

# AXIOMTEK CO., LTD.

## 2021

# Annual Report

Notice to readers

*This English-version Annual Report is a translation of the Chinese version and is not an official document of the Shareholders' Meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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Taiwan Stock Exchange Market Observation Post System:

[https://mops.twse.com.tw/mops/web/t57sb01\\_q5](https://mops.twse.com.tw/mops/web/t57sb01_q5)

Axiomtek's Annual Report is available at:

<https://www.axiomtek.com/Default.aspx?MenuId=AboutUs&ItemId=225&C=Shareholders+Meeting>

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**IV. Certified Public Accountants**

Names of the CPAs: Feng, Ming-Chuan, Wu, Han-Chi

Name of Accounting Firm: PricewaterhouseCoopers, Taiwan

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**V. Name of Any Exchanges Where the Company's Securities Are Traded Offshore, and the Method by Which to Access Information on Said Offshore Securities: None.**

**VI. Company Website**

<https://www.axiomtek.com/>

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## I. Letter to Shareholders

Dear Shareholders,

First of all, I would like to thank you for your continuing support throughout the year. The consolidated operating revenue of Axiomtek Co., Ltd. (hereinafter referred to as “the Company” or “Axiomtek”) and its subsidiaries (the Company and its subsidiaries are hereinafter referred to as “the Group”) for 2021 was NT\$5.070 billion compared to NT\$4.603 billion in 2020 increased by 10.14%.

With the trend of AI artificial intelligence, edge computing, machine vision deep learning, Internet of Things, blockchain, and 5G innovative application, digital transformation and industrial horizontal and vertical integration and diversified development have become inevitable. The new generation of industrial transformation will bring about the growth of global business, improve production efficiency and value chain for vertical industries such as smart manufacturing, smart city, retail, energy, and healthcare. These new technologies will accelerate innovation, improve people’s life, and lead enterprises towards the next wave of growth momentum. The Company will continue to develop the edge computing platform, cooperate with technology partners to build an ecosystem where both hardware and software techniques, and plan for the sustainable development of enterprises.

The Group’s operating results in 2021 and business plan for 2022 are illustrated as follows:

### 1. Operating Results in 2021:

#### (1) Outcome of business plan implementation:

In 2021, the consolidated operating revenue of the Group was NT\$5.070 billion, the consolidated net income was NT\$391 million, the total consolidated comprehensive income was NT\$349 million and the after-tax earnings per share was NT\$4.57.

#### (2) Budget implementation:

The Group did not disclose its financial budget for 2021, so there is no report of budget implementation.

#### (3) Analysis of receipts, expenditures and profitability:

Item		2021	2020
Financial Structure (%)	Debt to Assets Ratio	42.31	34.86
	Long-term Capital to Property, Plant and Equipment Ratio	207.86	257.20
Solvency (%)	Current Ratio	175.75	227.38
	Quick Ratio	93.39	149.50
	Interest Earned Ratio (Times)	6,848.85	4,450.83
Profitability	Return on Assets (%)	8.46	7.70
	Return on Equity (%)	13.69	11.72
	Ratio of Pre-Tax Income to Paid-in Capital (%)	51.58	48.54
	Profit Ratio (%)	7.71	6.66
	Earnings Per Share (NT\$)	4.57	3.73

(4) Research and development status:

We have developed several mid to long-term plans to execute on our strategy to develop edge computing and artificial intelligence IoT solutions:

- A. Optimize automation applications by providing edge computing platforms with machine vision capabilities, incorporating core technologies across vision, video, and autonomous robotics to provide a comprehensive suite of AIoT industrial automation solutions.
- B. Develop dedicated edge computing systems for outdoor facilities, obtain professional certification, and provide smart city, intelligent transportation, smart energy solutions in collaboration with technology partners.
- C. Continue to cultivate the smart retail, smart medical, and gaming industry, providing partners with exclusive, customized and flexible value-added services.
- D. Continue to develop hardware application platforms and expand IT and OT network security supply chains for cybersecurity enhancement; meanwhile invest in new technology research and development as well as software and hardware integration with modular design.

2. Business Plan for 2022:

(1) Business policy:

- A. Stay focused on the integration of AI and IoT (AIoT) and the technology and products pertaining to Industrial 4.0. Continue to invest in factory automation, smart transportation, smart energy, transportation, medical, and smart retail.
- B. Provide comprehensive product lines and customized service to targeted vertical application markets.
- C. Establish alliances with strategic partners, integrating software and hardware to enhance product value, enabling long-term development and sustainability for the business.
- D. Set up Axiomtek European headquarters and focus on expanding design engineering service centers, service centers overseas, foster closer relationships with customers across the global sales network and establish global sales partnerships.
- E. Pay attention to the sound development of the organization, the mission of sustainable development of the enterprise and the cultivation of long-term talents.

(2) Production and sales policies:

- A. Introduce MES (Manufacturing Execution System) smart factory operations management and progress towards full factory automation.
- B. Implement green production supply chain and supplier management, use GPMS (Green Product Management System) and SCM (Supply Chain Management) management mechanisms to confirm that products are non-toxic and harmless, and regularly audit the quality of suppliers.
- C. Through the PLM (Product Lifecycle Management), global information management and communication systems, obtain data on materials, semi-finished products, inventories and future market demands, reducing inventory management costs and losses due to price reduction on slow-moving stock.

### 3. The Development Strategy:

#### (1) Sales strategy:

- A. Market our brand globally and focus on R&D, manufacturing and sales. Strengthen our software and hardware technology integration to equip our customers with more and diverse information.
- B. Actively establish European headquarters, global sales and technical bases, expand marketing channels and realize localized services.
- C. Align our strategy and tactical execution with the sales strategies of our global Key Accounts, Domain-Focused SI, and Channel Partners, expanding our sales capability and supporting our customers in market expansion.
- D. Enhance the added value of software and hardware integration in our products, replicate successful cases, shorten the timeline for customers to develop products, and create a win-win model.
- E. Through cloud-based sales force programs and platforms, leverage IT technology to effectively manage customer relationships and specialized projects and using integrated digital marketing to enhance customer experience.

#### (2) Product technology:

- A. Edge Computing Platforms: Industrial and embedded computing systems & touchscreen panel computers strive for professional certification in modular design and applications for targeted verticals. Adopt industrial aesthetic design, focus on user experience, and progress towards machine vision, smart energy, autonomous robotics, AI and IoT application markets.
- B. Network application hardware platforms: target IT and OT network security application markets, develop edge computing servers, remote monitoring technology IPMI and high-speed Ethernet modules, and build the infrastructure for SDN network security.
- C. Medical computers and high computing PC: Provide a certified embedded computer system platform, a high-performance medical computing platform, etc., comply with rigorous specifications, and combine with the customer's IT architecture to create a smart medical & healthcare environment.
- D. Smart retail platforms and computers: Adopt modular design to develop specialized computers, digital signage players and self-service kiosks, while also providing professional customization and system integration services.
- E. Gaming industry-specific computer platforms: Develop Video Mixer technology and Player Tracking System (PTS) platform for gaming machines; cultivate our vertical expertise and integration capabilities.
- F. Embedded boards and SoM computer modules: Continue to develop next-generation modular products and step-up Design-in customization services to explore new opportunities in related applications.

4. The Effect of the External Competitive, the Legal Environment and the Overall Business Environment:

In the global economic environment, the coronavirus epidemic will change the business model of the world. The scale of 5G, artificial intelligence IoT, and edge computing applications for vertical markets will continue to expand, while globally, longer-term infrastructural plans will be formulated to meet this trend. The Group will continue to develop its capability and capacity, focus on vertical applications markets, and build its core competitiveness on differentiation and innovation by bringing together future wireless communications, AI, IoT, machine vision, deep learning, robotics applications and other development trends. Meanwhile, the emerging waves of AIoT, Internet of everything and smart data have significantly accelerated the evolution and automation of intelligent verticals. Besides launching related products to fulfill the growing needs, the Group will put more effort in enhancing software and hardware integration capabilities, in the meantime collaborating with strategic partners to drive sales growth through a diversified product portfolio with value-added services.

Looking forward to the future, the Group will continue to deepen localization and deep cultivation operations, move design engineering support & service to the front line. The Group will build up local Design Engineering Service (DES) team to provide exclusive services with zero-time difference; and cooperate with partners such as Key Accounts, Domain-Focused SI, and Channel Partners. The Group's strong organizational structure and clear development directives, coupled with a well-managed global presence and strong branding, is well-positioned to fuel the growth engine and drive the growth of the Group's profitability and revenue.

Yang, Yu-Te

Chairman of Axiomtek Co., Ltd.



## II. Company Profile

### 1. Date of Incorporation

Founded: May 11, 1990

### 2. Company History

<u>Month/Year</u>	<u>Milestones</u>
May 1990	Axiomtek Co., Ltd. was established at Minquan Road, Xindian District with a capital of NT\$5 million.
Apr 1992	Established U.S. subsidiary Axiom Technology, Inc., U.S.A.
Feb 1996	Obtained the ISO-9001 Quality Assurance System Certification of the British SGS certification company.
July 1997	Established Willy Technology Co., Ltd. In British Virgin Islands. (Later renamed to Axiom Technology (BVI) Co., Ltd.).
Jan 1999	Axiomtek's stock initial public offering.
Apr 1999	Established the German subsidiary Axiomtek Deutschland GmbH.
Dec 2002	The Company's English name was changed from Axiom Technology Co., Ltd. to Axiomtek Co., Ltd., and the Company's Logo was revised.
Sep 2004	Established Axiomtek (Shen Zhen) Co., Ltd., a subsidiary in Shenzhen China.
Dec 2004	Established Shanghai and Beijing offices by subsidiary China Axiomtek (Shen Zhen) Co., Ltd.
Feb 2005	Invested in EtherWAN Systems, Inc.
Apr 2005	The Company's common stock officially listed on Taipei Exchange under electronics category.
Oct 2005	Obtained the ISO-14000 Environmental Management System Certification of the British SGS certification company.
Jun 2007	Invested in Axiomtek Display Solutions Co., Ltd.
Oct 2008	Axiomtek Electronic (Dongguan) Co., Ltd. licensed to operate and became the operations center in China.
Feb 2010	Disposal of the entire equity of Axiomtek Japan, Inc., a Japanese subsidiary.
Jun 2010	The Company was fully converted into paperless stocks.
Oct 2010	Obtained the SGS ISO-9001:2008 Quality Management System Certification from the British SGS certification company.
Nov 2010	Obtained the TOSHMS Taiwan Occupational Safety and Health Management System Certification from the Labor Council
Nov 2010	Issued 2,000,000 shares of 2010 Employee Stock Options.
Mar 2011	Obtained the ISO-13485: 2003 "Healthcare Equipment Quality Control Management System Certification" from the British SGS certification company.
Mar 2011	Liquidation subsidiary of Axiom Technology Trading (BVI) Co., Ltd.
Aug 2011	Established Remuneration Committee and the first convener was Independent Director Liu Chun-Lian.
Jul 2012	The headquarter office was moved to Axiomtek to 8F., No. 4, Lane 235, Baoqiao Road, Xindian District, New Taipei City.

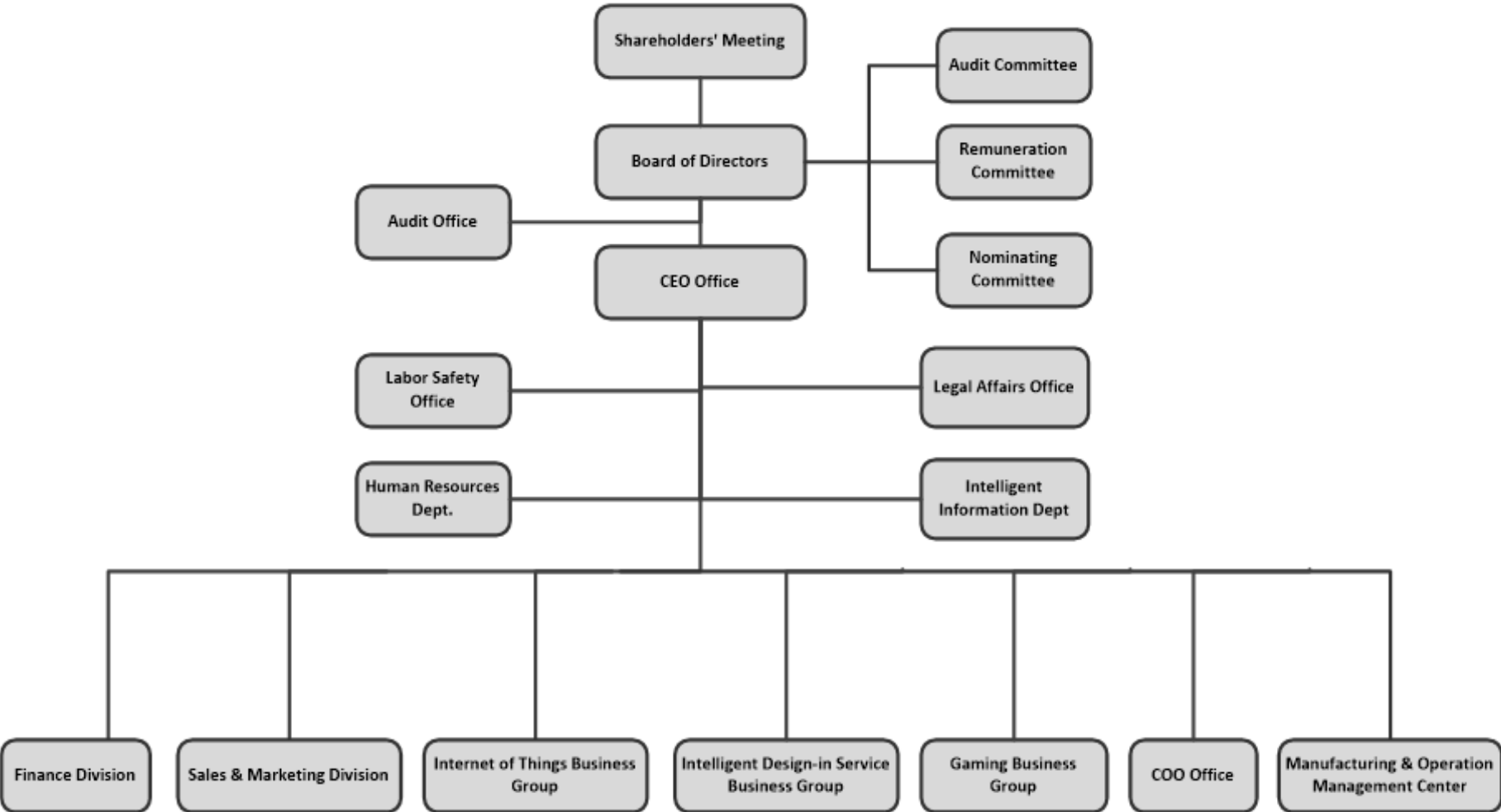
<u>Month/Year</u>	<u>Milestones</u>
Dec 2012	U.S. subsidiary Axiom Technology, Inc., U.S.A. acquired Suntron Corporation Embedded Computing Solutions (ECS) business unit for USD 3.6 million.
Jun 2015	Established Audit Committee to replace the role of Supervisors and the first convener was Independent Director Chou, Chih-Chen.
Aug 2015	Issued 1,500,000 shares of 2015 Employee Stock Options at lower than market price.
Feb 2016	Invested GBP180, 000 to establish a British subsidiary Axiomtek UK Limited.
Apr 2016	The two subsidiaries of Axiomtek (Shen Zhen) Co., Ltd. And Axiomtek Electronic (Dongguan) Co., Ltd., were merged.
Apr 2016	The 2 <sup>nd</sup> (2015) of Corporate Governance valuation results, Axiomtek ranked in the range of 6% ~ 20% of the TPEX listed companies.
Oct 2016	A short-form merge between Axiomtek Co., Ltd. and Axiomtek Display Solutions Co., Ltd. whereby the latter was dissolved.
Oct 2016	Liquidation of subsidiary Axiomtek Electronic (Dongguan) Co., Ltd.
Oct 2016	Established the Nomination Committee with members of Independent Directors Lin, Yih-Jong, Chou, Chih-Chen and Chairman Yang, Yu-Te; and the first convener was Independent Director Lin, Yih-Jong.
Dec 2016	Issue the first Domestic Unsecured Convertible Corporate Bonds totaling NT\$420 million.
Apr 2017	Axiomtek disposed all shareholding of 10,660,889 shares of EtherWAN Systems, Inc. to a German company Elektrophoneix GmbH (a subsidiary 100% owned by Phoenix Contact GmbH & Co. KG) at NT\$ 94.50 per share.
Apr 2017	The 3 <sup>rd</sup> (2016) of Corporate Governance valuation results, Axiomtek ranked in the top 5% of the TPEX listed companies.
Jul 2017	Invested JPY 30 million to establish a Japan subsidiary Axiomtek Japan Co., Ltd.
Nov 2017	Axiomtek headquarters moved to 8F., No.55, Nanxing Road, Xizhi District, New Taipei City, Taiwan.
Feb 2018	Axiomtek Taichung office moved to 18F.-6, No. 500, Shizheng Rd., Xitun Dist., Taichung City, Taiwan.
Apr 2018	Issued 1,600,000 shares of 2018 Employee Stock Options.
Apr 2018	The 4 <sup>th</sup> (2017) year of Corporate Governance valuation results, Axiomtek ranked in the top 5% of the TPEX listed companies for two consecutive years.
Oct 2018	Axiomtek additional invested of USD1.1 million to subsidiary of Axiom Technology (BVI) Co., Ltd.
Oct 2018	Axiom Technology (BVI) Co., Ltd. additional invested of HK\$8.5 million to subsidiary of Axiomtek (Shen Zhen) Co., Ltd.
Nov 2018	Axiomtek invested NT\$29 million in Uni-innovate Technology with a shareholding ratio of 26.7%.
Jan 2019	Axiomtek invested Euro 1.586 million in Axiomtek Italia S.R.L. and obtains 100% equity.
Mar 2019	Axiomtek additional invested of USD2.194 million to subsidiary of Axiom Technology (BVI) Co., Ltd.
Mar 2019	Axiom Technology (BVI) Co., Ltd. additional invested of HK\$8.6 million to subsidiary of Axiomtek (Shen Zhen) Co., Ltd. Axiom Technology (BVI) Co., Ltd.
Apr 2019	The 5 <sup>th</sup> (2018) of Corporate Governance valuation results, Axiomtek ranked in the top

<u>Month/Year</u>	<u>Milestones</u>
	5% of the TPEX listed companies for three consecutive years.
Mar 2020	Director Huang, Jui-Nan concurrently serves as general manager of the Company.
Mar 2020	The German subsidiary Axiomtek Deutschland GmbH moved to Elisabeth-Selbert-Str 21aD-40764 Langenfeld, Germany.
Apr 2020	The 6 <sup>th</sup> (2019) of Corporate Governance valuation results, Axiomtek ranked in the top 5% of the TPEX listed companies for four consecutive years.
May 2020	The 2020 Commonwealth Magazine's 2000 survey of major companies was released, and Axiomtek ranked 530 <sup>th</sup> , and the ranking up by one.
Oct 2020	Issued 4,300,000 shares of 2020 Employee Stock Options.
Mar 2021	The Japan subsidiary Axiomtek Japan Co., Ltd. moved to 3F, 1-7-11, Higashi Nihonbashi, Chuo-Ku, Tokyo 103-0004.
Mar 2021	In the 1 <sup>st</sup> quarter of 2021, Axiomtek increased its paid-in capital to NT\$834.50 million due to the execution of stock options by employees and the conversion of convertible corporate bonds by bondholders.
Apr 2021	The 7 <sup>th</sup> (2020) of Corporate Governance valuation results, Axiomtek ranked in the top 5% of the TPEX listed companies for five consecutive years.
Jun 2021	AXSZ moved to Unit GH, 6th floor, block B, building 7, Baoneng Technology Park, Qinghu Village, Qinghu Community, Longhua Street, Longhua District, Shenzhen, and the factory was relocated to 3 <sup>rd</sup> floor, building 15, Bauhinia intelligent manufacturing center, No. 105 Qingbin East Road, Qinghuang Village, Qingxi Town, Dongguan City, Guangdong Province.
Jun 2021	The 2021 Commonwealth Magazine's 2000 survey of major companies was released, and Axiomtek ranked 552 <sup>nd</sup> , and dropped 22 places in the rankings.
Jul 2021	Axiomtek's 12 <sup>nd</sup> term of Directors was fully re-elected, and 7 Directors were elected. Lin, Yih-Jong, Chang, Jen-Chih and Yu, Chwo-Ming were elected as Independent Directors and served as members of the Audit Committee and Remuneration Committee. The Nomination Committee members were Yu, Chwo-Ming, Lin, Yih-Jong and Yang, Yu-Te.
Jul 2021	Independent Director Chang, Jen-Chih was elected as the convener and meeting chair by and from the entire membership of the Axiomtek's 3 <sup>rd</sup> Audit Committee meeting.
Jul 2021	Independent Director Lin, Yih-Jong was elected as the convener and meeting chair by and from the entire membership of the Axiomtek's 5 <sup>th</sup> Remuneration Committee.
Jul 2021	Independent Director Yu, Chwo-Ming was elected as the convener and meeting chair by and from the entire membership of the Axiomtek's 3 <sup>rd</sup> Nomination Committee.
Aug 2021	In the 2 <sup>nd</sup> quarter of 2021, Axiomtek increased its paid-in capital to NT\$844.14 million due to the execution of stock options by employees and the conversion of convertible corporate bonds by bondholders.
Nov 2021	In the 3 <sup>rd</sup> quarter of 2021, Axiomtek increased its paid-in capital to NT\$884.83 million due to the execution of stock options by employees and the conversion of convertible corporate bonds by bondholders.
Nov 2021	Purchased the Xizhi factory for NT\$550 million.
Mar 2022	In the 1 <sup>st</sup> quarter of 2022, Axiomtek increased its paid-in capital to NT\$902.02 million due to the execution of stock options by employees and the conversion of convertible corporate bonds by bondholders.
Apr 2022	The 8 <sup>th</sup> (2021) of Corporate Governance valuation results, Axiomtek ranked in the top 5% of the TPEX listed companies for six consecutive years.

### III. Corporate Governance Report

#### 1. Organization

##### (1) Organizational Chart



(2) Major corporate Functions

Department	Functions
Audit Office	Responsible for reviewing whether the design of the internal control system is appropriate, operating effectively, and achieving the control effect of the internal control system design, implementing the annual internal audit plan approved by the Board of Directors, and providing evaluation and implementation results of internal control system, making suggestions and tracking improvements.
CEO Office	Responsible for the Company's vision development, business strategy, operation policy and strategic investment.
Labor Safety Office	Responsible for the planning, promotion and implementation of employee health & safety work environment.
Human Resources Dept.	Responsible for the planning & execution of activities like recruitment, training, reward & recognition, performance evaluation and employee relations.
Legal Affairs Office	Responsible for reviewing contracts, handling litigation disputes, managing intellectual property rights and patent operations.
Intelligent Information Dept.	Responsible for the planning and implementation of the IT systems & infrastructure.
Finance Division	Responsible for the summary, planning, implementation and management of accounting, finance, taxation, investment, annual budgeting, credit management and stocks affairs services.
Sales & Marketing Division	Responsible for the planning and implementation of global market development and marketing business.
Internet of Things Business Group	Responsible for product planning and market development of Intelligent Automation, Network Computing Platform, and Intelligent Transportation solution products.
Intelligent Design-in Service Business Group	Responsible for product planning and market development of Intelligent Retail, Intelligent Medical, and Embedded Design-in Services products.
Gaming Business Group	Responsible for product planning and market development of Gaming System, and Electronic Gaming Machines products.
COO Office	Responsible for the Company's quality assurance, quality engineering and computer information operation, ensuring the effective implementation of the systems.
Manufacturing & Operation Management Center	Responsible for the Company's procurement, manufacturing, testing and assembly and logistics, sourcing for strategic products, and executing EMS business and coordinating the Group's global supply chain management and operation.

## 2. Directors and Management Team

### (1) Directors

March 26, 2022

Title	Nationality/Place of Incorporation	Name	Gender & Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives or Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman of the Board	ROC	Yang, Yu-Te	61-70 years old Male	July 5, 2021	3	Mar 05, 2002	1,578,512	1.87	1,648,512	1.83	58,279	0.06	0	0.00	Founder, President and Chief Strategy Officer of Axiomtek Co., Ltd. Manager of Advantech Co., Ltd. Automation System Unit Bachelor of Electrical Engineering, Fu Jen University	Note 1	None	None	None	None
Director	ROC	Advantech Co., Ltd.	31-40 years old Male	July 5, 2021	3	Jun 30, 2003	22,495,984	26.65	25,542,984	28.29	0	0.00	0	0.00	Investment Representative of Advantech Co., Ltd. Master of Business Administration, National Taiwan University Bachelor of Electrical Engineering, University of Illinois	Note 2	None	None	None	None
		Representative Liu, Wei-Ting					0	0.00	0	0.00	0	0.00	0	0.00			None	None	None	None
Director	ROC	Tsai, Shih-Yang	61-70 years old Male	July 5, 2021	3	Jun 03, 2015	408,000	0.48	1,408,000	1.56	70,000	0.08	0	0.00	Chairman, Smart Management Consulting Co., Ltd. Co-founder, Advantech Co., Ltd. Bachelor of Electronic Engineering, MingHsin University Bachelor of Applied Mathematics (Information Dept.), Chinese Culture University	Note 3	None	None	None	None
Director	ROC	Huang, Jui-Nan	51-60 years old Male	July 5, 2021	3	May 29, 2018	0	0.00	0	0.00	0	0.00	0	0.00	President of Axiomtek Co., Ltd. VP, Advantech Industry Automation Group Chairman of Cermate Technologies Inc. Master of Management Sciences, Tamkang University Bachelor of Computer Science & Information Engineering, National Taiwan University	Note 4	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender & Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives or Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	ROC	Lin, Yih-Jong	61-70 years old Male	July 5, 2021	3	Jun 03, 2015	0	0.00	0	0.00	0	0.00	0	0.00	Chairman, Vossic Technology Co., Ltd. President/COO, Advantech Automation Group VP, Computer Systems Organization, HP Taiwan Managing Director, Tektronix China Bachelor of Electrical Engineering, National Cheng Kung University	Note 5	None	None	None	None
Independent Director	ROC	Chang, Jen-Chih	71-80 years old Male	July 5, 2021	3	May 29, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Certified Public Accountant of Hot Tai Accounting Firm Department Head, Department of Accounting & Statistics, Chungyu College of Business Management Department Head, National Taipei College of Business Master of Accounting, National Chengchi University Bachelor of Accounting, National Chung Hsing University	Note 6	None	None	None	None
Independent Director	ROC	Yu, Chwo-Ming	61-70 years old Male	July 5, 2021	3	July 5, 2021	16,915	0.02	16,915	0.02	0	0.00	0	0.00	Professor of Department of Business Administration, National Chengchi University Independent Director of Yuanta Futures Co., Ltd. Independent Director of Advantech Co., Ltd. Independent Director of Yuanta Commercial Bank Co., Ltd. Ph.D. of Business Administration of University of Michigan	Note 7	None	None	None	None

Note 1: (1) Chief Strategy Officer of Axiomtek Co., Ltd.

(2) Chairman of the following companies: Axiomtek Deutschland GmbH, Axiom Technology (BVI) Co., Ltd., Axiomtek Japan Co., Ltd., Axiomtek UK Limited.

(3) Director of the following companies: Axiom Technology, Inc. U.S.A., UNI-Innovate Technology Co., Ltd.

Note 2: (1) Investment Representative of Advantech Co., Ltd. Corporate Investment Division.

(2) Chairman of the following companies: ChuanTing Investment Co., Ltd., Tran-Fei Development Co., Ltd., Shiung-Yang Investment Corporation.

(3) Director of the following companies: DeNeng Scientific Research Co., Ltd., Cermate Technologies Inc., K&M Investment Co., Ltd., CZ Investment Co., Ltd., Huan Yan Water Solution Co., Ltd., Smasoft Technology Co., Ltd., ISAP Solution Corporation.

(4) Supervisor of the following companies:-Advantech Intelligent Healthcare Co., Ltd.

Note 3: (1) Chairman of the following companies: Smart Management Consulting Co., Ltd., Fudi Investment Co., Ltd., Junzhuang Comprehensive Development Co., Ltd.

(2) Director of the following companies: JAYA Networks Corp., Legendaire Technology Co., Ltd.

(3) Supervisor of Winmate Inc., Advantech Equipment Corp.

(4) Non-profit organization chief Adviser, Global Talentrepreneur Innovation & Collaboration Association.

Note 4: General Manager of Axiomtek Co., Ltd.

Note 5: Chairman of Vossic Technology Co., Ltd.

Note 6: (1) Hot Tai Public Accountant Firms Certified Public Accountant.

(2) Director of Liang Guan Investment Co., Ltd.

Note 7: (1) Professor of Department of Business Administration, National Chengchi University.

(2) Member of Remuneration Committee of Advantech Co., Ltd.

(3) Independent Director of Integrated Service Technology Inc.



A. Major shareholders of the institutional shareholders

March 26, 2022

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders (Note)
Advantech Co., Ltd.	ASUS Computer Technology Co Ltd. (13.30%) K&M Investment Co., Ltd. (11.78%) AIDC Investment Corp (11.69%) Liu, Ke-Chen (3.63%) Advantech Foundation (2.88%) Tran-Fei Development Co., Ltd (2.37%) First Sentier Investors ICVC - Stewart Investors Asia Pacific Leaders Sustainability Fund (2.26%) Yong-Shun Zhuang (2.26%) The Overlook Partners Fund L.P (1.55%) Chunghwa Post Co.,Ltd. (1.30%)

Note: List of top 10 shareholders

B. Major shareholders of the major institutional shareholders

March 26, 2022

Name of Institutional Shareholders	Major Shareholders of the Major Institutional Shareholders (Note)
ASUS Computer Technology Co., Ltd.	Jonney Shih (4.05%) Cathay United Bank managed Expert Union Limited Investment account (2.78%) ASUS's Certificate of Depository with CitiBank (Taiwan) (2.65%) Yuanta Taiwan High Dividend Fund Account (1.88%) New Labor Pension Fund (1.88%) Morgan Stanley & Co. International Plc (1.67) Silchester International Investors International Value Equity Trust (1.49%) Fubon Life Insurance Co., Ltd. (1.35%) Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.34%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.22%)
K&M Investment Co., Ltd	Chang, Mei-Ling (32.94%), Liu, Ke-Chen (32.32%), Liu, Wei-Zhi (1.38%), Liu, Wei-Ting (1.32%)
AIDC Investment Corp	Liu, Ke-Chen (18.77%), Advantech Foundation (10.08%), Chang, Mei-Ling (5.08%), Liu, Wei-Zhi (1.00%)
Advantech Foundation	Advantech Co., Ltd. (100%)
Tran-Fei Development Co., Ltd	Liu, Wei-Ting (5.32%), Huang, Hui-Li (3.09%), Chang, Mei-Yue (0.62%), Chang, Mei-Ling (0.61%)
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communication (100%)

Note: List of top 10 shareholders

C. Professional qualifications and independence analysis of Directors

Disclosure of information on the professional qualifications of Directors and the independence status of Independent Directors:

Name / Condition	Professional Qualifications and Experience (Note1)	Independence Status (Note2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director Yang, Yu-Te	Founder, President and Chief Strategy Officer of Axiomtek Co., Ltd. Possesses the work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook.	Not been a person of any conditions defined in Article 30 of the Company Act.	0
Director Advantech Co., Ltd. Representative Liu, Wei-Ting	Investment Representative of Advantech Co., Ltd. Possesses the work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook.	Not been a person of any conditions defined in Article 30 of the Company Act.	0
Director Tsai, Shih-Yang	Chairman of Smart Management Consulting Co., Ltd. and Co-founder of Advantech Co., Ltd. Possesses the work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook.	Not been a person of any conditions defined in Article 30 of the Company Act.	0
Director Huang, Jui-Nan	Had once worked as VP of Advantech Industry Automation Group. Possesses the work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook.	Not been a person of any conditions defined in Article 30 of the Company Act.	0

Name \ Condition	Professional Qualifications and Experience (Note1)	Independence Status (Note2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Lin, Yih-Jong	Chairman of Vossic Technology Co., Ltd. and had once worked as President/COO of Advantech Automation Group. Possesses the work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook.	Independent Directors continue to meet the qualification requirements stipulated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission during the two years prior to their election and during their term of office, including	0
Independent Director Chang, Jen-Chih	Master of Accounting, National Chengchi University. Passed the national examination and obtained the accountant certificate. Certified Public Accountant of Hot Tai Accounting Firm. Possesses the work experience required for business finance, accounting and corporate business and being good at leadership, accounting and financial analysis, crisis management and have industry knowledge and international market outlook.	but not limited to the following: 1. The self, spouse, or relatives within the second degree of kinship do not serve as Directors, Supervisors or employees of the Company or its affiliated companies. 2. Except for the Independent Director Yu, Chwo-Ming who holds 16,915 shares of the Company, with a shareholding ratio of 0.02%, other Independent Directors, their spouses, relatives within the second degree of kinship (or in the names of others) do not hold any shares in the Company.	0
Independent Director Yu, Chwo-Ming	Professor of Department of Business Administration, National Chengchi University. and had once service as Independent Director of Advantech Co., Ltd. and Yuanta Financial Holdings. Possesses the work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook.	3. The self, spouse, relatives within the second degree of kinship do not serve as serving as Director, supervisor or employee of any company which has specific relations with the Company. 4. In the past two years, there has been no compensation from the Company or its affiliate enterprise in commercial, legal affairs, financial, accounting and other service places.	1

Note 1: Professional qualifications and experience: State the professional qualifications and experience of individual Directors and Supervisors. If they are members of the Audit Committee and have accounting or financial expertise, it should state their accounting or financial background and work experience and explain whether they have not the conditions that stated in the Article 30 of the Company Act.

Note 2: Please describe Independent Director's condition, including but not limited to himself or herself, spouse, relative within second degree of kinship, whether serving as the Company or its affiliate enterprise's Director, supervisor or employees; number of shares and ratio of himself or herself, spouse, relative within second degree of kinship (or in the names of others); whether serving as Director, supervisor or employee of any company which has specific relations with the Company (please refer to sub-item 5~8 of Item in Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"); the amount of reward he or she gets in recent 2 years from the Company or its affiliate enterprise in commercial, legal affairs, financial, accounting and other service places.

Note 3: Please refer to the best practical reference example in Taiwan Stock Exchange Corporate Governance Center website for the manner of disclosure.

#### D. Diversification and independence of Board of Directors:

##### (A) Diversity Policy of Board of Directors

The Company advocates and respects the diversity policy of Directors. To strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, it is believed that the diversity policy will help improve the overall performance of the Company. The selection and appointment of Board members are based on the principle of talent-based selection, and they have diverse and complementary capabilities across industries, including basic conditions (like nationality, gender, age and years of service as Independent Directors, etc.), as well as professional knowledge and skills and other professional qualifications and experience required for business, legal, financial, accounting or corporate business. According to Article 20 of the Company's "Corporate Governance best practice principles", members of the Board of Directors should generally possess the knowledge, skills and qualities necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall have the following abilities:

- a. Operational judgment.
- b. Accounting and financial analysis ability.
- c. Operation and management ability.
- d. Crisis management ability.
- e. Industry expertise.
- f. International market outlook.
- g. Leadership.
- h. Decision-making ability

Diversity policy and implementation status of the Board of Directors are as follows:

Title	Core of Diversity Name	Basic Composition						Professional Knowledge and Skills										Professional Qualifications and Experience		
		Nationality	Gender	Employee of the Company	Age			Tenure and seniority of independent directors		Operational Judgment	Accounting and Financial Analysis Ability	Operation and Management Ability	Crisis Management Ability	Industry Expertise	International Market Outlook	Leadership	Decision-making Ability	College Professor of Business, Legal Affairs, Finance, Accounting	Financial Accounting Professional	Possesses the Work Experience Required for Business and Corporate Business
					31~40 Years	51~60 Years	61~71 Years	Less than 3 Years	4~7 Years											
Director	Yang, Yu-Te	ROC	Male	√		√			√	√	√	√	√	√	√	√			√	
Director	Advantech Co., Ltd. representative Liu, Wei-Ting	ROC	Male		√				√	√	√	√	√	√	√	√			√	
Director	Tsai, Shih-Yang	ROC	Male			√			√		√	√	√	√	√	√			√	
Director	Huang, Jui-Nan	ROC	Male	√	√				√	√	√	√	√	√	√	√			√	
Independent Director	Lin, Yih-Jong	ROC	Male			√		√	√		√	√	√	√	√	√			√	
Independent Director	Chang, Jen-Chih	ROC	Male			√		√		√		√	√		√	√	√		√	
Independent Director	Yu, Chwo-Ming	ROC	Male			√	√		√	√	√	√		√	√	√	√		√	

Assess the 7 Directors (including 3 Independent Directors) of the 12<sup>th</sup> Board of Directors of the Company, who have overall business judgment ability, accounting and financial analysis ability, management ability, crisis management ability, industry knowledge, international market outlook, leadership ability and decision-making ability, etc., as well as professional qualifications and experience required by the Company's business. The Company pays attention to the diversified professional knowledge and skills of the members of the Board of Directors. At least one Director is good at financial accounting professional knowledge and skills, and a college professor has professional knowledge of enterprise operation and management. Each Director has professional background and experience in different industries and positions.

The age of Directors of the Company is between 31 and 71 years old. The average tenure of Independent Directors is 5 years. The consecutive tenure of Independent Directors are not more than three consecutive terms. The nationalities of all Directors are R.O.C, and 2 of them are employees. In addition to the above, the current Board members are all male, and will continue to strive to increase the proportion of female Directors in the future.

The orientation, complementarity and implementation of Directors' diversity still meet the standards set out in Article 20 of the "Corporate Governance best practice principles". In the future, the diversification policy will be updated in a timely manner depending on the operation of the Board of Directors, the operation type and the development needs, including but not limited to basic conditions and values, professional knowledge and skills, etc., to ensure that members of the Board of Directors should generally have the knowledge, skills and qualities necessary to perform their duties.

(B) Independence of Board of Directors

There are 7 Directors on the Board of Directors of the Company, including 3 Independent Directors, accounting for 43% of the Board members. Independent Directors shall continue to meet the qualification requirements stipulated in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" issued by the Securities and Futures Bureau of the Financial Supervisory Commission during the two years before their election and during their term of office. The relationship between Directors who do not have a spouse or relatives within the second degree of kinship complies with the provisions of Article 26-3, Items 3 and 4 of the Securities and Exchange Act. The self, spouse, or relatives within the second degree of kinship do not serve as Directors, supervisors or employees of the Company or its affiliated companies. Except for the Independent Director Yu, Chwo-Ming who holds 16,915 shares of the Company with a shareholding ratio of 0.02%, other Independent Directors, their spouses, relatives within the second degree of kinship (or in the names of others) do not hold shares in the Company, and they do not receive remuneration for providing business, legal, financial, accounting and other services to the Company or its affiliates. The Board of Directors of the Company is independent.

## (2) Management Team

March 26, 2022

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Managerial Officers Who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	ROC	Huang, Jui-Nan	Male	Mar 01, 2020	0	0	0	0	0	0.00	Director, Axiomtek Co., Ltd. VP, Advantech Industry Automation Group Chairman of Cermate Technologies Inc. Master of Management Sciences, Tamkang University Bachelor of Computer Science & Information Engineering, National Taiwan University	None	None	None	None	None
Chief Strategy Officer	ROC	Yang, Yu-Te	Male	Jun 01, 1990	1,648,512	1.83	58,279	0.06	0	0.00	Founder, President and Chief Strategy Officer of Axiomtek Co., Ltd. Manager of Automation System Unit, Advantech Co., Ltd. Bachelor of Electrical Engineering, Fu Jen University	Chairman of the following companies: Axiomtek Deutschland GmbH Axiom Technology (BVI) Co., Ltd. Axiomtek UK Limited Axiomtek Japan Co., Ltd. Director, Axiom Technology, Inc. U.S.A. Director, Uni-innovate Technology Co., Ltd. Chief Strategy Officer of Axiomtek Co., Ltd.	None	None	None	None
Vice President	ROC	David Chang	Male	Dec 02, 1997	412,573	0.46	170,882	0.19	0	0.00	R&D Manager, Unitron Inc. EMBA Master of National Chengchi University Bachelor of Electronic Engineering, Chung Yuan Christian University	None	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Managerial Officers Who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President Head of Accounting/Finance Chief Corporate Governance	ROC	Jane Hsu	Female	May 03, 2010	196,000	0.22	0	0.00	0	0.00	Vice President, Leadtek Research Inc. Manager, Deloitte & Touche EMBA Master of National Taiwan University Master of Accounting, National Chengchi University	Director, Axiom Technology, Inc. U.S.A.	None	None	None	None
Vice President	ROC	Joanne Lin	Female	Nov 01, 2016	65,000	0.07	0	0.00	0	0.00	Director, Foxconn (Far East) Ltd. Sales Director, Dell Taiwan Director, HP Services, Asia Pacific Region, Hewlett-Packard Co. Bachelor of Science, Industrial and Operational Engineering, University of Michigan	None	None	None	None	None
Vice President	ROC	William Wu	Male	Jul 01, 2011	164,000	0.18	0	0.00	0	0.00	Deputy Director, R&D Division, Chaintech Technology Corporation Bachelor of Electronic and Computer Engineering, National Taiwan University of Science and Technology	None	None	None	None	None
Vice President	ROC	Henry Lin	Male	Jan 08, 2007	920,172	1.02	0	0.00	0	0.00	Vice President, Hi-Top internal Co., Ltd. EMBA Master of National Chengchi University Bachelor's in Electronic Engineering, National	None	None	None	None	None
Vice President	ROC	Gary Tsao	Male	Aug 19, 2016	32,000	0.04	0	0.00	0	0.00	Product Manager, Dynatrong Material Inc. Product Manager, Compal Electronics Inc. Project Manager, Simtec Holding Ltd. Master of China Studies, Tamkang University	None	None	None	None	None



Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Managerial Officers Who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President	ROC	Chiven Fan	Male	Aug 19, 2016	96,759	0.11	0	0.00	0	0.00	Sales Manager, eBizrise Technology Ltd. Sales Manager, Asiatek Inc. Associate's degree in Electrical Engineering, Jinwen University of Science and Technology	None	None	None	None	None
Assistant Vice President	ROC	Joseph Chou	Male	Aug 19, 2016	32,000	0.04	0	0.00	0	0.00	Sales Section Manager, Taiwan Mycomp Co., Ltd. Managing Director, Spring Circle Computer B.V. Bachelor' of Political Science, National Chengchi University	None	None	None	None	None
Assistant Vice President	ROC	Alex Pan	Male	Sep 01, 2014	60,222	0.07	0	0.00	0	0.00	Senior R&D Manager, EtherWAN Systems Inc. R&D Manager, Atop Technologies Inc. Master of Electrical Engineering, National Tsing Hua University	None	None	None	None	None
Assistant Vice President	ROC	Shang Hsieh	Male	Sep 01, 2017	40,933	0.05	0	0.00	0	0.00	Senior Quality Manager, Axiomtek Co., Ltd. R&D Manager, Axiomtek Co., Ltd. Associate's degree in Electrical Engineering, St. John's and St. Mary's Institute of Technology	None	None	None	None	None

Note 1: Should include data on the president, vice president, assistant vice president, the respective heads in each department and subsidiary including those whose responsibilities are equivalent to that of the president, vice president or supervisor, regardless of their job titles.

Note 2: For work experience relevant for this role, if obtained in roles held in the audit firm or related companies during the past year, details of the past roles and scope of responsibilities must be disclosed.

3. Remuneration Paid during the Most Recent Fiscal Year to Directors, President and Vice Presidents

(1) Remuneration of Directors and Independent Directors

Unit: Thousand shares/NT\$ Thousand

Title	Name	Remuneration to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Remuneration from Ventures other than Subsidiaries or from the Parent Company (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C) (Note 3)		Allowance (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
		The Company	All Companies in the Financial Statements. (Note 7)	The Company	All Companies in the Financial Statements. (Note 7)	The Company	All Companies in the Financial Statements. (Note 7)	The Company	All Companies in the Financial Statements. (Note 7)	The Company	All Companies in the Financial Statements. (Note 7)	The Company	All Companies in the Financial Statements. (Note 7)	The Company		All Companies in the Financial Statements. (Note 7)		The Company	All Companies in the Financial Statements. (Note 7)			
Chairman	Yang, Yu-Te	0	0	0	0	1,041	1,041	45	45	0.28%	0.28%	6,589	6,589	0	0	0	0	0	0	1.96%	1.96%	None
Director	Advantech Co., Ltd.	0	0	0	0	558	558	0	0	0.14%	0.14%	0	0	0	0	0	0	0	0	0.14%	0.14%	None
	Representative: Liu, Wei-Ting	0	0	0	0	0	0	45	45	0.01%	0.01%	0	0	0	0	0	0	0	0	0.01%	0.01%	None
Director	Tsai, Shih-Yang	0	0	0	0	558	558	45	45	0.15%	0.15%	0	0	0	0	0	0	0	0	0.15%	0.15%	None
Director	Huang, Jui-Nan	0	0	0	0	558	558	45	45	0.15%	0.15%	7,145	7,145	108	108	0	0	0	0	2.01%	2.01%	None
Independent Director	Lin, Yih-Jong	0	0	0	0	649	649	45	45	0.18%	0.18%	0	0	0	0	0	0	0	0	0.18%	0.18%	None
Independent Director	Chang, Jen-Chih	0	0	0	0	634	634	45	45	0.17%	0.17%	0	0	0	0	0	0	0	0	0.17%	0.17%	None
Independent Director	Yu, Chwo-Ming (Note 13)	0	0	0	0	309	309	25	25	0.09%	0.09%	0	0	0	0	0	0	0	0	0.09%	0.09%	None
Independent Director	Shon, Zheng-Yi (Note 14)	0	0	0	0	324	324	20	20	0.09%	0.09%	0	0	0	0	0	0	0	0	0.09%	0.09%	None

1. The policies, systems, standards, and structure of Independent Directors' remuneration, and describe the correlation with the amount of remuneration according to the responsibilities, risks, and investment time:  
The Company mainly distributes the remuneration of Directors in accordance with the "Operating Procedures for Performance Evaluation of Board of Directors" and "Directors' Remuneration Distribution Method". According to Articles of Incorporation, if the Company is profitable in the current year (means the Pre-tax Income before deduction of the employees' and Directors' compensation) in the current year. Directors' payout should be no more than 2%. The remuneration of Directors in the preceding paragraphs only can receive the profit in the form of cash. The proportion and amount of Directors' remuneration allocation each year are proposed by the Remuneration Committee based on the Company's operating performance, business risks, development trends and reference to industry standards, and by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of Directors. The distribution of remuneration for Directors and Independent Directors is first based on the Directors' attendance at the shareholders' meeting, the degree of participation in the Company's operations, and the evaluation of the value of their contribution. The distribution of reasonable remuneration is given priority, and the weighted calculation is based on the content of positions and functional committee members. In general, Directors' remuneration is evaluated according to the performance of the responsibilities, risks, and time invested, and the rationality of the remuneration has been evaluated by the Nomination Committee, reviewed by the Remuneration Committee, and passed by the Board of Directors. Relevant laws and regulations review the remuneration system in a timely manner to implement corporate governance, and expect to make the distribution of remuneration for Directors transparent, rational and institutionalized.
2. Except as disclosed in the above table, the remuneration received by the Directors of the Company for providing services to all the companies in the financial report in the most recent year (such as serving as a non-employee consultant for the parent company, all companies and investment enterprises in the consolidated financial statements): TWD\$0
3. Severance Pay is the contribute labor pension funds paid on a monthly basis according to the law.

Note 1: The names of Directors shall be listed separately (the institutional shareholder and its representative should be illustrated separately), and Directors and Independent Directors shall be listed separately, and the various payment amounts shall be disclosed in a collective manner.

Note 2: Refers to remuneration in the past year for the Directors (including Director's salaries, additional fees, severance pay, various bonuses, incentive payouts etc.)

Note 3: Director's remuneration for the past year, approved by the Board.

Note 4: Director's operating expenses in the past year (includes transportation, special fees, various allowances, lodging, allotted vehicles, other amenities etc.) In the case of the provision of housing, cars and other means of transport or exclusive payments, the nature and cost of the assets provided, rental at actual or at a fair market price, fuel and other payments should be disclosed. Where a driver is assigned, include the payment made by the Company that is not already included in the remuneration.

Note 5: Remuneration for Directors who are also employees (includes Presidents, Vice Presidents, other managerial officers, and employees) including salaries, job add-on, severance pay, various bonuses, incentive payouts, transportation expenses, special skills fees, various allowances, lodging, allotted vehicles and other amenities. In the case of the provision of housing, cars and other means of transport or exclusive payments, the nature and cost of the assets provided, rental at actual or at a fair market price, fuel and other payments should be disclosed. Where a driver is assigned, include the payment made by the Company that is not already included in the remuneration. Per IFRS 2 the salary expenses recognized in the "Share-based payment", including the acquisition of employee stock option certificates, restricted shares, and participation in cash increase subscription shares, shall also be included in the remuneration.

Note 6: Past year's remuneration (including stock and cash) approved by the Board of Directors to Directors also serving as employees (includes the President, Vice Presidents, other managerial officers, and employees). If an estimate is not available, compute using the previous year's actual payouts and complete Table 1-3.

Note 7: All categories of remuneration paid to the Directors by the companies (including this Company) listed in the consolidated report, must be disclosed.

Note 8: Total remuneration paid to each Director must be disclosed in the appropriate range against the Name of Director.

Note 9: All categories of remuneration paid to the Directors by the companies (including this Company) listed in the consolidated report, must be disclosed in the appropriate range against the Name of Director.

Note 10: Net profit after tax refers to the past year's net profit after tax. Per the international financial reporting standards, net profit after tax refers to the net profit after tax of the parent company or individual companies in the past year.

Note 11: a. State clearly the remuneration amount paid to the Director by reinvested businesses other than subsidiary or parent company (Fill in "None" if not in the case).

b. If the Director has received remuneration from reinvested businesses other than subsidiary or parent company, please specify the amount received in the relevant ranges tabled and denote these as "Parent company and all reinvested businesses".

c. Remuneration here refers to any fees, compensation (including the remuneration for employees, Directors, and supervisors) and reimbursement for expenses incurred while executing their duties in the appointments held by Directors, supervisors or Presidents in reinvested businesses other than subsidiary or parent company.

Note 12: The Company established the Audit Committee on June 3, 2015 to replace the role of the supervisor.

Note 13: Newly elected on July 5, 2021.

Note 14: Resigned on July 5, 2021.

