

AXIOMTEK CO., LTD. AND SUBSIDIARIES
Consolidated Financial Statements for the Years Ended
December 31, 2021 and 2020 and
Independent Auditors' Report
(Stock Code : 3088)

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Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

AXIOMTEK CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Yang, Yu-Te

Chairman of AXIOMTEK CO., LTD.

February 25, 2022

2021 Independent Auditors' Report

(Consolidated Financial Statements)

To the Board of Directors and Shareholders of
AXIOMTEK CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of AXIOMTEK CO., LTD. and its subsidiaries (hereinafter referred to as “the Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended In order to comply with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in order to comply with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Independent Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group In order to comply with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (hereinafter referred to as the “Code”), and we have fulfilled our other ethical responsibilities in order to comply with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters on the Consolidated Financial Statements for the year ended December 31, 2021 are stated as follows:

Cut-off of Operating Revenue

Description

Please refer to Note 4(32) for accounting policy on revenue recognition and Note 6(23) for details of operating revenue.

The Group's operating revenue mainly comes from the manufacture and sale of finished products, and is mainly for export. The operating revenue for export is based on the transaction conditions with customers as the basis for revenue recognition. Different customers have different transaction conditions and revenue recognition procedures. Involving manual judgment by management, for sales transactions before and after the balance sheet date, it is necessary to confirm whether the significant risks and rewards related to the ownership of the goods have been transferred to the customer. Therefore, there is a risk of improper timing of revenue recognition. We considered the cut off of operating revenue as a key audit matter.

How our audit addressed the matter

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

1. Understood and assessed the effectiveness of internal controls over cutoff of the Group's operating revenue and tested the effectiveness of internal controls over shipping and billing.
2. Checked the completeness and performed cutoff tests on a random basis on the export sales details in a certain period around balance sheet date, which includes checking the terms and conditions of transaction, verifying against supporting documents, and checking whether inventory changes records and sales cost had been recognized in the proper period.

Allowance for Inventory Valuation Losses

Description

Please refer to Note 4(12) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses and Note 6(3) for details of inventories. As at December 31, 2021, the Group's inventories and allowance for inventory valuation losses amounted to NT\$1,573,137 thousand and NT\$61,653 thousand, respectively.

The Group is primarily engaged in the research and development, manufacturing and sales of industrial

computers products. Due to rapid technological innovation and fluctuations in market prices, the Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on historical experience. An allowance for inventory valuation losses is provided for those inventories aged over a certain period of time and individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is subject to management's judgment, we consider allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

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

1. Ensured consistent application of Group's accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Evaluated the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, validated the appropriateness of system logic of inventory aging report utilized by management to ensure proper classification of inventories aged over a certain period of time and reperformed the calculation.
3. Discussed with management the net realizable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents, and agreed to information obtained from physical inventory.

Other Matter – Audits of Other Independent Accountants

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$303,234 thousand and NT\$357,925 thousand, constituting 5.68% and 8.85% of consolidated total assets as of December 31, 2021 and 2020, respectively, and operating revenue of NT\$417,138 and NT\$517,111 thousand, constituting 8.23% and 11.23% of consolidated total operating revenue for the years ended December 31, 2021 and 2020, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiaries, is based solely on the audit reports of the other independent accountants.

Other Matter – Parent Company Only Financial Reports

We have audited and expressed an unqualified opinion on the Parent Company Only Financial Statements of AXIOMTEK CO., LTD. as of and for the years ended December 31, 2021 and 2020.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements. In order to comply with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in order to comply with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in order to comply with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We are also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Feng, Ming-Chuan

Wu, Han-Chi

for and on behalf of PricewaterhouseCoopers, Taiwan February 25, 2022

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 943,871	18	\$ 907,789	23
1150	Notes receivable	6(2) and 12(2)	19,898	-	18,824	1
1170	Accounts receivable	6(2) and 12(2)	745,599	14	702,733	17
1200	Other receivables		29,785	1	11,360	-
1220	Current income tax assets		401	-	1,381	-
130X	Inventories	6(3)	1,511,484	28	818,841	20
1410	Prepayments		23,221	-	37,904	1
1470	Other current assets		834	-	2,615	-
11XX	Total current assets		<u>3,275,093</u>	<u>61</u>	<u>2,501,447</u>	<u>62</u>
Non-current assets						
1550	Investments accounted for under equity method	6(4)	20,982	1	25,945	1
1600	Property, plant and equipment	6(5) and 8	1,670,465	31	1,144,409	28
1755	Right-of-use assets	6(6)	127,737	2	98,458	2
1760	Investment property	6(8)	38,479	1	85,193	2
1780	Intangible assets	6(9)(10)	114,769	2	113,714	3
1840	Deferred income tax assets	6(30)	78,938	2	65,210	2
1990	Other non-current assets		9,228	-	9,141	-
15XX	Total non-current assets		<u>2,060,598</u>	<u>39</u>	<u>1,542,070</u>	<u>38</u>
1XXX	Total Assets		<u>\$ 5,335,691</u>	<u>100</u>	<u>\$ 4,043,517</u>	<u>100</u>

(Continued)

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 374,000	7	\$ -	-
2130	Contract liabilities - current	6(23)	92,336	2	37,249	1
2150	Notes payables		675	-	997	-
2170	Accounts payable	6(14)	828,310	15	318,697	8
2180	Accounts payable – related parties	7	6,813	-	4,640	-
2200	Other payables	6(12)	419,448	8	325,696	8
2230	Current income tax liabilities		94,855	2	81,882	2
2250	Provisions for liabilities - current		1,152	-	939	-
2280	Current lease liabilities		37,570	1	31,834	1
2320	Current portion of long-term borrowings	6(15)(16)	1,411	-	278,732	7
2399	Other current liabilities		6,963	-	19,475	-
21XX	Total current liabilities		<u>1,863,533</u>	<u>35</u>	<u>1,100,141</u>	<u>27</u>
Non-current liabilities						
2540	Long-term borrowings	6(16) and 8	53,606	1	38,685	1
2560	Non-current income tax liabilities		30,677	-	15,423	1
2570	Deferred income tax liabilities	6(30)	160,410	3	131,848	3
2580	Non-current lease liabilities		92,880	2	68,468	2
2600	Other non-current liabilities	6(17)	56,312	1	55,174	1
25XX	Total non-current liabilities		<u>393,885</u>	<u>7</u>	<u>309,598</u>	<u>8</u>
2XXX	Total liabilities		<u>2,257,418</u>	<u>42</u>	<u>1,409,739</u>	<u>35</u>
Equity attributable to shareholders of the parent						
Share capital						
3110	Ordinary shares	6(19)	884,829	17	825,953	20
3140	Advance receipts for share capital		75,094	1	23,897	1
Capital surplus						
3200	Capital surplus	6(20)	533,041	10	330,595	8
Retained earnings						
3310	Legal reserve	6(21)	576,846	11	546,178	13
3320	Special reserve		38,974	1	26,633	1
3350	Unappropriated retained earnings		1,046,116	20	919,497	23
Other equity						
3400	Other equity	6(22)	(76,627)	(2)	(38,975)	(1)
31XX	Total equity attributable to shareholders of the parent		<u>3,078,273</u>	<u>58</u>	<u>2,633,778</u>	<u>65</u>
3XXX	Total equity		<u>3,078,273</u>	<u>58</u>	<u>2,633,778</u>	<u>65</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant after the balance sheet date						
3X2X	Total Liabilities and Equity	11	<u>\$ 5,335,691</u>	<u>100</u>	<u>\$ 4,043,517</u>	<u>100</u>

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2021		2020	
		Amount	%	Amount	%
4000 Operating revenue	6(23)	\$ 5,069,606	100	\$ 4,602,779	100
5000 Operating costs	6(3)(28) (29) and 7	(3,368,611)	(67)	(3,052,024)	(66)
5900 Gross profit		1,700,995	33	1,550,755	34
5910 Unrealized gain from sale	6(4)	(20)	-	(57)	-
5920 Realized gain from sale		57	-	36	-
5950 Net operating margin		<u>1,701,032</u>	<u>33</u>	<u>1,550,734</u>	<u>34</u>
Operating expenses	6(28)(29)				
6100 Selling expenses		(638,299)	(12)	(594,948)	(13)
6200 General and administrative expenses		(161,830)	(3)	(126,519)	(3)
6300 Research and development expenses		(488,175)	(10)	(422,620)	(9)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	4,278	-	(2,696)	-
6000 Total operating expenses		(1,284,026)	(25)	(1,146,783)	(25)
6900 Operating profit		<u>417,006</u>	<u>8</u>	<u>403,951</u>	<u>9</u>
Non-operating income and expenses					
7100 Interest income	6(24)	1,670	-	5,853	-
7010 Other income	6(25)	22,422	1	60,462	1
7020 Other gains and losses	6(26)	66,334	1	(46,679)	(1)
7050 Finance costs	6(27)	(7,336)	-	(9,481)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(4)	(5,000)	-	(1,604)	-
Total non-operating income and expenses		<u>78,090</u>	<u>2</u>	<u>8,551</u>	<u>-</u>
7000 Profit before income tax		495,096	10	412,502	9
7900 Income tax expenses	6(30)	(104,181)	(2)	(105,904)	(3)
7950 Net Income		<u>\$ 390,915</u>	<u>8</u>	<u>\$ 306,598</u>	<u>6</u>
8200 Other comprehensive income					
8311 Remeasurements of defined benefit plan	6(17)	(\$ 5,130)	-	\$ 95	-
8349 Income tax relating to components of other comprehensive income	6(30)	797	-	(19)	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(47,065)	(1)	(15,427)	-
8399 Income tax relating to the components of other comprehensive income	6(30)	9,413	-	3,085	-
8300 Other comprehensive income (loss) for the year		(\$ 41,985)	(1)	(\$ 12,266)	-
8500 Total Comprehensive Income		<u>\$ 348,930</u>	<u>7</u>	<u>\$ 294,332</u>	<u>6</u>
Profit attributable to:					
8610 Shareholders of the parent		<u>\$ 390,915</u>	<u>8</u>	<u>\$ 306,598</u>	<u>6</u>
Total comprehensive income (loss) attributable to:					
8710 Shareholders of the parent		<u>\$ 348,930</u>	<u>7</u>	<u>\$ 294,332</u>	<u>6</u>
9750 Basic earnings per share	6(31)	<u>\$ 4.57</u>		<u>\$ 3.73</u>	
9850 Diluted earnings per share	6(31)	<u>\$ 4.30</u>		<u>\$ 3.43</u>	

