



Stock Code: 3088

# AXIOMTEK CO., LTD.

## 2020

# 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.*

**Printed on April 20, 2021**

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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### Spokesperson

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Title: Senior Special Assistant

Tel: +886-2-86462111

Email: skin.huang@axiomtek.com.tw

### Deputy Spokesperson

Name: Jane Hsu

Title: Vice President

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## **II. Headquarters and Plant**

### Headquarters

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Tel: +886-2-86462111 (Representative No.)

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## **III. Stock Transfer Agency**

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## **IV. Auditors**

Name of CPA: Feng, Ming-Chuan, Wu, Han-Chi

CPA Firm: PricewaterhouseCoopers, Taiwan

Address: 27F, No.333, Section 1, Keelung Road, Taipei City

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## **V. Overseas Securities Exchange: 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 2020 was NT\$4.603 billion compared to NT\$4.739 billion in 2019 declined by 2.87%.

The advancements of AI (Artificial Intelligence) and IoT (Intelligent of Things) continue to transform the entire industrial ecosystem, as manufacturing sectors are taking digitalization to the next level by developing innovative technologies for a diversity of new applications. Driven by the rise of 5G communications, technologies such as AI, IoT, computer vision, deep learning, as well as the combination of AI and IoT (Artificial Intelligence of Things, AIoT), are expected to trigger a new wave of growth momentum with numerous opportunities. The integration of computers with visual applications has now been extended into industry verticals. Combined with deep learning technology, computer vision enables practical use of video analytics solutions, allowing decision makers to perform tracking and analytical tasks based on intelligent data to improve efficiency and value chains. With the possession of key elements for future development, the Company continues to invest in industrial automation, smart transportation, smart retail, medical solutions, among other verticals, meanwhile expanding AIoT application platforms and collaborating with technology partners to build an ecosystem where both hardware and software techniques can be seamlessly integrated, laying the groundwork for a sustainable value chain.

The Group’s operating results in 2020 and business plan for 2021 are illustrated as follows:

### 1. Operating Results in 2020:

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

In 2020, the consolidated operating revenue of the Group was NT\$4.603 billion, the consolidated net income was NT\$307 million, the total consolidated comprehensive income was NT\$294 million and the after-tax earnings per share was NT\$3.73.

#### (2) Budget implementation:

The Group did not disclose its financial budget for 2020, so there is no report of budget implementation.

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

Item		2020	2019
Financial structure (%)	Debt to Assets Ratio	34.86	36.91
	Long-term Capital to Property, Plant and Equipment Ratio	257.20	268.66
Solvency (%)	Current Ratio	227.38	268.64
	Quick Ratio	149.50	166.37
	Interest Earned Ratio (Times)	4,450.83	5,395.37
Profitability	Return on Assets (%)	7.70	11.37
	Return on Equity (%)	11.72	18.57
	Ratio of Pre-Tax Income to Paid-in Capital (%)	48.54	68.96
	Profit Ratio (%)	6.66	9.72
	Earnings Per Share (NT\$)	3.73	5.76

(4) Research and development status:

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

- A. Optimize automation applications by providing edge computing platforms with machine vision capabilities, incorporating core technologies across video, robotics, and AGV/AMR to provide a comprehensive suite of AIoT industrial automation solutions.
- B. Focus on mission-critical smart transportation applications and IP54 Layer 2 Ethernet switch products with professional certification, build AI systems for outdoor facilities, and provide smart city solutions in collaboration with technology partners.
- C. Continue to cultivate the gaming industry, smart retail, and smart medical applications, 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 2021:

(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 retail and smart energy.
- 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. 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 close attention to organizational development, corporate social responsibility and long-term talent development plans.

(2) Production and sales policies:

- A. Introduce MES (Manufacturing Execution System) smart factory operations management and progress towards full factory automation.
- B. Lay the groundwork for green product supply chain and supplier management using GPM (Green Product Management System) and SCM (Supply Chain Management) management systems for organic certification and regular supplier assessment.
- 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 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. 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, 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. 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.
- 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. 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.
- 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 and IoT 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 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.

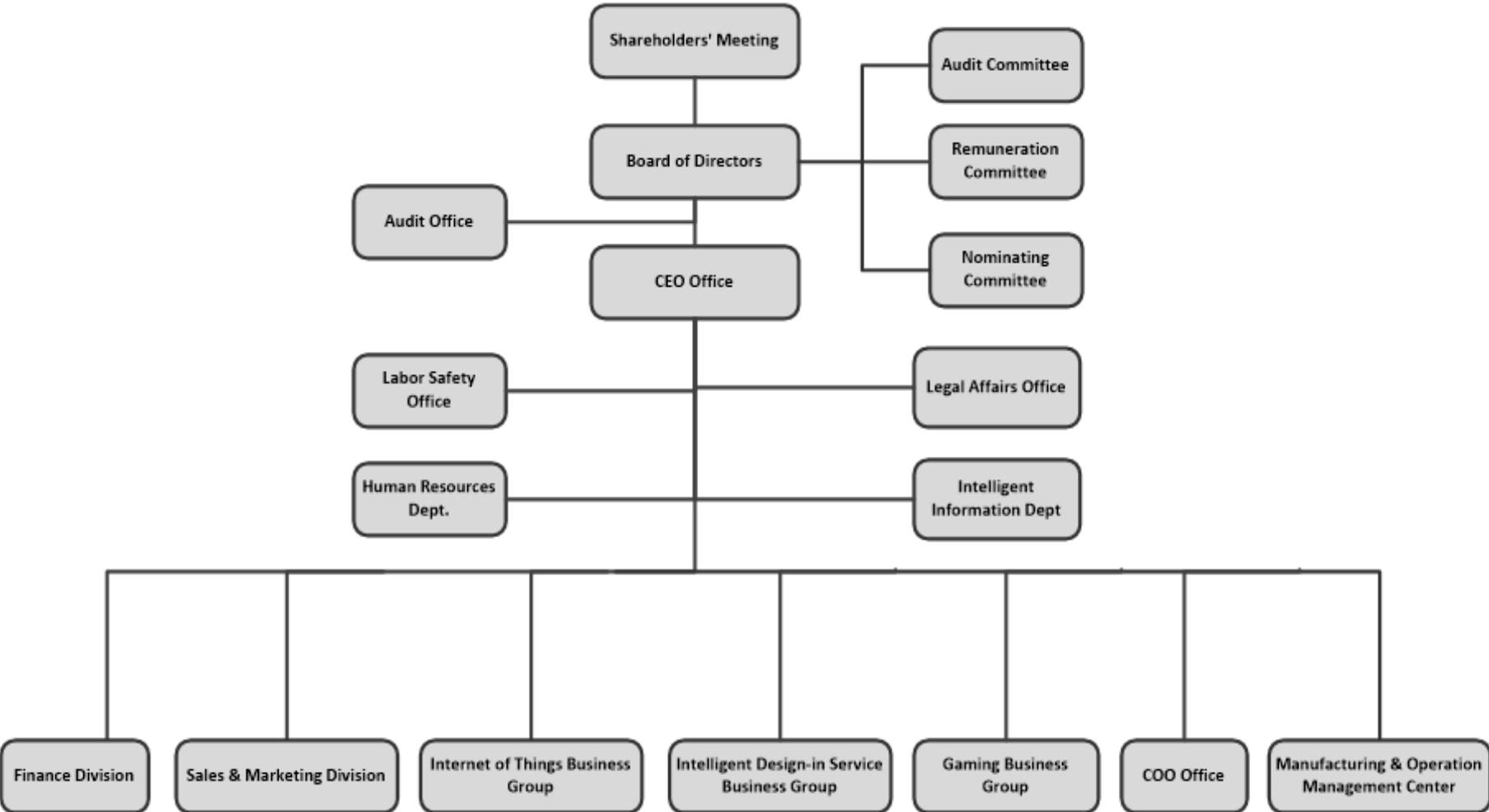
<u>Month/Year</u>	<u>Milestones</u>
Dec 2012	U.S. subsidiary Axiom Technology, Inc., U.S.A. acquired Suntron Corporation Embedded Computing Solutions (ECS) business unit for USD 3.6 million.
Jun 2015	Established Audit Committee to replace the role of Supervisors and the first convener was Independent 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 and move to 10F, Block B, Building 6, Baoneng Technology Park, No. 1, Qingxiang Road, Longhua New District, Shenzhen
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.
Jun 2017	Two products were awarded with the COMPUTEX d&i awards 2017, namely the eBOX800-841-FL and the tBOX324-894-FL.
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.
May 2018	The 11 <sup>th</sup> term of Directors was fully re-elected, and 7 Directors were elected, included 3 Independent Directors. Lin, Yih-Jong, Chang, Jen-Chih and Shon, Zheng-Yi were elected as Independent Directors and served as members of the Audit Committee and Remuneration Committee. The Nomination Committee members were Lin, Yih-Jong, Chang, Jen-Chih and Yang, Yu-Te.
Jun 2018	The 2 <sup>nd</sup> Audit Committee elected Independent Director Chang, Jen-Chih as the convener and Chairman of the meeting.
Jun 2018	The 4 <sup>th</sup> Remuneration Committee elected Independent Director Lin, Yih-Jong as the convener and Chairman of the meeting.
Jun 2018	The 2 <sup>nd</sup> Nomination Committee elected Independent Director Lin, Yih-Jong as the convener and Chairman of the meeting.

<u>Month/Year</u>	<u>Milestones</u>
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 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	In the 1 <sup>st</sup> quarter of 2020, Axiomtek increased its paid-in capital to NT\$819 million due to the execution of stock options by employees and the conversion of convertible corporate bonds by bondholders.
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.
Aug 2020	In the 2 <sup>nd</sup> quarter of 2020, Axiomtek increased its paid-in capital to NT\$824.03 million due to the execution of stock options by employees and the conversion of convertible corporate bonds by bondholders.
Oct 2020	Issued 4,300,000 shares of 2020 Employee Stock Options.
Nov 2020	In the 3 <sup>rd</sup> quarter of 2020, Axiomtek increased its paid-in capital to NT\$825.95 million due to the execution of stock options by employees and the conversion of convertible corporate bonds by bondholders.
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.

### 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 30, 2021

Title	Nationality/Place of Incorporation	Name	Gender	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	Male	May 29, 2018	3	Mar 05, 2002	3,154,512	3.97	1,578,512	1.88	58,279	0.07	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.	Male	May 29, 2018	3	Jun 30, 2003	20,537,984	25.86	22,495,984	26.80	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	Male	May 29, 2018	3	Jun 03, 2015	419,000	0.53	408,000	0.49	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	Male	May 29, 2018	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	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	Male	May 29, 2018	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	Male	May 29, 2018	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	Shon, Zheng-Yi	Male	May 29, 2018	3	May 29, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Professor of Department of International Business Management, Tainan University of Technology Chairman, Smart Fintech Co., Ltd. PhD in Transportation Communications Management, National Chengkung University	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., ACI IOT Investment Fund-I Corporation, 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., DotZero Co., Ltd., Smasoft Technology Co., Ltd., ISAP Solution Corporation.  
(4) Supervisor of the following companies: iLink Co., Ltd., 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: Advantech Equipment Corp. JAYA Networks Corp., Legendaire Technology Co., Ltd.  
(3) Supervisor of Winmate Inc.  
(4) Non-profit organization 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 International Business Management, Tainan University of Technology.  
(2) Chairman of the following companies: InfoComm Integrated Development and Management Consultant Corporation, Smart Fintech Co. Ltd., Tomorrowland Technology Co., Ltd.  
(3) Director of Taoyuan International Airport Co., Ltd.

A. Major shareholders of the institutional shareholders

March 30, 2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders (Note)
Advantech Co., Ltd.	ASUS Computer Technology Co Ltd. (14.32%) K&M Investment Co., Ltd. (11.83%) Research Investment Co., Ltd. (11.69%) Liu Ke-Chen (3.65%) Advantech Foundation (2.89%) First State Asia Pacific Leaders fund, a sub-fund of First State Investment (2.76%) Tran-Fei Development Co., Ltd. (2.46%) Chuang Yong-Sun (2.27%) HSBC (Taiwan) managed Yuanwang Partner Fund Limited Partnership (1.55%) First State Global Umbrella Public Limited Company – First State Asian Equity Plus Fund (1.26%)

Note: List of top 10 shareholders

B. List of major shareholders

March 30, 2021

Name of Institutional Shareholders	Major Shareholders of the 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) (2.77%) New Labor Pension Fund (2.19%) Silchester International Investors International Value Equity Trust (1.87%) Yuanta Taiwan Dividend Plus ETF (1.38) Saudi Arabian Monetary Authority - fund manager First State Investments - administrator HSBC Bank Plc (1.32%) Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds (1.30%) J.P. Morgan Securities PLC (1.27%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.20%)
K&M Investment Co., Ltd.	Chang, Mei-Ling (33.22%), Liu, Ke-Chen (32.59%), Liu, Wei-Zhi (1.39%), Liu, Wei-Ting (1.32%)
Research Investment Co., Ltd.	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 (3.37%), Chang, Mei-Yue (0.88%), Chang, Mei-Ling (0.62%)

Note: List of top 10 shareholders

C. Professional qualifications and independence analysis of Directors

Criteria  Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Yang, Yu-Te			✓				✓	✓	✓		✓	✓	✓	✓	✓	0
Advantech Co., Ltd. Representative: Liu, Wei-Ting			✓			✓	✓		✓	✓		✓	✓	✓		0
Tsai, Shih-Yang	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang, Jui-Nan			✓			✓	✓	✓	✓		✓	✓	✓	✓	✓	0
Lin, Yih-Jong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chang, Jen-Chih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shon, Zheng-Yi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the Directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or supervisor of the Company or any of its affiliates. Not applicable in cases where the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary company of the same parent company established in accordance with this law or local national laws concurrently serve each other.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not the manager listed in (1) or the spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship (2), (3).
- (5) Not a Directors, supervisors or employee who directly hold more than 5% of the Company's total issued shares, the top five holdings, or a corporate shareholder who has appointed a representative to act as a Director or supervisor of the Company in accordance with Article 27, paragraphs 1 or 2 of the Company Act. Not applicable in cases where the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary company of the same parent company established in accordance with this law or local national laws concurrently serve each other.
- (6) Not a Director, supervisor or employee of other companies controlled by the same person for more than half of the Company's Director seat or voting shares. Not applicable in cases where the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary company of the same parent company established in accordance with this law or local national laws concurrently serve each other.
- (7) Not a Director, supervisor or employee of other companies or institutions who are the same person or spouse as the Company's Chairman, general manager or equivalent. Not applicable in cases where the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary company of the same parent company established in accordance with this law or local national laws concurrently serve each other.
- (8) Not a Director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company. Not applicable in cases where the particular company or organization holds more than 20% of the total issued shares of the Company, but not more than 50% and the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary company of the same parent company established in accordance with this law or local national laws concurrently serve each other.
- (9) Not a professional individual who is an owner, partner, Director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides audit or commercial, legal, financial, accounting services etc., which the cumulative amount of remuneration obtained in the last two years does not exceed NT \$ 500,000 to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee, the public acquisition review committee, or the special committee on mergers and acquisitions that perform their functions in accordance with the relevant laws of Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.
- (13) The Company established the Audit Committee on June 3, 2015 to replace the role of the supervisor.

## (2) Management Team

March 30, 2021

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Managers 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	1,578,512	1.88	58,279	0.07	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	418,573	0.50	170,882	0.20	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	Managers 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	166,000	0.20	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	5,000	0.01	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	
Vice President	ROC	William Wu	Male	Jul 01, 2011	128,000	0.15	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	
Vice President	ROC	Henry Lin	Male	Jan 08, 2007	899,172	1.07	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	
Assistant Vice President	ROC	Gary Tsao	Male	Aug 19, 2016	50,000	0.06	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	

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education ) (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Assistant Vice President	ROC	Chiven Fan	Male	Aug 19, 2016	40,759	0.05	0	0.00	0	0.00	Sales Manager, eBizrise Technology Ltd. Sales Manager, Asiatic 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	25,222	0.03	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	933	0.00	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 (%)		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	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	Cash	Stock	Cash	Stock	The Company	Companies in the Consolidated Financial Statements (Note 7)	
Chairman	Yang, Yu-Te	0	0	0	0	980	980	35	35	0.33%	0.33%	3,928	3,928	0	0	2,828	0	2,828	0	2.53%	2.53%	None
Director	Advantech Co., Ltd.	0	0	0	0	526	526	0	0	0.17%	0.17%	0	0	0	0	0	0	0	0	0.17%	0.17%	None
	Representative: Liu, Wei-Ting	0	0	0	0	0	0	35	35	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	526	526	35	35	0.18%	0.18%	0	0	0	0	0	0	0	0	0.18%	0.18%	None
Director	Huang, Jui-Nan	0	0	0	0	526	526	35	35	0.18%	0.18%	5,166	5,166	108	108	0	0	0	0	1.90%	1.90%	None
Independent Director	Lin, Yih-Jong	0	0	0	0	611	611	35	35	0.21%	0.21%	0	0	0	0	0	0	0	0	0.21%	0.21%	None
Independent Director	Chang, Jen-Chih	0	0	0	0	611	611	35	35	0.21%	0.21%	0	0	0	0	0	0	0	0	0.21%	0.21%	None
Independent Director	Shon, Zheng-Yi	0	0	0	0	583	583	35	35	0.20%	0.20%	0	0	0	0	0	0	0	0	0.20%	0.20%	None

1. Please describe 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 policy of the Directors' remuneration is according to the Article 27 of the 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. However, the Company's accumulated losses shall have been covered, if any (including the adjustment of unappropriated retained earnings), Directors' payout should be no more than 2%. However, if the Company has accumulated losses (including the adjustment of unappropriated retained earnings) these losses should first be offset. Directors' remuneration is reasonable compensation paid in cash only. The performance evaluation and structure of Independent Directors' remuneration are weighted according to their content as functional committee members and the payout computation process is based on the Company's "Operating Procedures for Performance Evaluation of Board of Directors" and "Directors' Remuneration Distribution Method". The assessment criteria include not only the Company's operating performance, potential risks to assets and development trends, but also the incumbent's personal goal achievements and contribution to the Company's results.

2. In addition to the above remuneration, Director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate Directors for their services.: NT\$0

3. Severance Pay is a pension that is withdrawn/paid in accordance with 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 managers, 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 IFRS2 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 managers, 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.
- \* 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	Companies included into the Financial Statement. (Note 5)	The Company	Companies included into the Financial Statement. (Note 5)	The Company	Companies included into the Financial Statement. (Note 5)	The Company		Companies included into the Financial Statement. (Note 5)		The Company	Companies included into the Financial Statement. (Note 5)	
								Cash	Stock	Cash	Stock			
President	Huang, Jui-Nan	18,524	18,524	791	791	7,782	7,782	5,775	0	5,775	0	10.72%	10.72%	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													

\* 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 a pension that is withdrawn/paid in accordance with the law.

### Breakdown of Remuneration to President and Vice Presidents

Range of Remuneration	Names of President and Vice Presidents	
	The Company (Note 6)	Companies in the Consolidated 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, William Wu, Henry Lin	David Chang, Joanne Lin, William Wu, Henry Lin
NT\$ 5,000,000 ~ NT\$9,999,999	Yang, Yu-Te, Huang, Jui-Nan , Jane Hsu	Yang, Yu-Te, Huang, Jui-Nan , Jane Hsu
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	7	7

\* 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.

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 amount paid to managers:

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 (%)
Managers	Chief Strategy Officer	Yang, Yu-Te	0	6,799	6,799	2.22%
	Vice President	David Chang				
	Vice President Head of Accounting & Finance Chief Corporate Governance	Jane Hsu				
	Vice President	Henry Lin				
	Assistant Vice President	Chiven Fan				
	Assistant Vice President	Alex Pan				
	Assistant Vice President	Shang Hsieh				

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 managers 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(%)	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
2020	37,480	37,480	12.21%	12.21%
2019	36,697	36,697	7.97%	7.97%

The total remuneration paid by the Company and all companies in the consolidated statement to the Directors, president and vice presidents of the Company in 2020 and 2019 accounted for 12.21% and 7.97% of the net income of parent company only financial statements, respectively. The amount and proportion of remuneration in 2020 will increase. Mainly due to the addition of a new president in 2020 and the profits decline in 2020.

- 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 Directors' remuneration is 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 and shall be distributed reasonably in consideration of the Company's operating results and their contribution to the Company's performance. The remuneration of the president, vice presidents, and managers 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. According to the Company's "Performance Assessment Method", "Operating Procedures for Performance Evaluation of Board of Directors" and "Directors' Remuneration Distribution Method", 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, income before tax, net income and OKR) and contribution to the Company's operating results. Evaluation of the performance and reasonableness of the remuneration shall be reviewed by the Remuneration Committee and 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 7 (A) meetings of the Board of Directors were held in 2020. 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	7	0	100	None
Director	Advantech Co., Ltd. Representative: Liu, Wei-Ting	7	0	100	None
Director	Tsai, Shih-Yang	7	0	100	None
Director	Huang, Jui-Nan	7	0	100	None
Independent Director	Lin, Yih-Jong	7	0	100	None
Independent Director	Chang, Jen-Chih	7	0	100	None
Independent Director	Shon, Zheng-Yi	7	0	100	None

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 should be specified:
  - (I) Board of Directors on Feb 26, 2020:
    1. Dismissal of President Yang, Yu-Te and the appointment of new President Huang, Jui-Nan.
    2. Appointment of new Chief Strategy Officer Yang, Yu-Te.
    3. Remuneration proposal for new appointment of new President and Chief Strategy Officer.
 Voting situation: Due to their own interests were involved, Chairman Yang, Yu-Te and Director Huang, Jui-Nan evaded the meeting before the case and appointed Independent Director Lin, Yih-Jong as the acting Chairman. The resolution was passed by the acting 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.

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	2020/01/01~2020/12/31	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	2020/01/01~2020/12/31	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	2020/01/01~2020/12/31	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

A total of 7 (A) Audit Committee were held in 2020. 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	Chang, Jen-Chih	7	0	100	None
Independent Director	Lin, Yih-Jong	7	0	100	
Independent Director	Shon, Zheng-Yi	7	0	100	

Other mentionable items:

I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, 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:

Board of Directors	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 twelfth time of the 11 <sup>th</sup> term Feb 26, 2020	1. 2019 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company.	V	
	2. Effectiveness of 2019 internal control systems and statement of internal control system.	V	
	3. The Company intends to extend the loan to Axiom Technology Inc. U.S.A. (AXUS) US\$1 million to enrich its working capital.	V	
	4. Revision of Articles in the "Internal Control Systems" and "Internal Audit Implementation Rules" of the Company.	V	
	5. Replacement of CPA	V	
	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 thirteenth time of the 11 <sup>th</sup> term March 25, 2020	1. The Company intend to increase loan quota of Axiomtek (Shen Zhen) Co., Ltd. to RMB 8.8 million to enrich its working capital.	V	
	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 fifteenth time of the 11 <sup>th</sup> term July 30, 2020	1. The Company intends to add new loan to Axiom Technology Inc. U.S.A. (AXUS) US\$1.5 million to enrich its working capital.	V	
	2. The Company's audit fees to PwC Taiwan in 2020 and 2021.	V	
	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 sixteenth time of the 11 <sup>th</sup> term Sep 24, 2020	1. The Company intends to be issued 2020 employee stock options in fair price.	V	
	2. The review fee of PwC Taiwan to the Company issued 2020 employee stock options	V	
	3. The Company intends to provide an endorsement guarantee for Axiom Technology Inc. U.S.A. (AXUS) to apply for a comprehensive credit line of US\$3.5 million from Citi (Taiwan) Commercial Bank.	V	
	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 eighteenth time of the 11 <sup>th</sup> term Dec 14, 2020	1. The Company intends to dispose of Xindian investment property.	V	
	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 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	Key Matters of Communication	Outcome of Execution
Head of Internal Auditor	Feb 26, 2020 Audit Committee	1. 2019Q4 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 2019 internal control system and the internal control system statement. 3. Motion to revise the Company’s “Internal Control System” and "Implementation Rules for Internal Audit"	The defect part has been improved immediately. Report to the Board of Directors after resolution passed
	Apr 29, 2020 Audit Committee	1. 2020 Q1 audit report	The defect part has been improved immediately. Report to the Board of Directors after resolution passed
	July 30, 2020 Audit Committee	1. 2020 Q2 audit report	The defect part has been improved immediately. Report to the Board of Directors after resolution passed
	Oct 29, 2020 Audit Committee	1. 2020 Q3 audit report 2. 2021 annual audit plan	The defect part has been improved immediately. Report to the Board of Directors after resolution passed

	Feb 5, 2020 Mar 5, 2020 Apr 14, 2020 May 4, 2020 Jun 23, 2020 July 10, 2020 Aug 10, 2020 Sep 9, 2020 Oct 12, 2020 Nov 12, 2020 Dec 18, 2020 Jan 15, 2021 Internal audit reports	Jan 2020 Monthly audit and tracking report. Feb 2020 Monthly audit and tracking report. Mar 2020 Monthly audit and tracking report. Apr 2020 Monthly audit and tracking report. May 2020 Monthly audit and tracking report. Jun 2020 Monthly audit and tracking report. Jul 2020 Monthly audit and tracking report. Aug 2020 Monthly audit and tracking report. Sep 2020 Monthly audit and tracking report. Oct 2020 Monthly audit and tracking report. Nov 2020 Monthly audit and tracking report. Dec 2020 Monthly audit and tracking report.	According to the 2020 annual audit plan passed on Oct 31, 2019, 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 month and obtained all Independent Director's Receipt letter.
Certified Public Accountant	Feb 26, 2020 Audit Committee	<ol style="list-style-type: none"> <li>1. Explain and communicate the results of the audit for 2019 parent company only and consolidated financial reports.</li> <li>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.</li> <li>3. CPA explained to questions raised by the Audit Committee.</li> </ol>	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 30, 2020 Audit Committee	<ol style="list-style-type: none"> <li>1. Explain and communicate the review results and review plan of the 2020Q2 consolidated financial report.</li> <li>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.</li> <li>3. CPA explained the questions raised by the Audit Committee.</li> </ol>	The accountant explained the results of the financial report and discussed with three Independent Directors. Report to the Board of Directors after resolution passed
	Oct 29, 2020 Audit Committee	<ol style="list-style-type: none"> <li>1. Explain and communicate the review results of the 2020Q3 consolidated financial report and the review operations of 2020 annual report.</li> <li>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 countermeasure and explain and communicate the key points of promotion of CSR sustainability issues of corporate governance.</li> </ol>	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) Communicate regularly and individually with the audit supervisor every quarter and with the accountants every half year.
- (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 2020 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

Due to the internal rotation of the firm, the tenth Audit Committee of the second term on February 26, 2020 passed the Company's verification of the visa accountant. Since the first quarter of 2020, the CPAs of Feng, Ming-Chuan and Hsu, Shien-Chong accountants have been changed to Feng, Ming-Chuan and Wu, Han-Chi. 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 fifteenth time Board of Directors of the eleventh term on July 30, 2020, 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.