\* The remuneration disclosed in the table differs from the concept of income defined according to Income Tax Law, therefore, the table is for the purpose of information disclosure instead of tax levy.

(2) Remuneration of President and Vice Presidents

Unit: Thousand shares/NT\$ Thousand

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonus and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Remuneration from Ventures other than Subsidiaries or from the Parent Company (Note 9)
		The Company	All Companies in the Financial Statements. (Note 5)	The Company	All Companies in the Financial Statements. (Note 5)	The Company	All Companies in the Financial Statements. (Note 5)	The Company		All Companies in the Financial Statements. (Note 5)		The Company	All Companies in the Financial Statements. (Note 5)	
								Cash	Stock	Cash	Stock			
President	Huang, Jui-Nan	23,399	23,399	1,046	1,046	22,501	22,501	0	0	0	0	12.01%	12.01%	0
Chief Strategy Officer	Yang, Yu-Te													
Vice President	David Chang													
Vice President	Jane Hsu													
Vice President	Joanne Lin													
Vice President	William Wu													
Vice President	Henry Lin													
Vice President	Gary Tsao													
Vice President	Chiven Fan													

\* Regardless of job title, details about any position equivalent to the general manager and vice president (for example: president, CEO, Director...etc.) should be disclosed.

\* Severance Pay is the contribute labor pension funds paid on a monthly basis according to the law.

### Breakdown of Remuneration to President and Vice Presidents

Range of Remuneration	Names of President and Vice Presidents	
	The Company (Note 6)	All Companies in the Financial Statement. (Note 7)
Under NT\$1,000,000	None	None
NT\$ 1,000,000 ~ NT\$ 1,999,999	None	None
NT\$ 2,000,000 ~ NT\$ 3,499,999	None	None
NT\$ 3,500,000 ~ NT\$ 4,999,999	David Chang, Joanne Lin, Chiven Fan, Gary Tsao	David Chang, Joanne Lin, Chiven Fan, Gary Tsao
NT\$ 5,000,000 ~ NT\$ 9,999,999	Yang, Yu-Te, Huang, Jui-Nan, Jane Hsu, William Wu, Henry Lin	Yang, Yu-Te, Huang, Jui-Nan, Jane Hsu, William Wu, Henry Lin
NT\$10,000,000 ~ NT\$14,999,999	None	None
NT\$15,000,000 ~ NT\$29,999,999	None	None
NT\$30,000,000~ NT\$49,999,999	None	None
NT\$50,000,000 ~ NT\$99,999,999	None	None
Over NT\$100,000,000	None	None
Total	9	9

Note 1: The names of the president and vice president shall be listed separately, and the amount of each payment shall be disclosed in a summary manner.

Note 2: Remuneration, job title and severance pay for the President and Vice President in the past year.

Note 3: Various bonuses, incentives, transportation expenses, special expenses, various allowances, accommodation, car, amenities, and other remuneration in the past year. In the case of the provision of housing, cars and other means of transport or exclusive payments, the nature and cost of the assets provided, rental at actual or at a fair market price, fuel and other payments should be disclosed. Where a driver is assigned, include the payment made by the Company that is not already included in the remuneration. Per IFRS 2 the salary expenses recognized in the “Share-based payment”, including the acquisition of employee stock option certificates, restricted shares, and participation in cash increase subscription shares, shall also be included in the remuneration.

Note 4: Past year’s remuneration (including stock and cash) approved by the Board of Directors to the President and Vice Presidents. If estimate is not available, compute using the previous year’s actual and complete Table 1-3. Net profit after tax refers to the past year’s net profit after tax. Per the international financial reporting standards, net profit after tax refers to the net profit after tax of the parent company or individual companies in the past year.

Note 5: The total of each category of remuneration paid to the President and Vice Presidents of this Company by the companies (including this Company) listed in the consolidated report, must be disclosed.

Note 6: For all categories of remuneration paid to the President and Vice Presidents by the companies (including this Company) listed in the consolidated report, each total must be disclosed in the appropriate range against the names of president and vice presidents.

Note 7: All categories of remuneration paid to the President and Vice Presidents by the companies (including this Company) listed in the consolidated report, must be disclosed in the appropriate range against

the names of president and vice presidents.

Note 8: Net profit after tax refers to the past year's net profit after tax. Per the international financial reporting standards, net profit after tax refers to the net profit after tax of the parent company or individual companies in the past year.

Note 9: a. State clearly the remuneration amount paid to the Director by reinvested businesses other than subsidiary or parent company (Fill in "None" if not in the case).

b.If the Director has received remuneration from reinvested businesses other than subsidiary or parent company, please specify the amount received in the relevant ranges tabled and denote these as "Parent company and all reinvested businesses".

c.Remuneration here refers to any fees, compensation (including the remuneration for employees, Directors, and supervisors) and reimbursement for expenses incurred while executing their duties in the appointments held by Directors, supervisors or Presidents in reinvested businesses other than subsidiary or parent company.

\* The remuneration disclosed in the table differs from the concept of income defined according to Income Tax Law, therefore, the table is for the purpose of information disclosure instead of tax levy.

Employee remuneration paid to managerial officers:

Unit: NT\$ Thousand

	Title (Note 1)	Name (Note 1)	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managerial officers	Assistant Vice President	Alex Pan	0	954	954	0.24%
	Assistant Vice President	Shang Hsieh				
	Assistant Vice President	Joseph Chou				

Note 1: Illustrate individual names and title of each manager and disclose the distribution of earnings in a lump sum.

Note 2: Past year's remuneration (including stock and cash) approved by the Board of Directors to the President and Vice Presidents. If estimate is not available, compute using the previous year's actual payout. Net profit after tax refers to the past year's net profit after tax. Per the international financial reporting standards, net profit after tax refers to the net profit after tax of the parent company or individual companies in the past year.

Note 3: The Scope of applicability to managerial officers is according to the Tai-Tsai-Cheng (3) No. 0920001301 Letter dated March 27, 2003 by the Securities and Futures Commission, Ministry of Finance. The scope of the manager is as follows:

- (1) President and the equals
- (2) Vice President and the equals
- (3) Assistant Vice President and the equals
- (4) Chief Financial Officer
- (5) Chief Accounting Officer
- (6) Other authorized personnel for management and signature

Note 4: Directors, presidents and vice presidents that are paid employees' remuneration (stock or cash) must, in addition to filling out Table 1-2, also complete this table.

- (3) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial statements, as paid by the Company and all companies in the consolidated financial statements in the most recent two years to Directors, president and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and the correlation with operating performance and future risk exposure:

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, president and vice presidents of the Company, to the net income.

Unit: NT\$ Thousand

Year	Total Remuneration Paid to Directors, President and Vice Presidents		Ratio of Total Remuneration Paid to Directors, President and Vice Presidents to Net Income of Parent Company Only Financial Statements (%)	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
2021	51,892	51,892	13.27%	13.27%
2020	37,480	37,480	12.21%	12.21%

The total remuneration paid by the Company and all companies in the consolidated statements to the Directors, president and vice presidents of the Company in 2021 and 2020 accounted for 13.27% and 12.21% of the net income of parent company only financial statements, respectively. The increase in the total remuneration paid in 2021 and the proportion of net income in the parent company only financial statements is mainly due to the increase in profit in 2021.

- B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with operating performance and future risk exposure:

The Company's remuneration policy for Directors is mainly handled in accordance with the "Operating Procedures for Performance Evaluation of Board of Directors" and the "Measures for the Distribution of Directors' Remuneration". According to the Article 27 of the Company's Articles of Incorporation: This Company shall set aside 1%-20% as employees' remuneration and the percentage lower than 2% as Directors' remuneration if the Company has the profit (means the pre-tax income before deduction of the employees' and Directors' remuneration) in the current year. However, the Company's accumulated deficit shall have been covered, if any (including the adjustment of unappropriated retained earnings). The remuneration of Directors can only be paid in cash.

The ratio and amount of Directors' remuneration and employee's remuneration are proposed by the Remuneration Committee based on the Company's operating performance, business risks, development trends and reference to the industry standard, and it is implemented by a resolution of more than two-thirds of the Directors present at the Board of Directors and approved by more than half of the Directors present. The distribution of Directors and Independent Directors' remuneration is first based on the Directors' attendance at the Shareholders' Meeting, the degree of participation in the Company's operations, and the evaluation of the value of their contribution. The distribution of reasonable remuneration is given priority, and the weighted calculation is secondly based on the positions held and the number of functional committee members. Additional travel expenses will be paid according to the attendance of Directors. All in all, Directors' remuneration is evaluated according to the performance of the responsibilities, risks, and time invested, and the rationality of the remuneration has been evaluated by the Nomination Committee, reviewed by the Remuneration Committee and approved by the Board of Directors, and to review the remuneration system at any time according to the actual operating conditions and relevant laws and regulations, in order to

implement corporate governance, and hope to make the distribution of remuneration for Directors transparent, rational and institutionalized.

The remuneration of the president, vice presidents, and managerial officers are based on the Company's compensation and benefits management process and in consideration of the average salary of the same position in the industry, the scope of responsibilities of the role in the Company, and the achievement of the personal Objective and Key Results (OKR) set by the Company. Reasonable remuneration shall be distributed in consideration of not only the Company operating performance, potential risks and development trends, but also the personal goal achievements (ex. the achievement of the Company's revenue, operating income, income before tax, and OKR) and contribution to the Company's operating results. Evaluation of the performance and reasonableness of the remuneration shall be assessed by the Nomination Committee, reviewed by the Remuneration Committee, and resolved by the Board of Directors and may be adjusted in a timely manner according to the operations and the related laws and regulations, so as to achieve the Company's sustainable development and risk management.

#### 4. Implementation of Corporate Governance

##### (1) Operations of the Board of Directors

A total of 9 (A) meetings of the Board of Directors were held in 2021. The attendance of Directors was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Yang, Yu-Te	9	0	100	None
Director	Advantech Co., Ltd. Representative: Liu, Wei-Ting	9	0	100	None
Director	Tsai, Shih-Yang	9	0	100	None
Director	Huang, Jui-Nan	9	0	100	None
Independent Director	Lin, Yih-Jong	9	0	100	None
Independent Director	Chang, Jen-Chih	9	0	100	None
Independent Director	Yu, Chwo-Ming	5	0	100	The Director was newly elected on July 5, 2021, and should attend 5 meetings in 2021.
Independent Director	Shon, Zheng-Yi	4	0	100	The Director resigned on July 5, 2021, and should attend 4 meetings in 2021.
Other mentionable items:					
I. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all Independent Directors' opinions and the Company's response should be specified:					
(I) Matters referred to in Article 14-3 of Securities and Exchange Act.					
The Company has established the Audit Committee. As such, the circumstances listed under Article 14-3 of Securities Exchange Act regulation do not apply.					



- (II) Other matters involving objections or expressed reservations by Independent Directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.
- II. If there are Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motion, causes for avoidance and voting result should be specified:
- (I) Board of Directors on Feb 25, 2021:
1. The Company's managerial officers received amoeba operating bonus in the second half of 2020.  
Voting situation: Due to their own interests were involved, Director and president Huang, Jui-Nan recused to avoid conflicts of interest. The resolution was passed by the Chairman in consultation with all the Directors present without objection.
- III. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out "Implementation Status of Board Evaluations."
- IV. Measures taken to strengthen the functionality of the Board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the Board in carrying out its various duties:
- (I) In order to improve Corporate Governance and strengthen relevant functions of the Board of Directors, the Company has elected three Independent Directors in accordance with the Articles of Incorporation and Article 14-2 of the Securities and Exchange Act and established a Remuneration Committee since August 2011 to assist the Board of Directors in implementing relevant compensation management. Since its establishment on June 3, 2015, the Audit Committee has, in accordance with Article 14-5 of the Securities Exchange Act conducted audits of the relevant operations and the scope of responsibilities of the supervisor. Since October 26, 2016; the Company has established a Nominating Committee to improve the functionality of the Board of Directors and strengthen the management mechanism.
- (II) Since the establishment the Remuneration Committee in 2011, the operation has been smooth.  
Since the establishment on Audit Committee in 2015 and according to Article 14-5 of the Securities and Exchange Act, the Audit Committee conducted audits of the relevant operations and the scope of responsibilities of the Supervisor, the operation has been smooth.  
Since the establishment, the Nominating Committee in 2016. The operation has been smooth.  
Protect shareholders' rights, the Company complies with the principle of transparency of information and publishes important resolutions made at the Board meetings, on the relevant public sites and company website.
- (III) In order to facilitate the Company's implementation of the governance mechanism, the Board of Directors will exercise its supervisory responsibilities in accordance with the requirements of the supervisory management. The Company has assessed by the Board of Directors on February 26, 2020 that it has the ability to prepare financial reports independently and continue to improve the ability to prepare financial reports and the completeness. Since the second quarter of 2020, the Company has prepared financial report and provided it to the CPA for review or audit. The Company's self-assessment has achieved its goal of preparing the financial report independently.
- (IV) In order to facilitate the Company's implementation of the governance mechanism, it was improved that the Chairman and the general manager were held by the same person. The Board of Directors on Feb 26, 2020 resolved to dismiss Chairman Yang, Yu-Te concurrently act as president and Director Huang, Jui-Nan was newly appointed as the president of the Company.

(V) In order to improve the performance of the Board of Directors, the Company appointed the Taiwan Corporate Governance Association to conduct an external performance appraisal of the Board of Directors. Association members and commissioners jointly conduct assessments through open questionnaires, written reviews and video conferences in eight aspects, including board composition, guidance, authorization, supervision, communication, internal control and risk management, board self-discipline, board meetings, and support systems. The association issued a performance evaluation report on June 15, 2021, and the Company disclose the implementation situation and evaluation results on the Company's website and annual report.

Note 1: Where the Director or supervisor is a member of a legal entity, the names of the respective corporate shareholder and their representative shall be disclosed.

Note 2: (1)Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks' Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

(2)Where an election may be held to fill the vacancies of committee members before the end of the fiscal year, please list both the new and the discharged committee members and specify if they are former members or newly elected, re-elected, and also the date of the reelection. Actual (list) attendance rate (%) at the respective committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings attended, during the term of office.

Note 3: Implementation of the Board of Directors Evaluation

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Items
Once a year	2021/01/01 ~ 2021/12/31	Performance evaluation of the Board of Directors	Evaluated by the convener of the Nomination Committee	1. Degree of participation in company operations 2. Improve the quality of Board decisions 3. Board composition and structure 4. Selection of Directors and continuing education 5. Internal control
Once a year	2021/01/01 ~ 2021/12/31	Performance evaluation of the individual Directors	Self-evaluation by the Board of Directors members	1. Master the Company's goals and tasks 2. Director's responsibilities 3. Degree of participation in company operations 4. Internal relationship management and communication 5. Professional and continuous education of Directors 6. Internal control
Once a year	2021/01/01 ~ 2021/12/31	Performance evaluation of functional committees	Evaluated by the convener of the Nomination Committee	1. Degree of participation in company operations 2. Functional committee responsibilities 3. Improve the quality of functional committee decision-making 4. Composition of functional committees and selection of members 5. Internal control

## (2) Audit Committee Operation

## Professional qualifications and experience of Audit Committee members

Title	Name	Professional Qualifications and Experience	Experience (Education)
Independent Director	Chang, Jen-Chih	Master of Accounting, National Chengchi University. Passed the national examination and obtained the accountant certificate. Certified Public Accountant of Hot Tai Accounting Firm. Possesses the work experience required for business finance, accounting and corporate business and being good at leadership, accounting and financial analysis, crisis management and have industry knowledge and international market outlook.	Certified Public Accountant of Hot Tai Accounting Firm Department Head, Department of Accounting & Statistics, Chungyu College of Business Management Department Head, National Taipei College of Business Master of Accounting, National Chengchi University Bachelor of Accounting, National Chung Hsing University
Independent Director	Lin, Yih-Jong	Possesses the work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook.	Chairman, Vossic Technology Co., Ltd. President/COO, Advantech Automation Group VP, Computer Systems Organization, HP Taiwan Managing Director, Tektronix China Bachelor of Electrical Engineering, National Cheng Kung University
Independent Director	Yu, Chwo-Ming	Possesses the work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook.	Professor of Department of Business Administration, National Chengchi University Independent Director of Yuanta Futures Co., Ltd. Independent Director of Advantech Co., Ltd. Independent Director of Yuanta Commercial Bank Co., Ltd. Ph.D. of Business Administration of University of Michigan

A total of 6 (A) Audit Committee were held in 2021. The attendance of the Independent Directors was as follows:

Title	Name	Attendance In Person (B)	Attendance by Proxy	Attendance Rate (%) <b>【B/A】</b>	Remarks
Independent Director (Convener)	Chang, Jen-Chih	6	0	100	None
Independent Director	Lin, Yih-Jong	6	0	100	None
Independent Director	Yu, Chwo-Ming	4	0	100	The Director was newly elected on July 5, 2021, and should attend 4 meetings in 2021.
Independent Director	Shon, Zheng-Yi	2	0	100	The Director resigned on July 5, 2021, and should attend 2 meetings in 2021.

Other mentionable items:

I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, Independent Director's objections, reservations or major suggestions, as well as resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:  
(I) Matters referred to the Article 14-5 of the Securities and Exchange Act:

Audit Committee	Subjects & Follow Up	Securities and Exchange Act, Article 14-5	Not Passed by the Audit Committee but Approved by More Than Two-thirds of All Directors
The 17 <sup>th</sup> time of the 2 <sup>nd</sup> term Feb 25, 2021	1. 2020 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company.	V	
	2. The Company's 2020 earnings distribution.	V	
	3. Effectiveness of 2020 internal control systems and statement of internal control system.	V	
	4. The Company's 2021 annual operating plan.	V	
	5. The Company intends to renew the contract with Hua Nan Bank to apply for TWD loan and derivative financial product transaction quota.	V	
	Contents of Independent Directors' objections, reservations or major suggestions: All Independent Directors have no objection or reservation.		
	Audit Committee resolution result: Approved by the Chairman's consultation with all committee members present.		
	The Company's follow-up action of the Audit Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).		
The 18 <sup>th</sup> time of the 2 <sup>nd</sup> term Apr 29, 2021	1. The Company's consolidated financial statements for the first quarter of 2021.	V	
	2. The Company intends to renew the contract with Taishin Bank to apply for TWD loan and derivative financial product transaction quota.	V	

	Contents of Independent Directors' objections, reservations or major suggestions: All Independent Directors have no objection or reservation.		
	Audit Committee resolution result: Approved by the Chairman's consultation with all committee members present.		
	The Company's follow-up action of the Audit Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).		
The 2 <sup>nd</sup> time of the 3 <sup>rd</sup> term Jul 29, 2021	1. The Company's consolidated financial statements for the second quarter of 2021.	V	
	Contents of Independent Directors' objections, reservations or major suggestions: All Independent Directors have no objection or reservation.		
	Audit Committee resolution result: Approved by the Chairman's consultation with all committee members present.		
	The Company's follow-up action of the Audit Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).		
The 3 <sup>rd</sup> time of the 3 <sup>rd</sup> term Aug 6, 2021	1. The Company intends to purchase real estate for the use of the factory.	V	
	Contents of Independent Directors' objections, reservations or major suggestions: All Independent Directors have no objection or reservation.		
	Audit Committee resolution result: Approved by the Chairman's consultation with all committee members present.		
	The Company's follow-up action of the Audit Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).		
The 4 <sup>th</sup> time of the 3 <sup>rd</sup> term Oct 28, 2021	1. The Company's consolidated financial statements for the third quarter of 2021.	V	
	2. The Company's 2022 audit plan.	V	
	3. The Company intends to apply to E.SUN Bank for an unsecured comprehensive and medium-term credit line of TWD250 million and a derivative financial product exposure limit of USD500,000 and new open account.	V	
	Contents of Independent Directors' objections, reservations or major suggestions: All Independent Directors have no objection or reservation.		
	Audit Committee resolution result: Approved by the Chairman's consultation with all committee members present.		
	The Company's follow-up action of the Audit Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).		

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors: None.

II. If there are Independent Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motion, causes for avoidance and voting should be specified: None. Each Audit Committee member has fully expressed their opinion at the meeting.

III. Communications between the Independent Directors, the Company's head of internal auditor and CPAs (e.g., the material items, methods and results of audits of corporate finance or operations, etc.):

(I) The Company has established the Audit Committee by three Independent Directors since June 3, 2015.

(II) The accountants explain to Independent Directors on the Audit Committee every six months about the result of review or audit the Company's financial report, adjusted or reclassified entries and IFRSs revision compliance, and the impact of recent changes in fiscal and taxation comprehensive strategies such as securities management laws, tax laws and labor laws on the Company. In case of major anomalies, a meeting may be called at any time. Accountants communicate with Independent Directors every year and reach consensus on important key audit matters of the Company.

- (III) The Company's head of internal auditor sent the confirmed audit report of the previous month to the Independent Directors' email address before the end of each month and obtain the Independent Directors' receipt letters. In addition to the audit report and tracking improvement report being delivered to Independent Directors for inspection before the end of the next month after the audit project is completed, the head of internal auditor attend the Audit Committee at least once a quarter to explain to the Independent Directors the findings and improvement of the previous quarter's auditing and report the results of the meeting to the Board of Directors. The head of internal auditor is subject to amendments to the "Internal Control System" and "Implementation Rules for Internal Audit", and the relevant content shall be submitted to the Audit Committee for discussion and approval before being submitted to the Board for approval.
- (IV) Independent Directors communicate directly with head of internal auditor and CPA with email, telephone or meeting as required, and the communication between the Independent Directors, the Company's head of internal auditor and CPAs have been functioning well.
- (V) The communication between the Company's Independent Directors, head of internal auditor, and CPAs (methods, events, and results of communication on the Company's financial reports and financial business status) has been disclosed in the Corporate Governance/Audit Committee page of the Company's website.
- (VI) Summary of communication between the Independent Directors, head of internal auditor and the CPAs.

Participant	Date	Attendees	Key Matters of Communication	Outcome of Execution
Head of Internal Auditor	Feb 25, 2021 Audit Committee	Independent Directors: Chang, Jen-Chih, Lin, Yih-Jong, Shon, Zheng-Yi Auditor: Wen Lan PwC Taiwan: CPA Feng, Ming-Chuan, Assistant Vice President Ivy Kuo, Manager Raby Cheng	1. 2020 Q4 audit report 2. The status of the execution of the internal control system and the results of the self-audits. Discuss the effectiveness of the 2020 internal control system and the internal control system statement	The defect part has been improved immediately. Report to the Board of Directors after resolution passed.
	Apr 29, 2021 Audit Committee	Independent Directors: Chang, Jen-Chih, Lin, Yih-Jong, Shon, Zheng-Yi Auditor: Wen Lan	1. 2021 Q1 audit report	The defect part has been improved immediately. Report to the Board of Directors after resolution passed
	Jul 29, 2021 Audit Committee	Independent Directors: Chang, Jen-Chih, Lin, Yih-Jong, Yu, Chwo-Ming Auditor: Wen Lan PwC Taiwan: CPA Feng, Ming-Chuan, Assistant Vice President Ivy Kuo, Manager Raby Cheng	1. 2021 Q2 audit report	The defect part has been improved immediately. Report to the Board of Directors after resolution passed
	Oct 28, 2021 Audit Committee	Independent Directors: Chang, Jen-Chih, Lin, Yih-Jong, Yu, Chwo-Ming Auditor: Wen Lan	1. 2021 Q3 audit report 2. 2022 annual audit plan	The defect part has been improved immediately. Report to the Board of Directors after resolution passed
	Feb 9, 2021 Mar 9, 2021 Apr 16, 2021 May 17, 2021 Jun 4, 2021 July 15, 2021 Aug 13, 2021 Sep 11, 2021 Oct 4, 2021 Nov 4, 2021	Before the end of each month, the confirmed audit report of the previous month will be sent to the mailboxes of the Independent Directors	Jan 2021 Monthly audit and tracking report. Feb 2021 Monthly audit and tracking report. Mar 2021 Monthly audit and tracking report. Apr 2021 Monthly audit and tracking report. May 2021 Monthly audit and tracking report.	According to the 2021 annual audit plan passed on Oct 29,2020, various circular audits will be carried out monthly, and the audit results and follow-up reports will be sent to each Independent Directors before the end of each

	Dec 9, 2021 Jan 14, 2022 Internal audit reports		Jun 2021 Monthly audit and tracking report. Jul 2021 Monthly audit and tracking report. Aug 2021 Monthly audit and tracking report. Sep 2021 Monthly audit and tracking report. Oct 2021 Monthly audit and tracking report. Nov 2021 Monthly audit and tracking report. Dec 2021 Monthly audit and tracking report.	month and obtained all Independent Director's Receipt letter.
Certified Public Accountant	Feb 25, 2021 Audit Committee	Independent Directors: Chang, Jen-Chih, Lin, Yih-Jong, Shon, Zheng-Yi Auditor: Wen Lan PwC Taiwan: CPA Feng, Ming-Chuan, Assistant Vice President Ivy Kuo, Manager Raby Cheng	1. Explain and communicate the results of the audit for 2020 parent company only and consolidated financial reports. 2. The latest comprehensive financial and taxation strategy report: Explain the recent update of laws and regulations on accounting, auditing, securities, taxation, stock affairs and labor, and its impact assessment on the Company and corresponding countermeasures. 3. CPA explained to questions raised by the Audit Committee.	The accountant explained the results of the financial report and discussed with three Independent Directors. Report to the Board of Directors after resolution passed
	July 29, 2021 Audit Committee	Independent Directors: Chang, Jen-Chih, Lin, Yih-Jong, Shon, Zheng-Yi Auditor: Wen Lan PwC Taiwan: CPA Feng, Ming-Chuan, Assistant Vice President Ivy Kuo, Manager Raby Cheng	1. Explain and communicate the review results of 2021 Q2 consolidated financial statements and the review plan for 2021. 2. The latest comprehensive financial and taxation strategy report: Explain the recent update of laws and regulations on accounting, auditing, securities, taxation, stock affairs and labor, and its impact assessment on the Company and corresponding countermeasures. 3. CPA explained the questions raised by the Audit Committee.	The accountant explained the results of the financial report and discussed with three Independent Directors. Report to the Board of Directors after resolution passed

IV. Major tasks of the Audit Committee for the year:

- (I) Discuss annual operation and internal audit plan.
- (II) Amend the internal control systems and evaluation the effectiveness of the internal control systems.
- (III) Amend the procedures for “Operating Procedures for Acquisition and Disposal of Assets” and “Operating Procedures for Loaning of Funds and Making of Endorsement/Guarantee”.
- (IV) Transaction of major assets or derivatives.

- (V) Matters involving the Director's own interests.
- (VI) Major matters for Loaning of Funds and Making of Endorsement/Guarantee.
- (VII) Raise or issue securities with the nature of equity.
- (VIII) Evaluation of the remuneration and independence of accountants.
- (IX) Appointment and removal of the head of financial, accounting, or internal audit officer.
- (X) Discuss the quarterly and annual financial reports which shall be signed or stamped with the seal of the Chairman, manager, and head of accounting officer.
- (XI) Discuss the business report and earnings distribution.
- (XII) Regularly communicate with the audit supervisor on a quarterly basis and with CPA on a semi-annual basis individually on the audit situation of the previous quarter and the audit/review plan and execution results of the financial statement.
- (XIII) Other material matters as may be required by the Company or by the competent authority.

V. Review of financial reports

The Board of Directors has created the Company's 2021 annual business report, financial statements, and earnings distribution proposals. The financial statements have been audited by PwC CPAs Feng, Ming-Chuan and Wu, Han-Chi and issued an audited report. The above-mentioned business report, financial statements and surplus distribution proposal have been discussed by the Audit Committee and it is considered that there is no disagreement.

VI. Evaluate the effectiveness of the internal control systems.

Based on the judgment of the effectiveness of the internal control systems as stipulated in the "Guidelines for the Establishment of Internal Control System by Public Issuance Companies", the Company judges that the design and implementation of the internal control system is effective, and it can reasonably ensure the achievement of the objectives of the internal control systems. The Audit Committee believes that the Company's risk management and internal control systems are effective and that the Company has adopted the necessary controls to monitor and correct violations.

VII. Appointment of CPAs

According to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Article 29 of the "Corporate Governance Best Practice Principles" of the Company, the Company shall assess the independence and competence of the appointed accountant on a regular basis (once per year/first appointment). Internal self-evaluation of the independence and eligibility of the accredited accountants, Feng Ming-Chuan and Hsu Shien-Chong, and the independence statement of the accountant, did not find that the Company's accountants may affect the independence. The 2<sup>nd</sup> time Board of Directors of the 12<sup>nd</sup> term on July 29, 2021, reviewed and approved the independence of Feng, Ming-Chuan and Wu, Han-Chi, both of them meet the independent evaluation criteria, and are fully qualified as financial and tax visa accountants of the Company.

Note1: Where an Independent Director is relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks' Section. His/her actual attendance rate (%) at the Audit Committee meeting shall be calculated on the basis of the total number of meetings called and actual number of meetings he/she attended, during his/her term of office.

Note2: Where an election is held to re-elect Independent Directors before the end of the fiscal year, please list the new and the discharged Independent Directors, and specify if they are former members or newly elected, re-elected, and also the date of the reelection. Actual attendance rate (%) calculated on the basis of the total number of meetings called and actual number of meetings he/she attended, during his/her term of office.



(3) Corporate Governance Implementation Status and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”:

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the “Corporate Governance Best Practice Principles” and posted it on the Company’s website and the Market Observation Post System.	None
2. Shareholding structure & shareholders’ rights (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes, and litigations, and implement based on the procedure?  (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?  (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V   V  V		We have established the “Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct”, and the spokesman is the corresponding window for handling shareholders’ suggestions, doubts, disputes, and litigation matters, and will be implemented in accordance with the procedures.  The Company's stock affairs have been entrusted by a professional stock agency. Shareholders holding more than 10% of the shares and insiders report their shareholding changes to the Company on a monthly basis. A list of shareholders with a shareholding ratio of more than 5% will be obtained quarterly, and the latest list of major shareholders will be disclosed in the quarterly financial statements and the Company’s website.  The financial operations of the Company and its related companies are independent of one another with clear lineation of management rights and responsibilities. The Company has established the “Operation Guide for Transactions between Specific Group Activities and Related Parties” and “Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises”, and corporate transactions are	None

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		<p>always executed in accordance with internal control, internal audit, and other relevant regulations, for effective risk management.</p> <p>The Company has established the “Axiomtek Co., Ltd. Operating Procedures and Conduct Principles for Ethical Corporate Management”, clearly prohibiting insider trading; the “Operating Procedures for Handling Material Inside Information” and other internal control procedures like “CB-103 Preventing Insider Trading” etc. to protect the shareholders and the rights and interests of the Company.</p> <p>At least once a year, the Company conducts educational announcements on “Operating Procedures for Handling Material Inside Information” and related regulations for Directors, managerial officers, and employees.</p> <p>This year, the current Directors, managerial officers, and employees were educated on November 24, 2021. The course content includes the confidential operation of major information, as well as the reasons for the formation of internal transactions, the identification process and transaction examples. The relevant information had been placed in the internal employee announcement system, which employees can refer to at any time.</p>	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board of Directors established a diversity policy, specific management objectives and implement them accordingly?</p>	V		<p>The Board passed a resolution to establish the “Corporate Governance Best Practice Principles”. Chapter 3 “Enhancing the Function of Board of Directors” highlights a diversified approach. The nomination and re-election of the members of the Board is in accordance with the Company’s Articles of Incorporation, applying the method of nominating candidates. We adhere to the “Methods for Election of Directors” and the “Corporate Governance Best Practice</p>	None

Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		<p>Principles” to ensure the diversity and independence of the elected Directors. Please refer to “Diversification and independence of Board of Directors” (page 16) in the annual report.</p> <p>The Company has established the Remuneration Committee since August 29, 2011; the Audit Committee since June 3, 2015; the Nominating Committee since October 26, 2016. The Company established the Sustainable Development Committee in February 2021, responsible for promoting the sustainable operation of various businesses including environmental sustainability, corporate social responsibility, corporate governance, integrity management and risk management, popularizing the concept of sustainable operation, achieving full participation, and implementing the results.</p>	
(3) Does the Company establish a standard to measure the performance of the Board, and implement it annually and report the results of the performance evaluation to the Board of Directors for reference of individual Directors' remuneration?	V		<p>The Company has established the “Operating Procedures for Performance Evaluation of Board of Directors” which stipulates that the implementation of the performance evaluation of the Board of Directors should be conducted once every three years by an external professional independent organization or a team of external experts and scholars, and the results of the internal and external performance evaluation of the Board of Directors shall be completed before the end of the first quarter of the next year. The executive unit collects relevant information on Board activities, distributes it to the Directors and the convener of the Nomination Committee, and scores the major evaluation items and the actual operation of the Board of Directors. After the deliberating unit collects the data in a unified manner, the consolidated Board performance evaluation results (Note 2) are sent to the Nomination Committee for review and submitted to the Board of Directors. The performance evaluation results of the Board of Directors,</p>	

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company evaluate the independence of the CPAs regularly?	V		<p>individual Directors, Audit Committee, Remuneration Committee and Nomination Committee of the Company in 2021 have been completed by the Directors and Independent Directors respectively and reviewed by the Nomination Committee. The results of performance evaluation will be used as the basis for the Remuneration Committee to review Directors’ remuneration and submitted a report to the Board of Directors on February 25, 2022.</p> <p>The Company regularly (at least once a year) evaluates the independence and competence of the certified public accountant every year. The Company has obtained a declaration of independence issued by the CPA in year 2021. The CFO of the Company assessed the independence and competence of Feng, Ming-Chuan and Wu, Han-Chi, CPA of PwC, both of which are in compliance with the assessment criteria (Note 3). No circumstance that may affect the independence of the Company’s CPA has been found. The Company has also submitted the results of the independence assessment to the Board of Directors on July 29, 2021 for review and approval.</p>	
4. Has the Company has in place qualified Corporate Governance personnel on an appropriate number and appoint one chief Corporate Governance officer as the most senior executive for Corporate Governance affairs. (Including but not restricted to providing the Directors, supervisors information pertaining to business operations, organize Board meetings and Shareholders’ Meetings as per regulations, managing company	V		The Board of Directors has appointed the Chief Financial Officer Jane Hsu as the Chief Corporate Governance officer on April 26, 2018 to manage and supervise corporate governance related affairs, so as to protect the rights and interests of shareholders and strengthen the functions of the Board of Directors. Jane Hsu is a qualified accountant with more than 3 years’ experience in managing financial, stock affairs, or the Corporate Governance affairs for listed company. The main responsibility of the Chief Corporate Governance is to conduct the related matters of the Board of Directors and Shareholders’ Meetings, to prepare the Board and Shareholders’ Meetings minutes, to assist the Directors in taking office and continuing	None

Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
registration and changes in registration, document Board and Shareholders’ Meeting minutes?			<p>training, to provide the Directors with the necessary resources for the operation of the business, and other matters as prescribed by the Company's Articles of Incorporation or agreement matter.</p> <p>Operation implementation conditions in 2021 are as below:</p> <ol style="list-style-type: none"> <li>1. Assist Independent Directors and general Directors to perform their duties, provide necessary information and arrange Directors' continuing education: <ol style="list-style-type: none"> <li>(1) The Board members are regularly notified of the revision of the Company’s business areas and the latest laws and regulations related to Corporate Governance.</li> <li>(2) Review the relevant information confidentiality level and provide company information required by the Directors, maintain smooth communication between the Directors and business executives.</li> <li>(3) In accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, assist in arranging relevant meetings when Independent Directors need to communicate with the internal audit supervisor or certified accountant individually about the Company's financial matters.</li> <li>(4) In consideration of industry-specific needs and the respective Director’s background and experience, assist the Independent Director or Director with annual refresher courses and schedule them accordingly.</li> </ol> </li> <li>2. Assist the Board of Directors and shareholders’ meeting procedures and resolutions on compliance matters: <ol style="list-style-type: none"> <li>(1) Report to the Board, Independent Directors, Audit Committee the state of Corporate Governance, confirming that the Board and Shareholders’ Meetings are</li> </ol> </li> </ol>	

Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>conducted in accordance with related regulations and the Company’s Corporate Governance guidelines.</p> <p>(2) Assist and remind the Directors of the rules that should be followed in business operations the business or when making a formal resolution and offer suggestions when the Board is about to make a resolution that contravenes the law.</p> <p>(3) After the meetings, check the content of the critical resolutions planned for publication, to ensure accuracy and compliance with regulation, protecting the investors’ interests.</p> <p>3. Notify Directors seven days before the agenda of the Board of Directors, convene the meeting and provide meeting materials. If any Director has a conflict of interest need to be avoided on the motions, it will be reminded in advance. The minutes of the Board of Directors should be completed within 20 days after the meeting.</p> <p>4. In accordance with the law, register the meeting prior to the meeting date and, within the statutory time limit, create the necessary notifications, meeting handbook, minutes and register these during the amendment of the Charter or re-election of the Directors.</p> <p>The scope, system and other training matters of the Company’s Chief Corporate Governance Officer is handled in accordance with the provisions of the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”. 12 hours of training have been completed in 2021. For the training status, please refer to “Skills upgrade &amp; training” about employee / employer relations in “V. Operation Highlights”.</p>	

Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has an employee hotline and a complaint mailbox internally, and a spokesman system externally. The Company’s Chinese and English website has established an investor relations area to provide contact information for interested parties (including but not limited to investors, external customers, and suppliers, etc.), and establish a complete communication channel. The Company reports to the Board of Directors about the identity of the identified stakeholders, issues of concern, communication channels, response methods, and communication status once a year. The Company has reported the status of communication with stakeholders (Note 4) to the Board of Directors on Oct 28, 2021.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed Taishin Securities Co., Limited Stock Transfer Agency Department to deal with the Shareholders’ Meeting affairs.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of Corporate Governance?	V		The Company has set up Chinese and English websites to disclose financial business and Corporate Governance and other related information.	None
(2) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		The Company has set up an English website and has a dedicated person responsible for the collection and disclosure of various company information. A spokesman has been set up and reported to the competent authority in accordance with regulations. The information for holding investor conferences has been placed on the Company's website.	
(3) Does the Company announce the annual financial report within	V		The Company has uploaded 2020 and 2020 consolidated and parent company only financial reports on February 25, 2022 and	

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
two months after the end of the fiscal year, and announce the first, second and third quarter financial reports and operating conditions of each month before the prescribed period?			February 26, 2021, respectively. In addition, the Company also announced and reported the first, second and third quarter financial reports and monthly consolidated revenue before the specified deadline.	
8. Is there any other important information to facilitate a better understanding of the Company’s Corporate Governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and supervisors)?	V	(I)	<p>Employees rights and care: The Company always treats employees with integrity and provides benefits superior to Labor Standards Act to protect the rights of employees. In addition to providing various insurance benefits and pension funds in accordance with the law, additional group insurance and safety insurance for business trips are provided. The Company implements health check subsidies and medical consultations every year, adopts a flexible commuting system, provides commuting vehicles and subsidized parking space rentals, sets up gyms, yoga classrooms, subsidizes employee club activities and irregularly handles various arts and recreational activities. In addition, the Company hired nurses and special doctors to provide attend service, except for routine employee health care and guidance (new and current employees), maternal health protection (during pregnancy and within 1 year after delivery), and abnormal workloads, it also provides consultation services for colleagues on any physical and mental health or medical problems. In addition to protecting the rights of employees and fulfilling the responsibilities for employee care through a complete welfare system, performance evaluations are implemented twice a year as the basis for promotion, salary adjustment, training development, and various rewards. The Company has</p>	None



Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>established a good relationship of mutual trust and mutual dependence with its employees to ensure the safety of colleagues at work and life, and jointly achieve the Company’s overall operating goals.</p> <p>(II) Investor relations: Full disclosure of information through the Market Observation Post System. The Company’s Chinese and English website has established an investor relations area to provide information on various financial services, Shareholders’ Meetings, dividends, stock prices, stock operations and corporate governance, and communicate with investors through Shareholders’ Meetings and spokesman.</p> <p>(III) Supplier Relations: The Company has formulated the "Ethical Corporate Management Best Practice Principles", which requires that the content of the contract signed with its agents, suppliers, customers, or other business partners should include compliance with the integrity management policy, and when the counterparty of the transaction is involved in dishonest conduct, the terms of the contract may be terminated or rescinded at any time. The Company works closely with suppliers to work together to improve corporate social responsibility. The major suppliers that communicate with the Company are all required to sign the “Axiomtek Integrity Commitment” in order to establish a pure and honest long-term trading relationship, and jointly pursue the sustainable growth of the performance.</p> <p>(IV) Stakeholders’ Rights: The Company attaches importance to the balance of rights and obligations between stakeholders and has</p>	

Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>established the “Code of Conduct for Reporting Illegal and Unethical or Dishonest Behavior” to establish a reporting channel and corresponding window for shareholders and investors, external suppliers and customers, and internal colleagues. The Company’s Chinese and English website has established an investor relations section to provide stakeholders’ contact information. Stakeholders may communicate and consult with the Company to safeguard their legitimate rights.</p> <p>(V) Directors’ continuous education: The Directors’ continuing education of the Company complies with the minimum hours required by the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”, please refer to (Note 5).</p> <p>(VI) Implementation of risk management policies and risk measurement standards: Various internal guidelines are formulated in accordance with the law to conduct risk management and evaluation. Please refer to VII.-6, the analysis and evaluation of risk matters.</p> <p>(VII) Implementation of customer policies: The Company’s Chinese and English website has established an investor relations section to provide stakeholders’ contact information. The Company maintains close contact with customers, communicates customer needs, and uses Salesforce cloud applications and platforms to effectively manage customer relationships and manage project progress, and organizes product launch conferences or solution seminars from time to time every year to increase the interaction between customers and the</p>	

Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>Company. In addition, the Company provides product introductions, solutions, technical support, and product services on the website platform to ensure product quality and customer needs and improve customer satisfaction.</p> <p>(VIII) The Company has purchased liability insurance for Directors.</p> <p>(IX) Relevant licenses of financial information personnel: Refer to (Note 6)</p> <p>(X) Succession planning and operation of Board members and important management: Succession planning and operation of Board members: The Board passed a resolution to establish the “Corporate Governance Best Practice Principles”. Chapter 3 “Enhancing the Function of Board of Directors” highlights a diversified approach. The nomination and re-election of the members of the Board is in accordance with the Company’s Articles of Incorporation, applying the method of nominating candidates. We adhere to the “Methods for Election of Directors” and the “Corporate Governance Best Practice Principles” to ensure the diversity and independence of the elected Directors. Diversity must be considered in the composition of the Board, taking into account the Company’s operation and business model and development needs in addition to the basic values like gender, age, nationality and culture. The candidate’s professional knowledge and capabilities, including professional background (e.g., legal, accounting, industrial, finance, sales, or technology), professional capability and industrial experience. A diversified Board of Directors with various opinions and insights will improve the</p>	

Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>quality of decision-making and benefit the Company’s shareholders and other stakeholders.</p> <p>The Company pays attention to the diversified professional knowledge and skills of the Board of Directors. At least a Director has professional knowledge and skills in financial accounting, and a university professor has management knowledge. Each Director has professional background and experience in different industries and positions.</p> <p>The Company has established the Nominating Committee in October 2016, which is responsible for constructing and developing the organizational structure of the Board of Directors and committees, conducting performance evaluations of the Board of Directors, committees, Directors, and senior managerial officers, and evaluating the independence of Independent Directors. Considering the professional knowledge required by the Directors and senior managerial officers of the Company, regularly reviewing the number and conditions that should be met, searching for, and reviewing suitable candidates, and recommending a reference list, which is submitted to the Board of Directors. The Nomination Committee regularly evaluates the performance of managerial officers and internal audit supervisors every half year. The convener of the Nomination Committee completes the performance evaluation of the Board of Directors and various functional committees by the end of January each year and recommends to the Board of Directors whether replacement is necessary to ensure that Board members have appropriate professional knowledge, experience, and gender diversity. It also implements the corporate governance</p>	

Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>policy of “strengthening the functions of the Board of Directors” by reviewing the Director’s education plan and formulating succession plans for Directors and senior managerial officers.</p> <p>In 2021, the Directors were fully re-elected, and Professor Yu, Chwo-Ming of National Chengchi University was newly elected as the Independent Director of the Company. The Company relies on the Director Yu’s business management expertise and industry experience as Independent Directors of various companies to improve the decision-making quality of the Board of Directors.</p> <p>Succession planning and operation of important management: The Company plans for succession for important management, focusing on the personality traits of integrity, enthusiasm and innovation, and excellent work ability and recognition of company values are also necessary. The Company follows the example of well-known Japanese entrepreneurs to develop the Amoeba profit center organization and cultivates talents with the vision of managerial officers. In 2021, AVP Chiven Fan and AVP Gary Tsao were promoted to VP, and with VP William Wu respectively serve as the operating head of the three major product business groups (BG) to implement the succession plan and experience inheritance, so that each of the BG head of the Company can manage the product or market with the attitude of an operator, plan and adjust the organization and operation direction according to the industrial change. The Company irregularly arranges for the business executives to report to the Directors on the results of operations</p>	

Evaluation Items	Implementation Status (Note 1)		Abstract Illustration	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>and future strategic planning every year. In 2021, a communication meeting between the management team and Directors has been held on Dec 17, 2021. Through the communication process with the Directors, in addition to providing insights and suggestions and familiarity with the members of the management team, the Directors can also evaluate the performance of the management executives and include them in future succession planning. The training content of the successors of senior management includes core, management, and professional capabilities. Each year, human resources units plan and supplement with project programs for training and rewards to maintain the competitiveness of enterprises and develop successors. The Company holds mid-year workshop and year-end Kickoff meeting every year, and executive managerial officers need to report on the Company’s overall operating results and future development plans. Through the preparation of the activities, executive managerial officers can learn to plan the Company’s future strategies and improve strategic thinking, performance management, talent management, organizational change, and talent development. Inheritance and other abilities with leaders.</p> <p>The Nominating Committee and Remuneration Committee of the Company regularly reviews the performance evaluation and salary and remuneration of Directors, managerial officers and head of internal auditor to maintain the professionalism and experience of Board members and senior management. In addition, through the planning of rewards and financial tools, it can effectively implement the</p>	

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			retention of talents in enterprises and retain excellent talents. The training courses for human resources planning include vertical and horizontal team management, emotional management and relief, and time and goal management. It actively cultivates the leadership and professional cultivation required by management successors.	

9. Please explain the improvement situation of the Corporate Governance evaluation results issued by the Taiwan Stock Exchange Co., Ltd. Corporate Governance Center in the most recent year, and put forward priority enhancements and measures for those who have not improved.

No.	Assessment Criterion	Note
2.30	Does at least one of the Company’s internal auditors have certificates such as international internal auditors, international computer auditors or certified public accountants?	One of the Company’s internal auditors has an international internal auditor certificate in 2022.
4.5	Has the Sustainability Report prepared by the Company been verified by a third party?	The Company has planned to obtain third-party verification for the 2021 Sustainability Report to improve the reliability of information.

Note 1: Regardless of whether the operation is checked “Yes” or “No”, it should be stated in the summary description field.

Note 2: 2021 Board of Directors Performance Evaluation Report

The Company has formulated the “Operational Procedures for the Performance Evaluation of the Board of Directors”, which clearly stipulates that the implementation of the performance evaluation of the Board of Directors should be conducted by an external professional independent organization or a team of external experts and scholars at least once every three years. The internal and external performance evaluation results of the Board of Directors should be completed before the end of the first quarter of the next year. The evaluation operation procedure is to first determine the subject, period, scope and method to be evaluated. The designated unit should collect relevant activity information of the Board of Directors, distribute and ask to fill in the relevant self-evaluation questionnaires such as the “Questionnaire of Self-Evaluation of Performance of the Board”, “Questionnaire of Self-Evaluation of Performance of Board Members” and “Questionnaire of Self-Evaluation of Performance of the Functional Committee”. Finally, after the designed unit collects all the questionnaires, according to the scoring criteria of the evaluation indicators, the evaluation result report is recorded, and the report is sent to the Board of Directors for review and improvement.