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to shareholders of the parent							
		Share capital			Retained Earnings			Financial statements translation differences of foreign operations	
Notes	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Total	
<u>Year 2020</u>									
	\$	803,954	\$ 60,957	\$ 245,919	\$ 500,481	\$ 4,231	\$ 1,008,490	(\$ 26,633)	\$ 2,597,399
		-	-	-	-	306,598	-	306,598	
6(22)		-	-	-	-	76	(12,342)	(12,266)	
		-	-	-	-	306,674	(12,342)	294,332	
6(21)		-	-	-	45,697	(45,697)	-	-	
		-	-	-	-	22,402	-	-	
		-	-	-	-	(327,568)	-	(327,568)	
6(18)	3,850	1,552	7,605	-	-	-	-	13,007	
6(18)	-	-	7,814	-	-	-	-	7,814	
	18,149	(38,612)	69,257	-	-	-	-	48,794	
	\$	825,953	\$ 23,897	\$ 330,595	\$ 546,178	\$ 26,633	\$ 919,497	(\$ 38,975)	\$ 2,633,778
<u>Year 2021</u>									
	\$	825,953	\$ 23,897	\$ 330,595	\$ 546,178	\$ 26,633	\$ 919,497	(\$ 38,975)	\$ 2,633,778
		-	-	-	-	390,915	-	390,915	
6(22)		-	-	-	-	(4,333)	(37,652)	(41,985)	
		-	-	-	-	386,582	(37,652)	348,930	
6(21)		-	-	-	30,668	(30,668)	-	-	
		-	-	-	-	12,341	-	-	
		-	-	-	-	(216,954)	-	(216,954)	
6(18)	6,690	(2,463)	15,655	-	-	-	-	19,882	
6(18)	-	-	16,023	-	-	-	-	16,023	
	52,186	53,660	170,768	-	-	-	-	276,614	
	\$	884,829	\$ 75,094	\$ 533,041	\$ 576,846	\$ 38,974	\$ 1,046,116	(\$ 76,627)	\$ 3,078,273

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 495,096	\$ 412,502
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	(4,278)	2,696
Depreciation	6(5)(6)(28)	93,218	104,224
Depreciation from investment Property	6(8)(26)	541	1,048
Amortization	6(9)(28)	17,494	13,339
Interest income	6(24)	(1,670)	(5,853)
Share of profit of associates and joint ventures accounted for under equity method	6(4)	5,000	1,604
Loss (gain) on disposal of property, plant and equipment	6(26)	(120)	(143)
Gain on disposal of investments	6(26)	(295)	(204)
Gains on disposals of investment property	6(26)	(78,854)	-
Gain on lease modification	6(26)	(1)	(17)
Interest expense	6(27)	7,336	9,481
Compensation cost of share-based payments	6(18)(29)	16,023	7,814
Impairment loss on goodwill	6(9)(10)(26)	-	9,596
Unrealized profit from sales		(37)	21
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		295	204
Notes receivable		(1,074)	(2,145)
Accounts receivable (including related parties)		(38,411)	(42,968)
Other receivables		(18,573)	2,620
Inventories		(692,429)	127,882
Prepayments		14,683	(13,065)
Other current assets		1,781	201
Changes in liabilities relating to operating activities			
Contract liabilities		55,087	13,648
Notes payables		(322)	322
Accounts payable (including related parties)		511,786	(79,170)
Other payables		89,990	11,487
Other current liabilities		(12,512)	7,465
Other non-current assets		(3,993)	(108)
Cash inflow generated from operations		455,761	582,481
Receipt of interest		1,819	6,999
Payment of interest		(4,231)	(4,436)
Payment of income tax		(50,218)	(43,548)
Net cash flows provided by operating activities		403,131	541,496

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AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(32)	(\$ 581,355)	(\$ 33,356)
Proceeds from disposal of property, plant and equipment		360	174
Proceeds from disposal of Investment property		125,027	-
Acquisition of intangible assets	6(9)	(18,214)	(10,301)
Decrease (Increase) in other non-current assets		563	178
Net cash flows provided by (used in) investing activities		(473,619)	(43,305)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short -term borrowings		1,013,592	963,000
Redemption of short -term borrowings		(639,592)	(1,065,000)
Proceeds from long-term borrowings		55,771	-
Redemption of long-term borrowings		(41,021)	(2,953)
Payment of cash dividends	6(21)	(216,954)	(327,568)
Proceeds from exercise of employee stock options		19,882	13,007
Increase (decrease) in refundable deposits		-	160
Payment of lease liabilities		(39,351)	(43,011)
Proceeds from bonds payable	6(33)	(2,300)	-
Net cash flows provided by (used in) financing activities		150,027	(462,365)
Effects due to changes in exchange rate		(43,457)	(10,769)
Increase (Decrease) in cash and cash equivalents		36,082	25,057
Cash and cash equivalents at beginning of year		907,789	882,732
Cash and cash equivalents at end of year		\$ 943,871	\$ 907,789

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

1. ORGANIZATION AND OPERATIONS

Axiomtek Co., Ltd. (hereinafter referred to as "the Company" or "Axiomtek") was incorporated in the Republic of China (R.O.C) in May 1990 and the Company's common shares were officially listed on the Taipei Exchange on April 28, 2005. The Company and its subsidiaries (collectively referred herein as "the Group") are mainly engaged in designing, manufacturing and sales of PC-based industrial computer products and peripherals. The Group provides product lines of Industrial PCs (IPCs), Single Board Computers (SBCs), System on Modules (SoMs), Fanless and Rugged Embedded Systems (eBOX and rBOX), Intelligent Transportation Systems (tBOX and UST), Industrial IoT Gateway, Industrial EtherCAT Master solution, Touch Panel Computers (TPCs), Medical Panel Computers (MPCs), Digital Signage Solutions (DSSs), and Network Appliances (NAs) products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The consolidated financial statements were authorized for issuance by the Board of Directors on February 25, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</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 30 June 2021'	April 1, 2021(Note)

Note: Earlier application from January 1, 2022 is allowed by the FSC.

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

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2021
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2021
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2021
Annual improvements to IFRS Standards 2018–2020	January 1, 2021
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	
(3) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>	

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 - Comparative information"	January 1, 2023
Amendments to IAS 1, "Classification of liabilities as current or non-current"	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.	

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (B) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
 - (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e., transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
 - (E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of Subsidiary	Nature of business	Percentage of Ownership (%)	
			December 31, 2021	December 31, 2020
The Company	AXIOM TECHNOLOGY,INC. U.S.A.(AXUS)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100%	100%
"	AXIOMTEK TEKDEUTSCHLAND GMBH(AXGM)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100%	100%
"	AXIOMTEK ITALIA S.R.L.(AXIT)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100%	100%
"	AXIOM TECHNOLOGY(BVI) CO., LTD. (AXBVI)	Holding company	100%	100%
"	AXIOMTEK UK LIMITED(AXUK)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100%	100%
"	AXIOMTEK JAPANCO., LTD.(AXJP)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100%	100%
AXBVI	Axiomtek (Shenzhen) Co. Ltd.	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100%	100%

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional

currency”). The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

- (A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (B) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (D) Foreign exchange gains and loss based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (A) The operating results and financial position of all the Group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in Exchange differences on translation of foreign operations.
- (B) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests in this foreign operation. In addition, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

- (A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (B) Assets held mainly for trading purposes;
- (C) Assets that are expected to be realized within twelve months from the balance sheet

date;

- (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

All assets that do not meet the above criteria are classified as non-current assets.

- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:
 - (A) Liabilities that are expected to be paid off within the normal operating cycle;
 - (B) Liabilities arising mainly from trading activities;
 - (C) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(6) Cash equivalent

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

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

Effective 2018

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and accounts receivable that have a significant financing component, at each end of the financial reporting period, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment

provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

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

(13) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate

asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	3 - 50 years
Machinery	3 - 20 years
Tools	2 - 5 years
Testing equipment	2 - 8 years
Office Equipment	2 - 10 Years
Leasehold improvements	2 - 10 Years
Other equipment	3 - 10 Years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (A) Fixed payments, less any lease incentives receivable; and
 - (B) Variable lease payments that depend on an index or a rate.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (A) The amount of the initial measurement of lease liability;
 - (B) Any lease payments made at or before the commencement date; and
 - (C) Any initial direct costs incurred by the lessee.

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

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 3 to 41 years.

(17) Intangible assets

- A. Trademark
Trademark is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.
- B. Computer software
Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.
- C. Goodwill
Goodwill arises in a business combination accounted for by applying the acquisition method.
- D. Others
Other intangible assets, mainly customer list, are amortized on a straight-line basis over their estimated useful lives of 6~15 years.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes payable and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes

payable are those resulting from operating and non-operating activities.

- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

- A. Such liabilities mean the financial liabilities designated to be measured at fair value through profit or loss. When a financial liability meets one of the following conditions, it is designated at fair value through profit or loss when it is originally recognized:
 - (A) is a mixed (combined) contract; or
 - (B) eliminate or significantly reduce the measurement inconsistencies; or
 - (C) An instrument whose performance is managed and evaluated on a fair value basis, based on written risk management or strategies.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(22) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. Bonds payable of convertible corporate bonds is initially recognized at fair value and subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable/preference share liabilities and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in 'capital surplus – stock options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock options.

(23) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or losses. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.
- B. A mixed contract of financial assets embedded in derivatives, at the time of the original recognition, determines that the overall hybrid tool is classified as financial assets measured at fair value through gains and losses, financial assets measured at fair value through other consolidated gains and losses, and financial assets measured at amortized cost.
- C. The non-financial asset hybrid contract embedded in the derivative instrument determines whether the embedded derivative is closely related to the economic characteristics and risk of the main contract in the original recognition according to the terms of the contract to determine whether to separate or not. When it is closely related, the overall blending tool is treated according to its nature according to appropriate criteria. When it is not closely related, the derivative is separated from the principal contract and is treated as a derivative. The principal contract is treated according to its nature on the basis of appropriate criteria; or the overall recognition at the original recognition is a financial liability measured at fair value through profit or losses.

(24) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported in the net amount in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Provisions for liabilities

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

(27) Employee benefits

- A. Short-term employee benefits
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.
- B. Pensions
 - (A) Defined contribution plans
For defined contribution plans, the Group has no legal or constructive obligation to make additional contributions after a fixed amount is contributed to a public or

privately managed and independent pension fund. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- i. Defined benefit plans are different from defined contribution plans. The amount of pension benefits for employees at retirement is often dependent upon one or more factors, such as age, length of service and salary amount. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employee will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(C) Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and nonmarket vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its

subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(30) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction from the proceeds.

(31) Dividends

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

(32) Revenue recognition

A. Sales of goods

- (A) The Group manufactures and sells industrial computer-related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the

customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (B) The sales revenue of industrial computer-related products is recognized according to the quantity of goods purchased by the customer and the price agreed upon after the quotation of the product item. The terms of collection for sales transactions are agreed upon in accordance with the generally accepted commercial transaction terms.
 - (C) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
 - (D) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- B. Revenue from Labor Services
- Revenue from labor services comes from product development and provision of extended warranty and maintenance services. When the transaction results of labor services can be reliably estimated, revenues are recognized based on the level of labor provided.

(33) Government grants

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

(34) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. If the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as goodwill, if the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as profit.

(35) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below.