Note: \* 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.

\* 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 spokesperson 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	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>Enterprises”, and corporate transactions are 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, managers, and employees.</p> <p>This year, the current Directors, managers, and employees were educated on December 1, 2020. 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 develop and implement a diversified policy for the composition of its members?</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 Principles” to ensure the diversity and</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>independence of the elected Directors.</p> <p>Board of Directors Diversification Policy: 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.</p> <p>A diversified Board of Directors with various opinions and insights will improve the quality of decision-making and benefit the Company’s shareholders and other stakeholders.</p> <p>Diversified Management Goals: 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 managers, and evaluating the independence of Independent Directors. Considering the professional knowledge required by the Directors and senior managers 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</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>Committee regularly evaluates the performance of managers 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 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 managers.</p> <p>Diversification of the Board of Directors :</p> <p>The current 7 Directors of the Company includes 1 Director concurrently serving as the general manager and 1 Director concurrently as the Chief Strategy Officer and 3 Independent Directors. The Board members are all men, Yang, Yu-Te, Liu Wei-Ting, Tsai, Shih-Yang, Huang, Jui-Nan and Lin, Yih-Jong; are good at leadership, operational judgment, management, crisis management and have industry knowledge and international market views. Chang, Jen-Chih is good at financial accounting; Shon, Zheng-Yi is a professor of the Department of International Business Management in Tainan University of Technology, with knowledge and experience in business management. The Board of Directors covers industrial, management, manufacturing and financial backgrounds, and there is no shortage of senior managers in the industry. An enlarged Board of Directors is held at the end of each year (December 3, 2020), and senior executives are invited to report on the results of the year’s operations and future strategic planning. Board members can provide insightful opinions and reference suggestions</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		
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		<p>from different perspectives to help improve the Company's operating performance and reduce operating risks. The proportion of directors with employee status of the Company is 28.57%, and the proportion of Independent Directors is 42.86%. The term of office for two Independent Directors is less than 3 years, one Independent Director is 4 to 6 years. In addition, the Company also pays attention to the younger composition of the Board of Directors. It is hoped that the target ratio of Board members under the age of 60 is 40%, and the achievement rate of this session is 43%. The age of 4 Directors is over 60 years old, 2 Directors is between 50 and 59 years old, and 1 Director are under 50 years old. There is no female Director in the current Board of Directors. In addition to the diversification policy, the selection of Directors is mainly based on the various expertise required for the Company's development and the characteristics of different industries and is not particularly limited to gender.</p> <p>The Board of Directors discloses the diversified policies on the composition of its members on the Company's website and the Market Observation Post System.</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; amended the election process to adopt the nomination method in 2015; established the corporate social Responsibility Committee in 2016 and proceeded to execute the related program. The Company established the Corporate Sustainable Development Committee in February 2021, responsible for promoting the sustainable operation of various businesses including environmental protection, corporate social responsibility, corporate governance, integrity management and risk</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	
(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>management, popularizing the concept of sustainable operation, achieving full participation, and implementing the results.</p> <p>The Company has formulated the “Operating Procedures for Performance Evaluation of Board of Directors” which stipulates that the Board performance self-evaluation should be completed before the end of the first quarter of the following 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 Company's 2020 Board of Directors, individual Director members and functional committees have been reviewed by the Nomination Committee and submitted a report of the Board of Directors on February 25, 2021, as the basis for the Remuneration Committee to review the remuneration of Directors.</p>	
(4) Does the Company regularly evaluate the independence of CPAs?	V		<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 2020. 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</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	
			30, 2020 for review and approval.	
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 registration and changes in registration, document Board and Shareholders’ Meeting minutes?)	V		<p>The Company has passed the resolution of the Board of Directors on April 26, 2018 and appointed vice president Jane Hsu as the Chief Corporate Governance to protect shareholders' rights 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 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>Business operations in 2020:</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”, Independent Directors meet with the internal auditor or visa accountant individually to understand the Company's financial business needs and assist in arranging related</li> </ol> </li> </ol>	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	
			<p>meetings.</p> <p>(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.</p> <p>2. Assist the Board of Directors and shareholders in meeting procedures and resolution compliance matters:</p> <p>(1) Report to the Board, Independent Directors, Audit Committee the state of Corporate Governance, confirming that the Board and Shareholders’ Meetings are 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. Draft the agenda of the Board of Directors and notify the Directors seven days ago to convene the meeting and provide meeting materials. Prior notice must be given if any Director has a personal interest in any of the resolutions to be reviewed. The minutes of the meeting must be produced and distributed within 20 days after the close of 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</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	
			re-election of the Directors. 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”. 15 hours of training have been completed in 2020. For the training status, please refer to “Skills upgrade & training” about employee / employer relations in “V. Operation Highlights”.	
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 spokesperson 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 July 30, 2020.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed Taishin International Bank, Stock-Affairs Agency Dept. Department, appointed to handle the Shareholders’ Meeting affairs.	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	
<p>7. Information Disclosure</p> <p>(1) Does the Company have a corporate website to disclose both financial standings and the status of Corporate Governance?</p> <p>(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)?</p> <p>(3) Does the Company announce the annual financial report within 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?</p>	V		<p>The Company has set up Chinese and English websites to disclose financial business and Corporate Governance and other related information.</p> <p>The Company has set up an English website and has a dedicated person responsible for the collection and disclosure of various company information. A spokesperson 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.</p> <p>The Company has uploaded 2019 consolidated and parent company only financial report on February 27, 2020 and uploaded 2020 consolidated and parent company only report on February 26, 2021. In addition, the dates of the Company announced the first, second and third quarterly financial reports and monthly consolidated revenue were earlier than the prescribed period.</p>	None
<p>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</p>	V		<p>(I) 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</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		
risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and supervisors)?			<p>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 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 spokespersons.</p> <p>(III) Supplier Relations: The Company has formulated the "Ethical Corporate Management Best Practice Principles", which requires that</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>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.</p> <p>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 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>	

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>(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 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</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>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.</p> <p>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 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 managers, and evaluating the independence of Independent Directors.</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>Considering the professional knowledge required by the Directors and senior managers 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 managers 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 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 managers.</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 managers. VP William Wu, AVP Chiven Fano and AVP Gary Tsao serve as the operating head of the three major product business groups (BG), so that each of the BG head of the Company can manage the product or</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>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 and future strategic planning every year. 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.</p> <p>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.</p> <p>The Company holds workshops twice a year, and executive managers need to report on the Company’s overall operation and development. Through the preparation of the activities, executive managers 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, managers and head of internal auditor to maintain the professionalism and experience of Board members and senior management. In addition, through the planning of</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	
			rewards and financial tools, it can effectively implement the 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
2.3	Are the Chairman of the Company and the general manager or other persons of equivalent rank (the highest manager) not the same person, each other's spouse or first relatives?	On February 26, 2020, the Board of Directors resolved to dismiss Chairman Yang, Yu-Te concurrently act as president of the Company, and newly appointed Director Huang, Jui-Nan as the president effective from March 1, 2020.
4.5	Has the CSR report prepared by the Company been verified by a third party?	The Company has planned to obtain third-party verification for the 2021 CSR 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: 2020 Board Performance Evaluation Report

To implement corporate governance, in accordance with the "Operating Procedures for Performance Evaluation of Board of Directors", the results of the internal and external performance evaluation of the Board of Directors should be completed before the end of the first quarter of the following year, and the internal Board performance evaluation should be performed at least once a year. It is hoped that by clearly defining performance targets, the functions of the Board of Directors will be improved, and the efficiency will be enhanced.

Planning and executing Board performance evaluation matters, including performance evaluation of the overall Board of Directors, individual Board members and functional committees. Every year before the end of January of the following year, the deliberating units of the Board of Directors collects relevant information on Board activities and distributes “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” to the Directors and the convener of the Nomination Committee. The major evaluation items are scored according to the actual operation status of the Board of Directors, and the score is based on

five levels: 1: Very poor (strongly disagree); 2: Poor (disagree); 3: Moderate (normal); 4: Good (agree); 5: Very good (strongly agree) After the deliberating units collected the information, the results of the performance evaluation of the Board of Directors will be summarized and sent to the Nomination Committee for review and submitted to the Board of Directors.

The 2020 Board performance evaluation is summarized as follows:

Evaluation Scope	Evaluation Method	Evaluation Orientation	Evaluation Item	Average Score	Comprehensive Comment
Overall Board 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 Board members performance evaluation	Self-assessment by each Board member	1. Mastery of company goals and tasks	3	5.00	The average score of individual directors is 4.78, 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	4.86	
		3. Degree of participation in the Company operations	8	4.66	
		4. Internal relationship management and communication	3	4.67	
		5. Director profession and continuing education	3	4.76	
		6. Internal control	3	4.90	
		Total	23	4.78	
Functional committees 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 the Company operations	5	5.00	The average score of each Functional Committee is 4.89 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 the Functional Committee	8	4.88	
		3. Improve the quality of the Functional Committee decisions	7	5.00	
		4. Functional Committee composition and member selection	4	4.50	
		5. Internal control	3	5.00	
		Total	27	4.89	

Conclusion: The overall performance of the 2020 Board of Directors' performance evaluation results is in well condition. The results of this performance evaluation have been reviewed by the Nomination

Committee on February 25, 2021 and submitted to the report of the Board of Directors on February 25, 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, managers 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 managers 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 Spokesperson Skin Huang Phone: +886-2-8646-2111 #8010 Annual Shareholders' Meeting Investor conferences twice a year Phone & Email Company website stakeholder's section	In 2020, the Company release of 15 major messages in both Chinese and English and 18 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 2020, 7 Board Meetings, 7 Audit Committees, 4 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 2020, 81 products were published on Facebook, exhibiting and forum-related information. The community has accumulatively liked more than 1,000 times, and the total number of followers was more than 1,000. Since joining Twitter in February 2009, he has accumulated more than 1,000 posts and has nearly 357 followers. A total of 161 videos have been listed on YouTube, with 507,994 views. LinkedIn is used by 191 employees and has been followed by more than 5,674 people. INSTAGRAM has accumulated 94 posts and has 182 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	38 internal announcements in 2020. 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. Staff health check is held every August.
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 seventh (2016 ~ 2020) Corporate Governance evaluation results, Axiomtek was ranked among the top 5% of the TPEX listed companies for five 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 spokesperson's contact window:

Spokesperson	
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	2020/08/11	2020/08/11	Taiwan Corporate Governance Association	Coping strategies for company change	3
		2020/10/21	2020/10/21	Securities and Futures Institute	Corporate M&A Practice Sharing-Centered on Hostile M&A	3
Director	Liu, Wei-Ting	2020/07/22	2020/07/22	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3
		2020/08/07	2020/08/07	Taiwan Corporate Governance Association	Key technologies and market applications of 5G and IoT	3
Director	Tsai, Shih-Yang	2020/04/06	2020/04/06	Taiwan Corporate Governance Association	Patent offensive and defensive battles	3
		2020/05/05	2020/05/05	Taiwan Corporate Governance Association	New thinking on intellectual property management	3
		2020/10/16	2020/10/16	Taipei Exchange	2020 Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference	3
Director	Huang, Jui-Nan	2020/09/24	2020/09/24	Taipei Exchange	"Corporate Governance 3.0-Blueprint for Sustainable Development" Summit Forum	3
		2020/10/20	2020/10/20	Taiwan Corporate Governance Association	Functions of the Board of Directors and Evaluation of Effectiveness	3
Independent Director	Lin, Yih-Jong	2020/08/28	2020/08/28	Taiwan Corporate Governance Association	Master the AI risk management framework and enhance the trust of AI integrated applications	3
		2020/09/22	2020/09/22	Taiwan Corporate Governance Association	Capital market and corporate governance	3
Independent Director	Chang, Jen-Chih	2020/08/03	2020/08/03	CPA Associations R.O.C.(Taiwan)	The latest tax laws and practical analysis in the first half of 2020	7
Independent Director	Shon, Zheng-Yi	2020/08/12	2020/08/12	Securities and Futures Institute	Corporate M&A Practice Sharing-Centered on Hostile M&A	3
		2020/08/28	2020/08/28	Taiwan Corporate Governance Association	Group tax management trends in the post-epidemic era	3
		2020/08/28	2020/08/28	Taiwan Corporate Governance Association	The battle for management rights and case analysis	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) Professional Qualifications and Independence Analysis of Remuneration Committee Members

Identity (Note 1)	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independent Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks	
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Lin, Yih-Jong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chang, Jen-Chih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Shon, Zheng-Yi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please specify the identity as Director, Independent Director, or others.

Note 2: A “✓” is marked in the appropriate space when a Director or supervisor has met that condition during the 2 years prior to election and during his or her period of service; the conditions are as follows:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or supervisor of the Company or any of its affiliates. Not applicable in cases where the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary company of the same parent company established in accordance with this law or local national laws concurrently serve each other.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not the manager listed in (1) or the spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship (2), (3).
- (5) Not a Directors, supervisors or employee who directly hold more than 5% of the Company's total issued shares, the top five holdings, or a corporate shareholder who has appointed a representative to act as a Director or supervisor of the Company in accordance with Article 27, paragraphs 1 or 2 of the Company Act. Not applicable in cases where the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary company of the same parent company established in accordance with this law or local national laws concurrently serve each other.
- (6) Not a Director, supervisor or employee of other companies controlled by the same person for more than half of the Company's Director seat or voting shares. Not applicable in cases where the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary

company of the same parent company established in accordance with this law or local national laws concurrently serve each other.

- (7) Not a Director, supervisor or employee of other companies or institutions who are the same person or spouse as the Company's Chairman, general manager or equivalent. Not applicable in cases where the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary company of the same parent company established in accordance with this law or local national laws concurrently serve each other.
- (8) Not a Director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company. Not applicable in cases where the particular company or organization holds more than 20% of the total issued shares of the Company, but not more than 50% and the Independent Directors of the Company, its parent company, subsidiary company, or subsidiary company of the same parent company established in accordance with this law or local national laws concurrently serve each other.
- (9) Not a professional individual who is an owner, partner, Director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides audit or commercial, legal, financial, accounting services etc., which the cumulative amount of remuneration obtained in the last two years does not exceed NT \$ 500,000 to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee, the public acquisition review committee, or the special committee on mergers and acquisitions that perform their functions in accordance with the relevant laws of Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not been a person of any conditions defined in Article 30 of the Company Act.

(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 managers, 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, managers and head of internal auditor to evaluate remuneration strategies, system, standards and structure.
- b. Regularly evaluate and confirm the remuneration for the Directors, managers, and head of internal auditor.

(C) The Operations of Remuneration Committee:

- a. The Company's Remuneration Committee consists of three members.
- b. Current term of office: The term of office commences from June 7, 2018 until May 28, 2021. The Committee held 4 meetings (A) in 2020, and the attendance of the Committee members is summarized as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Lin, Yih-Jong	4	0	100	None
Independent Director	Chang, Jen-Chih	4	0	100	
Independent Director	Shon, Zheng-Yi	4	0	100	

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
4th Meeting 9th Sitting February 26, 2020	1. 2019 remuneration to employees and remuneration to Directors and the related distribution policy.
	2. 2019 H2 Amoeba incentive for managers.
	3. 2019 H2 non-sales incentive program for managers.
	4. The remuneration of newly appointed general manager Huang, Jui-Nan.
	5. The remuneration of newly appointed chief strategy Yang, Yu-Te.
	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: Chairman Yang, Yu-Te and Director Huang, Jui-Nan had left and evaded their interest. Independent Director Lin, Yih-Jong continued to act as Chairman, and it was approved by the acting Chairman's consultation with all the Directors present (including Independent Directors).
4th Meeting 10th Sitting March 25, 2020	1. 2019 other incentive to managers.
	2. 2019 allocation of remuneration to managers and chief internal audit officer.
	3. 2019 allocation of remuneration to Directors.
	4. Revision of "Director's Remuneration Distribution Method".
	5. 2020 incentive package plan for managers.
	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).
4th Meeting 11th Sitting July 30,	1. 2020 H1 non-sales incentive program for managers and chief internal audit officer.
	2. 2020 H1 incentive to managers.

Remuneration Committee	Content of the Motion & Follow up
2020	3. 2020 adjustment of remuneration for managers and chief internal audit officer.
	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).
4th Meeting 12nd Sitting October 29, 2020	1. 2020 list of Directors and managers' distribution of employee stock options.
	2. Revision of "Remuneration Committee charter".
	3. Proposed proportion of remuneration to employees and Directors for 2020.
	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).

B. Composition, Responsibilities and Operations of the Nomination Committee  
(A) Professional Qualifications and Independence Analysis of Nomination Committee members

Identity (Note 1)	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independent Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Lin, Yih-Jong			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chang, Jen-Chih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Director	Yang, Yu-Te			✓				✓	✓	✓	✓	✓	0	

Note 1: Please specify the identity as Director, Independent Director, or others.

Note 2: A "✓" is marked in the appropriate space when a Director or supervisor has met that condition during the 2 years prior to election and during his or her period of service; The conditions are as follows:

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director or supervisor of the Company or its affiliates except for Independent Directors of the Company or its parent company or subsidiaries set up in accordance with this Law or local laws
- (3) Non-person and his spouse, minor children or in the name of another person holding more than 1% of the total issued shares of the Company or the top 10 shareholders of natural persons.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a Director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a Director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
- (6) Not a Director, supervisor, manager, or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company.
- (7) Not a professional, owner, partner, Director, supervisor, manager of proprietorship, partnership, company, or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to the aforementioned persons.
- (8) Not under any of the categories stated in Article 30 of the Company Act.

(B) Nominating Committee's responsibilities

In order to improve the functions of the Board of Directors and strengthen the management mechanism, the Company had set up a Nominating Committee since October 26, 2016. The committee is composed of at least three Directors, of which more than half of the Independent Directors should participate. The identities and expertise of the members of the Nominating Committee are listed below. All three members have the professional abilities required by the committee to perform their duties:

Name	Identity	Expertise
Lin, Yih-Jong	Independent Director	Operation management, industry knowledge, leadership decision
Chang, Jen-Chih	Independent Director	Accounting and finance, operational judgment, leadership decision
Yang, Yu-Te	Director	Operation management, industry knowledge, leadership decision

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 managers, and seek, review and nominate candidates for Directors and senior managers.
- 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 managers, 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 managers.
- 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.

- (C) The operational of Nominating Committee
- The Company's Nominating Committee consists of three (3) members.
  - Current term of office: The term of office commences from June 7, 2018 until May 28, 2021. The Committee held 4 meetings (A) in 2020, and the attendance of the Committee members is summarized as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Lin, Yih-Jong	4	0	100	None
Independent Director	Chang, Jen-Chih	4	0	100	
Director	Yang, Yu-Te	4	0	100	

Outcome of the discussion and decision of the Nominating Committee and the Company's handling of the members' recommendation:

Nominating Committee	Content of the Motion & Follow up
2nd Meeting 7th Sitting February 26, 2020	1. 2019 performance evaluation results of Directors, Board of Directors, and functional committees.
	2. Revision of "Audit Committee Charters".
	3. President Yang, Yu-Te was dismissed and the new president Huang, Jui-Nan appointed.
	4. Newly appointed Chief Strategy Officer Yang, Yu-Te.
	5. Reappointed legal person Director representative of Axiomtek (Shen Zhen) Co., Ltd. (AXSZ)
	Result of Nominating Committee meeting: Chairman Yang, Yu-Te had left and evaded his interest, and it was approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Nominating Committee's opinion: Chairman Yang, Yu-Te and Director Huang, Jui-Nan had left and evaded their interest. Independent Director Lin, Yih-Jong continued to act as Chairman, and it was approved by the acting Chairman's consultation with all the Directors present (including Independent Directors).
2nd Meeting 8th Sitting March 25, 2020	1. 2019 performance evaluation of managers and chief internal audit officer.
	Result of Nominating Committee meeting: Approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Nominating Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).
2nd Meeting 9th Sitting July 30, 2020	1. 2020 H1 performance evaluation of managers and chief internal audit officer.
	Result of Nominating Committee meeting: Approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Nominating Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).

Nominating Committee	Content of the Motion & Follow up
2nd Meeting 10th Sitting September 24, 2020	1. Review on the Implementation of Directors' advanced education program in 2020
	2. Revision of "Operating Procedures for Performance Evaluation of Board of Directors".
	3. Revision of "Nominating Committee charter".
	4. Revision of "Remuneration Committee charter".
	Result of Nominating Committee meeting: Approved by the Chairman's consultation with all committee members present.
	The Company's follow-up action of the Nominating Committee's opinion: Approved by the Chairman's consultation with all the Directors present (including Independent Directors).

- (5) Situations and reasons for the implementation of social responsibility and deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies".

Evaluation Item	Operational Situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation (Note 2)	
1. 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 3)	V		The Company has established the Corporate Sustainable Development Committee, which is responsible for promoting the sustainable operation of various businesses including environmental protection, corporate social responsibility, corporate governance, integrity management and risk management, and implementing the results of implementation. The Company's Board of Directors has formulated the "Risk Management Policy" and the operating conditions have been disclosed on the Company's website and annual report. (Note 3)	None
2. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the Board to be in charge of proposing the corporate social responsibility policies and reporting to the Board?	V		1. To improve the management of corporate social responsibility of the Company, Corporate Social Responsibility (CSR) Committee is set up by representatives from the HR Dept., Finance Division, QA&QE Division, Procurement Division and Sales & Marketing	None

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>Division and is led by the Chairman of the Board(Note 4). HR Dept. is as the dedicated unit to promote corporate social responsibility, and it is responsible for the proposal and implementation of corporate social responsibility policies, systems or related management guidelines and specific promotion plans, and regularly reports to the Board of Directors.</p> <p>2. The “Corporate Social Responsibility (CSR) Committee “Operates on the principle of PLAN - DO - CHECK - ADJUST (PDCA). Once every two-year, survey feedback from stakeholders will be reviewed and assessed for the appropriate response to be taken and plans put in place for execution.</p> <p>3. The Corporate Social Responsibility (CSR) Committee’s promotions team reports to the Board once a year on the effectiveness of the CSR program (including communication with the stakeholders) and the stakeholders’ concerns, the corresponding actions of which will be reported out in the following year. The report will also be posted on the Company website for stakeholders to review. The relevant handling situation has been reported to the Board of Directors on October 29, 2020.</p>	
3. Issues of Environment (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		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.	None

Evaluation Item	Operational Situation (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	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 6).	
(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 6). Please refer to the Company's '2019 Axiomtek CSR Report' (page 81, chapter VI environmental protection).	
(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.	
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	None

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	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?	V		<p>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 "Human Rights Commitments and Policies" (Note 7) have been disclosed on the Company's website.</p> <p>The Company aims to become a happy enterprise, fulfill its corporate social responsibility, and take care of employees, so as to set and implement various employee welfare measures including compensation, vacation and other benefits, and appropriately reflect operating performance in employee compensation. Please refer to the employee benefits content of ‘V. Operation Highlights’.</p>	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		<p>The Company has obtained the TOSHMS Taiwan Occupational Safety and Health Management System Certification of the Labor Committee and regularly conducts employee health inspections and safety and hygiene lectures every year.</p> <p>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.</p>	
(4) Does the Company provide its employees with career development and training sessions?	V		<p>The Company provides relevant internal and external professional education and training to enrich employees’ career skills. The Company</p>	

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(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 protection policies and grievance procedure?	V		also encourages employees to assess their interests, skills, values, and goals and communicate their personal career intentions with managers to plan future career plans.  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 '2019 Axiomtek CSR 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 '2019 Axiomtek CSR Report' (page 16-20).	
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 2019 CSR report in accordance with the GRI Standards issued by the Global Reporting Initiative (GRI) to disclose the Company's non-financial information in 2020.	None
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has formulated a code of practice for corporate social responsibility. The Chairman leads the corporate social Responsibility Committee, and the human resources department coordinates the planning and establishes various operation groups to actively participate in the implementation of corporate social responsibility related activities. In 2020,				

Evaluation Item	Operational Situation (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation (Note 2)	

the 2019 Corporate Social Responsibility Report in accordance with the GRI Standards issued by the Global Reporting Initiative (GRI), and all operations comply with the requirements of the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”.

7. Other important information to facilitate better understanding of the Company corporate social responsibility practices :

- (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.

