

AAEON Technology Inc and Subsidiaries  
Consolidated Financial Statements  
With Independent Auditor's Review Report Thereon  
September 30, 2021 and 2020  
(Stock Code: 6579)

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

AAEON Technology Inc. and Subsidiaries  
Consolidated Financial Statements  
With Independent Auditor's Review Report Thereon September 30, 2021 and 2020

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

## **Introduction**

We have reviewed the accompanying consolidated balance sheets of AAEON Technology Inc. and subsidiaries (the "Group") as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month periods ended September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020, as well as the consolidated statement of changes in equity and cash flows for the nine-month periods ended September 30, 2021 and 2020, 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 \$593,557 thousand and \$743,625 thousand as of September 30, 2021 and 2020, and accounted for 6% and 8% of consolidated total assets, respectively; they also represented \$88,706 thousand and \$120,678 thousand of total liabilities, which accounted for 5% and 10% of consolidated total liabilities, respectively, and total comprehensive income (loss) amounting to \$5,392 thousand, \$26,787 thousand, \$9,166 thousand, and \$12,862 thousand, constituting 6%, 25%, 6% and 4% of consolidated total comprehensive income (loss) for the three-month periods ended September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020, respectively. These amounts and the related information disclosed in the accompanying consolidated financial statements were based on the unreviewed financial statements of consolidated subsidiaries.

## **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 September 30, 2021 and 2020, and of its consolidated financial performance for the three-month periods ended September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020 and its consolidated cash flow for the nine-month periods ended September 30, 2021 and 2020, except for the matters discussed in the "Basis for qualified conclusion" paragraph and potential adjustments to the consolidated financial statements if financial statements of non-significant subsidiaries were to be auditor-reviewed.

## **Other matter – Reference to the reviews of other independent auditors**

We did not review the financial statements of certain investments accounted for under equity method. Those financial statements were reviewed by other independent auditors whose reports thereon have been furnished to us and our conclusion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors. These investments accounted for under equity method amounted to \$3,875,552 thousand and \$3,946,218 thousand as of September 30, 2021 and 2020, which accounted for 40% and 42% of consolidated total assets on the respective dates; total comprehensive income recognized from the above companies amounted to \$10,288 thousand, \$9,984 thousand, \$33,946 thousand and \$2,063 thousand, constituting 11%, 9%, 22% and 1% of consolidated comprehensive income for the three-month periods ended September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020, respectively.

PwC Taiwan

Certified Public Accountant

Weng, Shih-Rong

Lin, Chun-Yao

(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

November 6, 2021

### **Notes to Readers**

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

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

  
**AAEON Technology Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**September 30, 2021, December 31, 2020 and September 30, 2020**  
 (The consolidated balance sheets as of September 30, 2021 and 2020, were reviewed, not audited)  
 (Expressed in thousands of New Taiwan Dollars)

Assets	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		Amount	%	Amount	%	Amount	%	
<b>Current asset</b>								
1100	Cash and cash equivalents	6. (1)	\$ 1,956,573	20	\$ 2,727,931	28	\$ 2,375,337	25
1110	Financial asset at fair value	6. (2)						
	through profit or loss - current		367,513	4	456,957	5	443,509	5
1150	Net notes receivable	6. (4)	13,828	-	16,870	-	22,114	-
1170	Net accounts receivable	6. (4)	778,897	8	661,456	7	723,151	8
1200	Other receivables		46,654	-	21,773	-	22,699	-
130X	Inventories	6. (5)	1,467,279	15	826,311	9	976,683	10
1410	Prepayments		102,975	1	67,079	1	60,615	1
1479	Other current assets - other	8	1,976	-	15,467	-	3,229	-
11XX	<b>Total current assets</b>		<u>4,735,695</u>	<u>48</u>	<u>4,793,844</u>	<u>50</u>	<u>4,627,337</u>	<u>49</u>
<b>Non-current assets</b>								
1510	Financial asset at fair value	6. (2)						
	through profit or loss -							
	non-current		64,927	1	68,639	1	68,745	1
1517	Financial asset at fair value	6. (3)						
	through other comprehensive							
	income - non-current		32,381	-	2,381	-	2,381	-
1550	Investments accounted for	6. (6)						
	under equity method		3,875,552	40	3,969,157	41	3,946,218	42
1600	Property, plant and equipment	6. (7), 8	796,248	8	564,531	6	570,857	6
1755	Right-of-use assets	6. (8)	84,111	1	33,139	-	44,598	-
1760	Investment property		81,184	1	54,057	1	54,009	1
1780	Intangible assets		18,091	-	24,669	-	23,407	-
1840	Deferred tax assets		62,931	1	50,626	1	58,788	1
1900	Other non-current assets	8	16,001	-	16,075	-	11,802	-
15XX	<b>Total non-current assets</b>		<u>5,031,426</u>	<u>52</u>	<u>4,783,274</u>	<u>50</u>	<u>4,780,805</u>	<u>51</u>
1XXX	<b>Total Assets</b>		<u>\$ 9,767,121</u>	<u>100</u>	<u>\$ 9,577,118</u>	<u>100</u>	<u>\$ 9,408,142</u>	<u>100</u>

(Continued)

  
**AAEON Technology Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**September 30, 2021, December 31, 2020 and September 30, 2020**  
 (The consolidated balance sheets as of September 30, 2021 and 2020, were reviewed, not audited)  
 (Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		Amount	%	Amount	%	Amount	%	
<b>Current liability</b>								
2100	Short-term borrowings	6. (9), 8	\$ 118,507	1	\$ 38,875	1	\$ 62,736	1
2130	Contract Liability - Current	6. (18)	253,973	3	174,971	2	133,212	2
2150	Notes payables		-	-	725	-	-	-
2170	Accounts payables	7	549,453	6	327,414	4	401,202	4
2200	Other payables	6. (12), 7	337,288	4	385,235	4	337,240	4
2230	Current tax liabilities		70,637	1	86,916	1	76,154	1
2250	Provisions for liabilities - current		25,927	-	27,366	-	29,371	-
2280	Lease liability - current		27,465	-	20,509	-	28,066	-
2320	Long-term liabilities-current	6. (11), 8						
	Portion		10,717	-	-	-	-	-
2399	Other current liabilities - other		30,987	-	26,709	-	28,923	-
21XX	<b>Total current liabilities</b>		<u>1,424,954</u>	<u>12</u>	<u>1,088,720</u>	<u>12</u>	<u>1,096,904</u>	<u>12</u>
<b>Non-current liabilities</b>								
2527	Contract liability - non-current	6. (18)	51,065	-	59,844	1	63,508	1
2540	Long-term borrowings	6. (11), 8	157,740	2	-	-	-	-
2550	Provisions - non-current		6,828	-	7,369	-	6,778	-
2570	Deferred tax liabilities		35,165	-	33,389	-	26,028	-
2580	Lease liability - non-current		58,537	1	13,560	-	17,188	-
2670	Other non-current liabilities - other		3,283	-	1,783	-	1,354	-
25XX	<b>Total non-current liabilities</b>		<u>312,618</u>	<u>3</u>	<u>115,945</u>	<u>1</u>	<u>114,856</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>		<u>1,737,572</u>	<u>18</u>	<u>1,204,665</u>	<u>13</u>	<u>1,211,760</u>	<u>13</u>
<b>Equity</b>								
<b>Equity attributable to owners of parent</b>								
<b>Share capital</b>								
3110	Share capital-common stock	6. (15)	1,484,985	15	1,484,985	16	1,484,985	16
<b>Capital surplus</b>								
3200	Capital surplus	6. (14) (16)	5,419,039	55	5,473,802	56	5,453,781	57
<b>Retained earnings</b>								
3310	Legal reserve	6. (17)	425,624	4	387,553	4	387,553	4
3320	Special reserve		53,278	1	63,315	1	63,315	1
3350	Unappropriated retained earnings		233,911	3	484,744	5	370,164	4
<b>Other Equity</b>								
3400	Other equity		(70,374)	(1)	(53,278)	-	(60,363)	-
31XX	<b>Total equity attributable to owners of parent</b>		<u>7,546,463</u>	<u>77</u>	<u>7,841,121</u>	<u>82</u>	<u>7,699,435</u>	<u>82</u>
36XX	<b>Non-controlling interests</b>	4. (3)	<u>483,086</u>	<u>5</u>	<u>531,332</u>	<u>5</u>	<u>496,947</u>	<u>5</u>
3XXX	<b>Total equity</b>		<u>8,029,549</u>	<u>82</u>	<u>8,372,453</u>	<u>87</u>	<u>8,196,382</u>	<u>87</u>
<b>Material Contingent Liabilities and Unrecognized Contractual Commitments</b>								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 9,767,121</u>	<u>100</u>	<u>\$ 9,577,118</u>	<u>100</u>	<u>\$ 9,408,142</u>	<u>100</u>

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

Chairman: Yung-Shun Chuang

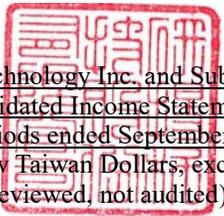


Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang



  
**AAEON Technology Inc. and Subsidiaries**  
**Consolidated Income Statement**  
**For the nine-month periods ended September 30, 2021 and 2020**  
 (Expressed in thousands of New Taiwan Dollars, except earnings per share data)  
 (Reviewed, not audited)

Item	Notes	For the three-month periods ended September 30,				For the nine-month periods ended September 30,				
		2021		2020		2021		2020		
		Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating income</b>	6. (18), 7	\$ 1,559,749	100	\$ 1,486,895	100	\$ 4,231,020	100	\$ 4,487,421	100
5000	<b>Operating cost</b>	6. (5)(22)								
		(23), 7.	( 1,109,076)	( 71)	( 1,040,934)	( 70)	( 3,027,409)	( 72)	( 3,056,738)	( 68)
5900	<b>Operating profit</b>		450,673	29	445,961	30	1,203,611	28	1,430,683	32
	<b>Operating expenses</b>	6. (13)(22)(23), 7.								
6100	Selling expense		( 124,798)	( 8)	( 138,485)	( 9)	( 368,927)	( 9)	( 434,631)	( 10)
6200	General and administrative expenses		( 72,345)	( 5)	( 61,272)	( 4)	( 218,772)	( 5)	( 190,358)	( 4)
6300	Research and development expenses		( 113,964)	( 7)	( 116,069)	( 8)	( 358,609)	( 8)	( 351,883)	( 8)
6450	Expected credit impairment loss or (gain)	12. (2)	( 2,210)	-	6,987	-	( 1,970)	-	6,700	-
6000	<b>Total operating expense</b>		( 313,317)	( 20)	( 308,839)	( 21)	( 948,278)	( 22)	( 970,172)	( 22)
6900	<b>Operating income</b>		137,356	9	137,122	9	255,333	6	460,511	10
	<b>Non-operating income and expenses</b>									
7100	Interest income		1,314	-	1,247	-	3,749	-	5,669	-
7010	Other income	6. (19)	14,171	1	3,273	-	26,300	-	22,384	-
7020	Other gains and losses	6. (20)	( 40,114)	( 2)	( 18,994)	( 1)	( 93,052)	( 2)	( 58,429)	( 1)
7050	Financial costs	6. (21)	( 1,245)	-	( 958)	-	( 3,076)	-	( 2,676)	-
7060	Share of the profit of associates and joint ventures accounted for under equity method	6. (6)	17,265	1	( 8,268)	-	38,276	1	( 9,138)	-
7000	<b>Total non-operating income and expenses</b>		( 8,609)	-	( 23,700)	( 1)	( 27,803)	( 1)	( 42,190)	( 1)
7900	<b>Profit (loss) before income tax</b>		128,747	9	113,422	8	227,530	5	418,321	9
7950	Income tax expenses	6. (24)	( 27,221)	( 2)	( 23,469)	( 2)	( 53,023)	( 1)	( 103,748)	( 2)
8200	<b>Profit for the period</b>		\$ 101,526	7	\$ 89,953	6	\$ 174,507	4	\$ 314,573	7