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$1,511,484.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 649	\$ 721
Checking accounts and demand deposits	759,726	391,394
Time deposits	17,386	31,514
Cash equivalents - Bonds with repurchase agreement	166,110	484,160
	<u>\$ 943,871</u>	<u>\$ 907,789</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Notes and accounts receivable (including related parties)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 19,898	\$ 18,824
Less: Loss allowance	-	-
	<u>\$ 19,898</u>	<u>\$ 18,824</u>
Accounts receivable (including related parties)	\$ 750,439	\$ 712,028
Less: Loss allowance	(4,840)	(9,295)
	<u>\$ 745,599</u>	<u>\$ 702,733</u>

- A. Information relating to the ageing analysis of accounts receivable that were past due is provided in Note 12(2).
- B. As of December 31, 2021 and 2020, notes and accounts receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$636,589.
- C. The Group does not hold financial assets as security for accounts receivable.
- D. Information relating to credit risk is provided in Note 12(2).

(3) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss and loss on obsolete and slow-moving inventories</u>	<u>Book value</u>
Raw materials	\$ 585,388	(\$ 38,954)	\$ 546,434
Work in progress	184,619	-	184,619
Semi-finished goods	28,422	(3,187)	25,235
Finished goods	133,817	(5,687)	128,130
Merchandise inventory	602,576	(13,825)	588,751
Inventories in transit	38,315	-	38,315
Total	<u>\$ 1,573,137</u>	<u>(\$ 61,653)</u>	<u>\$ 1,511,484</u>

	December 31, 2020		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	\$ 230,429	(\$ 23,669)	\$ 206,760
Work in progress	74,271	(296)	73,975
Semi-finished goods	24,872	(1,531)	23,341
Finished goods	110,206	(15,343)	94,863
Merchandise inventory	299,161	(10,061)	289,100
Inventories in transit	130,802	-	130,802
Total	\$ 869,741	(\$ 50,900)	\$ 818,841

Relevant expenses of inventories recognized as operating costs for the years ended December 31, 2021 and 2020 are as follows:

	Years ended December 31,	
	2021	2020
Cost of revenue	\$ 3,347,365	\$ 3,032,972
Loss on market value decline and obsolete and slow-moving inventories	21,246	19,052
Total	\$ 3,368,611	\$ 3,052,024

The Group has no inventories pledged to others.

(4) Investments accounted for using equity method

	December 31, 2021	December 31, 2020
Uni-Innovate Technology Co., Ltd. (UNI)	\$ 20,982	\$ 25,945

A. Share of loss of associates accounted for using the equity method is as follows:

	Years ended December 31,	
	2021	2020
UNI	(\$ 5,000)	(\$ 1,604)

B. For the years ended December 31, 2021 and 2020, the Group had unrealized profit from sales from downstream transactions with affiliates at \$20 and \$57, respectively.

(5) Property, plant and equipment

	Land	Buildings	Machinery	Testing equipment	Others	Total
At January 1, 2021						
Cost	\$ 605,216	\$ 447,222	\$ 151,303	\$ 53,774	\$ 258,390	\$ 1,515,905
Accumulated depreciation	-	(36,089)	(129,625)	(39,194)	(166,588)	(371,496)
	<u>\$ 605,216</u>	<u>\$ 411,133</u>	<u>\$ 21,678</u>	<u>\$ 14,580</u>	<u>\$ 91,802</u>	<u>\$ 1,144,409</u>
2021						
Opening net book amount	\$ 605,216	\$ 411,133	\$ 21,678	\$ 14,580	\$ 91,802	\$ 1,144,409
Additions	495,782	55,282	860	3,621	29,059	584,604

Disposals (Cost)	-	-	(8,241)	(2,088)	(3,440)	(13,769)
Disposals (Accumulated depreciation)	-	-	8,241	2,088	3,200	13,529
Reclassifications (Cost)	-	-	4,248	2,050	(7,191)	(893)
Depreciation	-	(9,538)	(10,119)	(5,689)	(27,516)	(52,862)
Net exchange differences	(1,943)	(631)	(30)	(1)	(1,948)	(4,553)
Closing net book amount	<u>\$ 1,099,055</u>	<u>\$ 456,246</u>	<u>\$ 16,637</u>	<u>\$ 14,561</u>	<u>\$ 83,966</u>	<u>\$ 1,670,465</u>

At December 31, 2021						
Cost	\$ 1,099,055	\$ 501,676	\$ 147,924	\$ 57,356	\$ 273,495	\$ 2,079,506
Accumulated depreciation	-	(45,430)	(131,287)	(42,795)	(189,529)	(409,041)
	<u>\$ 1,099,055</u>	<u>\$ 456,246</u>	<u>\$ 16,637</u>	<u>\$ 14,561</u>	<u>\$ 83,966</u>	<u>\$ 1,670,465</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Testing equipment</u>	<u>Others</u>	<u>Total</u>
At January 1, 2020						
Cost	\$ 608,881	\$ 448,784	\$ 151,090	\$ 59,425	\$ 240,202	\$ 1,508,382
Accumulated depreciation	-	(27,318)	(117,590)	(44,593)	(140,036)	(329,537)
	<u>\$ 608,881</u>	<u>\$ 421,466</u>	<u>\$ 33,500</u>	<u>\$ 14,832</u>	<u>\$ 100,166</u>	<u>\$ 1,178,845</u>

2020						
Opening net book amount	\$ 608,881	\$ 421,466	\$ 33,500	\$ 14,832	\$ 100,166	\$ 1,178,845
Additions	-	-	2,276	4,151	26,971	33,398
Disposals (Cost)	-	-	(2,877)	(11,047)	(2,750)	(16,674)
Disposals (Accumulated depreciation)	-	-	2,877	11,047	2,719	16,643
Reclassifications (Cost)	-	-	1,200	1,242	(4,177)	(1,735)
Depreciation	-	(9,120)	(15,234)	(5,647)	(30,181)	(60,182)
Net exchange differences	(3,665)	(1,213)	(64)	2	(946)	(5,886)
Closing net book amount	<u>\$ 605,216</u>	<u>\$ 411,133</u>	<u>\$ 21,678</u>	<u>\$ 14,580</u>	<u>\$ 91,802</u>	<u>\$ 1,144,409</u>

At December 31, 2020						
Cost	\$ 605,216	\$ 447,222	\$ 151,303	\$ 53,774	\$ 258,390	\$ 1,515,905
Accumulated depreciation	-	(36,089)	(129,625)	(39,194)	(166,588)	(371,496)
	<u>\$ 605,216</u>	<u>\$ 411,133</u>	<u>\$ 21,678</u>	<u>\$ 14,580</u>	<u>\$ 91,802</u>	<u>\$ 1,144,409</u>

- A. The Group has no interest capitalised to property, plant and equipment.
- B. Property, plant and equipment not a significant component.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Leasing arrangements – lessee

- A. The Group leases various assets including land, buildings, machinery and equipment, office equipment, and other equipment. Rental contracts are typically made for periods of

1 months 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, but leased assets may not be used as security for borrowing purposes.

- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 125,767	\$ 96,200
Vehicles	1,970	2,258
	<u>\$ 127,737</u>	<u>\$ 98,458</u>

	<u>Years ended</u> <u>December 31, 2021</u>	<u>Years ended</u> <u>December 31, 2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 39,120	\$ 42,593
Vehicles	1,236	1,449
	<u>\$ 40,356</u>	<u>\$ 44,042</u>

- C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$77,617 and \$64,745.

- D. The information on profit and loss accounts relating to lease contracts is as follows:

<u>Items affecting profit or loss</u>	<u>Years ended</u> <u>December 31, 2021</u>	<u>Years ended</u> <u>December 31, 2020</u>
Interest expense on lease liabilities	\$ 2,355	\$ 2,191
Expense on short-term lease contracts	5,142	3,387

- E. For the 2021 and 2020, the Group's total cash outflow for leases was \$46,848 and \$48,589.

(7) Leasing arrangements-lessor

- A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

- B. For the years ended December 31, 2021 and 2020, the Group recognized rent income in the amounts of \$3,448 and \$3,450, respectively, based on the operating lease agreement, which does not include variable lease payments.

- C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
2021	\$ -	\$ 3,444
2022	1,827	1,827
	<u>\$ 1,827</u>	<u>\$ 5,271</u>

(8) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2021			
Cost	\$ 68,273	\$ 40,258	\$ 108,531
Accumulated depreciation	-	(23,338)	(23,338)
	<u>\$ 68,273</u>	<u>\$ 16,920</u>	<u>\$ 85,193</u>
2021			
Opening net book amount	\$ 68,273	\$ 16,920	\$ 85,193
Disposals (Cost)	(35,000)	(24,408)	(59,408)
Disposals (Accumulated depreciation)	-	13,235	13,235
Depreciation	-	(541)	(541)
Closing net book amount	<u>\$ 33,273</u>	<u>\$ 5,206</u>	<u>\$ 38,479</u>
At December 31, 2021			
Cost	\$ 33,273	\$ 15,850	\$ 49,123
Accumulated depreciation	-	(10,644)	(10,644)
	<u>\$ 33,273</u>	<u>\$ 5,206</u>	<u>\$ 38,479</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2020			
Cost	\$ 68,273	\$ 40,258	\$ 108,531
Accumulated depreciation	-	(22,290)	(22,290)
	<u>\$ 68,273</u>	<u>\$ 17,968</u>	<u>\$ 86,241</u>
2020			
Opening net book amount	\$ 68,273	\$ 17,968	\$ 86,241
Depreciation	-	(1,048)	(1,048)
Closing net book amount	<u>\$ 68,273</u>	<u>\$ 16,920</u>	<u>\$ 85,193</u>
At December 31, 2020			
Cost	\$ 68,273	\$ 40,258	\$ 108,531
Accumulated depreciation	-	(23,338)	(23,338)
	<u>\$ 68,273</u>	<u>\$ 16,920</u>	<u>\$ 85,193</u>

A. Rental income and direct operating expenses of investment property:

	Years ended December 31,	
	2021	2020
Rental income from investment property	\$ 3,448	\$ 3,450
Direct operating expenses arising from investment property that generated rental income	\$ 618	\$ 618
Direct operating expenses arising from investment property that did not generate rental income	\$ 80	\$ 896

B. The fair value of the investment property held by the Group was \$121,041 and \$218,640 as of December 31, 2021 and 2020, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(9) Intangible assets

	Trademark	Computer software	Goodwill	Others	Total
At January 1, 2021					
Cost	\$ 291	\$ 78,559	\$ 77,920	\$ 56,659	\$ 213,429
Accumulated Amortization	(291)	(62,406)	(9,596)	(27,422)	(99,715)
	\$ -	\$ 16,153	\$ 68,324	\$ 29,237	\$ 113,714
2021					
Opening net book amount	\$ -	\$ 16,153	\$ 68,324	\$ 29,237	\$ 113,714
Additions	480	17,734	-	-	18,214
Reclassifications	-	893	-	-	893
Amortization	(35)	(12,336)	-	(5,123)	(17,494)
Net exchange differences	-	(20)	-	(538)	(558)
Closing net book amount	\$ 445	\$ 22,424	\$ 68,324	\$ 23,576	\$ 114,769
At December 31, 2021					
Cost	\$ 771	\$ 96,973	\$ 77,920	\$ 55,463	\$ 231,127
Accumulated Amortization and impairment	(326)	(74,549)	(9,596)	(31,887)	(116,358)
	\$ 445	\$ 22,424	\$ 68,324	\$ 23,576	\$ 114,769