The Company has invested in social welfare activities in the past two years as follows:

Year	Month	Day	Item
2019	Jan	02~22	Axiomtek colleagues donate second-hand or unused items to hold a charity sale inside the Company. In addition to reusing resources, donating the proceeds from the charity sale together with the Company's equivalent donations to purchase the materials needed by public welfare units, sending them warm in the winter.
	Feb	01	Donate the proceeds from the charity sale and the Company's equivalent donations to Lan-Chui Social Welfare Foundation.
	Feb	02	Donate the materials and clothes donated by my colleagues to the Eden Social Welfare Foundation to make full use of the materials.
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.

- (2) Number of participants in welfare activities and cash input in the past 2 years: Unit: NT\$

Participant	Participation Total Number of Person	2019		Organize an Internal Charity Sale
		2020	Donation	
Lan-Chui Social Welfare Foundation	All employees	-	12,600 (Equivalent)	12,600
Andrew Charity Association	226 employees	134,600 (673 moon cakes)	-	-

- (3) The Company has completed the 2019 Corporate Social Responsibility Report.

Evaluation Item	Operational Situation (Note 1)		Abstract Explanation (Note 2)	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
<p>8. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company has completed the 2019 corporate social responsibility report. The Company has completed the 2019 corporate social responsibility 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.</p>				

Note 1: If the operation is checked "Yes", please explain the important policies, strategies, measures, and implementations; if the operation is checked "No", please explain the reasons and explain the relevant policies, strategies and measures adopted in the future painting.

Note 2: The Company has already compiled a corporate social responsibility report, and the summary indicates the method by which the CSR report is reviewed and change in the index.

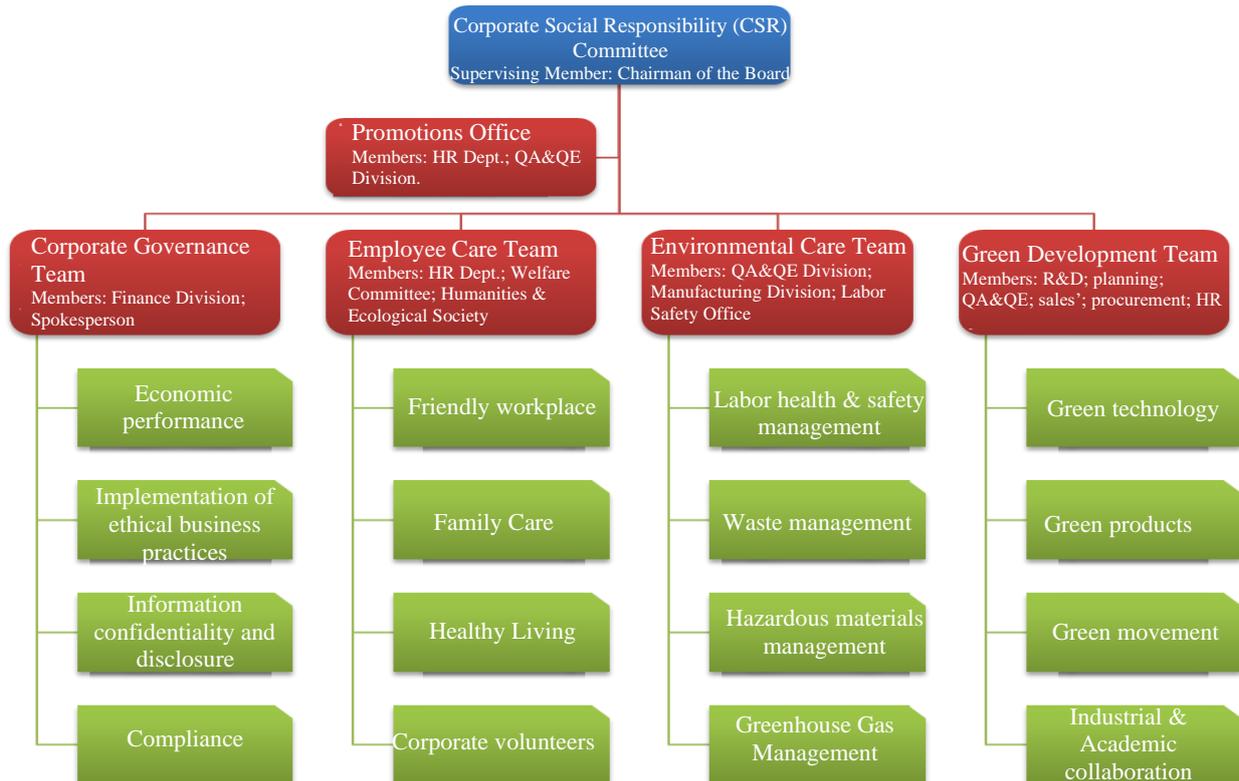
Note 3: The materiality principle refers to which have significant influence on the Company's investors and other stakeholders in relation to environmental, social and Corporate Governance issues.

The Company conducts relevant risk assessments on important issues in accordance with the principle of the importance of corporate social responsibility, and based on the assessed risks, formulates relevant risk management policies or strategies as follows:

Major Issues	Risk Evaluation Items	Risk Management Policy or Strategy
Environment	Environmental Compliance	Axiomtek regularly inspects the hazards and impacts that the industry will have on the environment, and the results of the inventory are mostly that waste is generated, and the management of waste is in compliance with the relevant regulations of the “Waste Disposal Law”. Therefore, since its establishment, there have been no major violations of environmental laws and regulations. At the same time, the ISO 14001 management system is introduced, and the employees continue to educate and train to ensure that the goals are achieved.
Society	Occupational Health and Safety	Axiomtek has set up Lao an as a dedicated management unit and personnel. In addition to meeting safety and health regulations during the Company’s product research and development, manufacturing, testing, and sales, it also cooperates with international and Taiwan safety and health management systems to implement hazard risk management and conduct hazard assessment and continuous risk improvement for the Company’s work content and work area. In addition, through pre-employment safety and health training for new recruits, occupational safety and health training for in-service personnel, safety advocacy, fire drills

Major Issues	Risk Evaluation Items	Risk Management Policy or Strategy
		and escape drills, etc., to instill correct occupational safety and health messages for colleagues. It is hoped that occupational safety and health accidents can be reduced and the responsibility of protecting employees can be fulfilled. Strictly comply with safety and health regulations, implement hazard risk management, and reduce occupational safety accidents.
Corporate Governance	Economic Performance	The Company's daily operations are affected by a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk and liquidity risk. The financial unit is responsible for identifying, evaluating, and avoiding financial risks through close cooperation with the operating unit. In terms of tax policy, Axiomtek supports tax policies that help companies innovate and promote economic growth, and is committed to information transparency and sustainable development, and promises that all operations will be handled in accordance with relevant tax laws and regulations.

Note 4: Corporate Social Responsibility (CSR) Committee



Team	Team Functionality
Promotions Office	Co-ordination, formulating and reviewing corporate social responsibility development policies, systems, and objectives. Assess & review performance and implementation. Report implementation results to the Board of Directors on a regular basis Summary, compilation, review, and issuance of corporate social responsibility reports
Corporate Governance Team	Corporate Governance management, financial information disclosure, compliance
Employee Care Team	Responsible for human resource development, human rights management, and building a healthy and friendly workplace Environment, cultural and educational charity promotion, and care for disadvantaged groups
Environmental Care Team	Management of environmental policy and management systems, pollution prevention, energy use efficiency, product environmental responsibility, environmental problem management, occupational safety, and health policy
Green Development Team	Customer service and satisfaction, reducing the impact of raw materials used on the environment. Research and development of green products, product quality and reliability management and customer relationship management

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	1. Workplace environment measurement pass rate is 100% 2. The pass rate of drinking water quality testing is 100% 3. Energy consumption is reduced by 1.5% per year. 4. Greenhouse gas emission reduction of 1.5% per year
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	1. Workplace environment compliance every 6 months. 2. Test drinking water quality 4 times a year 3. Full-time monitoring and improving the maximum power consumption

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.

For raw materials, due to the characteristics of Axiomtek’s industrial computers, the procurement policy is to use non-renewable raw materials to provide high-reliability products to customers. The raw material categories that have been examined and put into production operation are mainly divided into three categories, including electronic materials, institutional materials, and packaging materials. In accordance with the material recognition process and in compliance with environmental regulations, international product recycling regulations and waste packaging materials regulations. In the procurement of raw materials from 2017 to 2020, electronic materials accounted for 69% of the bulk, followed by machine components of 29% and packaging materials of 2%.

In order to launch CSR and supplier/outsourcer environmental management mechanism, Axiomtek has used environmental standards to screen new manufacturers since 2017, requiring all manufacturers to fill out environmental management and CSR questionnaires, with air, water, waste, soil and noise used as a benchmark to audit the information replied by the supplier. The inspection results show that there are no manufacturers with material actual or potential negative impacts.

In order to comply with international environmental regulations and customer needs, Axiomtek requires the presentation of inspection reports or compliance declarations for restricted hazardous substances when materials and suppliers acknowledge the presence of these substances; and require manufacturers to use ROHS/REACH/PFOS/non-conflict metal including gold, tungsten, tantalum, tin and cobalt etc., Manufacturers need to provide evidence to become qualified suppliers. In order to effectively manage the relevant information provided by the manufacturer, Axiomtek introduced the GPM green substance management system from 2017, allowing suppliers to log in to the GPM system to fill in the guarantee details, test report,

substance composition table and other information. The system will remind the supplier to update the test report regularly, thus ensuring continuous monitoring.

In the inspection and management of incoming materials, X-Ray equipment is used for sampling inspection during the inspection of incoming materials. On a regular basis, sampling, and inspection of the soldering process in the tin furnace is done to ensure that the products meet the requirements of environmental protection regulations. So far, no harmful substances have been detected in the tin furnace.

## 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 2020 has an upward trend, because the 6F office area newly leased at Xizhi Factory increased the power consumption in 2020 by 398,332.8 million joules, and the overall power consumption increased by 2.29% from the previous year.

Year	2020	2019
Electricity Consumption/ Million joules	9,744,739.2	9,346,406.4
Electricity Users	583	572
Electricity per Person / Year	16,715	16,340

#### 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 in the past two years, we can see that the per capita water consumption from 2019 to 2020 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 installation of automatic flushing/stop valve equipment in the toilets in the Beitou plant in 2020 has also achieved the effect of environmental protection and water saving.

Year	2020	2019
Water Consumption	9,034	10,261
Number of People	583	572
Water per Person / Year	15.50	17.94

#### 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:

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 - gasoline (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 2020 and 2019 greenhouse emission survey reports indicate that more than 95% came from externally sourced power energy. 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	2020	2019
Total Emission (ton CO <sub>2</sub> e/year)	1,475.021	1,480.146

The inspection results indicate that the reduction in greenhouse emissions from 2020 to 2019 was 5.125(ton CO<sub>2</sub>e/year) and 0.35%. Explore the reasons why it did not reach the 1.5% reduction target was due to the 6F office area newly leased at Xizhi Factory.

(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 & resource recycling

1. Domestic waste

Domestic waste generated by Axiomtek is collected and handled by the park management committee and is divided into general garbage and resource waste (wastepaper, glass bottles, plastics, iron and aluminum cans, aluminum foil) according to the regulations of the committee. In addition to waste that can be recycled and reused, general waste is disposed of by sanitary burial or incineration.

2. Business waste

Axiomtek re-examined the types and details of waste generated in the plant in 2020. There are 3 types of general business waste (recyclable), general business waste (non-recyclable), and hazardous business waste (pipeline waste). The breakdown includes 19 types of general business waste (recyclable) and general business waste. There are 27 types of non-recyclable garbage and 2 types of

hazardous business waste (pipe waste), for a total of 48 types. All the business waste committee shall be assisted by legal removal and disposal manufacturers and must report to the Environmental Protection Agency to entrust or jointly handle the triple bill. Depending on the category, this waste can be sold, recycled, incinerated, or buried under sanitary conditions, in compliance with legal regulations. From the following figure, we can see the weight of Axiomtek's annual recycling of business waste and explore the reasons for the addition in the amount of business waste recovered in 2020 compared to 2019. The main reason for the addition is that the amount of steel parts and plastic was increased. Axiomtek has re-established its environmental goals for 2021 and assigned a dedicated person to take charge of this project, hoping to achieve the goal of waste reduction.

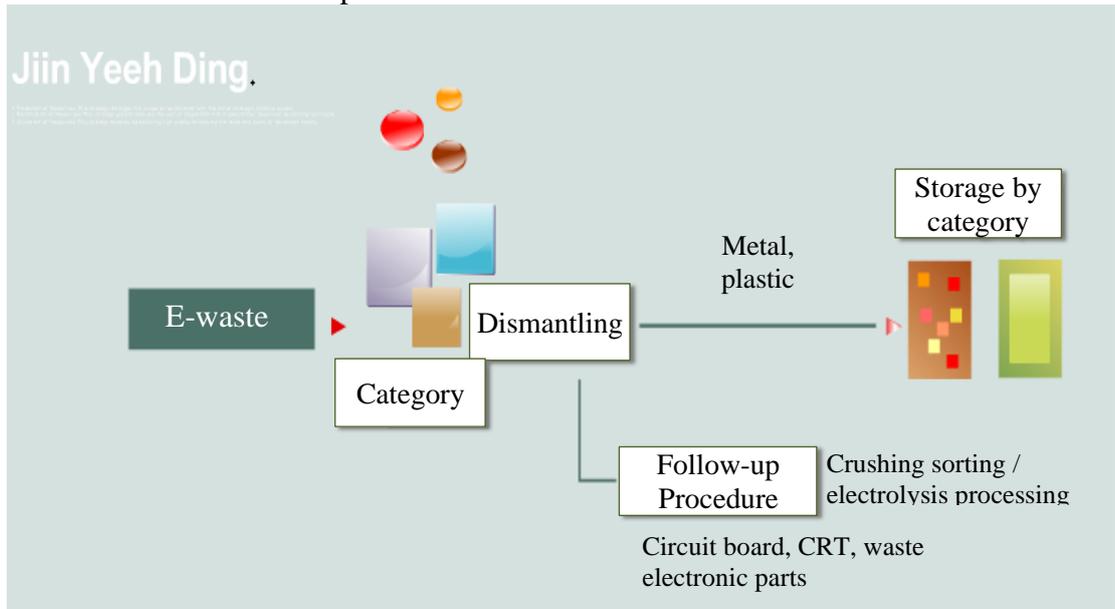


2019 ~ 2020 Annual Business Waste Recycling Statistics

Recycled Item	Board / Plate edge	Plastic	Steel part	Aluminum	PCBA	PCB empty board	Electronic part	Waste wiring	Mother board	Display screen	Total
2020	4,320	10,950	1,800	220	90	120	350	0	0	0	18,350
2019	4,270	10,280	850	185	120	420	250	0	0	0	16,375
Reduced weight (kg)	50	-670	-950	-35	30	300	-100	0	0	0	-1,975
Ratio (%)	1.2%	-6.9%	-27.1%	-6.7%	9.7%	187.5%	-12.5%	0	0	0	-12.0%

In addition to having the business waste removed by appointed vendors, Axiomtek is also very concerned about the final disposal method used by the vendor and will appoint them once the final disposal method applied has been assessed.

Flow chart of the final disposal method of the vendor:



3. Steel plate recycling  
In order to protect the earth and reduce consumable waste, Axiomtek advocates the steel recycling and reuse policy. Because the steel plate is often scrapped due to revision and damage, the scrapped steel plate can be transformed into a pallet truck and a large wall board to improve its usability. The aluminum frame can also be recycled to the steel plate factory for re-use. Axiomtek can recover an average of 130 steel plates per year.
4. Recycling lunch boxes  
Employee mealtimes generate a huge amount of bento lunch boxes that not only take up space but also attract vermin to the kitchen waste left behind. In 2016 Axiomtek introduced the kitchen waste recycling program and encouraged the stacking up of used lunch boxes. Kitchen waste is stored in a designated covered bin while the space taken up by lunch boxes has drastically reduced.
5. Paper carton recycling  
The manufacturing process creates a high volume of paper cartons. Each unit will bundle their respective cartons and pack them in the collection trucks which, when full, will deliver the cartons to the recycle centers to be sold. The average annual sales income is about NT\$140,000.

#### (IV) Biodiversity

In November 2017, Axiomtek moved from their office in Xindian District, New Taipei City to Xizhi District, New Taipei City. Investigation of the surrounding environment revealed that the nearby Kang Gao River had been designated to be a conservation area for fish. It has been very effective under the efforts of the district office and local chiefs. The Kang Gao River is a freshwater river and a tributary of the Keelung River with a basin that stretches to the southern half of the Xizhi District. The middle and upper reaches of the basin are currently conserved for its water quality and are protected areas for tap water. The water is clear with a stable flow and is home to the native fish species Xige, bitter flowers etc., and a place where nature thrives. Cherry trees line both sides of the bank and when in full bloom during the spring. It even sets up a ball-shaped lighting, lighting up "Night Stream of Sakura" at night, are a pleasant sight indeed!

- III. Adherence to environmental protection regulations: The Company's business activities follow environmental protection regulations, but in 2020, the waste treatment manufacturer maliciously breached the contract, causing the Company to be jointly and severally liable in accordance with the law and was fined NT\$12,000.

Note 7: “Human Rights Commitments and Policies” of Axiomtek Group:

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.

The human rights policy of Axiomtek is applicable to all subsidiaries, affiliated companies, and operating locations within the Group. It strictly complies with laws and regulations on labor and gender equality in where it operates and formulates relevant human rights protection and labor policies and implements related measures.

#### Employment Policy

To implement the diversity of the workplace, Axiomtek adheres to the principles of openness and fairness, and does not have any words, attitudes and behaviors that are discriminatory due to personal gender, race, socioeconomic status, age, marriage, family status, language, religion, party affiliation, nationality, appearance, facial features, physical and mental disabilities, etc.

#### Reasonable Working Hours

Axiomtek sets the legal standards for flexible working hours and extended working hours, takes into account work-life balance, and regularly actively cares about and understands employees' attendance status.

#### Healthy Workplace

Axiomtek helps employees maintain physical and mental health and work-life balance. It has planned to hire professional nurses and doctors in 2018, regularly handle employee care and health promotion programs, and increase employee EAP consultation channels.

#### Harmonious Labor-Management Communication

Axiomtek has set up various communication channels to listen to the voices of colleagues: 8185 employee hotline and mailbox, new recruit's advocacy, new recruits' opinions, and in-service staff's opinion surveys, etc. When colleagues have any opinions, they can reflect or feedback through various communication channels. Axiomtek has set up various Employee Assistance Programs (EAPs) on the EIP Intranet website in order to consider the needs of colleagues; when colleagues have frequently encountered official or private needs, they can obtain solutions as quickly as possible.

(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, managers, 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, managers, 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, managers, 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, managers,</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	
			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. The execution report was submitted to the Board of Directors on October 31, 2019.	
(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.	

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>If the Directors or their legal representatives have a stake in the 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. In 2020, 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 93 people, totaling 8 hours.</p> <p>The Company regularly organizes education, training and promotion for</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	
			Directors, managers, servants, assignees, and substantive controllers to fully understand the Company’s determination, policies, preventive measures and violations of dishonest behavior.	
<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</p>	V		Post the “Ethical Corporate Management Best Practice Principles” and “Rules of Procedure for informing of Illegal, Unethical or	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	
of its implementation on the Company’s website and Market Observation Post System?			Unseemly Conduct” on the Company website and Market Observation Post 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 2020:</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,</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>and regulations, matters that colleagues should pay attention to when performing business, honest business operations, prohibition of dishonest behavior and damage to the interests of interested parties, and confidentiality obligations for the company's intellectual property rights, etc. are announced.</p> <p>b. Education Training: In 2020, 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 93 people, totaling 8 hours.</p> <p>c. Whistleblower system and whistleblower protection: There are no reports of illegal, unethical, or dishonest behavior in 2020.</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 2020 Integrity management code and the expected work plan for 2021 on October 29, 2020.</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, 2021

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 2020:

- 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, 2020 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, 2021 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	Status
<p>Major resolutions for the 2020 Shareholders' Meeting to be held on May 28, 2020:</p> <p>(1) 2019 Business Report and Financial Statements</p> <p>(2) 2019 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 "Method for Election of Directors"</p> <p>(5) Release of the Prohibition on Directors from Participation in Competitive Business</p>	<p>Determined record date on August 9, 2020 and distributed cash dividends NT\$3.97517365 on August 21, 2020.</p> <p>Operated in accordance with the revised procedures.</p> <p>Operated in accordance with the revised procedures.</p> <p>The Directors hold the position of another company according to the content of the release of the competition restriction.</p>

Major Resolutions of Board of Directors
<p>Board of Directors on March 25, 2021</p> <p>(1) Approve the proposals provided by the Nominating Committee.</p> <p>(2) Approve the proposals provided by the Remuneration Committee.</p> <p>(3) Approve the Company's Board performance evaluation in 2021 will be evaluated by an external independent professional institution.</p>
<p>Board of Directors on February 25, 2021</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) 2021 Business Plan.</p> <p>(7) Established the "Corporate Sustainability Committee".</p> <p>(8) Revision of partial Articles in the "Rules of Procedures for Shareholders meeting".</p> <p>(9) Revision of partial Articles in the "Methods for Election of Directors".</p> <p>(10) Revision of partial Articles in the "Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct".</p> <p>(11) Proposed renewal of the contract with the Hua Nan Bank for the application of NTD loans and derivative financial commodity transactions.</p> <p>(12) Proposed renewal of the contract with Mega Bank for NTD loan.</p> <p>(13) Comprehensive re-election of Directors.</p>

## Major Resolutions of Board 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.

### Board of Directors on December 14, 2020

- (1) The Company intends to dispose of Xindian investment property.

### Board of Directors on October 29, 2020

- (1) Approve the issuance of 2020 employee stock options and distribution list.
- (2) 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.
- (3) 2021 Internal Audit Plan
- (4) Approve the formulation of “Risk Management Policy”.
- (5) Approve the proposals provided by the Remuneration Committee.

### Board of Directors on September 24, 2020

- (1) The Company intends to be issued 2020 employee stock options in fair price.
- (2) The audit fee of PwC firm about 2020 employee stock options issued by the Company.
- (3) The Company intends to apply with Citi (Taiwan) Commercial Bank for an unsecured comprehensive credit line of USD\$3.5 million and a foreign exchange and derivative financial product transaction line of USD\$300,000.
- (4) The Company intends to conduct various foreign currency-denominated securities transactions and related authorization matters with Citi (Taiwan) Commercial Bank.
- (5) 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\$3.5 million.
- (6) Revision of partial Articles in the “Rules of Procedure for Adoption of Codes of Ethical Conduct”.
- (7) Revision of partial Articles in the “Operating Procedures for Performance Evaluation of Board of Directors”.
- (8) Revision of partial Articles in the “Rules of Procedure for Governing the Scope of Powers of Independent Directors”.
- (9) Revision of partial Articles in the “Rules of Procedure for Board of Directors meeting”.
- (10) Revision of partial Articles in the “Nominating Committee charter”.
- (11) Revision of partial Articles in the “Remuneration Committee charter”.
- (12) Approve the formulation of “Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises”.
- (13) Approve the formulation of “Self-Regulatory Rules on Disclosure of Merger and Acquisition Information”.

### Board of Directors on July 30, 2020

- (1) Annual (once year) assessment of the accountants’ independence.
- (2) Approve the audit fees of PwC firm to the Company for 2020 and 2021.
- (3) Set the base date for capital increase of 2015 employee stock option exercising and bondholders to apply for conversion of corporate bonds to convert new shares.
- (4) Recognize the Company’s contract renewal with the Far Eastern Bank for NTD loan.
- (5) The Company intends to raise the loan to Axiom Technology, Inc. U.S.A. by US\$1.5 million to enrich its working capital.

## Major Resolutions of Board of Directors

- (6) The Company's accounts receivable with a significant amount and exceeding the normal credit period of 3 months.
- (7) The Board of Directors plans to establish the Company's core values (discipline, mission, honor, vision, etc.) and strategic goals.
- (8) Approve the proposals provided by the Nominating Committee.
- (9) Approve the proposals provided by the Remuneration Committee.

### Board of Directors on April 29, 2020

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

### Board of Directors on March 25, 2020

- (1) Revision of partial Articles in the "Corporate Governance best practice principles".
- (2) Revision of partial Articles in the "Corporate Social Responsibility Best Practice Principles".
- (3) Revision of partial Articles in the "Operating Procedures and Conduct Principles for Ethical Corporate Management".
- (4) The Company intends to raise loan to Axiomtek (Shen Zhen) Co., Ltd. by RMB 8.8 million to enrich its working capital.
- (5) Release the prohibition on Directors from participation in competitive business.
- (6) Approve the dates, venues, and subject for convening 2020 Shareholders' Meeting.
- (7) Approve the proposals provided by the Remuneration Committee.

### Board of Directors on February 26, 2020

- (1) 2019 Remuneration Distribution to Employees and Directors.
- (2) 2019 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company.
- (3) 2019 Profit Distribution.
- (4) Effectiveness of 2019 internal control systems and statement of internal control system.
- (5) 2020 Business Plan.
- (6) Set the base date for capital increase of 2015 employee stock option exercising and bondholders to apply for conversion of corporate bonds to convert new shares.
- (7) The Company intends to extend the loan to Axiom Technology, Inc. U.S.A. by US\$1 million to enrich its working capital.
- (8) Proposed renewal of the contract with the Hua Nan Bank for the application of NTD loans and derivative financial commodity transactions.
- (9) Proposed renewal of the contract with Mega Bank for NTD loan.
- (10) Revision of Articles in the "Internal Control Systems" and "Internal Audit Implementation Rules" of the Company.
- (11) Revision of partial Articles in the "Rules of Procedures for Shareholders' Meeting".
- (12) Revision of partial Articles in the "Audit Committee Charter".
- (13) Revision of partial Articles in the "Rules of Procedure for Board of Directors' Meeting".
- (14) Revision of partial Articles in the "Methods for Election of Directors".
- (15) Approval of change of accountants.
- (16) Approve the proposals provided by the Nominating Committee.
- (17) Approve the proposals provided by the Remuneration Committee.
- (18) Release the prohibition on Directors from participation in competitive business.
- (19) Approve the dates, venues, and subject for convening 2020 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:

Title	Name	Effective Date	Conge Date	Reason for the Change
President	Yang, Yu-Te	1990/06/01	2020/03/01	To strengthen corporate governance and improved that the Chairman and the president act by the same person.