Internal performance evaluation:

The internal performance evaluation of the Board of Directors, Audit Committee, Remuneration Committee and Nomination Committee of the Company in 2011 has been reviewed by the Nomination Committee on February 25, 2022 and the overall operation is excellent. The results of the internal performance evaluation were reported to the Board of Directors on February 25, 2022 and were summarized as follows:

Evaluation Scope	Evaluation Method	Evaluation Orientation	Evaluation Item	Average Score	Comprehensive Comment
Overall Board of Directors performance evaluation	Information about Board activities is collected by the deliberating units of Board of Directors and evaluated by the convener of the Nomination Committee	1. Degree of participation in company operations	12	4.92	The overall average score is 4.83, and the evaluation result is excellent. The evaluation results show that the overall operation of the Company's Board of Directors is sound and conforms to the spirit of corporate governance.
		2. Improve the quality of Board decisions	12	5.00	
		3. Board composition and structure	8	4.88	
		4. Director selection and continuing education	7	4.14	
		5. Internal control	7	5.00	
		Total	46	4.83	
Individual Director performance evaluation	Self-assessment by each Board member	1. Mastery of company goals and tasks	3	4.95	The average score of individual Directors is 4.75, and the evaluation results are excellent. The evaluation results show that the Directors of the Company actively participate in the Board of Directors, and the efficiency and effectiveness of the operation of various evaluation indicators are positively evaluated.
		2. Awareness of Directors' duties	3	4.71	
		3. Degree of participation in the Company operations	8	4.66	
		4. Internal relationship management and communication	3	4.81	
		5. Director profession and continuing education	3	4.76	
		6. Internal control	3	4.71	
		Total	23	4.75	
Audit Committee performance evaluation	Information about Audit Committee activities is collected by the deliberating units of Board of Directors and evaluated by the convener of the Nomination Committee	1. Degree of participation in the Company operations	5	5.00	The average score of Audit Committee is 4.96 points, and the evaluation result is excellent. The evaluation results show that each Functional Committee operates smoothly and effectively, which conforms with the spirit of corporate governance.
		2. Responsibility recognition of Audit Committee	5	5.00	
		3. Improve the quality of Audit Committee decisions	7	5.00	
		4. Audit Committee composition and member selection	3	4.67	
		5. Internal control	3	5.00	
		Total	23	4.96	
Remuneration Committee performance evaluation	Information about Remuneration Committee activities is collected by the deliberating units of Board of Directors and evaluated by the convener of the Nomination Committee	1. Degree of participation in the Company operations	5	5.00	The average score of Remuneration Committee is 4.95 points, and the evaluation result is excellent. The evaluation results show that each Functional Committee operates smoothly and effectively, which conforms with the spirit of corporate governance.
		2. Responsibility recognition of Remuneration Committee	5	5.00	
		3. Improve the quality of Remuneration Committee decisions	7	5.00	
		4. Remuneration Committee composition and member selection	3	4.67	
		Total	20	4.95	



Evaluation Scope	Evaluation Method	Evaluation Orientation	Evaluation Item	Average Score	Comprehensive Comment
Nomination Committee performance evaluation	Information about Nomination Committee activities is collected by the deliberating units of Board of Directors and evaluated by the convener of the Nomination Committee	1. Degree of participation in the Company operations	5	5.00	The average score of Nomination Committee is 4.85 points, and the evaluation result is excellent. The evaluation results show that each Functional Committee operates smoothly and effectively, which conforms with the spirit of corporate governance.
		2. Responsibility recognition of Nomination Committee	4	4.75	
		3. Improve the quality of Nomination Committee decisions	7	5.00	
		4. Nomination Committee composition and member selection	4	4.50	
		Total	20	4.85	

#### External Performance Evaluation:

The Company appointed the Taiwan Corporate Governance Association (hereinafter referred to as the "Association") to conduct an external performance appraisal of the Board of Directors. The Association has no business relationship with the Company and is independent. The evaluation period is from May 1, 2020 to April 30, 2021, Association members and commissioners jointly conduct assessments through open questionnaires, written reviews and video conferences in eight aspects, including board composition, guidance, authorization, supervision, communication, internal control and risk management, board self-discipline, board meetings, and support systems. The association issued a performance evaluation report on June 15, 2021

Evaluating the performance of the Board performance can clarify the roles and responsibilities between the Board as a whole, individual Directors and functional committees and also understand at every developing stage of the Company if the Board of Directors concerned with important issues and invested in sufficient resources to the Company and used appropriate methods to deal with the issues of company's growth and sustainable operation. We submitted the performance evaluation report and suggesting items made by the Association to the Board of Directors on June 16, 2021. The general comment of the evaluation analysis report and suggesting items, and our expected improvements are summarized as follows:

#### Performance Evaluation of the Board of Directors

##### A. The general comment of the evaluation analysis report

- (A) The Company proactively to entrust an external professional and independent organization to conduct the performance evaluation of the Board of Directors in order to get suggestions from external objective viewpoint. It shows the positive intention of the Company to continuously strive to improve the effectiveness of the Board of Directors.
- (B) According to the operating needs, the Company autonomous set up the Nomination Committee that is stricter than laws and regulations. More than half of the members in the Nomination Committee are Independent Directors and Independent Director serve as the convener to actively supervise the performance evaluation and succession of the Board of Directors and managerial officers. The Company strives to promote the intentions of corporate governance.
- (C) The Company holds two workshops every year to review domestic and foreign operating conditions and market conditions, and analyze and review topics such as vertical markets, regional development, and customer focus, so as to adjust the direction of operation and truly grasp the Company's strategy and operation implementation., The interaction between the Directors and the management team is close. In addition to regular meetings, the Directors and the Company's management team usually communicate in real time by email, telephone, Line group, etc., to give full play to the function of the Board of Directors to guide and supervise.

(D) The Company follows the business model of the Amoeba profit center and encourages the managerial officers of the product business group to manage the products (markets) with the mentality of operators, and also trains international experience and experience through overseas assignments, and conducts successor training in a planned way. At the end of each year, the executives are arranged to report the operating results and future strategic plans to the Directors. The Directors also participate in the communication process of providing guidance and suggestions. In addition to being familiar with the members of the management team, the Directors can also evaluate the performance of the executives for inclusion in future succession. The consideration of candidates shows that the Board of Directors attaches great importance to and cares about the succession planning of senior executives.

B. The suggesting items of the evaluation analysis report, and our expected improvements are summarized as follows.

Items	Suggesting Items	Expected Improvements
1	The Company attached great importance to the diversity of the Board. The Association suggested except for including the persons who meet the Company's operating development needs or have the industry market related experience, the conditions such as female 、 persons with different background or with international market experience should be taken into account in the composition of future Board Directors.	The Company will take into account the conditions such as female 、 persons with different background or with international market experience will be taken into account in the composition of future Board Directors.
2	The Company has set up reporting lines and mailboxes according to different types of stakeholders (such as shareholders and investors, suppliers and customers, and employees). However, the whistleblower mechanism firstly establishes a direct communication channel between whistleblowers and Independent Directors. It is recommended that the Company to set up a reporting mailbox that can be simultaneously received by Independent Directors (or the Audit Committee) to further strengthen the function of the whistleblower mechanism.	The Company has added Independent Directors as recipients to the external whistleblower mailbox, and simultaneously receives whistleblower letters to strengthen the function of the whistleblower mechanism.
3	The overseas revenue ratio of the Company accounts for nearly 90% of the total revenue, so overseas audits are particularly important. However, in recent years, the epidemic has raged around the world, making it impossible to conduct on-site inspections. It is recommended that the Company need to develop an alternative plan to strengthen the audit efficiency.	In addition to requiring subsidiaries to self-assess internal control, the Company intends to adopt a remote video audit method to enhance audit efficiency.

C. The Performance Evaluation Certificate of Board of Directors issued by Taiwan Corporate Governance Association

This is to certify

Axiomtek Co., Ltd.

Entrust the Association to implement the external board performance evaluation service project.

The Association appointed three evaluation experts to review the Company's relevant documents

from May 1, 2020 to April 30, 2021.

Video conferences with the Company management team and Board members on June 3, 2021.

The performance evaluation report of the Board of Directors has been issued on June 15, 2021,

which summarizes the general evaluation and suggesting of the Association to the Company's

Board of Directors.

Hereby certify

Chairman Chen Qing-Xiang  
Taiwan Corporate Governance Association

June 15, 2021

Note 3: CPA's Independent status assessment:

Independent Evaluation Items	Evaluation Result	Meet the Criteria for Independence
The CPA and audit team members have no direct or significant indirect financial relationship with the Company or its Directors.	Yes	Yes
The CPA and audit team members have no close commercial relationship with the Company or its Directors.	Yes	Yes
The CPA and audit team members have no potential employment relationship with the Company.	Yes	Yes
The CPA and audit team members have no financing or guarantee activities with the Company or its Directors.	Yes	Yes
Joint CPA dismissed within one year has not held the position of Director or manager of the Company or has a significant impact on the audit work in the current or most recent two years.	Yes	Yes
The CPA does not provide the Company with non-audit services that may directly affect the audit work.	Yes	Yes
The CPA has not acted as the defender of the Company or coordinated the conflict with other third parties on behalf of the Company.	Yes	Yes
The CPA and audit team members do not have close personal relationship with the Company's Directors, managerial officers or employees who have significant influence on the audit.	Yes	Yes
The CPA and audit team members have not received gifts or gifts of great value from the Directors and managerial officers of the Company	Yes	Yes
The CPA does not hold the shares of the Company.	Yes	Yes
The Company has obtained the CPA's statement of independence.	Yes	Yes

Note 4: Stakeholder identity, issues of concern, communication channel and response method and communication situation:

Stakeholders Identity	Issues of Concern	Communication Channel & Response Method	Execution Result
Shareholder / Investor	Economic performance Market image Energy	Contact: Senior Special Assistant Spokesman Skin Huang Phone: +886-2-8646-2111 #8010 Annual Shareholders' Meeting Investor conferences twice a year Phone & Email Company website stakeholder's section	In 2021, the Company release of 26 major messages in both Chinese and English and 27 announcements and was invited to participate in 2 investors conferences. Information disclosure on the "About Us" page of the Company's official website in both Chinese and English.
Director	Economic performance Labor & employment relationship Training & education	Contact person: Head of Finance & Corporate Governance Jane Hsu Phone: +886-2-8646-2111 #8600 At least six times Board of Directors a year Nominating Committee/ Remuneration Committee/Audit Committee Phone/LINE/email Internal audit report CPA / Head of Audit and Corporate Governance Team Communication	In 2021, 9 Board Meetings, 6 Audit Committees, 6 Remuneration Committees, and 4 Nomination Committees were held. From time to time, it provides Directors' training information and corporate governance news clippings and publicity conference materials for reference and conducts management publicity on preventing insider trading every year.
Customer	Occupational health and safety Forced and compulsory labor Customer privacy Socio-economic regulations compliance	Contact: Senior Sales Vice President Joanne Lin Phone: +886-2-8646-2111 #8888 Customer satisfaction survey Customer business review meeting Interactive forums / Domestic & international exhibitions Company website stakeholder's section	In 2021, 72 pieces of information related to products, exhibitions and forums were published on Facebook. The community has accumulatively liked more than 1,044 times, and the total number of followers was more than 1,056. Since joining Twitter in February 2009, he has accumulated more than 1,073 posts and has nearly 381 followers. A total of 167 videos have been listed on YouTube, with 535,919 views. LinkedIn is used by 197 employees and has been followed by more than 5,921 people. INSTAGRAM has accumulated 99 posts and has 219 followers
Employee	Economic performance Labor & employment relationship Occupational health and safety	Contact: HR Director Sonny Hsu Phone: +886-2-8646-2111 #8110 Intranet site & email Employee welfare committee departmental meetings / Heads' meetings Employee feedback box / employee hotline Internal and external education and training	23 internal announcements in 2021. Regular monthly notification of education and training courses Axiomtek's e-newsletter is issued every month (contents include columns on finance and law, product innovation, Axiomtek Academy and Welfare Committee activities etc.) Regular labor-management meetings.

Stakeholders Identity	Issues of Concern	Communication Channel & Response Method	Execution Result
			Self-employed factory nurses and special factory doctors regularly provide services on site and provide stress relief courses and health seminars. Irregular epidemic prevention promotion.
Supplier	Labor relations Occupational health and safety Non-discrimination	Contact: Purchasing Manager Eva Liu Phone: +886-2-8646-2111 #3110 Sharing of CSR with supplier & readiness evaluation Supplier survey On-site evaluation of supplier Company website stakeholder's section	Supplier evaluation is conducted once a quarter for quality, delivery and service, and the degree of follow-up contact with the supplier is determined according to the evaluation results. Regularly audit key parts suppliers.
Government	Environmental regulations compliance Health and safety of customer Socio-economic regulations compliance	Contact: HR Director Sonny Hsu Phone: +886-2-8646-2111 #8110 Corporate Governance Evaluation Participate in policy seminars and symposiums of the competent authority from time to time. Phone & Email Official correspondence Email Newcomer induction training	From the third to the eighth (2016 ~ 2021) Corporate Governance evaluation results, Axiomtek was ranked among the top 5% of the TPEX listed companies for six consecutive years.
Others (bank, neighborhood groups etc.)	Economic performance Anti-corruption Environmental regulations compliance	Contact: HR Director Sonny Hsu Phone: +886-2-8646-2111 #8110 Actively participate in forums and seminars organized by various civil organizations and academic groups. Phone & Email Company website stakeholder's section Newcomer induction training	New recruits will clearly inform Axiomtek's six values during the newcomer guidance training on the first day of employment. One of them is "Integrity and Honesty", We abide by the business philosophy of honesty, pragmatism, and business ethics, and win the trust of customers. In the content of the guidance training, colleagues will also be informed that the Company's environmental, occupational safety, and health policy, stated that all operations of the Company must comply with laws and regulations.

In addition to the above contact methods, each stakeholder can contact us through the following spokesman's contact window:

Spokesman	
Contact person	Skin Huang
Title	Senior Special Assistant
Email	<a href="mailto:skin.huang@axiomtek.com.tw">skin.huang@axiomtek.com.tw</a>
Address	Address: 8F., No.55, Nanxing Road, Xizhi District, New Taipei City 221026, Taiwan
Phone	+886-2-86462111#8010
Fax	+886-2-86462555

Note 5: Director's Continuing education:

Title	Name	Training Date		Organizer	Name of Course	Hours
		From	To			
Chairman	Yang, Yu-Te	2021/08/20	2021/08/20	Taiwan Corporate Governance Association	A lesson that Directors and Supervisors should know: global risk perception	3
		2021/09/14	2021/09/14	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
Director	Liu, Wei-Ting	2021/09/14	2021/09/14	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
		2021/10/26	2021/10/26	Taiwan Corporate Governance Association	Artificial intelligence technology development and application business opportunities	3
Director	Tsai, Shih-Yang	2021/05/04	2021/05/04	Taiwan Corporate Governance Association	Innovation, digital technology and competitive advantage	3
		2021/09/01	2021/09/01	The Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3
Director	Huang, Jui-Nan	2021/09/10	2021/09/10	Taiwan Corporate Governance Association	Value Realization of Enterprise M&A - Discussion on Integration Issues after Enterprise M&A and Establishment of Management Mechanism	3
		2021/09/15	2021/09/15	Digital Governance Association	Directors and Supervisors Responsibility and Risk Management Seminar	3
Independent Director	Lin, Yih-Jong	2021/09/23	2021/09/23	Digital Governance Association	Financial report responsibilities and risk management	3
		2021/11/18	2021/11/18	Taiwan Corporate Governance Association	Hostile mergers and acquisitions, case analysis of management rights competition and company countermeasures	3
Independent Director	Chang, Jen-Chih	2021/03/17	2021/03/17	CPA Associations R.O.C.(Taiwan)	Key points and doubts of income tax declaration	7
		2021/04/09	2021/04/09	CPA Associations R.O.C.(Taiwan)	Analysis of Audit Standards Bulletin No. 74	3
Independent Director	Yu, Chow-Ming	2021/04/16	2021/04/16	Taiwan Corporate Governance Association	The only insurance that directly points to corporate governance - information security insurance	3
		2021/05/04	2021/05/04	Taiwan Securities Association	Practice and Case Study of Money Laundering Prevention and Combating Terrorism	3

Note 6: Financial information related personnel license

Job Title	Name	License
Vice President, Finance Division Head of Accounting & Finance Chief Corporate Governance	Jane Hsu	CPA Certificate (78) -303

(4) Composition, responsibilities, and operations of each functional committee

A. Composition, responsibilities and operations of the Remuneration Committee

(A) Information on members of the Remuneration Committee

Condition Identity (Note1) Name	Professional Qualifications and Experience (Note2)	Independence Status (Note3)	Number of Concurrently Serving as Members of the Remuneration Committee of Other Public Companies
Independent Director (Convener) Lin, Yih-Jong	Bachelor of Electrical Engineering, National Cheng Kung University. He used to be president/COO of Advantech Automation Group, VP of Computer Systems Organization, HP Taiwan and managing Director of Tektronix China. He is currently the chairman of Vossic Technology Co., Ltd. Possesses over 20 years of work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook. and have not been a person of any conditions defined in Article 30 of the Company Act. Please refer to the page 10 ~ 12 for the information of the Director's main experience (educational).	1. The self, spouse, or relatives within the second degree of kinship do not serve as Directors, Supervisors or employees of the Company or its affiliated companies. 2. The self, spouse, or relatives within the second degree (or in the name of others) do not hold any shares in the Company. 3. Not serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"). 4. In the past two years, there has been no compensation from the Company or its affiliate enterprise in commercial, legal affairs, financial, accounting and other service places.	0
Independent Director Chang, Jen-Chih	Master of Accounting, National Chengchi University. He used to be department head of department of accounting & statistics of Chungyu College of Business Management and National Taipei College of Business. He is currently the CPA of Hot Tai Accounting Firm. Passed the national examination and obtained the accountant	1. The self, spouse, or relatives within the second degree of kinship do not serve as Directors, Supervisors or employees of the Company or its affiliated companies. 2. The self, spouse, or relatives within the second degree (or in the name of others) do not hold any shares in the Company. 3. Not serving as a Director,	0



Condition Identity (Note1) Name	Professional Qualifications and Experience (Note2)	Independence Status (Note3)	Number of Concurrently Serving as Members of the Remuneration Committee of Other Public Companies
	<p>certificate. Possesses over 20 years of work experience required for business finance, accounting and corporate business and being good at leadership, accounting and financial analysis, crisis management and have industry knowledge and international market outlook and have not been a person of any conditions defined in Article 30 of the Company Act.</p> <p>Please refer to the page 10 ~ 12 for the information of the Director's main experience (educational).</p>	<p>Supervisor or employee of a company that has a specific relationship with the Company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”).</p> <p>4. In the past two years, there has been no compensation from the Company or its affiliate enterprise in commercial, legal affairs, financial, accounting and other service places.</p>	
Independent Director Yu, Chwo-Ming	<p>Ph.D. of Business Administration of University of Michigan. He used to be Independent Director of Yuanta Bank Co., Ltd., Advantech Co., Ltd. and Yuanta Futures Co., Ltd. He is currently the professor of department of Business Administration of National Chengchi University, member of Remuneration Committee of Advantech Co., Ltd., and Independent Director of Integrated Service Technology Inc.</p> <p>Possesses over 20 years of work experience required for business and corporate business and being good at leadership, accounting and financial analysis, business judgment, business management and crisis management and have not been a person of any conditions defined in Article 30 of the Company Act.</p> <p>Please refer to the page 10 ~ 12 for the information of the Director's main experience (educational).</p>	<p>1. The self, spouse, or relatives within the second degree of kinship do not serve as Directors, Supervisors or employees of the Company or its affiliated companies.</p> <p>2. The self, spouse, or relatives within the second degree (or in the name of others) do not hold more than 1% of the Company's shares.</p> <p>3. Not serving as a Director, Supervisor or employee of a company that has a specific relationship with the Company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”).</p> <p>4. In the past two years, there has been no compensation from the Company or its affiliate enterprise in commercial, legal affairs, financial, accounting and other service places.</p>	1

Note 1: Please state each remuneration committee member's period of service, professional qualification and experience as well as independence condition in the table. If they are independent directors, please refer to the information

on directors and supervisors related information and remark if he or she is an Independent Director (if he or she is the convener, please note).

Note 2: Professional qualification and experience: describe individual remuneration committee member's professional qualification and experience.

Note 3: Independence status: state that the members of the Remuneration Committee meet the conditions of independence, including but not limited to whether the self, spouse, or relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies; the self, spouse, relatives within the second degree of kinship (or in the name of others) hold the number and proportion of the Company's shares; whether he is a director, supervisor or employee of a company that has a specific relationship with the company (refer to the Article 6, Paragraph 1, Subparagraphs 5 to 8 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). The Compensation from the Company or its affiliate enterprise in commercial, legal affairs, financial, accounting and other service places in the past two years.

Note 4: Please refer to the best practical reference example in Taiwan Stock Exchange Corporate Governance Center website for the manner of disclosure.

(B) Responsibility of the Remuneration Committee members

The Company set up a Remuneration Committee on August 29, 2011. The Remuneration Committee is composed of three Independent Directors. The members of the committee should perform the following duties faithfully with the attention of kind managerial officers, and be responsible to the Board of Directors, and submit the recommendations to the Board for discussion:

- a. Schedule regular review sessions with the Directors, managerial officers and head of internal auditor to evaluate remuneration strategies, system, standards and structure.
- b. Regularly evaluate and confirm the remuneration for the Directors, managerial officers, and head of internal auditor.

(C) The Operations of Remuneration Committee:

- a. The Company's Remuneration Committee consists of three members.
- b. The term of current members: From July 5, 2021 until July 3, 2024. The Committee held 6 meetings (A) in 2021, and the attendance of the Committee members are summarized as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener	Lin, Yih-Jong	6	0	100	None
Committee Member	Chang, Jen-Chih	6	0	100	None
Committee Member	Yu, Chwo-Ming	3	0	100	The Director was newly elected on July 5, 2021, and should attend 3 meetings in 2021.
Committee Member	Shon, Zheng-Yi	3	0	100	The Director resigned on July 5, 2021, and should attend 3 meetings in 2021.

Other mentionable items:

- I. If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the Board of Directors is superior to that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): None.

II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company’s handling of the said opinions: None.

Note:

1. Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the ‘Remarks’ Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.
  2. Where an election may be held for filling the vacancies of committee member before the end of the fiscal year, please list out both the new and the discharged committee members and specify if they are the former members or newly elected, re-elected, and also the date of the reelection. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.
- c. Outcome of the discussion and decision of the Remuneration Committee and the Company’s handling of the members’ recommendation.

Remuneration Committee	Content of the Motion & Follow up
The 13 <sup>rd</sup> time of the 4 <sup>th</sup> term Feb 25, 2021	1. 2020 remuneration to employees and remuneration to Directors and the related distribution policy.
	2. 2020 H2 Amoeba incentive for managerial officers.
	3. 2020 H2 non-sales incentive for managerial officers and internal audit supervisor.
	Result of Remuneration Committee meeting: Approved by the Chairman’s consultation with all committee members present.
	The Company’s follow-up action of the Remuneration Committee’s opinion: When discussing the operating bonus of Director and president Huang, Jui-Nan, Huang, Jui-Nan had left the meeting to avoid his conflict in interest, and the Chairman had consulted all the attending Directors (including Independent Directors) without objection and passed the proposal.
The 14 <sup>th</sup> time of the 4 <sup>th</sup> term Mar 25, 2021	1. 2020 other incentive for managerial officers.
	2. 2020 allocation of remuneration to managerial officers and chief internal audit officer.
	3. 2021 annual manager reward plan.
	4. 2020 allocation of remuneration to Directors.
	Result of Remuneration Committee meeting: Approved by the Chairman’s consultation with all committee members present.
	The Company’s follow-up action of the Remuneration Committee’s opinion: Approved by the Chairman’s consultation with all the Directors present (including Independent Directors).
The 15 <sup>th</sup> time of the 4 <sup>th</sup> term Jun 16, 2021	1. Remuneration structural adjustment of the Company.
	2. 2021 adjustment of remuneration for managerial officers and audit supervisor.
	Result of Remuneration Committee meeting: Approved by the Chairman’s consultation with all committee members present.
	The Company’s follow-up action of the Remuneration Committee’s opinion: Approved by the Chairman’s consultation with all the Directors present (including Independent Directors).

Remuneration Committee	Content of the Motion & Follow up
The 1 <sup>st</sup> time of the 5 <sup>th</sup> term Aug 6, 2021	1. 2021 H1 operating incentive for managerial officers.
	2. 2021 H1 performance bonus for managerial officers and audit supervisor.
	Result of Remuneration Committee meeting: Approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Remuneration Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).
The 2 <sup>nd</sup> time of the 5 <sup>th</sup> term Oct 28, 2021	1. Propose the proportion of compensation for employee and Directors in 2021.
	Result of Remuneration Committee meeting: Approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Remuneration Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).
The 3 <sup>rd</sup> time of the 5 <sup>th</sup> term Dec 17, 2021	1. The Company intends to establish the Committee of Employee Stock Ownership Trust.
	Result of Remuneration Committee meeting: Chairman and Independent Director Lin, Yih-Jong suggested to revise the Articles of Employee Stock Ownership Trust about the withdrawal ratio of the Company grants should be set according to the seniority of the member when the employee leaves the Company. Chairman Yang, Yu-Te proposed that 50% of the Company grants can be withdrawn within 5 years membership, and 100% can be withdrawn after 5 years. Approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Remuneration Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).

B. Information on The Composition, Responsibilities and Operation of Members of Nomination Committee

(A) Qualifications and Responsibilities of Nomination Committee Members

The Company set up a Nomination Committee on October 26, 2016. The Committee is composed of at least three Directors nominated by the Board of Directors, of which more than half of the Independent Directors shall participate. The term of Directors joining the committee, unless otherwise stipulated by laws or the Company's Articles of Incorporation, shall be from the day when the Director is elected by the Board of Directors until the expiry of the term of the Director, resignation of the committee or Director, or the Board of Directors elects to replace the original Director until the date of being a member of the committee.

(B) Responsibilities of Nomination Committee Members

The committee is authorized by the Board of Directors to perform the following functions and powers, and submit the recommendations to the Board of Directors for discussion:

- a. Develop a standard of diversified background and independence for the knowledge, skills, experience, and gender required by Board members and senior managerial officers, and seek, review and nominate candidates for Directors and senior managerial officers.

- b. Build and develop the organizational structure of the Board of Directors and committees, conduct performance evaluations of the Board of Directors, committees, Directors, and senior managerial officers, and assess the independence of Independent Directors.
- c. Establish and regularly review the Director's progress plan and the succession plan for Directors and senior managerial officers.
- d. Formulate the Company's Corporate Governance code of practice.

When performing the above functions, if anyone has a conflict of interest, the details must be discussed in the said committee meeting; and if deemed to be harmful to the Company, must be exempted from and not be present in further discussions or decision-making. This person cannot represent any other members in the decision-making. If the spouses, the second degree of kinship of committee members, or companies with control and affiliation with the committee members have an interest in the matters of the meeting, the committee members shall be deemed to have interests in the matters.

(C) Professional Qualifications, Experience and Operation of Members of Nomination Committee

- a. The Company's Nomination Committee consists of three (3) members.
- b. The term of current members: From July 13, 2021 until July 4, 2024. The Committee held 4 meetings (A) in 2021, and the attendance of the Committee members are summarized as follows:

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) <b>【B/A】</b> (Note)	Remarks
Convener (Independent Director)	Yu, Chwo-Ming	Ph.D. of Business Administration of University of Michigan. He used to be Independent Director of Yuanta Bank Co., Ltd., Advantech Co., Ltd. and Yuanta Futures Co., Ltd. He is currently the professor of department of Business Administration of National Chengchi University, member of Remuneration Committee of Advantech Co., Ltd., and Independent Director of Integrated Service Technology Inc. Possesses over 20 years of work experience required for business and corporate business and being good at leadership, accounting and financial analysis, business judgment, business management and crisis management. Please refer to page 10 to 12 for the description of the Director's information for the main educational qualifications.	1	0	100	The member was appointed by the Board of Directors on July 13, 2021, and should attend 1 meeting in 2021.

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%)【B/A】(Note)	Remarks
Committee Member (Independent Director)	Lin, Yih-Jong	Bachelor of Electrical Engineering, National Cheng Kung University. He used to be president/COO of Advantech Automation Group, VP of Computer Systems Organization, HP Taiwan and managing Director of Tektronix China. He is currently the chairman of Vossic Technology Co., Ltd. Possesses over 20 years of work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook. Please refer to page 10 to 12 for the information on the professional qualifications of Directors.	4	0	100	None
Committee Member (Director)	Yang, Yu-Te	Founder, President and Chief Strategy Officer of Axiomtek Co., Ltd. Possesses the work experience required for business and corporate business and being good at leadership, business judgment, business management, crisis management and have industry knowledge and international market outlook. Please refer to page 10 to 12 for the information on the professional qualifications of Directors.	4	0	100	None
Committee Member (Independent Director)	Chang, Jen-Chih	Master of Accounting, National Chengchi University. He used to be department head of department of accounting & statistics of Chungyu College of Business Management and National Taipei College of Business. He is currently the CPA of Hot Tai Accounting Firm. Passed the national examination and obtained the accountant certificate.	3	0	100	The member resigned on July 5, 2021 and should attend 3 meetings in 2021.

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
		<p>Possesses over 20 years of work experience required for business finance, accounting and corporate business and being good at leadership, accounting and financial analysis, crisis management and have industry knowledge and international market outlook.</p> <p>Please refer to page 10 to 12 for the information on the professional qualifications of Directors.</p>				

Other mentionable items:

State the meeting date, period, and content of the main motions of the Nomination Committee, the content of the proposals or objections of the members of the Nomination Committee, the results of the resolutions of the Nomination Committee, and the Company's handling of the members' recommendation:

Nomination Committee	Content of the Motion & Follow up
The 11 <sup>th</sup> time of the 2 <sup>nd</sup> term February 25, 2021	1. 2020 performance evaluation results of Directors, Board of Directors, and functional committees.
	2. Nomination of candidates for Directors (including Independent Directors).
	Result of Nomination Committee meeting: approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Nomination Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).
The 12 <sup>nd</sup> time of the 2 <sup>nd</sup> term March 25, 2021	1. 2020 performance evaluation of managerial officers and chief internal audit officer.
	Result of Nomination Committee meeting: Lin, Yih-Jong, the Independent Director, reminded the manufacturing and operations management center to deploy ahead of schedule and pay attention to quality issues. After the Chairman's consultation, all the attending members passed the performance evaluation of the managerial officers and the internal audit officer without objection.
	The Company's follow-up action of the Nomination Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).
The 13 <sup>rd</sup> time of the 2 <sup>nd</sup> term June 16, 2021	1. The Company's manager promotion proposal.
	Result of Nomination Committee meeting: Approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Nomination Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).
The 1 <sup>st</sup> time of the 3 <sup>rd</sup> term August 6, 2021	1. 2021 H1 performance evaluation of managerial officers and chief internal audit officer.
	Result of Nomination Committee meeting: Approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Nomination Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).

Note:

1. Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the “Remarks” Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.
  2. Where an election may be held for filling the vacancies of committee member before the end of the fiscal year, please list out both the new and the discharged committee members and specify if they are the former members or newly elected, re-elected, and also the date of the reelection. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.
- (5) The deviations and the reasons between the implementation of the promotion of sustainable development and the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”.

Evaluation Item	Operational Situation (Note 1)			Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Explanation (Note 2)	
1. Whether the Company has established a governance structure to promote sustainable development, and set up specialized (part-time) unit to promote sustainable development, and the Board of Directors authorizes the senior management to handle it, and report the supervision situation to the Board of Directors?	V		<p>1. To assist the Board of Directors to continue to promote risk assessment and countermeasures in all aspects of corporate environmental, social and corporate governance, and to implement the purpose of sustainable management, the Company approved the establishment of “Sustainable Development Committee”(Note3) on February 25, 2021 by the Board of Directors, and set up environmental sustainability, corporate social responsibility (CSR), corporate governance, integrity management and risk management and other working teams, responsible for promoting sustainable business operations. The “Sustainable Development Committee” is chaired by the general manager, and each working group leader is appointed by the general manager, and the HR unit serves as the designated unit, responsible for the proposal and implementation of sustainable development policies, systems or related management guidelines and specific promotion plans.</p> <p>2. Each working team of the “Sustainable Development Committee” regularly reports to the Board of Directors on its operational results (including the communication with stakeholders), as well as issues of concern to stakeholders, specific promotion plans and implementation status. In the next year, the Sustainability Report will be</p>	Comply with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”



Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No		
			completed and placed on the Company’s website for stakeholders to view. On October 28, 2021, the relevant handling situation was reported to the Board of Directors, and the Board of Directors listened to the report of the management team (including the ESG report), they must evaluate the management policy, strategy and target formulation and review measures reported by the management, regularly review the progress of the strategy, and urge the management team to make adjustments when necessary.	
2. Does the Company conduct risk assessment of environmental, social and Corporate Governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)	V		<p>1. The Company has established a risk management working team under the “Sustainable Development Committee” to formulate risk management policies, and plan and implement the Company’s risk management-related operations.</p> <p>2. The Company’s risk management process:</p> <p>3. Based on the principle of materiality, conduct risk assessment on environmental, social, or corporate governance issues related to company operations, and formulate relevant risk management policies or strategies (Note 4), and the promotion of sustainable development is supervised by the Board of Directors and disclosed on the Company’s website and annual report. The information disclosed in the 2010 Sustainability Report covers the period of disclosure from January 1, 2010 to</p>	Comply with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No		
			<p>December 31, 2010. The Company's practices and performance in corporate governance, corporate commitment, environmental protection, and social participation, and responded to the concerns of stakeholders. The boundaries of Axiomtek's Sustainability Report only include Axiomtek's important operating locations in Taiwan (Xizhi Headquarters, Beitou Plant), and additionally disclose some performance data of Taichung Office.</p> <p>The Sustainable Development Committee conducts analysis according to the materiality principle of the sustainable report, and each relevant unit formulates management policies based on the analysis results of major themes, and handles various operations in combination with the organization's business strategy, and through Axiomtek's corporate social responsibility group meeting and discussion, the effectiveness of the management policy is reviewed and evaluated from time to time as the Company's sustainable policy. Actively encourage stakeholders to participate in identifying, understanding and responding to sustainability issues and each other's priorities, and reporting to stakeholders, explaining its decisions, actions and performance and enabling stakeholders to evaluate the organization's performance, thereby developing management policies and performance measurement systems.</p> <p>The Board of Directors of the Company has formulated the “Risk Management Policy” and its operation has been disclosed on the Company's website and annual report. (Note 4)</p>	
<p>3. Issues of Environment</p> <p>(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?</p>	V		<p>The Company has obtained ISO-14001 (International Standard for Environmental Management) and ISO-45001 (Occupational Safety and Health Management System) certification (Note 5), and regularly audits and evaluates.</p>	<p>Comply with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed</p>

Evaluation Item	Operational Situation (Note 1)			Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Explanation (Note 2)	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		The Company is committed to improving from the basics, upgrading the usefulness of each category of material to achieve the goals of reducing raw material usage and waste, thereby lowering the impact on the environment (Note 4&6).	Companies”
(3) Does the Company assess the potential risks and opportunities of climate change for now and in the future, and take measures to respond to climate-related issues?	V		The Company's potential risks are mainly at the environmental level, such as resource shortages, increased raw material costs, etc. To mitigate climate change, the Company is committed to reducing energy consumption, and has established energy-saving measures such as water saving/saving/paper saving and computer recycling and re-use (Note 4&6). Please refer to the Company’s “2020 Axiomtek Corporate Sustainability Report” (page 88, chapter VI environmental protection). <a href="https://www.axiomtek.com.tw/company/investor/2020_CSR_report.pdf">https://www.axiomtek.com.tw/company/investor/2020_CSR_report.pdf</a>	
(4) Does the Company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	V		The Company counts the greenhouse gas emissions, water consumption and total weight of waste every year, and formulates policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management, and commits to reducing energy consumption and environmental protection (Note 4&6).	
4. Social Issues (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		In order to fulfill its corporate social responsibility and protect the basic human rights of all colleagues, the Company agrees and voluntarily follows the “UN Universal Declaration of Human Rights”, “UN Global Compact”, “UN Guiding Principles on Business and Human Rights”, “UN International Labor Organization” and other internationally recognized human rights standards and puts an end to any violations and violations of human rights, treats all colleagues with dignity and respect. Related “Axiomtek Co. Ltd. Social Responsibility Policy	Comply with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”								
	Yes	No										
			<p>Statement” (Note 7) have been disclosed on the Company’s website.</p> <p>Every two years, the Company regularly reviews its own operations, value chain, new business activities (such as mergers and acquisitions, joint ventures) and other related activities by paying attention to major social issues, data monitoring, questionnaire surveys, etc. to identify and assess the groups at risk and potential human rights risks, formulate a control plan for human rights issues based on potential risks, and continuously monitor and improve the implementation of the plan.</p> <p>The Company’s human rights management policies and specific plans are summarized as follows:</p> <table border="1"> <thead> <tr> <th>Human Rights Management Policy</th> <th>Specific Plan</th> </tr> </thead> <tbody> <tr> <td>Provide a safe and healthy work environment.</td> <td>Please refer to “Working Environment and Employee Personal Safety Protection Measures” in Labor Relations on page 139.</td> </tr> <tr> <td>Help employees maintain physical and mental health and work-life balance.</td> <td>In 2021, passed the complete CSR due diligence of the third-party certification agency entrusted by the international manufacturer Amazon to ensure that the Company’s code of conduct is consistent with the “RBA Code of Conduct”, or even stricter.</td> </tr> <tr> <td>Announce Axiomtek’s corporate social responsibility policy announcement and formulate and commit to labor and human rights policies.</td> <td>Axiomtek’s corporate social</td> </tr> </tbody> </table>	Human Rights Management Policy	Specific Plan	Provide a safe and healthy work environment.	Please refer to “Working Environment and Employee Personal Safety Protection Measures” in Labor Relations on page 139.	Help employees maintain physical and mental health and work-life balance.	In 2021, passed the complete CSR due diligence of the third-party certification agency entrusted by the international manufacturer Amazon to ensure that the Company’s code of conduct is consistent with the “RBA Code of Conduct”, or even stricter.	Announce Axiomtek’s corporate social responsibility policy announcement and formulate and commit to labor and human rights policies.	Axiomtek’s corporate social	
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Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No		
			<p>responsibility policy statement, please refer to Note 7.</p> <p>Promulgate the principle of free employment of foreign migrant workers, and return all employment fees such as agency fees, domestic service fees, health examination fees, visa fees, etc. for foreign migrant workers, and return passports, seals, passbooks, etc. for safekeeping to protect their rights and interests in fair employment and free choice of employment.</p> <p>In 2021, each employee was provided with paid vaccine leave to protect the health of workers. At present, the application rate of the first dose exceeds 95%, the application rate of the second dose exceeds 90%, and the application rate of the third dose has also exceeded 70%.</p>	
			<p>Prohibit forced labor and abide by local government labor laws.</p>	
			<p>Set out human rights clauses in supplier</p>	
			<p>Implement the vacation system and encourage colleagues to focus on work-life balance.</p>	
			<p>In 2021, labor and human rights requirements have</p>	

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No		
(2) Does the Company formulate and implement reasonable employee benefits measures including remuneration, vacation, and other benefits, etc., and appropriately reflect operating performance in employee compensation?			contracts and implement on-site audits.	been officially added to the supplier evaluation form.
			Education and training on labor and human rights.	In 2021, the education and training on labor and human rights for all employees in Taiwan (589 people) has been completed. In 2021, 87 major suppliers in Taiwan have completed labor and human rights education and training, totaling 87 hours.
	V		<p>The Company aims to become a happy enterprise, fulfill its corporate social responsibility, and take care of employees. The main employee benefits are as follows:</p> <p><u>Employee compensation and reward system linked to business performance</u></p> <ol style="list-style-type: none"> <li>1. Adopt a fixed year-end bonus system.</li> <li>2. According to the overall performance of the unit and the Company, performance bonuses are issued on a quarterly or half-yearly basis.</li> <li>3. Performance evaluation is conducted twice a year, and annual salary adjustments are made every year.</li> <li>4. According to the Articles of Association, if the Company has a profit in the year (that is, the profit of income before tax deducting the employee’s remuneration and Director’s remuneration), 1% to 20% should be allocated as employee’s remuneration, and it should be paid twice a year.</li> <li>5. Issue employee stock option certificates from time to time.</li> <li>6. Implement employee stock ownership trust, and the Company allocates 30% of the bonus according to the employee’s self-raised fund.</li> </ol>	

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No		
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety	V		<p><u>Measures of employee benefits</u></p> <p>1. The Company has established an Employee Welfare Committee, which allocated 0.15% of the employee welfare fund based on the total revenue every year. In 2011, the Company provided employee welfare fund exceeding NT\$5.5 million to plan and implement various welfare systems for colleagues, including family day activities, travel subsidies, wedding and funeral subsidies, hospital condolences for injuries and illnesses, maternity subsidies, sports competitions, departmental snack funds, special store discounts, and multi-society activities that combine arts and humanities, sports and fitness, and educational fun.</p> <p>2. Xizhi Headquarters adopts a flexible commuting system and provides free commuting vehicles (Xindian Line, Zhonghe Line).</p> <p>3. The vacation system is based on a fixed two-day weekend. Colleagues can also apply for leave without pay in case of childcare, serious injury, major accident, etc. and need a longer period of time off, so as to take into account the needs of personal and family care.</p> <p>For the relevant content, please refer to the content of employee welfare measures in labor-management relations in the chapter “V. Operation Highlights” of the annual report.</p> <p><u>Workplace diversity and equality</u></p> <p>In terms of workplace diversity and equality, we achieve equal pay for equal work and equal promotion opportunities for men and women. In 2020, the proportion of female managerial officers was 24%, and the average proportion of female employees was 44%.</p> <p>The Company has obtained the TOSHMS Taiwan Occupational Safety and Health Management System Certification of the Labor Committee and regularly conducts</p>	

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No		
<p>for its employees on a regular basis?</p> <p>(4) Does the Company provide its employees with career development and training sessions?</p>			<p>employee health inspections and safety and hygiene lectures every year. The Company has a resident nurse service, and a physician to Xizhi plant for 3 hours each time, and even-months to Beitou plant for 2 hours each time. In addition to routine attendance to employee health and health guidance, maternal health protection and abnormal workload, any employee who has physical and mental health issues can make an appointment for consultation. In addition, to achieve the purpose of the occupational safety and health policy, “pay attention to employee safety and comply with occupational safety regulations”, specific measures include:</p> <ol style="list-style-type: none"> <li>1. Implement occupational safety training for new recruits for 3 hours per person.</li> <li>2. Improve occupational safety training for incumbents by 4 hours every 3 years.</li> <li>3. Regular implementation of occupational safety management system audit once a year.</li> <li>4. Implement and improve the occupational safety management system to audit each deficiency.</li> </ol> <p>For the relevant content, please refer to the content of labor-management relations, working environment and employee personal safety protection measures in the chapter “V. Operation Highlights” of the annual report.</p> <p>The Company provides relevant internal and external professional education and training to enrich employees’ career skills. The Company also encourages employees to assess their interests, skills, values, and goals and communicate their personal career intentions with managerial officers to plan future career plans. For the relevant content, please refer to the content of the training and training of labor-management relations in the chapter “V. Operation Highlights” of the annual report. During the annual regular performance interviews, the supervisors and employees discuss and set up their own annual ability</p>	



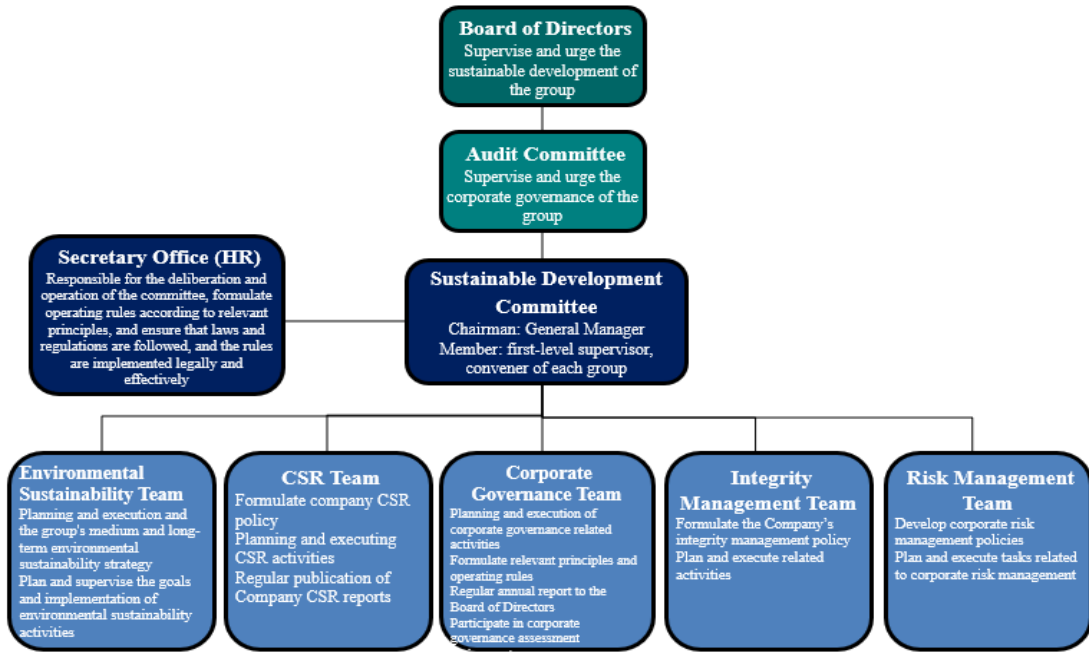
Evaluation Item	Operational Situation (Note 1)			Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Explanation (Note 2)	
(5) Does the Company comply with relevant laws and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer or client protection policies and grievance procedure?	V		development plans. Through regular review and feedback, they help employees to tailor the best development plan.  The Company follows the relevant laws and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and has good after-sales service procedures to protect consumers' rights. Please refer to the Company's "2020 Corporate Sustainability Report" (page 57).	
(6) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? What is the implementation situation?	V		The Company has established supplier management policy that uses environmental standards to screen new manufacturers, requires all suppliers to fill out environmental management and CSR questionnaires, and reviews supplier information on various environmental and occupational safety benchmarks, thereby selecting high-quality and qualified supplier. Please refer to the Company's "2020 Corporate Sustainability Report" (page 16-20) for the description of the supplier audit and evaluation operation and implementation (Note 8).	
5. Does the Company refer to international reporting standards or guidelines for compiling CSR reports to disclose non-financial information? If the report obtains the assurance of the third-party verification unit?	V		The Company has completed the preparation of the 2020 Corporate Sustainability report in accordance with the GRI Standards issued by the Global Reporting Initiative (GRI) to disclose the Company's non-financial information in 2021. However, the report has not obtained the assurance or assurance opinion of the third-party verification unit.	Comply with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
6. If the Company has established the sustainable development principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company has formulated the “Sustainable Development Best Practice Principles”. The Chairman leads the Sustainable Development Committee, and the human resources department coordinates the planning and establishes various operation groups to actively participate in the implementation of sustainable development related activities. In 2021, the 2020 Corporate Sustainability Report in accordance with the GRI Standards issued by the Global Reporting Initiative (GRI), and all operations comply with the requirements of the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”.				

Evaluation Item	Operational Situation (Note 1)		Deviations and Reasons from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”															
	Yes	No		Abstract Explanation (Note 2)														
7. Other important information to help understand the implementation of promoting sustainable development :																		
<p>(1) In addition to pursuing the development of environmentally friendly products, the Company is committed to becoming a green enterprise that values and practices cherishes the environment and ecology. In view of global warming, global citizens have a responsibility to participate in activities, combine innovation with the Company’s core values and corporate operations, promote corporate volunteers to serve a good culture, make corporate volunteers an important resource for building a good civic environment, and work together to care for society and change the world.</p> <p>The Company has invested in social welfare activities in the past two years as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Month</th> <th>Day</th> <th>Item</th> </tr> </thead> <tbody> <tr> <td rowspan="2">2020</td> <td>Oct</td> <td>06</td> <td>“Moon love more and more” Mid-Autumn Festival gift box subscription and donation activity.</td> </tr> <tr> <td>Oct</td> <td>08</td> <td>Support the food bank project of Andrew Charity Association, caring and helping children from disadvantaged families.</td> </tr> <tr> <td>2021</td> <td>Oct</td> <td>07~31</td> <td>“Mango Clearance” supports local small farmers, supports Taiwan's agriculture, and helps mango farmers in Fangshan, Pingtung, who have suffered from the epidemic</td> </tr> </tbody> </table>				Year	Month	Day	Item	2020	Oct	06	“Moon love more and more” Mid-Autumn Festival gift box subscription and donation activity.	Oct	08	Support the food bank project of Andrew Charity Association, caring and helping children from disadvantaged families.	2021	Oct	07~31	“Mango Clearance” supports local small farmers, supports Taiwan's agriculture, and helps mango farmers in Fangshan, Pingtung, who have suffered from the epidemic
Year	Month	Day	Item															
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2021	Oct	07~31	“Mango Clearance” supports local small farmers, supports Taiwan's agriculture, and helps mango farmers in Fangshan, Pingtung, who have suffered from the epidemic															
(2) Number of participants in welfare activities and cash input in the past 2 years: Unit: NT\$																		
Participant	Participation Total Number of Person	2021	2020															
		Buy Agricultural Products	Donation															
Small farmers in Fangshan	All employees	206,000																
Andrew Charity Association	226 employees		134,600 (673 moon cakes)															
(3) The Company has completed the 2020 Corporate Sustainability Report. The Company has signed a contract with BSI (British Standards Institute Taiwan Branch) in March 2021 and plan to prepare the 2021 Corporate Sustainability Report which can be verified by the third-party verification.																		

Note 1: If the execution is checked “Yes”, please explain the important policies, strategies, measures, and implementations; if the operation is checked “No”, please explain the situation and reasons for the difference in the column of “Deviations and Reasons from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and explain the relevant policies, strategies and measures adopted in the future painting.

Note 2: The principle of materiality refers to those who have a significant impact on the Company’s investors and other stakeholders in relation to environmental, social and corporate governance issues.

Note 3: Sustainable Development Committee



Member	Organizational Function	Stakeholders
Environmental Sustainability Team	<ol style="list-style-type: none"> <li>1. Environmental policy and management system, pollution prevention, energy efficiency, product environmental responsibility, environmental issue management, occupational safety and health policy management.</li> <li>2. Customer service and satisfaction, reducing the impact of raw materials used on the environment, developing green products, product quality and reliability management, and customer relationship management.</li> </ol>	Employees, Customers, Society and Suppliers
CSR Team	Responsible for human resource development, human rights management, establishment of a healthy and friendly workplace environment, ecological protection, promotion of arts and cultural charity activities and care for disadvantaged groups.	Employees and Government
Corporate Governance Team	Corporate governance management, financial information disclosure, regulatory compliance.	Investors and Government
Integrity Management Team	<ol style="list-style-type: none"> <li>1. Assist in integrating integrity and moral values into the Company's business strategy, and coordinate with laws and regulations to formulate relevant fraud prevention measures to ensure integrity management.</li> <li>2. Formulate plans for preventing dishonest behavior and formulate business-related standard operating procedures and behavior guidelines in each plan.</li> <li>3. Plan the internal organization, establishment and responsibilities, and set up a mutual supervision and check and balance mechanism for business activities with high risk of dishonest behavior within the business scope.</li> <li>4. Promotion and coordination of integrity policy advocacy training.</li> <li>5. Plan the whistleblower system to ensure the effectiveness of the implementation.</li> <li>6. Assist the Board of Directors and management to check and evaluate whether the preventive measures established by the implementation of integrity management are operating effectively, and regularly evaluate and follow the relevant business processes and make reports.</li> </ol>	Employees, Customers, Suppliers and Government
Risk Management Team	Responsible for the monitoring and tracking of the Company-wide risk events.	Employees, Customers, Suppliers and Government

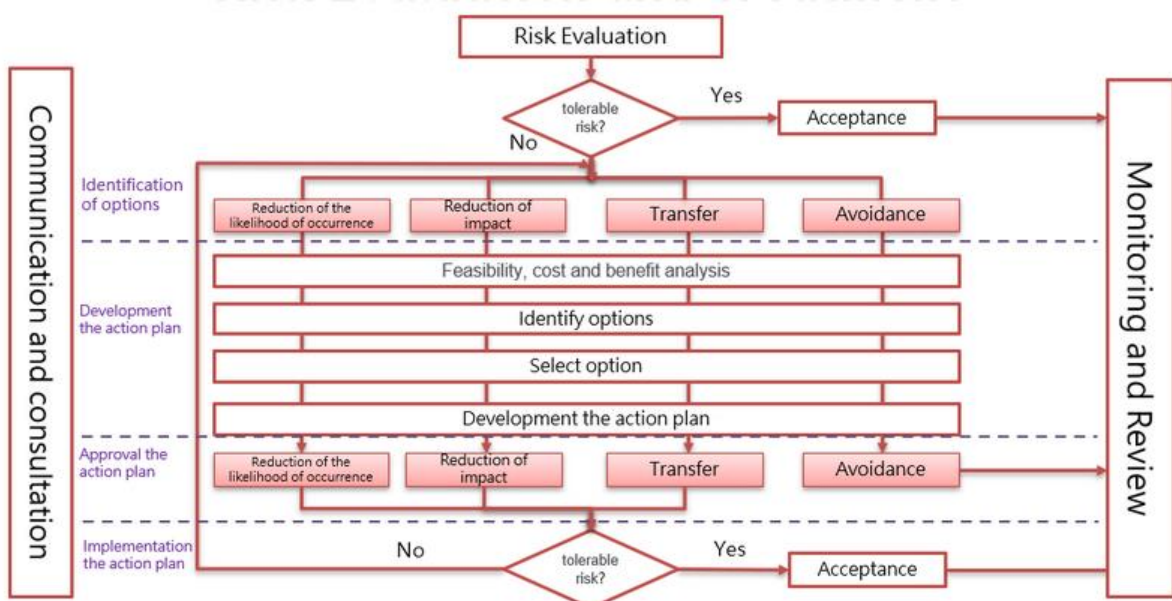
Note 4: Identifying the boundary of the consideration area

Based on the identification of each major concern, Axiomtek evaluates its impact and decides the impact on the internal and external aspects of the organization through conferences and discussions. It is divided into the internal boundary of the organization and the external boundary of the organization. The internal boundary of the organization includes Axiomtek and its subsidiaries, and the external boundary objects of the organization include customers and suppliers.