	Trademark	Computer software	Goodwill	Others	Total
At January 1, 2020					
Cost	\$ 291	\$ 68,006	\$ 77,920	\$ 58,817	\$ 205,034
Accumulated Amortization	(291)	(55,733)	-	(23,300)	(79,324)
	<u>\$ -</u>	<u>\$ 12,273</u>	<u>\$ 77,920</u>	<u>\$ 35,517</u>	<u>\$ 125,710</u>
2020					
Opening net book amount	\$ -	\$ 12,273	\$ 77,920	\$ 35,517	\$ 125,710
Additions	-	10,210	-	91	10,301
Additions-consolidation	-	1,735	-	-	1,735
Amortization	-	(8,064)	-	(5,275)	(13,339)
Impairment	-	-	(9,596)	-	(9,596)
Net exchange differences	-	(1)	-	(1,096)	(1,097)
Closing net book amount	<u>\$ -</u>	<u>\$ 16,153</u>	<u>\$ 68,324</u>	<u>\$ 29,237</u>	<u>\$ 113,714</u>
At December 31, 2020					
Cost	\$ 291	\$ 78,559	\$ 77,920	\$ 56,659	\$ 213,429
Accumulated Amortization	(291)	(62,406)	(9,596)	(27,422)	(99,715)
	<u>\$ -</u>	<u>\$ 16,153</u>	<u>\$ 68,324</u>	<u>\$ 29,237</u>	<u>\$ 113,714</u>

- A. For the 2021 and 2020, the Group has no interest capitalised to intangible assets.
B. Goodwill is allocated to the Group's cash-generating units identified by the operations department:

	December 31, 2021	December 31, 2020
America	\$ 52,425	\$ 52,425
Europe	10,000	10,000
Taiwan	5,899	5,899
	<u>\$ 68,324</u>	<u>\$ 68,324</u>

- C. The details of the amortization charges of intangible assets are as follows:

	Years ended December 31,	
	2021	2020
Operating costs	\$ 490	\$ 21
Selling expenses	4,493	3,478
General and administrative expenses	8,147	7,224
Research and development expenses	4,364	2,616
	<u>\$ 17,494</u>	<u>\$ 13,339</u>

- D. Information about the impairment of intangible assets is provided in Note 6(10).

(10) Impairment on non-financial assets

The recoverable amount is assessed on the basis of the use value, and the use value is calculated on the basis of the pre-tax cash flow forecast of the Group's five-year financial budget. The main assumptions used to calculate the use value are as follows:

	America	
	December 31, 2021	December 31, 2020
Gross margin	20.10%	19.41%
Growth rate	10.00%	10.00%
Discount rate	4.25%	4.64%

	Europe	
	December 31, 2021	December 31, 2020
Gross margin	33.44%	31.14%
Growth rate	11.39%	14.97%
Discount rate	4.25%	4.64%

The Group determines the budgetary gross margin based on previous year's performance and expectations for market development. The weighted average growth rate used is consistent with the industry forecast. The discount rate used is the pre-tax ratio and reflects the specific risks of the relevant operating departments.

Because the business in European new market is at early stage of development and also during the Coronavirus (COVID-19) crisis, the consolidated operating growth are under our original expectation. After assessment we found our group's recoverable amount are less than the book value, so we recognized the amount \$9,596 as impairment loss on goodwill.

(11) Short-term borrowings (December 31, 2020: None.)

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ 374,000</u>	0.71%~0.80%	None

Interest expense recognized in profit or loss amounted to \$668 and \$827 for the years ended December 31, 2021 and 2020, respectively.

(12) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salaries and bonus payable	\$ 252,570	\$ 196,364
Accrued employees' compensation and directors' remuneration	50,278	52,915
Payable to equipment suppliers	8,962	5,063
Others	107,638	71,354
	<u>\$ 419,448</u>	<u>\$ 325,696</u>

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

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives (conversion of corporate debt options)	\$ -	\$ 3,673
Evaluation adjustment	-	(3,673)
Total	<u>\$ -</u>	<u>\$ -</u>

The Group recognized net loss of \$0 and \$0 for the years ended December 31, 2021 and 2020, respectively.

(14) Accounts payable

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	\$ 826,000	\$ 315,800
Estimated accounts payable	2,310	2,897
Total	<u>\$ 828,310</u>	<u>\$ 318,697</u>

(15) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bonds payable	\$ -	\$ 280,400
Less: Discount on bonds payable	-	(4,516)
Less: Long-term liabilities, current portion	-	(275,884)
	<u>\$ -</u>	<u>\$ -</u>

- A. Domestic unsecured conversion of corporate bonds issued by the Company
- (A) Issuance conditions for the first unsecured conversion of corporate bonds in the Company are as follows:
- i. The Company is approved by the relevant authorities to raise and issue the first unsecured conversion company debt (referred to as "This conversion company debt"), the total issue of \$420,000, at the coupon rate of 0%, for an issuance period of 5 years, circulation period from December 13, 2016 to December 13,

2021. When this conversion company debt expires, it will be repaid in cash in the denomination of the bond. This conversion company debt has been listed for trading at the Securities Counter Trading Center as of December 13, 2016.

- ii. Unless (1) the period for suspension of transfer registration of common stock required by laws, (2) 15 business days prior to the date for suspension of transfer registration of allocated dividends requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, and (3) from the date of capital decrease until the day prior to the trading of stock swapped upon capital decrease, the bond holders may apply to the Taiwan Depository & Clearing Corporation (TDCC) (hereinafter referred to as the “Depository Corporation”) who would then notify the Company’s stock agent to convert the Bond into the Company’s common shares pursuant to the Regulations at any time one month after the issuance (January 14 2017) and throughout the duration (until December 13, 2021) of the bond.
 - iii. The conversion price of this conversion company debt shall be determined according to the pricing model stipulated in the conversion method, and the conversion price shall be adjusted in the event of the anti-dilution clause of the company in accordance with the pricing model stipulated in the conversion method.
 - iv. The bondholders must use as base dates (December 13, 2018) and (December 13, 2019) two and three years to expiry respectively, to sell the convertible corporate bond. On the base dates the Company is required to buy back the converted corporate bonds held by the Company at 102.01% and 103.0301% respectively, of the bonds.
 - v. From the day following the 3rd month of issuance (March 14 2017) of the bonds until 40 days prior to expiration of the duration, if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may send the “Notice of Call” to be matured in 30 days (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit) to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail within 30 business days. Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within five (5) business days upon the record date.
 - vi. In accordance with the conversion scheme, all debts of the Company recovered (including by the Securities Counter Trading Centre), repaid or converted will be cancelled, and all rights and obligations that are still attached to this conversion company's debt will also be eliminated and no longer issued.
- (B) As of December 13, 2021, the Company's debt denomination of \$417,700 has been converted to 9,316,000 shares of common stock, completed on December 15, 2021.
- (C) Since August 9, 2020 and August 9, 2021, the Company's cash dividend ex-dividend, the conversion price has been recalculated according to the provisions of this bond issuance and conversion, from \$48.6 to \$45.2 and \$45.2 to \$43.1.

- (D) As of the maturity date of the bonds on December 13, 2021, the Company's debt denomination of \$2,300 that had not been converted, and it was repaid in cash on December 24, 2021.
- B. When issuing convertible corporate bonds, the Company shall, in accordance with the provisions of international Accounting standard 32nd "Financial instruments: expression", separate the right of conversion of the nature of equity from the constituent elements of each liability, and account for the "capital reserve-equity" \$24,360. The other embedded buying and selling rights, according to IAS 39 "Financial instruments: recognition and measurement" provisions, because it is not closely related to the economic characteristics and risks of the main contract debt commodities. The effective interest rate for the separation of COR contractual obligations is 0.141%.

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
Long-term bank borrowings				
Bank secured loan	Borrowing period is from September 1, 2021 to September 1, 2026; Principal and interest paid on a monthly basis	2.43%	Land, House and building	\$ 55,017
Less: Long-term liabilities, current portion				(1,411)
				<u>\$ 53,606</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2020
Long-term bank borrowings				
Bank secured loan	Borrowing period is from July 8, 2015 to July 1, 2025; Principal and interest paid on a monthly basis	2.847%	Land, House and building	\$ 41,533
Less: Long-term liabilities, current portion				(2,848)
				<u>\$ 38,685</u>

(17) Pensions

- A. (A)The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an

amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(B) The amounts recognized in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	(\$ 111,132)	(\$ 99,438)
Fair value of plan assets	55,583	55,574
Net defined benefit liability	<u>(\$ 55,549)</u>	<u>(\$ 43,864)</u>

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
Balance at January 1	(\$ 108,661)	\$ 55,574	(\$ 53,087)
Current service cost	(1,795)	-	(1,795)
Interest (expense) income	(618)	172	(446)
	<u>(111,074)</u>	<u>55,746</u>	<u>(55,328)</u>
Remeasurements:			
Change in demographic assumptions	714	-	714
Change in financial assumptions	2,319	-	2,319
Experience adjustments	(8,988)	825	(8,163)
	<u>(5,955)</u>	<u>825</u>	<u>(5,130)</u>
Pension fund contribution	-	1,528	1,528
Paid pension	4,879	(2,516)	2,363
Net exchange differences	1,018	-	1,018
Balance at December 31	<u>(\$ 111,132)</u>	<u>\$ 55,583</u>	<u>(\$ 55,549)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	(\$ 97,051)	\$ 51,942	(\$ 45,109)
Interest (expense) income	(757)	405	(352)
	<u>(97,808)</u>	<u>52,347</u>	<u>(45,461)</u>
Remeasurements:			
Change in demographic assumptions	(132)	-	(132)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Change in financial assumptions	(6,087)	-	(6,087)
Experience adjustments	4,589	1,725	6,314
	<u>(1,630)</u>	<u>1,725</u>	<u>95</u>
Pension fund contribution	-	1,502	1,502
Balance at December 31	<u>(\$ 99,438)</u>	<u>\$ 55,574</u>	<u>(\$ 43,864)</u>

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2021	2020
Discount rate	0.57%	0.31%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.5%	0.5%	0.5%	0.5%
December 31, 2021				
Effect on present value of defined benefit obligation	<u>(\$ 6,228)</u>	<u>\$ 6,733</u>	<u>\$ 6,535</u>	<u>(\$ 6,115)</u>
December 31, 2020				
Effect on present value of defined benefit obligation	<u>(\$ 6,472)</u>	<u>\$ 7,028</u>	<u>\$ 6,803</u>	<u>(\$ 6,340)</u>

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change

all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2021 and 2020 are the same.