#### 5. Information Regarding the Company's Audit Fee

##### (1) CPA Information

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
PwC Taiwan	Feng, Ming-Chuan, Wu, Han-Chi	2020/01/01~2020/12/31	

##### (2) Audit Fee

Unit: NT\$ Thousand

Fee Items		Audit Fee	Non-Audit Fee	Total
Fee Range				
1	Under NT\$ 2,000,000		270	270
2	NT\$2,000,001 ~ NT\$4,000,000	2,610		2,610
3	NT\$4,000,001 ~ NT\$6,000,000			
4	NT\$6,000,001 ~ NT\$8,000,000			
5	NT\$8,000,001 ~ NT\$10,000,000			
6	Over NT\$100,000,000			

Unit: NT\$ Thousand

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Audit Period of CPA	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PwC Taiwan	Feng, Ming-Chuan, Wu, Han-Chi	2,610				120	120	2020/01/01~2020/12/31	Employee stock option certificate review
HeTai Accounting Firm	Wu, Shu-Yuan					120	120	2020/01/01~2020/12/31	Transfer Pricing Report
Cheng Yang Accounting Firm	Lin, Rui-Xing			30			30	2020/01/01~2020/12/31	Company change registration

(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

In the last two years and the subsequent period of the Company, due to internal rotation of the

CPA firm, the visa accountants were changed from Feng, Ming-Chuan and Hsu, Shien-Chong to Feng, Min-Chuan and Wu, Han-Chi from the first quarter of 2020.

7. The Company's Chairman, President, or any Officer in charge of Financial or Accounting Affairs 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. Changes in Shares Held and Pledged by Directors, Managers and Major Shareholders Holding over 10% of Outstanding Shares in the Most Recent Year and up to the Date of Printing of the Annual Report.

(1) Change in Shareholding of Directors, Managers and Major Shareholders

Unit: Thousand shares

Title	Name	2020		As of March 31, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & Chief Strategy Officer	Yang, Yu-Te	0	0	0	0
Director	Advantech Co., Ltd.	0	0	2,144	0
Corporate Representative	Liu, Wei-Ting	0	0	0	0
Director	Tsai, Shih-Yang	0	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	Shon, Zheng-Yi	0	0	0	0
Vice President	David Chang	28	0	0	0
Vice President Head of Accounting & Finance Chief Corporate Governance	Jane Hsu	40	0	0	0
Vice President	Joanne Lin	0	0	0	0
Vice President	William Wu	0	0	48	0
Vice President	Henry Lin	28	0	0	0
Assistant Vice President	Gary Tsao	0	0	49	0
Assistant Vice President	Chiven Fan	0	0	8	0
Assistant Vice President	Joseph Chou	32	0	0	0
Assistant Vice President	Alex Pan	25	0	0	0
Assistant Vice President	Shang Hsieh	0	0	0	0

(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.	22,495,984	26.80	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	2.61	0	0.00	0	0.00	None	None	
Yan, Ya-Xian	58,279	0.07	1,578,512	1.88	0	0.00	Yang, Yu-Te	Spouse	
Yang, Yu-Te	1,578,512	1.88	58,279	0.07	0	0.00	Yan, Ya-Xian	Spouse	
Trans Globe Life Insurance Inc.	1,000,000	1.19	0	0.00	0	0.00	None	None	
Peng, Teng-Fei	0	0.00	0	0.00	0	0.00	None	None	
Sino Pac Bank subject to Tsai, Shih-Yang Trust Property Account	1,000,000	1.19	0	0.00	0	0.00	None	None	
Henry Lin	899,172	1.07	0	0.00	0	0.00	None	None	
Li, Mei-Hui	891,835	1.06	0	0.00	0	0.00	None	None	
Deng, Meng-Hui	743,279	0.89	0	0.00	0	0.00	None	None	
Yan, Guang-Li	520,419	0.62	0	0.00	0	0.00	None	None	
Universal Venture Capital Investment Corporation	500,000	0.60	0	0.00	0	0.00	None	None	
Li, Chun-Siang	0	0.00	0	0.00	0	0.00	None	None	
Mega Venture Capital Co., Ltd.	500,000	0.60	0	0.00	0	0.00	None	None	
Lin, Ruei-Yun	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 Shares of the Invested Company, the Company's Directors, Managers, and Companies Controlled Directly or indirectly, and the Aggregated Overall Shareholding Ratio.

None.

## IV. Capital Overview

### 1. Capital & Shares

#### (1) Source of Capital

April 20, 2021

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		

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	
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		
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

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	
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
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

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
						Conversion of convertible bond	310		No. 10901213720
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		

Unit: Share

Type of Share	Authorized Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Common Stock	83,925,578	76,074,422	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 30, 2021.

## (2) Shareholder Structure

March 30, 2021

Shares \ Items	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	4	75	9,446	52	9,578
Shareholding (shares)	4	2,025,000	29,248,015	49,142,087	3,510,472	83,925,578
Percentage	0.00	2.41	34.85	58.56	4.18	100.00

## (3) Shareholding Distribution Status

March 30, 2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 - 999	1,548	211,639	0.25%
1,000 - 5,000	6,370	12,849,016	15.31%
5,001 - 10,000	839	6,703,642	7.99%
10,001 - 15,000	260	3,378,118	4.02%
15,001 - 20,000	145	2,678,466	3.19%
20,001 - 30,000	155	3,952,131	4.71%
30,001 - 40,000	77	2,736,528	3.26%
40,001 - 50,000	39	1,775,684	2.12%
50,001 - 100,000	80	5,637,324	6.72%
100,001 - 200,000	32	4,728,748	5.63%
200,001 - 400,000	19	5,716,568	6.81%
400,001 - 600,000	6	2,761,992	3.29%
600,001 - 800,000	1	743,279	0.89%

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
800,001 - 1,000,000	4	3,791,007	4.52%
1,000,0001 or over	3	26,261,436	31.29%
Total	9,578	83,925,578	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 30, 2021

Shareholder's Name	Shares	Shareholding (Shares)	Percentage (%)
Advantech Co., Ltd.		22,495,984	26.80
Wei-Te Investment Co., Ltd.		2,186,940	2.61
Yang, Yu-Te		1,578,512	1.88
Trans Globe Life Insurance Inc.		1,000,000	1.19
Sino Pac Bank subject to Tsai Shih-Yang Trust Property Account		1,000,000	1.19
Henry Lin		899,172	1.07
Li, Mei-Hui		891,835	1.06
Deng, Meng-Hui		743,279	0.89
Yan, Guang-Li		520,419	0.62
Universal Venture Capital Investment Corporation		500,000	0.60
Mega Venture Capital Co., Ltd.		500,000	0.60

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

Unit: NT\$ / Thousand shares

Item		Year	2020	2019	1/1/2021~3/31/2021
Market Price per Share (Note 1)	The Highest		59	59.40	55.80
	The Lowest		45	50.00	50.50
	Average		54.54	56.94	52.55
Net Worth per Share (Note 2)	Before Distribution		31.68	31.81	33.12
	After Distribution		29.07	27.80	30.54
Earnings per Share	Weighted Average Shares		82,272	79,996	83,401
	Earnings Per Share (Note 3)		3.73	5.76	1.43
Dividend per Share	Cash Dividends		2.6	4.00	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)		14.39	9.84	None
	Price / Dividend Ratio (Note 6)		20.65	14.17	None
	Cash Dividend Yield Rate (Note 7)		4.84%	7.06%	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: Based on the number of shares already issued at the end of the year and the number approved for distribution at the Shareholders' Meeting.

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.

## (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. Proposal for distribution of dividends at the Board of Directors

February 25, 2021 the Board meeting resolved to distribute the 2020 earnings in dividends amounting to NT\$216,954,210, or NT\$2.6 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 11% and 1% as the employees' and Directors' remuneration ratio, respectively. In 2020, the estimated employee's remuneration was NT\$48,010,000 and the Directors' remuneration was NT\$4,365,000; 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, the salary and promotion adjustment of employees in July every year, the average salary adjustment range of employees in 2020 is as follows:

Category	Average Employee Salary Adjustment (% , recurring salary)	Remarks
Estimated salary adjustment (Note 1)	1.5%~2%	It is expected to adjust the salary according to the job title of employees, which appropriately reflecting the rising price trend and responding to the government's policy of encouraging companies to raise wages for employees.
Actual salary adjustment (Note 2)	1.5%~2%	Average employee salary adjustment in 2020.
Salary adjustment of non-manager (Note 2 、 3)	1.5%~2%	Salary adjustment every year based on the duties, positions, special professional abilities, etc. of colleagues.
Salary adjustment of manager (Note 2 、 3)	1.4%~1.5%	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 2021.

Note 2: The average employee salary adjustment is disclosed by the Company voluntarily. The information is the Company's actual average salary adjustment in 2020.

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, 1992. 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) 2020 profit distribution of cash dividend was approved by the Board of Directors on February 25, 2021.

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, 2021 the Board approved the distribution of the 2020 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	

- (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 2020 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, 2020 the Directors' resolution on the 2019 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)	56,323,000	5,302,000	None
Proposed distribution by the Board of Directors (B)	56,323,000	5,302,000	
Difference (B) - (A)	0	0	

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

## 2. Corporate Bonds

### (1) Issuance of Corporate Bonds

April 20, 2021

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\$254,700,000	
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	Already converted to common stock totaling NT\$165,300,000
	Issuance and conversion (exchange or subscription) method	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: Private investors should be marked clearly.

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)		1st Domestic Unsecured Convertible Bonds	
Year		2020	1/1/2021~4/20/2021 (Note 4)
Market price of the convertible bond (Note 2)	Highest	119.80	129.00
	Lowest	104.00	112.00
	Average	112.75	118.59
Convertible Price		45.20	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 depends on the actual number of adjustments.

Note 2: In the case of multiple trading locations, please identify each of the trading locations.

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, 2021

Type of Employee Stock Options (Note 2)	2015 Employee Stock Options	2018 Employee Stock Options	2020 Employee Stock Options
Effective registration date	July 07, 2015	April 02, 2018	October 13, 2020
Issue (offering) date (Note 4)	August 19, 2015	April 12, 2018	October 29, 2020
The number of units issued	1,500 (1,000 shares each unit)	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 (%)	1.83%	1.95%	5.22%
Duration	6 years	5 years	6 years
Conversion measures (Note 3)	Issue new shares	Issue new shares	Issue new shares
Conditional exercising periods and percentages	Granted after 2 years 40% Granted after 3 years 60% Granted after 4 years 80% Granted after 5 years 100%	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	1,201,000 (shares)	221,000 (shares)	0 (shares)
Exercised amount	NT\$ 26,072,400	NT\$ 10,483,900	NT\$ 0
Number of shares yet to be exercised	299,000 shares	1,379,000 shares	4,300,000 shares
Adjusted exercise price for those who have yet to exercise their rights	NT\$ 19.3	NT\$ 45.9	NT\$ 50.8
Unexercised shares as a percentage of total issued shares	0.36%	1.64%	5.12%
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 0.36% 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 1.64% 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 5.12% 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 managers and the top ten employees who have obtained employee stock option certificates up to the date of printing of the annual report

A. 2015 Employee Stock Options

April 20, 2021

	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 Price (NT\$) (Note 5)	Amount (NT\$ Thousand)	Converted Shares as a Percentage of Shares Issued (Note 4)	No. of Shares Converted (1,000 shares)	Exercising Price (NT\$) (Note 6)	Amount (NT\$ Thousand)	Converted Shares as a Percentage of Shares Issued (Note 4)
Manager	Assistant Vice President	Gary Tsao	160	0.19%	125	21.14	2,642	0.15%	35	19.3	676	0.04%
	Assistant Vice President	Chiven Fan										
	Assistant Vice President	Alex Pan										
Employee (Note 3)	Senior Special Assistant	Randy Chi (Note 7)	440	0.52%	395	21.93	8,664	0.47%	45	19.3	869	0.05%
	Senior Manager	Michelle Lu										
	Senior Manager	Wen Wang										
	Senior Manager	Candice Hsieh										
	Manager	Eric Lin										
	Manager	Kevin Hsu										
	Manager	Joe Hsiao										
	Manager	Carolyn Sung										
	Manager	Pojung Chen										
	Manager	William Au										
Manager	Allen Tsai											

Note 1. Includes managers 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 Ministry of Economic, R.O.C.

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.

Note 7: Resigned employee.

B. 2018 Employee Stock Options

April 20, 2021

	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)
Manager	Chief Strategy Officer	Yang, Yu-Te	960	1.14%	189	47.12	8,906	0.23%	771	45.9	35,389	0.92%
	Vice President	David Chang										
	Vice President	Jane Hsu										
	Vice President	Joanne Lin										
	Vice President	William Wu										
	Vice President	Henry Lin										
	Assistant Vice President	Gary Tsao										
	Assistant Vice President	Chiven Fan										
	Assistant Vice President	Joseph Chou										
	Assistant Vice President	Alex Pan										
	Assistant Vice President	Shang Hsieh										
Employee (Note 3)	Subsidiary President	Bill Shen	480	0.57%	0	0	0	0	480	45.9	22,032	0.57%
	Subsidiary President	Stanley Chang										
	Subsidiary Vice President	Eric Chiang										
	Subsidiary Vice President	Norm Chian										
	Subsidiary Vice President	STARRETT DAVID PETER										

Note 1: includes managers 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.

C. 2020 Employee Stock Options

April 20, 2021

	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)
Manager	President	Huang, Jui-Nan	1,750	2.09%	0	0	0	0	1,750	50.8	88,900	2.09%
	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										
	Assistant Vice President	Gary Tsao										
	Assistant Vice President	Chiven Fan										
	Assistant Vice President	Alex Pan										
Employee (Note 3)	Senior Special Assistant	Skin Huang	1,170	1.39%	0	0	0	0	1,170	50.8	59,436	1.39%
	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 managers 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 1st 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	2020	
	Amount	%
Design-in Services Products	1,929,814	41.93
Intelligent Platforms & Solutions Products	1,908,245	41.46
Others	764,720	16.61
Total	4,602,779	100.00

- C. Main products (services) of the Company  
Key products planned by Design-In service Products (DIS) and Intelligent Platforms & Solutions Products (IPS).
- 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, robots, smart transportation, self-driving cars, cloud 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

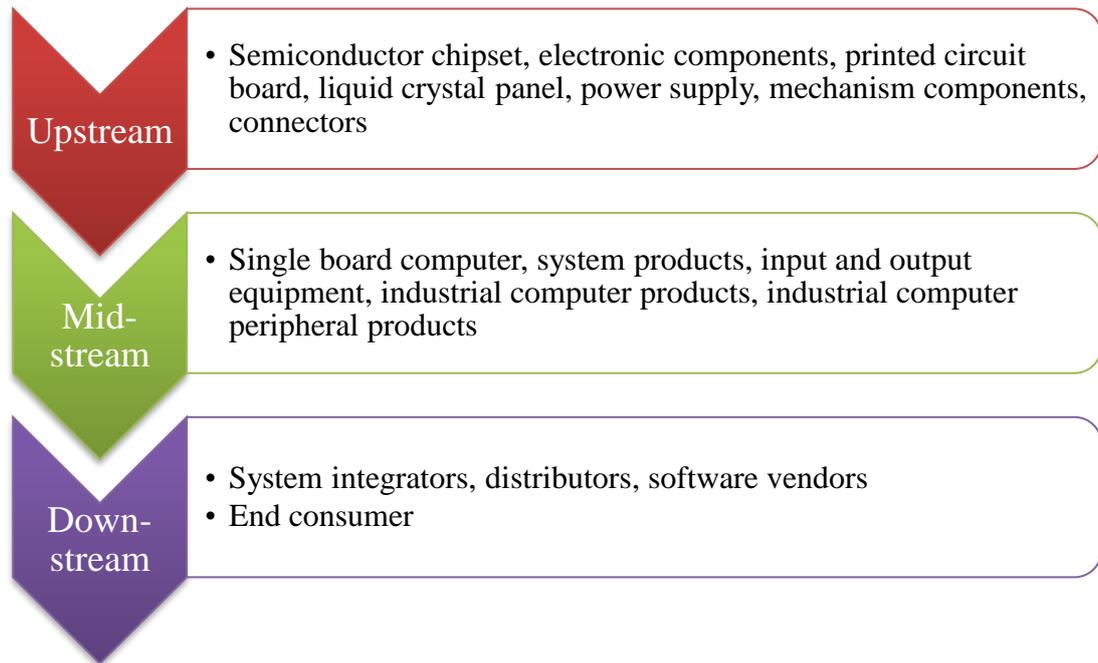
Industrial computer single-board products and related interface cards are produced based on customer needs and are widely used in various applications. Upstream refers to the suppliers and outsourcing manufacturers of the related components, materials, and devices. Midstream refers to the products manufactured 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, and 5G 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	2020	As of March 31, 2021
R&D expenses	422,620	108,283
Operating revenue	4,602,779	968,705
Ratio of R&D expenses to Revenue (%)	9.18	11.18

B. Technology or product developed successfully

Product Type	Item
Design-in Services	<ul style="list-style-type: none"> <li>● The NA346 is a 4-LAN fanless network appliance platform designed in a small form factor. This ultra-small desktop network appliance is powered by the Intel® Celeron® processor N3350 featuring the lowest Thermal Design Power (TDP) of 6W to meet the specific configurations.</li> <li>● The iNA600 is a DIN-rail industrial-grade network appliance with a built-in 16-port Layer 2 managed switch for use in edge AI inference, cybersecurity, and function virtualization. This rugged system is powered by the Intel® Core™ and Xeon® processor and supports two DDR4-2666 U-DIMMs for up to 32GB of non-ECC/ECC memory.</li> <li>● The digital signage player is powered by the 8th generation Intel® Core™ processor. With the rise of artificial intelligence (AI) facial recognition and real-time promotions, the high-performance DSP501-527 has added support for Intel® Movidius™ Myriad™ X VPU and Intel® OpenVINO™ toolkit.</li> <li>● The PICO52R is a 2.5-inch pico-ITX motherboard powered by the 8th gen Intel® Core™ processor. Its reversed onboard CPU is attached on the rear side of the board to aid with heat dissipation and offers flexibility for easy system integration especially in space constraint enclosure.</li> <li>● The NA347 is a 3-LAN fanless network appliance platform coming with ultra-slim size and low power consumption. This ultra-small desktop network appliance is powered by the Intel® Celeron® processor N3350.</li> </ul>

Product Type	Item
Intelligent Platforms & Solutions Products	<ul style="list-style-type: none"> <li>● The quad-core embedded box PC is designed with exceptional platform performance, abundant I/O interfaces, a wide-range power source, and triple display outputs, eBOX630-528.</li> <li>● The AIE100-903-FL is an ultra-compact edge AI system and is powered by the NVIDIA® Jetson Nano™ module, which has a powerful quad-core ARM® Cortex®-A57 MPCore processor and NVIDIA Maxwell™ GPU architecture with 128 NVIDIA CUDA cores.</li> <li>● The compact industrial computer, IPC962-525 provides flexible expansion options with one I/O module slot and two PCIe/PCI expansion slots. It has a full-size PCI Express Mini Card slot for Wi-Fi, Bluetooth, and 4G/LTE modules or one M.2 Key B slot for 5G wireless connection.</li> <li>● Designed to meet the challenges of harsh operating environments, it supports extended operating temperature range of -40°C to 70°C, a flexible wide voltage range of 9V to 48V DC power input, and can withstand high vibration environments up to 2G, Agent200-FL-DC.</li> <li>● A palm-sized in-vehicle IoT gateway, UST200-83H, is powered by the low-power consumption Intel® Atom™ x5-E3930 processor (codename: Apollo Lake-I). It is certified with CE and FCC and is in compliance with ISO 7637-2.</li> </ul>

(4) Sales Marketing and Product Development Plan

Continue to deepen the application of technical energy in the field, take root in business layout and implement localized services; grasp the factors of market fluctuations, industry changes, insight into market sales opportunities, and pursue sustainable operation and stable growth of the Company.

A. Sales and 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) Through local subsidiaries, i.e., US, Germany, and European markets, we can have a well understanding of customer product needs in the vertical application field.
- (D) Improve the local engineering design team and high-end system assembly capabilities for all subsidiaries and realize customized services in the field and deep cultivation of vertical applications.
- (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 Plan

- (A) Migrate system products to application-ready platforms, combine AI, IoT, 5G, machine vision technologies to focus on application markets such as smart factories, transportation, smart retail, medical, AGV/AMR, Industrial Cybersecurity, etc., then develop domain-focused technologies and solution.
- (B) Continue to develop intelligent yet rugged embedded products for harsh environments. Products features extended temperature, shock resistance, dustproof, waterproof, fanless operation, modular design, etc., which are widely used in factory automation, rail transit, robot, green energy industry, and smart grid applications.

- (C) Provide a series of digital signage players and SDM modules, and design to meet the needs of multimedia digital signage and interactive self-service kiosks.
- (D) Offer customization services and medical grade products to hospitals and equipment vendors, which will be able to meet many computing platforms required by various equipment.
- (E) Develop gaming industry-specific computer platforms, video mixer technology, and player tracking system platform for the gaming industry; cultivate our vertical expertise and integration capabilities, enhance the value-add of our products.
- (F) Industrial cybersecurity network platforms and gateways: target the industrial IT/OT network security applications, combine software and hardware compatibility tests, fanless, wide temperature, modular and industrial design, and align with the Intel Network Builder Program as well as strategic partners, go deep into the field of industrial cybersecurity.

## 2. Market and Sales Overview

### (1) Market analysis

#### A. Sales districts for main products

Unit: in NT\$ Thousand / %

Sales Districts \ Year		2020		2019	
		Amount	%	Amount	%
Local		260,661	5.66	432,889	9.13
Export	America	1,948,761	42.34	2,445,774	51.61
	Europe	1,193,080	25.92	1,199,060	25.30
	Asia	1,185,310	25.75	641,833	13.54
	Others	14,967	0.33	19,355	0.42
Export Subtotal		4,342,118	94.34	4,306,022	90.87
Total		4,602,779	100.00	4,738,911	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 and AI, 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, 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 divergence

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.

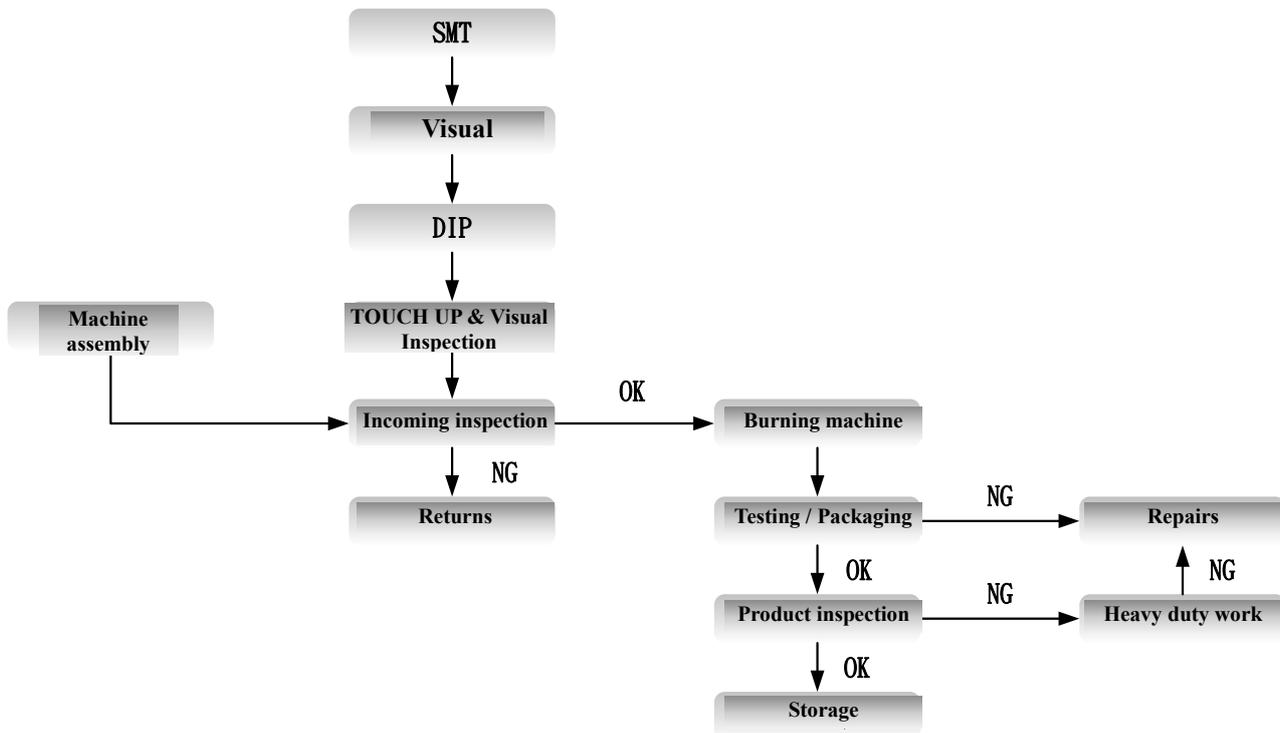
(2) Production Procedures of Main Products

A. Key purpose of main products:

Main Products	Primary Use / Functionality
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.