Issues of Concern	Boundary Consideration	Organizational Internal Boundaries		Organizational External Boundaries	
		Axiomtek	Subsidiary	Supplier	Customer
Economy	Economic performance	●	●		
	Market image	●			
	Anti-corruption	●	●	●	●
Environment	Environmental compliance	●			
Society	Relations of labor and employer	●			
	Labor relations	●			
	Occupational health and safety	●			
	Training and education	●			
	Employee diversity and equal opportunity	●			
	Non-discrimination	●			
	Forced and compulsory labor	●			
	Customer health and safety	●			
	Marketing and labeling	●			
	Customer privacy	●			
	Socio-economic compliance	●			

● Significant

The risk Evaluation and treatment steps are as follows:



Based on the materiality, the Company conducts risk assessments on environmental, social and corporate governance issues related to company operations, and develops relevant risk management policies or strategies:

ESG	Risk Classification	Risk Evaluation	Risk Management Policy or Strategy
Environmental	Environmental protection and ecological conservation	Environmental pollution prevention and control	<ol style="list-style-type: none"> <li>1. Comply with the relevant regulations of the “Waste Disposal Act”, and regularly review the harm and impact of the industry on the environment °</li> <li>2. The Company has got "ISO14001" since 2015, and on a regular basis of following year.</li> <li>3. Strictly comply with legal requirements and provide adequate training for responsible personnel.</li> <li>4. Set implementation plans every year, and regularly track and review the progress of each plan to ensure that the goal is achieved.</li> </ol>
	Climate change	Disaster prevention and control Climate change Risk of non-compliance with environmental, climate and other international regulatory agreements	<ol style="list-style-type: none"> <li>1. The schedule and requirements of carbon neutrality have now become a topic of concern to domestic companies. Since the relevant domestic and foreign laws, schedules and requirements have not yet been fully finalized, the Company will continue to pay attention to it and complete the project under the premise of meeting the domestic and foreign requirement.</li> <li>2. Regularly assess the adequacy of the relevant natural disaster insurance amount.</li> </ol>
Social	Social responsibility	Occupational safety and health	<ol style="list-style-type: none"> <li>1. The Company got the OHSAS occupational safety and health management system certification in 2016 and subsequently got the certification regularly</li> <li>2. Held the fire drills regularly and industrial safety training every year to cultivate employees' emergency response and self-safety management capabilities.</li> <li>3. All SOPs are required to be followed thoroughly.</li> </ol>
		Product safety	<ol style="list-style-type: none"> <li>1. The Company's products comply with government regulations, comply with EU RoHS regulations, and do not contain any hazardous substances. Through a rigorous quality management system, we provide customers with stable product quality. In order to ensure customer service quality and improve customer satisfaction, our employees set up customer service phone number and websites and conduct regular customer satisfaction surveys every year to strengthen our relationship with customers. And the relationship has become the cornerstone of the sustainable development of the enterprise.</li> <li>2. Strengthen the product design safety concept.</li> <li>3. Confirmation of regulation compliance during manufacturing procedure °</li> <li>4. Got product safety certification aggressively.</li> <li>5. Apply product liability insurance for all of products.</li> </ol>
Corporate Governance	Socioeconomic and compliance	Operational risk	<ol style="list-style-type: none"> <li>1. Review the compliance with regulations of operation and strengthen the Company's compliance training.</li> <li>2. Implement the internal control system, conduct self-assessment of the internal control system on a regular basis every year, and issue an internal control statement.</li> <li>3. Discussions the industry environment changes and adjustments of the strategy are made through regular business weekly, monthly and strategic meetings.</li> <li>4. An “Annual Business Plan” meeting is held every year to discuss possible changes in technology, products and industries in the coming next three years, and develop strategies to respond to environmental changes.</li> </ol>

ESG	Risk Classification	Risk Evaluation	Risk Management Policy or Strategy
			5. Hold Partners Connect Event with important customers from time to time to understand customer needs and market changes
		Financial risk	<ol style="list-style-type: none"> <li>1. Financial department monitor the changes in financial market, such as interest rates and exchange rates, and have relevant transactions or hedging operations.</li> <li>2. Forecast cash flow weekly and provide countermeasures timely.</li> <li>3. Maintain a good relationship with banks to ensure that the credit line is sufficient to meet the short- and medium-term capital demands and reduce the cost of capital.</li> <li>4. Implement the management of customer's credit line and overdue accounts to avoid expected credit risk.</li> </ol>
		Information security risk	<ol style="list-style-type: none"> <li>1. A firewall is build for the external network, anti-virus software is installed on the Company's computer, and the virus pattern is updated regularly, and virus scanning is carried out.</li> <li>2. Filtering the website content to avoid connecting to problematic websites.</li> <li>3. The Company implement Microsoft 365, email and important files are placed in the Microsoft cloud, and they are automatically backed up. Even if they are encrypted by hackers, the pre-encrypted files can be restored.</li> <li>4. The emergency UPS in the server room can supply for about four hours power when the power is cut off.</li> <li>5. The Company implement Microsoft 365, and emails and important files are placed in the Microsoft cloud. Even if the Company's internal equipment is damaged, employees can still send and receive emails and access cloud files.</li> <li>6. All servers of the Company are backed up regularly, according to the backup principle 321.</li> <li>7. Report the Company's information security governance to the board on a regular basis every year.</li> </ol>
	Enhance the functions of Directors and fulfilling the responsibilities of Directors	Enhance the structure and operation of the Board of Directors	<ol style="list-style-type: none"> <li>1. Have a corporate governance supervisor to help Directors in understanding legal responsibilities and related regulations, plan the training of Directors, and invite CPA to introduce the latest fiscal, tax and legal issue every year.</li> <li>2. Insuring Directors' liability insurance for Directors to ensure that Directors perform their duties and protect them from lawsuits or claims.</li> <li>3. Arrange for Independent Directors to communicate with external auditors individually every year.</li> <li>4. In addition to the regular annual performance evaluation of internal Directors, and external evaluations are carried out at least once every three years.</li> </ol>
	Stakeholders' communication	Stakeholders' communication	<ol style="list-style-type: none"> <li>1. Value the communication with stakeholders and reports the situation of communication with stakeholders to the Directors on a regular basis every year.</li> <li>2. Establish communication channels for stakeholders, actively communicate, and reduce confrontation and misunderstanding.</li> <li>3. For effective communication with stakeholders, a stakeholder questionnaire is conducted every two years to understand the level of concern of stakeholders on corporate governance, environment, society and other related issues.</li> </ol>

Note 5: Certification Data

Category	Environmental Management System	Job Health & safety Management System
Name of Certification	ISO14001 Environmental Management System	ISO45001 Job Health & Safety Management System
Certification Unit	SGS	SGS
Date of Certification	2004/10/14	2016/12/11
Effective Period	2019/10/14-2022/10/14	2019/11/19-2022/11/19
Certificate		

Note 6: Greenhouse gas inventory, corporate energy conservation and carbon reduction and greenhouse gas reduction strategies.

I. Environmental management policy

Axiomtek environmental policy is “Environmental Protection and Sustainable Resources”. The participation of all staff, continuous improvement, improvement of working methods and management skills, so that the Company’s products, service quality, environmental management can meet the needs of customers, the annual environmental policy, goals, measures to achieve are listed as follows:

Environmental Policy	
Policy goal	Boundary less environmental protection; sustainable resources
Target	<ol style="list-style-type: none"> <li>1. Workplace environment measurement pass rate is 100%</li> <li>2. The pass rate of drinking water quality testing is 100%</li> <li>3. Energy consumption is reduced by 1.5% per year.</li> <li>4. Greenhouse gas emission reduction of 1.5% per year</li> <li>5. Conserving water, the average water consumption per person decreases by 1.0% per year</li> <li>6. The proportion of non-recyclable business waste decreases by 1.0% from the previous year</li> </ol>
Strategy to meet targets	Strictly abide by environmental laws and regulations, implement environmental education management, and reduce the impact of the global environment
Measures to achieve targets	<ol style="list-style-type: none"> <li>1. Workplace environment compliance every 6 months.</li> <li>2. Test drinking water quality 4 times a year</li> <li>3. Monitor and review monthly electricity/water usage</li> <li>4. Monitor and review annual GHG/waste output</li> </ol>

Axiomtek has been using the lead-free manufacturing process since 2006. In order to avoid cross-contamination of production equipment, lead-free Wave Flow is uniformly used. During the manufacturing process, ventilation facilities are installed in the reflow furnace, tin furnace, repair area to protect the employees from smoke and other harmful emissions. Waste generated from the manufacturing process is collected every 2 hours, per Axiomtek’s policy. The waste collected is consolidated and then removed by a company appointed waste management vendor.

## II. Energy Consumption

### (I) Energy consumption inventory

#### 1. Electrical Power

Electrical power is the main source of energy in Axiomtek’s production and business operations. From the perspective of energy intensity, the per capita electricity consumption is calculated based on the electricity consumption and the number of electricity users. The per capita power consumption in 2021 has a slight upward trend. Because the Xizhi headquarters laboratory purchased 2 new large-scale testing equipment due to project testing needs, the overall electricity consumption in 2021 increased slightly by 188,924.4 million joules, an increase of 1.94% over the previous year.

Year	2021	2020
Electricity Consumption/ Million joules	9,933,663.6	9,744,739.2
Electricity Users	586	583
Electricity per Person / Year	16,952	16,715

#### 2. Water

Axiomtek’s manufacturing process does not require water or industrial wastewater, so water is consumed only in common daily use. Since the Company is located in a public park and is not a privately owned factory, it is difficult to recycle and reuse, and the emissions are fully managed by the park administration for centralized treatment and discharge.

Examining the trend of water consumption over the years, we can see that the per capita water consumption from 2017 to 2021 has declined. The reason for the decrease in the water consumption is that the foreign workers’ dormitory in the Beitou factory area has been moved from within the factory area to outside and factory colleagues have also moved out of the dormitory since 2018 H2, drastically reducing water consumption, causing the significant drop in per capita water consumption. In addition, the decrease in water consumption in 2021 compared with the previous year is mainly due to the diversion of employees to work from home due to the COVID-19 epidemic from June to July 2021.

Year	2021	2020
Water Consumption	8,888	9,034
Number of People	586	583
Water per Person / Year	15.17	15.50

#### 3. Greenhouse Gases

In addition to data on power and water usage, Axiomtek’s environmental team has since 2015 begun ISO14064 greenhouse emission inspections on direct emissions (scope 1), indirect emissions from energy sources (scope 2), indirect emissions from other sources (scope 3), the scope of which is as follows:



Note: (Scope 3) Other indirect emissions from other activities, the source of which is owned or controlled by other companies. Since its activities and greenhouse gas emissions cannot be grasped, it has not been quantified.

Scope	Category	Equipment (Emission Source)
Scope 1 Direct Greenhouse Gas Emissions	Fixed combustion source: Refers to combustion of fixed facilities e.g., emergency power generators.	No such facility.
	Mobile combustion source: refers to combustion from transportation e.g., cars	Business vehicles - Petrol and diesel (CO <sup>2</sup> , CH <sup>4</sup> , N <sup>2</sup> O)
	Emission source: refers to intentional or unintentional emission e.g., methane from equipment connections, leakage from fissures or during wastewater management; carbon dioxide from firefighting equipment; HFCs released from air-conditioners, coolers, and household freezers.	CO <sup>2</sup> fire extinguisher (CO <sup>2</sup> ) Drinking fountain, air-conditioner, refrigerator, AC units in business vehicles, dryer, Chamber (HFCS) Septic tank (CH <sub>4</sub> )
Scope 2 Energy Indirect Greenhouse Gas Emissions	Originate from externally sourced power, heat, steam, or other fossil fuel-derived energy sources.	Externally sourced power (CO <sup>2</sup> )
Scope 3 Other Indirect Greenhouse Gas Emissions	Example: Employee business travel; transportation of damaged / unwanted material or packages by 3rd parties; foreign aid activities, outsourced manufacturer, and authorized distributors; when the greenhouse emissions originate outside the facility boundaries or from waste generated by the facility; employee commute to/from the workplace (includes emissions from non-energy raw materials).	Transportation of documents and parcels - gasoline, diesel (CO <sup>2</sup> , CH <sup>4</sup> , N <sup>2</sup> O), refrigerant (HFCs) Clearing and transportation of waste - gasoline, diesel (CO <sup>2</sup> , CH <sup>4</sup> , N <sup>2</sup> O), refrigerant (HFCs) Employee commute to/from workplace and business travel - gasoline, diesel (CO <sup>2</sup> , CH <sup>4</sup> , N <sup>2</sup> O), refrigerant (HFCs) Vending machines - refrigerant (HFCs)

The 2021 and 2020 greenhouse emission survey reports indicate that the greenhouse gas emissions generated by electricity provided outside the organization's boundaries account for 93.61% of the total emissions. In accordance with our love the earth concept, Axiomtek's greenhouse gas reduction strategy stipulates a reduction of 1.5% every year to achieve the goal of power conservation /reduction of greenhouse emissions.

Year	Scope 1				Scope 2	Scope 3	Total Emission Equivalent (Metric Tons CO <sub>2</sub> e/Year)
	Fixed Emission	Process Emission	Move Emission	Escape Emission	Energy Indirect Emission	Other Indirect Emission	
2020	0.0000	0.0000	7.8185	88.5398	1,383.7874	NA	1,475.021
2021	0.0000	0.0000	6.9167	87.5886	1,385.1942	NA	1,479.700

According to the monitoring results, the greenhouse gas emissions in 2021 and 2020 was 1,479.700 and 1,475.021 metric tons of CO<sub>2</sub>e respectively, and the total emissions increased by 4.679 (metric tons of CO<sub>2</sub>e/year) compared with the previous year, a slight increase of 0.32%. Explore the reasons why it did not reach the 1.5% reduction target was due to the increase in per capita electricity consumption. To achieve the power saving goal, it is planned to introduce security settings in the Xizhi headquarters office. After getting off work, the air conditioning system will automatically power off, so as to avoid power consumption due to forgetting to turn off the air conditioning.

(II) Changing of Climate and Energy Conserving

Axiomtek loves the earth and always concerns about the issue of climate change and are commits to reducing energy consumption. Since the adoption of the Paris Agreement in 2015, the global issue of climate change and energy management has officially entered a new stage. Not exceeding 2 degrees Celsius has become a global urgent management issue. As part of the manufacturing industry, energy conservation and environmental protection to reduce greenhouse gas emissions is also our important responsibility. In order to achieve the goal of reducing energy consumption, the Company has implemented measures for saving water/ energy/ paper and recycling of computers for re-use.

Water and Electricity Saving Measures	<ol style="list-style-type: none"> <li>1. Use energy-saving lamps.</li> <li>2. Use sunshade to reduce sun exposure.</li> <li>3. Install air circulating fan to AC air outlets, adjust indoor temperature (1st floor of Beitou Plant), reduce compressor starting frequency.</li> <li>4. Spread the word about not using electrical power during lunch breaks and after hours.</li> <li>5. Increase the ice water temperature of the air conditioner main unit, reduce the compressor starting frequency, and avoid waste of resources.</li> <li>6. Set the SLEEP function for the water dispenser during non-working hours to reduce power consumption.</li> <li>7. Implement air conditioning main unit ice water pipeline insulation measures.</li> <li>8. Understand the actual power consumption and count the power statistics of each region as the basis for improvement.</li> <li>9. Use water-saving taps in the bathrooms.</li> </ol>
Paper Saving and other Measures	<ol style="list-style-type: none"> <li>1. Implement electronic sign-off system, digitize document signing, digitize technical documents, promote double-sided printing internally and make good use of second-hand paper to save paper.</li> <li>2. Do not print the fax number on the business card. Replace faxes with electronic file transfer.</li> <li>3. In addition to the employees using their own eco-cups, visiting customers to also use eco-cups to reduce the use of paper cups.</li> <li>4. Promote waste sorting, increase the number of recyclable resources, and reduce the amount of general waste</li> <li>5. Encourage employees to go to work by public transport or carpool.</li> <li>6. Advocate employees to use environmentally friendly tableware to reduce waste generation and related resource consumption.</li> <li>7. Donate used PCs or NBs to related agencies for use by vulnerable groups</li> </ol>

(III) Waste treatment and resource recovery

Axiomtek Investigates the types of waste generated in the factory into three categories: general domestic waste, general business waste, and hazardous business waste. The three categories of waste have different management modes as shown in the table below:

Classification	Waste Content	Treatment	Final Treatment
General Domestic Waste	Wastepaper/glass bottle/plastic/iron aluminum can	Xizhi Factory– Management committee Beitou Factory– Special person recycling	Reuse
	Lunch box/household waste/kitchen waste	Xizhi Factory– Management committee Beitou Factory– Entrust a qualified removal company to handle	Sanitary landfill Incineration Fertilizer use
General Business Waste	Material tape/static tape/Styrofoam/hose/empty solder paste can/packaging tape/discarded parts/discarded motherboard/Wood pallet...	Entrust a qualified removal company to handle	Sanitary landfill Incineration
Hazardous Business Waste	PCB waste board edge	Entrust a qualified removal company to handle	Sanitary landfill Incineration

Axiomtek also pays attention to waste contractors every year. If the contractor breaches the contract or violates government regulations, it will take corresponding disposal or counseling or replacement. There is no major breach of contract or violation of laws by waste contractors in 2021.

1. General domestic waste

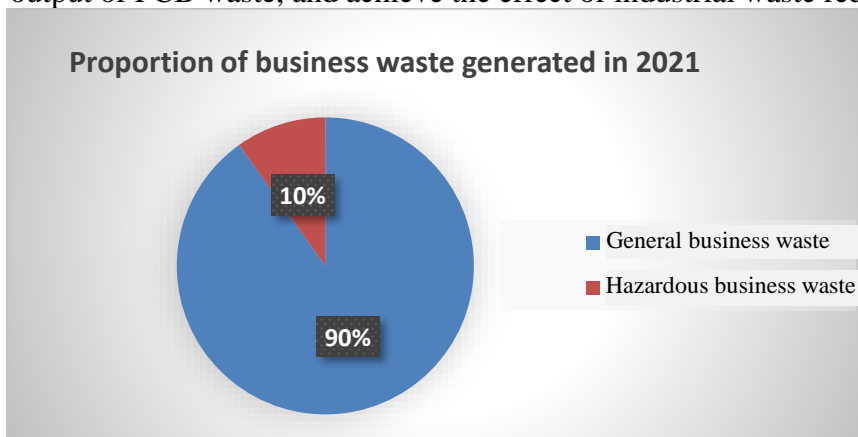
Axiomtek headquarters and Beitou factory have different disposal methods for the domestic waste generated. The Xizhi headquarters entrusts the building management committee to collect and dispose of them, and the Beitou factory is an independent building, so it is entrusted to be recycled by special personnel and entrusted to qualified cleaning and disposal operators. It also stipulates that general domestic waste is unified into general waste and resource waste (wastepaper, glass bottles, plastics, iron and aluminum cans). Except for wastes that can be recycled and reused, general wastes are disposed of by sanitary landfill or incineration. Review the annual removal contract weight of general household waste as follows:

Factory	Contract Weight/Year	Treatment
Xizhi headquarters	2.0 metric tons	Management committee Entrust a qualified removal company to handle
Beitou factory	2.2 metric tons	Special person to recycle Entrust a qualified removal company to handle

2. General business waste

Axiomtek not only entrusts legal manufacturers to remove and dispose of industrial waste, but also cares about the final disposal method of the manufacturer. Only after reviewing the final disposal process of the manufacturer's waste can we safely approve the appointment.

Axiomtek’s waste output in 2021 is approximately 42.76 metric tons, as shown in the figure below. Since Axiomtek is mainly based on the assembly process, the proportion of hazardous industrial waste is relatively low, and the output is about 4.2 tons, accounting for about 10% of the total waste, and the total output of general business waste is about 38.55 tons, accounting for more than 90.0% of the total. Axiomtek produces most of the hazardous industrial waste in the production process is PCB waste. In the future, we will continue to improve the process yield, reduce the output of PCB waste, and achieve the effect of industrial waste reduction.



Axiomtek also listed “1.0% reduction in the proportion of non-recyclable business waste compared with the previous year” as its annual waste reduction target. Monitor the output of non-recyclable waste during the three years as follows. In 2021, there was an increase of 4.89 metric tons compared with 2020. The reason why the total output has not been able to decrease is that most recycling manufacturers have changed to not recycling plastics, so plastics have changed from general business waste (recyclable) to general business waste (non-recyclable).

Year	2019	2020	2021
Total Output (Metric Tons/Year)	25.64	33.66	38.55
Increase/Decrease (Metric Tons/Year)	Benchmark	+8.02	+4.89

### III. Adherence to environmental protection regulations

Axiomtek has not been involved in any major violation of environmental laws and regulations since its establishment. Axiomtek’s Xizhi headquarters and Beitou factory have introduced ISO 14001 environmental management system to ensure that environmental management is strictly required while pursuing operations. Compliance with local government environmental regulations is the most basic requirement for Axiomtek’s environmental management standards. Therefore, we take zero environmental violations as the basic goal of sustainable development. The management strategy includes regular identification of environmental regulations, employee training, and regular monitoring of various environmental indicators to achieve sustainable development.

Management Strategy	Frequency (Years)	Sustainable Development goals	Goal (Annual)	Results (Annual)
Regular Identification of Regulations	≥ 2 times	Maintain zero environmental violations	Number of environmental violations in 2021: 0	Number of environmental violations in 2021: 0

## Note 7: Statement of Axiomtek Co. Ltd. Social Responsibility Policy

Axiomtek Co., Ltd. is a professional manufacturer of industrial computer products. Since its establishment, it has deeply understood that employees and suppliers are the most important assets in the Company's sustainable development. Therefore, in the process of R&D, manufacturing, testing and sales of the Company's products, it should fulfill its corporate social responsibility and comply with relevant regulations, international standards and customer requirements.

We hereby commit to our overall social responsibility policy as follows:

- Comply with customer and legal requirements, and safeguard employee human rights.
- Adopt the highest standards of integrity and ethics as the code of conduct for business operations and employees.
- Ensure the working environment and work safety and aim for zero disasters.
- Implement green environmental protection policies to achieve sustainable operation.
- Design and implement a management system that complies with laws and customer requirements, reduce operational risks and continuously improve.

We hereby commit to our labor and human rights policy as follows:

- No child labor, forced, bonded or involuntary labor.
- Establish a formal and freely chosen employment relationship with workers.
- Working and rest periods comply with the Labor Standards Act.
- Salary and benefits paid to employees comply with all applicable laws.
- Treat each employee fairly and respectfully, and do not treat them in inhumane ways such as corporal punishment, threats, insults, or abuse.
- Provide equal employment opportunities without discrimination since race, color, age, gender, sexual orientation, disability, national origin, pregnancy, religion, political affiliation, membership in a society, marriage or other legal norms.
- Respect employees' freedom of speech and association, as well as the right to collective bargaining, establish a channel for grievances, and protect employees from retaliation and threats.
- Provide safe and hygienic working conditions and premises.
- Comply with relevant local labor laws, customer specifications, and international standards.

We hereby commit to our environmental policy as follows: (same as ISO14001)

- Environmental Protection Infinity
- Natural Resources Sustainable

We hereby commit to our occupational safety and health policy is: (same as ISO45001).

- “Teaching in accordance with the law, communicating and participating, managing risks, and improving continued effectiveness”

We hereby commit to our integrity management policy as follows:

Based on the business philosophy of integrity, transparency and responsibility, the Company should formulate policies based on integrity, and establish a sound corporate governance and risk control mechanism to create a sustainable business environment. The Company conducts publicity and promotes implementation in accordance with the “Rules of Procedure for Adoption of Codes of Ethical Conduct”, “Ethical Corporate Management Best Practice Principles”, “Operating Procedures and Conduct Principles for Ethical Corporate Management” and other policies approved by the Board of Directors.

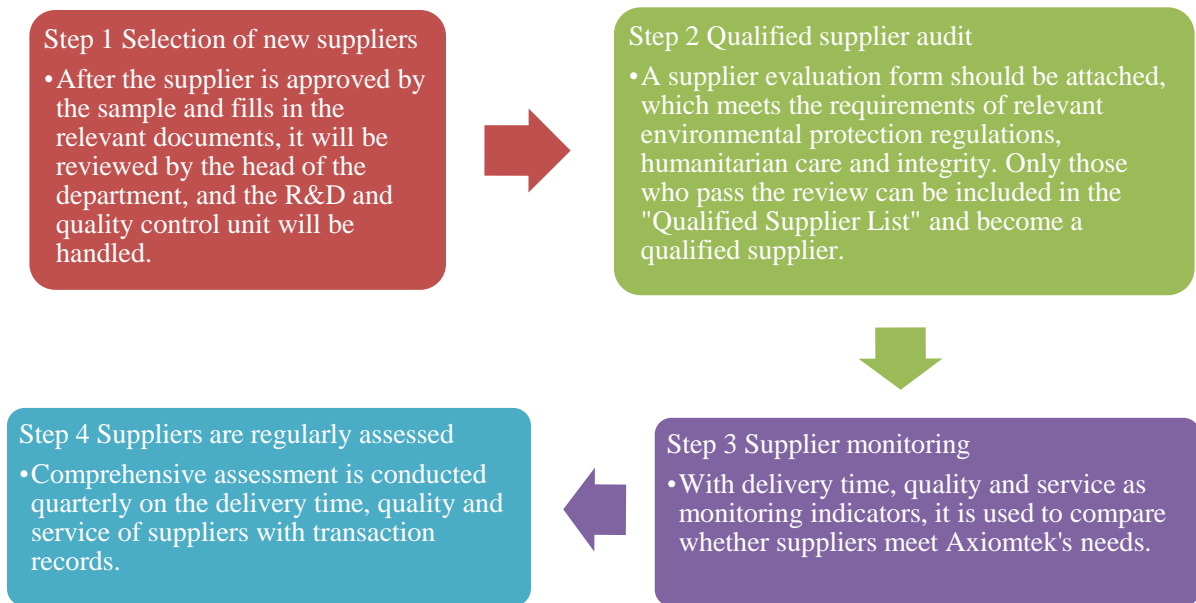
President: Huang, Jui-Nan

October 1, 2021

Note 8: Supplier audit and evaluation work

- Procurement management process

In order to enable raw material suppliers to establish a close working relationship and feedback system with Axiomtek, to improve product quality, and to supply materials required for production in a timely, appropriate and quality manner, to achieve stable quality and reduce costs, all cooperating suppliers must pass the evaluation standards set by Axiomtek's supplier management regulations to ensure that the raw materials can meet the regulatory requirements, and through the supplier's evaluation, regular evaluation mechanism, to manage the supplier's delivery status and quality.



- Supplier evaluation/audit

In order to evaluate the quality and added value of suppliers' products and services, Axiomtek conducts supplier evaluations on quality, delivery time and services once a quarter (executed in January, April, July and October), and according to the evaluation results, the level of follow-up contacts with suppliers will be determined. If the supplier's grade is below grade B (inclusive) and above grade C, the relevant unit will draw up an audit list based on the score at the quality meeting. The purchasing department confirms the audit schedule with the suppliers according to the list, and cooperates with QC, engineering, QA and other departments to conduct on-site audits and re-evaluate the suppliers.

- Judgment and handling of evaluation levels



(6) Situations and reasons for the implementation of ethical management and deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Operational Situation (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Did the Company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?</p> <p>(2) Does the Company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Did the Company specify operating procedures,</p>	V		<p>(1) In order to establish a corporate culture of integrity management and sound development, and to engage in business activities based on the principles of fairness, honesty, trustworthiness, and transparency, the Board of Directors has adopted the “Ethical Corporate Management Best Practice Principles” and “Operating Procedures and Conduct Principles for Ethical Corporate Management” to express the policies and practices of integrity management. Applicable objects include Directors, supervisors, managerial officers, employees, assignees, and persons with substantial control capabilities of the Company and Group organizations, and actively implement the commitment to the integrity management policy.</p> <p>(2) The Company has established the “Operating Procedures and Conduct Principles for Ethical Corporate Management” to clearly define dishonest behaviors and benefits and related preventive measures, and actively prevent untrustworthy behavior, and set up the “Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct” to launch the system for internal/external reporting of such behaviors and how they are managed. Every year when the internal control self-assessment is conducted, the validity of the design and implementation is re-examined to</p>	None

Evaluation Item	Operational Situation (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?			<p>implement the “Rules of Procedure for Adoption of Codes of Ethical Conduct” and “Ethical Corporate Management Best Practice Principles” established by the Company.</p> <p>(3) The Company has formulated the “Operating Procedures and Conduct Principles for Ethical Corporate Management” to specify operating procedures, behavioral guidelines, punishment, and appeal systems for violations, etc., to implement the integrity management policy. The Company always pays attention to the development of relevant standards for integrity management at home and abroad, and encourages Directors, managerial officers, and employees to make suggestions, regularly review and improve the Company's integrity management policies and measures to promote the effectiveness of the Company's integrity management.</p> <p>(4) The Company's Directors, managerial officers, servants, or persons with substantial control of the Company are strictly forbidden to directly, or indirectly, provide or accept any illegitimate interests or make other violations of integrity, or lawlessness or breach of fiduciary duty.</p> <p>(5) The employees of the Company are self-disciplined in the principle of honesty and integrity, honestly treating customers, investors, colleagues, suppliers, and adhering strictly to the rule of not accepting any improper gifts and hospitality.</p> <p>(6) The Company has established the “Axiomtek Co., Ltd. Rules of Procedure for Adoption of Codes of Ethical Conduct” to guide the Company's Directors, managerial</p>	



Evaluation Item	Operational Situation (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			officers, and all employees in complying with ethical standards.	
2. Fulfill operations integrity policy (1) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		The Company has established an “Ethical Corporate Management Best Practice Principles” which requires a contract with its agents, suppliers, customers or other business transactions, and its content should include compliance with the integrity management policy and the transaction of the relatives, such as dishonest behavior. The terms of the contract may be terminated or terminated at any time. The Company requires major suppliers to sign the “Axiomtek Integrity Commitment Letter” to establish a pure and honest long-term trading relationship, and jointly pursue the sustainable growth of the performance of both parties.	None
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		The Company has established the “Ethical Corporate Management Best Practice Principles” for the management of integrity in business operations. The CEO Office as the dedicated unit to be responsible for the formulation of the integrity management policy and prevention plan, and report to the Board of Directors on a regular basis once a year.	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The Company has established “Axiomtek Co., Ltd. Operating Procedures and Conduct Principles for Ethical Corporate Management” to provide guidance on the conduct of employees of the Company in the execution of their business in the event of a situation of conflict of interest. If the Directors or their legal representatives have a stake in the	

Evaluation Item	Operational Situation (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or CPAs on a regular basis?	V		<p>motions set forth by the Board of Directors, they shall disclose the nature of their interest and not be included in the related discussion or vote on the said motion or represent other Directors in exercising their voting rights.</p> <p>The Company has established an “Ethical Corporate Management Best Practice Principles” to establish an effective accounting system and internal control system and should review it at any time to ensure that the design and implementation of the system continues to be effective.</p> <p>The internal auditing unit of the Company regularly checks the compliance of the system of the preceding paragraph and submits an audit report to the Board of Directors.</p>	
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		<p>The Company has established an “Ethical Corporate Management Best Practice Principles”. The Chairman, general manager or senior management of the Company shall regularly communicate the importance of integrity to the Directors, servants and assignees Integrity, enthusiasm and innovation are the core values of the Company.</p> <p>The Company regularly organizes education, training and promotion for Directors, managerial officers, servants, assignees, and substantive controllers to fully understand the Company’s determination, policies, preventive measures and violations of dishonest behavior. In 2021, internal and external education training (including compliance with integrity management,</p>	

Evaluation Item	Operational Situation (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			accounting system and internal control and other related courses) related to the integrity management issue was held for 568 people, totaling 613 hours.	
<p>3. Operation of the integrity channel</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?</p> <p>(3) Does the Company provide proper whistleblower protection?</p>	V		<p>The Company has established the “Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct”. The feedback / reporting can be sent via the channel on the Company’s website. All interested parties can report by phone, email, or report. Information received is categorized accordingly and followed through by dedicated staff.</p> <p>The Company has established the “Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct”. It will provide confidentiality and protection for the whistleblower and the contents of the report. It will clearly communicate the investigation procedure and the investigation results.</p> <p>The Company will provide confidentiality and protection for the whistleblower and the content of the report. The personnel involved in the investigation of the reported case shall not disclose it without authorization, so as to avoid unfair treatment, retaliation or threat.</p>	None
<p>4. Strengthening information disclosure</p> <p>(1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s</p>	V		Post the “Ethical Corporate Management Best Practice Principles” and “Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct” on the Company website and Market Observation Post	None

Evaluation Item	Operational Situation (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
website and Market Observation Post System?			System.	
<p>5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>In order to establish a corporate culture of business integrity and sound development of business integrity, the Company has established an “Ethical Corporate Management Best Practice Principles” to be disclosed on the websites of the Company but with no regular advocacy. The Company has long upheld a business philosophy of integrity, fairness, transparency, and self-discipline, establishing good Corporate Governance and risk control mechanism to ensure sustainable development of the Company.</p>				
<p>6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies).</p> <p>(1) In order to enable new employees to fully understand the Company’s determination, policies, preventive measures and violations of dishonest behavior, the Company plans to strengthen the Company’s new personnel education and training courses.</p> <p>(2) Manufacturers who have ongoing business transactions, in addition to engaging with the Company in various business activities, should also comply with the Company’s “Axiomtek Co., Ltd. Operating Procedures and Conduct Principles for Ethical Corporate Management”. They should also be informed that they can use the Company’s reporting line to report on the Company’s colleagues who violate the code of conduct or are unethical.</p> <p>(3) Responsibilities of the unit responsible for integrity management:</p> <p>a. Assist in integrating integrity and ethical values into the Company’s business strategy and cooperate with laws and regulations to formulate relevant anti-fraud measures to ensure integrity in business.</p> <p>b. Regularly analyze and evaluate the risks of dishonest behavior in the business area and formulate plans to prevent dishonest behaviors based on this and formulate standard operating procedures and behavior guidelines related to work and business within each plan.</p> <p>c. Plan the internal organization, organization, and responsibility, and install a mutual supervision and check-and-balance mechanism for business activities with a higher risk of dishonesty within the business scope.</p> <p>d. Promotion and coordination of integrity policy advocacy training.</p> <p>e. Plan the reporting system to ensure the effectiveness of implementation.</p> <p>f. Assist the Board of Directors and management to check and evaluate whether the preventive measures established in the implementation of integrity management are operating effectively, and regularly evaluate and follow related business processes and prepare reports.</p> <p>(4) The implementation of the Company’s implementation of the integrity management policy in 2021:</p> <p>a. Law Compliance: The legal affairs unit promotes the promotion and education of all colleagues. In the monthly financial law column of electronic newsletter, various laws, and regulations, matters those colleagues should pay attention to when performing business, honest business operations, prohibition of dishonest behavior and damage to</p>				

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation	Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
<p>the interests of interested parties, and confidentiality obligations for the Company’s intellectual property rights, etc. are announced.</p> <p>b. Education Training: In 2021, internal and external education training (including compliance with integrity management, accounting system and internal control and other related courses) related to the integrity management issue was held for 568 people, totaling 613 hours.</p> <p>c. Whistleblower system and whistleblower protection: There are no reports of illegal, unethical, or dishonest behavior in 2021.</p> <p>d. The chief executive office of the unit responsible for integrity management has reported to the Board of Directors on the implementation of the 2021 Integrity management code and the expected work plan for 2022 on October 28, 2021.</p>				

Note 1: Regardless of whether the operation is checked “Yes” or “No”, it should be stated in the summary description field.

- (7) Please disclose the method to access to the Company’s Corporate Governance Best Practice Principles and related rules and regulations, if any:  
The Company has formulated the “Ethical Corporate Management Best Practice Principles” and related regulations, posted on public information sites, and it can be inquired on the Market Observation Post System (URL: [https://mops.twse.com.tw/mops/web/t100sb04\\_1](https://mops.twse.com.tw/mops/web/t100sb04_1)) or the “Corporate Governance Zone” of the Company’s website. (URL: [https://www.axiomtek.com/Default.aspx?MenuId=AboutUs&ItemId=841&C= Corporate + Governance](https://www.axiomtek.com/Default.aspx?MenuId=AboutUs&ItemId=841&C=Corporate+Governance))
- (8) Other information enabling better understanding of the Company’s Corporate Governance:  
Please refer to the Market Observation Post System:  
<https://mops.twse.com.tw/mops/web/index>

(9) The Implementation of the Internal Control System

A. Statement of internal control:

Axiomtek Co., Ltd.

Statement of Internal Control System

February 25, 2022

Based on the result of a self-assessment, Axiomtek Co., Ltd. (Axiomtek) States the following with regard to its internal control system during the year 2021:

- I. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The Company's internal control system is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.
- III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria defined in "the Regulations" include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to the "Operations Guide".
- IV. The Company has implemented the criteria of the internal control system referred to above to evaluate the effectiveness of internal control system design and implementation.
- V. The Company based on the assessment result referred to above have concluded that the internal control system (including the supervision and management over the subsidiaries) on December 31, 2021 is reasonably effective in achieving the objectives of operation effect and efficiency, financial report reliability, and compliance with related regulations.
- VI. This statement will be a key content in the Company's annual report and public documents. For public access. Any false and concealment of the published contents referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. The Statement of Internal Control System was approved by the Board of Directors on February 25, 2022 with all the 7 attending Directors all affirming the contents of this statement.

Axiomtek Co., Ltd.

Chairman of the Board: Yang, Yu-Te

President: Huang, Jui-Nan

B. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: None

(10) Punishment of the Company or its internal personnel in accordance with law, the Company's punishment of its internal personnel for violating internal control system regulations, main deficiencies, and improvements during the most recent year and up to the date of publication of this annual report: None.

(11) Major Resolutions of Shareholders' Meeting and Board Meetings in the most recent year and up to the date of printing of the Annual Report:

Major Resolutions of Shareholders' Meeting	Implementation Situation
<p>Major resolutions of the 2021 Shareholders' Meeting held on July 5, 2021:</p> <p>(1) 2020 Business Report and Financial Statements</p> <p>(2) 2020 Profit Distribution</p> <p>(3) Revision of partial Articles in the "Rules of Procedures for Shareholders' Meeting"</p> <p>(4) Revision of partial Articles in the "Methods for Election of Directors"</p> <p>(5) Re-election of All Directors</p> <p>(6) Release of the Prohibition on Directors from Participation in Competitive Business</p>	<p>Determined record date on August 9, 2021 and distributed cash dividends NT\$2.57013434 per share on August 20, 2021.</p> <p>Has operated under the revised procedures.</p> <p>Has operated under the revised procedures.</p> <p>The change registration was approved by the Ministry of Economic Affairs and announced on the Company's website on August 19, 2021.</p> <p>The Directors concurrently hold positions in other companies in accordance with the content of the release of the competition prohibition.</p>

Major Resolutions of Board of Directors
<p>Board of Directors held on March 24, 2022</p> <p>(1) Approve the proposals provided by the Remuneration Committee.</p>
<p>Board of Directors held on February 25, 2022</p> <p>(1) 2020 Remuneration Distribution to Employees and Directors.</p> <p>(2) 2020 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company.</p> <p>(3) 2020 Profit Distribution.</p> <p>(4) Effectiveness of 2020 internal control systems and statement of internal control system.</p> <p>(5) Set the base date for capital increase of employee stock option exercising and bondholders to apply for conversion of corporate bonds to convert new shares.</p> <p>(6) Effectiveness of 2021 internal control systems and statement of internal control system.</p> <p>(7) 2022 Business Plan.</p> <p>(8) Revision of partial Articles in the "Corporate Governance Best Practice Principles".</p> <p>(9) Revision of partial Articles in the "Corporate Social Responsibility Best Practice Principles" and renamed it as "Sustainable Development Best Practice Principles"</p> <p>(10) Revision of partial Articles in the "Operating Procedures for Acquisition and Disposal of Assets".</p>

## Major Resolutions of Board of Directors

- (11) Proposed renewal of the contract with Citi (Taiwan) Commercial Bank for an unsecured comprehensive credit line of USD\$12.8 million and a foreign exchange and derivative financial product transaction line of USD\$200,000.
- (12) The Company intends to provide an endorsement guarantee for the U.S. subsidiary, AXIOM TECHNOLOGY, INC. U.S.A. to apply to Citi (Taiwan) Commercial Bank for a comprehensive credit line of USD\$2 million.
- (13) Xizhi new factory decoration
- (14) Approve the proposals provided by the Nomination Committee.
- (15) Approve the proposals provided by the Remuneration Committee.
- (16) Release the prohibition on Directors from participation in competitive business.
- (17) Approve the proposal for convening the 2022 Shareholders meeting.

### Board of Directors held on December 17, 2021

- (1) Approve the proposals provided by the Remuneration Committee.

### Board of Directors held on October 29, 2021

- (1) Set the base date for capital increase of the employee stock option exercising and bondholders to apply for conversion of corporate bonds to convert new shares.
- (2) 2022 Internal Audit Plan
- (3) Recognize the Company intends to apply to Mega Bank for an unsecured comprehensive credit line of NTD\$0.15 billion.
- (4) Recognize the Company intends to apply to Taiwan Cooperative Bank for an unsecured comprehensive credit line of NT\$0.15 billion.
- (5) Recognize the Company intends to apply to E.Sun Bank for an unsecured comprehensive credit line of NT\$0.25 billion and a foreign exchange and derivative financial product transaction line of USD\$500,000.
- (6) Revision of partial Articles in the "Risk Management Policy".
- (7) Approve the proposals provided by the Remuneration Committee.

### Board of Directors held on August 26, 2021

- (1) Approve the acquisition of real estate for the use of the plant.
- (2) Approve the proposals provided by the Nomination Committee.
- (3) Approve the proposals provided by the Remuneration Committee.

### Board of Directors held on July 29, 2021

- (1) The Company regularly (at least once a year) evaluates the independence and competence of the certified public accountant every year.

### Board of Directors held on July 13, 2021

- (1) The Elected Chairman of the 12th Board of Directors
- (2) Appointed the convener and the chairman of the 5th Remuneration Committee and Selection Committee.
- (3) Elected members of the third Nominating Committee and the convener and chairman of the selection committee.
- (4) Set the base date for capital increase of the employee stock option exercising and bondholders to apply for conversion of corporate bonds to convert new shares.
- (5) Recognize the Company's contract renewal with the Far Eastern Bank for NTD loan.
- (6) Recognize the Company's contract renewal with the Taishin Bank for NTD loan.



## Major Resolutions of Board of Directors

Board of Directors held on June 16, 2021

- (1) Approve the proposals provided by the Nomination Committee.
- (2) Approve the proposals provided by the Remuneration Committee.
- (3) Approve the proposal to postpone the 2022 Shareholders meeting due to the epidemic.

Board of Directors held on April 29, 2021

- (1) Proposed renewal of the contract with the Taishin Bank for the application of NTD loans and derivative financial commodity transactions.

Board of Directors held on March 25, 2022

- (1) Approve the proposals provided by the Nomination Committee.
- (2) Approve the proposals provided by the Remuneration Committee.
- (3) Approve the Company's Board performance evaluation in 2021 will be evaluated by an external independent professional institution.

Board of Directors held on February 25, 2022

- (1) 2020 Remuneration Distribution to Employees and Directors.
- (2) 2020 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company.
- (3) 2020 Profit Distribution.
- (4) Effectiveness of 2020 internal control systems and statement of internal control system.
- (5) Set the base date for capital increase of employee stock option exercising and bondholders to apply for conversion of corporate bonds to convert new shares.
- (6) 2021 Business Plan.
- (7) Established the "Corporate Sustainability Committee".
- (8) Revision of partial Articles in the "Rules of Procedures for Shareholders meeting".
- (9) Revision of partial Articles in the "Methods for Election of Directors".
- (10) Revision of partial Articles in the "Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct".
- (11) Proposed renewal of the contract with the Hua Nan Bank for the application of NTD loans and derivative financial commodity transactions.
- (12) Proposed renewal of the contract with Mega Bank for NTD loan.
- (13) Comprehensive re-election of Directors.
- (14) Nomination of candidates for Directors (including Independent Directors)
- (15) Release the prohibition on new Directors and their representatives from participation in competitive business.
- (16) Approve the proposals provided by the Remuneration Committee.
- (17) Approve the proposal for convening the 2021 Shareholders meeting.

(12) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent year and up to the printing date of the Annual Report: None.

(13) Resignation or Dismissal of the Company's Chairman, President, Head of Accounting, Finance Officer, Internal Auditor, Corporate Governance Officer, and R&D Officers in the Most Recent Year and up to the Date of Printing of the Annual Report: None.

5. Information on the professional fees of the attesting CPAs

(1) Information on the attesting CPAs

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
PwC Taiwan	Feng, Ming-Chuan, Wu, Han-Chi	2021/1/1~ 2021/12/31	

(2) Professional fees of the attesting CPAs

Unit: NT\$ Thousand

Accounting Firm	Name of CPAs	Audit Period of CPAs	Audit Fee	Non-Audit Fee (Note)	Total	Remarks
PwC Taiwan	Feng, Ming-Chuan	2021/1/1~ 2021/12/31	2,210	400	2,610	
	Wu, Han-Chi					

Note: CPA tax attesting service fee.

- (3) If change CPA firm and the new CPA firm is commissioned to serve for an audit fee less than the previous year, please disclose the audit fees amount before and after the change, and reasons for doing so: None.
- (4) If the audit fees of the current year are more than 10% of the previous year, please disclose the audit fee amount and the ratio reduced and the reasons for the fee reduction: None.

6. Replacement of CPA: None.

7. The Company's Chairman, President, or any Managerial Officer in Charge of Financial or Accounting Matters has served in its Certified Public Accountant Firm or its Affiliated Enterprise in the Most Recent Year.

The Company's Chairman, president, or any officer in charge of financial or accounting affairs has served in its CPA Firm or its affiliated enterprise in the most recent year. The CPA firm's affiliates refer to those in which the accountants at the CPA firm hold more than 50% of the shares; or hold half the seats on the Board; or have been listed as affiliates or related institutions in the external communications or publications of the CPA firm: None.

8. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Managerial Officer or Shareholder with a Stake of More than 10% in the Most Recent Year and up to the Date of Printing of the Annual Report.

(1) Transfer of Equity Interests of Directors, Managerial officers, and Major Shareholders

Unit: Thousand shares

Title	Name	2021		As of March 31, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & Chief Strategy Officer	Yang, Yu-Te	70	0	0	0
Director	Advantech Co., Ltd.	5,005	0	0	0
Corporate Representative	Liu, Wei-Ting	0	0	0	0
Director	Tsai, Shih-Yang	1,000	0	0	0
Director & President	Huang, Jui-Nan	0	0	0	0
Independent Director	Lin, Yih-Jong	0	0	0	0
Independent Director	Chang, Jen-Chih	0	0	0	0
Independent Director	Yu, Chwo-Ming (Note 1)	0	0	0	0
Independent Director	Shon, Zheng-Yi (Note 2)	0	0	N/A	N/A
Vice President	David Chang	3	0	(27)	0
Vice President Head of Accounting & Finance Chief Corporate Governance	Jane Hsu	30	0	0	0
Vice President	Joanne Lin	0	0	60	0
Vice President	William Wu	48	0	36	0
Vice President	Henry Lin	21	0	0	0
Vice President	Gary Tsao	79	0	(48)	0
Vice President	Chiven Fan	30	0	34	0
Assistant Vice President	Joseph Chou	0	0	0	0
Assistant Vice President	Alex Pan	35	0	0	0
Assistant Vice President	Shang Hsieh	40	0	0	0

Note 1: Newly elected on July 5, 2021.

Note 2: Resigned on July 5, 2021.

(2) Shares Trading with Related Parties: None.

(3) Shares Pledge with Related Parties: None.

9. Relationship among the Top 10 Shareholders, Specify any Spousal or Within Two Degrees of Kinship.

Name (Note 1)	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Advantech Co., Ltd.	25,542,984	28.29	0	0.00	0	0.00	None	None	
Liu, Ke-Chen	0	0.00	0	0.00	0	0.00	None	None	
Wei-Te Investment Co., Ltd.	2,186,940	2.42	0	0.00	0	0.00	None	None	
Yan, Ya-Xian	58,279	0.06	1,648,512	1.83	0	0.00	Yang, Yu-Te	Spouse	
Yang, Yu-Te	1,648,512	1.83	58,279	0.06	0	0.00	Yan, Ya-Xian	Spouse	
Tsai, Shih-Yang	1,408,000	1.56	70,000	0.08	0	0.00	None	None	
Dong-Yu Investment Co., Ltd.	1,257,000	1.39	0	0.00	0	0.00	None	None	
Lin Mei-Ling	0	0.00	0	0.00	0	0.00	None	None	
JP Morgan Chase Bank Custody of JP Morgan Securities Co., Ltd. Account	1,083,026	1.20	0	0.00	0	0.00	None	None	
Citibank in custody for BNP Investment operated SNC Investment Account	1,041,000	1.15	0	0.00	0	0.00	None	None	
Henry Lin	920,172	1.02	0	0.00	0	0.00	None	None	
Li, Mei-Hui	891,835	0.99	0	0.00	0	0.00	None	None	
Trans Globe Life Insurance Inc.	750,000	0.83	0	0.00	0	0.00	None	None	
Peng, Teng-Fei	0	0.00	0	0.00	0	0.00	None	None	

Note 1: List the top 10 shareholders and where there are institutional shareholders, please specify the names of the institutional shareholders and their representative.