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**AAEON Technology Inc. and Subsidiaries**  
**Consolidated Income Statement**  
**For the nine-month periods ended September 30, 2021 and 2020**  
 (Expressed in thousands of New Taiwan Dollars, except earnings per share data)  
 (Reviewed, not audited)

Item	Notes	For the three-month periods ended				For the nine-month periods ended				
		September 30,		September 30,		September 30,		September 30,		
		2021	2020	2021	2020	2021	2020	2021	2020	
		Amount	%	Amount	%	Amount	%	Amount	%	
<b>Other comprehensive income</b>										
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>										
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method - not to be reclassified to profit or loss in subsequent periods	6. (6)	(\$ 4,885)	( 1)	\$ 18,263	1	(\$ 508)	-	\$ 16,857	-
8310	<b>Total amount not to be reclassified to profit or loss in subsequent periods</b>		( 4,885)	( 1)	18,263	1	( 508)	-	16,857	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>										
8361	Financial statements translation differences of foreign operations		( 2,523)	-	156	-	( 17,891)	-	( 11,352)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method - to be reclassified to profit or loss	6. (6)	( 2,092)	-	( 11)	-	( 3,822)	-	( 5,656)	-
8399	Income tax relating to the components of other comprehensive income	6. (24)	509	-	( 77)	-	3,578	-	2,270	-
8360	<b>Total amount to be reclassified to profit or loss in subsequent periods</b>		( 4,106)	-	68	-	( 18,135)	-	( 14,738)	-
8500	<b>Total comprehensive income</b>		\$ 92,535	6	\$ 108,284	7	\$ 155,864	4	\$ 316,692	7
<b>Profit attributable to:</b>										
8610	Shareholders of the parent		\$ 93,671	6	\$ 71,013	5	\$ 149,916	3	\$ 267,666	6
8620	Non-controlling interests		7,855	1	18,940	1	24,591	1	46,907	1
			\$ 101,526	7	\$ 89,953	6	\$ 174,507	4	\$ 314,573	7
<b>Total comprehensive income (loss) attributable to:</b>										
8710	Shareholders of the parent		\$ 85,205	6	\$ 89,089	6	\$ 132,820	3	\$ 270,618	6
8720	Non-controlling interests		7,330	-	19,195	1	23,044	1	46,074	1
			\$ 92,535	6	\$ 108,284	7	\$ 155,864	4	\$ 316,692	7
<b>Basic earnings (loss) per share</b>										
9750	<b>Total basic earnings (loss) per share</b>	6. (25)	\$	0.88	\$	0.66	\$	1.40	\$	2.51
<b>Diluted earnings (loss) per share</b>										
9850	<b>Total diluted earnings (loss) per share</b>	6. (25)	\$	0.87	\$	0.66	\$	1.40	\$	2.49

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

Chairman: Yung-Shun Chuang



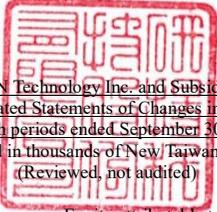
Manager: Chien-Hung Lin

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Accounting Supervisor: Jen-Chung Wang



  
 AAEON Technology Inc. and Subsidiaries  
 Consolidated Statements of Changes in Equity  
 For the nine-month periods ended September 30, 2021 and 2020  
 (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	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 nine-month period ended September 30, 2020</u>												
Balance at January 1, 2020		\$ 1,484,985	\$ 5,348,750	\$ 332,568	\$ 45,314	\$ 652,212	(\$ 36,180)	(\$ 25,004 )	(\$ 2,131 )	\$ 7,800,514	\$ 515,999	\$ 8,316,513
Profit for the period		-	-	-	-	267,666	-	-	-	267,666	46,907	314,573
Other comprehensive income		-	-	-	-	-	( 12,903)	15,855	-	2,952	( 833 )	2,119
Total comprehensive income		-	-	-	-	267,666	( 12,903)	15,855	-	270,618	46,074	316,692
Appropriations of 2019 earnings	6. (17)											
Legal reserve		-	-	54,985	-	( 54,985 )	-	-	-	-	-	-
Special reserve		-	-	-	18,001	( 18,001 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 475,195 )	-	-	-	( 475,195 )	-	( 475,195 )
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (6)(16)	-	( 161)	-	-	-	-	-	-	( 161 )	-	( 161 )
Change in associates and joint ventures accounted for under equity method	6. (6)(16)	-	92,495	-	-	-	-	-	-	92,495	-	92,495
Share-based Payment	6. (14) (16)	-	12,697	-	-	( 1,533 )	-	-	-	11,164	892	12,056
Changes in non-controlling interests-cash dividends	4. (3)	-	-	-	-	-	-	-	-	-	( 66,018 )	( 66,018 )
Balance at September 30, 2020		<u>\$ 1,484,985</u>	<u>\$ 5,453,781</u>	<u>\$ 387,553</u>	<u>\$ 63,315</u>	<u>\$ 370,164</u>	<u>(\$ 49,083 )</u>	<u>(\$ 9,149 )</u>	<u>(\$ 2,131 )</u>	<u>\$ 7,699,435</u>	<u>\$ 496,947</u>	<u>\$ 8,196,382</u>

(Continued)

AAEON Technology Inc. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the nine-month periods ended September 30, 2021 and 2020  
(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	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 nine-month period ended September 30, 2021</u>												
Balance at January 1, 2021		\$ 1,484,985	\$ 5,473,802	\$ 387,553	\$ 63,315	\$ 484,744	(\$ 47,317 )	(\$ 3,830 )	(\$ 2,131)	\$ 7,841,121	\$ 531,332	\$ 8,372,453
Profit for the period		-	-	-	-	149,916	-	-	-	149,916	24,591	174,507
Other comprehensive income		-	-	-	-	-	( 16,705 )	( 391 )	-	( 17,096 )	( 1,547 )	( 18,643 )
Total comprehensive income		-	-	-	-	149,916	( 16,705 )	( 391 )	-	132,820	23,044	155,864
Appropriations of 2020 earnings	6. (17)											
Legal reserve		-	-	38,071	-	( 38,071 )	-	-	-	-	-	-
Reversal of special reserve		-	-	-	( 10,037 )	10,037	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 371,246 )	-	-	-	( 371,246 )	-	( 371,246 )
Capital surplus-cash dividend	6. (16)	-	( 74,249 )	-	-	-	-	-	-	( 74,249 )	-	( 74,249 )
Effect from long-term investment that has not been recognized based on shareholding percentage	6. (6)(16)	-	( 1,535 )	-	-	-	-	-	-	( 1,535 )	-	( 1,535 )
Change in associates and joint ventures accounted for under equity method	6. (6)(16)	-	5,047	-	-	-	-	-	-	5,047	-	5,047
Share-based Payment	6. (14) (16)	-	15,974	-	-	( 1,469 )	-	-	-	14,505	4,356	18,861
Changes in non-controlling interests-cash dividends	4. (3)	-	-	-	-	-	-	-	-	-	( 75,646 )	( 75,646 )
Balance at September 30, 2021		\$ 1,484,985	\$ 5,419,039	\$ 425,624	\$ 53,278	\$ 233,911	(\$ 64,022 )	(\$ 4,221 )	(\$ 2,131 )	\$ 7,546,463	\$ 483,086	\$ 8,029,549

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

Chairman: Yung-Shun Chuang

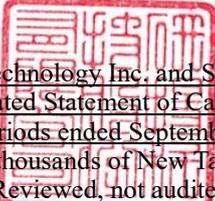


Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang



  
AAEON Technology Inc. and Subsidiaries  
Consolidated Statement of Cash Flows  
For the nine-month periods ended September 30, 2021 and 2020  
 (Expressed in thousands of New Taiwan Dollars)  
 (Reviewed, not audited)

	Notes	For the nine-month periods ended September 30,	
		2021	2020
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 227,530	\$ 418,321
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6. (7) (8) (22)	59,451	68,396
Amortization expenses	6. (22)	11,211	9,380
Expected credit impairment losses (gains)	12.(2)	1,970	( 6,700 )
Costs of share-based payment awards	6. (14)	18,861	12,056
Interest income		( 3,749 )	( 5,669 )
Dividends income	6. (19)	( 17,170 )	( 13,752 )
Interest expenses	6. (8) (9) (21)	3,076	2,676
Net gains from financial assets and liabilities at fair value through profit or loss	6. (2) (10) (20)	92,979	68,391
Losses on disposal of property, plant and equipment	6. (7) (20)	94	21
Depreciation expense of investment property (other gains and losses)	6 (20)	4,743	3,864
Share of profit of associates accounted for under equity method	6. (6)	( 38,276 )	9,138
Gain on lease modification	6. (8)(20)	( 55 )	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		( 5,846 )	( 8,321 )
Notes and accounts receivable		( 116,167 )	26,801
Other receivables		( 24,620 )	( 581 )
Inventories		( 640,968 )	( 37,706 )
Prepayments		( 35,896 )	( 4,467 )
Net changes in operating liabilities			
Contract liability		70,223	18,231
Notes and accounts payable		221,314	( 82,278 )
Other payables		( 49,394 )	( 47,539 )
Other current liabilities		4,278	4,559
Provisions for liabilities		( 1,980 )	( 9,429 )
Increase (Decrease) in non-current liabilities		1,500	( 886 )
Net cash from operating activities		( 216,891 )	424,506
Interest received		3,749	5,669
Interest paid		( 3,076 )	( 2,676 )
Income taxes paid		( 76,515 )	( 131,020 )
Net cash flows from operating activities		( 292,733 )	296,479

(Continued)

  
AAEON Technology Inc. and Subsidiaries  
Consolidated Statement of Cash Flows  
For the nine-month periods ended September 30, 2021 and 2020  
 (Expressed in thousands of New Taiwan Dollars)  
 (Reviewed, not audited)

	Notes	For the nine-month periods ended September 30,	
		2021	2020
<u>Cash flows from investing activities</u>			
Acquired financial asset at fair value through profit or loss		(\$ 3,624)	\$ -
Disposal of financial asset at fair value through profit or loss		9,647	-
Acquired Financial asset at fair value through other comprehensive income		( 30,000 )	-
(Increase) decrease in other current assets		13,491	( 881 )
Acquisition of investments accounted for under equity method	6. (6)	( 14,584 )	( 18,286 )
Acquisition of property, plant and equipment	6. (26)	( 299,819 )	( 17,286 )
Disposal of property, plant and equipment	6. (7)	1,078	291
Acquisition of intangible asset		( 3,869 )	( 7,939 )
Decrease (increase) in other non-current assets		( 1,283 )	252
Dividends received		162,817	167,711
Net cash flows used in investing activities		( 166,146 )	123,862
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6. (27)	80,492	19,668
Increase in long-term borrowings	6. (27)	172,000	-
Reimbursement in long-term borrowings	6. (27)	( 3,543 )	-
Repayment of lease principal	6. (8) (27)	( 28,348 )	( 34,975 )
Changes in non-controlling interests - cash dividends for non-controlling interests	4. (3)	( 75,646 )	( 66,018 )
Cash dividends paid	6. (17)	( 445,495 )	( 475,195 )
Net cash flows from financing activities		( 300,540 )	( 556,520 )
Effects due to changes in exchange rate		( 11,939 )	( 5,455 )
Decrease in cash and cash equivalents		( 771,358 )	( 141,634 )
Cash and cash equivalents at the beginning of periods		2,727,931	2,516,971
Cash and cash equivalents at the end of periods		\$ 1,956,573	\$ 2,375,337

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

Chairman: Yung-Shun Chuang



Manager: Chien-Hung Lin



Accounting Supervisor: Jen-Chung Wang



  
AAEON TECHNOLOGY INC. and Subsidiaries  
Notes to the Consolidated Financial Statements  
September 30, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars, except as of otherwise indicated)  
(Reviewed, not audited)

I. Company Profile

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

II. Date and Procedures for the Authorization of Financial Reports

These consolidated financial statements were reported to the Board of Directors on November 5 2021.