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.

### 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, Avnet Asia Pte Ltd., (Singapore), Wei Keng
PCB	Everlast Win, Circuitech Precision Electronics
LCD panel	Kyocera, Promate, Innotron
Power supply	FSP Group (FSP), Mean Well
Industrial computer casing	Tzang Yang, RongFeng, 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	2020				2019				As of March 31, 2021			
	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	289,584	11.07	N/A	Supplier A	319,310	11.61	N/A	None			
	Others	2,326,069	88.93	N/A	Others	2,429,830	88.39	N/A				
	Net procurement	2,615,653	100.00		Net procurement	2,749,140	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	2020 (Note 2)				2019				As of March 31, 2021 (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	4,602,779	100.00	N/A	Customer B	559,610	11.81	N/A	None			
					Others	4,179,301	88.19	N/A				
	Net sales	4,602,779	100.00		Net sales	4,738,911	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 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.

Reasons for change or decrease: Due to changes in market demand for different types of products, the customers who sell such products will respond correspondingly, causing fluctuation in demand.

## (5) Production in the past 2 years

Unit: PCS; NT\$ Thousand

Year Output volume	2020			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Main products						
Design-in Services Products	763,669	727,354	1,352,553	936,773	929,902	2,449,819
Intelligent Platforms & Solutions Products	733,581	787,879	1,656,447	1,048,980	1,124,175	1,499,947
Others	80,000	98,747	184,388	85,000	127,015	319,379
Total	1,577,250	1,613,980	3,193,388	2,070,753	2,181,092	4,269,145

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

Unit: PCS; NT\$ Thousand

Year Shipment & Sales	2020				2019			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Main products								
Design-in Services Products	10,938	132,606	129,016	1,775,639	98,192	219,921	495,696	2,558,670
Intelligent Platforms & Solutions Products	8,014	55,644	359,943	1,874,170	10,565	137,986	122,522	1,418,424
Others	733,774	72,411	314,547	692,309	906,131	74,982	216,028	328,928
Total	752,726	260,661	803,506	4,342,118	1,014,888	432,889	834,246	4,306,022

## 3. Human Resources

Year		2020	2019	As of March 31, 2021
Item				
Number of Employees	Sales	112	112	109
	G&A	89	92	112
	R&D	271	263	278
	Manufacturing	284	295	258
	Total	756	762	757
Average Age		39.79	39.11	40.08
Average Years of Service		7.26	6.61	7.23
Education Ratio (%)	Ph.D.	0.13	0.26	0.13
	Master	17.99	16.40	18.44
	Bachelor's Degree	59.26	58.53	59.94
	Senior High School	20.11	21.92	19.89
	Below Senior High School	2.51	2.89	1.99

#### 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

Disposition date: November 26, 2020

Disposition reference number: Xinbei Huanjizi No. 40-109-110024

The article of law violated: Article 28, Paragraph 1 of the Waste Disposal Act

The content of regulation violated: The Company has not commissioned a public and private waste clearance and disposal organization that has received competent authority permission for the clearance and disposal of the category of waste, and the manufacturer maliciously discards the waste in violation of the contract, so the Company shall be punished jointly.

The content of the disposition: Fine of NT\$12,000.

(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.
- (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) Provide internal and external training courses with the goal of continuously nurturing talents.
- (J) 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.
- (K) 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.
- (L) 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.
- (M) 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.

### 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 \$477,294. 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	12	452	80	88,070
2. Training by profession	69	1,132	305	257,250
3. Training by project	6	676	22	123,784
4. Self-Learning	3	624	4	8,190
Total	90	2,884	411	477,294

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	Aug 17, 2020	Aug 18, 2020	Accounting Research and Development Foundation	Continuing education for Head of Accounting Officer	12
Chief Corporate Governance	Jane Hsu	Aug 7, 2020	Aug 7, 2020	Taiwan Corporate Governance Association	Key technologies and market applications of 5G and IoT	3
		Sep 15, 2020	Sep 15, 2020	Taiwan Corporate Governance Association	Enterprise risk management and legal compliance issues application practice	3

Title	Name	Training Date		Organizer	Name of Course	Hours
		From	To			
		Oct 16, 2020	Oct 16, 2020	Taipei Exchange	2020 Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference	3
		Oct 20, 2020	Oct 20, 2020	Taiwan Corporate Governance Association	Functions of the Board of Directors and Effectiveness Evaluation	3
		Oct 23, 2020	Oct 23, 2020	Taiwan Corporate Governance Association	Directors and Supervisors Responsibilities and Risk Management Seminar	3
Deputy of principal accounting officer & Report preparer	YM Huang	Sep 28, 2020	Sep 29, 2020	Accounting Research and Development Foundation	Continuing education for Accounting Head	12
Head of Internal Auditor	Wen Lan	Aug 31, 2020	Aug 31, 2020	The Institute of Internal Auditors-Chinese Taiwan	Policy analysis and key discussion on internal audit and internal control practices for enterprises to improve their ability to prepare financial reports on their own	6
		Sep 30, 2020	Sep 30, 2020	The Institute of Internal Auditors-Chinese Taiwan	Subsidiary Audit Practice	6
Deputy of head of Internal Auditor	Anita Hsieh	Sep 10, 2020	Sep 10, 2020	The Institute of Internal Auditors-Chinese Taiwan	Power BI-Data Integration and Analysis	6
		Sep 29, 2020	Sep 29, 2020	The Institute of Internal Auditors-Chinese Taiwan	Discussion on audit practice of enterprise cost and value creation	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, the estimated current and future cost resetting from labor disputes and potential response measures:

The Company’s has a harmonious labor-management relationship, and the personnel-related management system is based on the Labor Act. In recent years, the Company has not suffered losses due to labor disputes, and no such situation is expected in the future.

- (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. According to the Company's occupational disaster statistics for 2020, there was an incident of an injury caused by an in-plant operation involving a colleague who was hit by a ladder while picking up the goods. There were also two cases of traffic accidents.

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.

#### (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.

6. 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
Loan	Bank of America, N.A.	2015/07/08	2025/07/01	Bank secured loan	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)
		2020	2019	2018	2017	2016	
Current Assets		2,501,447	2,551,918	2,611,168	2,260,774	2,669,321	
Property, Plant and Equipment		1,144,409	1,178,845	1,202,215	1,335,402	484,696	
Investment Property		85,193	86,241	139,820	22,858	-	
Intangible Assets		113,714	125,710	102,965	104,642	138,464	
Other Assets		198,754	174,338	83,280	47,174	53,106	
Total Assets		4,043,517	4,117,052	4,139,448	3,770,850	3,345,587	
Current Liabilities	Before Distribution	1,100,141	949,930	1,596,053	1,240,404	932,949	
	After Distribution	1,317,095	1,277,498	1,894,837	1,679,408	1,221,413	
Non-Current Liabilities		309,598	569,723	180,406	160,249	629,030	
Total Liabilities	Before Distribution	1,409,739	1,519,653	1,776,459	1,400,653	1,561,979	
	After Distribution	1,626,693	1,847,221	2,075,243	1,839,657	1,850,443	
Equity attributable to the owner of the parent		2,633,778	2,597,399	2,362,989	2,370,197	1,744,866	
Share Capital		849,850	864,911	797,245	794,509	790,310	
Capital Surplus		330,595	245,919	214,960	198,563	183,745	
Retained Earnings	Before Distribution	1,492,308	1,513,202	1,355,014	1,390,039	757,032	
	After Distribution	1,275,354	1,185,634	1,056,230	951,035	468,568	
Other Equity		(38,975)	(26,633)	(4,230)	(12,914)	13,779	
Non-controlling interests		-	-	-	-	38,742	
Total Equity	Before Distribution	2,633,778	2,597,399	2,362,989	2,370,197	1,783,608	
	After Distribution	2,416,824	2,269,831	2,064,205	1,931,193	1,495,144	

Note 1: Each year's information already audited and certified by the Certified Public Accountant.

Note 2: Profit distribution of 2020 cash dividend was passed by the Board of Directors.

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

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)					As of the printing date of the annual report (Note 2)
	2020	2019	2018	2017	2016	
Operating Revenue	4,602,779	4,738,911	5,010,644	3,994,229	4,707,109	
Gross Profit	1,550,755	1,693,484	1,666,150	1,360,002	1,745,446	
Operating Income	403,951	498,835	557,020	293,402	490,794	
Non-operating income and expenses	8,551	97,582	48,521	730,756	2,775	
Income before Tax	412,502	596,417	605,541	1,024,158	493,569	
Net Income from continuing operations	306,598	460,455	406,924	928,914	374,808	
Net Income	306,598	460,455	406,924	928,914	374,808	
Other Comprehensive Income(Loss), Net	(12,266)	(25,886)	5,739	(32,510)	(9,494)	
Total Comprehensive Income	294,332	434,569	412,663	896,404	365,314	
Net Income Attributable to Owner of Parent	306,598	460,455	406,924	926,239	360,023	
Net Income Attributable to Non-controlling interests	-	-	-	2,675	14,785	
Comprehensive Income Attributable to Owner of Parent	294,332	434,569	412,663	894,778	350,920	
Comprehensive Income Attributable to Non-controlling interests	-	-	-	1,626	14,394	
EPS (NT\$)	3.73	5.76	5.12	11.71	4.56	

Note 1: Each year's information already audited and certified by the Certified Public Accountant

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

(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)				
		2020	2019	2018	2017	2016
Current Assets		1,559,957	1,708,629	1,918,479	1,668,520	1,691,551
Property, Plant and Equipment		1,016,340	1,052,023	1,069,695	1,203,699	213,725
Investment Property		85,193	86,241	139,820	22,858	-
Intangible Assets		21,236	17,912	22,343	21,215	16,220
Other Assets		1,034,408	946,373	760,896	618,298	900,745
Total Assets		3,717,134	3,811,178	3,911,233	3,534,590	2,822,241
Current Liabilities	Before Distribution	879,028	715,526	1,420,049	1,067,873	601,659
	After Distribution	1,095,982	1,043,094	1,718,833	1,506,877	890,123
Non-Current Liabilities		204,328	498,253	128,195	96,520	475,716
Total Liabilities	Before Distribution	1,083,356	1,213,779	1,548,244	1,164,393	1,077,375
	After Distribution	1,300,310	1,541,347	1,847,028	1,603,397	1,365,839
Share Capital		849,850	864,911	797,245	794,509	790,310
Capital Surplus		330,595	245,919	214,960	198,563	183,745
Retained Earnings	Before Distribution	1,492,308	1,513,202	1,355,014	1,390,039	757,032
	After Distribution	1,275,354	1,185,634	1,056,230	951,035	468,568
Other Equity		(38,975)	(26,633)	(4,230)	(12,914)	13,779
Total Equity	Before Distribution	2,633,778	2,597,399	2,362,989	2,370,197	1,744,866
	After Distribution	2,416,824	2,269,831	2,064,205	1,931,193	1,456,402

Note 1: Each year's information already audited and certified by the Certified Public Accountant

Note 2: Profit distribution of 2020 cash dividend was passed by the Board of Directors.

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)				
	2020	2019	2018	2017	2016
Operating Revenue	3,084,802	3,407,144	3,629,164	2,530,366	2,459,756
Gross Profit	926,007	1,076,915	1,077,666	745,546	791,514
Operating Income	286,118	388,118	429,517	192,891	289,384
Non-Operating Income and Expenses	97,957	173,994	135,008	811,428	129,865
Income before Tax	384,075	562,112	564,525	1,004,319	419,249
Net Income from Continuing Operations	306,598	460,455	406,924	926,239	360,023
Net Income	306,598	460,455	406,924	926,239	360,023
Other Comprehensive Income(Loss), Net	(12,266)	(25,886)	5,739	(31,461)	(9,103)
Total comprehensive Income	294,332	434,569	412,663	894,778	350,920
EPS (NT\$)	3.73	5.76	5.12	11.71	4.56

Note: Each year's information already audited and certified by the Certified Public Accountant

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

Year	Accounting Firm	CPA Name	Opinion
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
2016	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)					As of (Note 2)
			2020	2019	2018	2017	2016	
Financial Structure (%)	Debt to Assets Ratio	34.86	36.91	42.92	37.14	46.69		
	Long-term Funds to Property, Plant and Equipment ratio	257.20	268.66	211.56	189.49	497.76		
Solvency (%)	Current Ratio	227.38	268.64	163.60	182.26	286.12		
	Quick Ratio	149.50	166.37	105.24	121.71	201.83		
	Interest Coverage Ratio	4,450.83	5,395.37	6,097.24	11,203.19	13,436.10		
Operating Performance	Accounts Receivables Turnover (Times)	6.57	7.23	9.18	7.40	7.66		
	Average Collection Days	56	50	40	49	48		
	Inventory Turnover (Times)	3.46	3.30	4.10	3.54	3.42		
	Accounts Payables Turnover (Times)	8.39	5.88	5.96	5.11	5.43		
	Average Days on Sales	105	110	89	103	107		
	Property, Plant and Equipment Turnover (Times)	3.96	3.98	3.95	4.39	9.51		
	Total Asset Turnover (Times)	1.13	1.15	1.27	1.12	1.49		
Profitability	Return on Total Assets (%)	7.7	11.37	10.49	26.32	11.93		
	Return on Equity (%)	11.72	18.57	17.19	44.73	21.28		
	Income before Tax to Paid-in Capital (%) (Note 7)	48.54	68.96	75.95	128.90	62.45		
	Profit Ratio (%)	6.66	9.72	8.12	23.26	7.96		
	Earnings Per Share (NT\$)	3.73	5.76	5.12	11.71	4.56		
Cash Flow	Cash Flow Ratio (%)	49.22	11.28	40.62	24.73	49.92		
	Cash Flow Adequacy Ratio (%)	62.31	59.52	64.52	56.30	96.27		
	Cash Flow Reinvestment Ratio (%)	6.45	(5.48)	7.41	0.66	4.54		
Leverage	Operating Leverage	3.52	3.00	2.70	4.05	3.15		
	Financial Leverage	1.02	1.02	1.02	1.03	1.01		

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

- The decrease in return on total assets (%), return on equity (%), income before tax to paid-in capital (%), profit ratio (%) and earnings per share (NT\$) was due to the disposal of investment real estate increased profits in 2019 but this transaction did not occur in 2020, resulting in a decrease in net profit before tax compared with 2019.
- The increase in cash flow ratio (%), cash flow adequacy ratio (%) and cash flow reinvestment ratio (%) was due to the increase in net cash flow from operating activities during the current period.

## (2) Parent company only financial analysis

Item (Note 3)		Year	Financial Summary for the Last Five (5) Years (Note 1)				
			2020	2019	2018	2017	2016
Financial Structure (%)	Debt to Assets Ratio	29.14	31.85	39.58	32.94	38.17	
	Long-term Funds to Property, Plant and Equipment ratio	279.25	294.26	232.89	204.93	1,038.99	
Solvency (%)	Current Ratio	177.46	238.79	135.10	156.25	281.15	
	Quick Ratio	127.07	175.42	98.06	121.16	226.64	
	Interest Coverage Ratio	6210.01	7545.19	7901.62	15,307.74	95,167.80	
Operating Performance	Accounts Receivables Turnover (Times)	6.92	6.24	7.71	6.56	5.42	
	Average Collection Days	52	58	47	56	67	
	Inventory Turnover (Times)	4.93	4.88	5.82	5.27	4.84	
	Accounts Payables Turnover (Times)	8.20	5.45	5.44	4.86	4.22	
	Average Days on Sales	74	74	62	69	75	
	Property, Plant and Equipment Turnover (Times)	2.98	3.21	3.19	3.57	11.06	
	Total Asset Turnover (Times)	0.82	0.88	0.97	0.80	0.93	
Profitability	Return on Total Assets (%)	8.28	12.08	11.09	29.31	13.58	
	Return on Equity (%)	11.72	18.57	17.19	45.02	20.94	
	Income before Tax to Paid-in Capital (%) (Note 7)	45.19	64.99	70.81	126.41	53.05	
	Profit Ratio (%)	9.94	13.51	11.21	36.60	14.64	
	Earnings Per Share (NT\$)	3.73	5.76	5.12	11.71	4.56	
Cash Flow	Cash Flow Ratio (%)	58.57	21.90	41.08	30.90	46.05	
	Cash Flow Adequacy Ratio (%)	57.61	55.96	63.76	57.22	96.71	
	Cash Flow Reinvestment Ratio (%)	5.93	(4.21)	5.29	1.55	(2.54)	
Leverage	Operating Leverage	3.24	2.67	2.45	3.72	2.65	
	Financial Leverage	1.02	1.02	1.02	1.04	1.00	

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

1. The decrease in current ratio and quick ratio was due to the decrease in current assets and the increase in current liabilities due to the reclassification of bonds payable to liabilities due within one year.
2. The increase in accounts payables turnover (times) was due to the decrease in accounts payable in the current period.
3. The decrease in return on total assets (%), return on equity (%), income before tax to paid-in capital (%), profit ratio (%) and earnings per share (NT\$) was due to the disposal of investment real estate increased profits in 2019 but this transaction did not occur in 2020, resulting in a decrease in net profit before tax compared with 2019.
4. The increase in cash flow ratio (%), cash flow adequacy ratio (%) and cash flow reinvestment ratio (%) was due to the increase in net cash flow from operating activities during the current period.
5. The increase in operating leverage was due to the decrease in operating income during the current period.

Note 1: Each year's information already audited and certified by the Certified Public Accountant

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

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 2021 Annual Meeting of Shareholders of  
Axiomtek Co., Ltd.

Consented by the Audit Committee, 2020 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 2020 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 2020 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, 2020 and 2019, and Independent Auditors' Report  
Please refer to ATTACHMENT 1 for the Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report.
  
5. Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report  
Please refer to ATTACHMENT 2 for the Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019, 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 Condition, Operating Performance and Risk Management

### 1. Analysis of Financial Condition

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

Unit: NT\$ Thousand

Item \ Year	2020	2019	Difference	
			Amount	%
Current Assets	2,501,447	2,551,918	(50,471)	(1.98)
Investments Accounted for Under Equity Method	25,945	27,570	(1,625)	(5.89)
Property, Plant and Equipment	1,144,409	1,178,845	(34,436)	(2.92)
Investment Property	85,193	86,241	(1,048)	(1.22)
Intangible Assets	113,714	125,710	(11,996)	(9.54)
Other Assets	172,809	146,768	26,041	17.74
Total Assets	4,043,517	4,117,052	(73,535)	(1.79)
Current Liabilities	1,100,141	949,930	150,211	15.81
Non-Current Liabilities	309,598	569,723	(260,125)	(45.66)
Total Liabilities	1,409,739	1,519,653	(109,914)	(7.23)
Share Capital	849,850	864,911	(15,061)	(1.74)
Capital Surplus	330,595	245,919	84,676	34.43
Retained Earnings	1,492,308	1,513,202	(20,894)	(1.38)
Other Equities	(38,975)	(26,633)	(12,342)	46.34
Total Equity	2,633,778	2,597,399	36,379	1.40

Analysis of changes in financial ratios over 20%:

1. Non-current liabilities: Mainly due to the reclassification of bonds payable to liabilities due within one year.
2. Capital surplus: Mainly due to the increase in the conversion premium of convertible bonds in the current period.
3. 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 Operation Performance

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

Unit: NT\$ Thousand

Item \ Year	2020	2019	Increase (Decrease)	Difference (%)
Operating Revenue	4,602,779	4,738,911	(136,132)	(2.87)
Operating Cost	3,052,024	3,045,427	6,597	0.22
Gross Profit	1,550,755	1,693,484	(142,729)	(8.43)
Operating Expenses	1,146,783	1,194,613	(47,830)	(4.00)
Operating Income	403,951	498,835	(94,884)	(19.02)
Non-Operating Income and Expenses	8,551	97,582	(89,031)	(91.24)
Income before Tax	412,502	596,417	(183,915)	(30.84)
Income Tax	105,904	135,962	(30,058)	(22.11)
Net Income	306,598	460,455	(153,857)	(33.41)
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 real estate in the same period last year and the increase in exchange losses during the period.				
2. Income before tax: Mainly due to the decrease in operating income and non-operating income during the current period.				
3. Income tax: Mainly due to the decrease in income before tax during the current period.				
4. Net income: Mainly due to the decrease in operating income and non-operating income during 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 2020:

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
\$882,732	\$541,496	\$(505,670)	\$(10,769)	\$907,789	-	-

Analysis of change in cash flow in the current year:

1. Cash inflow from operating activities of \$541,496,000: Mainly due to cash inflows from sales of goods and services.
2. Cash outflow from investing activities of \$43,305,000: Mainly due to the cash outflow from the acquisition of property, plant, and equipment prices.
3. Cash outflow from financing activities of \$462,365,000: Mainly due to cash outflows from cash dividends and repayment of 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 2020, the profits of the Company investment of equity method reach NT\$ 126 million with an increase of NT\$ 50 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	2020		
	Interest Income	Interest Expenses	Net Exchange Gains
Interest Income / (Interest Expenses) / Net Exchange Gains	5,853	(9,481)	(35,829)
Ratio of Operating Revenue (%)	0.13%	(0.21%)	(0.78%)

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 \$41,533,000 at the end of 2020, accounting for 1.03% of the total assets of \$4,043,517,000. 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 2021 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 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 2021 is approximately NT\$494,259,000. The expenditure plan is as follows:

Unit: NT\$ Thousand

Item	Project Content & Plan	Success Factors	R&D Expenses for 2021
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.</p> <p>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>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</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</p> <ol style="list-style-type: none"> <li>1. System requirements are getting smaller and smaller, flexible, and complex I/O expansion and working environment temperature requirements are critical.</li> <li>2. Early technical investment and modular design advantages.</li> <li>3. Relevant technologies and market applications in the application field.</li> </ol> <p>Smart application computers</p> <ol style="list-style-type: none"> <li>1. The system design and support for PoE in a fanless, fully waterproof and high temperature environment is a key technology.</li> <li>2. The industry information and technical requirements required by IIoT to strengthen the technology and market interaction with the application customers.</li> <li>3. Development resource for management software required by IIoT gateway.</li> <li>4. Modular design.</li> </ol>	275,157

Item	Project Content & Plan	Success Factors	R&D Expenses for 2021
	<p>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>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>	118,628
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 processing products are expected to be mass-produced on the client side in 2021.</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>	84,552
Strategic Procurement Products	<ol style="list-style-type: none"> <li>1. Embedded Boards &amp; system modules.</li> <li>2. Development of IoT cloud services, remote control modules and related supporting</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</p>	15,922

Item	Project Content & Plan	Success Factors	R&D Expenses for 2021
	<p>facilities.</p> <p>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.</p>	<p>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>	

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, artificial intelligence and 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:

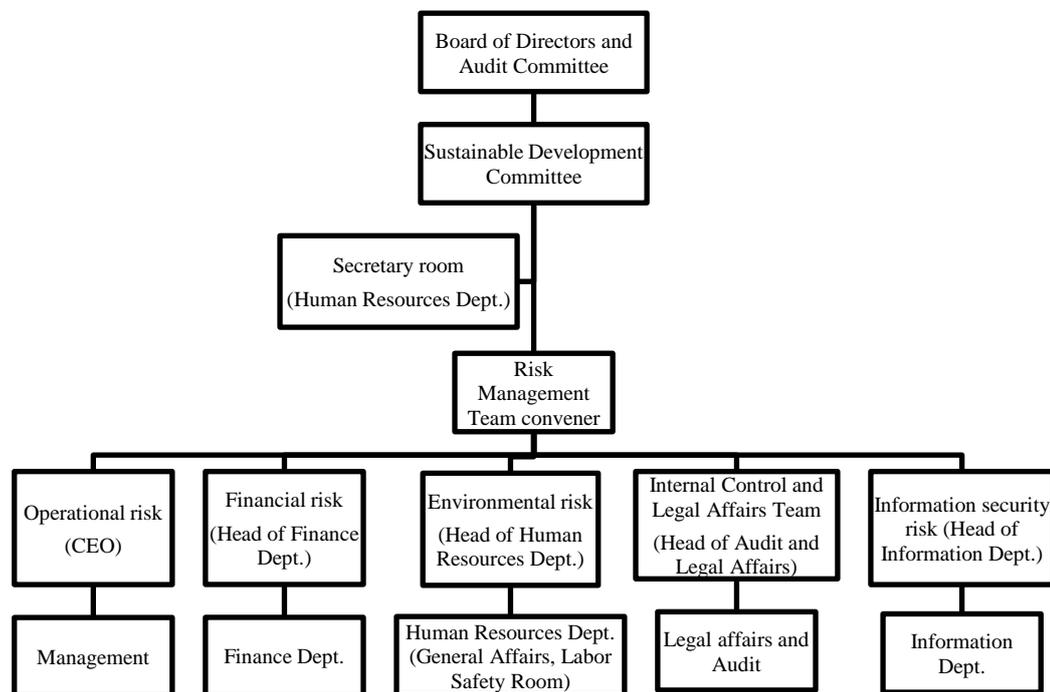
As of the date of publication of the annual report, the Group has no other major litigation, non-litigation or administrative disputes that have been determined or are still in the system, and the results of which may have a significant impact on shareholders' equity or securities prices.

(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.

