Statement Account | Related party | Maximum Balance for the Period (Note 4) | Ending balance (Note 4) | Amount Actually Drawn | Interest rate (%) | Nature for Financing (Note 2) | Transacton amounts (Note 3) | Reasons for financing | Loss allowance | Collateral | | Financing Limits for Each Borrowing Company (Note 3) | Financing Company's Total Financing Amount Limits (Note 3) | Remarks |
|------------------------|--------------------------------|---|-----------------------------------|------------------|--|-----------------------------|-----------------------------|-------------------------|--|-----------------------------------|--------------------------|-------------------|------------|-------|---|--|---------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | ONYX HEALTH CARE INC. | ONYX HEALTH CARE (SHANGHAI) LTD. | Other Receivables | Y | \$ 4,083 (USD138 thousand) | \$ - (USD 0 thousand) | \$ - (USD 0 thousand) | 5.756 | 2 | \$ - | Operating cycle | \$ - | - | \$ - | \$93,429 | \$373,715 | None |

Note 1: Serial No. is filled in as follows:

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

Note 2: The nature of loaning funds shall fill in the business transactions or short-term financing facility.

- (1) Business transactions.
- (2) Necessary for short-term financing facility.

Note 3: The total financing amount shall not exceed 40 percent of the lending company's net worth in the most recent CPA audit report or reviewed financial statements. Authorization for loans extended to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company. Loans for business transactions shall not exceed the amount of business transactions between the two parties in the most recent year. The amount of business transaction refers to the amount of purchases or sales between the two parties, whichever is higher

Note 4: Foreign currencies involved in this schedule is converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries

MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

JUNE 30, 2020

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

Schedule 2

| Holding company | Marketable securities type and name | | | Financial Statement Account | 2020/6/30 | | | | |
|-----------------------------|-------------------------------------|----------------------------------|--|--|-----------|------------------------|-----------------------------|------------|---------|
| | 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 | \$ 26,399 | - | \$ 26,399 | None |
| " | Stock | Advantech Co.,Ltd. | " | " | 730 | 216 | - | 216 | " |
| " | " | MACHVISION,INC. | Other related party - the Company's Chairman as a director | " | 1,180,198 | 367,632 | 2.64 | 367,632 | " |
| " | " | ATECH OEM INC. | " | " | 234 | 2 | - | 2 | " |
| " | " | Unitech Electronics Co., Ltd. | None | " | 549,600 | 9,370 | 1.17 | 9,370 | " |
| " | " | 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 | 6,051 | 0.32 | 6,051 | " |
| " | " | 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 | 10,955 | 14.50 | 10,955 | Note 3 |
| AAEON INVESTMENT, CO., LTD. | Fund | HSBC Global Income Bond Fund | " | Financial assets at fair value through profit or loss - current | 555,078 | 6,965 | - | 6,965 | None |
| " | Stock | ATECH OEM INC. | Other related party - the Company's Chairman as a director | " | 3,456,000 | 37,498 | 6.02 | 37,498 | " |
| " | " | Mutto Optronics Co. | None | " | 310,000 | 1,804 | 0.68 | 1,804 | " |
| " | " | Sunengine Co., Ltd. | Other related party - the Company's Chairman as a director | " | 156,903 | 1,089 | 2.75 | 1,089 | " |
| ONYX HEALTHCARE INC. | " | MACHVISION,INC. | " | " | 18,716 | 5,830 | 0.04 | 5,830 | " |
| " | " | INNO FUND III | None | Financial assets at fair value through profit or loss - non-current | 3,000,000 | 31,841 | 13.04 | 31,841 | " |
| " | " | 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.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX -MONTH PERIOD ENDED JUNE 30, 2020