III. New or Revised Standards and Applied Interpretation

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

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

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

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

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

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

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

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

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

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

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

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

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

IV. Summary of Significant Accounting Policies

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

(I) 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 2020 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 2020 consolidated financial report.

2. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary name	Business	Ownership (%)			Notes
			2021/9/30	2020/12/31	2020/9/30	
AAEON	AAEON ELECTRONICS, INC. (AEI)	Sales of IPC and PC peripherals	100%	100%	100%	
AAEON	AAEON TECHNOLOGY CO., LTD. (ATCL)	Investment of IPC and interface card	100%	100%	100%	Note 1
AAEON	AAEON TECHNOLOGY (EUROPE) B.V.(ANI)	Sales of IPC and PC peripherals	100%	100%	100%	Note 1
AAEON	AAEON INVESTMENT, CO., LTD. (AAEONI)	Investment of IPC and PC peripherals	100%	100%	100%	Note 1
AAEON	ONYX HEALTHCARE INC. (ONYX)	Design, manufacture and sales of medical PC	50.00%	50.00%	50.00%	
AAEON	AAEON TECHNOLOGY SINGAPORE PTE. LTD (ASG)	Sales of IPC and PC peripherals	100%	100%	100%	Note 1
ATCL	AAEON TECHNOLOGY (SUZHOU) INC. (ACI)	Production and sales of IPC and interface card	100%	100%	100%	Note 1

Investor	Subsidiary name	Business	Ownership (%)			Notes
			2021/9/30	2020/12/31	2020/9/30	
ANI	AAEON TECHNOLOGY GMBH(AGI)	Sales of IPC and PC peripherals	100%	100%	100%	Note 1
ONYX	ONYX HEALTHCARE EUROPE B.V.(ONI)	Marketing support and maintenance of medical PC and peripherals	100%	100%	100%	Note 1
ONYX	ONYX HEALTHCARE USA, INC. (OHU)	Sales of medical PC and peripherals	100%	100%	100%	
ONYX	ONYX HEALTHCARE (SHANGHAI) LTD. (OCI)	Sales of medical PC and peripherals	100%	100%	100%	Note 1
ONYX	IHELPER INC. (IHELPER)	R&D and sales of medical robots	46.00%	46.00%	46.00%	Notes 1 and 2

Note 1: Given that the entities did not meet the definitions of material subsidiary, their financial reports as of September 30, 2021 and 2020 were not reviewed by auditors.

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

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different end of 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 September 30, 2021, December 31, 2020 and September 30, 2020, amounted to \$483,086, \$531,332 and \$496,947, respectively. The Group's subsidiaries with significant non-controlling interests are as follows:

Subsidiary Name	Main business location	Non-controlling interests 2021/9/30		Non-controlling interests 2020/12/31	
		Amount	Ownership interest	Amount	Ownership interest
ONYX	Taiwan	\$ 475,148	50.00%	\$ 521,419	50.00%

Subsidiary Name	Main business location	Non-controlling interests 2020/9/30	
		Amount	Ownership interest
ONYX	Taiwan	\$ 487,061	50.00%

Summarized financial information of subsidiaries:

Balance sheet

	ONYX		
	2021/9/30	2020/12/31	2020/9/30
Current asset	\$ 601,320	\$ 763,280	\$ 684,357
Non-current assets	989,416	629,925	615,404
Current liability	( 390,968 )	( 279,181 )	( 252,169 )
Non-current liabilities	( 241,443 )	( 61,175 )	( 63,493 )
Total Net Assets	\$ 958,325	\$ 1,052,849	\$ 984,099

Statement of comprehensive income

	ONYX	
	For the three-month periods ended September 30,	
	2021	2020
Income	\$ 247,013	\$ 293,265
Profit before tax	\$ 15,652	\$ 42,842
Income tax expense	524	( 5,083 )
Net income	16,176	37,759
Other comprehensive income (net amount after tax)	( 1,050 )	510
Total comprehensive income	\$ 15,126	\$ 38,269
Total comprehensive income attributable to non-controlling interests	\$ 7,794	\$ 19,071

	ONYX	
	For the nine-month periods ended September 30,	
	2021	2020
Income	\$ 772,610	\$ 912,998
Profit before tax	\$ 55,665	\$ 117,334
Income tax expense	( 4,503 )	( 21,315 )
Net income	51,162	96,019
Other comprehensive income (net amount after tax)	( 3,093 )	( 1,664 )
Total comprehensive income	\$ 48,069	\$ 94,355
Total comprehensive income attributable to non-controlling interests	\$ 25,020	\$ 48,271
Dividends paid to non-controlling interests	\$ 75,646	\$ 66,018

Cash flow statement

	ONYX	
	For the nine-month periods ended September 30	
	2021	2020
Net cash inflow (outflow) from operating activities	( \$ 18,435 )	\$ 65,146
Net cash flows used in investing activities	( 330,854 )	( 27,636 )
Net cash inflow (outflow) from financing activities	116,184	( 144,593 )
Effects of exchange rate changes on cash and cash equivalents	( 3,401 )	( 3,089 )
Increase (decrease) in current cash and cash equivalents	( 236,506 )	( 110,172 )
Cash and cash equivalents at the beginning of periods	392,364	408,555
Cash and cash equivalents at the end of periods	\$ 155,858	\$ 298,383

(IV) Income tax

If tax rate changes within a financial period, the Group will recognize impact in the same period in one lump sum. For changes unrelated to income tax and profit or loss, impacts are recognized in other comprehensive income or under equity item. Changes concerning income tax or profit or loss items are recognized through profit or loss.

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

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

## VI. Details of significant accounts

### (I) Cash and cash equivalents

	<u>2021/9/30</u>	<u>2020/12/31</u>	<u>2020/9/30</u>
Reserve cash and working capital	\$ 1,229	\$ 1,554	\$ 1,568
Checking accounts and demand deposits	1,919,710	2,676,577	2,323,969
Time deposit	35,634	49,800	49,800
Total	<u>\$ 1,956,573</u>	<u>\$ 2,727,931</u>	<u>\$ 2,375,337</u>

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

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

<u>Item</u>	<u>2021/9/30</u>	<u>2020/12/31</u>	<u>2020/9/30</u>
Current:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed and OTC stocks	\$ 167,148	\$ 173,171	\$ 173,171
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	-	-	8
	<u>279,033</u>	<u>285,056</u>	<u>285,064</u>
Valuation adjustment	88,480	171,901	158,445
Subtotal	<u>\$ 367,513</u>	<u>\$ 456,957</u>	<u>\$ 443,509</u>
Non-current:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted and non-OTC stocks	\$ 59,070	\$ 59,070	\$ 59,070
Hybrid instrument	10,832	10,832	10,832
	69,902	69,902	69,902
Valuation adjustment	( 4,975 )	( 1,263 )	( 1,157 )
Subtotal	<u>\$ 64,927</u>	<u>\$ 68,639</u>	<u>\$ 68,745</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 September 30, 2021, December 31, 2020 and September 30, 2020.

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

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 41,786)	(\$ 12,988)
Beneficiary certificates	( 11)	169
Derivatives	-	7
Hybrid instrument	( 94)	53
Total	<u>(\$ 41,891)</u>	<u>(\$ 12,759)</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 91,628)	(\$ 67,533)
Beneficiary certificates	8	21
Derivatives	-	( 24)
Hybrid instrument	( 1,303)	80
Total	<u>(\$ 92,923)</u>	<u>(\$ 67,456)</u>

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:

	<u>2020/9/30</u>	
<u>Derivative financial assets</u>	<u>Contract amount (nominal amounts)</u>	<u>Contract period</u>
Current:		
Forward exchange contracts		
- Buy NTD and sell USD	USD 200,000	2020.9.24~2020.10.23

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.

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

<u>Item</u>	<u>2021/9/30</u>	<u>2020/12/31</u>	<u>2020/9/30</u>
Non-current:			
Equity instrument			
Unlisted and non-OTC stocks	\$ 69,334	\$ 39,334	\$ 39,334
Valuation adjustment	( 36,953 )	( 36,953 )	( 36,953 )
Total	<u>\$ 32,381</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 \$32,381, \$2,381, \$2,381 on September 30, 2021, December 31, 2020 and September 30, 2020 separately.
2. Financial assets at fair value through other comprehensive income has no income and comprehensive income recognized for the three-month periods ended September 30, 2021 and 2020, for the nine-month periods ended September 30, 2021 and 2020.
3. The Group has no financial assets measured at fair value through other comprehensive income pledged to others.

(IV) Notes and accounts receivables

	<u>2021/9/30</u>	<u>2020/12/31</u>	<u>2020/9/30</u>
Notes receivable	<u>\$ 13,828</u>	<u>\$ 16,870</u>	<u>\$ 22,114</u>
Accounts receivable	\$ 797,095	\$ 677,886	\$ 740,457
Less: Loss allowance	( 18,198 )	( 16,430 )	( 17,306 )
	<u>\$ 778,897</u>	<u>\$ 661,456</u>	<u>\$ 723,151</u>

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

	<u>2021/9/30</u>		<u>2020/12/31</u>		<u>2020/9/30</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 675,092	\$ 13,828	\$ 555,375	\$ 16,870	\$ 630,729	\$ 22,114
Within 30 days	80,355	-	95,411	-	75,552	-
31-60 days	18,621	-	10,086	-	14,342	-
61-90 days	2,597	-	689	-	2,432	-
91-180 days	5,288	-	1,132	-	703	-
Over 181 days	15,142	-	15,193	-	16,699	-
	<u>\$ 797,095</u>	<u>\$ 13,828</u>	<u>\$ 677,886</u>	<u>\$ 16,870</u>	<u>\$ 740,457</u>	<u>\$ 22,114</u>

The ageing 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 September 30, 2021, December 31, 2020 and September 30, 2020 had arisen entirely from customers' contracts. Balance receivable on customers' contracts and allowance for losses as of January 1, 2020 were \$789,648 and \$24,144, respectively.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of September 30, 2021, December 31, 2020 and September 30, 2020 were \$13,828, \$16,870 and \$22,114, respectively, and the maximum exposure to the credit risk of accounts receivable as of September 30, 2021, December 31, 2020 and September 30, 2020 were \$778,897, \$661,456 and \$723,151, respectively.
5. Please refer to Note 12 (2) for credit risk information of notes and accounts receivable.

(V) Inventories

	2021/9/30		
	Cost	Valuation allowance	Carrying amount
Raw material	\$ 818,292	( \$ 76,916 )	\$ 741,376
Work in progress	523,873	( 38,704 )	485,169
Finished good	242,051	( 31,145 )	210,906
Merchandise Inventories	29,472	( 2,540 )	26,932
Inventories in transit	2,896	-	2,896
<b>Total</b>	<b>\$ 1,616,584</b>	<b>( \$ 149,305 )</b>	<b>\$ 1,467,279</b>

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

	2020/9/30		
	Cost	Valuation allowance	Carrying amount
Raw material	\$ 505,796	( \$ 60,715 )	\$ 445,081
Work in progress	350,600	( 58,723 )	291,877
Finished good	242,547	( 26,850 )	215,697
Merchandise Inventories	22,961	( 1,908 )	21,053
Inventories in transit	2,975	-	2,975
<b>Total</b>	<b>\$ 1,124,879</b>	<b>( \$ 148,196 )</b>	<b>\$ 976,683</b>

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

	For the three-month periods ended September 30,	
	2021	2020
Cost of Inventories sold	\$ 1,110,362	\$ 1,031,686
Inventories obsolescence and devaluation loss (reversal gain)	( 1,537 )	6,621
Losses on disposal of inventories	262	801
Others	( 11 )	1,826
	<u>\$ 1,109,076</u>	<u>\$ 1,040,934</u>
	For the nine-month periods ended September 30,	
	2021	2020
Cost of Inventories sold	\$ 2,990,732	\$ 3,065,400
Inventories obsolescence and devaluation loss (reversal gain)	56,808	( 17,177 )
Losses on disposal of inventories	2,436	2,199
Compensation income from inventories	( 22,537 )	-
Others	( 30 )	6,316
	<u>\$ 3,027,409</u>	<u>\$ 3,056,738</u>

For the nine-month periods ended September 30, 2021, the Group recognized reversal gains from sale of inventories previously devalued.