Name	Responsibility
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

Risk Category	Important Risk Items	Risk Management Authority	Risk Assessment Mechanism	Decision & Monitoring
Operational Risk	Industrial development, technological changes, changes in market demand, market competition, changes in laws and regulations, production capacity, sales, procurement, talent recruitment, intellectual property, litigation or non-litigation events, changes in corporate image, benefits of mergers and acquisitions	CEO Office Sales and Marketing Division Supply Chain & Operations Management Center Legal Office Management Team All Business Units	Risk Management Team of the Sustainability Development Committee	Audit Office Audit Committee Board of Directors

Risk Category	Important Risk Items	Risk Management Authority	Risk Assessment Mechanism	Decision & Monitoring
Financial Risk	Interest rates, exchange rates, inflation 、 deflation, financing, loaning of funds, endorsement guarantee, investments, derivatives transactions, asset impairment	Finance Division		
Environmental Risk	Risks of disaster prevention, work safety, environmental pollution prevention, climate change and failure to comply with environmental protection, climate and other international regulations and agreements	CEO Office COO Office Labor Safety Office		
Information Security Risk	Information security	Information Department		
Other Risks	Changes of management rights, equity changes of Directors and major shareholders, and other risks that may cause losses to the Company	Finance Division Chief Corporate Governance		

C. Operating situation:

The operation of the 2020 risk management policy had been reported to the Company's Board of Directors on October 29, 2020, 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 discuss and formulate "risk management policies" at the meeting. 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.

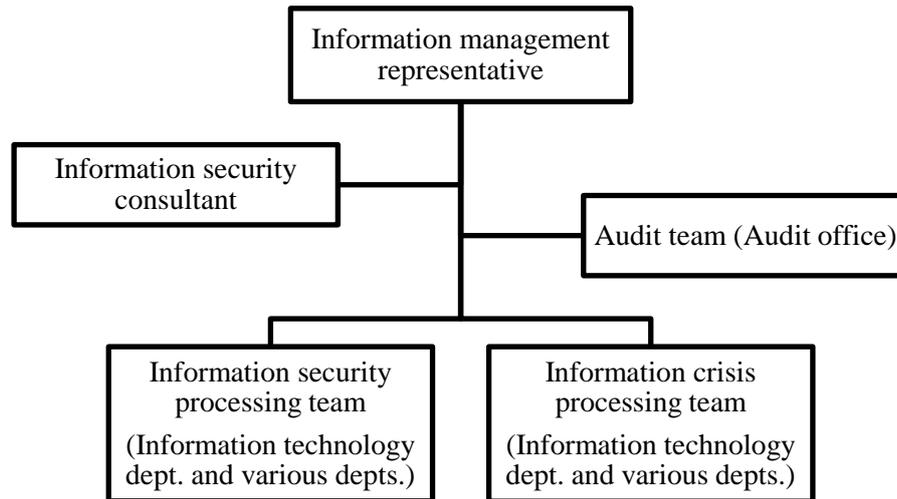
D. Information security risk management:

(A) Information security organization structure:

- a. The Company's information security authority is the Information Technology

Dept. with information supervisor and several professional information personnel. It is responsible for formulating, planning, and implementing information security policies, and regularly reporting to the Board of Directors on the Company's information security governance.

- b. The Company's audit office is a supervisory unit for information security. It has an audit supervisor and an auditor who is responsible for supervising the implementation of security. If any deficiencies are found, the unit under investigation is required to propose relevant improvement plans and specific actions, and regularly track the improvement results to reduce security risks.



(B) Information security risk:

Information security risk is divided into information records and computer systems for evaluation and analysis. Information record includes database, data files, system planning and design documents, usage and operation manuals, business processes, contracts, educational training materials, system documents, internal control management methods, and other related rules and regulations. Computer system includes computer operations, application systems, development tools, packaged software, utilities, and more. The relevant units of the Company evaluated the security risks based on past internal security incidents and global security cases. The main risks were improper use and outflow of information, operators were unfamiliar with computer systems, erroneously using virus-infected devices. In response to the need for information risk management, the Company's Head of IT implemented relevant internal and operational methods. Non-financial information management is controlled through the access authority settings and approval authority. Increase the employees' awareness of the risks related to using the Company's network for personal email or downloading emails or software not related to the business to avoid using the Company's network resources, increasing the probability of virus infection; and prevent security breach caused by personnel negligence. In terms of information systems and equipment, the Company has installed firewalls and anti-virus software for regular checks and cleanup. The anti-viral software must be updated regularly to prevent hackers or computer viruses.

(C) Information security policy

- a. Continuously improve with P.D.C.A cycle process management, maintain the confidentiality, integrity, and availability of the Company's important information systems, and promote the implementation of the Company's information security management system, effective operation, supervision and management.
  - (a) Plan-predictive management: prevent intrusion attacks, prevent accidents (backups), and formulate information security policies.
  - (b) Do-contingency management: loss control, disaster recovery (recovery), change internal operating procedures.
  - (c) Check-improve tracking: check the truth and prevent secondary disasters.
  - (d) Action-promote implementation: information security policy implementation and information security education and training for colleagues.
- b. Reduce the risks of information security management and operation and the frequency of computer virus damage interrupting service, strengthen corporate colleagues' awareness of information security to reduce security incidents, strengthen the organization's internal and external risk management, improve customer satisfaction with the Company's quality and achieve the goal of continuous business operation. For risk management, it is divided into three aspects corresponding to and preventing the occurrence of risk events. Preventing security incidents (in advance): preventing intrusion, anti-virus, anti-accident (backup) and anti-leakage. Handle security incidents (in progress): prevent disasters from expanding, stop losses, and recover (restore) in the shortest time. Investigating security incidents (after the event): review, check, introspection, continuous improvement (P.D.C.A.), risk control, and prevent recurrence.

(D) Specific management plan in 2020

In view of the fact that information security insurance is a new type of insurance, considering the comprehensive effects of insurance coverage, claim coverage, claim assessment, and qualification of forensic institutions, the Company will temporarily not insure information security insurance after evaluation. However, in response to 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
  - (a) The server host is replaced, the hardware is fully updated to Dell R740 server, and the operating system is fully upgraded to Windows Server.
  - (b) Increase the external network bandwidth, update the high-speed bandwidth manager, and solve the situation of insufficient external bandwidth.
  - (c) Upgrade the dedicated line to improve the quality of the Company's dedicated line.
  - (d) Establish a remote backup line and mechanism: Back up the factory data

to a third place.

(e) RD Lab test equipment environment is isolated.

(f) 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)

This year's assessment is to introduce 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.). In 2020, whether it is server upgrades, endpoint protection, network external bandwidth, backup mechanisms, etc., all have been strengthened. In 2021, we will continue to improve and enhance information security with the goal of importing ISO27001.

(E) 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, 2020.

7. Other Major Risks:

None.

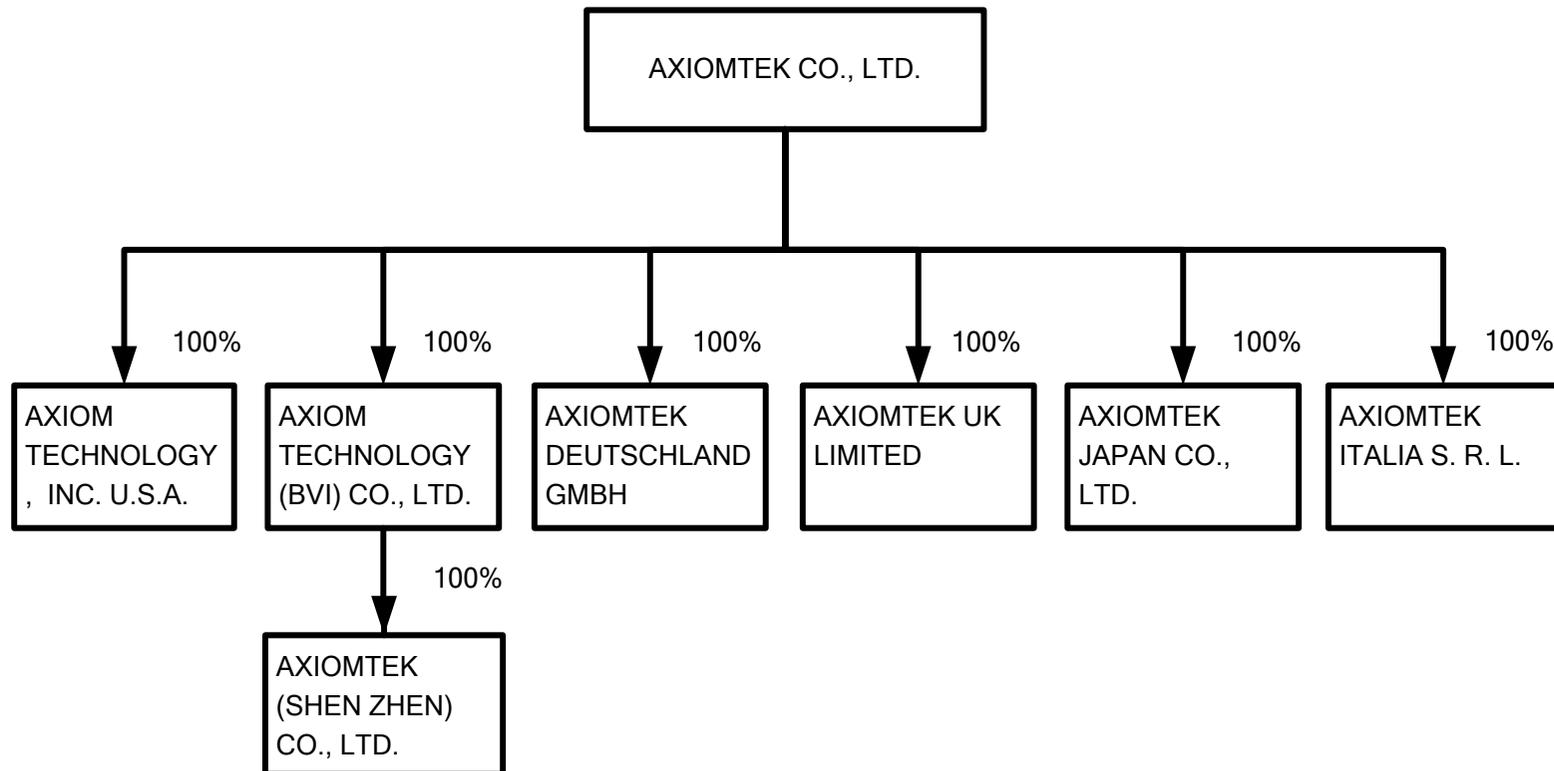
## VIII. Special Notes

### 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 affiliate is a foreign company, please list the one of equivalent job rank.

Note 2: limited company

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	1,019,272	457,982	561,290	2,399,856	99,670	110,665	4,725.66
AXIOMTEKDEUTSCHL AND GMBH	19,941	357,932	118,670	239,262	517,498	6,583	4,470	(Note)
AXIOM TECHNOLOGY (BVI) CO., LTD.	156,650	105,502	-	105,502	-	(55)	16,284	3,256.90
AXIOMTEK (SHEN ZHEN) CO., LTD.	130,487	186,924	81,896	105,028	323,133	14,852	16,365	(Note)
AXIOMTEK UK LIMITED	8,615	3,101	709	2,392	5,535	(1,444)	(1,274)	(7.08)
AXIOMTEK JAPAN CO., LTD.	8,235	8,869	376	8,493	2,590	1,187	655	1,091.78
AXIOMTEK ITALIA S. R. L.	2,760	45,755	23,301	22,454	61,998	(2,109)	(1,796)	(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 2020 (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.

## **2020 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, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 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(22) 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, 2020, the Group's inventories and allowance for inventory valuation losses amounted to NT\$869,741 thousand and NT\$50,900 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\$357,925 thousand and NT\$258,775 thousand, constituting 8.85% and 6.29% of consolidated total assets as of December 31, 2020 and 2019, respectively, and operating revenue of NT\$517,111 and NT\$591,102 thousand, constituting 11.23% and 12.47% of consolidated total operating revenue for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

#### **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, 2021

AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$907,789	23	\$882,732	22
1150	Notes receivable	6(2) and 12(2)	18,824	1	16,679	-
1170	Accounts receivable	6(2) and 12(2)	702,733	17	662,185	16
1180	Accounts receivable – related parties	6(2) and 12(2)	-	-	52	-
1200	Other receivables		11,360	-	15,127	-
1220	Current income tax assets		1,381	-	827	-
130X	Inventories	6(3)	818,841	20	946,661	23
1410	Prepayments		37,904	1	24,839	1
1470	Other current assets		2,615	-	2,816	-
11XX	<b>Total current assets</b>		<b>2,501,447</b>	<b>62</b>	<b>2,551,918</b>	<b>62</b>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(4)	25,945	1	27,570	1
1600	Property, plant and equipment	6(5) and 8	1,144,409	28	1,178,845	29
1755	Right-of-use assets	6(6)	98,458	2	78,424	2
1760	Investment property	6(8)	85,193	2	86,241	2
1780	Intangible assets	6(9) and (10)	113,714	3	125,710	3
1840	Deferred income tax assets	6(29)	65,210	2	59,597	1
1990	Other non-current assets		9,141	-	8,747	-
15XX	<b>Total non-current assets</b>		<b>1,542,070</b>	<b>38</b>	<b>1,565,134</b>	<b>38</b>
1XXX	<b>Total Assets</b>		<b>\$4,043,517</b>	<b>100</b>	<b>\$4,117,052</b>	<b>100</b>

(Continued)

AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11)	\$-	-	\$102,000	2
2130	Contract liabilities - current	6(22)	37,249	1	23,601	1
2150	Notes payables		997	-	675	-
2170	Accounts payable		318,697	8	397,432	10
2180	Accounts payable – related parties	7	4,640	-	5,075	-
2200	Other payables	6(12)	325,696	8	313,651	8
2230	Current income tax liabilities		81,882	2	54,355	1
2250	Provisions for liabilities - current		939	-	896	-
2280	Current lease liabilities		31,834	1	37,237	1
2320	Current portion of long-term borrowings	6(14) (15)	278,732	7	2,998	-
2399	Other current liabilities		19,475	-	12,010	-
21XX	<b>Total current liabilities</b>		<u>1,100,141</u>	<u>27</u>	<u>949,930</u>	<u>23</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(14)	-	-	319,618	8
2540	Long-term borrowings	6(15) and 8	38,685	1	43,721	1
2560	Non-current income tax liabilities		15,423	1	-	-
2570	Deferred income tax liabilities	6(29)	131,848	3	109,166	3
2580	Non-current lease liabilities		68,468	2	42,001	1
2600	Other non-current liabilities		55,174	1	55,217	1
25XX	<b>Total non-current liabilities</b>		<u>309,598</u>	<u>8</u>	<u>569,723</u>	<u>14</u>
2XXX	<b>Total liabilities</b>		<u>1,409,739</u>	<u>35</u>	<u>1,519,653</u>	<u>37</u>
<b>Equity attributable to shareholders of the parent</b>						
<b>Share capital</b>						
3110	Ordinary shares	6(18)	825,953	20	803,954	20
3140	Advance receipts for share capital	6(18)	23,897	1	60,957	1
<b>Capital surplus</b>						
3200	Capital surplus	6(19)	330,595	8	245,919	6
<b>Retained earnings</b>						
3310	Legal reserve	6(20)	546,178	13	500,481	12
3320	Special reserve		26,633	1	4,231	-
3350	Unappropriated retained earnings		919,497	23	1,008,490	25
<b>Other equity</b>						
3400	Other equity	6(21)	(38,975)	(1)	(26,633)	(1)
31XX	<b>Total equity attributable to shareholders of the parent</b>		<u>2,633,778</u>	<u>65</u>	<u>2,597,399</u>	<u>63</u>
3XXX	<b>Total equity</b>		<u>2,633,778</u>	<u>65</u>	<u>2,597,399</u>	<u>63</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>						
3X2X	<b>Total Liabilities and Equity</b>	11	<u>\$4,043,517</u>	<u>100</u>	<u>\$4,117,052</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			
		2020		2019	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(22)	\$4,602,779	100	\$4,738,911	100
5000 <b>Operating costs</b>	6(3)(27)(28) and 7	(3,052,024)	(66)	(3,045,427)	(64)
5900 <b>Gross profit</b>		1,550,755	34	1,693,484	36
5910 Unrealized gain from sale	6(4)	(57)	-	(36)	-
5920 Realized gain from sale		36	-	-	-
5950 <b>Net operating margin</b>		1,550,734	34	1,693,448	36
<b>Operating expenses</b>	6(27) (28)				
6100 Selling expenses		(594,948)	(13)	(623,480)	(13)
6200 General and administrative expenses		(126,519)	(3)	(115,174)	(2)
6300 Research and development expenses		(422,620)	(9)	(453,968)	(10)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(2,696)	-	(1,991)	-
6000 <b>Total operating expenses</b>		(1,146,783)	(25)	(1,194,613)	(25)
6900 <b>Operating profit</b>		403,951	9	498,835	11
<b>Non-operating income and expenses</b>					
7100 Interest income	6(23)	5,853	-	10,657	-
7010 Other income	6(24)	60,462	1	15,342	-
7020 Other gains and losses	6(25)	(46,679)	(1)	84,273	2
7050 Finance costs	6(26)	(9,481)	-	(11,263)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(4)	(1,604)	-	(1,427)	-
<b>Total non-operating income and expenses</b>		8,551	-	97,582	2
7000 <b>Profit before income tax</b>	6(29)	412,502	9	596,417	13
7900 Income tax expenses		(105,904)	(3)	(135,962)	(3)
7950 <b>Net Income</b>		\$306,598	6	\$460,455	10
8200 <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(16)	\$95	-	(\$4,354)	-
8349 Income tax relating to components of other comprehensive income	6(29)	(19)	-	871	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		(15,427)	-	(28,003)	(1)
8399 Income tax relating to the components of other comprehensive income	6(29)	3,085	-	5,600	-
8300 <b>Other comprehensive income (loss) for the year</b>		(\$12,266)	-	(\$25,886)	(1)
8500 <b>Total Comprehensive Income</b>		\$294,332	6	\$434,569	9
<b>Profit attributable to:</b>					
8610 Shareholders of the parent		\$306,598	6	\$460,455	10
<b>Total comprehensive income (loss) attributable to:</b>					
8710 Shareholders of the parent		\$294,332	6	\$434,569	9
9750 <b>Basic earnings per share</b>	6(30)	\$ 3.73		\$ 5.76	
9850 <b>Diluted earnings per share</b>	6(30)	\$ 3.43		\$ 5.18	

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			Other Equity Interest		
	Notes	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total
<b>Year 2019</b>									
Balance at January 1, 2019		\$796,206	\$1,039	\$214,960	\$459,789	\$12,914	\$882,311	\$(4,230)	\$2,362,989
Profit for the year		-	-	-	-	-	460,455	-	460,455
Other comprehensive income (loss) for the year		-	-	-	-	-	(3,483)	(22,403)	(25,886)
Total comprehensive income		-	-	-	-	-	456,972	(22,403)	434,569
Appropriations of 2018 earnings	6(21)								
Legal reserve		-	-	-	40,692	-	(40,692)	-	-
Special reserve		-	-	-	-	(8,683)	8,683	-	-
Cash dividends		-	-	-	-	-	(298,784)	-	(298,784)
Share-based payments		1,760	(128)	1,990	-	-	-	-	3,622
Compensation cost of share-based payments	6(18)	-	-	10,345	-	-	-	-	10,345
Conversion of convertible bonds		5,988	60,046	18,624	-	-	-	-	84,658
Balance at December 31, 2019		\$803,954	\$60,957	\$245,919	\$500,481	\$4,231	\$1,008,490	\$(26,633)	\$2,597,399
<b>Year 2020</b>									
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	6(22)	-	-	-	-	-	76	(12,342)	(12,266)
Total comprehensive income		-	-	-	-	-	306,674	(12,342)	294,332
Appropriations of 2019 earnings									
Legal reserve	6(21)	-	-	-	45,697	-	(45,697)	-	-
Special reserve		-	-	-	-	22,402	(22,402)	-	-
Cash dividends	6(21)	-	-	-	-	-	(327,568)	-	(327,568)
Share-based payments		3,850	1,552	7,605	-	-	-	-	13,007
Compensation cost of share-based payments	6(18)	-	-	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)	\$2,597,399

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	
		2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$412,502	\$596,417
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	2,696	1,991
Depreciation	6(5)(6)(27)	104,224	93,764
Depreciation from investment Property	6(8) (25)	1,048	2,528
Amortization	6(9) (27)	13,339	13,919
Interest income	6(23)	(5,853)	(10,657)
Share of profit of associates and joint ventures accounted for under equity method	6(4)	1,604	1,427
Loss (gain) on disposal of property, plant and equipment	6(25)	(143)	(34)
Gain on disposal of investments	6(25)	(204)	(305)
Gain on disposal of subsidiaries	6(25)	-	(100,677)
Gain on lease modification		(17)	(35)
Net gain on financial liability at fair value through profit	6(25)	-	(2,763)
Interest expense	6(26)	9,481	11,263
Compensation cost of share-based payments	6(17) (28)	7,814	10,345
Impairment loss on goodwill	6(9)(10)(28)	9,596	-
Unrealized profit from sales		21	36
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		204	305
Notes receivable		(2,145)	4,417
Accounts receivable (including related parties)		(42,968)	(31,684)
Other receivables		2,620	5,980
Inventories		127,882	(37,283)
Prepayments		(13,065)	5,630
Other current assets		201	(616)
Changes in liabilities relating to operating activities			
Contract liabilities		13,648	(10,921)
Notes payables		322	-
Accounts payable (including related parties)		(79,170)	(234,628)
Other payables		11,487	(15,890)
Other current liabilities		7,465	2,995
Other non-current assets		(108)	(691)
Cash inflow generated from operations		582,481	304,833
Receipt of interest		6,999	10,436
Payment of interest		(4,436)	(4,744)
Payment of income tax		(43,548)	(203,415)
Net cash flows provided by operating activities		541,496	107,110

(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	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net cash flow from acquisition of subsidiaries	6(31)	\$-	\$(37,485)
Acquisition of property, plant and equipment	6(32)	(33,356)	(40,767)
Proceeds from disposal of property, plant and equipment		174	48
Proceeds from disposal of Investment property		-	151,728
Acquisition of intangible assets	6(9)	(10,301)	(3,757)
Increase in other non-current assets		178	(1,213)
Net cash flows provided by (used in) investing activities		(43,305)	68,554
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Redemption of short -term borrowings		(1,065,000)	(504,000)
Proceeds from short -term borrowings		963,000	553,000
Redemption of long-term borrowings		(2,953)	(3,086)
Payment of cash dividends	6(20)	(327,568)	(298,784)
Proceeds from exercise of employee stock options		13,007	3,622
Increase (decrease) in refundable deposits		160	(299)
Payment of lease liabilities		(43,011)	(36,221)
Net cash flows provided by (used in) financing activities		(462,365)	(285,768)
Effects due to changes in exchange rate		(10,769)	(26,164)
Increase (Decrease) in cash and cash equivalents		25,057	(136,268)
Cash and cash equivalents at beginning of year		882,732	1,019,000
Cash and cash equivalents at end of year		\$907,789	\$882,732

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, 2020 AND 2019

(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 26 2020.

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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020(Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

Except for the following, the above standards and interpretations have no significant impact to 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 2021 as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by</u>
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	International Accounting Standards Board
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

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) IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, “Reference to the conceptual framework”	January 1, 2022
Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or non-current”	January 1, 2023
Amendments to IAS 8, “Accounting policies, changes in accounting estimates and error”	January 1, 2023
Amendments to IAS 16, “Property, plant and equipment:proceeds before intended use”	January 1, 2022
Amendments to IAS 37, “Onerous contracts—cost of fulfilling a contract”	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no 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) Statement of compliance

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, 2020	December 31, 2019
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%(Note 1)
"	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%

Note 1:The Group purchased 100% equity of AXIT with cash of \$ 56,068 in the 2019, and obtained control of AXIT. The acquisition date was January 4, 2019.

- 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 recognized 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 recognized 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 fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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; and
  - (B) Any initial direct costs incurred by the lessee.

(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 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 amortised 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 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 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 loss.

(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 contributions are recognized as pension expenses when they are due on an accrual basis.

(B) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees 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 government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- 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.
- iii. 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 Company's shareholders. Cash dividends are recorded as liabilities; 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, 2020, the carrying amount of inventories was \$818,841.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$721	\$680
Checking accounts and demand deposits	391,394	458,333
Time deposits	31,514	393,739
Cash equivalents - Bonds with repurchase agreement	484,160	29,980
	<u>\$907,789</u>	<u>\$882,732</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, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$18,824	\$16,679

Less: Loss allowance	-	-
	<u>\$18,824</u>	<u>\$16,679</u>
Accounts receivable (including related parties)	\$712,028	\$669,339
Less: Loss allowance	<u>(9,295)</u>	<u>(7,102)</u>
	<u>\$702,733</u>	<u>\$662,237</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, 2020 and 2019, notes and accounts receivable were all from contracts with customers. And as of January 1, 2019, 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

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

	December 31, 2019		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	\$208,952	(\$20,180)	\$188,772
Work in progress	119,623	(1,728)	117,895
Semi-finished goods	27,946	(3,949)	23,997
Finished goods	121,558	(13,233)	108,325
Merchandise inventory	416,076	(8,941)	407,135
Inventories in transit	100,537	-	100,537
Total	<u>\$994,692</u>	<u>(\$48,031)</u>	<u>\$946,661</u>

Relevant expenses of inventories recognized as operating costs for the years ended December 31, 2020 and 2019 are as follows:

	Years ended December 31,	
	2020	2019
Cost of revenue	\$3,032,972	\$3,022,995
Loss on market value decline and obsolete and slow-moving inventories	19,052	22,432
Total	\$3,052,024	\$3,045,427

The Group has no inventories pledged to others.