- (F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amounts to \$1,528.
- (G) As of December 31, 2021, the weighted average duration of the defined benefit retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	57,732
1 - 2 Years		11,903
3 - 4 Years		4,085
More than 5 years		8,306
	<u>\$</u>	<u>82,026</u>

- B. (A) Effective July 1, 2005, the Company have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (B) The Company’s Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (C) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$30,138 and \$27,503, respectively.

(18) Share-based payment

- A. For the years ended December 31, 2021 and 2020, the Company’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	August 19, 2015	1,500	6 Years	2 to 5 years’ service
Employee stock options	April 12, 2018	1,600	5 Years	2 to 4 years of service
Employee stock options	October 29, 2020	4,300	6 Years	2 to 5 years’ service

The share-based payment arrangements above are all settled by equity.

B. Details of the share-based payment arrangements are as follows:

	Years ended December 31,			
	2021		2020	
	No. of options (in thousands)	Weighted average exercise price (in dollars)	No. of options (in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2015 Issuing)	245	\$ 19.30	515	\$ 20.70
Stock options waived in the current period	-	-	-	-
Options exercised	(245)	19.18	(270)	19.71
Options outstanding at end of the year	-	-	245	19.30
Options exercisable at end of the year	-	-	245	19.30

	Years ended December 31,			
	2021		2020	
	No. of options (in thousands)	Weighted average exercise price (in dollars)	No. of options (in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2018 Issuing)	1,312	\$ 45.90	1,520	\$ 49.30
Stock options waived in the current period	-	-	(48)	45.90
Options exercised	(335)	45.32	(160)	48.03
Options outstanding at end of the year	977	43.80	1,312	45.90
Options exercisable at end of the year	545	43.80	448	45.90

	Years ended December 31,			
	2021		2020	
	No. of options (in thousands)	Weighted average exercise price (in dollars)	No. of options (in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2020 Issuing)	4,300	\$ 50.80	-	\$ -
Stock options waived in the current period	-	-	4,300	50.80
Options exercised	-	-	-	-
Options outstanding at end of the year	-	-	-	-
Options exercisable at end of the year	4,300	48.40	4,300	50.80

- C. Average price of Stock options exercised in 2021 and 2020 were \$52.68 and \$53.49 respectively.
- D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2021		December 31, 2020	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
August 19, 2015	August 18, 2021	-	-	245	19.30
April 12, 2018	April 11, 2023	977	43.80	1,312	45.90
October 29, 2020	October 28, 2026	4,300	48.40	4,300	50.80

- E. The fair value of stock options granted on grant date is measured using the Black-Scholes option pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	August 19, 2015	27.57	27.57	36.2%~ 38.11%	5 Years	0%	0.81%~ 0.97%	31.675~ 33.122
Employee stock options	April 12, 2018	57.70	57.70	28.13%~ 30.83%	4 Years	0%	0.63%~ 0.69%	12.49~ 15.46
Employee stock options	October 29, 2020	50.80	50.80	20.19%~ 23.7%	5 Years	0%	0.22%~ 0.24%	8.32~ 11.39

- F. Expenses incurred on share-based payment transactions Relevant information is as follows:

	Years ended December 31,	
	2021	2020
Equity Settled	\$ 16,023	\$ 7,814

- G. As of ex-dividend date August 9, 2021 the Company re-computed the strike prices for employee stock warrants issued in 2015 and 2017 and 2020 accordingly using the regulated method and adjusted the strike prices respectively, from \$19.3 and \$45.9 and \$50.8 to \$18.4 and \$43.8 and \$48.4.

- H. As of ex-dividend date August 9, 2020 the Company re-computed the strike prices for employee stock warrants issued in 2015 and 2017 accordingly using the regulated method and adjusted the strike prices respectively, from \$20.7 and \$49.3 to \$19.3 and \$45.9.

(19) Share capital

- A. As of December 31, 2021, the Company's authorized capital was \$1,600,000, consisting of 160,000 thousand ordinary shares, and the paid-in capital was \$884,829. with a par value of \$10 (in dollars) per share, consisting of 88,483 thousand ordinary shares. All proceeds from shares issued have been collected.

- B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	Years ended December 31,	
	2021 (in thousands)	2020 (in thousands)
At January 1	83,140	81,647
Exercise of employee stock options	580	430
Conversion of convertible bonds	6,413	1,063
At December 31	90,133	83,140

	December 31, 2021		December 31, 2020	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Exercise of employee stock options (Advance receipts for share capital)	-	\$ -	89	\$ 2,463
Conversion of convertible bonds (Advance receipts for share capital)	1,650	75,094	456	21,434

Information about the Conversion of convertible bonds and Exercise of employee stock options is provided in Note 6(15) and 6(18).

(20) Capital surplus

Pursuant to the R.O.C. Company Act, 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 capitalised 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.

	Year ended December 31, 2021								
	Share premium	Convertible bond conversion premium	Treasury stock trading	Diff between book value & actual equity change from acquisition or disposal of subsidiary	Capital surplus from gain on disposal of assets	Employee stock options	Stock options	Other	Total
At January 1	\$135,741	\$ 97,338	\$1,026	\$ 176	\$ 2	\$80,048	\$16,264	\$ -	\$330,595
Exercise of employee stock options	15,655	-	-	-	-	-	-	-	15,655
Compensation cost of employee stock options	-	-	-	-	-	16,023	-	-	16,023
Conversion right expires of convertible bonds	-	-	-	-	-	-	(134)	134	-
Conversion of convertible bonds	-	186,898	-	-	-	-	(16,130)	-	170,768
At December 31	<u>\$151,396</u>	<u>\$284,236</u>	<u>\$1,026</u>	<u>\$ 176</u>	<u>\$ 2</u>	<u>\$96,071</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$533,041</u>

	Year ended December 31, 2020								
	Share premium	Convertible bond conversion premium	Treasury stock trading	Diff between book value & actual equity change from acquisition or disposal of subsidiary	Capital surplus from gain on disposal of assets	Employee stock options	Stock options	Total	
At January 1	\$128,136	\$ 25,182	\$1,026	\$ 176	\$ 2	\$ 72,234	\$ 19,163	\$245,919	
Exercise of employee stock options	7,605	-	-	-	-	-	-	7,605	
Compensation cost of employee stock options	-	-	-	-	-	7,814	-	7,814	
Conversion of convertible bonds	-	72,156	-	-	-	-	(2,899)	69,257	
At December 31	<u>\$135,741</u>	<u>\$ 97,338</u>	<u>\$1,026</u>	<u>\$ 176</u>	<u>\$ 2</u>	<u>\$ 80,048</u>	<u>\$ 16,264</u>	<u>\$330,595</u>	

(21) Retained earnings

- A. When allocating the net income for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for Distribution, and to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting. The Company distributing surplus earning in the form of new shares to be issued by the Company in accordance with the preceding paragraphs shall follow the provisions of Article 240 of the Company Law of the Republic of China with a resolution adopted at a meeting of shareholders.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. Details of 2020 earnings appropriation proposed by the Board of Directors on February 25, 2021 and by the shareholders on July 5, 2021. 2019 earnings appropriation resolved by the shareholders on May 28, 2021 and May 29, 2020, respectively are as follows:

	Years ended December 31,		Years ended December 31,	
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 30,668		\$ 45,697	
Special reserve	12,341		22,402	
Cash dividends	216,954	\$ 2.57	327,568	\$ 3.98
Total	<u>\$ 259,963</u>		<u>\$ 395,667</u>	

Details of 2021 earnings appropriation resolved by the Board of Directors on February 25, 2022 are as follows:

	Year ended December 31, 2021	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 38,658	
Special reserve	37,652	
Cash dividends	275,118	\$ 3.05
Total	<u>\$ 351,428</u>	

(22) Other equity interest

	Year ended December 31,	
	2021	2020
Financial statements translation differences of foreign operations		
At January 1	(\$ 38,975)	(\$ 26,633)
Increase (decrease) in current period	(37,652)	(12,342)
At December 31	<u>(\$ 76,627)</u>	<u>(\$ 38,975)</u>

(23) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Years ended December 31, 2021					
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Originating from transfer at a point in time:						
Design-in Services	\$1,745,086	\$ 786,252	\$ 124,115	\$ 196,764	(\$ 732,686)	\$2,119,531
Intelligent Platforms & Solutions Products Division	1,624,990	1,521,776	253,340	41,811	(1,342,456)	2,099,461
Others	255,508	526,193	119,038	32,132	(108,111)	824,760
Net sales revenue	3,625,584	2,834,221	496,493	270,707	(2,183,253)	5,043,752
Originating from the transfer of labor services over time:						
Other Operating revenue	38,217	4,094	5,763	273	(22,493)	25,854
Total	<u>\$3,663,801</u>	<u>\$2,838,315</u>	<u>\$ 502,256</u>	<u>\$ 270,980</u>	<u>(\$2,205,746)</u>	<u>\$5,069,606</u>

	Years ended December 31, 2020					
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Originating from transfer at a point in time:						
Design-in Services	\$1,486,151	\$ 583,532	\$ 94,003	\$ 278,026	(\$ 542,475)	\$1,899,237
Intelligent Platforms & Solutions Products Division	1,365,069	1,313,050	364,912	31,119	(1,170,218)	1,903,932
Others	202,894	499,968	120,053	16,122	(56,690)	782,347
Net sales revenue	3,054,114	2,396,550	578,968	325,267	(1,769,383)	4,585,516
Originating from the transfer of labor services over time:						
Other Operating revenue	30,688	3,307	6,063	456	(23,251)	17,263
Total	<u>\$3,084,802</u>	<u>\$2,399,857</u>	<u>\$ 585,031</u>	<u>\$ 325,723</u>	<u>(\$1,792,634)</u>	<u>\$4,602,779</u>

B. Contract liabilities

The Group has recognized the following contract assets and liabilities in relation to revenue from contracts with customers:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities			
Contract liabilities- Advance payments	<u>\$ 92,336</u>	<u>\$ 37,249</u>	<u>\$ 23,601</u>

The revenue recognized from the beginning balance of contract liability:

	Year ended December 31,	
	2021	2020
The revenue recognized from the beginning balance of contract liability.	\$ 27,943	\$ 21,543

(24) Interest income

	Year ended December 31,	
	2021	2020
Interest on Bank deposit:	\$ 1,063	\$ 3,065
Other interest income	607	2,788
Total	\$ 1,670	\$ 5,853

(25) Other income

	Year ended December 31,	
	2021	2020
Government grants revenue	\$ 6,185	\$ 41,713
Rental revenue	3,448	3,450
Other income	12,789	15,299
Total	\$ 22,422	\$ 60,462

The subsidiary AXGM in Germany was applicable to get financial support under the SMEs assistance project of Corona-Überbrückungshilfe für kleine und mittelständische Unternehmen (Überbrückungshilfe III). The subsidiary AXGM recognized the subsidy \$ 6,185 as other income in 2021.