(VI) Investments accounted for under equity method

	2021	2020
At January 1	\$ 3,969,157	\$ 3,987,493
Increase in Investments accounted for under equity method	14,584	18,286
Share of investment income accounted for using the equity method	38,276	( 9,138 )
Distribution of investment income accounted for using the equity method	( 145,647 )	( 153,528 )
Changes in capital surplus and retained earnings	3,512	92,334
Changes in other equity	( 4,330 )	11,201
At September 30	<u>\$ 3,875,552</u>	<u>\$ 3,946,218</u>

Investee	2021/9/30		2020/12/31	
	Ownership (%)	Book value	Ownership (%)	Book value
LITEMAX ELECTRONICS INC.	11.99	\$ 98,933	12.00	\$ 101,813
IBASE TECHNOLOGY INC.	31.56	3,227,283	30.79	3,330,242
WINMATE INC.	13.85	549,336	13.60	537,102
		<u>\$ 3,875,552</u>		<u>\$ 3,969,157</u>

Investee	2020/9/30	
	Ownership (%)	Book value
LITEMAX ELECTRONICS INC.	12.00	\$ 100,984
IBASE TECHNOLOGY INC.	30.79	3,326,760
WINMATE INC.	13.45	518,464
		<u>\$ 3,946,218</u>

- On June 11, 2018, the Company signed a share exchange agreement with IBASE TECHNOLOGY INC. and increased its capital by issuing 41,698 thousand new shares for the exchange of 52,922 thousand common shares from IBASE TECHNOLOGY INC. The record date of the share exchange was September 29, 2018. The share exchange entitles the Group holds 30% equity interest and significant influence in IBASE; for this reason, IBASE has been accounted using the equity method since then. According to the share exchange agreement, the two parties agree to notify the other party of the transaction terms and conditions in writing, providing the preferential right of subscription for the following changes in shareholdings:
  - Either party wishes to reduce shares of the other party which are acquired based on the share exchange agreement.
  - Either party wishes to increase its shareholding in the other party within three years after the contract is signed.
- Summarized aggregated financial information of the Group's share in these associates is as follows:

Balance sheet

IBASE TECHNOLOGY INC.			
	2021/9/30	2020/12/31	2020/9/30
Current asset	\$ 5,049,401	\$ 4,432,800	\$ 3,564,569
Non-current assets	5,492,063	5,552,039	5,473,705
Current liability	( 2,416,874 )	( 1,129,958 )	( 1,111,234 )
Non-current liabilities	( 2,500,749 )	( 2,972,518 )	( 2,214,314 )
Net assets fair value of trade marks, other intangible and tangible assets adjustment	2,429,190	2,589,452	2,667,585
Adjusted Net Assets	\$ 8,053,031	\$ 8,471,815	\$ 8,380,311
Share of net assets of the associates	\$ 2,248,865	\$ 2,351,824	\$ 2,348,342
Goodwill	978,418	978,418	978,418
Book value of associates	\$ 3,227,283	\$ 3,330,242	\$ 3,326,760

Statement of comprehensive income

IBASE TECHNOLOGY INC.			
For the three-month periods ended September 30,			
	2021	2020	
Income	\$ 1,412,756	\$ 1,043,574	
Net income of continuing operations	6,551	( 1,049 )	
Other comprehensive income (net amount after tax)	( 21,514 )	61,111	
Total comprehensive income	( 14,963 )	60,062	
Fair value adjustment	( 38,134 )	( 38,134 )	
Adjusted total comprehensive income	( \$ 53,097 )	\$ 21,928	
Dividends received from associates	\$ 1,693	\$ 431	

IBASE TECHNOLOGY INC.			
For the nine -month periods ended September 30,			
	2021	2020	
Income	\$ 4,436,826	\$ 3,003,515	
Net income of continuing operations	8,460	59,963	
Other comprehensive income (net amount after tax)	( 14,724 )	40,329	
Total comprehensive income	( 6,264 )	100,292	
Fair value adjustment	( 114,401 )	( 114,401 )	
Adjusted total comprehensive income	( \$ 120,665 )	( \$ 14,109 )	
Dividends received from associates	\$ 96,952	\$ 106,275	

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

	For the three-month periods ended September 30,	
	2021	2020
Net income of continuing operations	\$ 18,136	\$ 8,556
Other comprehensive income (net amount after tax)	( 675 )	1,457
Total comprehensive income	\$ 17,461	\$ 10,013

	For the nine-month periods ended September 30,	
	2021	2020
Net income of continuing operations	\$ 45,172	\$ 31,232
Other comprehensive income (net amount after tax)	( 170 )	201
Total comprehensive income	\$ 45,002	\$ 31,433

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

	2021/9/30	2020/12/31	2020/9/30
LITEMAX ELECTRONICS INC.	\$ 169,759	\$ 191,073	\$ 198,094
IBASE TECHNOLOGY INC.	2,130,105	2,048,076	2,169,796
WINMATE INC.	755,083	739,360	740,949
	\$ 3,054,947	\$ 2,978,509	\$ 3,108,839

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 ELECTRONICS INC..
6. Although the Group holds less than 20% of the voting power of WINMATE INC., it has adopted the equity method for evaluation as its subsidiary Onyx has served as a director of WINMATE INC.
7. The Group is the single largest shareholder of IBASE TECHNOLOGY INC., with a 31.56% equity interest. Given that the degree of other shareholders involvement in prior stockholders' meeting and record of voting rights for major proposals, which indicates that the Group has no substantial ability to direct the relevant activities, the Group has no control, but only has significant influence, over the company.

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

(VII) Property, Plant and Equipment

		2021					
		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1	Cost	\$ 284,334	\$ 320,442	\$ 79,157	\$ 174,157	\$ 5,083	\$ 863,173
	Accumulated depreciation and impairment	-	( 117,284 )	( 48,051 )	( 133,307 )	-	( 298,642 )
		<u>\$ 284,334</u>	<u>\$ 203,158</u>	<u>\$ 31,106</u>	<u>\$ 40,850</u>	<u>\$ 5,083</u>	<u>\$ 564,531</u>
January 1	Additions (Note1)	229,660	48,860	815	19,079	2,852	301,266
	Disposal	-	-	( 13 )	( 1,159 )	-	( 1,172 )
	Reclassification (Note 2)	-	( 32,728 )	143	3,937	( 4,783 )	( 33,431 )
	Depreciation expense	-	( 5,861 )	( 7,300 )	( 17,279 )	-	( 30,440 )
	Net exchange differences	( 1,585 )	( 2,295 )	( 21 )	( 605 )	-	( 4,506 )
September 30		<u>\$ 512,409</u>	<u>\$ 211,134</u>	<u>\$ 24,730</u>	<u>\$ 44,823</u>	<u>\$ 3,152</u>	<u>\$ 796,248</u>
September 30	Cost	\$ 512,409	\$ 310,669	\$ 67,885	\$ 188,276	\$ 3,152	\$ 1,082,391
	Accumulated depreciation and impairment	-	( 99,535 )	( 43,155 )	( 143,453 )	-	( 286,143 )
		<u>\$ 512,409</u>	<u>\$ 211,134</u>	<u>\$ 24,730</u>	<u>\$ 44,823</u>	<u>\$ 3,152</u>	<u>\$ 796,248</u>
		2020					
		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	Total
January 1	Cost	\$ 288,107	\$ 329,469	\$ 117,843	\$ 185,198	\$ 7,501	\$ 928,118
	Accumulated depreciation and impairment	-	( 113,508 )	( 80,189 )	( 138,539 )	-	( 332,236 )
		<u>\$ 288,107</u>	<u>\$ 215,961</u>	<u>\$ 37,654</u>	<u>\$ 46,659</u>	<u>\$ 7,501</u>	<u>\$ 595,882</u>
January 1	Additions	-	-	1,447	8,626	5,105	15,178
	Disposal	-	-	-	( 312 )	-	( 312 )
	Reclassification	-	-	2,859	7,900	( 11,838 )	( 1,079 )
	Depreciation expense	-	( 6,596 )	( 8,359 )	( 18,938 )	-	( 33,893 )
	Net exchange differences	( 2,214 )	( 2,867 )	5	157	-	( 4,919 )
September 30		<u>\$ 285,893</u>	<u>\$ 206,498</u>	<u>\$ 33,606</u>	<u>\$ 44,092</u>	<u>\$ 768</u>	<u>\$ 570,857</u>

	2020					Total
	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment under installation	
September 30						
Cost	\$ 285,893	\$ 323,152	\$ 78,961	\$ 185,838	\$ 768	\$ 874,612
Accumulated depreciation and impairment	-	( 116,654 )	( 45,355 )	( 141,746 )	-	( 303,755 )
	<u>\$ 285,893</u>	<u>\$ 206,498</u>	<u>\$ 33,606</u>	<u>\$ 44,092</u>	<u>\$ 768</u>	<u>\$ 570,857</u>

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

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

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

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

(VIII) Leasing arrangements-lessee

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

	2021/9/30	2020/12/31	2020/9/30
	Carrying amount	Carrying amount	Carrying amount
Building	\$ 72,913	\$ 20,285	\$ 30,596
Transportation equipment	8,990	10,878	11,924
Other equipment	2,208	1,976	2,078
	<u>\$ 84,111</u>	<u>\$ 33,139</u>	<u>\$ 44,598</u>

	For the three-month periods ended September 30,	
	2021	2020
	Depreciation expense	Depreciation expense
Building	\$ 7,266	\$ 9,589
Transportation equipment	1,861	2,062
Other equipment	108	184
	<u>\$ 9,235</u>	<u>\$ 11,835</u>

	For the nine-month periods ended September 30,	
	2021	2020
	Depreciation expense	Depreciation expense
Building	\$ 23,221	\$ 28,689
Transportation equipment	5,455	5,554
Other equipment	335	260
	<u>\$ 29,011</u>	<u>\$ 34,503</u>

4. For the three-month periods ended September 30, 2021 and 2020, for the nine-month periods ended September 30, 2021 and 2020 to the acquisitions of right-of-use assets were \$1,013, \$3,636, \$89,610 and \$19,707, respectively.

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

	For the three-month periods ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expenses on lease liabilities	\$ 465	\$ 454
Expenses on short-term lease contracts	5,113	1,558
Expenses on leases of low-value assets	11	6
Gain on lease modification	61	-

	For the nine-month periods ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expenses on lease liabilities	\$ 1,484	\$ 1,227
Expenses on short-term lease contracts	14,993	9,274
Expenses on leases of low-value assets	28	19
Gain on lease modification	55	-

6. For the nine-month periods ended September 30, 2021 and 2020, the Group's total cash outflow for leases was \$44,853 and \$45,495, respectively.