(4) Investments accounted for using equity method

	December 31, 2020	December 31, 2019
Uni-Innovate Technology Co., Ltd. (UNI)	\$25,945	\$27,570

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

	Years ended December 31,	
	2020	2019
UNI	(\$1,604)	(\$1,427)

B. For the years ended December 31, 2020 and 2019, the Group had unrealized profit from sales from downstream transactions with affiliates at \$57 and \$36, respectively.

(5) Property, plant and equipment

	Land	Buildings	Machinery	Testing equipment	Others	Total
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)
	\$608,881	\$421,466	\$33,500	\$14,832	\$100,166	\$1,178,845
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	\$605,216	\$411,133	\$21,678	\$14,580	\$91,802	\$1,144,409
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)
	\$605,216	\$411,133	\$21,678	\$14,580	\$91,802	\$1,144,409

	Land	Buildings	Machinery	Testing equipment	Others	Total
At January 1, 2019						
Cost	\$610,677	\$449,549	\$148,442	\$55,107	\$218,248	\$1,482,023
Accumulated depreciation	-	(18,325)	(104,577)	(40,397)	(116,509)	(279,808)
	<u>\$610,677</u>	<u>\$431,224</u>	<u>\$43,865</u>	<u>\$14,710</u>	<u>\$101,739</u>	<u>\$1,202,215</u>
2019						
Opening net book amount	\$610,677	\$431,224	\$43,865	\$14,710	\$101,739	\$1,202,215
Additions	-	-	4,682	2,434	29,025	36,141
Additions-consolidation	-	-	-	-	198	198
Disposals (Cost)	-	-	(1,883)	(922)	(4,516)	(7,321)
Disposals (Accumulated depreciation)	-	-	1,883	922	4,502	7,307
Reclassifications (Cost)	-	-	-	2,810	(2,810)	-
Depreciation	-	(9,155)	(15,000)	(5,121)	(27,407)	(56,683)
Net exchange differences	(1,796)	(603)	(47)	(1)	(565)	(3,012)
Closing net book amount	<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>
At December 31, 2019						
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>

- 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:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Buildings	\$96,200	\$75,850
Vehicles	2,258	2,574
	<u>\$98,458</u>	<u>\$78,424</u>

	Years ended December 31, 2020	Years ended December 31, 2019
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$42,593	\$35,860
Vehicles	1,449	1,221
	<u>\$44,042</u>	<u>\$37,081</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$64,745 and \$20,603.

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

Items affecting profit or loss	Years ended December 31, 2020	Years ended December 31, 2019
Interest expense on lease liabilities	\$2,191	\$1,890
Expense on short-term lease contracts	3,387	6,504

E. For the 2020 and 2019, the Group's total cash outflow for leases was \$48,589 and \$44,615.

(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, 2020 and 2019, the Group recognized rent income in the amounts of \$3,450 and \$3,553, 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:

	December 31, 2020	December 31, 2019
2020	\$-	\$3,616
2021	3,444	3,616
2022	1,827	1,919
	<u>\$5,271</u>	<u>\$9,151</u>

(8) Investment property

	Land	Buildings	Total
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>

	Land	Buildings	Total
At January 1, 2019			
Cost	\$112,222	\$55,007	\$167,229
Accumulated depreciation	-	(27,409)	(27,409)
	<u>\$112,222</u>	<u>\$27,598</u>	<u>\$139,820</u>
2019			
Opening net book amount	\$112,222	\$27,598	\$139,820
Disposals (Cost)	(43,949)	(14,749)	(58,698)
Disposals (Accumulated depreciation)	-	7,647	7,647
Depreciation	-	(2,528)	(2,528)
Closing net book amount	<u>\$68,273</u>	<u>\$17,968</u>	<u>\$86,241</u>
At December 31, 2019			
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>

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

	Years ended December 31,	
	2020	2019
Rental income from investment property	<u>\$3,450</u>	<u>\$3,553</u>
Direct operating expenses arising from investment property that generated rental income	<u>\$618</u>	<u>\$1,975</u>
Direct operating expenses arising from investment property that did not generate rental income	<u>\$896</u>	<u>\$1,169</u>

B. The fair value of the investment property held by the Group was \$218,640 and \$185,890 as of December 31, 2020 and 2019, 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>Others</u>	<u>Total</u>
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
Reclassifications	-	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 and impairment	(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>

	Trademark	Computer software	Goodwill	Others	Total
At January 1, 2019					
Cost	\$291	\$68,426	\$58,324	\$46,073	\$173,114
Accumulated Amortization	(291)	(51,429)	-	(18,429)	(70,149)
	\$-	\$16,997	\$58,324	\$27,644	\$102,965
2019					
Opening net book amount	\$-	\$16,997	\$58,324	\$27,644	\$102,965
Additions	-	3,757	-	-	3,757
Additions-consolidation	-	46	19,596	13,847	33,489
Amortization	-	(8,519)	-	(5,400)	(13,919)
Net exchange differences	-	(8)	-	(574)	(582)
Closing net book amount	\$-	\$12,273	\$77,920	\$35,517	\$125,710
At December 31, 2019					
Cost	\$291	\$68,006	\$77,920	\$58,817	\$205,034
Accumulated Amortization	(291)	(55,733)	-	(23,300)	(79,324)
	\$-	\$12,273	\$77,920	\$35,517	\$125,710

- A. 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, 2020	December 31, 2019
America	\$52,425	\$52,425
Europe	10,000	19,596
Taiwan	5,899	5,899
	\$68,324	\$77,920

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

	Years ended December 31,	
	2020	2019
Operating costs	\$21	\$3
Selling expenses	3,478	3,403
General and administrative expenses	7,224	8,166
Research and development expenses	2,616	2,347
	\$13,339	\$13,919

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

(10) Impairment on non-financial assets

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.

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

	America	
	December 31, 2020	December 31, 2019
Gross margin	19.41%	18.33%
Growth rate	10.00%	10%
Discount rate	4.64%	7.26%

	Europe	
	December 31, 2020	December 31, 2019
Gross margin	31.14%	28.9%
Growth rate	14.97%	25.83%
Discount rate	4.64%	7.26%

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.

(11) Short-term borrowings

December 31, 2020: None.

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$102,000</u>	0.97% ~ 0.98%	None

Interest expense recognized in profit or loss amounted to \$827 and \$511 for the years ended December 31, 2020 and 2019, respectively.

(12) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salaries and bonus payable	\$196,364	\$182,241
Accrued employees' compensation and directors' remuneration	52,915	62,292
Payable to equipment suppliers	5,063	4,449
Others	71,354	64,669
	<u>\$325,696</u>	<u>\$313,651</u>

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

<u>Item</u>	<u>December 31, 2020</u>	<u>December 31, 2019</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>
Non-Current items:		
Financial liabilities held for trading		
Non-hedging derivatives (conversion of corporate debt options)	\$-	\$4,328
Evaluation adjustment	-	(4,328)
Total	<u>\$-</u>	<u>\$-</u>

The Group recognized net loss of \$0 and \$2,763 for the years ended December 31, 2020 and 2019, respectively.

(14) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable	\$280,400	\$330,400
Less: Discount on bonds payable	(4,516)	(10,782)
Less: Long-term liabilities, current portion	(275,884)	-
	<u>\$-</u>	<u>\$319,618</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 31, 2020, the Company's debt denomination of \$139,600 has been converted to 2,904,000 shares of common stock, completed on January 4, 2021.
- (C) Since August 8, 2019 and July 8, 2020, the Company's cash dividend ex-dividend, the conversion price has been recalculated according to the provisions of this bond issuance and conversion, from \$52.0 to \$48.6 and \$48.6 to \$45.2.
- (D) As of December 31, 2020, the Company has not bought back the bonds from the securities counter trading center.

- 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%.

(15) Long-term borrowings

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

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2019
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	3.944%	Land, House and building	\$46,719
Less: Long-term liabilities, current portion				(2,998)
				<u>\$43,721</u>

(16) 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, 2020	December 31, 2019
Present value of defined benefit obligations	(\$99,438)	(\$97,051)
Fair value of plan assets	55,574	51,942
Net defined benefit liability	(\$43,864)	(\$45,109)

(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, 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 demographic assumptions	(132)	-	(132)
Change in financial assumptions	(6,087)	-	(6,087)
Experience adjustments	4,589	1,725	6,314
	(1,630)	1,725	95
Pension fund contribution	-	1,502	1,502
Balance at December 31	(\$99,438)	\$55,574	(\$43,864)
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	(\$89,973)	\$48,228	(\$41,745)
Interest (expense) income	(1,089)	584	(505)
	(91,062)	48,812	(42,250)
Remeasurements:			
Change in financial assumptions	(6,473)	-	(6,473)
Experience adjustments	484	1,635	2,119
	(5,989)	1,635	(4,354)
Pension fund contribution	-	1,495	1,495
Balance at December 31	(\$97,051)	\$51,942	(\$45,109)

(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, 2020 and 2019 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,	
	2020	2019
Discount rate	0.31%	0.78%
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, 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>
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$6,677)</u>	<u>\$7,275</u>	<u>\$7,076</u>	<u>(\$6,570)</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 2020 and 2019 are the same.

- (F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amounts to \$1,501.
- (G) As of December 31, 2020, 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	\$48,572
1 - 2 Years	5,996

3 - 4 Years	11,643
More than 5 years	11,454
	<u>\$77,665</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, 2020 and 2019 were \$27,503 and \$26,046, respectively.

(17) Share-based payment

- A. For the years ended December 31, 2020 and 2019, 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,			
	2020		2019	
	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)	515	\$20.70	688	\$22.10
Stock options waived in the current period	-	-	-	-
Options exercised	(270)	19.71	(173)	20.93
Options outstanding at end of the year	245	19.30	515	20.70
Options exercisable at end of the year	245	19.30	430	20.70

	Years ended December 31,			
	2020		2019	
	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)	1,520	\$49.30	1,600	\$52.70
Stock options waived in the current period	(48)	45.90	-	-
Options exercised	(160)	48.03	(80)	49.30
Options outstanding at end of the year	1,312	45.90	-	-
Options exercisable at end of the year	448	45.90	1,520	49.30

	Years ended December 31,			
	2020		2019	
	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)	-	\$-	-	\$-
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	50.80	-	\$-

- C. Average price of Stock options exercised in 2020 and 2019 were \$53.49 and \$56.02 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, 2020		December 31, 2019	
		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	515	20.70
April 12, 2018	April 11, 2023	1,312	45.90	1,520	49.30
October 29, 2020	October 28, 2026	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
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- F. Expenses incurred on share-based payment transactions Relevant information is as follows:

Years ended December 31,		
2020	2019	
Equity Settled	\$7,814	\$10,345

- G. 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.
- H. As of ex-dividend date July 23, 2019 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 \$22.1 and \$52.7 to \$20.7 and \$49.3.

(18) Share capital

- A. As of December 31, 2020, the Company's authorized capital was \$1,600,000, consisting of 160,000 thousand ordinary shares, and the paid-in capital was \$825,953. with a par value of \$10 (in dollars) per share, consisting of 82,595 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,	
	2020 (in thousands)	2019 (in thousands)
At January 1	81,647	79,667
Exercise of employee stock options	430	173
Conversion of convertible bonds	1,063	1,807
At December 31	83,140	81,647

	December 31, 2020		December 31, 2019	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Exercise of employee stock options (Advance receipts for share capital)	89	\$2,463	44	\$911
Conversion of convertible bonds (Advance receipts for share capital)	456	21,434	1,208	60,046

Information about the Conversion of convertible bonds and Exercise of employee stock options is provided in Note 6(14). And 6(17)

(19) 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, 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	-	-	-	-	-	-	-	-
	Year ended December 31, 2019							
	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	\$126,146	\$1,465	\$1,026	\$176	\$2	\$61,889	\$24,256	\$214,960
Exercise of employee stock options	1,990	-	-	-	-	-	-	1,990
Compensation cost of employee stock options	-	-	-	-	-	10,345	-	10,345
Conversion of convertible bonds	-	23,717	-	-	-	-	(5,093)	18,624
At December 31	\$128,136	\$25,182	\$1,026	\$176	\$2	\$72,234	\$19,163	\$245,919

(20) 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 2019 and 2018 earnings appropriation resolved by the shareholders on May 29, 2020 and May 29, 2019, respectively are as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$45,697		\$40,692	
Special reserve	22,403		-	
Cash dividends	326,925	\$4	298,784	\$3.75
Total	<u>\$395,025</u>		<u>\$339,476</u>	

Details of 2020 earnings appropriation proposed by the Board of Directors on February 26, 2020 are as follows:

	Year ended December 31, 2020	
	Amount	Dividends per share (in dollars)
Legal reserve	\$30,667	
Special reserve	12,342	
Cash dividends	216,954	\$2.6
Total	<u>\$259,963</u>	

(21) Other equity interest

	Year ended December 31,	
	2020	2019
Financial statements translation differences of foreign operations		
At January 1	(\$26,633)	(\$4,230)
Increase (decrease) in current period	(12,342)	(22,403)
At December 31	<u>(\$38,975)</u>	<u>(\$26,633)</u>

(22) 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, 2020					Total
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	
Originating from transfer at a point in time:						
Design-in Services	\$1,413,749	\$1,313,050	\$364,912	\$31,119	(\$1,184,008)	\$1,938,822
Intelligent Platforms & Solutions Products Division	1,486,034	583,532	94,003	278,026	(542,359)	1,899,236

Others	154,331	499,968	120,053	16,122	(43,016)	747,458
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>

	Years ended December 31, 2019					
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Originating from transfer at a point in time:						
Design-in Services	\$2,037,271	\$1,762,742	\$426,650	\$58,180	(\$1,506,252)	\$2,778,591
Intelligent Platforms & Solutions Products Division	1,135,979	524,407	158,510	151,962	(414,448)	1,556,410
Others	201,192	140,783	69,631	97,573	(123,587)	385,592
Net sales revenue	3,374,442	2,427,932	654,791	307,715	(2,044,287)	4,720,593
Originating from the transfer of labor services over time:						
Other Operating revenue	32,701	2,781	5,438	208	(22,810)	18,318
Total	<u>\$3,407,143</u>	<u>\$2,430,713</u>	<u>\$660,229</u>	<u>\$307,923</u>	<u>(\$2,067,097)</u>	<u>\$4,738,911</u>

#### B. Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities			
Contract liabilities-Advance payments	<u>\$37,249</u>	<u>\$23,602</u>	<u>\$34,523</u>

The revenue recognized from the beginning balance of contract liability:

	Year ended December 31,	
	2020	2019
The revenue recognized from the beginning balance of contract liability.	<u>\$21,543</u>	<u>\$24,443</u>

#### (23) Interest income

	Year ended December 31,	
	2020	2019
Interest on Bank deposit:	\$3,065	10,520
Other interest income	2,788	137
Total	<u>\$5,853</u>	<u>\$25,999</u>

#### (24) Other income

	Year ended December 31,	
	2020	2019
Government grants revenue	\$41,713	\$-
Rental revenue	3,450	3,553
Other income	15,299	11,789

Total	<u>\$60,462</u>	<u>\$25,999</u>
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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 recognized the amount \$41,713 as other income.

(25) Other gains and losses

	Year ended December 31,	
	2020	2019
Loss (gain) on disposal of investment property	\$-	\$100,677
Foreign exchange gains (losses)	(35,829)	(15,504)
Loss (gain) on disposal of investments	204	305
Net gain on financial liabilities at fair value through profit or loss	143	34
Gain on lease modification	17	35
Net loss on financial assets at fair value through profit	-	2,763
Gain (loss) on disposal of property, plant and equipment	(1,048)	(2,528)
Impairment loss	(9,596)	-
Depreciation expense from investment property	(570)	(1,509)
Total	<u>(\$46,679)</u>	<u>\$100,677</u>

(26) Finance costs

	Year ended December 31,	
	2020	2019
Interest expense		
Bank borrowings	\$2,225	\$2,844
Corporate bond discount	5,059	6,522
Lease liabilities	2,191	1,890
Other	6	7
Total	<u>\$9,481</u>	<u>\$11,263</u>

(27) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$1,006,579	\$999,067
Depreciation- property, plant and equipment	60,182	56,683
Depreciation-right of use assets	44,042	37,081
Amortization	13,339	13,919
Total	<u>\$1,124,142</u>	<u>\$1,106,750</u>

(28) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$870,692	\$858,108
Labor and health insurance fees	77,433	78,950
Pension costs	27,855	26,551
Compensation cost of employee stock options	7,814	10,345
Other employee benefit expense	22,785	25,113
Total	<u>\$1,006,579</u>	<u>\$999,067</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, 2020 and 2019, employees' compensation was accrued at \$48,010 and \$56,323, respectively; while directors' remuneration was accrued at \$4,365 and \$5,302, respectively. The aforementioned amounts were recognized in salary expenses.

In 2020, 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 11% and 1% respectively.

Employees' compensation and directors' remuneration for 2019 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2019 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.

(29) Income tax

A. Income tax expense

(A) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax		
Current tax on profits for the year	\$87,826	\$120,085
Tax on undistributed earnings	3,065	3,614
Adjustments in respect of prior years	(5,122)	(595)
Total current tax	<u>\$85,769</u>	<u>\$123,104</u>
Deferred tax		
Origination and reversal of temporary differences	20,135	12,858
Total deferred tax	<u>20,135</u>	<u>12,858</u>
Income tax expense	<u>\$105,904</u>	<u>\$135,962</u>

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

	Years ended December 31,	
	2020	2019
Remeasurements of defined benefit obligations	(\$19)	\$871
Currency translation differences of foreign operations	3,085	5,600
Total	<u>\$3,066</u>	<u>\$6,471</u>

(C) Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$118,857	\$145,112
Effect of items disallowed by tax regulation	(10,896)	(12,169)
Effect from changes in tax regulation	(5,122)	(595)
Adjustments in respect of prior years	3,065	3,614
Tax on undistributed earnings	\$105,904	\$135,962
Income tax expense	<u>\$118,857</u>	<u>\$145,112</u>

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

	Year ended December 31, 2020			December 31
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	
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
Unrealized Depreciation and interest expense	-	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><u>(\$49,569)</u></u>	<u><u>(\$20,135)</u></u>	<u><u>\$3,066</u></u>	<u><u>(\$66,638)</u></u>

	Year ended December 31, 2019			December 31
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	
Temporary differences				
Deferred tax assets:				
Loss allowance	\$1,359	(\$32)	\$-	\$1,327
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	7,783	1,243	-	9,026
Unrealized gross margin	14,601	2,659	-	17,260
Unrealized exchange loss	313	2,945	-	3,258
Unrealized warranty cost	229	(49)	-	180
State tax, paid annual leave etc.	9,662	(234)	-	9,428
Impairment loss on financial assets	-	105	-	105
Defined benefit obligation	8,349	(198)	871	9,022
Unused compensated absences payable	3,042	291	-	3,333
Exchange differences on translation	1,058	-	5,600	6,658
Amortization of convertible bond issuance costs	317	(317)	-	-
Subtotal	\$46,713	\$6,413	\$6,471	\$59,597
Deferred tax liabilities				
Net gain on investments accounted for using equity	(\$83,824)	(\$19,054)	\$-	(\$102,878)
Depreciation	(4,347)	105	-	(4,242)
Convertible debt Gains evaluation	(544)	(322)	-	(866)
Unamortized goodwill	(1,180)	-	-	(1,180)
Subtotal	(\$89,895)	(\$19,271)	\$-	(\$109,166)
Total	(\$43,182)	(\$12,858)	\$6,471	(\$49,569)

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

(30) Earnings per share

	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
	Year ended December 31, 2019		
	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	\$460,455	80,002	\$5.76
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,172	
Employee stock option	-	600	
Convertible bonds	6,205	8,325	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$466,660	90,099	\$5.18

(31) Consolidated

1. The Group purchased 100% equity of AXIT with cash of \$ 56,068 in the 2019, and obtained control of AXIT. The acquisition date was January 4, 2019. The Company operated the sales of industrial computers and related sub-products in Italy. The

Group expects to strengthen regional market development after the acquisition and increase the Group's revenue and profits.

2. The fair value of the consideration paid by the Group for the acquisition of AXIT, the assets acquired and the liabilities assumed at the acquisition date are as follows:

	January 4, 2018
Consideration received	
Cash	\$56,068
	<u>56,068</u>
Net fair value of the identifiable assets	
Cash and cash equivalents	18,583
Accounts receivable	21,733
Current income tax assets	684
Inventories	7,580
Prepayments	490
Property, plant and equipment	198
Intangible assets	13,894
Accounts payable	(5,928)
Other payables	(4,886)
Current income tax liabilities	(1,997)
Other current liabilities	(386)
Deferred income tax liabilities	(4,287)
Other non-current liabilities	(9,206)
Net identifiable assets	<u>36,472</u>
Goodwill	<u>\$19,596</u>

3. Since the merger of AXIT on January 4, 2019, the Group, AXIT contributed the Group's operating income and net loss before tax to \$ 64,226 and \$ 2,303, respectively. It has been assumed that AXIT has been included in the merger since January 1, 2019.

(32) Supplemental cash flow information

A. Partial cash paid for investing activities

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$33,398	\$36,141
Add: Beginning balance of payable on equipment	4,449	9,075
Add: Beginning balance of Prepayments for business facilities	572	-
Less: Ending balance of payable on equipment	<u>(5,063)</u>	<u>(4,449)</u>
Cash paid during the year	<u>\$33,356</u>	<u>\$40,767</u>

B. Financing activities not affecting cash flow:

	Years ended December 31,	
	2020	2019
Conversion of corporate bond conversion into capital stock	<u>\$48,794</u>	<u>\$84,658</u>

(33) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$102,000	\$46,719	\$79,238	\$227,957
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	66,688
At December 31, 2020	\$-	\$41,533	\$100,302	\$141,835

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$53,000	\$50,936	\$95,887	\$199,823
Changes in cash flow from financing activities	49,000	(3,086)	(38,111)	7,803
Impact of changes in foreign exchange rate	-	(1,131)	(478)	(1,609)
Other changes in non-cash items			21,940	21,940
At December 31, 2019	\$102,000	\$46,719	\$21,940	\$227,957

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Name of related parties	Relationship with the Group
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

	Years ended December 31,	
	2020	2019
Purchase of goods		
Entity with Significant Influence on the Group	\$35,552	\$65,411

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, 2020</u>	<u>December 31, 2019</u>
Payables to related parties		
Advantech Co., Ltd.	\$3,827	\$3,314
Advanixs Corporation	813	1,761
Total	<u>\$4,640</u>	<u>\$5,075</u>

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

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$85,878	\$89,868
Post-employment compensation	4,199	1,351
Share-based payment	1,390	6,034
Total	<u>\$91,467</u>	<u>\$97,253</u>

8. PLEDGED ASSETS

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

<u>Asset type</u>	<u>Book value</u>		<u>Use of pledge</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Land	\$69,591	\$73,257	Long-term borrowings
Building	22,803	24,784	"
	<u>\$92,394</u>	<u>\$98,041</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 2020 earnings appropriation proposed, refer to Note 6(20).

## 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, 2020</u>	<u>December 31, 2019</u>
Financial assets		
Financial assets at amortized cost	<u>\$1,649,109</u>	<u>\$1,585,306</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial liabilities		
Financial Liabilities at amortized cost	\$969,148	\$1,185,773
Lease liabilities	<u>100,302</u>	<u>79,238</u>
	<u>\$1,069,450</u>	<u>\$1,466,271</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, RUR, 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, 2020					
(Foreign Currency: Functional currency)	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$23,311	28.48	\$663,897	1%	\$5,311
RMB : NTD	7,266	4.38	31,825	1%	255
EUR : NTD	98	35.02	3,432	1%	27
USD : EUR	2,382	0.81	67,568	1%	541
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$4,160	28.48	\$118,477	1%	\$948
December 31, 2019					
(Foreign Currency: Functional currency)	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$24,990	29.98	\$749,200	1%	\$5,994
RMB : NTD	7,574	4.31	32,644	1%	261
EUR : NTD	503	33.59	16,896	1%	135
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$5,308	29.98	\$159,134	1%	\$1,273

- 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, 2020 and 2019, amounted to loss of \$35,829 and loss of \$15,504, respectively.

Price risk

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.

(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, 2020 and 2019, 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, 2020 and 2019, the provision matrix is as follows:

December 31, 2020	Not overdue	Overdue	Overdue	Overdue
		1 ~ 90 days	91 ~ 180 days	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	Overdue	Total
	271 ~ 360 days	More than 360 days	
Expected loss rate	65.53%-100%	100%	
Total book value	\$423	\$1,531	\$730,852
Loss allowance	\$423	\$1,531	\$9,295

December 31, 2019	Not overdue	Overdue	Overdue	Overdue
		1 ~ 90 days	91 ~ 180 days	181 ~ 270 days
Expected loss rate	0.05%-0.57%	0.05%-3.84%	0.05%-51.44%	0.05%-97.12%
Total book value	\$528,073	\$147,366	\$7,536	\$1,941
Loss allowance	\$1,953	\$1,698	\$1,936	\$594

December 31, 2019	Overdue	Overdue	Total
	271 ~ 360 days	More than 360 days	
Expected loss rate	34.56%-100%	100%-100%	
Total book value	\$508	\$594	\$686,018
Loss allowance	\$327	\$594	\$7,102

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

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	\$589,341	\$18,824	\$511,394	\$16,679
within 90 days	117,181	-	147,366	-
91 ~ 180 days	2,477	-	7,536	-
More than 181 days	3,029	-	3,043	-
	<u>\$712,028</u>	<u>\$18,824</u>	<u>\$669,339</u>	<u>\$16,679</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, 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>\$9,295</u>

	<u>Years ended December 31, 2019</u>
	<u>Accounts receivable</u>
At January 1	\$4,884
Due to business combination	429
Impairment loss	1,991
Impact of foreign exchange rate	(202)
At December 31	<u>\$7,102</u>

- xi. The Group uses the forecastability 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, 2020 and 2019.