Note 2: Ratio of shareholding computed by names of own, spouse, and underage children or by nominee agreement.

Note 3: For the shareholders listed above, including juristic and natural persons, please specify the relationships in accordance with the Regulations Governing the Preparation of Financial Reports by Issuer.

10. The Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, its Directors, Managerial Officers, and any Companies Controlled either Directly or Indirectly by the Company.

None.

## IV. Capital Overview

### 1. Capital & Shares

#### (1) Source of Capital

April 20, 2022

Unit: Thousand shares / NT\$ Thousand

Year/ Month	Par Value (NT\$)	Authorized Capital Stock		Paid-in Capital		Remarks			
		Shares	Amount	Shares	Amount	Source of Capital		Capital Increased by Assets Other than Cash	Others
1990.05	10	500	5,000	500	5,000	Capitalization by cash	5,000	None	
1993.10	10	2,500	25,000	2,500	25,000	Capitalization by cash	20,000	None	1993.10.22 Built 3 No. 468933
1997.07	10	6,600	66,000	6,600	66,000	Capitalization by earnings	13,200	None	1997.07.01 Built-3A No. 191380
						Capitalization by employee bonus	1,800		
						Capitalization by cash	26,000		
1997.12	10	10,000	100,000	10,000	100,000	Capitalization by cash	34,000	None	1997.12.06 Jin (86) -Son-Tzi No.125056
1998.10	10	20,000	200,000	18,150	181,500	Capitalization by earnings	24,000	None	1998.10.23 Jin (87) -Son-Tzi No. 132915
						Capitalization by employee bonus	1,500		
						Capitalization by capital surplus	6,000		
						Capitalization by cash	50,000		
1999.07	10	48,000	480,000	27,111	271,115	Capitalization by earnings	28,133	None	1999.07.09 (88) Tai-Tsai-Cheng (1) No. 63808
						Capitalization by employee bonus	2,500		
						Capitalization by capital surplus	9,983		
						Capitalization by cash	49,000		
2000.09	10	48,000	480,000	31,773	317,735	Capitalization by earnings	35,245	None	1999.09.21 (89) Tai-Tsai-Cheng (1) No. 80073
						Capitalization by employee bonus	3,242		
						Capitalization by capital surplus	8,133		
2001.09	10	48,000	480,000	37,256	372,569	Capitalization by earnings	44,483	None	2001.09.24 (90) Tai-Tsai-Cheng (1) No. 159299
						Capitalization by employee bonus	3,954		
						Capitalization by capital surplus	6,397		
2002.09	10	48,000	480,000	37,850	378,506	Capitalization by employee bonus	5,937	None	2002.09.19 (91) Tai-Tsai-Cheng (1) No. 0910151937
2003.08	10	55,000	550,000	41,966	419,666	Capitalization by employee bonus	10,880	None	2003.08.19 (92) Tai-Tsai-Cheng (1) No. 0920137556
						Capitalization by earnings	30,280		
2004.08	10	73,000	730,000	49,800	498,000	Capitalization by employee bonus	19,580	None	2004.08.31 Jin-Kwong-Cheng (1) No. 0930138236
						Capitalization by earnings	58,753		
2005.03	10	73,000	730,000	50,695	506,950	Exercising of employee stock option	8,950	None	2005.03.07 Jin-So-Son-Tzi No.09401036770
2005.03	10	73,000	730,000	51,300	513,000	Exercising of employee stock option	6,050	None	March 25, 2005 Jin-So-Son-Tzi No.09401045930
2005.09	10	73,000	730,000	55,470	554,700	Issuance of new shares due to acquisition	41,700	None	2005.09.29 Jin-So-Son-Tzi No.09401191220
2005.12	10	110,000	1,100,000	59,844	598,440	Capitalization by employee bonus	16,000	None	2005.12.01 Jin-So-Son-Tzi No.09401240760
						Capitalization by earnings	27,735		

Year/ Month	Par Value (NT\$)	Authorized Capital Stock		Paid-in Capital		Remarks			
		Shares	Amount	Shares	Amount	Source of Capital		Capital Increased by Assets Other than Cash	Others
2006.01	10	110,000	1,100,000	60,075	600,750	Exercising of employee stock option	2,313	None	2006.01.26 Jin-So-Son-Tzi No.09501011230
2006.04	10	110,000	1,100,000	60,270	602,698	Exercising of employee stock option	1,950	None	2006.04.14 Jin-So-Son-Tzi No.09501066830
2006.05	10	110,000	1,100,000	61,295	612,948	Issuance of new shares due to acquisition	10,250	None	2006.05.25 Jin-So-Son-Tzi No.09501093740
2006.07	10	110,000	1,100,000	61,482	614,823	Exercising of employee stock option	1,875	None	2006.07.17 Jin-So-Son-Tzi No.09501146430
2006.09	10	110,000	1,100,000	65,073	650,728	Capitalization by employee bonus	17,000	None	2006.09.04 Jin-So-Son-Tzi No.09501191500
						Capitalization by earnings	18,906		
2006.10	10	110,000	1,100,000	66,348	663,478	Exercising of employee stock option	12,750	None	2006.10.18 Jin-So-Son-Tzi No.09501234950
2007.01	10	110,000	1,100,000	66,819	668,191	Exercising of employee stock option	4,713	None	2007.01.16 Jin-So-Son-Tzi No.09601007650
2007.04	10	110,000	1,100,000	66,879	668,791	Exercising of employee stock option	600	None	2007.04.26 Jin-So-Son-Tzi No.09601083520
2007.08	10	110,000	1,100,000	71,501	715,005	Capitalization by employee bonus	19,000	None	2007.08.29 Jin-So-Son-Tzi No.09601208700
						Capitalization by earnings	27,214		
2007.10	10	110,000	1,100,000	72,198	721,980	Exercising of employee stock option	6,975	None	2007.10.22 Jin-So-Son-Tzi No.09601259870
2008.04	10	110,000	1,100,000	72,792	727,925	Exercising of employee stock option	5,945	None	2008.04.22 Jin-So-Son-Tzi No. 09701093000
2008.07	10	110,000	1,100,000	72,830	728,300	Exercising of employee stock option	375	None	2008.07.17 Jin-So-Son-Tzi No. 09701177410
2008.09	10	160,000	1,600,000	75,886	758,858	Capitalization by earnings	30,559	None	2008.09.24 Jin-So-Son-Tzi No.09701246410
2008.10	10	160,000	1,600,000	76,361	763,608	Capitalization by earnings	4,750	None	2008.10.23 Jin-So-Son-Tzi No. 09701266930
2009.09	10	160,000	1,600,000	78,557	785,565	Capitalization by earnings	15,014	None	2009.09.02 Jin-So-Son-Tzi No. 09801199630
						Capitalization by employee bonus	6,943		
2009.09	10	160,000	1,600,000	78,832	788,320	Exercising of employee stock option	2,755	None	2009.09.17 Jin-So-Son-Tzi No.09801211840
2011.04	10	160,000	1,600,000	77,343	773,430	Cancellation of treasury stock	(14,890)	None	2011.04.06 Jin-So-Son-Tzi No. 10001066460
2013.10	10	160,000	1,600,000	77,431	774,310	Exercising of employee stock option	880	None	2013.10.31 Jin-So-Son-Tzi No. 10201218350
2014.01	10	160,000	1,600,000	77,654	776,540	Exercising of employee stock option	2,230	None	2014.01.23 Jin-So-Son-Tzi No. 10301009960
2014.04	10	160,000	1,600,000	78,074	780,740	Exercising of employee stock option	4,200	None	2014.04.18 Jin-So-Son-Tzi No. 10301068460
2014.07	10	160,000	1,600,000	78,093	780,930	Exercising of employee stock option	190	None	2014.07.30 Jin-So-Son-Tzi No. 10301145850
2015.01	10	160,000	1,600,000	78,345	783,450	Exercising of employee stock option	2,520	None	2015.01.23 Jin-So-Son-Tzi No. 10401009090
2015.04	10	160,000	1,600,000	78,807	788,070	Exercising of employee stock option	4,620	None	2015.04.29 Jin-So-Son-Tzi No. 10401077580

Year/ Month	Par Value (NT\$)	Authorized Capital Stock		Paid-in Capital		Remarks			
		Shares	Amount	Shares	Amount	Source of Capital		Capital Increased by Assets Other than Cash	Others
2015.11	10	160,000	1,600,000	79,031	790,310	Exercising of employee stock option	2,240	None	2015.11.12 Jin-So-Son-Tzi No. 10401238090
2017.11	10	160,000	1,600,000	79,313	793,130	Exercising of employee stock option	2,820	None	2017.11.10 Jin-So-Son-Tzi No. 10601154790
2018.03	10	160,000	1,600,000	79,386	793,860	Exercising of employee stock option	730	None	2018.03.14 Jin-So-Son-Tzi No. 10701026710
2018.06	10	160,000	1,600,000	79,418	794,180	Exercising of employee stock option	320	None	2018.06.13 Jin-So-Son-Tzi No. 10701065620
2018.11	10	160,000	1,600,000	79,621	796,206	Exercising of employee stock option	1,680	None	2018.11.21 Jin-So-Son-Tzi No. 10701143180
						Conversion of convertible bond	346		
2019.03	10	160,000	1,600,000	79,684	796,836	Exercising of employee stock option	630	None	2019.03.19 Jin-So-Son-Tzi No. 10801028580
2019.11	10	160,000	1,600,000	80,395	803,954	Exercising of employee stock option	1,130	None	2019.11.28 Jin-So-Son-Tzi No. 10801165850
						Conversion of convertible bond	5,987		
2020.04	10	160,000	1,600,000	81,900	819,001	Exercising of employee stock option	500	None	2020.04.08 Jin-So-Son-Tzi No. 10901043830
						Conversion of convertible bond	14,547		
2020.08	10	160,000	1,600,000	82,403	824,033	Exercising of employee stock option	1,740	None	2020.08.27 Jin-So-Son-Tzi No. 10901155770
						Conversion of convertible bond	3,292		
2020.11	10	160,000	1,600,000	82,595	825,953	Exercising of employee stock option	1,610	None	2020.11.18 Jin-So-Son-Tzi No. 10901213720
						Conversion of convertible bond	310		
2021.03	10	160,000	1,600,000	83,450	834,499	Exercising of employee stock option	2,330	None	2021.03.16 Jin-So-Son-Tzi No. 11001043700
						Conversion of convertible bond	6,217		
2021.08	10	160,000	1,600,000	84,414	844,136	Exercising of employee stock option	311	None	110.08.19 Jin-So-Son-Tzi No. 11001130530
						Conversion of convertible bond	653		
2021.11	10	160,000	1,600,000	88,483	884,829	Exercising of employee stock option	125	None	110.11.17 Jin-So-Son-Tzi No. 11001207530
						Conversion of convertible bond	3,944		
2022.03	10	160,000	1,600,000	90,202	902,025	Exercising of employee stock option	70	None	111.03.28 Jin-So-Son-Tzi No. 11101041660
						Conversion of convertible bond	1,650		

Unit: Share

Type of Share	Authorized Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Common Stock	90,262,484	69,737,516	160,000,000	Authorized capital stock, of which 10,000 thousand shares are reserved for exercising employee stock options.

Note: It is the number of shares listed on Taipei Exchange as of March 26, 2022.

## (2) Shareholder Structure

March 26, 2022

Shares \ Items	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	12	67	8,697	80	8,857
Shareholding (shares)	4	1,816,738	32,476,329	47,969,941	7,999,472	90,262,484
Percentage	0.00	2.01	35.98	53.15	8.86	100.00

## (3) Shareholding Distribution Status

March 26, 2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 - 999	1,672	230,194	0.26
1,000 - 5,000	5,607	11,212,017	12.42
5,001 - 10,000	741	5,819,053	6.45
10,001 - 15,000	257	3,320,438	3.68
15,001 - 20,000	157	2,887,858	3.20
20,001 - 30,000	131	3,343,208	3.70
30,001 - 40,000	80	2,849,218	3.16
40,001 - 50,000	36	1,635,442	1.81
50,001 - 100,000	93	6,655,456	7.37
100,001 - 200,000	42	5,918,292	6.56
200,001 - 400,000	27	7,482,568	8.29
400,001 - 600,000	3	1,435,992	1.59
600,001 - 800,000	2	1,493,279	1.65
800,001 - 1,000,000	2	1,812,007	2.01
1,000,0001 or over	7	34,167,462	37.85
Total	8,857	90,262,484	100.00



## (4) List of Major Shareholders

List all shareholders with a stake of 5 percent or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list.

March 26, 2022

Shareholder's Name	Shares	Shareholding (Shares)	Percentage (%)
Advantech Co., Ltd.		25,542,984	28.29
Wei-Te Investment Co., Ltd.		2,186,940	2.42
Yang, Yu-Te		1,648,512	1.83
Tsai, Shih-Yang		1,408,000	1.56
Dong-Yu Investment Co., Ltd.		1,257,000	1.39
JP Morgan Chase Bank Custody of JP Morgan Securities Co., Ltd. Account		1,083,026	1.20
Citibank in custody for BNP Investment operated SNC Investment Account		1,041,000	1.15
Henry Lin		920,172	1.02
Li, Mei-Hui		891,835	0.99
Trans Globe Life Insurance Inc.		750,000	0.83

## (5) Market Price, Net Worth, Earnings, and Dividends per Share in the Most Recent 2 Years

Unit: NT\$ / Thousand shares

Item		Year	2021	2020	1/1/2022~4/20/2022 (Note 8)
Market Price per Share (Note 1)	The Highest		58	59	72.00
	The Lowest		48.7	45	54.70
	Average		53.42	54.54	64.33
Net Worth per Share (Note 2)	Before Distribution		34.15	31.68	None
	After Distribution		31.10	29.07	None
Earnings per Share	Weighted Average Shares		85,546	82,272	None
	Earnings Per Share (Note 3)		4.57	3.73	None
Dividend per Share	Cash Dividends		3.05	2.6	None
	Stock Dividends	From Retained Earnings	0	0	None
		From Capital Surplus	0	0	None
	Accumulated Undistributed Dividends (Note 4)		0	0	None
Return on Investment Analysis	Price-Earnings Ratio (Note 5)		11.60	14.39	None
	Price / Dividend Ratio (Note 6)		17.38	20.65	None
	Cash Dividend Yield Rate (Note 7)		5.75%	4.84%	None

\* if recapitalizing surplus or capital reserve, please disclose the market price and cash dividend data adjusted retrospectively after the shares have been distributed.

- Note 1: List the highest and lowest market prices of common stocks for each year and calculate the average market price for each year based on the annual transaction value and volume.
- Note 2: The number of shares issued at the end of the year shall prevail and shall be filled in according to the resolution of the Board of Directors or the Shareholders' meeting of the following year.
- Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.
- Note 4: If the issuance condition stipulates that undistributed cash dividends must be accumulated until the year in which surplus is made, please disclose separately the accumulated but undistributed dividends at the cut-off date.
- Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share
- Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
- Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.
- Note 8: The net worth per share and earnings per share should be filled with the information audited (reviewed) by CPAs up to the date of printing of the annual report, other fields should be filled with the information of the current year up to the printing date of the annual report.

(6) Dividend Policy and the Implementation Status

A. The dividend policy defined by the Articles of Incorporation

Article 27-1:

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 Act of the Republic of China with a resolution adopted at a meeting of shareholders.

The Dividend Policy of the Company is in concert with the development plan of current and future, the environment of investment, funds requirement, and the competition condition of domestic and foreign, also considers the shareholders' interest, as results, the Company shall set aside earnings available for distribution which is not less than 25% as shareholders' dividends and bonuses, the stock dividends of share allocations will not be higher than 80% of the total dividends and bonuses.

Article 27-2:

When the Company incurs no loss, it may authorize the legal reserve(only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed) and the capital reserve following the provisions of the Company Law of the Republic of China 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.

B. Resolution for dividends distribution of the Board of Directors

February 25, 2022 the Board meeting resolved to distribute the 2021 earnings in dividends amounting to NT\$ 275,117,576, or NT\$3.05 per share. After more than two-thirds of the Directors of the Board of Directors are present, and more than half of the Directors present have passed the resolution, it should be report to the Shareholders meeting in accordance with the law and authorize the Chairman to set additional

dividend base date and payment date and other related matters. If the surplus distribution before the dividend base date is due to a change in the Company's share capital, which affects the number of shares in circulation, resulting in a change in the shareholder's dividend rate, the Chairman of the Board of Directors is authorized to adjust the dividend distribution ratio based on the actual shares outstanding on the record date for distribution. Regarding the cash dividend distribution this time, the cash dividend is to be calculated to the integral number with all decimals truncated. And all the truncated decimals from all distorted figures are accumulated to a summation amount which will then be adjusted among shareholders - in the order of decimal of each cash dividend amount from big to small as well as in the order of account number from the top to the bottom - until the total amount of cash dividend actually paid out can match that in the book.

C. Any expected significant changes in dividend policy: None

- (7) The impact of stock dividend as proposed in Shareholders' Meeting on the operation performance and earnings per share of the Company: None.

The distribution of stock dividend was not proposed in this Shareholders' Meeting and therefore does not apply.

- (8) Remuneration to Employees and Directors

A. Information Relating to Remuneration of Employee and Directors in the Articles of Incorporation:

Article 27:

This Company shall set aside 1%-20% as employees' remuneration and the percentage lower than 2% as Directors' remuneration if the Company has profit (means the pre-tax income before deduction of the employees' and Directors' remuneration) in the current year. However, the Company's accumulated deficit shall have been covered, if any (including the adjustment of unappropriated retained earnings).

The Company may have the profit distributable as employees' remuneration in the preceding paragraphs distributed in the form of shares or in cash to the qualification requirements of employees, including the employees of parents or subsidiaries of the Company meeting certain specific requirements, the requirement and manner of distribution are authorized to Board of Directors for resolution. The remuneration of Directors in the preceding paragraphs only can receive the profit in the form of cash.

B. The estimation base for the distribution of remuneration to employees and Directors, the calculating basis for the distribution of stock dividends, and the accounting process for the difference between the actual amount distributed and the estimated amount:

- (A) The current period was based on the pre-tax income before deduction of the employees' and Directors' remuneration with 8.59 % and 0.89 % as the employees' and Directors' remuneration ratio, respectively. In 2021, the estimated employee's remuneration was NT\$44,755,000 and the Directors' remuneration was NT\$ 4,633,000; all paid in cash.

In addition to the employee remuneration estimates set out in the above charter, the Company's remuneration policy stipulates the payment of three festival bonuses in addition to the year-end bonuses. And based on the goals achieved by the Company or unit during the year, operating and performance incentive will be awarded by quarterly or semi-annually.

The Company's salary policy, performance evaluation twice a year, employee remuneration and promotion adjustment in July every year, the average salary adjustment range of employees in 2021 is as follows:

Category	Average Employee Salary Adjustment (% , recurring salary)	Remarks
Estimated salary adjustment (Note 1)	3%~4%	Reflecting the rising trend of prices and responding to the government's policy of encouraging companies to raise wages for their employees.
Actual salary adjustment (Note 2)	3%~4%	Average employee salary adjustment in 2021.
Salary adjustment of non-manager (Note 2 、 3)	3%~4%	Salary adjustment every year based on the duties, positions, special professional abilities, etc. of colleagues.
Salary adjustment of manager (Note 2 、 3)	2%~3%	According to the performance of the manager, different salary adjustments are given.

Note 1: The average employee salary adjustment is disclosed by the Company voluntarily. The information is the Company's estimated average salary adjustment in 2022.

Note 2: The average employee salary adjustment is disclosed by the Company voluntarily. The information is the Company's actual average salary adjustment in 2021.

Note 3: The scope of application of the manager is stipulated in the letter of the letter No. 0920001301 of the Taiwanese financial certificate on March 27, 2003. The scope of the manager is as follows:

- (1) President and the equals
- (2) Vice President and the equals
- (3) Assistant Vice President and the equals
- (4) Finance Department Head
- (5) Chief Accounting Officer
- (6) Other authorized personnel for management and signature

The adjustment of the average salary (recurring salary) of non-manager employees refers to the general employees who are not in the former supervisor-level positions and do not serve as Directors.

(B) Basis for calculating the number of shares remunerated by the employees of the stock: None, the employee's remuneration for the current period will be paid in cash.

(C) 2021 profit distribution of cash dividend was approved by the Board of Directors on February 25, 2022.

According to the 27-1 of the Article of Incorporation, the Company shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of Directors and such distribution shall be submitted to the Shareholders' Meeting.

If the amount of the distribution of the resolution is different from the estimated number of shares, it shall be treated according to the changes in the accounting estimates and adjusted into the profit and loss of the current year in the resolution year of the Board of Directors.

C. Remuneration of employee and Directors approved by the Board of Directors:

(A) Remuneration of employees and Directors to be distributed in cash or stock. If there is a difference between the estimated annual amounts of the recognized expenses, the number of differences, the reason and the situation should be disclosed.

On February 25, 2022 the Board approved the distribution of the 2021 employee remuneration and Directors' remuneration, and the difference with the annual estimated amount of the recognized expenses is as follows:

Unit: NT\$

Item	Remuneration to Employees	Remuneration to Directors	Deal with Discrepancy
Recognition of the annual estimated expenses (A)	44,755,000	4,633,000	None
Proposed distribution by the Board of Directors (B)	44,755,000	4,633,000	
Difference (B) - (A)	0	0	

(B) The proportion of the employee's remuneration distributed by stock and the total net profit after tax and the total amount of employee compensation for the individual or individual financial report for the current period: Not applicable, the employee remuneration for 2021 will be paid in cash.

- D. The actual allocation for remuneration employee and Directors in the previous year (including the number, amount, and stock price of allocated shares), the discrepancy between the actual distribution and the estimated figures, if any, and cause and treatment thereof:

On February 26, 2021 the Directors' resolution on the 2020 annual employee remuneration and Directors' remuneration, and the difference with the annual estimated amount of the recognized expenses is as follows:

Unit: NT\$

Item	Remuneration to Employees	Remuneration to Directors	Deal with Discrepancy
Recognition of the annual estimated expenses (A)	48,010,000	4,365,000	None
Proposed distribution by the Board of Directors (B)	48,010,000	4,365,000	
Difference (B) - (A)	0	0	

- (9) Buy-back of Treasury Stock: None.

## 2. Corporate Bonds

### (1) Issuance of Corporate Bonds

April 20, 2022

Type of Corporate Bond (Note 2)	1 <sup>st</sup> Domestic Unsecured Convertible Bonds (Note 5)
Issue (offering) date	December 13, 2016
Denomination	NT\$100,000
Issuing and transaction location (Note 3)	None
Issue price	NT\$100 (issue price)
Total price	NT\$420,000,000
Coupon rate	Coupon rate 0%
Tenure	5 years, expiry date: December 13, 2021
Guarantee agency	None
Consignee	Mega International Commercial Bank
Underwriting institution	KGI Securities
Certified lawyer	Handsome Attorney-at-Law, Lawyer Qiu, Ya-Wen
CPA	PwC CPAs Feng, Min-Chuan and Hsu, Hsien-Chong
Repayment method	One-time payment of face value in cash upon expiration
Outstanding principal	NT\$0
Terms of redemption or advance repayment	Please refer to the Company's "First domestic issuance of unsecured conversion of corporate bonds and conversion measures"
Restrictive clause (Note 4)	None
Name of credit rating agency, rating date, rating of corporate bonds	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs, or other securities
	Issuance and conversion (exchange or subscription) method
	Already converted to common stock totaling NT\$417,700,000
	Please refer to the Company's "First domestic issuance of unsecured conversion of corporate debt and conversion measures"
Issuance and conversion, exchange, or subscription method, issuing condition dilution, and impact on existing shareholders' equity	No significant impact
Transfer agent	None

Note 1: The corporate bonds include public offering corporate bonds and private placement corporate bonds. The public offering corporate bonds mean those validated (approved) by the Commission. The private placement corporate bonds mean those resolved and approved by the Board of Directors.

Note 2: The number of fields depends on the actual number of adjustments.

Note 3: To be filled out by overseas corporate debtors.

Note 4: For example, limiting the distribution of cash dividends, foreign investment, or the requirement to maintain a certain proportion of assets.

Note 5: Any privately placed corporate bonds shall be prominently identified as such.

Note 6: In the case of convertible corporate bond, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method or corporate bonds with warrants, it is necessary to further disclose the information about convertible corporate bonds, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method and corporate bonds with warrants by nature in a column format.

(2) Convertible Bonds

Type of Corporate Bond (Note 1)		1 <sup>st</sup> Domestic Unsecured Convertible Bonds
Year		2021/01/01~2021/12/13
Market price of the convertible bond (Note 2)	Highest	129.00
	Lowest	112.00
	Average	112.75
Convertible Price		45.20
Issue date and conversion price at issuance		Issued Date: December 13, 2016 Conversion price at issuance: NT\$60.80/share
Conversion methods (Note 3)		Issuing of new shares

Note 1: The number of fields is adjusted according to the actual number of transactions.

Note 2: If overseas corporate bonds have multiple trading locations, please identify each of trading location.

Note 3: Deliver issued shares, or issue new shares.

Note 4: Specify the information available up to the date of printing of the annual report.

3. Preferred Stock

None

4. Global Depository Receipts

None

## 5. Employee Stock Options

- (1) For employee stock option that have not yet expired shall disclose their status up to the date of printing of the annual report and the impact on shareholders' equity

April 20, 2022

Type of Employee Stock Options (Note 2)	2018 Employee Stock Options	2020 Employee Stock Options
Effective registration date	April 02, 2018	October 13, 2020
Issue (offering) date (Note 4)	April 12, 2018	October 29, 2020
The number of units issued	1,600 (1,000 shares each unit)	4,300 (1,000 shares each unit)
Shares of stock options to be issued as a percentage of outstanding shares (%)	1.95%	5.22%
Duration	5 years	6 years
Conversion measures (Note 3)	Issue new shares	Issue new shares
Conditional exercising periods and percentages	Granted after 2 years 40% Granted after 3 years 70% Granted after 4 years 100%	Granted after 2 years 40% Granted after 3 years 60% Granted after 4 years 80% Granted after 5 years 100%
Exercised shares	625,000 (shares)	0 (share)
Exercised amount	NT\$ 28,561,300	NT\$ 0
Number of shares yet to be exercised	975,000 shares	4,300,000 shares
Adjusted exercise price for those who have yet to exercise their rights	NT\$ 43.8	NT\$ 48.4
Unexercised shares as a percentage of total issued shares	1.08 %	4.76 %
Impact on possible dilution of shareholdings	The granted employee stock option after 2 years shall be exercised conditioned subscription period and ratio; also, the number of shares to be subscribed is 1.08 % of the outstanding shares. There is no significant impact on shareholders' equity.	The granted employee stock option after 2 years shall be exercised conditioned subscription period and ratio; also, the number of shares to be subscribed is 4.76 % of the outstanding shares. There is no significant impact on shareholders' equity.

Note 1: Employee stock option certificate handling includes the public offering and private equity employee stock option certificates. The public stock employee stock option certificate in the process refers to that which has already taken effect in this meeting; the private equity employee stock option certificate in the process refers to the resolution passed by the Shareholders' Meeting.

Note 2: The number of positions is adjusted according to the actual number of times.

Note 3: The delivery of the issued shares or the issue of new shares should be indicated.

Note 4: If the date of issue (handling) is different, they should be filled out separately.

Note 5: Private investors should be highlighted accordingly.



(2) Names of managerial officers and the top ten employees who have obtained employee stock option certificates up to the date of printing of the annual report

A. 2018 Employee Stock Option

April 20, 2022

	Title (Note 1)	Name	No. of Stock Options (1,000 shares)	Stock Options as a Percentage of Shares Issued (Note 4)	Exercised (Note 2)				Unexercised (Note 2)			
					No. of Shares Converted (1,000 shares)	Exercising (NT\$) (Note 5)	Option Amount (Thousand NT\$)	Percentage of Options to Total Issued Shares (Note 4)	No. of Shares Converted (1,000 Shares)	Exercising Price (NT\$) (Note 5)	Option Amount (Thousand NT\$)	Percentage of Options to Total Issued Shares (Note 4)
Managerial Officers	Chief Strategy Officer	Yang, Yu-Te	960	1.06%	553	45.48	25,148	0.61%	407	43.8	17,827	0.45%
	Vice President	David Chang										
	Vice President	Jane Hsu										
	Vice President	Joanne Lin										
	Vice President	William Wu										
	Vice President	Henry Lin										
	Vice President	Gary Tsao										
	Vice President	Chiven Fan										
	Assistant Vice President	Joseph Chou										
	Assistant Vice President	Alex Pan										
	Assistant Vice President	Shang Hsieh										
	Employee (Note 3)	Subsidiary President										
Subsidiary President		Stanley Chang										
Subsidiary Vice President		Eric Chiang										
Subsidiary Vice President		Norm Chian										
Subsidiary Vice President		STARRETT DAVID PETER										

Note 1: includes managerial officers and employees (please specify if resigned or deceased), disclose individual name and role, total options awarded.

Note 2: The number of fields depends on the actual number of adjustments.

Note 3: Top 10 employees with exercisable options refers to non-managerial employees.

Note 4: Total quantity shares issued refers to the shares from the registration changes by the Economics Division.

Note 5: For exercised options, price must be disclosed at the time of exercise.

Note 6: For unexercised options, disclose adjusted option price as computed by the issuer.

B. 2020 Employee Stock Option

April 20, 2022

	Title (Note 1)	Name	No. of Stock Options (1,000 shares)	Stock Options as a Percentage of Shares Issued (Note 4)	Exercised (Note 2)				Unexercised (Note 2)			
					No. of Shares Converted (1,000 Shares)	Exercising (NT\$) (Note 5)	Option Amount (Thousand NT\$)	Percentage of Options to Total Issued Shares (Note 4)	No. of Shares Converted (1,000 Shares)	Exercising Price (NT\$) (Note 5)	Option Amount (Thousand NT\$)	Percentage of Options to Total Issued Shares (Note 4)
Managerial Officers	President	Huang, Jui-Nan	1,750	1.94%	0	0	0	0	1,750	48.4	84,700	1.94%
	Chief Strategy Officer	Yang, Yu-Te										
	Vice President	David Chang										
	Vice President	Jane Hsu										
	Vice President	Joanne Lin										
	Vice President	William Wu										
	Vice President	Henry Lin										
	Vice President	Gary Tsao										
	Vice President	Chiven Fan										
	Assistant Vice President	Alex Pan										
Employee (Note 3)	Senior Special Assistant	Skin Huang	1,170	1.30%	0	0	0	0	1,170	48.4	56,628	1.30%
	Director	Seamus Su										
	Director	Alan Hsu										
	Director	Sonny Hsu										
	Senior manager	Leo Liu										
	Subsidiary President	Bill Shen										
	Subsidiary President	Stanley Chang										
	Subsidiary Vice President	Eric Chiang										
	Subsidiary Vice President	Norm Chian										
	Subsidiary Manager	Ryan Chen										
Subsidiary Vice President	STARRETT DAVID PETER											

Note 1: includes managerial officers and employees (please specify if resigned or deceased), disclose individual name and role, total options awarded.

Note 2: The number of fields depends on the actual number of adjustments.

Note 3: Top 10 employees with exercisable options refers to non-managerial employees.

Note 4: Total quantity shares issued refers to the shares from the registration changes by the Economics Division.

Note 5: For exercised options, price must be disclosed at the time of exercise.

Note 6: For unexercised options, disclose adjusted option price as computed by the issuer.

6. Status of Restricted Employee Shares

- (1) Restricted employee shares that, as of the printing date of the annual report, have not met the vesting conditions and their impact on equity rights must be disclosed : None.
- (2) Cumulative to the printing date of the annual report, the name and subscription status of the top ten employees holding restricted shares certificates and quantity: None.

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions

- (1) Those who have completed the merger or the transfer of new shares of the Company's shares in the most recent year and up to the date of printing of the annual report, disclose the following:
  - A. Appraisal opinion issued by the underlying securities underwriter of the latest quarter's merger or acquisition of new shares of his Company's shares: None.
  - B. In the most recent quarter, if the implementation progress or the benefits are not up to the target, the impact on shareholders' equity and improvement plan should be specified: None.
- (2) In the most recent year and the date of printing of the annual report, the Board of Directors has resolved to pass the merger or transfer of shares of the Company to issue new shares, the implementation of the Company and the basic information of the Company being acquired or transferred: None.

8. Financing Plans and Implementation

(1) Finance Plan:

- A. Approved date and document number of the competent authority:
  - (a) On May 17, 2016, the Board meeting passed the resolution for the 1st domestic issuance of unsecured convertible corporate bonds. As approved by the Financial Supervisory Commission (FSC) on June 16, 2016 per the letter of approval of No. 1050022240.
  - (b) In response to changes in the domestic capital market and seeking a better time for issuance, the Company applied to the FSC for a 3-month extension of the issuance period for the convertible bonds and document No. 1050036756 issued by the FSC on September 2, 2016 as approval on record. The solicitation period was extended to December 15, 2016.
- B. Total fund required by the Plan: NT\$500 million.
- C. Source of fund:
  - (a) Issue 4,200 1<sup>st</sup> domestic unsecured convertible corporate bonds at par value of NT\$100,000; duration: 5 years; total issue amount: NT\$420 million.
  - (b) Shortfall of 80 million to be self-funded or via bank loan.

D. Issuance Plan & Estimated Benefit:

Unit: NT\$ Thousand

Project	Scheduled Completion Date	Total Fund Required	Projected Progress of the Fund Utilization	
			2016	2017
			Q4	Q1
Increase in Working Capital	2017 Q1	500,000	120,000	380,000
Total		500,000	120,000	380,000
Projected Benefits Summary	<p>In 2016 Q4 and 2017 Q1, the Company raised NT\$120 million and NT\$380 million respectively adding a total of NT\$500 million to our working capital. This eliminated the need for loans from financial institutions, reducing the burden of interest payments. At the present average borrowing interest rate of 1.25%, the Company saved NT\$125,000 in interest payments in 2016 with expected interest savings totaling NT\$6.25 million in the coming years. This enables the Company to gradually reduce financial obligations and enhance our ability to repay debts. A sound financial structure will benefit the Company's overall operating capacity and development.</p>			

(2) Implementation

Project	Operational Status (as of 2017 Q1)			Status of Progress, Ahead or Behind, and the Cause and Corrective Action Plan
Increase in Working Capital	Expenditure	Scheduled	500,000	Fully completed in 2017 Q1.
		Actual	500,000	
	Progress (%)	Scheduled	100	
		Actual	100	

## V. Operation Highlights

### 1. Business Activities

#### (1) Business Scope:

- A. Main areas of business of operations of the Company:
- (A) Office machines manufacturing
  - (B) Electronic parts and components manufacturing
  - (C) Retail sale of electronic materials
  - (D) Data processing services
  - (E) Digital information supply services
  - (F) Product designing
  - (G) Computer equipment's installation construction
  - (H) Wired communication equipment and apparatus manufacturing
  - (I) Telecommunication equipment and apparatus manufacturing
  - (J) Computers and computing peripheral equipment manufacturing
  - (K) Precision instruments manufacturing
  - (L) Apparatus installation construction
  - (M) Software design services
  - (N) Retail sale of computing and business management equipment
  - (O) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

#### B. Revenue distribution

Unit: NT\$ Thousand; %

Main Products	2021	
	Amount	%
Intelligent Platforms & Solutions Products	2,119,531	41.81
Design-in Services Products	2,099,461	41.41
Others	850,614	16.78
Total	5,069,606	100.00

#### C. Main products (services) of the Company

Key products planned by Intelligent Platforms & Solutions Products (IPS), Design-in Service Products (DIS) and Others.

#### D. Development of new products (services)

- (A) Designed certified embedded computer systems and touch panel PC for intelligent transportation applications.
- (B) Developed Industrial IoT applications, including IoT gateways, machine vision systems, AI artificial intelligence systems, modular embedded computer platforms and cloud edge computing servers; for factory automation, AGV/AMR, smart transportation, and smart energy applications.
- (C) Continuous to develop diverse touch panel computers with modular design and streamline look. It can accelerate the development process and reduce time & costs.
- (D) A new generation IT/OT network security application platform designed for industrial cybersecurity applications; providing high flexibility and easy expansion to meet the needs of customers for rapid integration.
- (E) To develop medical grade computer and high-performance PC; providing customized system for hospitals and equipment manufacturers through

customized services will meet the computer computing platforms required by various equipment.

- (F) Develop smart retail related computer modules and digital screen player systems and provide customized services.
- (G) Continue to develop new generation embedded boards and SoM computer modules for MXM; provide Design-in fast customization services.

## (2) Industry Overview

### A. Industry overview and development

With the rise of AI, 5G and IoT, industries such as smart factories, smart transportation, autonomous robotics, high performance computing, smart cities, and telemedicine are gradually developing. In the expanding spectrum of applications, products are becoming more diversified with an increasing need for software. Design specifications or customized services have emerged to meet the need for specific certification across the various industries. From an overall perspective, the market will continue to expand. Industrial computer manufacturers have access to a comprehensive infrastructure of upstream, mid-stream and downstream facilities, a large pool of technical talent, an extensive network of overseas production bases and long-term strategic partnership with international manufacturers. All these factors are conducive to the ongoing development of our industrial computers industry.

### B. Relationship between up-stream, mid-stream, and down-stream

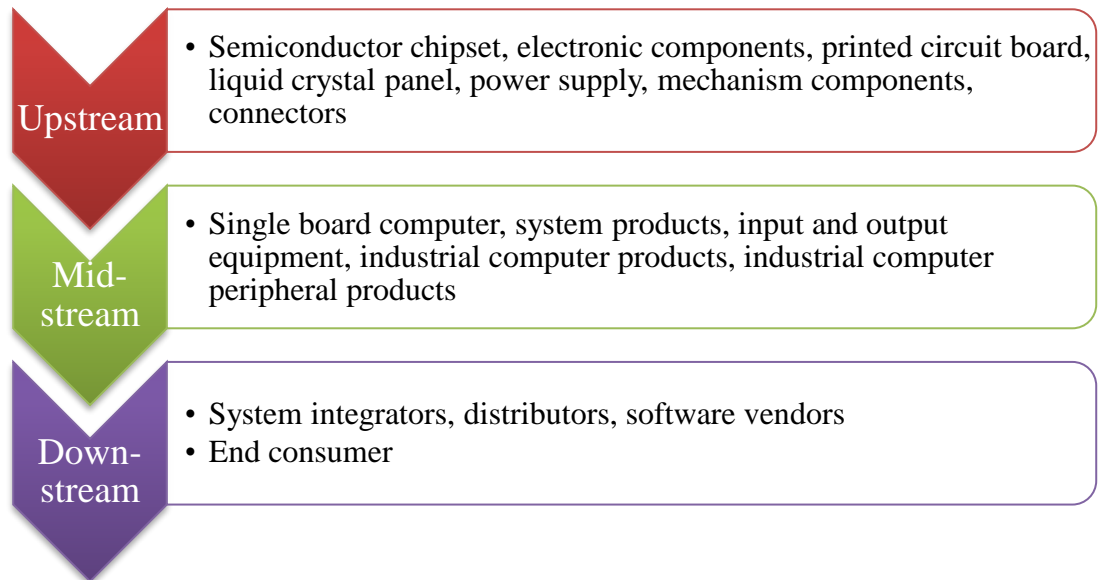
Industrial computer single-board products and related interface cards are produced based on customer needs and are widely used in various applications. Upstream refers to the suppliers and outsourcing manufacturers of the related components, materials, and devices. Midstream refers to the products manufactured by the Company, and downstream refers to the specific sales models to be applied accordingly based on the characteristics of the products.

The upstream for industrial computers is similar to that for general PCs. As such, the range of upstream products is wide and includes components, mechanisms, storage devices for special applications, chipsets, CPUs, PCBs, memory, logic ICs, passive components, fiber optic modules, connectors, power supplies, and LCDs.

The mid-stream segment includes single-board computers, system products, industrial computer products, touch-screen tablets, and industrial computer peripheral products. Application is targeted for outdoors and semi-outdoor use where severe environmental conditions demand characteristics like stability, reliability, waterproof, dustproof, anti-fouling, anti-vibration, anti-static, power-saving, high and low temperature resistance, and professional certification. Due to the wide range of industrial applications and the corresponding varied needs, industrial computers are often customized or developed on a project basis. This customization and project-oriented business produces low-volume but highly diversified products. In addition, the uniqueness and high value-add of these products have enabled their prices to remain comparatively resistant to the declining price of the commercial computer, ensuring stability of gross profit.

With potential customers coming from various industries, industrial computers are mostly enhanced accordingly to increase their value-added before being sold to the final application supply chain. Value added enhancements are done via suppliers with engineering backgrounds like system integrators (SIs), distributors, software suppliers or value-add resellers.

## Relationship chart of up-stream, mid-stream and down-stream



### C. Product development trend

- (A) Combining AI, IoT, 5G, and HPC application development technologies: artificial intelligence, the Internet of Things, and 5G era gradually led to the future concept and the expected development of smart cities. The application market is growing towards more diversification, and the industrial computer industry is still growing to a considerable extent space.
- (B) Customers value design engineering capabilities and professional services: As the diversified application market is blooming everywhere, customers value product technical capabilities and flexible customization services. The low-volume and highly varied product characteristics form a high entry-barrier for most industries. Also, the high-performance integration features of the products require deep market penetration complemented by flexible customization services, giving this product line considerable competitive edge.
- (C) The increasing demand for industrial cybersecurity, smart city, and smart energy applications: Provide network security appliance platform integrating IT and OT on the Internet of Things system architecture, as well as industrial Internet of Things gateways for target applications.
- (D) Smart retail and smart medical platforms: The progress of the retail business in smart technology has created a sales environment where immersive experiences are introduced. In the medical part, the control host system of large-scale testing instruments, mobile medical carts, bedside computer information computers are the focus of future product development.

### D. Industrial competition

At present, there are many industrial computer companies which have the own advantages of flexible production and specializing in niche markets. Industrial computers are customized with a small number of diverse industrial characteristics. Each manufacturer has developed unique core capabilities in the vertical application field. In terms of product strategy, the Company emphasizes the R&D design engineering capabilities and flexible customization service capabilities, adheres to the goal of pursuing professional product certification and high quality, with strict quality control and after-sales technical services; currently it has obtained many well-known manufacturers. The Company has become a formidable player in the industrial computer industry.

Domestic manufacturers with key products similar to ours are listed as follows:

Key Competitor	Major Business Scope
Advantech	Industry measurement and control products, industrial computer products, industrial workstations, embedded computer cards, ultra-thin LCD computers, Ethernet switches, industrial-grade wireless solutions, serial communication cards
IEI	Industrial control interface card, industrial control motherboard, industrial computer products, industrial computer peripheral products
Aaeon	Single board computer and peripheral equipment, computer PC/104 series products, industrial workstation series
Adlink	Measurement products, automation products, communication, and computer products
Lanner	Network communication products, industrial computers, computer switches, embedded computers
iBase	Single board computer motherboard, embedded computer motherboard and system

(3) Research and Development

A. Ratio of R&D expenses to Revenue

Unit: in NT\$ Thousand / %

Item	2021	As of March 31, 2022
R&D expenses	488,175	124,852
Operating revenue	5,069,606	1,484,822
Ratio of R&D expenses to Revenue (%)	9.63	8.41

B. Technology or product developed successfully

Product Type	Item
Intelligent Platforms & Solutions Products	<ul style="list-style-type: none"> <li>● The iHPC300 built on the 3rd Gen Intel® Xeon® Scalable platform has forty powerful cores for accelerated AI inference and training performance. It supports up to six accelerator cards to facilitate machine learning and video processing.</li> <li>● The IPC950 is powered by the 11th generation Intel® Core™ i7/i5/i3 processor, based on Intel's third-generation 10nm process technology. The compact industrial computer is designed to deliver powerful computing to handle heavy loading and multi-task applications in factory or machine automation.</li> <li>● Axiomtek's ICO300-83M is ATEX, Class I Division 2 (CID2) certified DIN-rail fanless embedded system for hazardous environments where ignitable concentrations of flammable gases or liquids might exist.</li> <li>● The E-Mark certified UST510-52B-FL is powered by the LGA1151 Intel® Xeon®, 9th/8th generation Intel® Core™ i7/i5/i3 with up to 65W TDP.</li> <li>● The IPC970 is powered by the Intel® Xeon® or 10th generation Intel® Core™ i7/i5/i3 processors and supports NVIDIA® GeForce RTX™ 3090 graphics card with 10,496 CUDA cores.</li> <li>● The GOT815W-511 adopts a 15.6-inch FHD TFT flat bezel LCD display with 1920 x 1080 resolutions. The HMI features five IP66-rated M12-type I/O connectors and a wide range power input of 9V to 36V DC for reliable operation.</li> </ul>



Product Type	Item
Design-in Services	<ul style="list-style-type: none"> <li data-bbox="475 215 1437 315">● The KIWI310 is a high-performance credit card-sized embedded board powered by the Intel® Atom® processor which supports Linux, Android, and Windows operating systems.</li> <li data-bbox="475 327 1437 472">● The OPS520 is powered by the latest 11th generation Intel® Core™ i7/i5/i3 processors. Its ultra-quiet fan design makes the unit excellent for interactive whiteboard applications used in meeting rooms and classrooms.</li> <li data-bbox="475 483 1437 584">● The high-performance CAPA13S responds to the need of delivering immersive 4K graphics and multi-screen display as well as vivid 3D graphics.</li> <li data-bbox="475 595 1437 741">● The MANO540 is powered by the FCLGA1200 10th Gen Intel® Core™ i9/i7/i5/i3 processor and supports two 260-pin DDR4-2933/2666/2400 SO-DIMM sockets and ubiquitous high-speed data transfer interfaces, including PCIe 3.0, USB 3.2 Gen1 and SATA-600.</li> <li data-bbox="475 752 1437 898">● The server-grade ATX motherboard IMB700 powered by the latest dual LGA4189 socket 3rd Gen Intel® Xeon® scalable processors (code name: Ice Lake-SP) with the Intel® C621A chipset. It is targeted at markets requiring accelerating high-performance computing for deep learning workloads.</li> <li data-bbox="475 909 1437 1055">● The NA870 is powered by the dual LGA4189 sockets 3rd Gen Intel® Xeon scalable processors (code name: Ice Lake-SP). It can manage numerous connected computers through the integration of up to eight expandable NIC modules.</li> </ul>

(4) Long-term and Short-term Business Development Plans

Presently, we have already developed a varied range of embedded computer systems present, machine vision systems, IoT gateways, multi-touch projected capacitive tablet PCs and network security application platform products for industry verticals. Only by grasping the changing factors of various industries and gaining insight into market sales opportunities can we continue to grow steadily. Grounded by this principle, we will continue to deepen our R&D and provide mature products to meet new market demands.

A. Short-term business development plan

(A) Business marketing strategy

- a. Market our brand globally and focus on R&D, manufacturing and sales. Strengthen our software and hardware technology integration to equip our customers with more and diverse information.
- b. Establish Axiomtek European headquarters to get closer to European markets for an in-depth understanding of the needs of their respective customers in vertical applications.
- c. Enhance the R&D design team and high-end system assembly capabilities of US subsidiaries, and directly serve the North American market and deep-customized services in vertical applications.
- d. Add software and firmware value-added services, with design-in as a requirement, accelerate the added value of software and hardware integration, and improve service quality and customer satisfaction.
- e. Use Salesforce Service Cloud application and platform to optimize sales and marketing, customer service and IT.

(B) Product development

- a. Edge computing and high-performance PC: develop industrial and embedded computer systems and touch panel PC with emphasis on mission-critical, a sturdy and structured system, and modular design capability, trending

- towards machine vision applications, 5G, AI and IoT applications: factory automation, smart transportation, smart energy, and medical industry; obtain professional certifications in vehicle, rail transit, and explosion protection.
- b. Gaming industry-specific computer platform and smart retail: Develop Video Mixer technology and game console Player Tracking System platform for the Gaming industry. Develop a highly integrated digital signage player that meets Intel® SDM and Intel® OPS open architecture as well as self-service kiosk for rapid market introduction.
  - c. Embedded board and SoM computer modules: Continuous development of products and the provision of MXM expansion modules and Design-in rapid customization services, copied to overseas locations, allowing the Company to continue to maintain its leading position in this field.
  - d. Cloud application computer and network application hardware platform: adopt modular design and flexible system assembly to accelerate market development. Use dedicated teams to provide customized services and develop remote monitoring technology IPMI, high-speed Ethernet mode Group and SDN application platform.
- B. Long-term business development plan
- (A) Business marketing strategy
    - a. Continue to market our own brands globally, actively establishing more sales bases and technical bases, expanding our marketing channels and realize localized services, and deliver excellence in localized customer operations and project management.
    - b. Align our strategy and tactical execution with the sales strategies of our global Key Accounts and Channel Partners, expanding our sales capability and supporting our customers in market expansion.
    - c. Market our brand globally and focus on R&D, manufacturing and sales. Strengthen our software and hardware technology integration to equip our customers with more and diverse information.
    - d. Enhance the added value of software and hardware integration in our products, replicate successful cases, shorten the timeline for customers to develop products, and create a win-win model.
    - e. Through cloud-based Salesforce programs and platforms, leverage IT technology to effectively manage customer relationships and specialized projects and using integrated digital marketing to enhance customer experience.
  - (B) Product development
    - a. Edge computing and high-performance PC: develop industrial and embedded computer systems and touch panel PC with modular design and industrial aesthetics, towards the development of artificial intelligence and industrial IoT applications: factory automation, smart rail, medical, and smart energy industry; combined with video, sound, the core technology of robotic arm and self-propelled car provides a full range of AIOT industrial automation technology.
    - b. Gaming industry-specific computer platform and smart retail: Develop Video Mixer technology and game console Player Tracking System platform for the Gaming industry; cultivate our vertical expertise and integration capabilities, enhance the value-add of our products. Develop a highly integrated digital signage player and self-service kiosk that meets Intel® SDM and Intel® OPS open architecture for rapid market introduction.
    - c. Embedded boards and SoM computer modules: Continuous development of embedded computer boards to meet the needs of customers in a variety of

applications. High-density ultra-small boards with excellent performance are used in mobile communication-related fields, featuring high-performance, miniaturized design, modularization, wide temperature, shockproof, fanless, ultra-low power consumption, and MXM expansion modules. Design-in's fast-customized service capabilities give customers a flexible choice.

- d. Cloud application computers and network application software platform: target the cloud applications and network security applications markets, develop cloud-based edge computing servers, remote monitoring technology IPMI and high-speed Ethernet module and build the infrastructure for SDN network security.