(IX) Short-term borrowings

Nature of the borrowing	2021/9/30	Interest rate range	Collateral
Borrowings from banks			
Credit borrowings	\$ 105,000	1.00%~1.08%	None
Guaranteed borrowings	13,507	3.80%	Property, Plant and Equipment
	<u>\$ 118,507</u>		

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

<u>Nature of the borrowing</u>	<u>2021/9/30</u>	<u>Interest rate range</u>	<u>Collateral</u>
Borrowings from banks			
Credit borrowings	\$ 22,141	1.00%	None
Guaranteed borrowings	40,595	5.00%	Property, Plant and Equipment
	<u>\$ 62,736</u>		

1. For the three months ended September 30, 2021 and 2020, and for the nine months ended September 30, 2021 and 2020, interest expenses recognized through profit or loss were \$203, \$504, \$1,015 and \$1,449, 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

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

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial asset or liability held for trading		
Derivatives	\$ -	(\$ 146)
	<u>\$ -</u>	<u>(\$ 146)</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial asset or liability held for trading		
Derivatives	(\$ 56)	(\$ 935)
	<u>(\$ 56)</u>	<u>(\$ 935)</u>

2. 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) Long-term borrowings

<u>Type of borrowing</u>	<u>Period and Repayment method</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>2021/9/30</u>
Borrowings from banks				
Guaranteed borrowings	2021.5.28-2036.5.28 Monthly amortization of principal and interest	1.00%	Land, Buildings	\$ 168,457
Less: Current portions of long-term loans				<u>( 10,717 )</u>
				<u>\$ 157,740</u>

(XII) Other payables

	2021/9/30	2020/12/31	2020/9/30
Accrued payroll, employee's compensation and bonuses	\$ 200,398	\$ 224,993	\$ 191,698
Accrued technical service fee	51,527	40,135	37,034
Accrued assembly costs	660	370	477
Accrued commission fee	13,372	38,034	37,641
Others	71,331	81,703	70,390
	<u>\$ 337,288</u>	<u>\$ 385,235</u>	<u>\$ 337,240</u>

(XIII) Pension

1. Since July 1, 2005, the Company and its domestic subsidiaries have established certain retirement payout methods applicable for domestic employees in accordance with the "Labor Pension Act". The Company and its domestic subsidiaries choose to apply the labor pension system stipulated in the "Labor Pension Act", and allocate pensions on a monthly basis to the individual labor pension account managed by the Bureau of Labor Insurance at 6% of monthly wage. Based on the principal and accrued dividends from an employee's individual labor pension account, labor pension shall be paid by monthly pension payments or by lump-sum payment upon retirement.
2. In accordance with the pension insurance system formulated by the People's Republic of China, ACI and OCI has allocated provisions for pension insurance based on a specified ratio of the overall wage of local employees. Each employee's retirement pension is managed by the government, and ACI and OCI have no further obligations except to be responsible for monthly allocation.
3. AEI and OHU currently have a personal pension scheme under the Company's support. The Company and the employees are jointly liable for the employee's pension fund, of which the company allocates 3% of total wage, and the pension is capped by the amount paid by employees.
4. ASG, ANI, AGI and ONI shall allocate pensions in accordance with local laws and regulations.
5. Pension costs recognized by AAEON in accordance with the above retirement policy for were \$11,078, \$7,777, \$29,160, and \$23,389 for the three months periods ended September 30, 2021 and 2020, and for the nine months periods ended September 30, 2021 and 2020, respectively.

(XIV) Share-based Payment

1. AAEON

- (1) AAEON had the following share-based payment agreement active for the nine-months periods ended September 30, 2021 and 2020:

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

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

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

	For the nine-months periods ended September 30, 2021	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	2,912	\$ 68.8
Options granted	-	-
Options outstanding at the end of period	2,912	65.7
Options exercisable at the end of period	-	-

	For the nine-months periods ended September 30, 2020	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	3,000	\$ 72.3
Options granted	-	-
Options outstanding at the end of period	3,000	68.8
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:

			2021/9/30	
Arrangement type	Authorized issue date	Maturity date	Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.11.26	2024.11.25	2,912	\$ 65.7

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

			2020/9/30	
Arrangement type	Authorized issue date	Maturity date	Number of shares (in thousands)	Exercise price (in dollars)
Plan of employee stock options	2020.11.26	2024.11.25	3,000	\$ 68.8

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

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

(5) Expenses of share-based payment transaction:

	For the three-month periods ended September 30,	
	2021	2020
Equity settlement	\$ 3,383	\$ 3,405
	For the nine-month periods ended September 30,	
	2021	2020
Equity settlement	\$ 10,148	\$ 10,273

2. Subsidiary- ONYX HEALTHCARE INC. (ONYX)

(1) ONYX had the following share-based payment agreement active for the nine-months periods ended September 30, 2021 and 2020:

Arrangement type	Grant date	Quantity granted (thousand)	Contract period	Vesting conditions
Plan of employee stock options	2021.08.06	1,000	5 years	Service of 2~4 years

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

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

	For the nine-months periods ended September 30, 2021	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	1,000	\$ 139.5
Options outstanding at the end of period	1,000	121.5
Options exercisable at the end of period	-	-
	For the nine-months periods ended September 30, 2020	
	No. of units (shares in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of period	-	\$ -
Options granted	1,000	139.5
Options outstanding at the end of period	1,000	139.5
Options exercisable at the end of period	-	-

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

Arrangement type	Authorized issue date	Maturity date	2021/9/30	
			No. of units (shares in thousands)	Exercise price (in dollars)
Plan of employee stock options	2021.08.06	2025.08.06	1,000	\$ 121.5

Arrangement type	Authorized issue date	Maturity date	2020/12/31	
			No. of units (shares in thousands)	Exercise price (in dollars)
Plan of employee stock options	2021.08.06	2025.08.06	1,000	\$ 139.5

Arrangement type	Authorized issue date	Maturity date	2020/9/30	
			No. of units (shares in thousands)	Exercise price (in dollars)
Plan of employee stock options	2021.08.06	2025.08.06	1,000	\$ 139.5

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

Arrangement type	Grant date	Quantity granted (thousand)	Stock price	Exercise price	Expected price Volatility	Expected option life	Risk-free interest rate	Fair value per unit (in dollars)
Plan of employee stock options	2021.08.06	1,000	\$ 139.5	\$ 139.5	32.26%	3.88 years	0.29%	\$ 35.39

(5) Expenses of share-based payment transaction:

	For the three-month periods ended September 30,	
	2021	2020
Equity settlement	\$ 2,887	\$ 1,783

	For the nine-month periods ended September 30,	
	2021	2020
Equity settlement	\$ 8,713	\$ 1,783

(XV) Share capital

- As of September 30, 2021 the Company's authorized capital was \$2,000,000 (including 5,000 thousand shares reserved for issuing employee stock options), with paid-in capital of \$1,484,985, divided into 148,498 thousand shares, each at par value of NT\$10 per

share. Proceeds have been fully collected for the issued shares. The Company had 148,498 thousand common shares outstanding for the nine months periods ended September 30, 2021 and 2020.

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

(XVI) Capital surplus

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

	2021							
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Recognition of changes in ownership interest in subsidiary	Affiliate company net equity changes	Employee Share option	Others	Total	
January 1	\$ 4,902,942	\$ 213,200	\$ 215,992	\$ 119,513	\$ 19,974	\$ 2,181	\$ 5,473,802	
Cash dividends	( 74,249 )	-	-	-	-	-	( 74,249 )	
Changes in ownership interests in subsidiaries	-	-	1,835	-	( 1,835 )	-	-	
Effect from long-term investment that has not been recognized based on shareholding percentage	-	-	-	( 1,535 )	-	-	( 1,535 )	
Change in associates and joint ventures accounted for under equity method	-	-	-	5,047	-	-	5,047	
Share-based Payment	-	-	4,357	-	11,617	-	15,974	
September 30	\$ 4,828,693	\$ 213,200	\$ 222,184	\$ 123,025	\$ 29,756	\$ 2,181	\$ 5,419,039	

	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	-	-	-	( 161 )	-	-	( 161 )
Change in associates and joint ventures accounted for under equity method	-	-	-	92,495	-	-	92,495
Share-based Payment	-	-	891	-	11,806	-	12,697
September 30	\$ 4,902,942	\$ 213,200	\$ 214,528	\$ 105,743	\$ 15,187	\$ 2,181	\$ 5,453,781

#### (XVII) Retained earnings

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

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

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

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

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

(XVIII) Operating income

	For the three-month periods ended September 30,	
	2021	2020
Revenue from Contracts with Customers	<u>\$ 1,559,749</u>	<u>\$ 1,486,895</u>

	For the nine-month periods ended September 30,	
	2021	2020
Revenue from Contracts with Customers	<u>\$ 4,231,020</u>	<u>\$ 4,487,421</u>

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 September 30, 2021			
	IPC	Medical PC	Total
Revenue from Contracts with Customers	<u>\$ 1,316,173</u>	<u>\$ 243,576</u>	<u>\$ 1,559,749</u>
Timing of revenue recognition			
At a point time	\$ 1,315,347	\$ 232,497	\$ 1,547,844
Over time	826	11,079	11,905
Total	<u>\$ 1,316,173</u>	<u>\$ 243,576</u>	<u>\$ 1,559,749</u>

For the nine-month periods ended September 30, 2021	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 3,464,887	\$ 766,133	\$ 4,231,020
Timing of revenue recognition			
At a point time	\$ 3,462,504	\$ 739,725	\$ 4,202,229
Over time	2,383	26,408	28,791
Total	\$ 3,464,887	\$ 766,133	\$ 4,231,020

For the three-month periods ended September 30, 2020	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 1,194,726	\$ 292,169	\$ 1,486,895
Timing of revenue recognition			
At a point time	\$ 1,193,362	\$ 287,906	\$ 1,481,268
Over time	1,364	4,263	5,627
Total	\$ 1,194,726	\$ 292,169	\$ 1,486,895

For the nine-month periods ended September 30, 2020	IPC	Medical PC	Total
Revenue from Contracts with Customers	\$ 3,589,096	\$ 898,325	\$ 4,487,421
Timing of revenue recognition			
At a point time	\$ 3,585,321	\$ 885,323	\$ 4,470,644
Over time	3,775	13,002	16,777
Total	\$ 3,589,096	\$ 898,325	\$ 4,487,421

## 2. Contract liability

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

	2021/9/30	2020/12/31	2020/9/30	2020/1/1
Contract Liability - Current:				
Advances from customers	\$ 238,958	\$ 158,221	\$ 115,117	\$ 86,760
Warranty contract	15,015	16,750	18,095	22,729
Contract Liability - Non-current:				
Advances from customers	28,401	31,995	33,193	34,454
Warranty contract	22,664	27,849	30,315	34,546
Total	\$ 305,038	\$ 234,815	\$ 196,720	\$ 178,489

- (2) Recognized income of contract liabilities at January 1

	For the three-month periods ended September 30,	
	2021	2020
Beginning balance of contract liabilities		
Advances from customers	\$ 12,243	\$ 8,779
Warranty contract	4,441	5,629
Total	\$ 16,684	\$ 14,408

	For the nine-month periods ended September 30,	
	2021	2020
Beginning balance of contract liabilities		
Recognized income		
Advances from customers	\$ 69,998	\$ 48,926
Warranty contract	13,582	16,777
Total	\$ 83,580	\$ 65,703

(XIX) Other income

	For the three-month periods ended September 30,	
	2021	2020
Rental income	\$ 2,881	\$ 2,890
Dividend income	11,290	383
	\$ 14,171	\$ 3,273

	For the nine-month periods ended September 30,	
	2021	2020
Rental income	\$ 9,130	\$ 8,632
Dividends income	17,170	13,752
	\$ 26,300	\$ 22,384

(XX) Other gains and losses

	For the three-month periods ended September 30,	
	2021	2020
Loss on disposal of property, plant and equipment	( \$ 4 )	( \$ 12 )
Loss on Foreign currency exchange	( 2,463 )	( 14,054 )
Gain (Loss) on financial assets and liabilities at fair value through profit or loss (Note)	( 41,891 )	( 12,905 )
Depreciation of investment property, buildings.	( 1,682 )	( 1,288 )
Gain on lease modification	61	-
Other income	5,865	9,265
	( \$ 40,114 )	( \$ 18,994 )