The U.S. Paycheck Protection Program (PPP loan) 「An small business administration-backed loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis」 was applicable to our group's subsidiary. The subsidiary received the loan and also got the approval of PPP loan forgiveness in 2020. The subsidiary (AXUS) recognized the amount \$41,713 as other income.

(26) Other gains and losses

	Year ended December 31,	
	2021	2020
Gains on disposals of investment property	\$ 78,854	\$ -
Gains on disposal of investments	295	204
Gains on disposal of property, plant and equipment	120	143
Gain on lease modification	1	17
Depreciation expense from investment property	(541)	(1,048)
Foreign exchange gains (losses)	(11,961)	(35,829)
Impairment loss	-	(9,596)
Other gains and losses	(434)	(570)
Total	\$ 66,334	(\$ 46,679)

(27) Finance costs

	Year ended December 31,	
	2021	2020
Interest expense		
Corporate bond discount	\$ 3,030	\$ 5,059
Lease liabilities	2,355	2,191
Bank borrowings	1,947	2,225
Other	4	6
Total	<u>\$ 7,336</u>	<u>\$ 9,481</u>

(28) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 1,139,226	\$ 1,006,579
Depreciation- property, plant and equipment	52,862	60,182
Depreciation-right of use assets	40,356	44,042
Amortization	17,494	13,339
Total	<u>\$ 1,249,938</u>	<u>\$ 1,124,142</u>

(29) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 982,325	\$ 870,692
Labor and health insurance fees	86,462	77,433
Pension costs	30,274	27,855
Compensation cost of employee stock options	16,023	7,814
Other employee benefit expense	24,142	22,785
Total	<u>\$ 1,139,226</u>	<u>\$ 1,006,579</u>

A. According to the Company's articles of association, if the Company is profitable in the year (ie after deducting the employee's remuneration and the director's remuneration from the net profit before tax), employee payout should be between 1% and 20% while directors' payout should be no more than 2%. However, if the Company has accumulated losses (including adjustments to unallocated surplus) these losses should first be offset.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$44,755 and \$48,010, respectively; while directors' remuneration was accrued at \$4,633 and \$4,365, respectively. The aforementioned amounts were recognized in salary expenses. In 2021, the pre-tax net profit for the year was deducted from the employee's compensation and the benefits before the director's remuneration were estimated at 8.59% and 0.89% respectively.

Employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2021 financial

statements, and the employees' compensation will be distributed in the form of cash.

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

(30) Income tax

A. Income tax expense

(A) Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax		
Current tax on profits for the year	\$ 81,753	\$ 87,826
Tax on undistributed earnings	2,335	3,065
Adjustments in respect of prior years	(4,951)	(5,122)
Total current tax	\$ 79,137	\$ 85,769
Deferred tax		
Origination and reversal of temporary differences	25,044	20,135
Total deferred tax	25,044	20,135
Income tax expense	\$ 104,181	\$ 105,904

- (B) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2021	2020
Remeasurements of defined benefit obligations	\$ 797	(\$ 19)
Currency translation differences of foreign operations	9,413	3,085
Total	\$ 10,210	\$ 3,066

- (C) Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Effect of items disallowed by tax regulation	\$ 119,083	\$ 118,857
Effect from changes in tax regulation	(12,286)	(10,896)
Adjustments in respect of prior years	(4,951)	(5,122)
Tax on undistributed earnings	2,335	3,065
Income tax expense	\$ 104,181	\$ 105,904

B. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss allowance	\$ 1,716	(\$ 1,302)	\$ -	\$ 414
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	9,513	2,427	-	11,940
Unrealized gross margin	17,456	(1,136)	-	16,320
Unrealized exchange loss	777	(617)	-	160
Unrealized warranty cost	189	41	-	230
Unrealized impairment loss	1,919	-	-	1,919
State tax, paid annual leave etc.	11,209	3,921	-	15,130
Defined benefit obligation	8,773	(278)	797	9,292
Unused compensated absences payable	3,525	430	-	3,955
Exchange differences on translation	9,743	-	9,413	19,156
Unrealized Depreciation and interest expense	390	32	-	422
Subtotal	<u>\$ 65,210</u>	<u>\$ 3,518</u>	<u>\$ 10,210</u>	<u>\$ 78,938</u>
Deferred tax liabilities				
Net gain on investments accounted for using equity	(\$ 127,656)	(\$ 29,200)	\$ -	(\$ 156,856)
Depreciation	(2,277)	(97)	-	(2,374)
Convertible debt Gains evaluation	(735)	735	-	-
Unamortized goodwill	(1,180)	-	-	(1,180)
Subtotal	<u>(\$ 131,848)</u>	<u>(\$ 28,562)</u>	<u>\$ -</u>	<u>(\$ 160,410)</u>
Total	<u><u>(\$ 66,638)</u></u>	<u><u>(\$ 25,044)</u></u>	<u><u>\$ 10,210</u></u>	<u><u>(\$ 81,472)</u></u>

	Year ended December 31, 2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss allowance	\$ 1,327	\$ 389	\$ -	\$ 1,716
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	9,026	487	-	9,513
Unrealized gross margin	17,260	196	-	17,456
Unrealized exchange loss	3,258	(2,481)	-	777
Unrealized warranty cost	180	9	-	189
Unrealized impairment loss	-	1,919	-	1,919
State tax, paid annual leave etc.	9,428	1,781	-	11,209
Impairment loss on financial assets	105	(105)	-	-
Defined benefit obligation	9,022	(230)	(19)	8,773
Unused compensated absences payable	3,333	192	-	3,525
Exchange differences on translation	6,658	-	3,085	9,743
Amortization of convertible bond issuance costs	-	390	-	390
Subtotal	<u>\$ 59,597</u>	<u>\$ 2,547</u>	<u>\$ 3,066</u>	<u>\$ 65,210</u>
Deferred tax liabilities				
Net gain on investments accounted for using equity	(\$ 102,878)	(\$ 24,778)	\$ -	(\$ 127,656)
Depreciation	(4,242)	1,965	-	(2,277)
Convertible debt Gains evaluation	(866)	131	-	(735)
Unamortized goodwill	(1,180)	-	-	(1,180)
Subtotal	<u>(\$ 109,166)</u>	<u>(\$ 22,682)</u>	<u>\$ -</u>	<u>(\$ 131,848)</u>
Total	<u>(\$ 49,569)</u>	<u>(\$ 20,135)</u>	<u>\$ 3,066</u>	<u>(\$ 66,638)</u>

C. The Company's income tax return through 2019 have been assessed and approved by the Tax Authority.

(31) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	\$ 390,915	85,546	\$ 4.57
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	958	
Employee stock option	-	613	
Convertible bonds	2,424	4,417	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 393,339	91,534	\$ 4.30

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	\$ 306,598	82,272	\$ 3.73
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,099	
Employee stock option	-	700	
Convertible bonds	5,059	6,817	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 311,657	90,888	\$ 3.43

(32) Supplemental cash flow information

A. Partial cash paid for investing activities

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 584,604	\$ 33,398
Add: Beginning balance of payable on equipment	5,063	4,449
Add: Ending balance of Prepayments for business facilities	1,222	572
Less: Ending balance of payable on equipment	(8,962)	(5,063)
Less: Beginning balance of Prepayments for business facilities	(572)	-
Cash paid during the year	\$ 581,355	\$ 33,356

B. Financing activities not affecting cash flow:

	Years ended December 31,	
	2021	2020
Conversion of corporate bond conversion into capital stock	\$ 276,614	\$ 48,794
Financial statements translation differences of foreign operations	(41,985)	(12,266)

(33) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Convertible bonds	Liabilities from financing activities-gross
At January 1, 2021	\$ -	\$ 41,533	\$ 100,302	\$ 275,884	\$ 417,719
Changes in cash flow from financing activities	374,000	14,750	(41,706)	(2,300)	344,744
Impact of changes in foreign exchange rate	-	(1,266)	(6,080)	-	(7,346)
Other changes in non-cash items	-	-	77,934	(273,584)	(195,650)
At December 31, 2021	\$ 374,000	\$ 55,017	\$ 130,450	\$ -	\$ 559,467

	Short-term borrowings	Long-term borrowings	Lease liabilities	Convertible bonds	Liabilities from financing activities-gross
At January 1, 2020	\$ 102,000	\$ 46,719	\$ 79,238	\$ 319,618	\$ 547,575
Changes in cash flow from financing activities	(102,000)	(2,953)	(45,202)	-	(150,155)
Impact of changes in foreign exchange rate	-	(2,233)	(422)	-	(2,655)
Other changes in non-cash items	-	-	66,688	(43,734)	22,954
At December 31, 2020	\$ -	\$ 41,533	\$ 100,302	\$ 275,884	\$ 417,719

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Advantech Co., Ltd.	Entity with Significant Influence on the Group
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	"
Advanixs Corporation.	"
UNI	Associate

(2) Significant related party transactions and balances

A. Purchase

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Purchase of goods		
Entity with Significant Influence on the Group	<u>\$ 35,082</u>	<u>\$ 35,552</u>
For purchase transactions, no material difference in the transaction price and payment terms with non-related parties		

B. Account payables-related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payables to related parties		
Advantech Co., Ltd.	\$ 4,379	\$ 3,827
Advanixs Corporation.	2,434	813
Total	<u>\$ 6,813</u>	<u>\$ 4,640</u>

The payables are mainly from incoming transactions, with no significant difference between the transaction price and the terms of payment and the non-affiliates, and are non-interest bearing.

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 100,215	\$ 85,878
Post-employment compensation	7,695	4,199
Share-based payment	1,418	1,390
Total	<u>\$ 109,328</u>	<u>\$ 91,467</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Asset type	Book value		Use of pledge
	December 31, 2021	December 31, 2020	
Land	\$ 67,649	\$ 69,591	Long-term borrowings
Building	21,445	22,803	"
	<u>\$ 89,094</u>	<u>\$ 92,394</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingency

None.

(2) Commitments:

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For details of 2021 earnings appropriation proposed, refer to Note 6(21).

12. OTHERS

(1) Capital risk 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 instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at amortized cost	<u>\$ 1,746,823</u>	<u>\$ 1,649,109</u>
Financial liabilities		
Financial Liabilities at amortized cost	<u>\$ 1,685,026</u>	<u>\$ 969,148</u>
Lease liabilities	<u>130,450</u>	<u>100,302</u>
	<u>\$ 1,815,476</u>	<u>\$ 1,069,450</u>

Note: Financial assets at amortized cost includes cash and cash equivalents, notes and

accounts receivable (including related parties), other receivables and guarantee deposits paid; financial liabilities at amortized cost includes short-term borrowings, notes and accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion), long-term borrowings (including current portion) and guarantee deposits received.

B. Risk management policy

(A) The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Group focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.