Schedule 3

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

| Company Name | Related Party | Nature of Relationship | Purchase (sales) | Transaction | | | Payment terms | Unit Price | Payment terms | Accounts and notes receivable (payable) | | Note |
|---------------------------|--------------------------------|------------------------|------------------|-------------|--|--|---------------|------------|---------------|---|--|------|
| | | | | Amount | Percentage to total purchase (sales) (%) | Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note) | | | | Ending Balance | Percentage to total accounts and notes receivable or payable (%) | |
| AAEON Technology Inc. | ASUSTEK COMPUTER INC | Parent | Purchases | \$ 509,286 | 34.10 | month-end 30 days | - | - | (\$ 76,507) | (23.09) | | |
| " | AAEON ELECTRONICS, INC. | Subsidiary | (Sales) | (503,634) | (23.44) | month-end 60 days | - | - | 144,102 | 21.64 | | |
| " | AAEON TECHNOLOGY (EUROPE) B.V. | " | " | (220,630) | (10.27) | " | - | - | 98,376 | 14.77 | | |
| | AAEON TECHNOLOGY (SUZHOU) INC. | " | " | (158,793) | (7.39) | " | - | - | 60,616 | 9.10 | | |
| ONYX HEALTHCARE INC. | ONYX HEALTHCARE USA, INC. | " | " | (141,023) | (28.29) | month-end 90 days | - | - | 91,317 | 42.96 | | |
| ONYX HEALTHCARE USA, INC. | AAEON Technology Inc. | Parent | Purchases | 69,044 | 31.62 | month-end 60 days | - | - | (18,698) | (16.81) | | |

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

AAEON Technology Inc. and Subsidiaries

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

JUNE 30, 2020

Schedule 4

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

| Company Name | Related Party | Nature of Relationship | Ending balance (Note 1) | Turnover (%) | Overdue | | Amounts Received in Subsequent Period | Loss allowance |
|-----------------------|---------------------------|------------------------|-------------------------|--------------|---------|--------------|---------------------------------------|----------------|
| | | | | | Amount | Action taken | | |
| AAEON Technology Inc. | AAEON ELECTRONICS, INC. | Subsidiary | \$ 144,102 | 7.99 | \$ - | - | \$ - | \$ - |
| ONYX HEALTHCARE INC. | ONYX HEALTHCARE USA, INC. | " | 91,317 | 4.67 | - | - | - | - |

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 SIX-MONTH PERIOD ENDED JUNE 30, 2020

Schedule 5

(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 | \$ 503,634 | month-end 60 days | 16.78 |
| " | " | " | 1 | Accounts receivable | 144,102 | " | 1.45 |
| " | " | AAEON TECHNOLOGY (EUROPE) B.V. | 1 | Net sales | 220,630 | " | 7.35 |
| " | " | AAEON TECHNOLOGY (SUZHOU) INC. | 1 | Net sales | 158,793 | " | 5.29 |
| 1 | ONYX HEALTHCARE INC. | ONYX HEALTHCARE USA, INC. | 3 | Net sales | 141,023 | month-end 90 days | 4.70 |

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

(1) Parent company is numbered 0.

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

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

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

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

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

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

AAEON Technology Inc. and Subsidiaries
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

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

Schedule 6

| Name of investor | Name of investee | Location | Main businesses and products | Original Investment | | Balance as of June 30,2020 | | | Investee profit or loss for the period (Note 2) | Profits or losses on investment recognized for the period (Note 2) | Remarks |
|--------------------------------|-------------------------------------|------------------------|--|---------------------|------------|----------------------------|-------------------|--------------------|---|---|---------|
| | | | | 2020/6/30 | 2019/12/31 | Shares | Percentage (%) | Carrying Amount | | | |
| AAEON Technology Inc. | AAEON ELECTRONICS, INC. | USA | Sales of IPC and PC peripherals | \$ 145,187 | \$ 146,902 | 490,000 | 100.00 | \$ 192,609 | \$ 11,508 | \$ 11,533 | |
| " | AAEON TECHNOLOGY CO.,LTD | British Virgin Islands | Investment of IPC and interface card | 260,954 | 264,037 | 8,807,097 | 100.00 | 190,307 | (11,260) | (11,349) | |
| " | AAEON TECHNOLOGY (EUROPE) B.V. | Netherlands | Sales of IPC and PC peripherals | 3,327 | 3,359 | - | 100.00 | 49,254 | 9,159 | 9,159 | |
| " | AAEON TECHNOLOGY SINGAPORE PTE.LTD. | Singapore | Sales of IPC and PC peripherals | 12,390 | 12,998 | 465,840 | 100.00 | 38,133 | 1,013 | 1,013 | |
| " | AAEON INVESTMENT, CO., LTD. | Taiwan | Investment of IPC and PC peripherals | 150,000 | 150,000 | 15,000,000 | 100.00 | 110,929 | 42 | 42 | |
| " | ONYX HEALTHCARE INC. | " | Design, manufacture and sales of medical PC | 73,358 | 73,358 | 11,005,145 | 50.00 | 454,917 | 60,580 | 30,266 | |
| " | LITEMAX ELECTRONICS INC. | " | Sales of PC peripherals | 70,218 | 70,218 | 5,015,050 | 12.01 | 100,983 | 64,894 | 7,821 | |
| " | IBASE TECHNOLOGY INC. | " | Manufacturing and sales of industrial motherboards | 3,498,501 | 3,498,501 | 52,921,856 | 30.79 | 3,270,097 | 43,454 | (23,545) | |
| AAEON TECHNOLOGY (EUROPE) B.V. | AAEON TECHNOLOGY GMBH | Germany | Sales of IPC and PC peripherals | 998 | 1,008 | - | 100.00 | 17,777 | 264 | - | 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 JUNE 30, 2020