	For the nine-month periods ended September 30,	
	2021	2020
Loss on disposal of property, plant and equipment	( \$ 94 )	( \$ 21 )
Loss on Foreign currency exchange	( 20,301 )	( 22,044 )
Gain (Loss) on financial assets and liabilities at fair value through profit or loss (Note)	( 92,979 )	( 68,391 )
Depreciation of investment property, buildings.	( 4,743 )	( 3,864 )
Gain on lease modification	55	-
Other income	25,010	35,891
	( \$ 93,052 )	( \$ 58,429 )

Note: The Group recognized losses on financial asset valuation (including realized and unrealized) totaling \$78,529 and \$84,826 for the periods January 1 to September 30, 2021 and 2020, respectively, for possession and sale of shares of Machvision Inc. Fair value (closing price) of the abovementioned shares is explained below: (expressed in dollars)

	For the nine-month periods ended September 30,	
	2021	2020
Beginning	\$ 294.50	\$ 360.50
Closing	\$ 229.00	\$ 285.00

(XXI) Financial costs

	For the three-month periods ended September 30,	
	2021	2020
Interest expenses	\$ 780	\$ 504
Leased liabilities interest expenses	465	454
	\$ 1,245	\$ 958

	For the nine-month periods ended September 30,	
	2021	2020
Interest expenses	\$ 1,592	\$ 1,449
Leased liabilities interest expenses	1,484	1,227
	\$ 3,076	\$ 2,676

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

For the three-month periods ended September 30,						
2021			2020			
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expenses	\$ 64,745	\$ 224,838	\$ 289,583	\$ 60,227	\$ 229,507	\$ 289,734
Depreciation expense	9,890	9,775	19,665	13,218	9,243	22,461
Amortization expenses	499	2,933	3,432	574	2,575	3,149

For the nine-month periods ended September 30,						
2021			2020			
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expenses	\$ 189,650	\$ 667,370	\$ 857,020	\$ 181,000	\$ 684,698	\$ 865,698
Depreciation expense	31,375	28,076	59,451	40,508	27,888	68,396
Amortization expenses	1,636	9,575	11,211	1,830	7,550	9,380

(XXIII) Employee benefit expenses

For the three-month periods ended September 30,		
	2021	2020
Salaries and wages	\$ 256,877	\$ 261,392
Labor and health insurance fees	19,048	17,723
Pension costs	11,078	7,777
Other personnel expenses	2,580	2,842
	<u>\$ 289,583</u>	<u>\$ 289,734</u>

For the nine-month periods ended September 30,		
	2021	2020
Salaries and wages	\$ 760,232	\$ 776,350
Labor and health insurance fees	60,184	57,055
Pension costs	29,160	23,389
Other personnel expenses	7,444	8,904
	<u>\$ 857,020</u>	<u>\$ 865,698</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 September 30, 2021 and 2020, and for the nine months periods ended September 30, 2021 and 2020, based on the percentage stipulated in the Articles of Incorporation, employee compensation were estimated at \$11,792, \$13,234, \$19,122 and \$35,532, respectively, while the remuneration of

directors were estimated at \$857, \$1,002, \$1,715 and \$3,046, respectively, which are recognized as salaries and wages.

Amounts for the period January 1 to September 30, 2021, were estimated based on profitability at the time and the percentages stipulated in Articles of Incorporation.

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

(XXIV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	For the three-month periods ended September 30,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 25,003	\$ 22,966
Adjustments in respect of prior period	-	( 2,119 )
Total current income tax	25,003	20,847
Deferred tax		
Origination and reversal of temporary differences	2,218	2,622
Income tax expense	\$ 27,221	\$ 23,469
	For the nine-month periods ended September 30,	
	2021	2020
Current income tax:		
Income tax from current income	\$ 61,801	\$ 100,067
Surtax on undistributed Retained Earnings	-	1,147
Adjustments in respect of prior period	( 1,817 )	( 2,405 )
Total current income tax	59,984	98,809
Deferred tax		
Origination and reversal of temporary differences	( 6,961 )	4,939
Income tax expense	\$ 53,023	\$ 103,748

(2) Income tax relative to other comprehensive income:

	For the three-month periods ended September 30,	
	2021	2020
Differences in translation of foreign operations	(\$ 509)	\$ 77

	For the nine-month periods ended September 30,	
	2021	2020
Differences in translation of foreign operations	(\$ 3,578)	(\$ 2,270)

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

	Certification
(1) AAELONI, ONYX, IHELPER INC.	2019
(2) The Company	2018

(XXV) Earnings per share

	For the three-month periods ended September 30, 2021		
	Amount after-tax	Weighted average outstanding shares (in thousand)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	\$ 93,671	106,800	\$ 0.88
<u>Diluted earnings per share</u>			
Dilutive effect of potential ordinary shares			
Employees' bonuses		315	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	\$ 93,671	107,115	\$ 0.87

	For the three-month periods ended September 30, 2020		
	Amount after-tax	Weighted average outstanding shares (in thousand)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	\$ 71,013	106,800	\$ 0.66
<u>Diluted earnings per share</u>			
Dilutive effect of potential ordinary shares			
Employees' bonuses		516	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	\$ 71,013	107,316	\$ 0.66

	For the nine-month periods ended September 30, 2021		
	Amount after-tax	Weighted average outstanding shares (in thousand)	Losses per share (in dollars)
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	\$ 149,916	106,800	\$ 1.40
<u>Diluted earnings per share</u>			
Dilutive effect of potential ordinary shares			
Employees' bonuses		457	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	\$ 149,916	107,257	\$ 1.40

	<u>For the nine-month periods ended September 30, 2020</u>		
	<u>Amount after-tax</u>	<u>Weighted average outstanding shares (in thousand)</u>	<u>Losses per share (in dollars)</u>
<u>Basic (diluted) losses per share</u>			
Profit attributable to ordinary shareholders of parent company	\$ 267,666	106,800	\$ 2.51
<u>Diluted earnings per share</u>			
Dilutive effect of potential common shares			
Employees' bonuses		696	
Profit attributable to ordinary shareholders of parent company plus assumed conversion of all dilutive potential ordinary shares	\$ 267,666	107,496	\$ 2.49

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 September 30, 2020 and for the nine-month periods ended September 30, 2021.
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.

(XXVI) Supplemental cash flow information.

Investing activities with partial cash payments:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Acquisition of property, plant and equipment	\$ 301,266	\$ 15,178
Add : Opening balance of payable on equipment	1,296	2,108
Less : Ending balance of payable on equipment	( 2,743 )	-
Cash paid during the period	\$ 299,819	\$ 17,286

(XXVII) Changes in liabilities arising from financing activities

	2021			
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liability	Total
January 1	\$ 38,875	\$ -	\$ 34,069	\$ 72,944
Changes in cash flow from financing	80,492	168,457	( 28,348 )	220,601
Effect on changes in exchange rate	( 860 )	-	( 1,244 )	( 2,104 )
Changes in others without cash flow	-	-	81,525	81,525
Cash paid during the period	<u>\$ 118,507</u>	<u>\$ 168,457</u>	<u>\$ 86,002</u>	<u>\$ 372,966</u>

	2020		
	Short-term borrowings	Lease liability	Total
January 1	\$ 44,370	\$ 60,242	\$ 104,612
Changes in cash flow from financing	19,668	( 34,975 )	( 15,307 )
Effect on changes in exchange rate	( 1,302 )	280	( 1,022 )
Changes in others without cash flow	-	19,707	19,707
Cash paid during the period	<u>\$ 62,736</u>	<u>\$ 45,254</u>	<u>\$ 107,990</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

Name of related party	Relation
ASUSTEK COMPUTER INC.	Ultimate parent company
IBASE TECHNOLOGY INC.	Associate - Investee accounted for under the equity method
IBASE GAMING INC.	Associate - Subsidiary of IBASE TECHNOLOGY INC.
LITEMAX ELECTRONICS INC.	Associate - Investee accounted for under the equity method
WINMATE INC.	Associate - Investee accounted for under the equity method by the Company's subsidiary
ATECH OEM INC.	Other related party - the Company's Chairman as a director
MACHVISION, INC.	Other related party - the Company's Chairman as a director

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

Note: WT MICROELECTRONICS CO and its subsidiaries have become the Group'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 September 30,</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods		
Ultimate parent entity	\$ 631	\$ -
Associates	796	139
Other related party	1,873	2,742
Total	<u>\$ 3,300</u>	<u>\$ 2,881</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods		
Ultimate parent entity	\$ 1,337	\$ 309
Associates	938	484
Other related party	6,157	7,362
Total	<u>\$ 8,432</u>	<u>\$ 8,155</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

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Goods purchased		
Ultimate parent entity— ASUSTEK COMPUTER INC.	\$ 255,434	\$ 294,809
Associates	9,368	4,176
Other related party	26,965	25,915
Total	<u>\$ 291,767</u>	<u>\$ 324,900</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Goods purchased		
Ultimate parent entity— ASUSTEK COMPUTER INC.	\$ 691,842	\$ 804,095
Associates	16,486	22,809
Fellow subsidiary	68	299
Other related party	71,280	36,303
Total	<u>\$ 779,676</u>	<u>\$ 863,506</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

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Ultimate parent entity	\$ 17,724	\$ 16,998
Associates	1,009	1,488
Fellow subsidiary	28	1
Other related party	3,073	2,150
	<u>\$ 21,834</u>	<u>\$ 20,637</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Ultimate parent entity	\$ 52,418	\$ 50,079
Associates	1,623	3,304
Fellow subsidiary	28	1
Other related party	3,603	3,469
	<u>\$ 57,672</u>	<u>\$ 56,853</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>2021/9/30</u>	<u>2020/12/31</u>	<u>2020/9/30</u>
Accounts Payable			
Ultimate parent entity — ASUSTEK COMPUTER INC.	\$ 93,855	\$ 55,938	\$ 100,396
Associates	81	121	1,323
Other related party	15,161	8,217	11,048
Total	<u>\$ 109,097</u>	<u>\$ 64,276</u>	<u>\$ 112,767</u>

5. Other payables

	2021/9/30	2020/12/31	2020/9/30
Other Payables			
Ultimate parent entity	\$ 51,527	\$ 40,153	\$ 37,034
Other related party	58	210	12
Total	<u>\$ 51,585</u>	<u>\$ 40,345</u>	<u>\$ 37,046</u>

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

(IV) Key management remuneration

	For the three-month periods ended September 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 23,376	\$ 26,849
Post-employment benefits	387	382
Total	<u>\$ 23,763</u>	<u>\$ 27,231</u>

	For the nine-month periods ended September 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 53,733	\$ 58,186
Post-employment benefits	1,158	1,140
Total	<u>\$ 54,891</u>	<u>\$ 59,326</u>

VIII. Pledged Assets

The Company's pledged assets are summarized below:

Pledged assets	Book value			Guarantee purpose
	2021/9/30	2020/12/31	2020/9/30	
Property, Plant and Equipment	\$ 472,072	\$ 200,011	\$ 202,695	Loans and credit limits
Restricted time deposit (including other current assets)	836	854	873	Foreign exchange forward transactions,
Guarantee deposits (including Other current and non-current assets)	2,608	15,254	2,864	Office, warehouse deposit and project guarantee deposit.
	<u>\$ 475,516</u>	<u>\$ 216,119</u>	<u>\$ 206,432</u>	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

As of September 30, 2021, the Group has issued a promissory note of \$ 450,000 required for the application a comprehensive credit line and transactions of derivatives.

X. Losses Due to Major Disasters

None.