(B) Risk management is carried out by a finance department under policies approved by the Board of Directors. Group finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, GBP, JPY and RMB. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to require companies of the Group to manage their foreign exchange risk against their functional currency. All units within the Group should hedge their overall exchange rate risk through the finance department. Exchange rate risk is measured by the expected transaction of highly probable USD and RMB spending, using forward foreign exchange contracts to reduce the impact of exchange rate fluctuations on the expected purchase cost of inventory.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, EUR, GBP, JPY and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021					
			Sensitivity analysis		
(Foreign Currency: Functional currency)	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
	USD : NTD	\$ 24,061	27.69	\$ 666,249	1% \$ 5,330
	RMB : NTD	5,217	4.35	22,694	1% 182
	EUR : NTD	129	31.32	4,040	1% 32
	USD : EUR	2,832	0.88	78,054	1% 625
<u>Financial liabilities</u>					
<u>Monetary items</u>					
	USD : NTD	\$ 15,957	27.69	\$ 441,849	1% 3,534

December 31, 2020					
			Sensitivity analysis		
(Foreign Currency: Functional currency)	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
	USD : NTD	\$ 23,311	28.48	\$ 663,897	1% \$ 5,311
	RMB : NTD	7,266	4.38	31,825	1% 255
	EUR : NTD	98	35.02	3,432	1% 27
	USD : EUR	2,382	0.81	67,568	541
<u>Financial liabilities</u>					
<u>Monetary items</u>					
	USD : NTD	\$ 4,160	28.48	\$ 118,477	1% \$ 948

- iv. The total exchange gain or loss, including realized and unrealized gains or losses arising from significant foreign exchange variations on monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to loss of \$11,961 and loss of \$35,829, respectively.

Price risk

- i. The Group's equity instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise beneficiary certificates. The prices of equity securities would change due to the change of the future value of investee companies.

(B) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by

the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, debt instruments classified as at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.

- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments are past due over 90 days based on the terms, there is a significant increase in credit risk on that instrument since initial recognition.
 - (ii) A bond investment traded at the counter buying center, which has any external rating agency rated as the investment grade on the balance sheet date, and the financial asset is considered to have a low credit risk.
- iv. The Group adopts the assumptions under IFRS 9 and the default is deemed to have occurred when the contract payments are past due over 90 days.
- v. The Group classifies customer's notes and accounts receivable in accordance with product types and customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2021 and 2020, the Group has written-off financial assets amounted to \$0 and \$0 that are still under recourse procedures.
- viii. The Group uses the forecast ability of National Development Council Business Cycle Indicator and Conference Board LEADING ECONOMIC INDEX to adjust historical and timely information to assess the default possibility of notes and accounts receivable. On December 31, 2021 and 2020, the provision matrix is as follows:

December 31, 2021	Not overdue	Overdue 1 ~ 90 days	Overdue 91 ~ 180 days	Overdue 181 ~ 270 days
Expected loss rate	0.03%-0.45%	0.03%-4.78%	0.03%-40.79%	0.03%-76.28%
Total book value	\$ 675,508	\$ 89,564	\$ 3,761	\$ 106
Loss allowance	\$ 1,047	\$ 1,253	\$ 1,062	\$ 80

December 31, 2021		Overdue 271 ~ 360 days	Overdue More than 360 days	Total
Expected loss rate		100%	100%	
Total book value		\$ 21	\$ 1,377	\$ 770,337
Loss allowance		\$ 21	\$ 1,377	\$ 4,840

December 31, 2020	Not overdue	Overdue 1 ~ 90 days	Overdue 91 ~ 180 days	Overdue 181 ~ 270 days
Expected loss rate	0.02%-0.74%	0.05%-6.54%	0.05%-59.12%	0.05%-100%
Total book value	\$ 608,165	\$ 117,181	\$ 2,477	\$ 1,075
Loss allowance	\$ 2,640	\$ 2,929	\$ 1,087	\$ 685

December 31, 2020		Overdue 271 ~ 360 days	Overdue More than 360 days	Total
Expected loss rate		65.53%-100%	100%	
Total book value		\$ 423	\$ 1,531	\$ 730,852
Loss allowance		\$ 423	\$ 1,531	\$ 9,295

ix. Ageing analysis of notes and accounts receivable as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	\$ 655,610	\$ 19,898	\$ 589,341	\$ 18,824
within 90 days	89,564	-	117,181	-
91 ~ 180 days	3,761	-	2,477	-
More than 181 days	1,504	-	3,029	-
	<u>\$ 750,439</u>	<u>\$ 19,898</u>	<u>\$ 712,028</u>	<u>\$ 18,824</u>

The above is an age analysis based on the number of overdue days.

- x. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	Years ended December 31, 2021	
	Accounts receivable	
At January 1	\$	9,295
Reversal of impairment loss	(4,278)
Write-offs	(6)
Impact of foreign exchange rate	(171)
At December 31	\$	4,840

	Years ended December 31, 2020	
	Accounts receivable	
At January 1	\$	7,102
Impairment loss		2,696
Write-offs	(279)
Impact of foreign exchange rate	(224)
At December 31	\$	9,295

- xi. The Group uses the forecast ability of National Development Council Business Cycle Indicator and Conference Board LEADING ECONOMIC INDEX to adjust historical and timely information to assess the default possibility of investment of debt instrument on December 31, 2021 and 2020.

(C) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

December 31, 2021	Within 1	1 ~ 2	2 ~ 5	More than	Total
Non-derivative financial liabilities	year	years	years	5 years	
Long-term borrowings (including current portion)	\$ 2,766	\$ 2,781	\$ 55,621	\$ -	\$ 61,168
Lease liabilities	\$ 40,044	\$ 28,740	\$ 52,462	\$ 16,463	\$ 137,709

December 31, 2020 Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Long-term borrowings (including current portion)	\$ 4,059	\$ 3,974	\$ 38,351	\$ -	\$ 46,384
Lease liabilities	\$ 33,356	\$ 22,313	\$ 25,795	\$ 24,542	\$ 106,006
Bonds payable	\$ 280,400	\$ -	\$ -	\$ -	\$ 280,400

In addition to the above, the Group's non-derivative financial liabilities are due within the next year. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: The input value for this level is the open quote (unadjusted) of the same asset or liability in the active market. An active market is a market that meets all of the following conditions: the goods traded in the market are homogeneous; the buyers and sellers with the willingness can be found in the market at any time and the price information can be obtained by the public. The fair value of the beneficiary certificate the Group's investment belongs to.

Level 2: The input value of this level, except for the observable price included in the first level public offer, including the observable input value obtained from the active market either directly (such as price) or indirectly (such as derived from price).

Level 3: Inputs for the asset or liability that are not based on observable market data.

- B. Information about the fair value of investment property is provided in Note 6(8).

- C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion), long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

- D. The methods and assumptions the Group used to measure fair value are as follows:

(A) The Group uses the net value of the beneficiary certificate as the fair value input value of the first-tier market quotation.

(B) The evaluation of derivative financial instruments is based on the option pricing model accepted by market users.

- E. In 2021 and 2020, there was no evaluation of the transfer between levels.

(4) Others

For the impact of Covid-19 pandemic and the government's multiple pandemic prevention

programs, as of 2021, the pandemic and related prevention programs have no significant impact on the Group's operations based on the Group's assessment. Meanwhile, in order to prevent the spread of the pandemic, the Group has taken countermeasures and continues to manage related matters.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: table 4.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(13), 6(15).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: For the major transactions between the Company and the Mainland China invested companies in 2021, please refer to table 7.

(4) Information on investees

- A. Basic information: Please refer to table 10.

14. OPERATIONS SEGMENT INFORMATION

(1) General information

The Group's management has identified the reporting Department based on the reporting information needs of the Board of Directors and the main operating decision makers for decision making.

The Group's main operating decision makers operate their business from a regional perspective; in the region, the Group currently focuses on production and sales in Taiwan, the Americas and Europe.

The operations departments disclosed by the Group are considered the main source of revenue

for the Group - manufacture and sale of product applications such as industrial computers and Ethernet networks.

(2) Segment information

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

Segment profit and loss, assets and liabilities information

Years ended December 31, 2021

	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Income from external customers	\$ 1,491,998	\$ 2,837,951	\$ 496,878	\$ 242,779	\$ -	\$ 5,069,606
Interest income	1,380	-	-	290	-	1,670
Other income	12,956	6	9,399	412	(351)	22,422
Inter-departmental income	2,171,802	365	5,378	28,202	(2,205,747)	-
Total income	<u>\$ 3,678,136</u>	<u>\$ 2,838,322</u>	<u>\$ 511,655</u>	<u>\$ 271,683</u>	<u>(\$ 2,206,098)</u>	<u>\$ 5,093,698</u>
Interest expense	3,980	1,810	1,116	430	-	7,336
Depreciation & Amortization	74,769	17,898	10,831	5,450	2,305	111,253
Income tax expenses	80,561	18,283	6,130	(79)	(714)	104,181
Department Income	390,915	129,703	19,566	2,013	(151,282)	390,915
Assets						
Non-current assets capital expenditure	593,326	1,803	1,391	3,051	-	599,571
Department's Assets	4,862,347	1,351,154	347,665	204,850	(1,430,325)	5,335,691
Department's Liabilities	1,784,074	676,760	93,752	90,690	(387,858)	2,257,418

Adjustments & Sales balance

- (1) Total sales from the departments should be net of inter-departmental revenue and other income was \$2,205,747 and \$351.
- (2) Inter-departmental income should be net of inter-departmental transactions \$151,282
- (3) Department assets of \$1,430,325 and liabilities of \$387,858 arising from inter-departmental transactions should be reported and eliminated in the preparation of the consolidated financial statements.
- (4) Amortization \$2,305 and Income tax expenses \$714 arising from intangible assets transactions should be reported and adjustment in the preparation of the consolidated financial statements. °

Years ended December 31, 2020

	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Income from external customers	\$ 1,313,335	\$ 2,399,831	\$ 579,110	\$ 310,503	\$ -	\$ 4,602,779
Interest income	5,462	3	1	387	-	5,853
Other income	15,979	41,065	3,246	1,529	(1,357)	60,462
Inter-departmental income	1,771,467	26	5,921	15,220	(1,792,634)	-
Total income	\$ 3,106,243	\$ 2,440,925	\$ 588,278	\$ 327,639	(\$ 1,793,991)	\$ 4,669,094
Interest expense	6,286	1,789	1,184	222	-	9,481
Depreciation & Amortization	78,652	18,035	10,928	8,691	2,305	118,611
Impairment loss	-	-	9,596	-	-	9,596
Income tax expenses	77,477	26,892	1,648	601	(714)	105,904
Department Income	306,598	110,665	1,400	16,940	(129,005)	306,598
Assets						
Non-current assets capital expenditure	28,832	2,383	11,899	543	-	43,657
Department's Assets	3,717,134	1,019,272	406,788	196,266	(1,295,943)	4,043,517
Department's Liabilities	1,083,356	457,982	142,679	82,272	(356,550)	1,409,739

Adjustments & Sales balance

- (1) Total sales from the departments should be net of inter-departmental revenue \$1,793,991
- (2) Inter-departmental income should be net of inter-departmental transactions \$129,005
- (3) Department assets of \$1,295,943 and liabilities of \$356,550 arising from inter-departmental transactions should be reported and eliminated in the preparation of the consolidated financial statements.
- (4) Amortization \$2,305 and Income tax expenses \$714 arising from intangible assets transactions should be reported and adjustment in the preparation of the consolidated financial statements. °

(3) Reconciliation for segment income (loss)

The external income reported by the Group to the chief operating decision maker is consistent with the income from the comprehensive income statement. The difference between the (departmental revenue and corporate income) and the (inter-departmental profit and loss and the pre-tax profit and loss of the continuing business sector) is small. Hence, there is no need for adjustment.