(C) Vertical Market Technology

- a. Smart transportation and autonomous robotics solutions: Develop technologies such as rail transit certification and outdoor dedicated computers, and obtain professional certifications such as vehicle, rail transit, ship and explosion-proof. The IP67 system is equipped with a GPU-based core graphics processing unit, which is specially designed for outdoor fields and severe environments, such as smart cities, smart manufacturing, and smart transportation, which require AI edge computing and deep learning applications.
- b. Factory automation and smart energy: Provide machine vision solutions combined with Real-time Vision I/O cards, high-performance central processor efficiency and connectivity. Robust, durable industrial design for machine vision applications such as vision guidance, industrial inspection and OEM machine vision applications.
- c. Smart medical industry: All-round standard embedded system product line, with multi-function, high flexibility and expandability, through modular I/O and optional interface, tailor-made exclusive operation mode to satisfy customers project requirements. Combining AI artificial intelligence with efficient and reliable computer hardware, deep learning technology makes medical technology more intelligent, improving medical care experience and treatment effect.
- d. Gaming industry and smart retail: Develop Gaming industry-specific computer motherboards and system platforms, as well as Intel® OPS/OPS plus and SDM digital signage players & self-service kiosk, with familiar technical knowledge and customization capabilities, that can quickly import game console entertainment industry and emerging smart retail market.
- e. High performance PC and network security: Develop a series of high-performance edge computing servers and complete network security hardware platform, combined with software and hardware compatibility testing, fanless, modular and industrial design, and alliance with Intel Network Builder Program and strategic partners, deep dive into the field of cloud applications and network security.

## 2. Market and Sales Overview

### (1) Market analysis

#### A. Sales districts for main products

Unit: in NT\$ Thousand / %

Sales Districts		2021		2020	
		Amount	%	Amount	%
Local		311,165	6.14	260,661	5.66
Export	America	2,236,558	44.12	1,948,761	42.34
	Europe	1,105,720	21.81	1,193,080	25.92
	Asia	1,400,938	27.63	1,185,310	25.75
	Others	15,225	0.30	14,967	0.33
Export Subtotal		4,758,441	93.86	4,342,118	94.34
Total		5,069,606	100.00	4,602,779	100.00

#### B. Market share

Industrial computers have a variety of industrial characteristics. The Company continues to introduce new products and open up new markets, continuously striving to become a world-class leader by applying innovative technology in the fields of smart transportation, smart energy and factory automation. We foresee great potential for growth. Presently, there is no reliable or complete data nation-wide on the industrial computer industry. As such, it is impossible to clearly know the market share of the Company.

#### C. Future supply & demand and growth of market

From the early traditional industrial control to today's era of "artificial intelligence and IoT applications", the industrial computer industry continues to expand in the market and application projects. With Taiwan's professional expertise in various aspects of the computer industry, we are now acknowledged as the world's largest computer producing country. With rapidly increasing global demand, our industry has the advantage of the capability to support the computer hardware as well as the development and management of the corresponding applications. We expect the industrial computer market to expand grow consistently over the next decade.

##### (A) Supply & Demand

###### a. Demand:

With the increasing expansion and demands of industrial IoT and Industry 4.0, we expect an inevitable trend in the development of 5G, AIoT, and edge computing, anticipating the rise of demand in smart factories, the robot industry, intelligent transportation, smart healthcare, renewable energy, smart retail, and smart city-related industries. In the continuous expansion of new applications, product categories are trending towards diversity and the pursuit of exclusive customization services. Overall, the market will continue to expand.

###### b. Supply:

Develop intelligent system products and align with strategic partners to fulfill the customers' demands. The Company values service and product quality and has established a professional quality engineering and customer service team to enhance customer relations, building a good reputation and goodwill to achieve vertical integration of the product value chain.

##### (B) Future Market Growth:

The demand for industrial PCs and related peripheral products is growing steadily year on year. In the future, with the continuous development of

artificial intelligence and the IoT, industrial computers will gradually penetrate into daily life (e.g., smart transportation, smart cities, smart factories, smart medical services and retail, etc.). Hence, we expect the demand for industrial computers and the related products and services continue to heat up in the future.

D. Competitive niche

(A) Comprehensive Product Lines

In the industry, Axiomtek is one of the companies with a complete line of products and solutions. The Company's products include touch panel computers, machine vision systems, AI platforms, network appliances, digital signages, transportation application platforms, industrial Internet of things gateway, and embedded boards & modules.

(B) Leading R&D technology

Focus on domain-focused technology development and innovation capabilities. Continuously develop vertical application market-specific solutions and enhance added value and product quality in the vertical application market.

(C) Sales Network

Establish a complete global marketing channel network, deepen customer relationships in various regions, understand customer needs and provide comprehensive services. To-date, we have maintained long-term cooperation and good interaction with many well-known large manufacturers.

(D) Professional Services Team

Our talented and diverse R&D team is well-versed in product specifications and related vertical application needs, and actively assist in servicing the customers. The team can quickly understand customer needs, provide prototypes in time and drive production, deploying the relevant engineering and technical personnel to respond to customers' questions, striving to match customer's special working environment and meet their service needs.

E. Positive and negative factors for future development, and response to such factors

(A) Positive factors

a. Rich and excellent products, strong research, and development capabilities

The Company has excellent research and development capabilities and has been marketing internationally for over 30 years. Our team of highly competent hardware and software engineers continuously innovate and develop products that meet various industrial needs for different industries and different needs, including smart factories, rail transit, medical, smart retail, and gaming markets.

b. Successful Strategic Industry Alliance

Form alliances with strategic partners to create complete solutions and plan joint marketing activities to increase brand awareness. In-depth development of the vertical application market, currently selected factory automation, smart transportation, smart energy, medical, and smart retail to jointly create a complete solution.

c. Strong and rigorous global sales network

We work with dozens of distributors and value-added partners in five continents (Europe, America, Asia, Australia, and Africa). Our subsidiaries in Europe, the United States, Japan, and the mainland promote our brand and sell our products in the local market, building excellent relationships with customers and providing on-time support. Our order sources are stable and continue to grow.

d. Stronghold on Industry Management

Effective product and operational management in the industrial computer

business require high professional technology and domain know-how, emphasis on integration and service experience, continuous learning, and skills upgrade, which is challenging to implement. Also, market development is a long-haul process. As such, the entrance threshold for this business is relatively high and competitive.

(B) Negative factors

- a. The development trend of the vertical application market is becoming more complex, with emphasis on system integration capabilities.

Response measures:

Bring together market demand and customer-centric and obtain future technical requirements and market strategies through customized projects, quickly respond to product design engineering and Domain Know-How, and develop intelligent system products.

- b. High export sales increasing exchange risks

Response measures:

Presently, the Company's financial unit has appointed a person dedicated to collating exchange rate changes at any time, grasp the trend of exchange rate changes, and to provide timely information and advice on the most appropriate time to buy or sell foreign exchange, and the impact of exchange rate changes when quoting to customers. The above measures will ensure reasonable profits.

- c. Market information deficiency

Response measures:

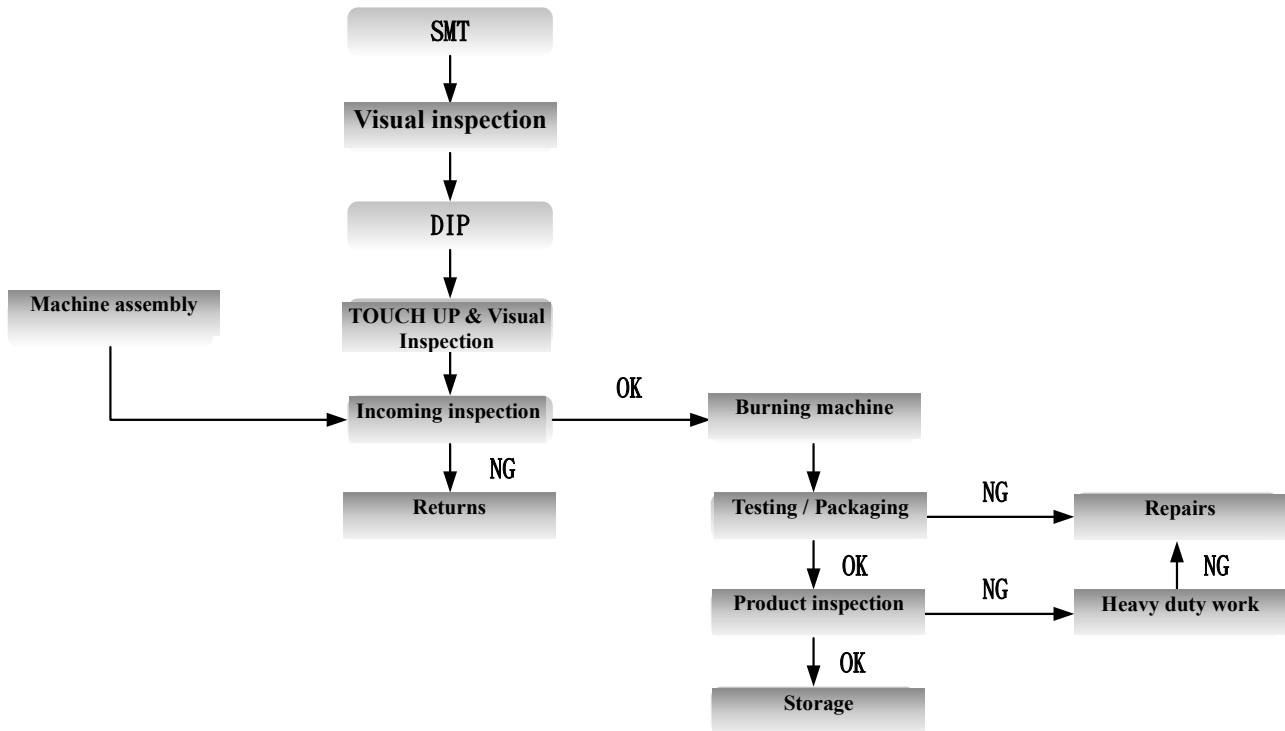
The customers of industrial computers are scattered across various industries. The industry has made inroads into the market through distributors or subsidiaries. Because there is no direct interface with the end consumers, getting to grips with the demand trend of industrial computers is a challenge. In the future, we will actively establish more sales bases and technical bases, expand marketing channels, and realize localized services, and do a good job in local customer operations and project management, so as to grasp the changing market demand situation.

(2) Production Procedures of Main Products

A. Key purpose of main products:

Main Products	Primary Use / Functionality
Intelligent Platforms & Solutions Products	The most promising vertical applications for factory automation, process automation, smart energy, and transportation applications. The intelligent computer platform is designed for industrial and harsh environment, including touch panel computers, machine vision systems, AI platform and embedded computer; attain professional certification, modular design, flexible integration, and durability.
Design-in Services Products	Develop core technology products for cloud applications, smart retail, and gaming, develop cloud application servers and modular network application platforms, digital signage players and provide fast customized services.

## B. Manufacturing Process of Main products



### (3) Supply status of main materials

Over the years, the suppliers of the main raw materials of the Company's products have come from large domestic and foreign manufacturers with good quality reputation and maintained long-term stable cooperation relationship, so that the Company is not lacking in the production of raw materials. List of main suppliers:

Name of Material	Domestic and Foreign Supplier
Chip sets, central processing units	Synnex, Arrow, Wei Keng
IC	Arrow, WT, Macnica Galaxy Inc., Morrihan, Silicon Application Corp., Avnet
Memory & storage module	Transcend, Innodisk
PCB	Everlast Win, Circuitech Precision Electronics
LCD panel	Kyocera, Promate, Innotron
Power supply	FSP Group (FSP)
Industrial computer casing	Tzang Yang, Chyuan-Jyh
Connectors	Supercon Technology, Helm
Capacitor	Nichidenbo, Honey Hope Honesty

- (4) List of customers who account for more than 10% of the total amount of goods sold in any of the past two years - amount and proportion of the goods sold.

A. A list of suppliers who have accounted for more than 10% of the purchase amount in any of the past two years: Unit: NT\$ Thousand

Item	2021				2020				As of March 31, 2022			
	Name	Amount	Percentage of total net procurement (%)	Relation with supplier	Name	Amount	Percentage of total net procurement (%)	Relation with supplier	Name	Amount	Percentage of total net procurement (%)	Relation with supplier
1	Supplier A	528,161	14.03	N/A	Supplier A	289,584	11.07	N/A	None			
	Others	3,236,059	85.97	N/A	Others	2,326,069	88.93	N/A				
	Net procurement	3,764,220	100.00		Net procurement	2,615,653	100.00					

Note 1: Specify the name of the supplier with more than 10% of the total purchase amount in the last two years and the quantity and proportion of the purchase, but per contract do not reveal the name of the supplier or the object of the transaction as an individual and non-related person, which can be codenamed.

Note 2: As of the date of publication of the annual report, companies that have listed or sold shares in the securities dealers 'premises should be disclosed if they have the most recent period audit reviews or financial data approved by accountants.

Reasons for change or decrease: Mainly the Company's procurement strategy and consideration of market price changes, the procurement of its suppliers have increased or decreased.

B. A list of clients who have accounted for more than 10% of the revenue in any of the past two years: Unit: NT\$ Thousand

Item	2021 (Note 2)				2020				As of March 31, 2022 (Note 3)			
	Name	Amount	Percentage of total net sales (%)	Relation with client	Name	Amount	Percentage of total net sales (%)	Relation with client	Name	Amount	Percentage of total net sales (%)	Relation with client
1	Others	5,069,606	100.00	N/A	Others	4,602,779	100.00	N/A	None			
	Net sales	5,069,606	100.00		Net sales	4,602,779	100.00					

Note 1: Specify the name of the customer with more than 10% of the total sales amount in the last two years and the quantity and proportion of the purchase, but per contract do not reveal the name of the customer or the object of the transaction as an individual and non-related person, which can be codenamed.

Note 2: There were no customers who reached more than 10% of the total sales in 2021 and 2020..

Note 3: As of the date of publication of the annual report, companies that have listed or sold shares in the securities dealers 'premises should be disclosed if they have the most recent period audit reviews or financial data approved by accountants.



## (5) Production in the past 2 years

Unit: PCS; NT\$ Thousand

Year	2021			2020		
Output volume	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Main products						
Intelligent Platforms & Solutions Products	788,767	921,900	2,315,021	733,581	787,879	1,656,447
Design-in Services Products	859,406	838,469	1,997,964	763,669	727,354	1,352,553
Others	80,000	153,992	388,427	80,000	98,747	184,388
Total	1,728,173	1,914,361	4,701,412	1,577,250	1,613,980	3,193,388

## (6) Shipments and Sales in the past 2 years

Unit: PCS; NT\$ Thousand

Year	2021				2020			
Shipment & Sales	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Main products								
Intelligent Platforms & Solutions Products	13,475	159,123	155,174	1,960,408	10,938	132,606	129,016	1,775,639
Design-in Services Products	25,075	82,654	389,400	2,016,807	8,014	55,644	359,943	1,874,170
Others	548,269	69,388	315,138	781,226	733,774	72,411	314,547	692,309
Total	586,819	311,165	859,712	4,758,441	752,726	260,661	803,506	4,342,118

## 3. Human Resources

Item	Year	2021	2020	As of March 31, 2022
Number of Employees	Sales	108	112	125
	G&A	118	89	120
	R&D	296	271	270
	Manufacturing	247	284	264
	Total	769	756	779
Average Age		40.73	39.79	40.79
Average Years of Service		7.35	7.26	7.50
Education Ratio (%)	Ph.D.	0.26	0.13	0.26
	Master	18.65	17.99	18.36
	Bachelor's Degree	62.30	59.26	63.28
	Senior High School	18.39	20.11	18.89
	Below Senior High School	2.12	2.51	2.11

#### 4. Disbursements for Environmental Protection

Any losses suffered by the Company in the most recent fiscal year and up to the annual report printing date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the content of regulation violated and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

(1) Total of losses and disposition due to environmental pollution

In the most recent year and up to the date of the printing date of the annual report, there was no loss or punishment due to environmental pollution.

(2) Future plans (including improvement measures) and potential expenses.

The nature of our Company's business does not give rise to environmental pollution incidents; as such, there is no need for specific preventative measures to be implemented. All waste generated from our business operation is handled by a qualified professional waste management vendor.

(3) Adherence to the EU Restriction on Hazardous Substances (RoHS) guide

The Company's response to RoHS can be categorized as follows:

A. Supply chain management:

To ensure that raw materials and component parts meet the standards for environmental protection, the environmental protection team has already disseminated the guidelines and provided relevant training and guidance to the suppliers. This green supply chain is regularly audited with measures in place to gradually phase out non-compliant suppliers, driving root cause management to minimize risks.

B. R&D management:

All component parts and raw materials used by the R&D Division must come with environmentally friendly certificates. If R&D needs to change materials or any component parts, the supplier must present the corresponding certification for these materials or parts, which will be assessed by the R&D engineers.

C. Product quality management

At the time of incoming inspection, all materials are subject to XRF testing to confirm that they do not contain restricted or banned substances. When the final product is made, a reverse test analysis must be performed to determine again compliance with EU RoHS regulations.

D. Manufacturing and production:

All production bases of the Company are equipped to produce environmentally friendly products, including the material management systems, process control and lead-free production equipment, and since 2006, have obtained certification of many world-class manufacturers. Since Q4 2005, production began for RoHS-compliant products. Currently, the products being developed by the Company have fully met the requirements of EU RoHS, and the related products are being sold in the market.

#### 5. Labor Relations

(1) Employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees.

A. Employee benefits:

The Company aims to create a safe working environment, fulfill the corporate social

responsibility, and take care of employees. In addition to providing labor and health insurance, pensions, family care leave, medical leave, pre- and post-natal leave, paternity leave, and childcare leave, etc. in accordance with the law, other employee benefits are listed below:

- (A) For the Xizhi headquarters, implement flexi-time working hours and provide free commute to and from work (XinDian Line, ZhongHe Line).
- (B) Employee welfare committee is set up to plan and implement a varied welfare system, including family day activities, tourism subsidies, wedding and funeral welfare subsidies, hospitalization condolences for injuries, maternity subsidies, sports competitions, departmental dim sum funds, special store discounts and both. Artistic humanities, sports and fitness, puzzle fun, parent-child interaction, and other multi-social activities.
- (C) In addition to labor and health insurance, the Company also provides group insurance for all employees, including accidents, cancer prevention and hospitalization. Employees can pay a token sum so that the Group insurance coverage can be extended from the employees to their family members.
- (D) Employee health checkups are carried out on a regular basis every year. In addition, professional vocational nurses and doctors are stationed in the factory regularly, and they will patrol the Xizhi and Beitou factories to help take care of the health of colleagues.
- (E) Travel insurance and medical insurance for overseas business travel. Compensatory leave will be given in case of national holidays during overseas business trips.
- (F) In addition to the salary fixed at the end of the year, there are three incentive bonus payments.
- (G) Employee incentive compensation is paid twice a year.
- (H) Performance bonuses are issued based on the achievement of operational goals.
- (I) Employees of Republic of China nationality who have served for one year or more can join the Committee of Employee Stock Ownership Trust, and the Company allocates 30% of the bonus according to the employee's self-raised fund.
- (J) Provide internal and external training courses with the goal of continuously nurturing talents.
- (K) At the Xizhi head office, there is a free gym, yoga classroom, library, staff saloon, breastfeeding room, health room, and a self-service shop and a beautiful working environment.
- (L) At the staffing hall of Beitou Factory, there is a nursing room, a library and audio-visual equipment, providing a friendly workplace for colleagues to study and use.
- (M) There is an art gallery each at the Xizhi headquarters and the Beitou factory which regularly display artists' works and organize arts-related lectures. In addition to art appreciation, it also relieves the body and mind of the employees.
- (N) In recent years, the Company has continued to participate in the Ministry of Labor's "work-life balance" award event, holding several health seminars, stress relief seminars and parent-child health activities every year to help colleagues achieve work-life balance.
- (O) In response to the COVID-19 epidemic, the Company provides all colleagues with paid vaccine leave (applicable to each dose), and during the severe epidemic period, the A/B class will be diverted to work from home, and children will be taken care of during the suspension of classes. Colleagues in need choose to work from home to balance work and family.

B. Skills upgrade & training

The Company has “education and training management procedures” to establish the Company’s education and training system and norms and assist all levels of personnel that are involved in all aspects of quality and environmental management activities to have access to appropriate and necessary education and training. This will enhance their knowledge, skills, and quality, and improve work efficiency, increasing the Company’s overall quality. Annual education and training programs are planned according to training needs, and the scope includes on the job training, programs targeted by corporate level, professional expertise, projects, and also self-teaching programs. Education and training programs are funded by the annual education and training budget. It also has established an online learning platform, mobile phones, tablets, PC & NB can be used online, the arrangement of online training courses can be learned at anytime, anywhere. The actual expenditure on staff education in the past year was NT \$463,172. Training methods include:

- (A) Internal training: The HR unit organizes or facilitates various internal training courses in accordance with the annual education and training plan.
- (B) External training: In order to strengthen the professional knowledge and improve management skills of the employees, the parties must submit an application for training and training according to the annual education training plan.

Item	Number of Classes	Total Number of Person	Total Hours	Total Expenses (NT\$)
1. Training for specific organizational levels	13	208	80	111,712
2. Training by profession	29	1,601	306	92,860
3. Training by project	6	142	24	48,000
4. Self-Learning	30	364	114	210,600
Total	78	2,315	524	463,172

Employees related to ensuring the transparency of the Company’s financial information have, in accordance with the relevant regulations, attended classes organized by external institutions. The resultant certificates are as follows:

Title	Name	Training Date		Organizer	Name of Course	Hours
		From	To			
Vice President Head of Accounting & Finance	Jane Hsu	2021/10/21	2021/10/22	Accounting Research and Development Foundation	Continuing education for Head of Accounting Officer	12
Chief Corporate Governance	Jane Hsu	2021/09/01	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3
		2021/09/10	2021/09/10	Taiwan Corporate Governance Association	Value Realization of Enterprise M&A - Discussion on Integration Issues after Enterprise	3

Title	Name	Training Date		Organizer	Name of Course	Hours
		From	To			
					M&A and Establishment of Management Mechanism	
		2021/09/15	2021/09/15	Digital Governance Association	Directors and Supervisors Responsibility and Risk Management Seminar	3
		2021/10/05	2021/10/05	Taiwan Corporate Governance Association	The only way for a sustainable business to operate - external innovation	3
Deputy of principal accounting officer & Report preparer	YM Huang	2021/09/23	2021/09/24	Accounting Research and Development Foundation	Continuing education for Head of Accounting Officer	12
Head of Internal Auditor	Wen Lan	2021/09/03	2021/09/03	The Institute of Internal Auditors-Chinese Taiwan	Recruitment interview, general management and special management of on-job labor, performance appraisal	6
		2021/09/15	2021/09/15	The Institute of Internal Auditors-Chinese Taiwan	Sales collection and purchase payment audit practice	6
Deputy of head of Internal Auditor	Samuel Lin	2021/09/02	2021/09/02	Accounting Research and Development Foundation	Analysis of the Legal Responsibilities of Internal Auditors and the Whistleblower System	6
		2021/09/15	2021/09/15	Securities & Futures Institute	Excel VBA Macro Application Workshop	6
		2021/09/29	2021/09/29	Accounting Research and Development Foundation	How Internal Auditors Address Common Deficiencies in IFRS Financial Report	6

C. Pension system implementation:

(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.

- (B) On July 1, 2005, the Company established the pension mechanism for the distribution of pension funds in accordance with the “Labor Pension Act” which is applicable to employees of ROC nationality. For the employees electing to adopt the “Labor Pension Act” for retirement, the Company allocates 6% of the respective monthly salary to their individual personal pension account at Labor Insurance Bureau. Pension will be disbursed on the basis of the deposit in the personal pension account with the accumulated sum payable monthly or in lump sum.
- D. The agreement between labor and management and the maintenance measures of various employee rights:  
Since its inception, the Company has placed great importance on employee welfare and their mental and physical well-being. The personnel regulations formulated by the Company are in line with the “Labor Standards Law” and related labor regulations, and the human resources management is implemented with the business philosophy of “human management”. The Company has established an internal network information platform (EIP), which includes the Company’s vision and mission, group organization and contact information, department bulletin board, management system and form, learning development and employee’s space and other related service platforms. The best medium for information communication. In addition to the formal announcement method, a monthly e-newsletter is published to help colleagues understand the Company’s activities, provide information on the Company’s operations and product development, and establish a channel for employee interaction and sharing. With the limited interaction between staff and management, this provides a forum for employees to find a solution to their problems. The Company has not encountered any disputes with the employees in recent years.
- (2) In the recent year and up to the date of printing of the annual report, losses due to labor disputes (including the violation of the Labor Standards Act by the labor inspection results, the date of the punishment, the name of the punishment, the violation of the regulations, the content of the violation, and the content of the punishment), and disclose the estimated amount and countermeasures that may occur at present and in the future:
- A. The Company’s labor-management relationship is harmonious, and the personnel-related management system is based on the Labor Standards Act.
- B. The Taipei City Labor Bureau sent a notice letter on November 8, 2021, with the document number: Taipei City Labor No. 11060256182, and submit Taipei City Labor No. 11060256181 penalty letter.
- a. For violation of the provisions of Article 24, Paragraph 2 of the Labor Standards Act (Night shift allowances are not included in the calculation of extended-hour wages) and Article 32, Paragraph 2 (exceeding the legal upper limit of extended working hours), the same law shall apply. Article 79, Paragraph 1, Subparagraph 1 and Article 80-1, Paragraph 1 stipulate that the fine will be NT\$50,000 and NT\$100,000, with a total fine of NT\$150,000.
- b. Affected by the epidemic, the government stopped the introduction of foreign migrant workers, coupled with the loss of manpower for factory production line operations, and the imbalance of Taiwan's labor market, resulting in a long-term shortage of labor at the grassroots level, and overtime can only be used to make up for the loss of production capacity. After the epidemic is over, foreign migrant workers can be introduced normally, and the phenomenon of excessive overtime due to shortage of manpower can be improved. In addition, the night shift allowance has been included in the calculation basis of extended working hours wages.

(3) Work environment and safety measures

Since 2005, the Company has introduced the ISO14001 Environmental Management System. Its environmental policy is “Environmental Unlimited, Resource Sustainability”. With the policy and limited resources, the Company has continuously improved and improved its working methods and management skills through the participation of all employees. To enable the Company’s products, service quality, and environmental management to meet the needs of customers; in addition to comply with international environmental regulations and customer needs, when the materials and suppliers recognize and require manufacturers to provide inspection reports or compliance declarations for restricted hazardous substances. In the case of REACH/ROHS/non-conflict metal/package directives, manufacturers are required to provide corroboration to become qualified suppliers, and purchase X-Ray to test the materials to ensure compliance with regulatory requirements.

The Company has an employee health and safety management team and personnel. In addition to complying with safety and health regulations, the Company also cooperates with international and Taiwan safety and health management systems to implement hazard risk management in the process of research and development, manufacturing, testing and sales of the Company’s products. Conducting hazard assessment and continuous improvement of risk in the work area and work area and instilling correct occupational safety and health information of colleagues through pre-employment safety and health training, occupational safety and health training, safety promotion, fire drills and escape drills in order to reduce occupational safety and health accidents, and to protect employees’ responsibilities.

The Company attaches great importance to the safety of employees’ work. The Company’s safety and health matters are in compliance with government regulations. In order to continuously improve the working environment to prevent occupational injuries, the Company has obtained OHSAS18001/TOSHMS occupational safety and health management system certification in 2010. In 2019, it was transferred to ISO45001 / CNS45001 occupational safety and health management system and supports the safety of colleagues. The right to work in health, gradually standardize safety and health operations, specify various operating procedures and methods, implement equipment inspections, strengthen employee safety and health education and training, and prevent occupational disasters; in addition, in order to ensure that the operating environment continues to meet safety and health. Standards, the Company regularly monitors the drinking water quality, lighting, carbon dioxide concentration and chemical air concentration in the employee’s working environment to ensure the quality of the working environment and protect the health of employees to avoid occupational diseases.

The Company has a special first-level management unit for safety and health affairs according to the relevant laws and regulations of the occupational safety and establishes an occupational safety and health committee. The general manager serves as the Chairman, and comprehensively manages the safety and health of the Company and other employees. There are 15 members, of which 8 are representatives related to labor health and safety, labor-related labor representatives, which is more than 50% of the committee. In 2021, the Company has 1 occupational disaster statistics with 1 person, which is an injury incident caused by COVID-19, accounting for 0.2% of the total number of employees at the end of the year. In addition to cooperating with the government’s anti-epidemic policy, in order to increase employees’ willingness to get vaccinated and reduce discomfort caused by vaccination, employees can apply for paid public leave on the day of vaccination to enhance individual and herd immunity, protect themselves and others.

The Company regards employee health management as an important issue. Since its establishment in 1990, it has arranged health checkups for employees of all ages every

year and has arranged inspection programs superior to the regulations every year to enable employees to develop early protection concepts. Since 2006, from the beginning of the year, we will organize sports conferences every year to plan group matches such as basketball, badminton, dodgeball, brigade relay, and fun competitions, encourage employees to exercise and promote teamwork. In 2019, we began to hire professional nurses and special physicians to provide on-site services to assist employees in performing personal health management and care, and to continuously improve the processes and environment that may cause work hazards in order to achieve corporate social responsibility for caring for employees. However, in 2021, due to the impact of the epidemic, many itineraries such as employee health checks and employee sports meetings that were originally planned were suspended.

In 2021, the Company completed the SMETA external audit and verification for the first time. In addition to providing a safe and friendly workplace, the Company also attaches great importance to the rights of the Company's employees, respects the employment relationship of employees' free choice, respects the freedom of association and the right to collective bargaining, and adopts formal The employment relationship does not allow harsh and inhumane treatment of workers, no child labor is allowed in the Company, and discrimination is strictly prohibited to ensure compliance with local labor regulations.

(4) Code of Conduct & Moral Behavior

To maintain the trust and harmony of the employee-management relationship, employees should fulfill the following obligations:

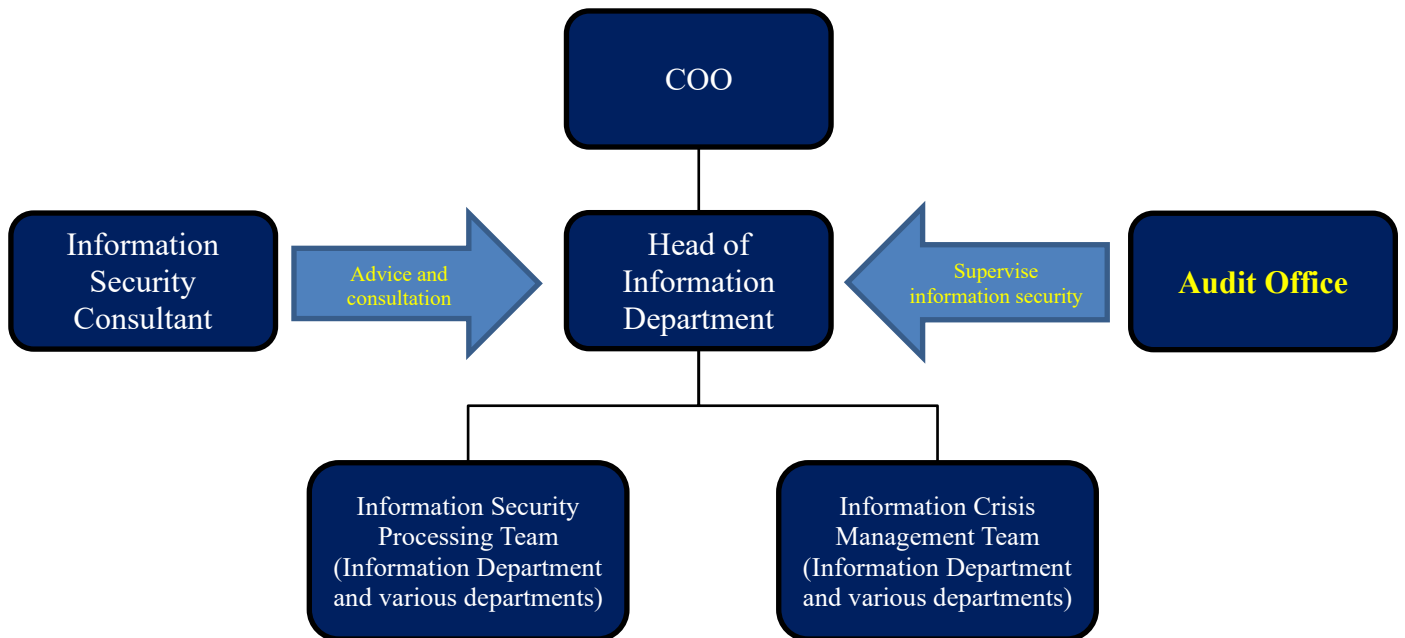
- A. The Company's business, customer situation and trade secrets should be kept highly confidential and must not be disclosed.
- B. Develop ethical integrity, pay attention to maintaining the Company's reputation, and not abuse the position by requiring customers or manufacturers to entertain, give gifts or accept commissions, gratuities, and other improper benefits.
- C. Do not use drugs, gamble, or engage in any activities that are illegal or could potentially affect the reputation of the Company.
- D. In accordance with the "Code of Conduct for Listed Companies", the "Axiomtek Code of Conduct & Ethical Behavior" will be established so that employees and stakeholders can better understand and comply with the Company's standards.
- E. In accordance with the "Code of Conduct for Listed Companies", the "Guideline for Integrity in Business Operations" and "Axiomtek Code of Conduct & Ethical Behavior" are established. Business activities are conducted on the basis of fairness, honesty, trustworthiness and transparency. Implement the integrity management policy and actively guard against dishonesty.
- F. In 2021, all employees have completed the 1-hour "Integrity Management" education and training course.

6. Cyber Security Management

- (1) The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.
  - A. The framework of cyber security risk management:
    - a. The Information Technology Department is the responsible unit for cyber security risk management and is equipped with one cyber security supervisor and several professional information technology personnel to be responsible for formulating, planning and implementing the cyber security risk management policies, and regularly report the Company's cyber security governance to the Board of Directors.



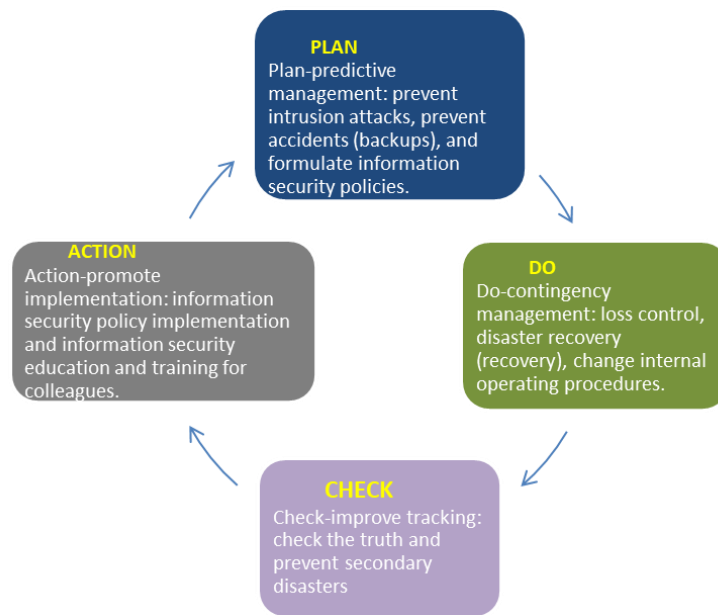
- b. The Company's audit office is the supervisory unit of cyber security risk management which is responsible for supervising the implementation of cyber security policy. If there is any defect found in the audit, it will require the inspected unit to propose relevant improvement plans and specific actions, and regularly track improvement results to reduce cyber security risks.
- c. Cyber security risk management framework:



B. Cyber security policies

Cyber security which refers to such effort to prevent information and communication system or information from being unauthorized access, use, control, disclosure, damage, alteration, destruction, or other infringement to assure the confidentiality, integrity and availability of information and system. The Company's cyber security management policy is as follows:

- a. Cyber security must be strengthened, and P.D.C.A is indispensable: In order to promote the Company's cyber security management system to be implemented, effectively operated, supervised and managed, continuously improved and maintained in accordance with the P.D.C.A (Plan-Do-Check-Act, PDCA) cycle process management Confidentiality, integrity and availability of the Company's critical information systems.



b. Risk management and diligent control, and continuous operation is the most reliable: This policy aims to reduce the frequency of information security management and operation risks and computer virus hazards to interrupt services, strengthen the awareness of information security among corporate colleagues, reduce information security incidents, and strengthen Organize internal and external risk management, improve customer satisfaction with the Company's quality and achieve the goal of sustainable business operations.

C. The concrete management programs

a. Cyber security incident which refers to an event where the state of the system, service or network, through identification, likely shows violation of the cyber security policy, or failure of the security protective measures, thus adversely affect performance of information and communication system function and constitute a threat against the cyber security policy.

Prevention cyber security incidents (beforehand)	Handling cyber security incidents (beforehand)	Investigate cyber security incidents (beforehand)
<ul style="list-style-type: none"> <li>• prevent intrusion</li> <li>• Antivirus</li> <li>• Accident Prevention (Backup)</li> <li>• Anti-leakage</li> </ul>	<ul style="list-style-type: none"> <li>• Prevent disasters from spreading</li> <li>• stop loss</li> <li>• Shortest time recovery (restore)</li> </ul>	<ul style="list-style-type: none"> <li>• Survey</li> <li>• check</li> <li>• review</li> <li>• Continuous Improvement (P.D.C.A.)</li> <li>• Risk control to prevent recurrence</li> </ul>

b. Cyber Security Management

Item	Description	Tolerance Risk	Countermeasures	Expected Outcomes	Tolerate Residual Risks
Risk of Information Security	1. Hacking 2. Data Breach 3. Computer poisoning	No	1.Firewall, anti-virus software, regularly update the virus pattern and scan the virus. 2.Regular Windows Updates.	Reduce the chance and	Yes

Item	Description	Tolerance Risk	Countermeasures	Expected Outcomes	Tolerate Residual Risks
			3.The AD password is changed regularly. 4.M365 and SSL VPN use MFA mobile multi-factor authentication. 5.OpenDNS web filtering. 6.Using the M365 cloud service, even if it is encrypted by hackers, the files before encryption can be reversed.	impact	
Risk of Information Service Interruption	The Company's mainframe, network or other information-related equipment cannot be used due to man-made or unexpected disasters	No	1.The emergency UPS in the computer room can supply power to the host for about 4 hours when the power is cut off. 2.Using M365 cloud service, even if the server equipment is damaged, employees can still send and receive emails and access cloud files normally. 3.The server performs backup according to the backup 321 principle. 4.Offsite backup.	Reduce the chance and impact	Yes

- c. The challenges faced by information security, such as APT advanced continuous attacks, DDoS attacks, ransomware, social engineering attacks, information theft and other information security issues, the following strategies have been adopted:
- (a)Improve IT infrastructure
- The server host is replaced, the hardware is fully updated to Dell R740 server, and the operating system is fully upgraded to Windows Server.
  - Increase the external network bandwidth, update the high-speed bandwidth manager, and solve the situation of insufficient external bandwidth.
  - Upgrade the dedicated line to improve the quality of the Company's dedicated line.
  - Establish a remote backup line and mechanism: Back up the factory data to a third place.
  - RD Lab test equipment environment is isolated.
  - Improve endpoint security, replace anti-virus software with more comprehensive protection, and provide integrated patches. Prioritize through vulnerability analysis and repair programs, and provide repairs, automatic detection of behavioral intrusion patterns, and antivirus software cloud protection to detect and automatically detect threats from multiple sources.
- (b)Strengthen the backup mechanism
- (c)Strengthen the Information Security Checking System (ISMS)
- (d)To evaluate the introduction of the ISO 27001 information security management system, first to upgrade the IT infrastructure and various mechanisms, and to apply the spirit of ISO 27001 information security: review,

check, review, and continuous improvement (P.D.C.A.). Whether it is server upgrades, endpoint protection, network external bandwidth, backup mechanisms, etc., all continue to strengthen. ISO27001 is about to be revised. The Company expects to introduce a new version of ISO27001 in 2023 to continuously improve and enhance information security.

(e) Assess whether to purchase information security insurance.

d. Resources devoted to information security management:

(a) Upgrade M365 cloud collaboration and import ATP advanced threat protection to improve enterprise infrastructure security.

(b) Import Microsoft Gold-level Information Security SI-Free System to continuously improve enterprise information security.

(c) Import Microsoft Defender for Identity and Microsoft Defender for Endpoint to comprehensively improve AD account management and user endpoint security.

(d) Import Azure cloud backup, back up important systems locally and then copy them to the cloud.

(e) Regular social engineering phishing email drills to enhance employees' information security awareness. The first social engineering phishing email drill will be conducted in 2021. 41.09% of those who clicked on the link and 2.19% who entered further information. Nearly 40% of the colleagues clicked the link without finding any abnormality, but they were alert and did not enter any more information after clicking the link. After this drill, colleagues will ask the Information Department if there is any abnormal situation in information security. It is obvious that the awareness of information security of colleagues has been improved. It is expected that a drill will be carried out regularly every year.

(f) Regular information security education and training to implement employee information security knowledge. After the 2021 information security education and training, after the social engineering drill, colleagues were required to take the information security education training and test course as long as they click on the link, which is expected to be carried out regularly every year.

(g) Report to the Board of Directors regularly on the implementation of information security

According to Article 9 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the relevant internal operation regulations of the computerized information system, with the IT Department as the responsible unit, is responsible for formulating information security policies, planning and implementation of information security policy promotion and implementation and regularly report to the Board of Directors on the Company's information security governance. The implementation of information security governance has been reported by the head of IT Department in Board of Directors on October 29, 2021.

(2) Losses suffered by the Company in the most recent fiscal year and up to the annual report printing date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: None.

## 7. Important Contracts

Review of the Group's supply contracts that are current or due to expire in the current, technical collaboration contracts, engineering contracts, long-term loan contracts and other factors that affect the interests of investors as follows:

Nature of Contract	Counterparty	Period		Major Contents	Restriction
		From	To		
License	HDMI Licensing LLC	2012/07/05	2022/07/04	Software license	None
License	American Megatrends International, LLC	2020/06/12	2023/06/11	Software license	None
Services	Taiwan Secom Co., Ltd.	2020/10/30	2023/10/30	Security services	None
Trading	Advantech Co., Ltd.	2020/07/01	2021/06/30	Product procurement	None
Trading	Phoenix contact Development and Manufacturing, INC.	2020/03/05	2023/03/04	Product procurement	None
Trading	Largan Precision Co., Ltd.	2021/07/06	2024/07/05	Product procurement	None
Loan	Bank of America, N.A.	2015/07/08	2025/07/01	Bank secured loan	None
Cooperate	National Chengchi University	2021/07/05	2021/07/04	Industry-Academy Cooperation Information	None
Cooperate	Turing Drive Inc.	2021/12/30	2023/06/20	Autopilot related software and edge AI computing platforms	None

## VI. Financial Information

### 1. Five Years Financial Summary

(1) Condensed consolidated balance sheets and consolidated statements of comprehensive income

Condensed consolidated balance sheets

Unit: NT\$ Thousand

Item \ Year		Financial Summary for the Last Five Years (Note 1)					As of the Printing Date of the Annual Report (Note 3)
		2021	2020	2019	2018	2017	
Current Assets		3,275,093	2,501,447	2,551,918	2,611,168	2,260,774	
Property, Plant and Equipment		1,670,465	1,144,409	1,178,845	1,202,215	1,335,402	
Investment Property		38,479	85,193	86,241	139,820	22,858	
Intangible Assets		114,769	113,714	125,710	102,965	104,642	
Other Assets		236,885	198,754	174,338	83,280	47,174	
Total Assets		5,335,691	4,043,517	4,117,052	4,139,448	3,770,850	
Current Liabilities	Before Distribution	1,863,533	1,100,141	949,930	1,596,053	1,240,404	
	After Distribution	2,138,651	1,317,095	1,277,498	1,894,837	1,679,408	
Non-Current Liabilities		393,885	309,598	569,723	180,406	160,249	
Total Liabilities	Before Distribution	2,257,418	1,409,739	1,519,653	1,776,459	1,400,653	
	After Distribution	2,532,536	1,626,693	1,847,221	2,075,243	1,839,657	
Equity attributable to the owner of the parent		3,078,273	2,633,778	2,597,399	2,362,989	2,370,197	
Share Capital		959,923	849,850	864,911	797,245	794,509	
Capital Surplus		533,041	330,595	245,919	214,960	198,563	
Retained Earnings	Before Distribution	1,661,936	1,492,308	1,513,202	1,355,014	1,390,039	
	After Distribution	1,386,818	1,275,354	1,185,634	1,056,230	951,035	
Other Equity		(76,627)	(38,975)	(26,633)	(4,230)	(12,914)	
Non-controlling interests		-	-	-	-	-	
Total Equity	Before Distribution	3,078,273	2,633,778	2,597,399	2,362,989	2,370,197	
	After Distribution	2,803,155	2,416,824	2,269,831	2,064,205	1,931,193	

Note 1: The above financial information of each year has been audited by the CPAs.

Note 2: The above-mentioned amount after distribution is based on the approval of the Board of Directors or the Shareholders' Meeting of the next year.

Note 3: As of the printing date of the annual report, there was no financial information recently reviewed or audited by the CPAs.

Condensed consolidated statements of comprehensive income

Unit: except for earnings per share NT\$; NT\$ Thousand

Item \ Year	Financial Summary for the Last Five Years (Note 1)					Financial Data up to March 31, 2022 (Note 2)
	2021	2020	2019	2018	2017	
Operating Revenue	5,069,606	4,602,779	4,738,911	5,010,644	3,994,229	
Gross Profit	1,700,995	1,550,755	1,693,484	1,666,150	1,360,002	
Operating Income	417,006	403,951	498,835	557,020	293,402	
Non-operating income and expenses	78,090	8,551	97,582	48,521	730,756	
Income before Tax	495,096	412,502	596,417	605,541	1,024,158	
Net Income from continuing operations	390,915	306,598	460,455	406,924	928,914	
Net Income	390,915	306,598	460,455	406,924	928,914	
Other Comprehensive Income(Loss), Net	(41,985)	(12,266)	(25,886)	5,739	(32,510)	
Total Comprehensive Income	348,930	294,332	434,569	412,663	896,404	
Net Income Attributable to Owner of Parent	390,915	306,598	460,455	406,924	926,239	
Net Income Attributable to Non-controlling interests	-	-	-	-	2,675	
Comprehensive Income Attributable to Owner of Parent	348,930	294,332	434,569	412,663	894,778	
Comprehensive Income Attributable to Non-controlling interests	-	-	-	-	1,626	
EPS (NT\$)	4.57	3.73	5.76	5.12	11.71	

Note 1: The above financial information of each year has been audited by the CPAs.

Note 2: As of the printing date of the annual report, there was no financial information recently reviewed or audited by the CPAs.

(2) Condensed Parent Company Only balance sheets and statements of comprehensive income

Condensed parent company only balance sheets

Unit: NT\$ Thousand

Item	Year	Financial Summary for the Last Five Years (Note 1)				
		2021	2020	2019	2018	2017
Current Assets		2,109,838	1,559,957	1,708,629	1,918,479	1,668,520
Property, Plant and Equipment		1,548,362	1,016,340	1,052,023	1,069,695	1,203,699
Investment Property		38,479	85,193	86,241	139,820	22,858
Intangible Assets		27,891	21,236	17,912	22,343	21,215
Other Assets		1,137,777	1,034,408	946,373	760,896	618,298
Total Assets		4,862,347	3,717,134	3,811,178	3,911,233	3,534,590
Current Liabilities	Before Distribution	1,543,316	879,028	715,526	1,420,049	1,067,873
	After Distribution	1,818,434	1,095,982	1,043,094	1,718,833	1,506,877
Non-Current Liabilities		240,758	204,328	498,253	128,195	96,520
Total Liabilities	Before Distribution	1,784,074	1,083,356	1,213,779	1,548,244	1,164,393
	After Distribution	2,059,192	1,300,310	1,541,347	1,847,028	1,603,397
Share Capital		959,923	849,850	864,911	797,245	794,509
Capital Surplus		533,041	330,595	245,919	214,960	198,563
Retained Earnings	Before Distribution	1,661,936	1,492,308	1,513,202	1,355,014	1,390,039
	After Distribution	1,386,818	1,275,354	1,185,634	1,056,230	951,035
Other Equity		(76,627)	(38,975)	(26,633)	(4,230)	(12,914)
Total Equity	Before Distribution	3,078,273	2,633,778	2,597,399	2,362,989	2,370,197
	After Distribution	2,803,155	2,416,824	2,269,831	2,064,205	1,931,193

Note 1: The above financial information of each year has been audited by the CPAs.

Note 2: The above-mentioned amount after distribution is based on the approval of the Board of Directors or the Shareholders' Meeting of the next year.



Condensed parent company only statements of comprehensive income

Unit: except for earnings per share NT\$; NT\$ Thousand

Item \ Year	Financial Summary for the Last Five (5) Years (Note)				
	2021	2020	2019	2018	2017
Operating Revenue	3,663,800	3,084,802	3,407,144	3,629,164	2,530,366
Gross Profit	977,335	926,007	1,076,915	1,077,666	745,546
Operating Income	248,857	286,118	388,118	429,517	192,891
Non-Operating Income and Expenses	222,619	97,957	173,994	135,008	811,428
Income before Tax	471,476	384,075	562,112	564,525	1,004,319
Net Income from Continuing Operations	390,915	306,598	460,455	406,924	926,239
Net Income	390,915	306,598	460,455	406,924	926,239
Other Comprehensive Income(Loss), Net	(41,985)	(12,266)	(25,886)	5,739	(31,461)
Total comprehensive Income	348,930	294,332	434,569	412,663	894,778
EPS (NT\$)	4.38	3.73	5.76	5.12	11.71

Note: The above financial information of each year has been audited by the CPAs.

(3) The names of CPA conducting financial audits in the most recent five years and their audit opinions.