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

Schedule 6

| Name of investor | Name of investee | Location | Main businesses and products | Original Investment | | Balance as of June 30, 2020 | | | Investee profit or loss for the period (Note 2) | Profits or losses on investment recognized for the period (Note 2) | Remarks |
|----------------------|-----------------------------|-------------|--|---------------------|------------|-----------------------------|----------------|-----------------|---|--|---------|
| | | | | 2020/6/30 | 2019/12/31 | Shares | Percentage (%) | Carrying Amount | | | |
| ONYX HEALTHCARE INC. | ONYX HEALTHCARE USA, INC. | USA | Sales of medical PC and peripherals | \$ 59,260 | \$ 59,960 | 200,000 | 100.00 | \$ 62,939 | (\$ 14,234) | - | Note1 |
| " | ONYX HEALTHCARE EUROPE B.V. | Netherlands | Marketing support and maintenance of medical PC and peripherals | 3,327 | 3,359 | 100,000 | 100.00 | 11,997 | 789 | - | " |
| " | IHELPER INC. | Taiwan | R&D and sales of medical robots | 16,560 | 16,560 | 1,656,000 | 46.00 | 8,315 | (4,296) | - | " |
| " | WINMATE INC. | " | Bid quotations, distributions and sales of LCD application equipment and modules | 528,534 | 510,248 | 9,711,000 | 13.45 | 508,338 | 110,142 | - | " |

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 June 30, 2020, 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 SIX-MONTH PERIOD ENDED JUNE 30, 2020

Schedule 7

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

| Investee Company | Main Businesses | Total Amount of Paid-in Capital | Methods of investment (Note 1) | Beginning Balance of Accumulated Outflow of Investment from Taiwan | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of June 30, 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 June 30, 2020 | Accumulated Inward Remittance of Earnings as of June 30, 2020 | Remarks |
|--------------------------------|---|---|--|--|------------------|--------|---|--|---|--|-------------------------------------|---|---------|
| | | | | | Outflow | Inflow | | | | | | | |
| AAEON TECHNOLOGY (SUZHOU) INC. | Production and sales of IPC and interface card | \$ 257,493 | 2 | \$ 257,493 | \$ - | \$ - | \$ 257,493 | (\$ 11,203) | 100% | (\$ 11,203) | \$ 199,438 | \$ - | |
| ONYX HEALTHCARE (SHANGHAI) LTD | Sales of medical PC and peripherals | 59,260 | 1 | 59,260 | - | - | 59,260 | (1,508) | 100% | (1,508) | 5,938 | - | |
| <u>Company Name</u> | <u>Ending Balance of Accumulated Investment in Mainland China</u> | <u>Investment Amounts Authorized by Investment Commission, MOEA</u> | <u>Upper Limit on Investment Authorized by Investment Commission, MOEA</u> | | | | | | | | | | |
| AAEON Technology Inc. | \$ 257,493 | \$ 257,493 | \$ 4,815,398 | | | | | | | | | | |
| Onyx Technology Inc. | 59,260 | 59,260 | 566,429 | | | | | | | | | | |

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 June 30, 2020, 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

JUNE 30, 2020

Schedule 8

| Name of major shareholder | Shares | |
|---------------------------------|--------------------|---------------|
| | Total Shares Owned | Ownership (%) |
| ASUSTEK COMPUTER INC. | 43,756,000 | 29.47 |
| IBASE TECHNOLOGY INC. | 41,698,468 | 28.08 |
| Yung-Shun Chuang | 19,664,000 | 13.24 |
| HUA-CHENG VENTURE CAPITAL CORP. | 8,359,000 | 5.63 |
| HUA-MIN INVESTMENT CO., LTD. | 8,359,000 | 5.63 |

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