XI. Material Subsequent Events

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>2021/9/30</u>	<u>2020/12/31</u>	<u>2020/9/30</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	\$ 432,440	\$ 525,596	\$ 512,254
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	32,381	2,381	2,381
Financial assets at amortized cost/ loans and receivables			
Cash and cash equivalents	1,956,573	2,727,931	2,375,337
Notes receivable	13,828	16,870	22,114
Accounts receivable	778,897	661,456	723,151
Other receivables	46,654	21,773	22,699
Restricted time deposit (including other current assets)	836	854	873
Refundable deposits (including other non-current assets)	11,529	22,291	11,039
	<u>\$ 3,273,138</u>	<u>\$ 3,979,152</u>	<u>\$ 3,669,848</u>

	2021/9/30	2020/12/31	2020/9/30
<u>Financial liability</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 118,507	\$ 38,875	\$ 62,736
Notes payable	-	725	-
Accounts payable	549,453	327,414	401,202
Other payables	337,288	385,235	337,240
Long-term borrowings (including current portion)	168,457	-	-
	<u>\$ 1,173,705</u>	<u>\$ 752,249</u>	<u>\$ 801,178</u>
Lease liabilities (including current and non-current)	<u>\$ 86,002</u>	<u>\$ 34,069</u>	<u>\$ 45,254</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:

		2021/9/30		
		Foreign currency (in thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	34,398	27.85	\$ 957,984
EUR:NTD		272	32.32	8,791
USD:CNY		378	6.47	10,527
USD:SGD		361	1.36	10,054
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	12,746	27.85	\$ 354,976
EUR:NTD		188	32.32	6,076
USD:CNY		1,768	6.47	49,239
USD:SGD		495	1.36	13,786
		2020/12/31		
		Foreign currency (in thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	34,456	28.48	\$ 981,307
EUR:NTD		853	35.02	29,872
USD:CNY		98	6.51	2,791
USD:SGD		268	1.32	7,633
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	7,750	28.48	\$ 220,720
EUR:NTD		205	35.02	7,179
USD:CNY		1,579	6.51	44,970
USD:SGD		590	1.32	16,803

		2020/9/30		
		Foreign currency (in thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	\$	36,403	29.10	\$ 1,059,327
EUR:NTD		447	34.15	15,265
USD:CNY		56	6.82	1,630
USD:SGD		200	1.37	5,820
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	\$	9,434	29.10	\$ 274,529
EUR:NTD		232	34.15	7,923
USD:CNY		1,955	6.82	56,891
USD:SGD		387	1.37	11,262

- 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 September 30, 2021 and 2020, and the nine months periods ended September 30, 2021 and 2020, amounted to \$2,463, \$14,054, \$20,301 and \$22,044, respectively.
- F. The Group's foreign currency risk analysis due to significant foreign exchange rate fluctuations is as follows:

		<u>For the nine-month periods ended September 30,2021</u>		
		<u>Sensitivity analysis</u>		
		<u>Extent of change</u>	<u>Effect on income</u>	<u>Effect on other comprehensive income</u>
<b>(Foreign currency: functional currency)</b>				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	9,580	\$ -
EUR:NTD	1%		88	-
USD:CNY	1%		105	-
USD:SGD	1%		101	-
<u>Financial liability</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	3,550	\$ -
EUR:NTD	1%		61	-
USD:CNY	1%		492	-
USD:SGD	1%		138	-

<u>For the nine-month periods ended September 30, 2020</u>			
<u>Sensitivity analysis</u>			
	<u>Extent of change</u>	<u>Effect on income</u>	<u>Effect on other comprehensive income</u>
<b>(Foreign currency: functional currency)</b>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 10,593	\$ -
EUR:NTD	1%	153	-
USD:CNY	1%	16	-
USD:SGD	1%	58	-
<u>Financial liability</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,745	-
EUR:NTD	1%	79	-
USD:CNY	1%	569	-
USD:SGD	1%	113	-

#### 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 nine-month periods ended September 30, 2021 and 2020 by \$3,889 and \$4,677, 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 nine-month periods ended September 30, 2021 and 2020, amounted to \$324 and \$24.

#### Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises mainly from long-term and short-term borrowings issued at variable rates, which exposes the Group to cash flow interest rate risk is partially offset by cash and cash equivalents held at variable rates. During the nine months periods ended September 30, 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in USD.
- B. Assuming all other factors remain unchanged, if the NTD borrowing rate rises or falls by 0.25%, net income for the nine months period ended September 30, 2021 will decrease or increase by \$657, mainly due to changes in interest expenses that

arise from floating rate borrowings.

- C. Assuming all other factors remain unchanged, if the USD borrowing rate rises or falls by 0.25%, net income for the nine months period ended September 30, 2021 and 2020, will decrease or increase by \$34 and \$157, 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 September 30, 2021, December 31, 2020 and September 30, 2020, AAEON had no recourse on claims that had been written off.
- G. (1) Expected loss rate for customers of the outstanding credit group is estimated at 0.2%. Total accounts receivable and loss provisions for this group of customers were reported at: \$381,869 and \$274 as of September 30, 2021, \$338,509 and \$293 as of December 31, 2020, and \$401,906 and \$175 as of September 30, 2020, respectively.
- (2) The Group considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of September 30, 2021, December 31, 2020 and September 30, 2020 is as follows:

	Not yet due	Past due within 30 days	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days	Total
<u>2021/9/30</u>							
Expected loss rate	0%~1.74%	0.01%~5.74%	0.15%~23.13%	0.49%~46.95%	2.92%~63.89%	100%	
Total book value	\$ 348,775	\$ 41,907	\$ 17,642	\$ 1,246	\$ 205	\$ 17,441	\$ 427,216
Loss allowance	\$ 212	\$ 106	\$ 14	\$ 113	\$ 38	\$ 17,441	\$ 17,924
<u>2020/12/31</u>							
Expected loss rate	0%~1.74%	0.01%~5.74%	0.15%~23.13%	0.49%~46.95%	2.92%~63.89%	100%	
Total book value	\$ 282,163	\$ 46,104	\$ 9,415	\$ 689	\$ 1,071	\$ 15,210	\$ 354,652
Loss allowance	\$ 35	\$ 154	\$ 408	\$ 69	\$ 261	\$ 15,210	\$ 16,137
<u>2020/9/30</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	\$ 284,383	\$ 41,921	\$ 14,002	\$ 886	\$ 1	\$ 16,636	\$ 357,829
Loss allowance	\$ 79	\$ 283	\$ 71	\$ 62	\$ -	\$ 16,636	\$ 17,131

(3) The total book values of the accounts receivable-related parties as of September 30, 2021, December 31, 2020 and September 30, 2020 were \$1,838, \$1,595 and \$2,836, respectively. The expected credit loss is not significant thanks to low credit risk, which lead to a loss allowance of \$0.

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

	Notes and accounts receivable (including related parties)	
	2021	2020
January 1	\$ 16,430	\$ 24,144
Write off (Reverse) of impairment loss	1,970 (	6,700 )
Net exchange difference	( 202 ) (	138 )
September 30	\$ 18,198	\$ 17,306

From the loss recognized for the nine months periods ended September 30, 2021 and 2020, the write-off and (reverse) of impairment losses for accounts receivable arising from customer contracts were \$1,970 and \$(6,700), respectively.

(3) Liquidity risk

A. Cash flow is forecasted by each of the Group's operating entity and summarized by the finance department. The Group's finance department monitors liquidity forecasting to ensure that it has sufficient funds to meet the operational requirements.

B. The Group had available borrowing limits of \$539,796, \$569,256 and \$567,007 as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

C. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, whereas derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Non-derivative financial liabilities:

2021/9/30	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	\$ 118,993	\$ -	\$ -	\$ -
Accounts payable	549,453	-	-	-
Other payables	337,288	-	-	-
Long-term borrowings (including current portion and accrued interest)	12,353	12,353	37,059	119,425
Lease liabilities	29,194	23,166	41,688	-
Provisions	25,927	6,828	-	-

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

2020/9/30	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	\$ 62,736	\$ -	\$ -	\$ -
Accounts payable	401,202	-	-	-
Other payables	337,240	-	-	-
Lease liabilities	29,195	11,744	5,818	-
Provisions	29,371	6,778	-	-

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:

2021/9/30	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
<b>Asset</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 328,010	\$ 4,560	\$ 56,301	\$ 388,871
Beneficiary certificates	33,854	-	-	33,854
Hybrid instruments	-	-	9,715	9,715
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	32,381	32,381
<b>Total</b>	<u>\$ 361,864</u>	<u>\$ 4,560</u>	<u>\$ 98,397</u>	<u>\$ 464,821</u>
2020/12/31	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
<b>Asset</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 416,967	\$ 5,055	\$ 58,710	\$ 480,732
Beneficiary certificates	33,846	-	-	33,846
Hybrid instrument	-	-	11,018	11,018
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
<b>Total</b>	<u>\$ 450,813</u>	<u>\$ 5,055</u>	<u>\$ 72,109</u>	<u>\$ 527,977</u>
2020/9/30	<u>1st Level</u>	<u>2nd Level</u>	<u>3rd Level</u>	<u>Total</u>
<b>Asset</b>				
<u>Recurring fair value measurements</u>				
Net loss (gains) from financial assets and liabilities				
Equity securities	\$ 403,914	\$ 4,965	\$ 58,826	\$ 467,705
Beneficiary securities	33,533	-	-	33,533
Derivatives				
- Forward exchange contracts	-	8	-	8
Hybrid instrument	-	-	11,008	11,008
Financial asset at fair value through other comprehensive income				
Equity securities	-	-	2,381	2,381
<b>Total</b>	<u>\$ 437,447</u>	<u>\$ 4,973</u>	<u>\$ 72,215</u>	<u>\$ 514,635</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 nine-month periods ended September 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.
5. Movements on Level 3 for the nine-month periods ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ 72,109	\$ 67,627
Additions	30,000	-
Recognized in profit (loss) (Note)	( 3,712 )	4,588
September 30	<u>\$ 98,397</u>	<u>\$ 72,215</u>

Changes in unrealized gains or losses on assets and liabilities owned at the end of the period ( \$ 3,712 ) \$ 4,588

Note : Recognized as other gains (losses).

6. There was no transfer into or out from Level 3 for the nine-month periods ended September 30, 2021 and 2020.

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

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

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

	2021/9/30 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	\$ 36,942	Net asset value approach	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
Unlisted and non-OTC stocks	51,740	Discounted Cash Flow method	Note 1	Not applicable	Note 2
<u>Hybrid instrument:</u>					
Unlisted and non-OTC stocks	47,080	Discounted Cash Flow method	Note 1	Not applicable	Note 2
Embedded option (	37,365)	Options pricing model	Stock price volatility	Not applicable	The higher the stock price volatility, the higher the fair value
	2020/12/31 Fair value	Valuation technique	Significant and unobservable input	Range (weighted average)	Relationship between input and fair value
<u>Equity instruments:</u>					
Unlisted and non-OTC stocks	\$ 39,350	Net asset value approach	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
Unlisted and non-OTC stocks	21,741	Discounted Cash Flow method	Note 1	Not applicable	Note 2

	2020/12/31 Fair value	Valuation technique	Significant and unobservable input	Range (weighted average)	Relationship between input and fair value
<u>Hybrid instrument:</u>					
Unlisted and non-OTC stocks	56,084	Discounted Cash Flow method	Note 1	Not applicable	Note 2
Embedded option (	45,066)	Options pricing model	Stock price volatility	Not applicable	The higher the stock price volatility, the higher the fair value
	2020/9/30 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	\$ 39,466	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	47,895	Discounted Cash Flow method	Note 1	Not applicable	Note 2
Embedded option (	36,887)	Options pricing model	Stock price volatility	Not applicable	The higher stock price volatility, the higher the fair value

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

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

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

(4) Other issues

Due to the impact of the COVID-19, upstream components and related materials are short of materials and the prices of related materials have increased. The operating income in the first quarter decreased slightly by about 9% compared with the same period last year. However, the company adopted adjustments to relevant procurement and stocking policies and customer orders in response to the epidemic. Pulling goods gradually stabilized until the operating income in the second quarter and the third quarter increased slightly by approximately 11% compared with the previous quarter separately. The Group will continue to evaluate and manage the above issues.