Year	Accounting Firm	CPA Name	Opinion
2021	PwC Taiwan	Feng, Ming-Chuan, Wu, Han-Chi	Unqualified opinions
2020	PwC Taiwan	Feng, Ming-Chuan, Wu, Han-Chi	Unqualified opinions
2019	PwC Taiwan	Feng, Ming-Chuan, Hsu, Shien-Chong	Unqualified opinions
2018	PwC Taiwan	Feng, Ming-Chuan, Hsu, Shien-Chong	Unqualified opinions
2017	PwC Taiwan	Feng, Ming-Chuan, Hsu, Shien-Chong	Unqualified opinions

## 2. Five Years Financial Analysis

### (1) Consolidated financial analysis

Item (Note 3)		Year	Financial Summary for the Last Five (5) Years (Note 1)					Financial Data up to March 31, 2022 (Note 2)
			2021	2020	2019	2018	2017	
Financial Structure (%)	Debt to Assets Ratio	42.31	34.86	36.91	42.92	37.14		
	Long-term Funds to Property, Plant and Equipment ratio	207.86	257.20	268.66	211.56	189.49		
Solvency (%)	Current Ratio	175.75	227.38	268.64	163.60	182.26		
	Quick Ratio	93.39	149.50	166.37	105.24	121.71		
	Interest Coverage Ratio	6,848.85	4,450.83	5,395.37	6,097.24	11,203.19		
Operating Performance	Accounts Receivables Turnover (Times)	6.82	6.57	7.23	9.18	7.40		
	Average Collection Days	54	56	50	40	49		
	Inventory Turnover (Times)	2.89	3.46	3.30	4.10	3.54		
	Accounts Payables Turnover (Times)	5.81	8.39	5.88	5.96	5.11		
	Average Days on Sales	126	105	110	89	103		
	Property, Plant and Equipment Turnover (Times)	3.6	3.96	3.98	3.95	4.39		
	Total Asset Turnover (Times)	1.08	1.13	1.15	1.27	1.12		
Profitability	Return on Total Assets (%)	8.46	7.7	11.37	10.49	26.32		
	Return on Equity (%)	13.69	11.72	18.57	17.19	44.73		
	Income before Tax to Paid-in Capital (%) (Note 7)	51.58	48.54	68.96	75.95	128.90		
	Profit Ratio (%)	7.71	6.66	9.72	8.12	23.26		
	Earnings Per Share (NT\$)	4.57	3.73	5.76	5.12	11.71		
Cash Flow	Cash Flow Ratio (%)	21.63	49.22	11.28	40.62	24.73		
	Cash Flow Adequacy Ratio (%)	45.3	62.31	59.52	64.52	56.30		
	Cash Flow Reinvestment Ratio (%)	4.8	6.45	(5.48)	7.41	0.66		
Leverage	Operating Leverage	3.71	3.52	3.00	2.70	4.05		
	Financial Leverage	1.02	1.02	1.02	1.02	1.03		

Analysis of financial ratio differences for the last two years: (The increase or decrease is greater than 20%)

1. The increase in debt to assets ratio and the decrease in current ratio and quick ratio were due to the increase of new short-term borrowings and accounts payable in the current period.
2. The increase in interest coverage ratio was due to the decrease in interest expense in the current period.
3. The decrease in accounts payables turnover (times) was due to the increase in average accounts payable in the current period.
4. The increase in average days on sales was due to the increase in average inventories in the current period.
5. The increase in earnings per share (NT\$) was due to the increase in operating income and non-operating income in the current period.
6. The decrease in cash flow ratio (%), cash flow adequacy ratio (%) and cash flow reinvestment ratio (%) was due to the decrease in net cash flow from operating activities.

## (2) Parent company only financial analysis

Item (Note 3)		Year	Financial Summary for the Last Five (5) Years (Note 1)				
			2021	2020	2019	2018	2017
Financial Structure (%)	Debt to Assets Ratio	36.69	29.14	31.85	39.58	32.94	
	Long-term Funds to Property, Plant and Equipment ratio	214.36	279.25	294.26	232.89	204.93	
Solvency (%)	Current Ratio	136.71	177.46	238.79	135.10	156.25	
	Quick Ratio	74.75	127.07	175.42	98.06	121.16	
	Interest Coverage Ratio	11946.13	6210.01	7545.19	7901.62	15,307.74	
Operating Performance	Accounts Receivables Turnover (Times)	8.44	6.92	6.24	7.71	6.56	
	Average Collection Days	43	52	58	47	56	
	Inventory Turnover (Times)	3.91	4.93	4.88	5.82	5.27	
	Accounts Payables Turnover (Times)	5.82	8.20	5.45	5.44	4.86	
	Average Days on Sales	93	74	74	62	69	
	Property, Plant and Equipment Turnover (Times)	2.86	2.98	3.21	3.19	3.57	
	Total Asset Turnover (Times)	0.85	0.82	0.88	0.97	0.80	
Profitability	Return on Total Assets (%)	9.19	8.28	12.08	11.09	29.31	
	Return on Equity (%)	13.69	11.72	18.57	17.19	45.02	
	Income before Tax to Paid-in Capital (%) (Note 7)	49.12	45.19	64.99	70.81	126.41	
	Profit Ratio (%)	10.67	9.94	13.51	11.21	36.60	
	Earnings Per Share (NT\$)	4.57	3.73	5.76	5.12	11.71	
Cash Flow	Cash Flow Ratio (%)	10.69	58.57	21.90	41.08	30.90	
	Cash Flow Adequacy Ratio (%)	42.08	57.61	55.96	63.76	57.22	
	Cash Flow Reinvestment Ratio (%)	(1.42)	5.93	(4.21)	5.29	1.55	
Leverage	Operating Leverage	3.85	3.24	2.67	2.45	3.72	
	Financial Leverage	1.02	1.02	1.02	1.02	1.04	

Analysis of financial ratio differences for the last two years: (The increase or decrease is greater than 20%)

1. The increase in debt to assets ratio and the decrease in current ratio and quick ratio was due to the increase of new short-term borrowings and accounts payable in the current period.
2. The increase in long-term funds to property, plant and equipment ratio was due to the newly added property and plant in the current period.
3. The increase in interest coverage ratio was due to the decrease in interest expense in the current period.
4. The increase in accounts receivables turnover (times) was due to the increase in operating income in the current period.
5. The decrease in inventory turnover (times) and the increase in average days on sales were due to the increase in average inventories in the current period.
6. The decrease in accounts payables turnover (times) was due to the increase in average accounts payable in the current period.
7. The increase in earnings per share was due to the increase in operating income and non-operating income in the current period.
8. The decrease in cash flow ratio (%), cash flow adequacy ratio (%) and cash flow reinvestment ratio (%) was due to the decrease in net cash flow from operating activities.

Note 1: The above financial information of each year has been audited by the CPAs.

Note 2: As of the printing date of the annual report, there was no financial information recently reviewed or audited by the CPAs.

Note 3: Computation Method:

1. Financial structure
  - (1) Debts to assets ratio = Total liabilities/total assets
  - (2) Long-term fund to property, plant, and equipment ratio = (total equity + non - current liabilities)/ property, plant and equipment, net
2. Solvency
  - (1) Current ratio = current assets/current liabilities
  - (2) Quick ratio = (current assets-inventory-prepayment)/current liabilities
  - (3) Interest coverage ratio=Earnings before interest and tax/ Interest expenses
3. Operating performance
  - (1) Account receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
  - (2) Average collection days = 365 /accounts receivables turnover
  - (3) Inventory turnover = sale cost/average inventory
  - (4) Account payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payables (including accounts payable and notes payable resulting from operation)
  - (5) Average days in sales = 365/inventory turnover
  - (6) Property, plant, and equipment turnover = net sales/average property, plant and equipment, net
  - (7) Total assets turnover rate = net sales/average total assets
4. Profitability
  - (1) Return on total assets = [income after income tax + interest expense\*(1-tax rate)]/average total assets.
  - (2) Return on equity = Income after income tax/average total equity
  - (3) Profit ratio = Income After income tax/net sales
  - (4) Earnings per share = (income attributable to parent company – dividends from preferred shares)/weighed average quantity of outstanding shares
5. Cash flow
  - (1) Cash flow ratio = Net cash flow from operating activities/current liabilities
  - (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years/ (capital spending + increase in inventory + cash dividends) in the most recent five years
  - (3) Cash flow reinvestment ratio= (Net cash flow from operating activities-cash dividends) (gross of property, plant, and equipment + long-term investment + other non-current assets + working capital)
6. Leverage:
  - (1) Operating leverage = (Net operating revenue-changed operating costs and expenses)/operating income
  - (2) Financial leverage = Operating income/ (operating income-interest expenses)

Note 4: The following shall be considered in assessing the equation Earnings per Share as aforementioned:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual Earnings per Share of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (issued or not) shall be subtracted from net profit after tax or added to net loss after tax. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after tax if net profit after tax is earned, or no adjustment is required if loss arises.

Note 5: The following shall be considered in assessing cash flow analysis:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflow to annual capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as "zero".
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refer to total property, plant, and equipment before subtracting by accumulated depreciation.

Note 6: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgment is involved, please note the reasonability and consistency.

Note 7: In the case of shares issued by the Company with no par value or a par value other than NT\$10 per share, said calculation about the percentage to the paid-in capital shall be replaced by the equity attributable to the parent company identified in the balance sheet.

3. Audit Committee's Report for the Most Recent Year

Consent Report of Audit Committee

To 2022 Annual Meeting of Shareholders of  
Axiomtek Co., Ltd.

Consented by the Audit Committee, 2021 Business Report, Financial Statements and profit distribution proposals have also been resolved by the Board of Directors of the Company where the financial statements have been completely audited and subsequently an 2021 Unqualified Opinion Independent Auditors' Report has been issued by CPA Feng, Ming-Chuan and Wu, Han-Chi of PricewaterhouseCoopers Taiwan which has been entrusted by the Board of Directors.

In compliance with the provisions of relevant laws and regulations, the abovementioned 2021 Business Report, Financial Statements and profit distribution proposals are being reported and presented herewith for review in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,

Chang, Jen-Chih  
Convener of Audit Committee  
Axiomtek Co., Ltd.

4. Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report  
Please refer to ATTACHMENT 1 for the Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report.
  
5. Parent Company Only Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report  
Please refer to ATTACHMENT 2 for the Parent Company Only Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report.
  
6. The Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Year or during the Current Fiscal Year and up to the Printing Date of the Annual Report and Specify Its Impact of the Company's Financial Situation:  
None.

## VII. Review of Financial Position, Financial Performance and Risk Management

### 1. Analysis of Financial Position

#### (1) Comparative analysis of the financial status in the past two (2) years

Unit: NT\$ Thousand

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	3,275,093	2,501,447	773,646	30.93
Investments Accounted for Under Equity Method	20,982	25,945	(4,963)	(19.13)
Property, Plant and Equipment	1,670,465	1,144,409	526,056	45.97
Investment Property	38,479	85,193	(46,714)	(54.83)
Intangible Assets	114,769	113,714	1,055	0.93
Other Assets	215,903	172,809	43,094	24.94
Total Assets	5,335,691	4,043,517	1,292,174	31.96
Current Liabilities	1,863,533	1,100,141	763,392	69.39
Non-Current Liabilities	393,885	309,598	84,287	27.22
Total Liabilities	2,257,418	1,409,739	847,679	60.13
Share Capital	959,923	849,850	110,073	12.95
Capital Surplus	533,041	330,595	202,446	61.24
Retained Earnings	1,661,936	1,492,308	169,628	11.37
Other Equities	(76,627)	(38,975)	(37,652)	96.61
Total Equity	3,078,273	2,633,778	444,495	16.88

#### Analysis of changes in financial ratios over 20%:

1. Current assets: Mainly due to the increase in inventories in the current period.
2. Property, plant and equipment: Mainly due to the newly added property and plant in the current period.
3. Investment property: Mainly due to the disposal of investment property in the current period.
4. Other assets: Mainly due to the increase in right-of-use assets in the current period.
5. Total assets: Mainly due to the increase in inventories and property, plant and equipment in the current period.
6. Current liabilities: Mainly due to the increase of new short-term borrowings and accounts payable in the current period.
7. Non-current liabilities: Mainly due to the increase in deferred income tax liabilities and lease liabilities in the current period.
8. Total liabilities: Mainly due to the increase of new short-term borrowings and accounts payable in the current period.
9. Capital surplus: Mainly due to the increase in the conversion premium of convertible bonds in the current period.
10. Other equities: Mainly due to the exchange rate changes resulting in a decrease in exchange loss for foreign company.

- (2) Effect of changes on the Company's financial condition: The Company's financial condition has not changed significantly.
- (3) Future response actions: None.

## 2. Analysis of Financial Performance

- (1) Comparative analysis of the financial status in the past two (2) years

Unit: NT\$ Thousand

Item \ Year	2021	2020	Increase (Decrease)	Difference (%)
Operating Revenue	5,069,606	4,602,779	466,827	10.14
Operating Cost	3,368,611	3,052,024	316,587	10.37
Gross Profit	1,700,995	1,550,755	150,240	9.69
Operating Expenses	1,284,026	1,146,783	137,243	11.97
Operating Income	417,006	403,951	13,055	3.23
Non-Operating Income and Expenses	78,090	8,551	69,539	813.23
Income before Tax	495,096	412,502	82,594	20.02
Income Tax	104,181	105,904	(1,723)	(1.63)
Net Income	390,915	306,598	84,317	27.50
Analysis of changes in financial ratios over 20%:				
1. Non-operating income and expense: Mainly due to the increase in profits from the disposal of investment property in the current period.				
2. Income before tax: Mainly due to the increase in operating revenue and non-operating income in the current period.				
3. Net income: Mainly due to the increase in operating revenue and non-operating income in the current period.				

- (2) Effect of the Company's financial operations to be taken in response to the changes on sales volume forecast and its basis: The Company's business scope has not changed significantly. The Company will consider global economic development, industrial environment and product development trends, and act prudently based on past operating performance and financial condition.
- (3) Future response actions: None.



### 3. Analysis of Cash Flow

#### (1) Analysis of changes in cash flows 2021:

Unit: NT\$ Thousand

Cash and Cash Equivalents at Beginning of Year ①	Net Cash Flows from Operating Activities ②	Cash Flows from Investing and Financing Activities ③	Effects Due to Changes in Exchange Rate ④	Cash and Cash Equivalents Surplus (Deficit) ① + ② + ③ + ④	Leverage of Cash Deficit	
					Investment Plans	Financing Plans
\$907,789	\$403,131	\$(323, 592)	\$(43,457)	\$943,871	-	-

Analysis of change in cash flow in the current year:

- Cash inflow from operating activities of \$403,131,000: Mainly due to cash inflows from sales of goods and services.
- Cash outflow from investing activities of \$473,619,000: Mainly due to the cash outflow from the acquisition of property, plant, and equipment prices.
- Cash inflow from financing activities of \$150,027,000: Mainly due to cash inflow from short-term borrowings.

(2) Improvement plan for insufficient liquidity: No cash shortage.

(3) Analysis of the liquidity for the future year: None.

#### 4. Major Capital Expenditure Items:

None

#### 5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

Axiomtek adopts investment of equity method with all focusing on long-term strategic purpose; in 2021, the profits of the Company investment of equity method reach NT\$ 144.6 million with an increase of NT\$ 18.7 million compared to the previous year, which major result from the substantial increase in investment income of subsidiary Axiom Technology, Inc. U.S.A. In the future, the Company's will keep the same principle of long-term development strategy and continue assessing investment plans carefully, no new investment plan for the coming year.

#### 6. Analysis of Risks Management:

(1) Effects of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:

The financial strength of the Group's companies is sound with sufficient funds and capital planning is based on the principles of conservative and stability. With the focus on safety and liquidity, the risk of increased capital costs is limited.

Unit: NT\$ Thousand

Item	2021		
	Interest Income	Interest Expenses	Net Exchange Gains (Losses)
Interest Income / (Interest Expenses) / Net Exchange Gains (Losses)	1,670	(7,336)	(11,961)
Ratio of Operating Revenue (%)	0.03%	(0.14%)	(0.24%)

Since the ratios are not high, the interest rate, exchange rate and inflation have little impact on the Group's revenue and profit. The funds required for the Group's operations are mainly self-owned funds, supplemented by borrowings. The bank borrowings

amounted to \$429 million at the end of 2021, accounting for 8.04% of the total assets of \$5,336 million, and the loan amount is mainly for short-term operating purposes. Therefore, the impact of changes in interest rates on the Group's profitability is limited. However, the Group is still implementing the following preemptive measures:

- A. Collect information on interest rate changes on a daily basis to take appropriate action in a timely manner.
- B. If the interest rate drops, get a loan with a lower interest rate will be adjusted in to repay the loan with higher interest rate. If the interest rate rises, which may erode the overall profit of the Group, evaluate the method of cash increase or issuing convertible corporate bonds; thus, reducing the dependency on bank borrowings and to spread the risk of changes in interest rate.

The market for the Group's products is mainly overseas markets, such as Europe, America, and Asia while most of the major components of the products are purchased from Taiwanese manufacturers. Only some raw materials such as ICs, power supplies and panels for special purposes are sourced from overseas. The ratio of overseas purchases is not high. Export transactions are mainly denominated in US dollars and Euros. After deducting the small amounts required for materials purchase, the net foreign currency position of the US dollar or the euro indicates a certain degree of impact on the Group's profit when the exchange rates fluctuate. The Group has taken the following measures to manage the exchange risk that may arise from holding foreign currency positions:

- A. The finance team monitors the development of the international political and economic situations and maintain a good relationship with the financial institutions to obtain collect real-time exchange rate information and be fully informed of the trend of exchange rate fluctuations.
- B. Adopt the natural hedging method by offsetting foreign currency items due to receivables and payables, estimating the future trend of the exchange rate to maintain appropriate foreign exchange positions in order to meet the demand for future foreign currency payments, and closing the net foreign currency position on a timely basis to reduce the impact of exchange rate changes on the Company.
- C. Based on the principle of hedging rather than investment trading, sign forward exchange contracts with financial institutions to avoid exchange rate fluctuation risks.

As the global economic growth in recent years is still in a sluggish phase, inflation will not significantly impact the Group.

- (2) Policy on high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives, major causes for profits or losses and future countermeasures:

The Company has never engaged in the high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives. Going forward, if trading in derivative commodities is based on the principle of hedging rather than investment trading, the risk of exchange rate fluctuations should be avoided in accordance with the rules.

- (3) Future R&D plans and expected R&D expenditure:

- A. In response to future product development needs, the Group's 2022 R&D plan is as follows:

- (A) Internet of Things Business Group (IOT product line):

- a. Continue to develop embedded systems that are harden design and able to withstand harsh conditions for outdoor applications. Strengthen the integration and application of embedded operating systems and develop high-standard system products such as wide temperature, shockproof, dustproof, waterproof and fanless. Extensively used in vertical market

applications such as factory automation, safety monitoring, rail transit, green energy industry and smart grid.

- b. To develop touch panel computers to support various applications such as medical, POS, Kiosk, automation, and device human-machine interfaces, as well as import widescreen, multi-touch, wide temperature, full waterproof, etc. with best-in-class technology.
- c. To support the application-ready solutions on AIOT products. Focuses on the two application markets of intelligent transportation and smart automation and develop application technologies and solutions in this field.
- d. Provide an industrial cybersecurity application platform integrated with IT and OT and an industrial IoT gateway in the IoT system architecture.
- e. Develop AGV/AMR system integration technology and product planning, and integrate software, peripherals, and hardware platforms.
- f. The product solution will move from a hardware platform to an application-ready platform, and finally aim at a complete solution.
- g. In response to the specific needs of various fields, Axiom has invested considerable manpower and financial resources, and has obtained a number of special safety certifications to obtain greater assurance and trust from customers in our products in this space.

(B) Intelligent Design-in Service Business Group (IDS product line):

Intelligent Design-in Service provides customer-specific services, focusing on two application of intelligent retail and intelligent medical market.

The progress of the retail business in smart technology has created a sales environment where immersive experiences are introduced. Therefore, touch-based computers that integrate multiple IoT technologies, such as interactive self-service machines and digital signage, large-scale self-ordering kiosk and Mobile POS will be the key drivers of a new wave of smart retail.

In response to the above-mentioned vertical industry application requirements, customers can freely purchase from standard products. The Intelligent Retail Solution Division will provide a series of digital signage player and SDM (Smart Display Module) to meet multimedia digital signage and interactive self-service kiosk requirement. Retail Solution Division will provide a series of digital screens and SDM (Smart Display Module) to meet multimedia digital signage and interactive self-service machines.

In addition, in the intelligent medical part, the control host system of large-scale testing instruments, mobile medical carts, bedside computer information computers are the focus of future product development. Providing customized system for hospitals and equipment manufacturers through customized services will meet the computer computing platforms required by various equipment.

(C) Gaming Business Group (GAM product line):

In developing the hardware and application platforms for the global gaming and entertainment market, the current product development includes EGM, back-end management system, image processing and Jackpot server, and integrates hardware and software technical expertise to provide customers with complete and reliable solutions. At the same time, according to customer needs, develop a variety of customized products for gaming applications.

In addition to AMD, Intelx86 platform for product development, the Company also developed ARM Based platform products with breakthrough results.

(D) Strategic Procurement Division (SPD product line):

- a. Continuous development and provision of embedded and industrial boards for the latest technology platforms to meet the needs of customers in a wide range of applications.

b. Enhance strategic alliance partnership and integrate proper outside resources to achieve largest mutual benefit; especially, the expected difficult supply chain situation throughout 2021.

B. Progress in R&D:

The R&D team is fully responsible for the technology research and product design for all product development projects and works according to a development schedule. The development status of each product is managed by the Group's PMC management platform.

C. Estimated investment in research and development costs:

The Group's estimated research and development expense for 2022 is approximately NT\$564 million . The expenditure plan is as follows:

Unit: NT\$ Thousand

Item	Project Content & Plan	Success Factors	R&D Expenses for 2022
Internet of Things Products	<p>Industrial application computers M-type industrial model for low end use: launch cost-effective products for general purpose. For high-end applications: launch high-performance products and integrate products from ecosystem partners, focusing on smart manufacturing, machine vision and AI applications.</p> <p>Embedded industrial computer Supports more wide temperature range applications and more models of IO Ports. Design a new modular architecture embedded computer system, emphasizing wide temperature and flexible IO modular support capabilities, CPU controller and IO modules can be flexibly adjusted according to different market applications. High-end products move towards application-ready platform, focusing on machine vision, AI, 5G, Industrial Cybersecurity, and AMR/AGV.</p> <p>Smart application computers Intelligent embedded system: It is used in industrial and smart grid applications. Add industrial design, support industrial standard protocols, such as Modbus, MQTT, etc. and device management software, and provide a complete solution for IIoT Gateway.</p>	<p>Industrial application computers In response to the trends of Industry 4.0 and AIOT, products must be able to provide complete solutions for the application technologies and products required for smart manufacturing.</p> <p>Embedded industrial computer 1. System requirements are getting smaller and smaller, flexible, and complex I/O expansion and working environment temperature requirements are critical. 2. Early technical investment and modular design advantages. 3. Relevant technologies and market applications in the application field.</p> <p>Smart application computers 1. The system design and support for PoE in a fanless, fully waterproof and high temperature environment is a key technology. 2. The industry information and technical requirements required by IIoT to strengthen the technology and market</p>	294,007

Item	Project Content & Plan	Success Factors	R&D Expenses for 2022
	<p>Intelligent transportation embedded system: Continue to develop the next generation of vehicle, rail, and rugged computer design, emphasizing wider temperature and full waterproof applications, in line with actual application field needs.</p> <p>Touch-screen industrial tablet Used at the low end: Launch cost-effective products for general light industry and consumer electronics applications. For high-end applications: launch application products for smart manufacturing, medical, transportation, food &amp; beverage factory, and vehicle applications.</p>	<p>interaction with the application customers.</p> <ol style="list-style-type: none"> <li>3. Development resource for management software required by IIoT gateway.</li> <li>4. Modular design.</li> </ol> <p>Touch-screen industrial tablet</p> <ol style="list-style-type: none"> <li>1. Application-related technologies and market applications.</li> <li>2. Modular design.</li> <li>3. Cost advantage.</li> </ol>	
Intelligent Design-in Service Products	<p>Digital Signage Player: Provide entry-level models and high-performance models, by using different number of screen output interfaces and customized software &amp; firmware programs to enable multi-screen splicing and self-management.</p> <p>Self-service kiosks: Develop unmanned store and to integrate multifunctional products such as touch screens, barcode reader and payment devices to improve the self-service Kiosk and increase market share.</p> <p>Computer for medical equipment: Through customized services to meet customers' needs for high-performance and small-sized computer, thereby accelerating the speed and efficiency of testing instruments.</p>	<ol style="list-style-type: none"> <li>1. Fanless system design can increase system stability and reliability.</li> <li>2. The MCU and the built-in firmware program can give the system more diverse extension functions.</li> <li>3. Empower small computers with powerful computing performance, and support to loading multiple microprocessors and additional graphics cards for parallel computing and speed up software programs.</li> </ol>	146,387
Gaming Products	<ol style="list-style-type: none"> <li>1. AGD, a special display product for Gaming, was added, and samples were sent to customers for testing.</li> <li>2. EGM and GMS products will continue to develop next-generation products.</li> <li>3. The second-generation image</li> </ol>	<ol style="list-style-type: none"> <li>1. Leading technology and the know-how of the game market.</li> <li>2. A full range of services to help customers launch products in the fastest time schedule</li> </ol>	104,917

Item	Project Content & Plan	Success Factors	R&D Expenses for 2022
	processing products are expected to be mass-produced on the client side in 2021.		
Strategic Procurement Products	<ol style="list-style-type: none"> <li>1. Embedded and industrial boards &amp; system modules.</li> <li>2. Development of IoT cloud services, remote control modules and related supporting facilities.</li> <li>3. Enhanced image recognition processing through AI in factory automation and intelligence. Modularized design to enhance the product market's customized service rate and application fields, especially in 5G communications, medical, transportation and other application environments.</li> </ol>	<p>Single-board computers and computing modules are the core foundation of the Company's technology. Axiomtek already has many years of rich design experience. The most important thing is in terms of research and development timeliness, which can be effectively managed through the Company's project management system.</p> <p>At the same time, through cooperation with strategic partners, accelerate cross-domain application integration.</p>	18,638

D. Future factors to R&D success

R&D manpower/capacity, project management and technology innovation are the key factors determining the success of a product. Every year, the Company increases the software R&D manpower ratio every year, and actively cooperates with industry and academia experts to develop key technologies for data analysis to benefit product value-add and differentiate, deepen engagement with specific vertical industries and enhance competitiveness. In addition to attracting talent, invest in the product development collaborative operation management system, using the PMC & PLM management platform to record and control, to improve the quality and efficiency of research and development.

Technology innovation is essential to increase product competitiveness and achieve sales targets. The Company formulates domain-focused technology development plans through the annual ABP activity to increase product highlights.

(4) Changes in important policies and legal environment at home and abroad, and the effect on the financial status and operation of the Company, and Countermeasures:

Upon evaluation, the recent changes in important policies and regulations internally or externally have no material impact on the Group's financial operation. Going forward, we will monitor related information continuously, evaluate the impact of any changes in policies and regulations on the Group and implement the appropriate response measures.

(5) The effect of technological and industrial changes on financial status and operation of the Company, and countermeasures:

Industrial computer manufacturers are optimistic about the momentum of growth with the new wave of 5G, high performance PC, artificial intelligence IoT related applications, and have a good grasp of the domain know-how, application market niche and the business strategies of the vertical application industry.

The Group will use the global distribution network and entrenched projects to gather customer demand and market trends information and provide customers with product specifications with quick turnaround. In terms of financial operations, focus more on the characteristics of the industry, strengthen cash flow management, and diversify operational risks.

- (6) Impact of corporate image change on corporate crisis management and response measures  
Since its inception, the Group has actively enhanced the internal management of the Group and continuously improved the capability in product quality management. In order to improve corporate governance and strengthen the relevant functions of the Board of Directors, the Company has appointed three Independent Directors in accordance with Article 14-2 of the Securities Exchange Act. In August 2011, the Board of Directors set up the Remuneration Committee to assist the Board of Directors in implementing the remuneration management function. In June 2015 and October 2016, the Audit Committee and Nominating Committee were set up, respectively. In recent years, the Company participated in the “Corporate Social Welfare and Corporate Volunteer Promotion Assistance Program” which help companies develop their corporate social responsibilities, integrate public welfare actions with the core values of enterprises and business operations, and promote the good culture of corporate volunteer service. Through corporate volunteerism, create a good citizen environment and work together to contribute towards a caring society and changing the world. In the most recent year and as of the date of publication of the prospectus, there has been no significant change in the corporate image of the Company, and there has been no potentially damaging report in the market on our corporate image.
- (7) Expected benefits and possible risks of merger and acquisition, and countermeasures:  
In the most recent year and as of the publication date of the annual report, the Group has no plans for mergers and acquisitions.
- (8) Expected benefits and possible risks of facilities expansion, and countermeasures: None.
- (9) Risk from centralized purchasing or selling, and countermeasures:
  - A. Risk from centralized purchasing and countermeasures:  
The main raw materials for the Group’s products can be divided into semiconductor ICs, printed circuit boards, LCD panels, power supplies and IPC products (including single-board computers and industrial computer chassis). There is a large variety of raw materials, the main one being the electronic components and parts, which are supplied by many domestic vendors. The materials can be easily substituted and there has never been an out-of-stock situation. Hence, there is no risk in this area.
  - B. Risk from centralized selling, and countermeasures:  
The Group does not have a customer with whom sales of more than 15% of total sales has been transacted. Therefore, there is no risk arising from the concentration of sales.
- (10) Impact and risk associated with large share transfers or changes in shareholdings of Directors or shareholders who hold more than 10% of the Company’s shares, and countermeasures: None.
- (11) Impact and risk associated with changes in management rights, and countermeasures: None.

- (12) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any Director, the general manager, any person with actual responsibility for the firm and any major shareholder holding a stake of greater than 10 percent of the Company, and/or any company or companies controlled by the Company, and that have been concluded by means of a final and non-appealable judgment or are still under litigation. Moreover, where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the annual report:

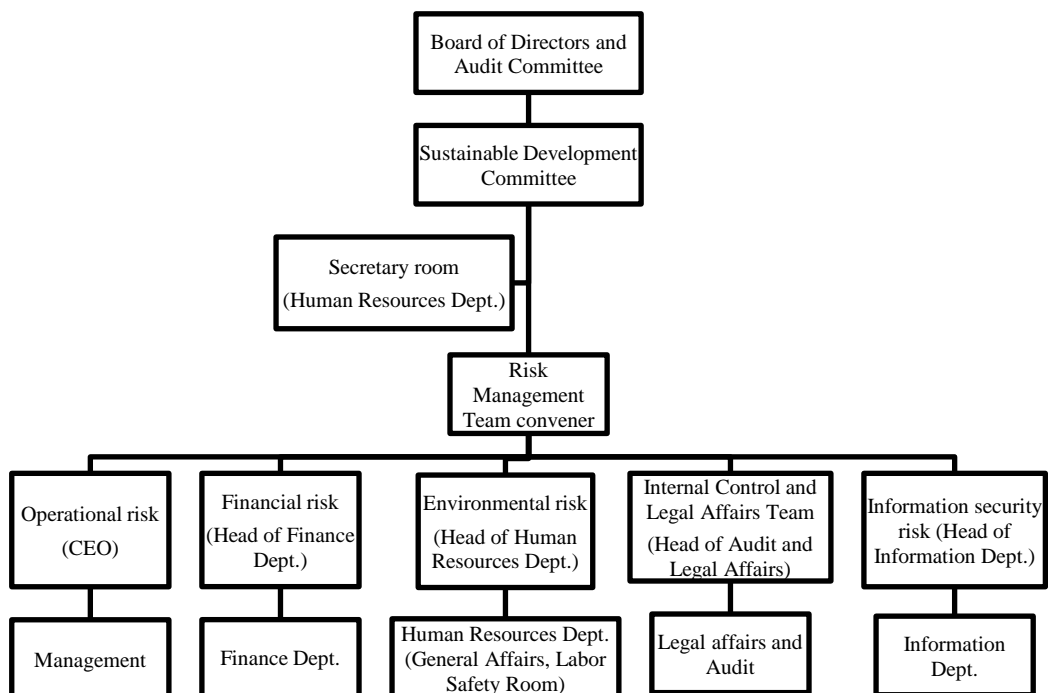
As of the date of publication of the annual report, the Group has no other major litigation, non-litigation or administrative disputes that have been determined or are still in the system, and the results of which may have a significant impact on shareholders' equity or securities prices.

- (13) Other important risks, and countermeasures being or to be taken:

The Board of Directors passed the "Risk Management Policy" on October 29, 2020, as the highest guiding principle of the Company's risk management. The risk management team regularly conducts the identification of risk factors every year to identify relevant risks that may affect the sustainable development of the Company and formulate risk management policies for each risk. It also covers management objectives, organizational structure, ownership of rights and responsibilities, and risk management procedures and other mechanisms and implements them to effectively identify, measure, and control various risks of the Company, and control major risks within an acceptable range.

The Company has established a risk management organization. The overall risk management policy is mainly to establish early warning networks by risk category and reporting systems. Adopt a structured approach in risk management and monitoring to be able to respond accordingly and effectively when the need arises. This will minimize risks.

#### A. Risk management organization





Name	Responsibility
Board of Directors	Company risk management & policy making. Supervise major risk response directions and ensure the risk management mechanism is followed.
Audit Committee	Assist the Board of Directors to perform its risk management duties and supervise the implementation of the risk management system, including reviewing the Company's risk management policies and important risk management systems.
Sustainable Development Committee	Assist the Audit Committee and the Board of Directors to perform their risk management responsibilities, mainly responsible for reviewing risk management reports, integrating, and coordinating common risk management issues among subsidiaries, and advising and communicating important risk management issues.
Risk Management Team	Responsible for the monitoring and tracking of risks.
Management Team (Including Subsidiaries)	Review the risks involved in the Company's various operating activities to ensure that the Company's risk management system can control related risks in a complete and effective manner.
Legal office	Implement legal risk control and assist in evaluating the legal risks that may be involved in various businesses, legal documents, and contracts.
All Business Units (Including Subsidiaries)	Before implementing each business, thoroughly review various risk management regulations to ensure that business execution and compliance with laws and regulations can comply with relevant regulations.

B. Important risk projects & management structure

ESG	Risk classification	Risk assessment program	Risk management authority	Decision & Monitoring	
Environment	Environmental protection and ecological conservation	Environmental pollution prevention and control	Labor Safety Office COO Office CEO Office	Audit Office Risk Management Team Sustainable Development Committee Audit Committee Board of Directors	
	Climate change	Disaster prevention	COO Office CEO Office		
Social	Social responsibility	Occupational Safety	Labor Safety Office CEO Office		
		Product safety	Product unit Supply Chain Operations Management Division		
Governance	Socioeconomic and legal compliance	Operational risk	Legal Affairs Office Each sales unit Sales & Marketing Division Supply Chain Operations Management Division CEO Office		
			Financial risk		Finance Division
			Information security risk		Information Dept.
	Strengthening the functions of Directors and fulfilling the responsibilities of Directors	Enhance the structure and operation of the Board of Directors	Head of Corporate Governance Finance Division CEO Office		
	Stakeholder Communication	Stakeholder Communication	Each sales unit		

C. Operating situation:

The operation of the 2021 risk management policy had been reported to the Company's Board of Directors on October 28, 2021, including the Company's lawful formulation of various internal regulations, conducting various risk management and assessments, and regularly reviewing whether the system can achieve operational goals to ensure the integrity, effectiveness, and rationality of risk management. Establish an effective risk management mechanism, evaluate, and supervise its risk-bearing capacity, the status of risks it has already taken, determine risk response strategies and risk management procedures compliance, and cooperate with the Company to set up a "Sustainable Development Committee" to revise partial articles of the "Risk Management Policy". The Company also formally established the "Corporate Sustainability Development Committee" on February 25, 2021 by a resolution of the Board of Directors. It is hoped that through the operation of the "Sustainability Development Committee", the concept of sustainable management will be popularized in a top-down manner, so that all employees can participate and implement the results of implementation.

7. Other Important Matters:

None.

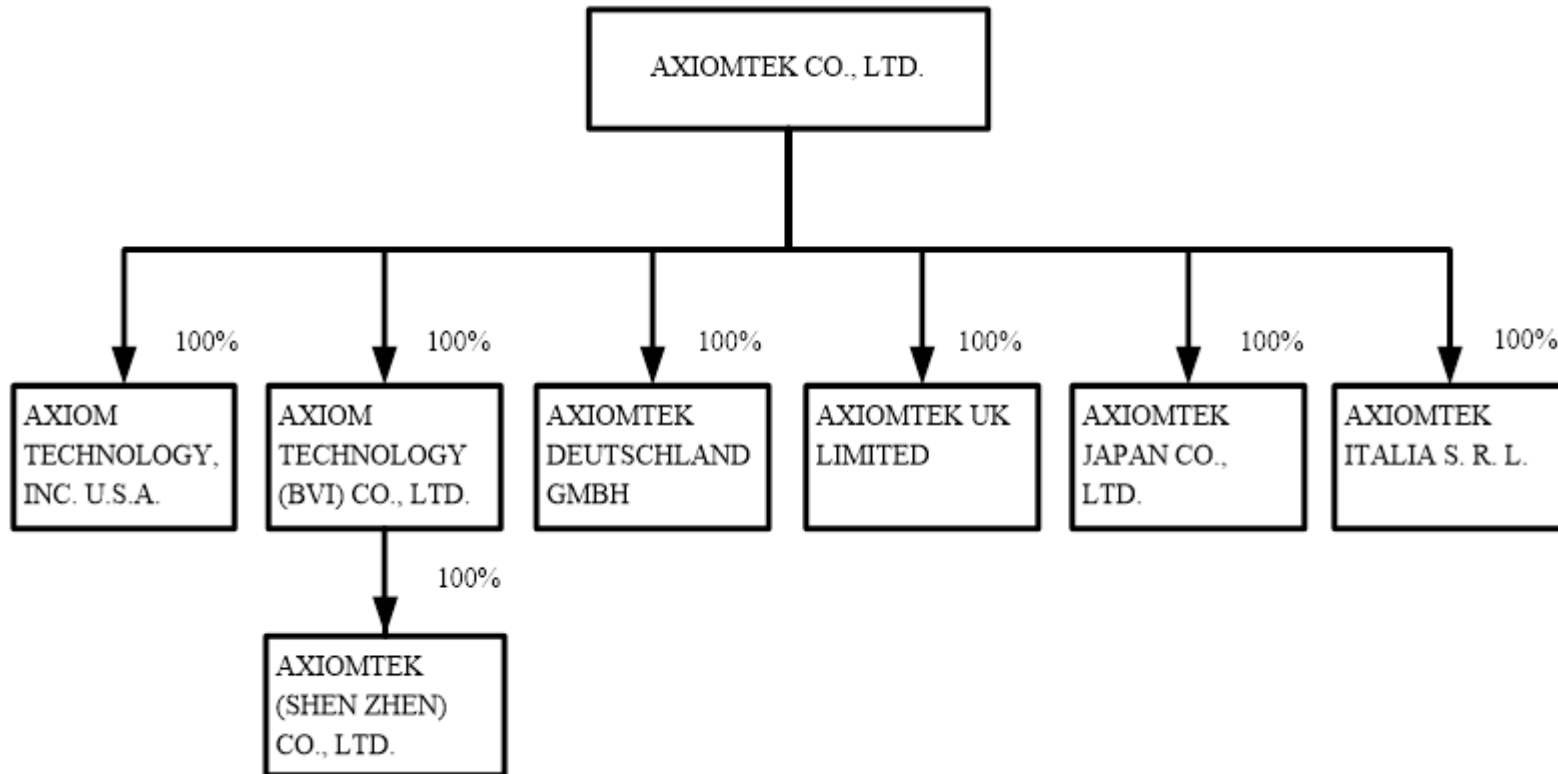
## VIII. Special Disclosures

### 1. Affiliates Enterprises

#### (1) Comprehensive business report of affiliates

##### A. Overview of affiliates

##### (A) Affiliates' organizational chart



## (B) Basic information of affiliates

Unit: NT\$ Thousand

Name of Enterprise	Date of Incorporation	Address	Paid-in Capital	Principal Business or Products
AXIOM TECHNOLOGY, INC., U.S.A. (AXUS)	1992.04	U.S.A.	10,856	Industrial computer and Embedded Board trading and post-sales service
AXIOMTEK DEUTSCHLAND GMBH (AXGM)	1999.04	Germany	19,941	Industrial computer and Embedded Board trading and post-sales service
AXIOM TECHNOLOGY (BVI) CO., LTD. (AXBVI)	1997.07	British Virgin Islands	156,650	Holding company
AXIOMTEK (SHEN ZHEN) CO., LTD. (AXSZ)	2004.09	China, Shen-Zhen	130,487	Industrial computer and Embedded Board manufacturing, trading, and post-sales service
AXIOMTEK UK LIMITED (AXUK)	2016.02	United Kingdom	8,615	Industrial computer and Embedded Board post-sales service
AXIOMTEK JAPAN CO., LTD. (AXJP)	2017.07	Japan	8,235	Industrial computer and Embedded Board post-sales service
AXIOMTEK ITALIA S. R. L. (AXIT)	1995.11	Italy	2,760	Industrial computer and Embedded Board trading and post-sales service

Note 1: All of the affiliates should be disclosed, regardless of scale and size.

Note 2: where each affiliate has a factory with sales proceeds exceeding 10% of the operating income of the parent company, please provide the name of the factory, the date of establishment, the address, and the main production products.

Note 3: If the related company is a foreign company, the name and address of the Company must be expressed in English. The date of establishment must also be expressed in the western format. The amount of paid-in capital must be expressed in foreign currency (but the exchange rate on the statement date should be added).

(C) Presumed to be controlled and dependent in accordance with Article 369-3 of the Company Act: None.

(D) Business lines included in the overall relationship

- a. Design, manufacture and sale of industrial computers and peripheral products, embedded single board motherboards.
- b. Design, manufacture and sale of industrial tablet and display, automated measurement, and control interface cards.
- c. The affiliates' trading and import/export operations for industrial computers and electronic parts and components.
- d. Holding company
- e. Affiliates with inter-related business operations:

The products developed and manufactured by the Company are sold in the international market and after-sales service provided through subsidiaries such as AXUS, AXGM, AXUK, AXJP, AXIT and AXSZ.

## (E) Profiles of Directors, Supervisors and Presidents of Affiliates

Unit: foreign currency; share, %

Name of Enterprise	Title (Note 1)	Name or Representative	Shareholdings	
			Shares	Ratio of Shareholding (%)
AXIOM TECHNOLOGY, INC., U.S.A.	Director	Axiomtek Co., Ltd. Representative: Yang, Yu-Te / Jane Hsu	23,418	100.00
AXIOMTEK DEUTSCHLAND GMBH	Chairman of the Board	Axiomtek Co., Ltd. Representative: Yang, Yu-Te	EUR500,000 (Note 2)	100.00
AXIOM TECHNOLOGY(BVI)CO., LTD.	Chairman of the Board	Axiomtek Co., Ltd. Representative: Yang, Yu-Te	5,000	100.00
AXIOMTEK (SHEN ZHEN) CO., LTD.	Director	Axiomtek Co., Ltd. Representative: Jack Liu	HKD32,800,000 (Note 2)	100.00
AXIOMTEK UK LIMITED	Director	Axiomtek Co., Ltd. Representative: Yang, Yu-Te	180,000	100.00
AXIOMTEK JAPAN CO., LTD.	Director	Axiomtek Co., Ltd. Representative: Yang, Yu-Te	600	100.00
AXIOMTEK ITALIA S. R. L.	Director	Axiomtek Co., Ltd. Representative: Wen Wang	EUR78,000 (Note 2)	100.00

Note 1: If the affiliated company is a foreign company, list the one of equivalent position.

Note 2: Limited company, no shares issued.

B. Overview of operation of affiliates

Unit: NT\$ Thousand (unless otherwise indicated)

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income (loss)	Net Income (Loss)	Earnings (Loss) Per Share NT\$
AXIOM TECHNOLOGY, INC. U.S.A.	10,856	1,351,154	676,760	674,394	2,838,315	150,569	129,703	5,538.62
AXIOMTEKDEUTSCHL AND GMBH	19,941	303,234	73,554	229,680	417,323	14,509	16,497	(Note)
AXIOM TECHNOLOGY (BVI) CO., LTD.	156,650	106,300	-	106,300	-	(45)	1,521	304.17
AXIOMTEK (SHEN ZHEN) CO., LTD.	130,487	196,553	90,668	105,885	270,034	1,335	1,579	(Note)
AXIOMTEK UK LIMITED	8,615	4,030	548	3,482	5,192	1,000	1,224	6.80
AXIOMTEK JAPAN CO., LTD.	8,235	7,882	22	7,860	947	425	492	820.33
AXIOMTEK ITALIA S. R. L.	2,760	40,401	19,651	20,750	79,740	2,328	1,845	(Note)

Note: Limited company, no shares issued.

(2) Comprehensive financial statements of affiliates

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2021 (Jan.01~Dec.31) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included into the consolidated financial statement of the parent company and subsidiaries pursuant to the IAS No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statement of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statement of affiliated enterprises separately.

(3) Affiliation report: None.

2. Private Placement Securities in the Most Recent Year and up to the Date of Printing of the Annual Report.  
None.
3. The Shares of the Company Held or Disposed of by Subsidiaries in the Most Recent Year and up to the Printing Date of the Annual Report.  
None.
4. Other Supplementary Information.  
None.
5. Significant Issues affecting Shareholders’ Equity or the Price of Shares Pursuant to Item 2, Paragraph 3 of Article 36 of the Securities and Exchange Act in the Most Recent Year and up to the Printing Date of the Annual Report.  
None.

## **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, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current assets</b>						
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	<b>Total current assets</b>		<u>3,275,093</u>	<u>61</u>	<u>2,501,447</u>	<u>62</u>
<b>Non-current assets</b>						
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	<b>Total non-current assets</b>		<u>2,060,598</u>	<u>39</u>	<u>1,542,070</u>	<u>38</u>
1XXX	<b>Total Assets</b>		<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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

<b>Liabilities and Equity</b>		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
<b>Current liabilities</b>						
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	<b>Total current liabilities</b>		<u>1,863,533</u>	<u>35</u>	<u>1,100,141</u>	<u>27</u>
<b>Non-current liabilities</b>						
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	<b>Total non-current liabilities</b>		<u>393,885</u>	<u>7</u>	<u>309,598</u>	<u>8</u>
2XXX	<b>Total liabilities</b>		<u>2,257,418</u>	<u>42</u>	<u>1,409,739</u>	<u>35</u>
<b>Equity attributable to shareholders of the parent</b>						
<b>Share capital</b>						
3110	Ordinary shares	6(19)	884,829	17	825,953	20
3140	Advance receipts for share capital		75,094	1	23,897	1
<b>Capital surplus</b>						
3200	Capital surplus	6(20)	533,041	10	330,595	8
<b>Retained earnings</b>						
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
<b>Other equity</b>						
3400	Other equity	6(22)	( 76,627)	( 2)	( 38,975)	( 1)
31XX	<b>Total equity attributable to shareholders of the parent</b>		<u>3,078,273</u>	<u>58</u>	<u>2,633,778</u>	<u>65</u>
3XXX	<b>Total equity</b>		<u>3,078,273</u>	<u>58</u>	<u>2,633,778</u>	<u>65</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>						
<b>Significant after the balance sheet date</b>						
3X2X	<b>Total Liabilities and Equity</b>	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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2021		2020	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(23)	\$ 5,069,606	100	\$ 4,602,779	100
5000 <b>Operating costs</b>	6(3)(28) (29) and 7	( 3,368,611)	( 67)	( 3,052,024)	( 66)
5900 <b>Gross profit</b>		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 <b>Net operating margin</b>		1,701,032	33	1,550,734	34
<b>Operating expenses</b>	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 <b>Total operating expenses</b>		( 1,284,026)	( 25)	( 1,146,783)	( 25)
6900 <b>Operating profit</b>		417,006	8	403,951	9
<b>Non-operating income and expenses</b>					
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)	-
<b>Total non-operating income and expenses</b>		78,090	2	8,551	-
7000 <b>Profit before income tax</b>		495,096	10	412,502	9
7900 Income tax expenses	6(30)	( 104,181)	( 2)	( 105,904)	( 3)
7950 <b>Net Income</b>		\$ 390,915	8	\$ 306,598	6
8200 <b>Other comprehensive income</b>					
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)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
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 <b>Other comprehensive income (loss) for the year</b>		( \$ 41,985)	( 1)	( \$ 12,266)	-
8500 <b>Total Comprehensive Income</b>		\$ 348,930	7	\$ 294,332	6
<b>Profit attributable to:</b>					
8610 Shareholders of the parent		\$ 390,915	8	\$ 306,598	6
<b>Total comprehensive income (loss) attributable to:</b>					
8710 Shareholders of the parent		\$ 348,930	7	\$ 294,332	6
9750 <b>Basic earnings per share</b>	6(31)	\$ 4.57		\$ 3.73	
9850 <b>Diluted earnings per share</b>	6(31)	\$ 4.30		\$ 3.43	

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, 2020 AND 2019  
(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	Total
Notes	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
<u>Year 2020</u>									
	Balance at January 1, 2020	\$ 803,954	\$ 60,957	\$ 245,919	\$ 500,481	\$ 4,231	\$ 1,008,490	(\$ 26,633 )	\$ 2,597,399
	Profit for the year	-	-	-	-	-	306,598	-	306,598
	Other comprehensive income (loss) for the year	-	-	-	-	-	76	( 12,342 )	( 12,266 )
	Total comprehensive income	-	-	-	-	-	306,674	( 12,342 )	294,332
	Appropriations of 2019 earnings								
	Legal reserve	-	-	-	45,697	-	( 45,697 )	-	-
	Special reserve	-	-	-	-	22,402	( 22,402 )	-	-
	Cash dividends	-	-	-	-	-	( 327,568 )	-	( 327,568 )
	Share-based payments	3,850	1,552	7,605	-	-	-	-	13,007
	Compensation cost of share-based payments	-	-	7,814	-	-	-	-	7,814
	Conversion of convertible bonds	18,149	( 38,612 )	69,257	-	-	-	-	48,794
	Balance at December 31, 2020	<u>\$ 825,953</u>	<u>\$ 23,897</u>	<u>\$ 330,595</u>	<u>\$ 546,178</u>	<u>\$ 26,633</u>	<u>\$ 919,497</u>	<u>(\$ 38,975 )</u>	<u>\$ 2,633,778</u>
<u>Year 2021</u>									
	Balance at January 1, 2021	\$ 825,953	\$ 23,897	\$ 330,595	\$ 546,178	\$ 26,633	\$ 919,497	(\$ 38,975 )	\$ 2,633,778
	Profit for the year	-	-	-	-	-	390,915	-	390,915
	Other comprehensive income (loss) for the year	-	-	-	-	-	( 4,333 )	( 37,652 )	( 41,985 )
	Total comprehensive income	-	-	-	-	-	386,582	( 37,652 )	348,930
	Appropriations of 2020 earnings								
	Legal reserve	-	-	-	30,668	-	( 30,668 )	-	-
	Special reserve	-	-	-	-	12,341	( 12,341 )	-	-
	Cash dividends	-	-	-	-	-	( 216,954 )	-	( 216,954 )
	Share-based payments	6,690	( 2,463 )	15,655	-	-	-	-	19,882
	Compensation cost of share-based payments	-	-	16,023	-	-	-	-	16,023
	Conversion of convertible bonds	52,186	53,660	170,768	-	-	-	-	276,614
	Balance at December 31, 2021	<u>\$ 884,829</u>	<u>\$ 75,094</u>	<u>\$ 533,041</u>	<u>\$ 576,846</u>	<u>\$ 38,974</u>	<u>\$ 1,046,116</u>	<u>(\$ 76,627 )</u>	<u>\$ 3,078,273</u>

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, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
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		<u>403,131</u>	<u>541,496</u>

(Continued)

AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(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		<u>( 473,619 )</u>	<u>( 43,305 )</u>
<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)	<u>( 2,300 )</u>	<u>-</u>
Net cash flows provided by (used in) financing activities		<u>150,027</u>	<u>( 462,365 )</u>
Effects due to changes in exchange rate		<u>( 43,457 )</u>	<u>( 10,769 )</u>
Increase (Decrease) in cash and cash equivalents		36,082	25,057
Cash and cash equivalents at beginning of year		<u>907,789</u>	<u>882,732</u>
Cash and cash equivalents at end of year		<u>\$ 943,871</u>	<u>\$ 907,789</u>

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:

<u>New Standards, Interpretations and Amendments</u>	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:

<u>New Standards, Interpretations and Amendments</u>	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
<b>Total</b>	<b>\$ 869,741</b>	<b>(\$ 50,900)</b>	<b>\$ 818,841</b>

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
<b>Total</b>	<b>\$ 3,368,611</b>	<b>\$ 3,052,024</b>

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

	Land	Buildings	Machinery	Testing equipment	Others	Total
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>
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>Years ended</u>
	<u>December 31, 2021</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>Years ended</u>
	<u>December 31, 2021</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 vale 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)
				\$ 53,606

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)
				\$ 38,685

(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)
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	<u>0.57%</u>	<u>0.31%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

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		<u>8,306</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:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
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	\$151,396	\$284,236	\$1,026	\$ 176	\$ 2	\$96,071	\$ -	\$ 134	\$533,041

		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		\$135,741	\$ 97,338	\$1,026	\$ 176	\$ 2	\$ 80,048	\$ 16,264	\$330,595

(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,			
	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					Total
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	
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.	<u>\$ 27,943</u>	<u>\$ 21,543</u>

#### (24) Interest income

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

#### (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	<u>\$ 22,422</u>	<u>\$ 60,462</u>

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	<u>\$ 66,334</u>	<u>(\$ 46,679)</u>

(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>(\$ 66,638)</u>	<u>(\$ 25,044)</u>	<u>\$ 10,210</u>	<u>(\$ 81,472)</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.