(4) Information on products and services

Please refer Note 6 (23)

The Group's external customer operating income mainly comes from embedded board and system products and design and manufacturing service products.

The breakdown of the income balance is as follows:

	Years ended December 31,	
	2021	2020
Revenue from Sale of products:	\$ 5,043,752	\$ 4,585,516
Revenue from Labor Services	25,854	17,263
Total	<u>\$ 5,069,606</u>	<u>\$ 4,602,779</u>

(5) Geographical information

Sales information by geographical area for the years ended December 31, 2021 and 2020 is as follows:

	Years ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A.	\$ 2,185,732	\$ 176,229	\$ 1,914,560	\$ 143,082
other parts of America	50,826	-	34,201	-
Sub-total America	<u>2,236,558</u>	<u>176,229</u>	<u>1,948,761</u>	<u>143,082</u>
Taiwan	311,165	1,642,987	260,661	1,159,572
China	325,392	18,455	337,578	7,520
other parts of Asia	1,075,546	-	847,732	-
Sub-total Asia	<u>1,712,103</u>	<u>1,661,442</u>	<u>1,445,971</u>	<u>1,167,092</u>
United Kingdom	119,837	26	127,459	100
Germany	321,600	52,893	423,519	65,160
other parts of Europe	664,283	70,088	642,102	75,481
Sub-total Europe	<u>1,105,720</u>	<u>123,007</u>	<u>1,193,080</u>	<u>140,741</u>
Pacific region	12,739	-	10,016	-
Others	2,486	-	4,951	-
Total	<u>\$ 5,069,606</u>	<u>\$ 1,960,678</u>	<u>\$ 4,602,779</u>	<u>\$ 1,450,915</u>

(6) Information about major customers

Information about major customers for the years ended December 31, 2021 and 2020 is as follows:

		Years ended December 31,			
		2021		2020	
		Revenue	Department	Revenue	Department
A		\$ 374,220	USA	\$ 394,111	USA
B		\$ 673,914	USA	\$ 474,445	USA

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD dollars
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2021 (Note 3)	Balance at December 31, 2021 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	AXIOMTEK CO., LTD.	AXUS	Other receivables-related parties	Y	\$71,325	-	-	2.75%	1	\$1,692,223	-	-	-	-	\$307,827	\$1,231,309	
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	Other receivables-related parties	Y	38,262	-	-	1.75%	1	111,680	-	-	-	-	\$307,827	\$1,231,309	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) the subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance.

Note 4: The credit and nature of the funds are described below:

(1) Those with business dealings fill in 1.

(2) Those pertaining to short-term financing shall fill in 2.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: In accordance with the Company's funds and endorsement of the guarantee operating procedures, the Company and its subsidiaries as a whole the total amount of loans to no more than the Company's most recent consolidated financial statements attributed to the parent company owners of the interest of 40%.

And the Company and its subsidiaries as a whole, the amount of credit to a single enterprise to no more than the Company's most recent consolidated financial statements attributed to the owners of the parent company 10% limit.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the Board of Directors of a public company has authorized the Chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company Name	Relationship (Note 2)											
0	AXIOMTEK CO., LTD.	AXUS	2	\$307,827	USD 3,500	USD 3,500	USD -	-	3.15%	1,539,137	Y	-	-	
0	AXIOMTEK CO., LTD.	AXGM	2	\$307,827	USD 250	USD 250	USD -	-	0.22%	1,539,137	Y	-	-	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) the subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contracts as required under the Consumer Protection Act.

Note 3: According to the Company's fund loan and endorsement guarantee procedures, the Company's endorsement guarantee for a single enterprise is limited to 10% of the equity of the Company's owners in the most recent consolidated financial statements.

Note 4: According to the Company's fund loan and endorsement guarantee procedures, the total amount of endorsement guarantees of the Company and its subsidiaries as a whole is not more than 50% of the equity of the owners of the parent company in the most recent consolidated financial statements.

And the amount of the endorsement of the single company by the Company and its subsidiaries is limited to 10% of the equity of the owner of the parent company in the most recent consolidated financial statements.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual number of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship (Note 2)	Balance as at January 1, 2021		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2021	
					Unit	Amount	Unit	Amount	Unit	Selling price	Book value	Gain (loss) on disposal	Unit	Amount
AXIOMTEK CO., LTD.	Taishin DaZhong Investment Trust	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	-	-	66,014,565	946,000	66,014,565	946,255	946,000	255	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach \$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than \$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: The amount of the change table does not include the evaluation profit and loss.

AXIOMTEK CO., LTD.
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
For the year ended December 31, 2021

Table 4

Purchaser	Name of the underlying asset	Date of the occurrence of the event	Transaction amount	Payment amount	Trading counterparty	Relationship to the Company	Where the trading counterparty is a related party				The manner of deciding on this transaction	Concrete purpose or use of the acquisition	Other terms and conditions
							The identity of the previous owner	Its relationship with the Company	The previous date	Monetary value of transfer			
AXIOMTEK CO., LTD.	Land and building	2021/11/25	\$ 550,000	\$ 550,000	DFI Inc.	None	NA	NA	NA	NA	The manner of deciding on this transaction: Price negotiation and the Board resolution. The reference basis for the decision on price: Refer to the professional appraisal reports and nearby market conditions.	It is used as the Company's factory to meet the needs of @business growth and improve work efficiency.	Payment is according to the real estate purchase and sale agreement.

Note 1: If the acquired assets should be appraised according to regulations, the appraisal result shall be indicated in the column "Reference Basis for Price Determination".

Note 2: For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than NT\$10-for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

Note 3: Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchase (sale)	Amount	Percentage of total purchase (sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
AXIOMTEK CO., LTD.	AXUS	The Company's subsidiaries are stated as follows:	Sale	\$1,692,223	33.38%	Monthly 45 ~ 90 days	-	-	\$318,368	41.59%	
AXIOMTEK CO., LTD.	AXGM	The Company's subsidiaries are stated as follows:	Sale	325,724	6.43%	Monthly 45 days	-	-	19,928	2.60%	
AXIOMTEK CO., LTD.	Axiomtek Shenzhen	The Company's subsidiaries are stated as follows:	Sale	111,680	2.20%	Monthly 75 days	-	-	42,803	5.59%	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Balance as at December 31, 2021 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
AXIOMTEK CO., LTD.	AXUS	The Company's grandson	\$318,368	6.40	-	-	\$318,368	-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	AXIOMTEK CO., LTD.	AXGM	1	Sales revenue	\$325,724	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	6.43%
0	AXIOMTEK CO., LTD.	AXUS	1	Sales revenue	1,692,223	same as that applicable to the general customer receivables collection as per for the average customer, 45 - 90 days	33.38%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Sales revenue	111,680	same as that applicable to the general customer receivables collection for the general customer 75 days; 45 - 75 days with slight delay	2.20%
0	AXIOMTEK CO., LTD.	AXIT	1	Sales revenue	42,175	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	0.83%
0	AXIOMTEK CO., LTD.	AXSZ	1	Purchase of goods	27,534	same as that applicable to the general vendor receivables collection as per for the average vendor, 45 days	0.54%
0	AXIOMTEK CO., LTD.	AXUS	1	Accounts receivable	318,368		5.97%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Accounts receivable	42,803		0.80%
0	AXIOMTEK CO., LTD.	AXGM	1	Accounts receivable	19,928		0.37%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

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

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: No other transactions of the same type are available for comparison, and the terms of the transaction are handled in accordance with the terms of the agreement between the parties.

Note 5: The disclosure standard is those with a transaction amount of \$10 million or more.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1, 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2(3))	Remark
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership	Book value			
AXIOMTEK CO., LTD.	AXUS	U.S.A.	Industrial computer and Embedded Board manufacturing, trading, post-sales service	\$208,240	\$208,240	23,418	100.00	\$672,839	\$129,703	\$129,703	
"	AXGM	Germany	Industrial computer and Embedded Board manufacturing, trading, post-sales service	19,941	19,941	(Note 3)	100.00	211,830	16,497	16,497	
"	AXBVI	British Virgin Islands	Holding company	156,650	156,650	5,000	100.00	97,830	1,521	1,400	
"	AXUK	United Kingdom	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,615	8,615	180,000	100.00	3,482	1,224	1,224	
"	AXJP	Japan	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,235	8,235	600	100.00	7,860	492	492	
"	AXIT	Italy	Industrial computer and Embedded Board manufacturing, trading, post-sales service	56,068	56,068	(Note 3)	100.00	33,908	1,845	255	
"	UNI	Taiwan	Automation equipment system set-up and development	29,000	29,000	1,450,000	26.70	20,982	(18,501)	(5,000)	

1

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company for the year ended December 31, 2021' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

Note 3: Department Ltd.

AXIOMTEK CO., LTD. & SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2021

Table 9

Expressed in thousands of NTD and foreign currencies

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Axiomtek Shenzhen	Industrial computer and Embedded Board manufacturing, trading, post-sales service	NT\$ 116,471 (USD 4,207)	Note1(2)	NT\$ 116,471 (USD 4,207)	\$ -	\$ -	NT\$ 116,471 (USD 4,207)	\$1,579	100.00	\$1,579	\$105,885	\$-	

Note 1: Investment methods are classified into the following three categories:

- (1) Investment in Mainland China companies by remittance through a third region.
- (2) Investment in Mainland China companies through a company invested and established in a third region.
- (3) Investment in Mainland China companies through an existing company established in a third region.

Note 2: The investment income is calculated based on the financial statements of the Company that have not been audited by the accountant during the same period.

Note 3: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in Mainland China to be higher of net book value or 60% of consolidated net book value.

Note 4: The amount listed in this table is converted into NTD according to the exchange rate of US\$1=27.685 on December 31, 2021.

Note 5: In the preparation of the consolidated financial report, the relevant transactions have been fully written off.

Expressed in thousands of NTD and foreign currencies

Company Name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Axiomtek Shenzhen	\$116,471 USD 4,207	USD 4,223	\$1,846,964

Table 10

AXIOMTEK CO., LTD.
Major shareholders information
For the year ended December 31, 2021

Name of major shareholders	Shares	Name of shares held	Ownership (%)
Advantech		25,542,984	28.34%

Note : The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.