XIII. Disclosures

(1) Information on significant transactions

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

(2) Information on investees

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

(3) Information on investments in China

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

(4) Information of major shareholders

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

XIV. Segment information

(1) General information

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 nine-month periods ended September 30,2021</u>			
	<u>IPC</u>	<u>Medical PC</u>	<u>Elimination</u>	<u>Total</u>
Revenue from external customers	\$ 3,464,887	\$ 766,133	\$ -	\$ 4,231,020
Revenue from internal segments	122,332	6,477	( 128,809 )	-
Segment revenue	<u>\$ 3,587,219</u>	<u>\$ 772,610</u>	<u>( \$ 128,809 )</u>	<u>\$ 4,231,020</u>
Segment profit or loss	<u>\$ 171,865</u>	<u>\$ 55,665</u>	<u>\$ -</u>	<u>\$ 227,530</u>
Segment profit or loss includes:				
Depreciation and amortization	<u>\$ 58,580</u>	<u>\$ 16,825</u>	<u>\$ -</u>	<u>\$ 75,405</u>

	<u>For the nine-month periods ended September 30,2020</u>			
	<u>IPC</u>	<u>Medical PC</u>	<u>Elimination</u>	<u>Total</u>
Revenue from external customers	\$ 3,589,096	\$ 898,325	\$ -	\$ 4,487,421
Revenue from internal segments	196,669	14,673	( 211,342 )	-
Segment revenue	<u>\$ 3,785,765</u>	<u>\$ 912,998</u>	<u>( \$ 211,342 )</u>	<u>\$ 4,487,421</u>
Segment profit or loss	<u>\$ 300,987</u>	<u>\$ 117,334</u>	<u>\$ -</u>	<u>\$ 418,321</u>
Segment profit or loss includes:				
Depreciation and amortization	<u>\$ 61,741</u>	<u>\$ 19,899</u>	<u>\$ -</u>	<u>\$ 81,640</u>

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

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

(4) Reconciliation for segment income

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

## AAEON Technology Inc. and Subsidiaries

## MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

SEPTEMBER 30, 2021

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

Schedule 1

Holding company	Marketable securities type and name			Financial Statement Account	2021/9/30				
	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	\$ 26,497	-	\$ 26,497	None
"	Stock	Advantech Co.,Ltd.	"	"	802	293	-	293	"
"	"	MACHVISION,INC.	Other related party - the Company's Chairman as a director	"	1,180,198	270,265	2.64	270,265	"
"	"	ATECH OEM INC.	"	"	234	3	-	3	"
"	"	Unitech Electronics Co., Ltd.	None	"	549,600	14,317	1.17	14,317	"
"	"	LILEE SYSTEMS Ltd.	"	"	468,750	-	-	-	"
"	"	Econova Technology Co.	"	"	266,600	-	7.27	-	"
"	"	Allied Biotech Co.	Other related party - the Company's Chairman as a director	"	300,000	4,560	0.31	4,560	"
"	"	TELEION WIRELESS, INC.	None	"	149,700	-	-	-	"
"	"	InSynerger Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	1,710,000	19,359	19.29	19,359	"
"	"	V-Net AAEON Corporation Ltd.	"	"	29	9,715	14.50	9,715	Note 3
AAEON INVESTMENT, CO., LTD.	Fund	HSBC Global Income Bond Fund	"	Financial assets at fair value through profit or loss - current	555,078	7,357	-	7,357	None
"	Stock	ATECH OEM INC.	Other related party - the Company's Chairman as a director	"	3,456,000	33,350	5.82	33,350	"
"	"	Mutto Optronics Co.	None	"	122,000	2,196	0.26	2,196	"
"	"	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.	"	Financial assets at fair value through profit or loss - current	18,716	4,286	0.04	4,286	"
"	"	TOP UNION ELECTRONICS CORP.	None	"	169,658	3,300	0.17	3,300	"
"	"	INNO FUND III	"	Financial assets at fair value through profit or loss - non-current	3,000,000	35,853	13.04	35,853	"
"	"	PROTECTLIFE INTERNATIONAL BIOMEDICAL INC	"	Financial asset at fair value through other comprehensive income - non-current	2,500,000	30,000	6.37	30,000	"
"	"	MELTEN CONNECTED HEALTHCARE INC.	"	"	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 NINE -MONTH PERIOD ENDED SEPTEMBER 30, 2021

Schedule 2

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

Company Name	Related Party	Nature of Relationship	Purchase (sales)	Transaction			Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note)	Accounts and notes receivable (payable)			
				Amount	Percentage to total purchase (sales) (%)	Payment terms		Unit Price	Payment terms	Ending Balance	Percentage to total accounts and notes receivable or payable (%)
AAEON Technology Inc.	ASUSTEK COMPUTER INC	Parent	Purchases	\$ 691,842	27.37	month-end 30 days	-	-	( \$ 93,855 )	( 21.17 )	
"	AAEON ELECTRONICS, INC.	Subsidiary	(Sales)	( 585,013 )	( 20.17 )	month-end 60 days	-	-	106,618	16.31	
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	"	( 469,741 )	( 16.20 )	"	-	-	196,626	30.08	
"	AAEON TECHNOLOGY (SUZHOU) INC.	"	"	( 232,211 )	( 8.01 )	"	-	-	46,803	7.16	
ONYX HEALTHCARE USA, INC.	ONYX HEALTHCARE USA, INC.	"	"	( 148,877 )	( 24.70 )	month-end 90 days	-	-	50,690	38.77	

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

SEPTEMBER 30, 2021

Schedule 3

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

Company Name	Related Party	Nature of Relationship	Ending balance (Note 1)	Turnover (%)	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action taken		
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	Subsidiary	\$ 106,618	9.71	\$ -	-	\$ 87,973	\$ -
"	AAEON TECHNOLOGY (EUROPE) B.V.	"	196,626	4.57	-	-	64,140	-

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

Schedule 4

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

Serial No. (Note 1)	Company Name	Related Party	Nature of relationships (Note 2)	Intercompany transaction			As a percentage of consolidated revenues or total assets (%) (Note 3)
				Financial Statement Account	Amount	Terms	
0	AAEON Technology Inc.	AAEON ELECTRONICS, INC.	1	Net sales	\$ 585,013	month-end 60 days	13.83
"	"	AAEON TECHNOLOGY (EUROPE) B.V.	1	Net sales	469,741	"	11.10
"	"	AAEON TECHNOLOGY (SUZHOU) INC.	1	Net sales	232,211	"	5.49
"	"	AAEON ELECTRONICS, INC.	1	Accounts receivable	106,618	"	1.09
"	"	AAEON TECHNOLOGY (EUROPE) B.V.	1	Accounts receivable	196,626	"	2.01
1	ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	1	Net sales	148,877	month-end 90 days	3.52

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

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

Schedule 5

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of September 30,2021			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/9/30	2020/12/31	Shares	Percentage (%)	Carrying Amount			
AAEON Technology Inc.	AAEON ELECTRONICS, INC.	USA	Sales of IPC and PC peripherals	\$ 136,465	\$ 139,552	490,000	100.00	\$ 213,483	\$ 13,960	\$ 13,906	
"	AAEON TECHNOLOGY CO.,LTD	British Virgin Islands	Investment of IPC and interface card	245,278	250,826	8,807,097	100.00	240,179	26,712	26,590	
"	AAEON TECHNOLOGY (EUROPE) B.V.	Netherlands	Sales of IPC and PC peripherals	3,232	3,502	-	100.00	31,201	2,426	2,426	
"	AAEON TECHNOLOGY SINGAPORE PTE.LTD.	Singapore	Sales of IPC and PC peripherals	11,941	12,577	465,840	100.00	53,360	6,251	6,251	
"	AAEON INVESTMENT, CO., LTD.	Taiwan	Investment of IPC and PC peripherals	150,000	150,000	15,000,000	100.00	111,333	( 13,221 )	( 13,221 )	
"	ONYX HEALTHCARE INC.	"	Design, manufacture and sales of medical PC	73,358	73,358	15,132,074	50.00	464,472	53,137	26,687	
"	LITEMAX ELECTRONICS INC.	"	Sales of PC peripherals	70,218	70,218	5,015,050	11.99	98,933	63,708	7,641	
"	IBASE TECHNOLOGY INC.	"	Manufacturing and sales of industrial motherboards	3,498,501	3,498,501	52,921,856	31.56	3,227,283	133,640	( 6,896 )	
AAEON TECHNOLOGY (EUROPE) B.V.	AAEON TECHNOLOGY GMBH	Germany	Sales of IPC and PC peripherals	970	1,051	-	100.00	20,433	1,635	-	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 SEPTEMBER 30, 2021

Schedule 5

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

Name of investor	Name of investee	Location	Main businesses and products	Original Investment		Balance as of September 30,2021			Investee profit or loss for the period (Note 2)	Profits or losses on investment recognized for the period (Note 2)	Remarks
				2021/9/30	2020/12/31	Shares	Percentage (%)	Carrying Amount			
ONYX HEALTHCARE INC.	ONYX HEALTHCARE USA, INC.	USA	Sales of medical PC and peripherals	\$ 55,700	\$ 56,960	200,000	100.00	\$ 71,581	( \$ 23,553 )	-	Note1
"	ONYX HEALTHCARE EUROPE B.V.	Netherlands	Marketing support and maintenance of medical PC and peripherals	3,232	3,502	100,000	100.00	17,354	3,607	-	"
"	IHELPER INC.	Taiwan	R&D and sales of medical robots	16,560	16,560	1,656,000	46.00	6,762	( 3,658 )	-	"
"	WINMATE INC.	"	Bid quotations, distributions and sales of LCD application equipment and modules	552,783	538,199	10,041,000	13.85	549,336	290,096	-	"

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 September 30, 2021, while others are converted to NTD under the exchange rate at end period of the financial report.

AAEON Technology Inc. and Subsidiaries  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

Schedule 6

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

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Methods of investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Accumulated Outflow of Investment as of September 30, 2021	Investee profit or loss for the period	The Company's direct or indirect holding percentage	Share of Profits / Losses (Note 2. (2)C)	Carrying Amount as of September 30, 2021	Accumulated Inward Remittance of Earnings as of September 30, 2021	Remarks
					Outflow	Inflow							
AAEON TECHNOLOGY (SUZHOU) INC.	Production and sales of IPC and interface card	\$ 242,024	2	\$ 242,024	\$ -	\$ -	\$ 242,024	\$ 26,829	100%	\$ 26,829	\$ 247,080	\$ -	
ONYX HEALTHCARE (SHANGHAI) LTD	Sales of medical PC and peripherals	55,700	1	55,700	-	-	55,700	( 1,890 )	100%	( 1,890 )	2,653	-	
					Investment Amounts Authorized by	Upper Limit on Investment Authorized by							
<u>Company Name</u>	<u>Ending Balance of Accumulated Investment in Mainland China</u>	<u>Investment Commission, MOEA</u>	<u>Investment Commission, MOEA</u>										
AAEON Technology Inc.	\$ 242,024	\$ 242,024	\$ 4,817,729										
Onyx Technology Inc.	55,700	55,700	574,995										

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 September 30, 2021, while others are converted to NTD under the exchange rate at the end period of the financial report.

AAEON Technology Inc. and Subsidiaries  
INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2021

Schedule 7

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

Note 1: In this chart, major shareholders are defined as shareholders with more than 5% collective holding interest in common and preferred shares that have been delivered via book entry (including treasury stocks), as shown in the records of TDCC on the final business day of each quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.

Note 2: For shareholders who have placed shareholding under trust, the above information shall be provided based on trust accounts created by the trustee. In which case, these shareholders may be required under the Securities and Exchange Act to make regulatory reporting on insiders with more than 10% ownership interest, which include shares held in own name and shares placed under trust that the shareholder has control over. Refer to Market Observation Post System for information on the reporting of insider shareholding