(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	<u>\$ 581,355</u>	<u>\$ 33,356</u>

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	<u>\$ 374,000</u>	<u>\$ 55,017</u>	<u>\$ 130,450</u>	<u>\$ -</u>	<u>\$ 559,467</u>

	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	<u>\$ -</u>	<u>\$ 41,533</u>	<u>\$ 100,302</u>	<u>\$ 275,884</u>	<u>\$ 417,719</u>

## 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	\$ 35,082	\$ 35,552
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	\$ 6,813	\$ 4,640

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	\$ 109,328	\$ 91,467

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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 amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)						
<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 amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)						
<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:

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

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

- 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						
Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total	
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					Total
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	
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	<u>\$ 3,106,243</u>	<u>\$ 2,440,925</u>	<u>\$ 588,278</u>	<u>\$ 327,639</u>	<u>(\$ 1,793,991)</u>	<u>\$ 4,669,094</u>
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	
	<u>Revenue</u>	<u>Department</u>	<u>Revenue</u>	<u>Department</u>
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

Expressed in thousands of NTD  
(Except as otherwise indicated)

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 4,223	\$1,846,964
	USD 4,207		

Table 10

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

Shares	Name of shares held	Ownership (%)
Name of major shareholders		
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.

(ATTACHMENT 2)

## **2021 Independent Auditors' Report**

### **(Parent Company Only Financial Statements)**

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

#### **Opinion**

We have audited the accompanying parent company only balance sheets of AXIOMTEK CO., LTD. (hereinafter referred to as "Axiomtek" or "the Company") as at December 31, 2021 and 2020, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in order to comply with the Regulations Governing the Preparations of Financial Reports by Securities Issuers.

#### **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 Auditor's Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Company in order to comply with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (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 individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the parent company only financial statements for the year ended December 31, 2021 are stated as follows:

## **Cut off of Operating Revenue**

### Description

Please refer to Note 4(31) for accounting policy on revenue recognition and Note 6(20) for details of operating revenue.

The Company'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 the internal control of Axiomtek's operating revenue and perform the test of the effectiveness of internal controls over shipping and billing.
2. For the details of the export income transaction details for a specific period before and after the balance sheet date, confirm its completeness and perform a cut-off test by random inspection, including confirmation of transaction conditions, verification of relevant supporting documents, and confirmation that sales revenue has been recorded in an appropriate period.

## **Allowance for Inventory Valuation Losses**

### Description

Please refer to Note 4(11) 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 Company's inventories and allowance for inventory valuation losses amounted to NT\$991,383 thousand and NT\$49,000 thousand, respectively.

The Company is primarily engaged in the research and development, manufacturing and sales of industrial computer products. Due to rapid technological innovation and fluctuations in market prices, the Company 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 considered the allowance for inventory valuation losses as 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 Company'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 reformed 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- Audit by the Other Independent Accountants**

We did not audit the financial statements of certain investments accounted for under the equity method. These investments accounted for under the equity method amounted to NT \$211,830 thousand and NT \$225,960 thousand, constituting 4.36% and 6.08% of total assets as of December 31, 2021 and 2020, respectively, and other comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to NT\$9,581 thousand and NT\$14,207 thousand, constituting 2.75% and 4.83% of total comprehensive income for the years ended December 31, 2021 and 2020, respectively. The financial statements of these investments accounted for under the equity method were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in order to comply with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit Committee, are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the Parent Company Only 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 Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company 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 parent company only 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.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 607,232	12	\$ 667,964	18
1150	Notes receivable	6(2) and 12(2)	5,566	-	2,948	-
1170	Accounts receivable	6(2) and 12(2)	124,776	3	76,643	2
1180	Accounts receivable – related parties	6(2),7 and 12(2)	385,570	8	272,299	8
1200	Other receivables		29,774	1	11,345	-
1210	Other receivables – related parties	7	-	-	84,350	2
1220	Current income tax assets		46	-	703	-
130X	Inventories	6(3)	942,383	19	431,345	12
1410	Prepayments		13,896	-	11,590	-
1470	Other current assets		595	-	770	-
11XX	<b>Total current assets</b>		<u>2,109,838</u>	<u>43</u>	<u>1,559,957</u>	<u>42</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(4)	1,048,731	22	946,692	26
1600	Property, plant and equipment	6(5)	1,548,362	32	1,016,340	27
1755	Use rights assets	6(6)	22,680	-	31,716	1
1760	Investment property	6(8)	38,479	1	85,193	2
1780	Intangible assets	6(9)	27,891	1	21,236	1
1840	Deferred income tax assets	6(27)	60,791	1	50,913	1
1920	Refundable deposits		5,575	-	5,087	-
15XX	<b>Total non-current assets</b>		<u>2,752,509</u>	<u>57</u>	<u>2,157,177</u>	<u>58</u>
1XXX	<b>Total Assets</b>		<u>\$ 4,862,347</u>	<u>100</u>	<u>\$ 3,717,134</u>	<u>100</u>

(Continued)

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 374,000	8	\$ -	-
2130	Contract liabilities - current	6(20)	76,162	2	29,684	1
2150	Notes payables		675	-	997	-
2170	Accounts payable		681,480	14	221,384	6
2180	Accounts payable – related parties	7	11,348	-	7,398	-
2200	Other payables	6(11)	288,208	6	238,859	7
2230	Current income tax liabilities		93,353	2	75,605	2
2280	Lease liabilities-current portion		15,799	-	14,571	-
2310	Advance receipts		84	-	12,816	-
2320	Current portion of long-term borrowings	6(13)	-	-	275,884	8
2399	Other current liabilities		2,207	-	1,830	-
21XX	<b>Total current liabilities</b>		<u>1,543,316</u>	<u>32</u>	<u>879,028</u>	<u>24</u>
<b>Non-current liabilities</b>						
2560	Income tax liabilities- non current		30,677	1	15,423	-
2570	Deferred income tax liabilities	6(27)	155,892	3	126,713	3
2580	Lease liabilities-non current		6,968	-	17,565	1
2640	Accrued pension liabilities	6(14)	46,458	1	43,864	1
2645	Guarantee deposit received		763	-	763	-
25XX	<b>Total non-current liabilities</b>		<u>240,758</u>	<u>5</u>	<u>204,328</u>	<u>5</u>
2XXX	<b>Total liabilities</b>		<u>1,784,074</u>	<u>37</u>	<u>1,083,356</u>	<u>29</u>
<b>Equity attributable to shareholders of the parent</b>						
<b>Share capital</b>						
3110	Ordinary shares	6(16)	884,829	18	825,953	22
3140	Advance receipts for share capital	6(16)	75,094	2	23,897	1
<b>Capital surplus</b>						
3200	Capital surplus	6(17)	533,041	11	330,595	8
<b>Retained earnings</b>						
3310	Legal reserve	6(18)	576,846	12	546,178	15
3320	Special reserve		38,974	1	26,633	1
3350	Unappropriated retained earnings		1,046,116	21	919,497	25
<b>Other equity</b>						
3400	Other equity	6(19)	( 76,627)	( 2)	( 38,975)	( 1)
3XXX	<b>Total equity</b>		<u>3,078,273</u>	<u>63</u>	<u>2,633,778</u>	<u>71</u>
<b>Significant commitment and contingent item</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 4,862,347</u>	<u>100</u>	<u>\$ 3,717,134</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Items	Notes	Year ended December 31			
		2021		2020	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(20) and 7	\$ 3,663,800	100	\$ 3,084,802	100
5000 <b>Operating costs</b>	6(3), (25) and (26)	( 2,686,465)	( 73)	( 2,158,795)	( 70)
5900 <b>Gross profit</b>		977,335	27	926,007	30
5910 Unrealized gain from sale	6(4)	( 81,600)	( 2)	( 87,278)	( 3)
5920 Realized gain from sale		87,278	2	86,299	3
5950 <b>Net gross profit</b>		983,013	27	925,028	30
<b>Operating expenses</b>	6(25) and (26)				
6100 Selling expenses		( 94,773)	( 3)	( 99,841)	( 3)
6200 General and administrative expenses		( 154,088)	( 4)	( 118,660)	( 4)
6300 Research and development expenses		( 485,292)	( 13)	( 420,549)	( 14)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	( 3)	-	140	-
6000 <b>Total operating expenses</b>		( 734,156)	( 20)	( 638,910)	( 21)
6900 <b>Operating profit</b>		248,857	7	286,118	9
<b>Non-operating income and expenses</b>					
7100 Interest income	6(21) and 7	2,203	-	7,127	-
7010 Other income	6(22)	12,921	-	15,982	-
7020 Other gains and losses	6(23)	66,904	2	( 44,730)	( 1)
7050 Finance costs	6(24)	( 3,980)	-	( 6,286)	-
7070 Share of profit of associates and joint ventures accounted for under equity method	6(4)	144,571	4	125,864	4
7000 <b>Total non-operating income and expenses</b>		222,619	6	97,957	3
7900 <b>Profit before income tax</b>		471,476	13	384,075	12
7950 Income tax expenses	6(27)	( 80,561)	( 2)	( 77,477)	( 2)
8200 <b>Net Income</b>		\$ 390,915	11	\$ 306,598	10
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Remeasurements of defined benefit plan	6(14)	(\$ 3,986)	-	\$ 95	-
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(4)	( 1,144)	-	-	-
8349 Income tax relating to components of other comprehensive income	6(27)	797	-	( 19)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
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(27)	9,413	-	3,085	-
8300 <b>Other comprehensive income (loss) for the year</b>		(\$ 41,985)	( 1)	(\$ 12,266)	-
8500 <b>Total Comprehensive Income</b>		\$ 348,930	10	\$ 294,332	10
9750 <b>Basic earnings per share</b>	6(28)	\$ 4.57		\$ 3.73	
9850 <b>Diluted earnings per share</b>	6(28)	\$ 4.30		\$ 3.43	

The accompanying notes are an integral part of the parent company only financial statements.

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Share capital			Retained earnings			Other equity	Total equity
		Ordinary share	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	
<u>Year 2020</u>									
Balance at January 1, 2020		\$ 803,954	\$ 60,957	\$ 245,919	\$ 500,481	\$ 4,231	\$ 1,008,490	(\$ 26,633)	\$ 2,597,399
Profit for the year		-	-	-	-	-	306,598	-	306,598
Other comprehensive income (loss) for the year		-	-	-	-	-	76	(12,342)	(12,266)
Total comprehensive income		-	-	-	-	-	306,674	(12,342)	294,332
Appropriations of 2019 earnings									
Legal reserve	6(18)	-	-	-	45,697	-	(45,697)	-	-
Reversal of special reserve	6(18)	-	-	-	-	22,402	(22,402)	-	-
Cash dividends	6(18)	-	-	-	-	-	(327,568)	-	(327,568)
Share-based payments		3,850	1,552	7,605	-	-	-	-	13,007
Compensation cost of share-based payments	6(15)	-	-	7,814	-	-	-	-	7,814
Conversion of convertible bonds		18,149	(38,612)	69,257	-	-	-	-	48,794
Balance at December 31, 2020		\$ 825,953	\$ 23,897	\$ 330,595	\$ 546,178	\$ 26,633	\$ 919,497	(\$ 38,975)	\$ 2,633,778
<u>Year 2021</u>									
Balance at January 1, 2021		\$ 825,953	\$ 23,897	\$ 330,595	\$ 546,178	\$ 26,633	\$ 919,497	(\$ 38,975)	\$ 2,633,778
Profit for the year		-	-	-	-	-	390,915	-	390,915
Other comprehensive income (loss) for the year		-	-	-	-	-	(4,333)	(37,652)	(41,985)
Total comprehensive income		-	-	-	-	-	386,582	(37,652)	348,930
Appropriations of 2020 earnings									
Legal reserve	6(18)	-	-	-	30,668	-	(30,668)	-	-
Special reserve	6(18)	-	-	-	-	12,341	(12,341)	-	-
Cash dividends	6(18)	-	-	-	-	-	(216,954)	-	(216,954)
Share-based payments		6,690	(2,463)	15,655	-	-	-	-	19,882
Compensation cost of share-based payments	6(15)	-	-	16,023	-	-	-	-	16,023
Conversion of convertible bonds		52,186	53,660	170,768	-	-	-	-	276,614
Balance at December 31, 2021		\$ 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 the parent company only financial statements.

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Years ended December 31	
		2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 471,476	\$ 384,075
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5), (6) and (25)	62,179	69,806
Depreciation from investment Property	6(8) and (23)	541	1,048
Amortization	6(9) and (25)	12,049	7,798
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	3	( 140 )
Interest expense	6(24)	3,980	6,286
Interest income	6(21)	( 2,203 )	( 7,127 )
Compensation cost of share-based payments	6(15) and (26)	12,912	6,236
Share of profit of associates and joint ventures accounted for under equity method	6(4)	( 144,571 )	( 125,864 )
Loss (gain) on disposal of property, plant and equipment	6(23)	( 120 )	( 167 )
Gain on disposal of investments	6(23)	( 295 )	( 204 )
Gain on disposal of investment assets	6(23)	( 78,854 )	-
Impairment loss on investments accounted for using equity method	6(23)	-	9,596
Unrealized profit from sales		( 5,678 )	979
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		( 2,618 )	3,733
Accounts receivable (including related parties)		( 161,407 )	184,631
Other receivables (including related parties)		( 15,469 )	4,314
Inventories		( 511,038 )	13,018
Prepayments		( 2,306 )	( 2,521 )
Other current assets		175	( 174 )
Changes in liabilities relating to operating activities			
Contract liabilities		46,478	12,087
Notes payables		( 322 )	322
Accounts payable (including related parties)		464,046	( 67,087 )
Other payables		45,374	4,857
Advance receipts		-	12,345
Other current assets		( 12,354 )	152
Accrued pension liabilities		( 1,392 )	( 1,150 )
Cash inflow generated from operations		180,881	517,053
Receipt of interest		2,352	8,274
Payment of interest		( 874 )	( 1,241 )
Payment of income tax		( 17,390 )	( 9,273 )
Net cash flows provided by operating activities		<u>164,969</u>	<u>514,813</u>

(Continued)

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Years ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Other receivables (including related parties)		( 37,131 )	37,932
Proceeds from disposal of investments for under equity method	6(29)	( 19,446 )	( 36,539 )
Proceeds from disposal of property, plant and equipment		171	48
Proceeds from disposal of investment properties		-	151,728
Acquisition of intangible assets	6(9)	( 9,387 )	( 3,757 )
Increase in refundable deposits		( 217 )	( 513 )
Net cash flows provided by (used in) investing activities		( 66,010 )	59,080
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short -term borrowings		963,000	553,000
Redemption of short -term borrowings		( 1,065,000 )	( 504,000 )
Increase (decrease) in refundable deposits		160	( 299 )
Payment of cash dividends	6(18)	( 327,568 )	( 298,784 )
Proceeds from exercise of employee stock options	6(15)	13,007	3,622
Repayment of lease principal		( 16,478 )	( 14,182 )
Net cash flows provided by (used in) financing activities		( 432,879 )	( 260,643 )
Increase (Decrease) in cash and cash equivalents		15,924	( 82,777 )
Cash and cash equivalents at beginning of year		652,040	734,817
Cash and cash equivalents at end of year		<u>\$ 667,964</u>	<u>\$ 652,040</u>

The accompanying notes are an integral part of the parent company only financial statements.

AXIOMTEK CO., LTD.  
NOTES TO PARENT COMPANY ONLY 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 is mainly engaged in designing, manufacturing and sales of PC-based industrial computer products and peripherals. The Company 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 PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The parent company only 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 Company's financial condition and financial performance based on the Company's assessment.

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

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



<u>New Standards, Interpretations and Amendments</u>	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 Company's financial condition and financial performance based on the Company'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:

<u>New Standards, Interpretations and Amendments</u>	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 Company's financial condition and financial performance based on the Company's assessment.	

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Statement of compliance

The parent company only financial statements of the Company 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 parent company only 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional and the Company'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 Company 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 Company 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.
- (4) 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.

(5) 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.

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

- 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 Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company 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.

(8) 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 Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) 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.

(11) 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.

(12) Investments accounted for under equity method

- A. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equal or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
- D. When the Company loses control of a subsidiary, the Company 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 all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss.

- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- F. The Company'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 Company's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
- H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- I. When the Company 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.
- J. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the parent company only financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the parent company only financial statements.

(13) 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 Company 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

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

- D. 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 Company. 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.
- E. 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:

(C) Fixed payments, less any lease incentives receivable; and

(D) Variable lease payments that depend on an index or a rate.

The Company 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.

- F. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(D) The amount of the initial measurement of lease liability;

(E) Any lease payments made at or before the commencement date; and

(F) 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.

(15) 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 2 to 23 years.

(16) 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.

(17) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. 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 group 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.

(18) 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.

(19) 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.

(20) 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 Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(21) 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 losses. 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 losses.
- 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.



(22) 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 loss. 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 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 loss.

(23) 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.

(24) 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.

(25) Provisions for liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation 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.

(26) 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 Company 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 Company 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 Company 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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) **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.

(28) **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 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 Company 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.

(29) 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.

(30) 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.

(31) Revenue recognition

A. Sales of goods

- (A) The Company 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 Company 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 Company'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.
- C. Acquisition of customer contract costs  
Although the incremental costs incurred by the Company to obtain a customer contract are expected to be recoverable, the relevant contract period is less than leap year, so these costs are recognized as expenses when incurred.

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

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company'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 Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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 \$942,383.

## 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	\$ 469	\$ 569
Checking accounts and demand deposits	423,267	151,720
Time deposits	17,386	31,515
Cash equivalents - Bonds with repurchase agreement	166,110	484,160
	<u>\$ 607,232</u>	<u>\$ 667,964</u>

- A. The Company 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 Company 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	\$ 5,566	\$ 2,948
Less: Loss allowance	-	-
	<u>\$ 5,566</u>	<u>\$ 2,948</u>
Accounts receivable	\$ 124,814	\$ 76,678
Accounts receivable - related parties	385,570	272,299
Less: Loss allowance	( 38)	( 35)
	<u>\$ 510,346</u>	<u>\$ 348,942</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 \$540,289.
- C. The Company 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	137,119	-	137,119
Semi-finished goods	28,422	( 3,187)	25,235
Finished goods	239,030	( 6,859)	232,171
Inventories in transit	1,424	-	1,424
Total	<u>\$ 991,383</u>	<u>(\$ 49,000)</u>	<u>\$ 942,383</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	45,047	( 296)	44,751
Semi-finished goods	24,872	( 1,531)	23,341
Finished goods	172,728	( 17,304)	155,424
Inventories in transit	1,069	-	1,069
<b>Total</b>	<b>\$ 474,145</b>	<b>(\$ 42,800)</b>	<b>\$ 431,345</b>

Relevant expenses of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 are as follows:

	Years ended December 31	
	2021	2020
Cost of revenue	\$ 2,672,158	\$ 2,143,385
Loss on market value decline and obsolete and slow-moving inventories	14,307	15,410
<b>Total</b>	<b>\$ 2,686,465</b>	<b>\$ 2,158,795</b>

The Company has no inventories pledged to others.

(4) Investments accounted for using equity method

	December 31, 2021	December 31, 2020
AXIOM TECHNOLOGY, INC. U.S.A.(AXUS)	\$ 672,839	\$ 546,713
AXIOMTEK DEUTSCHLAND GMBH(AXGM)	211,830	225,960
AXIOM TECHNOLOGY (BVI) CO., LTD.(AXBVI)	97,830	99,649
AXIOMTEK ITALIA S.R.L.(AXIT)	33,908	37,540
AXIOMTEK JAPAN CO., LTD.(AXJP)	7,860	8,493
AXIOMTEK UK LIMITED (AXUK)	3,482	2,392
Investments in associates UNIT-INNOVATE TECHNOLOGY CO., LTD. (UNI)	20,982	25,945
<b>Total</b>	<b>\$ 1,048,731</b>	<b>\$ 946,692</b>

- A. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2021 financial statements.
- B. Equity methods used in 2021 and 2020 to recognize Share of profit (loss) of associates and joint ventures accounted for using equity method:

	Years ended December 31	
	2021	2020
AXUS	\$ 129,703	\$ 110,665
AXGM	16,497	4,470
AXBVI	1,400	16,338
AXUK	1,224	( 1,274)
AXJP	492	655
AXIT	255	( 3,386)
UNI	( 5,000)	( 1,604)
Total	<u>\$ 144,571</u>	<u>\$ 125,864</u>

- C. Equity methods used in 2021 and 2020 to recognize Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss:

	Years ended December 31	
	2021	2020
AXIT	<u>(\$ 1,144)</u>	<u>\$ -</u>

- D. Equity methods used in 2021 and 2020 to recognize Share of impairment loss of associates and joint ventures accounted for using equity method:

	Years ended December 31	
	2021	2020
AXIT	<u>\$ -</u>	<u>(\$ 9,596)</u>

- E. Details of Unrealized profit from sales of the subsidiaries and their subsidiaries at the end of the period are as follows:

	Years ended December 31	
	2021	2020
AXUS	\$ 53,980	\$ 67,002
AXGM	17,851	13,302
Axiomtek (Shenzhen) Co. Ltd. (AXSZ)	8,137	5,641
AXIT	1,613	1,276
UNI	19	57
Total	<u>\$ 81,600</u>	<u>\$ 87,278</u>

(5) Property, plant and equipment

	Land	Buildings	Machinery	Tools	Testing equipment	Office Equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2021										
Cost	\$ 535,624	\$ 417,560	\$141,273	\$69,075	\$53,667	\$71,846	\$24,349	\$ 20,271	\$ 1,672	\$1,335,337
Accumulated depreciation	-	( 29,229)	( 121,007)	( 61,569)	( 39,098)	( 36,672)	( 17,416)	( 14,006)	-	( 318,997)
	<u>\$ 535,624</u>	<u>\$ 388,331</u>	<u>\$ 20,266</u>	<u>\$ 7,506</u>	<u>\$14,569</u>	<u>\$35,174</u>	<u>\$ 6,933</u>	<u>\$ 6,265</u>	<u>\$ 1,672</u>	<u>\$1,016,340</u>
2021										
Opening net book amount	\$ 535,624	\$ 388,331	\$ 20,266	\$ 7,506	\$14,569	\$35,174	\$ 6,933	\$ 6,265	\$ 1,672	\$1,016,340
Additions	495,782	55,282	793	7,638	3,525	2,653	324	4,436	8,331	578,764
Disposals (Cost)	-	-	( 8,241)	( 837)	( 2,088)	( 740)	-	( 1,611)	-	( 13,517)
Disposals (Accumulated depreciation)	-	-	8,241	837	2,088	740	-	1,611	-	13,517
Reclassifications (Cost)	-	-	4,248	473	2,050	-	-	196	( 7,860)	( 893)
Depreciation	-	( 8,812)	( 9,334)	( 3,689)	( 5,675)	( 7,860)	( 6,456)	( 4,023)	-	( 45,849)
Closing net book amount	<u>\$ 1,031,406</u>	<u>\$ 434,801</u>	<u>\$ 15,973</u>	<u>\$11,928</u>	<u>\$14,469</u>	<u>\$29,967</u>	<u>\$ 801</u>	<u>\$ 6,874</u>	<u>\$ 2,143</u>	<u>\$1,548,362</u>
At December 31, 2021										
Cost	1,031,406	\$ 472,842	\$138,073	\$76,349	\$57,154	\$73,759	\$24,673	\$ 23,292	\$ 2,143	\$1,899,691
Accumulated depreciation	-	( 38,041)	( 122,100)	( 64,421)	( 42,685)	( 43,792)	( 23,872)	( 16,418)	-	( 351,329)
	<u>\$ 1,031,406</u>	<u>\$ 434,801</u>	<u>\$ 15,973</u>	<u>\$11,928</u>	<u>\$14,469</u>	<u>\$29,967</u>	<u>\$ 801</u>	<u>\$ 6,874</u>	<u>\$ 2,143</u>	<u>\$1,548,362</u>



	Land	Buildings	Machinery	Tools	Testing equipment	Office Equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2020										
Cost	\$535,624	\$ 417,560	\$140,888	\$63,756	\$59,320	\$72,156	\$25,149	\$16,367	\$ 3,081	\$1,333,901
Accumulated depreciation	-	( 20,878)	( 109,441)	( 56,014)	( 44,515)	( 29,415)	( 10,387)	( 11,228)	-	( 281,878)
	<u>\$535,624</u>	<u>\$ 396,682</u>	<u>\$ 31,447</u>	<u>\$ 7,742</u>	<u>\$14,805</u>	<u>\$42,741</u>	<u>\$14,762</u>	<u>\$ 5,139</u>	<u>\$ 3,081</u>	<u>\$1,052,023</u>
2020										
Opening net book amount	\$535,624	\$ 396,682	\$ 31,447	\$ 7,742	\$14,805	\$42,741	\$14,762	\$ 5,139	\$ 3,081	\$1,052,023
Additions	-	-	2,018	1,834	4,152	152	-	4,076	7,256	19,488
Disposals (Cost)	-	-	( 2,833)	-	( 11,047)	( 648)	( 900)	( 889)	-	( 16,317)
Disposals (Accumulated depreciation)	-	-	2,833	-	11,047	648	900	885	-	16,313
Reclassifications (Cost)	-	-	1,200	3,485	1,242	186	100	717	( 8,665)	( 1,735)
Depreciation	-	( 8,351)	( 14,399)	( 5,555)	( 5,630)	( 7,905)	( 7,929)	( 3,663)	-	( 53,432)
Closing net book amount	<u>\$535,624</u>	<u>\$ 388,331</u>	<u>\$ 20,266</u>	<u>\$ 7,506</u>	<u>\$14,569</u>	<u>\$35,174</u>	<u>\$ 6,933</u>	<u>\$ 6,265</u>	<u>\$ 1,672</u>	<u>\$1,016,340</u>
At December 31, 2020										
Cost	\$535,624	\$ 417,560	\$141,273	\$69,075	\$53,667	\$71,846	\$24,349	\$20,271	\$ 1,672	\$1,335,337
Accumulated depreciation	-	( 29,229)	( 121,007)	( 61,569)	( 39,098)	( 36,672)	( 17,416)	( 14,006)	-	( 318,997)
	<u>\$535,624</u>	<u>\$ 388,331</u>	<u>\$ 20,266</u>	<u>\$ 7,506</u>	<u>\$14,569</u>	<u>\$35,174</u>	<u>\$ 6,933</u>	<u>\$ 6,265</u>	<u>\$ 1,672</u>	<u>\$1,016,340</u>

- A. The Company has no interest capitalized 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 Company 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	\$ 22,680	\$ 31,716

	<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	\$ 16,330	\$ 16,374

- C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$ \$9,074 and \$792.

- 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	\$ 277	\$ 393
Expense on short-term lease contracts	770	1,041

- E. For the 2021 and 2020, the Group's total cash outflow for leases was \$17,710 and \$17,912.

(7) Leasing arrangements — lessor

- A. The Company 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 Company 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>

	<u>Land</u>	<u>Buildings</u>	<u>Total</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:

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

B. The fair value of the investment property held by the Company 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

	<u>Trademark</u>	<u>Computer software</u>	<u>Goodwill</u>	<u>Total</u>
At January 1, 2021				
Cost	\$ 291	\$ 70,774	\$ 5,898	\$ 76,963
Accumulated Amortization	( 291)	( 55,436)	-	( 55,727)
	<u>\$ -</u>	<u>\$ 15,338</u>	<u>\$ 5,898</u>	<u>\$ 21,236</u>
2021				
Opening net book amount	\$ -	\$ 15,338	\$ 5,898	\$ 21,236
Additions	480	17,331	-	17,811
Reclassifications	-	893	-	893
Amortization	( 35)	( 12,014)	-	( 12,049)
	\$			
Closing net book amount	<u>445</u>	<u>\$ 21,548</u>	<u>\$ 5,898</u>	<u>\$ 27,891</u>
At December 31, 2021				
Cost	\$ 771	\$ 88,998	\$ 5,898	\$ 95,667
Accumulated Amortization	( 326)	( 67,450)	-	( 67,776)
	<u>\$ 445</u>	<u>\$ 21,548</u>	<u>\$ 5,898</u>	<u>\$ 27,891</u>
	<u>Trademark</u>	<u>Computer software</u>	<u>Goodwill</u>	<u>Total</u>
At January 1, 2020				
Cost	\$ 291	\$ 60,709	\$ 5,898	\$ 66,898
Accumulated Amortization	( 291)	( 48,695)	-	( 48,986)
	<u>\$ -</u>	<u>\$ 12,014</u>	<u>\$ 5,898</u>	<u>\$ 17,912</u>
2020				
Opening net book amount	\$ -	\$ 12,014	\$ 5,898	\$ 17,912
Additions	-	9,387	-	9,387
Disposals (Cost)	-	( 1,057)	-	( 1,057)
Disposals (Accumulated Amortization)	-	1,057	-	1,057
Reclassifications	-	1,735	-	1,735
Amortization	-	( 7,798)	-	( 7,798)
Closing net book amount	<u>\$ -</u>	<u>\$ 15,338</u>	<u>\$ 5,898</u>	<u>\$ 21,236</u>
At December 31, 2020				
Cost	\$ 291	\$ 70,774	\$ 5,898	\$ 76,963
Accumulated Amortization	( 291)	( 55,436)	-	( 55,727)
	<u>\$ -</u>	<u>\$ 15,338</u>	<u>\$ 5,898</u>	<u>\$ 21,236</u>

- A. The Company has no interest capitalized to intangible assets.  
 B. The details of the amortization charges of intangible assets are as follows:

	Years ended December 31	
	2021	2020
Operating costs	\$ 490	\$ 21
Selling expenses	1,400	268
General and administrative expenses	5,842	4,914
Research and development expenses	4,317	2,595
	<u>\$ 12,049</u>	<u>\$ 7,798</u>

(10) 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.

(11) Other payables

	December 31, 2021	December 31, 2020
Salaries and bonus payable	\$ 162,388	\$ 138,150
Accrued employees' compensation and directors' remuneration	50,278	52,915
Payable to equipment suppliers	8,962	5,063
Others	66,580	42,731
	<u>\$ 288,208</u>	<u>\$ 238,859</u>

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

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

(13) 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%.

(14) 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	(\$ 102,041)	(\$ 99,438)
Fair value of plan assets	55,583	55,574
Net defined benefit liability	(\$ 46,458)	(\$ 43,864)

(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	(\$ 99,438)	\$ 55,574	(\$ 43,864)
Interest (expense) income	( 308)	172	( 136)
	( 99,746)	55,746	( 44,000)
Remeasurements:			
Change in demographic assumptions	714	-	714
Change in financial assumptions	3,459	-	3,459
Experience adjustments	( 8,984)	825	( 8,159)
	( 4,811)	825	( 3,986)
Pension fund contribution	-	1,528	1,528
Paid pension	2,516	( 2,516)	-
Balance at December 31	(\$ 102,041)	\$ 55,583	(\$ 46,458)
Year ended December 31, 2020			
Balance at January 1	(\$ 97,051)	\$ 51,942	(\$ 45,109)
Interest (expense) income	( 757)	405	( 352)
	( 97,808)	52,347	( 45,461)
Remeasurements:			
Change in financial assumptions	( 132)	-	( 132)
Experience adjustments	( 6,087)	-	( 6,087)
	4,589	1,725	6,314
Pension fund contribution	( 1,630)	1,725	95
Balance at December 31	-	1,502	1,502



(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' 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 14 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 and its domestic subsidiaries 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 pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$23,685 and \$21,730, respectively.

(15) 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:

	<u>Years ended December 31,</u>			
	<u>2021</u>		<u>2020</u>	
	<u>No. of options (in thousands)</u>	<u>Weighted average exercise price (in dollars)</u>	<u>No. of options (in thousands)</u>	<u>Weighted average exercise price (in dollars)</u>
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.

(16) 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(13) and 6(15).

(17) 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>	

(18) 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:

E. 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>	

(19) 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>

(20) Operating revenue

- A. Disaggregation of revenue from contracts with customers  
The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Originating from transfer at a point in time:		
Intelligent Platforms & Solutions Products Division	\$ 1,720,286	\$ 1,468,149
Design-in Services	1,615,116	1,404,887
Others	290,181	181,078
Net sales revenue	<u>3,625,583</u>	<u>3,054,114</u>
Originating from the transfer of labor services over time:		
Other Operating revenue	38,217	30,688
Total	<u>\$ 3,663,800</u>	<u>\$ 3,084,802</u>

B. Contract liabilities

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities			
Contract liabilities-Advance payments	<u>\$ 76,162</u>	<u>\$ 29,684</u>	<u>\$ 17,597</u>

The revenue recognized from the beginning balance of contract liability:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
The revenue recognized from the beginning balance of contract liability.	<u>\$ 23,843</u>	<u>\$ 17,549</u>

(21) Interest income

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest on Bank deposit:	\$ 773	\$ 2,674
Other interest income	1,430	4,453
Total	<u>\$ 2,203</u>	<u>\$ 7,127</u>

(22) Other income

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Rental revenue	\$ 3,448	\$ 3,450
Other income	9,473	12,532
Total	<u>\$ 12,921</u>	<u>\$ 15,982</u>

(23) Other gains and losses

	Year ended December 31	
	2021	2020
Loss (gain) on disposal of investment property	\$ 78,854	\$ -
Loss (gain) on disposal of investments	295	204
Gain (loss) on disposal of property, plant and equipment	120	167
Impairment loss on investments accounted for using equity method	-	( 9,596)
Miscellaneous Expenditure	( 157)	( 489)
Depreciation expense from investment property	( 541)	( 1,048)
Foreign exchange gains (losses)	( 11,667)	( 33,968)
Total	\$ 66,904	(\$ 44,730)

(24) Finance costs

	Year ended December 31	
	2021	2020
Interest expense		
Corporate bond discount	\$ 3,030	\$ 5,059
Bank borrowings	668	827
Lease liabilities	277	393
Other	5	7
Total	\$ 3,980	\$ 6,286

(25) Expenses by nature

	Years ended December 31	
	2021	2020
Employee benefit expense	\$ 722,320	\$ 629,438
Depreciation- property, plant and equipment	45,849	53,432
Depreciation-right of use assets	16,330	16,374
Amortization	12,049	7,798
Total	\$ 796,548	\$ 707,042

(26) Employee benefit expense

	Years ended December 31	
	2021	2020
Wages and salaries	\$ 615,398	\$ 538,163
Labor and health insurance fees	48,276	42,422
Pension costs	23,821	22,082
Compensation cost of employee stock options	12,912	6,236
Other employee benefit expense	21,913	20,535
Total	\$ 722,320	\$ 629,438



- 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 \$4,365 and \$5,302, 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 and 2020 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2021 and 2020 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.

(27) 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	\$ 53,666	\$ 54,069
Tax on undistributed earnings	2,335	3,065
Adjustments in respect of prior years	(4,951)	(5,122)
Total current tax	51,050	52,012
Deferred tax		
Origination and reversal of temporary differences	29,511	25,465
Income tax expense	\$ 80,561	\$ 77,477

- (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

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 95,463	\$ 77,440
Effect of items disallowed by tax regulation	( 12,286)	2,094
Adjustments in respect of prior years	( 4,951)	( 5,122)
Tax on undistributed earnings	2,335	3,065
Income tax expense	<u>\$ 80,561</u>	<u>\$ 77,477</u>

C. 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:				
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	\$ 8,560	\$ 1,240	\$ -	\$ 9,800
Unrealized gross margin	17,456	( 1,136)	-	16,320
Unrealized exchange loss	777	( 617)	-	160
Unused compensated absences payable	3,496	416	-	3,912
Unrealized warranty cost	189	43	-	232
Unrealized impairment loss	1,919	-	-	1,919
Unrealized depreciation and interest	-	-	-	-
Defined benefit obligation	8,773	( 278)	797	9,292
Exchange differences on translation	9,743	-	9,413	19,156
Subtotal	<u>\$ 50,913</u>	<u>(\$ 332)</u>	<u>\$ 10,210</u>	<u>\$ 60,791</u>
Deferred tax liabilities				
Net gain on investments accounted for using equity	(\$ 124,798)	(\$ 29,914)	\$ -	(\$ 154,712)
Convertible debt loss evaluation	( 735)	735	-	-
Unamortized goodwill	( 1,180)	-	-	( 1,180)
Subtotal	<u>(\$ 126,713)</u>	<u>(\$ 29,179)</u>	<u>\$ -</u>	<u>(\$ 155,892)</u>

	Year ended December 31, 2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Total	<u>(\$ 75,800)</u>	<u>(\$ 29,511)</u>	<u>\$ 10,210</u>	<u>(\$ 95,101)</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:				
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	\$ 8,170	\$ 390	\$ -	\$ 8,560
Unrealized gross margin	17,260	196	-	17,456
Unrealized exchange loss	3,258	( 2,481)	-	777
Unused compensated absences payable	3,296	200	-	3,496
Unrealized warranty cost	180	9	-	189
Unrealized impairment loss	-	1,919	-	1,919
Unrealized depreciation and interest	105	( 105)	-	-
Defined benefit obligation	9,022	( 230)	( 19)	8,773
Exchange differences on translation	6,658	-	3,085	9,743
Subtotal	<u>\$ 47,949</u>	<u>(\$ 102)</u>	<u>\$ 3,066</u>	<u>\$ 50,913</u>
Deferred tax liabilities				
Net gain on investments accounted for using equity	(\$ 99,304)	(\$ 25,494)	\$ -	(\$ 124,798)
Convertible debt loss evaluation	( 866)	131	-	( 735)
Unamortized goodwill	( 1,180)	-	-	( 1,180)
Subtotal	<u>(\$101,350)</u>	<u>(\$ 25,363)</u>	<u>\$ -</u>	<u>(\$ 126,713)</u>
Total	<u>(\$ 53,401)</u>	<u>(\$ 25,465)</u>	<u>\$ 3,066</u>	<u>(\$ 75,800)</u>

D. The Company's income tax return through 2018 have been assessed and approved by the Tax Authority.

(28) 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

(29) Supplemental cash flow information

A. Partial cash paid for investing activities

	Years ended December 31	
	2021	2020
Purchase of property, plant and equipment	\$ 578,764	\$ 19,488
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	<u>\$ 575,515</u>	<u>\$ 19,446</u>

B. Financing activities not affecting cash flow:

	Years ended December 31	
	2021	2020
Conversion of corporate bond conversion into capital stock	<u>\$ 276,614</u>	<u>\$ 48,794</u>

(30) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Convertible bonds	Liabilities from financing activities-gross
At January 1, 2021	\$ -	\$ 32,136	\$ 275,884	\$ 308,020
Changes in cash flow from financing activities	374,000	( 16,940)	( 2,300)	354,760
Other changes in non-cash items	-	7,571	( 273,584)	( 266,013)
At December 31, 2021	<u>\$ 374,000</u>	<u>\$ 22,767</u>	<u>\$ -</u>	<u>\$ 396,767</u>

	Short-term borrowings	Lease liabilities	Convertible bonds	Liabilities from financing activities-gross
At January 1, 2020	\$ 102,000	\$ 47,822	\$ 319,618	\$ 469,440
Changes in cash flow from financing activities	( 102,000)	( 16,871)	-	( 118,871)
Other changes in non-cash items	-	1,185	( 43,734)	( 42,549)
At December 31, 2020	<u>\$ -</u>	<u>\$ 32,136</u>	<u>\$ 275,884</u>	<u>\$ 308,020</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Advantech Co., Ltd. (Advantech)	Individuals with joint control or entities with significant influence
Advanixs Corporation.	"
AXBVI	Subsidiary
AXUS	"
AXGM	"
AXUK	"
AXJP	"
AXIT	"
AXSZ	A subsidiary which is wholly owned by AXBVI
UNI	Associate

(2) Significant related party transactions and balances

A. Sale

	<u>Years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods		
Individuals with joint control or significant influence on the Company	\$ 164	\$ 155
Subsidiary		
AXUS	1,692,223	1,310,140
AXGM	325,724	317,515
Others	153,855	143,812
Associate	-	55
Total	<u>\$ 2,171,966</u>	<u>\$ 1,771,677</u>

The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

B. Purchase

	<u>Years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Purchase of goods		
Individuals with joint control or entities with significant influence	\$ 35,082	\$ 31,576
Subsidiary	27,643	41,533
Total	<u>\$ 62,725</u>	<u>\$ 73,109</u>

The purchase prices and the trading terms to related parties above were not significantly different from those of purchase to third parties.

C. Account receivable -related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Receivables from related parties		
Subsidiary		
AXUS	\$ 318,368	\$ 210,399
Others	24,296	34,652
Second-tier subsidiary		
AXSZ	42,803	27,248
Associate	103	-
Total	<u>\$ 385,570</u>	<u>\$ 272,299</u>

The receivables from related parties arise mainly from sales transactions. The receivables are due 45~90 days after the date of sale. The receivables are unsecured in nature and bear no interest.

D. Loans to related parties: (as other receivable -related party)

(C) Ending balance (including interest receivable):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary-AXUS	\$ -	\$ 71,200
Second-tier subsidiary-AXSZ	-	13,150
	<u>\$ -</u>	<u>\$ 84,350</u>

(D) Interest income

	<u>Years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiary-AXUS	\$ 789	\$ 1,380
Second-tier subsidiary-AXSZ	34	285
	<u>\$ 823</u>	<u>\$ 1,665</u>

The loans to subsidiaries AXUS and AXSZ are repayable over 1 year and carry interest at 1.75%~3% and 2.75%~3% per annum for both years ended December 31, 2021 and 2020.

E. Account payable -related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payables to related parties		
Individuals with joint control or entities with significant influence		
Advantech	\$ 4,379	\$ 3,827
Advanixs Corporation.	2,434	812
Subsidiary		
AXUK	1,192	1,225
AXUS	-	821
AXSZ	3,053	-
Other	290	713
Total	<u>\$ 11,348</u>	<u>\$ 7,398</u>

The payables from related parties arise mainly from purchase transactions. The payables are due 45~75 days after the date of sale. The payables are bear no interest.

F. Endorsements and guarantees

As of 2021 and December 31, 2020 the Company acted as guarantor for subsidiary AXGM for a loan from NVIDIA. Amount USD250,000 as of 2021 and December 31, 2020 AXGM's accounts payable to NVIDIA were USD0 and USD0 respectively.

As of December 31, 2021, the Company acted as guarantor of subsidiary AXUS for loans from Citibank and the guarantee amount was USD 350,000. Until the day of December 31,2021, AXUS did not make any loan from Citibank.

(3) Key management compensation

	Years ended December 31	
	2021	2020
Short-term employee benefits	\$ 60,590	\$ 51,306
Share-based payment	7,067	4,093
Post-employment compensation	1,418	1,390
Total	<u>\$ 69,075</u>	<u>\$ 56,789</u>

8. PLEDGED ASSETS

None

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingency

None.

(2) Commitments:

Please refer to Note 7 (2)6 for the Endorsements and guarantees.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For details of 2021 earnings appropriation proposed, refer to Note 6(18).

12. OTHERS

(1) Capital risk management

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



(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets		
Financial assets at amortized cost	<u>\$ 1,157,270</u>	<u>\$ 1,120,064</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities		
Financial Liabilities at amortized cost	\$ 1,355,322	\$ 744,346
Lease liabilities	<u>22,767</u>	<u>32,136</u>
	<u>\$ 1,378,089</u>	<u>\$ 776,482</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 Company'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.

(B) Risk management is carried out by a finance department under policies approved by the Board of Directors. Company finance department identifies, evaluates and hedges financial risks in close cooperation with the Company'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 Company 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 Company companies to manage their foreign exchange risk against their functional currency.
- iii. The Company'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					
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 36,266	27.69	\$ 1,004,206	1%	\$8,034
EUR : NTD	268	31.32	8,394	1%	67
RMB : NTD	15,064	4.35	65,528	1%	524
<u>Non-monetary items</u>					
USD : NTD	\$ 23,542	27.69	\$ 651,878	1%	\$5,215
EUR : NTD	7,995	31.32	250,403	1%	2,003
JPY : NTD	32,681	0.24	7,843	1%	62
GBP : NTD	93	37.28	3,467	1%	28
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 15,957	27.69	\$ 441,849	1%	\$3,534
RMB : NTD	702	4.35	3,054	1%	25
December 31, 2020					
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 34,199	28.48	\$ 973,988	1%	\$7,792
EUR : NTD	261	35.02	9,140	1%	73
RMB : NTD	16,495	4.38	72,248	1%	578
<u>Non-monetary items</u>					
USD : NTD	\$ 19,708	28.48	\$ 561,284	1%	\$4,490
EUR : NTD	7,473	35.02	261,704	1%	2,094
JPY : NTD	30,737	0.28	8,606	1%	69
GBP : NTD	61	38.90	2,373	1%	19
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 4,190	28.48	\$ 119,331	1%	\$ 955

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 Company for the years ended December 31, 2021 and 2020, amounted to loss of \$11,667 and loss of \$33,968, respectively.

Price risk

- i. The Company's equity instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Company.
- ii. The Company'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 Company 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 Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Company 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 Company 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 Company 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 Company classifies customer's notes and accounts receivable in accordance with product types and customer types. The Company 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 Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2021 and 2020, the Company has written-off financial assets amounted to \$0 and \$0 that are still under recourse procedures.
- viii. The Company uses the forecast ability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes and accounts receivable. On December 31, 2021, the provision matrix is as follows:

December 31, 2021	Not overdue	Overdue	Overdue	Overdue
		1 ~ 90 days	91 ~ 180 days	181 ~ 270 days
Expected loss rate	0%-0.03%	0.03%	0.03%	0.03%
Total book value	\$ 513,342	\$ 2,608	\$ -	\$ -
Loss allowance	\$ 37	\$ 1	\$ -	\$ -
December 31, 2021	Overdue	Overdue	Overdue	
	271 ~ 360 days	More than 360 days	Total	
Expected loss rate	0.03%	100.00%		
Total book value	\$ -	\$ -	\$ 515,950	
Loss allowance	\$ -	\$ -	\$ 38	
December 31, 2020	Not overdue	Overdue	Overdue	Overdue
		1 ~ 90 days	91 ~ 180 days	181 ~ 270 days
Expected loss rate	0%-0.05%	0.05%	0.05%	0.05%
Total book value	\$ 348,823	\$ 3,102	\$ -	\$ -
Loss allowance	\$ 33	\$ 2	\$ -	\$ -
December 31, 2020	Overdue	Overdue	Overdue	
	271 ~ 360 days	More than 360 days	Total	
Expected loss rate	65.53%	100.00%		
Total book value	\$ -	\$ -	\$ 351,925	
Loss allowance	\$ -	\$ -	\$ 35	

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

	December 31, 2021		December 31, 2020	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	\$ 5,566	\$ 507,776	\$ 2,948	\$ 345,875
within 30 days	-	2,608	-	3,102
31 ~ 90 days	-	-	-	-
91 ~ 180 days	-	-	-	-
More than 181 days	-	-	-	-
	<u>\$ 5,566</u>	<u>\$ 510,384</u>	<u>\$ 2,948</u>	<u>\$ 348,977</u>

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

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

	<u>Years ended December 31, 2021</u>	
	<u>Accounts receivable</u>	
January 1	\$	35
Impairment loss		3
December 31	<u>\$</u>	<u>38</u>

	<u>Years ended December 31, 2020</u>	
	<u>Accounts receivable</u>	
January 1	\$	175
Impairment loss	(	140)
December 31	<u>\$</u>	<u>35</u>

- xi. The Company uses the forecast ability of National Development Council Business Cycle Indicator 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 Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

December 31, 2021					
Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Lease liabilities	\$15,938	\$ 6,921	\$ 63	\$ -	\$22,922
December 31, 2020					
Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Lease liabilities	\$14,809	\$12,530	\$ 5,152	\$ -	\$32,491

(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 Company'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 to this level are not based on observable market data.

- B. The methods and assumptions the Company used to measure fair value are as follows:
- (A) The Company 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.
- C. In 2021 and 2020, there was no evaluation of the transfer between levels.

### 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(12), 6(13).
- 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.

AXIOMTEK CO., LTD.  
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.

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 contract 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 amount 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.

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

Expressed in thousands of NTD  
(Except as otherwise indicated)

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.

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.

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.

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.

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)	

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.

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 4,223	\$1,846,964
	USD 4,207		

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.





**AXIOMTEK CO., LTD.**

**Chairman Yang, Yu-Te**