(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, 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

December 31, 2019 Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Long-term borrowings (including current portion)	\$4,811	\$4,722	\$13,812	\$32,354	\$55,699
Lease liabilities	\$38,676	\$24,685	\$18,630	\$-	\$81,991
Bonds payable	\$-	\$330,400	\$-	\$-	\$330,400

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 to this level are not based on observable market data.

- B. 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.
- C. In 2020 and 2019, 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: None.
- 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 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(13), 6(14).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- 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 2020, please refer to table 6.

(4) Information on investees

- A. Basic information: Please refer to table 9.

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, 2020					Total
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	
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. °

Years ended December 31, 2019

	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Income from external customers	\$1,409,065	\$2,430,373	\$655,327	\$244,146	\$-	\$4,738,911
Interest income	10,240	19	2	396	-	10,657
Other income	10,133	44	2,916	2,249	-	15,342
Inter-departmental income	1,998,078	340	4,902	16,566	(2,019,886)	-
Total income	<u>\$3,427,516</u>	<u>\$2,430,776</u>	<u>\$663,147</u>	<u>\$263,357</u>	<u>(\$2,019,886)</u>	<u>\$4,764,910</u>
Interest expense	7,550	3,064	202	447	-	11,263
Depreciation & Amortization	75,009	19,027	4,396	9,474	2,305	110,211
Income tax expenses	101,657	25,012	9,960	47	(714)	135,962
Department Income	460,455	55,672	20,189	3,121	(78,982)	460,455
Assets						
Non-current assets capital expenditure	40,297	1,109	2,965	154	-	44,525
Department's Assets	3,811,178	995,115	311,609	219,714	(1,220,564)	4,117,052
Department's Liabilities	1,213,779	516,632	59,496	124,495	(394,749)	1,519,653

Adjustments & Sales balance

- (1) Total sales from the departments should be net of inter-departmental revenue \$2,019,886
- (2) Inter-departmental income should be net of inter-departmental transactions \$78,982
- (3) Department assets of \$1,220,564 and liabilities of \$394,749 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 (22)

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,	
	2020	2019
Revenue from Sale of products:	\$4,585,516	\$4,720,593
Revenue from Labor Services	17,263	18,318
Total	<u>\$4,602,779</u>	<u>7,738,911</u>

(5) Geographical information

Sales information by geographical area for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A.	\$1,914,560	\$143,082	2,403,511	162,965
other parts of America	34,201	-	42,263	-
Sub-total America	<u>1,948,761</u>	<u>143,082</u>	<u>2,445,774</u>	<u>162,965</u>
Taiwan	260,661	1,153,674	432,889	1,201,873
China	337,578	7,520	245,645	11,584
other parts of Asia	847,732	-	396,188	96
Sub-total Asia	<u>1,445,971</u>	<u>1,161,194</u>	<u>1,074,722</u>	<u>1,213,553</u>
United Kingdom	127,459	100	136,971	102
Germany	423,519	65,160	458,523	5,519
other parts of Europe	642,102	13,057	603,566	17,908
Sub-total Europe	<u>1,193,080</u>	<u>78,317</u>	<u>1,199,060</u>	<u>23,529</u>
Pacific region	10,016	-	11,738	-
Others	4,951	-	7,617	-
Total	<u>\$4,602,779</u>	<u>\$1,382,593</u>	<u>4,738,911</u>	<u>1,400,047</u>

(6) Information about major customers

Information about major customers for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	<u>Revenue</u>	<u>Department</u>	<u>Revenue</u>	<u>Department</u>
A	\$394,111	USA	\$ 559,610	USA

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2020

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, 2020 (Note 3)	Balance at December 31, 2020 (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	\$73,725	\$71,200	\$71,200	2.75%-3%	1	\$1,310,140	-	-	-	-	\$263,378	\$1,053,511	
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	Other receivables-related parties	Y	37,444	38,518	13,131	1.75%	1	112,069	-	-	-	-	\$263,378	\$1,053,511	

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, 2020

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, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (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	\$ 263,378	USD 3,500	USD 3,500	USD -	-	3.78%	1,316,889	Y	-	-	
0	AXIOMTEK CO., LTD.	AXGM	2	\$ 263,378	USD 250	USD 250	USD -	-	0.27%	1,316,889	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, 2020

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, 2020		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2020		
					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	-	-	-	-	39,537,786	565,000	39,537,786	565,204	565,000	204	-	-

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. 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, 2020

Table 4

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	\$1,310,140	28.46%	Monthly 45 ~ 90 days	-	-	\$210,399	29.16%	
AXIOMTEK CO., LTD.	AXGM	The Company's subsidiaries are stated as follows:	Sale	317,515	6.90%	Monthly 45 days	-	-	28,940	4.01%	
AXIOMTEK CO., LTD.	Axiomtek Shenzhen	The Company's subsidiaries are stated as follows:	Sale	112,069	2.43%	Monthly 75 days	-	-	27,248	3.78%	

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, 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Balance as at December 31, 2020 (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	\$210,399	5.31	-	-	\$158,905	-

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, 2020

Table 6

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	\$317,515	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	6.90%
0	AXIOMTEK CO., LTD.	AXUS	1	Sales revenue	1,310,140	same as that applicable to the general customer receivables collection as per for the average customer, 45 - 90 days	28.46%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Sales revenue	112,069	same as that applicable to the general customer receivables collection for the general customer 75 days; 45 - 75 days with slight delay	2.43%
0	AXIOMTEK CO., LTD.	AXIT	1	Sales revenue	31,691	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	0.69%
0	AXIOMTEK CO., LTD.	AXUS	1	Purchase of goods	28,575	same as that applicable to the general vendor receivables collection as per for the average vendor, 45 days	0.62%
0	AXIOMTEK CO., LTD.	AXSZ	1	Purchase of goods	12,931	same as that applicable to the general vendor receivables collection as per for the average vendor, 45 days	0.28%
0	AXIOMTEK CO., LTD.	AXUS	1	Accounts receivable	210,399		5.20%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Accounts receivable	27,248		0.67%
0	AXIOMTEK CO., LTD.	AXGM	1	Accounts receivable	28,940		0.72%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Other receivables	13,150		0.33%
0	AXIOMTEK CO., LTD.	AXUS	1	Other receivables	71,200		1.76%

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, 2020

Table 7

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, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2(3))	Remark
				Balance as at December 31, 2020	Balance as at December 31, 2019	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	\$546,713	\$110,665	\$110,665	
"	AXGM	Germany	Industrial computer and Embedded Board manufacturing, trading, post-sales service	19,941	19,941	(Note 3)	100.00	225,960	4,470	4,470	
"	AXBVI	British Virgin Islands	Holding company	156,650	156,650	5,000	100.00	99,649	16,284	16,338	
"	AXUK	United Kingdom	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,615	8,615	180,000	100.00	2,392	(1,274)	(1,274)	
"	AXJP	Japan	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,235	8,235	600	100.00	8,493	655	655	
"	AXIT	Italy	Industrial computer and Embedded Board manufacturing, trading, post-sales service	56,068	56,068	(Note 3)	100.00	37,540	(1,796)	(12,982)	
"	UNI	Taiwan	Automation equipment system set-up and development	29,000	29,000	1,450,000	26.70	25,945	(6,007)	(1,604)	

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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, 2020' 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, 2020' 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, 2020' 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, 2020

Table 8

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Axiomtek Shenzhen	Industrial computer and Embedded Board manufacturing, trading, post-sales service	NT\$ 119,815 (USD 4,207)	Note1(2)	NT\$ 119,815 (USD 4,207)	\$-	\$-	NT\$ 119,815 (USD 4,207)	\$16,365	100.00	\$16,365	\$105,029	\$-	

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=28.48 on December 31, 2020.

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, 2020	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	\$119,815	USD 4,223	\$1,580,267
	USD 4,207		

Table 9

AXIOMTEK CO., LTD.  
Major shareholders information  
For the year ended December 31, 2020

Name of major shareholders	Shares	Name of shares held	Ownership (%)
Advantech	20,537,984		24.70%

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)

## **2020 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 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, 2020, the Company's inventories and allowance for inventory valuation losses amounted to NT\$474,145 thousand and NT\$42,800 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 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- 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 \$225,960 thousand and NT \$209,511 thousand, constituting 6.08% and 5.50% of total assets as of December 31, 2020 and 2019, respectively, and other comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to NT\$14,207 thousand and NT\$15,668 thousand, constituting 4.83% and 3.61% of total comprehensive income for the years ended December 31, 2020 and 2019, 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, 2021

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

Assets	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 667,964	18	\$ 652,040	17
1150	Notes receivable	6(2) and 12(2)	2,948	-	6,681	-
1170	Accounts receivable	6(2) and 12(2)	76,643	2	191,031	5
1180	Accounts receivable – related parties	6(2),7 and 12(2)	272,299	8	342,402	9
1200	Other receivables		11,345	-	15,013	1
1210	Other receivables – related parties	7	84,350	2	47,434	1
1220	Current income tax assets		703	-	-	-
130X	Inventories	6(3)	431,345	12	444,363	12
1410	Prepayments		11,590	-	9,069	-
1470	Other current assets		770	-	596	-
11XX	<b>Total current assets</b>		<u>1,559,957</u>	<u>42</u>	<u>1,708,629</u>	<u>45</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(4)	946,692	26	846,829	22
1600	Property, plant and equipment	6(5) and 8	1,016,340	27	1,052,023	28
1755	Use rights assets	6(6)	31,716	1	47,297	1
1760	Investment property	6(8)	85,193	2	86,241	2
1780	Intangible assets	6(9)	21,236	1	17,912	1
1840	Deferred income tax assets	6(27)	50,913	1	47,949	1
1920	Refundable deposits		5,087	-	4,298	-
15XX	<b>Total non-current assets</b>		<u>2,157,177</u>	<u>58</u>	<u>2,102,549</u>	<u>55</u>
1XXX	<b>Total Assets</b>		<u>\$ 3,717,134</u>	<u>100</u>	<u>\$ 3,811,178</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, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ -	-	\$ 102,000	3
2130	Contract liabilities - current	6(20)	29,684	1	17,597	1
2150	Notes payables		997	-	675	-
2170	Accounts payable		221,384	6	282,255	7
2180	Accounts payable – related parties	7	7,398	-	13,614	-
2200	Other payables	6(11)	238,859	7	233,401	6
2230	Current income tax liabilities	6(27)	75,605	2	47,586	1
2280	Lease liabilities-current portion		14,571	-	16,249	1
2310	Advance receipts		12,816	-	471	-
2320	Current portion of long-term borrowings	6(13)	275,884	8	-	-
2399	Other current liabilities		1,830	-	1,678	-
21XX	<b>Total current liabilities</b>		<u>879,028</u>	<u>24</u>	<u>715,526</u>	<u>19</u>
<b>Non-current liabilities</b>						
2530	Bonds payable	6(13)	-	-	319,618	8
2560	Income tax liabilities- non current		15,423	-	-	-
2570	Deferred income tax liabilities	6(27)	126,713	3	101,350	3
2580	Lease liabilities-non current		17,565	1	31,573	1
2640	Accrued pension liabilities	6(14)	43,864	1	45,109	1
2645	Guarantee deposit received		763	-	603	-
25XX	<b>Total non-current liabilities</b>		<u>204,328</u>	<u>5</u>	<u>498,253</u>	<u>13</u>
2XXX	<b>Total liabilities</b>		<u>1,083,356</u>	<u>29</u>	<u>1,213,779</u>	<u>32</u>
<b>Equity attributable to shareholders of the parent</b>						
<b>Share capital</b>						
3110	Ordinary shares	6(16)	825,953	22	803,954	21
3140	Advance receipts for share capital	6(16)	23,897	1	60,957	2
<b>Capital surplus</b>						
3200	Capital surplus	6(17)	330,595	8	245,919	7
<b>Retained earnings</b>						
3310	Legal reserve	6(18)	546,178	15	500,481	13
3320	Special reserve		26,633	1	4,231	-
3350	Unappropriated retained earnings		919,497	25	1,008,490	26
<b>Other equity</b>						
3400	Other equity	6(19)	( 38,975)	( 1)	( 26,633)	( 1)
3XXX	<b>Total equity</b>		<u>2,633,778</u>	<u>71</u>	<u>2,597,399</u>	<u>68</u>
<b>Significant commitment and contingent item</b>						
		9				
<b>Significant events after the balance sheet date</b>						
		11				
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 3,717,134</u>	<u>100</u>	<u>\$ 3,811,178</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			
		2020		2019	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(20) and 7	\$ 3,084,802	100	\$ 3,407,144	100
5000 <b>Operating costs</b>	6(3), (25) and (26)	( 2,158,795)	( 70)	( 2,330,229)	( 68)
5900 <b>Gross profit</b>		926,007	30	1,076,915	32
5910 Unrealized gain from sale	6(4)	( 87,278)	( 3)	( 86,299)	( 2)
5920 Realized gain from sale		86,299	3	73,004	2
5950 <b>Net gross profit</b>		925,028	30	1,063,620	32
<b>Operating expenses</b>	6(25) and (26)				
6100 Selling expenses		( 99,841)	( 3)	( 121,977)	( 4)
6200 General and administrative expenses		( 118,660)	( 4)	( 101,934)	( 3)
6300 Research and development expenses		( 420,549)	( 14)	( 451,471)	( 13)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	140	-	( 120)	-
6000 <b>Total operating expenses</b>		( 638,910)	( 21)	( 675,502)	( 20)
6900 <b>Operating profit</b>		286,118	9	388,118	12
<b>Non-operating income and expenses</b>					
7100 Interest income	6(21) and 7	7,127	-	11,638	-
7010 Other income	6(22)	15,982	-	10,137	-
7020 Other gains and losses	6(23)	( 44,730)	( 1)	83,794	3
7050 Finance costs	6(24)	( 6,286)	-	( 7,550)	-
7070 Share of profit of associates and joint ventures accounted for under equity method	6(4)	125,864	4	75,975	2
7000 <b>Total non-operating income and expenses</b>		97,957	3	173,994	5
7900 <b>Profit before income tax</b>		384,075	12	562,112	17
7950 Income tax expenses	6(27)	( 77,477)	( 2)	( 101,657)	( 3)
8200 <b>Net Income</b>		\$ 306,598	10	\$ 460,455	14
<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)	\$ 95	-	(\$ 4,354)	-
8349 Income tax relating to components of other comprehensive income	6(27)	( 19)	-	871	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 15,427)	-	( 28,003)	( 1)
8399 Income tax relating to the components of other comprehensive income	6(27)	3,085	-	5,600	-
8300 <b>Other comprehensive income (loss) for the year</b>		(\$ 12,266)	-	(\$ 25,886)	( 1)
8500 <b>Total Comprehensive Income</b>		\$ 294,332	10	\$ 434,569	13
9750 <b>Basic earnings per share</b>	6(28)	\$ 3.73		\$ 5.76	
9850 <b>Diluted earnings per share</b>	6(28)	\$ 3.43		\$ 5.18	

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 2019</u>									
Balance at January 1, 2019		\$ 796,206	\$ 1,039	\$ 214,960	\$ 459,789	\$ 12,914	\$ 882,311	(\$ 4,230 )	\$ 2,362,989
Profit for the year		-	-	-	-	-	460,455	-	460,455
Other comprehensive income (loss) for the year		-	-	-	-	-	( 3,483 )	( 22,403 )	( 25,886 )
Total comprehensive income		-	-	-	-	-	456,972	( 22,403 )	434,569
Appropriations of 2018 earnings		-	-	-	-	-	-	-	-
Legal reserve	6(18)	-	-	-	40,692	-	( 40,692 )	-	-
Reversal of special reserve		-	-	-	-	( 8,683 )	8,683	-	-
Cash dividends	6(18)	-	-	-	-	-	( 298,784 )	-	( 298,784 )
Share-based payments		1,760	( 128 )	1,990	-	-	-	-	3,622
Compensation cost of share-based payments	6(15)	-	-	10,345	-	-	-	-	10,345
Conversion of convertible bonds	6(2)	5,988	60,046	18,624	-	-	-	-	84,658
Balance at December 31, 2019		\$ 803,954	\$ 60,957	\$ 245,919	\$ 500,481	\$ 4,231	\$ 1,008,490	(\$ 26,633 )	\$ 2,597,399
<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 )	-	-
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

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	
		2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 384,075	\$ 562,112
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5), (6) and (25)	69,806	64,292
Depreciation from investment Property	6(8) and (23)	1,048	2,528
Amortization	6(9) and (25)	7,798	8,188
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	( 140 )	120
Net gain on financial assets or liabilities at fair value through profit or loss	6(12) and (23)	-	( 2,763 )
Interest expense	6(24)	6,286	7,550
Interest income	6(21)	( 7,127 )	( 11,638 )
Compensation cost of share-based payments	6(15) and (26)	6,236	8,520
Share of profit of associates and joint ventures accounted for under equity method	6(4)	( 125,864 )	( 75,975 )
Loss (gain) on disposal of property, plant and equipment	6(23)	( 167 )	( 48 )
Gain on disposal of investments	6(23)	( 204 )	( 305 )
Gain on disposal of investment assets	6(23)	-	( 100,677 )
Impairment loss on investments accounted for using equity method	6(23)	9,596	-
Unrealized profit from sales		979	13,295
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		204	305
Notes receivable		3,733	3,827
Accounts receivable (including related parties)		184,631	7,099
Other receivables (including related parties)		4,314	7,784
Inventories		13,018	66,293
Prepayments	(	2,521 )	6,189
Other current assets	(	174 )	( 125 )
Changes in liabilities relating to operating activities			
Contract liabilities		12,087	( 3,800 )
Notes payables		322	-
Accounts payable (including related parties)	(	67,087 )	( 261,754 )
Other payables		4,857	( 18,200 )
Advance receipts		12,345	( 1,564 )
Other current assets		152	158
Accrued pension liabilities	(	1,150 )	( 990 )
Cash inflow generated from operations		517,053	280,421
Receipt of interest		8,274	11,417
Payment of interest	(	1,241 )	( 1,030 )
Payment of income tax	(	9,273 )	( 172,022 )
Net cash flows provided by operating activities		<u>514,813</u>	<u>118,786</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	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using equity method	6(4)	\$ -	(\$ 89,819)
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		\$ 667,964	\$ 652,040

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, 2020 AND 2019  
(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 authorised for issuance by the Board of Directors on February 25, 2021.

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 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	January 1, 2020(Note)
Note: Earlier application from January 1, 2020 is allowed by the FSC.	

Except for the following, the above standards and interpretations have no significant impact to 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	Effective date by International Accounting Standards Board
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, January 1, 2021  
‘ Interest Rate Benchmark Reform— Phase 2’

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) IFRSs issued by IASB but not yet endorsed by the FSC

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>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, “Reference to the conceptual framework”	January 1, 2022
Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or non-current”	January 1, 2023
Amendments to IAS 8, “Accounting policies, changes in accounting estimates and error”	January 1, 2023
Amendments to IAS 16, “Property, plant and equipment: proceeds before intended use”	January 1, 2022
Amendments to IAS 37, “Onerous contracts—cost of fulfilling a contract”	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no 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:
  - iv. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - v. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - vi. 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

- A. Leases are recognized 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 recognized 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 fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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:
  - (C) The amount of the initial measurement of lease liability; and
  - (D) Any initial direct costs incurred by the lessee.

(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 amortised 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 amortised 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 contributions are recognized as pension expenses when they are due on an accrual basis.

(B) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees 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 government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- 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.
- iii. 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 realised 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 Company's shareholders. Cash dividends are recorded as liabilities; 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 realisable value, the Company must determine the net realisable 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 realisable 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, 2020, the carrying amount of inventories was \$431,345.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$569	\$519
Checking accounts and demand deposits	151,720	227,802
Time deposits	31,515	393,739
Cash equivalents - Bonds with repurchase agreement	484,160	29,980
	<u>\$667,964</u>	<u>\$652,040</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, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$2,948	\$6,681
Less: Loss allowance	-	-
	<u>\$2,948</u>	<u>\$6,681</u>
Accounts receivable	\$76,678	\$191,206
Accounts receivable - related parties	272,299	342,402
Less: Loss allowance	(35)	(175)
	<u>\$348,942</u>	<u>\$533,433</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, 2020 and 2019, notes and accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$551,215.
- 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

	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>

	December 31, 2019		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	\$208,951	(\$20,180)	\$188,771
Work in progress	74,690	(1,728)	72,962
Semi-finished goods	27,946	(3,949)	23,997
Finished goods	173,626	(14,993)	158,633
<b>Total</b>	<b>\$485,213</b>	<b>(\$40,850)</b>	<b>\$444,363</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	
	2020	2019
Cost of revenue	\$2,143,385	\$2,311,874
Loss on market value decline and obsolete and slow-moving inventories	15,410	18,355
<b>Total</b>	<b>\$2,158,795</b>	<b>\$2,330,229</b>

The Company has no inventories pledged to others.

(4) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
AXIOM TECHNOLOGY, INC. U.S.A.(AXUS)	\$546,713	\$465,060
AXIOMTEK DEUTSCHLAND GMBH(AXGM)	225,960	209,511
AXIOM TECHNOLOGY (BVI) CO., LTD.(AXBVI)	99,649	83,482
AXIOMTEK ITALIA S.R.L.(AXIT)	37,540	49,635
AXIOMTEK JAPAN CO., LTD.(AXJP)	8,493	7,832
AXIOMTEK UK LIMITED (AXUK)	2,392	3,739
Investments in associates UNIT-INNOVATE TECHNOLOGY CO., LTD. (UNI)	25,945	27,570
Total	<u>\$946,692</u>	<u>\$846,829</u>

- A. (A) Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2020 financial statements.  
 (B) To cater for future operating needs, the Company increased its capital in the subsidiary AXBVI by \$33,751 in March 2019.  
 (C) The Company purchased 100% equity of AXIT on January 4, 2019 for \$ 56,068 in cash and has full control of AXIT. Please refer to Note 6(31) of the 2020 financial statements of the Company for details.
- B. Equity methods used in 2020 and 2019 to recognize Share of profit (loss) of associates and joint ventures accounted for using equity method:

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
AXUS	\$110,665	\$55,671
AXBVI	16,338	2,204
AXGM	4,470	25,965
AXJP	655	929
AXUK	(1,274)	(3,473)
UNI	(1,604)	(1,427)
AXIT	(3,386)	(3,894)
Total	<u>\$125,864</u>	<u>\$75,975</u>

- C. Equity methods used in 2020 and 2019 to recognize Share of impairment loss of associates and joint ventures accounted for using equity method:

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
AXIT	(\$9,596)	\$-

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

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
AXUS	\$67,002	\$65,848
AXGM	13,302	15,543
Axiomtek (Shenzhen) Co. Ltd. (AXSZ)	5,641	3,639
AXIT	1,276	1,233
UNI	57	36
Total	<u>\$87,278</u>	<u>\$86,299</u>

(5) Property, plant and equipment

	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>

	Land	Buildings	Machinery	Tools	Testing equipment	Office Equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2019										
Cost	\$535,624	\$417,560	\$138,166	\$57,556	\$55,003	\$70,265	\$11,176	\$13,641	\$7,656	\$1,306,647
Accumulated depreciation	-	(12,527)	(97,764)	(48,362)	(40,332)	(21,760)	(7,519)	(8,688)	-	(236,952)
	<u>\$535,624</u>	<u>\$405,033</u>	<u>\$40,402</u>	<u>\$9,194</u>	<u>\$14,671</u>	<u>\$48,505</u>	<u>\$3,657</u>	<u>\$4,953</u>	<u>\$7,656</u>	<u>\$1,069,695</u>
2019										
Opening net book amount	\$535,624	\$405,033	\$40,402	\$9,194	\$14,671	\$48,505	\$3,657	\$4,953	\$7,656	\$1,069,695
Additions	-	-	4,605	3,170	2,429	2,065	350	2,861	16,433	31,913
Disposals (Cost)	-	-	(1,883)	-	(922)	(174)	(1,300)	(380)	-	(4,659)
Disposals (Accumulated depreciation)	-	-	1,883	-	922	174	1,300	380	-	4,659
Reclassifications (Cost)	-	-	-	3,030	2,810	-	14,923	245	(21,008)	-
Depreciation	-	(8,351)	(13,560)	(7,652)	(5,105)	(7,829)	(4,168)	(2,920)	-	(49,585)
Closing net book amount	<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>
At December 31, 2019										
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>

- A. The Company 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 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, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$31,716</u>	<u>\$47,297</u>

	<u>Years ended December 31, 2020</u>	<u>Years ended December 31, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	<u>\$16,374</u>	<u>\$14,707</u>

- C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$ 792 and \$6,364.

- 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 December 31, 2020</u>	<u>Years ended December 31, 2019</u>
Interest expense on lease liabilities	\$393	\$510
Expense on short-term lease contracts	1,041	1,308

- E. For the 2020 and 2019, the Group's total cash outflow for leases was \$17,912 and \$16,000.

(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, 2020 and 2019, the Company recognized rent income in the amounts of \$3,450 and \$3,553, 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, 2020</u>	<u>December 31, 2019</u>
2020	\$-	\$3,616
2021	3,444	3,616
2022	1,827	1,919
	<u>\$5,271</u>	<u>\$9,151</u>

(8) Investment property

	<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>

	Land	Buildings	Total
<b>2020</b>			
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>
<b>At December 31, 2020</b>			
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>
	Land	Buildings	Total
<b>At January 1, 2019</b>			
Cost	\$112,222	\$55,007	\$167,229
Accumulated depreciation	-	(27,409)	(27,409)
	<u>\$112,222</u>	<u>\$27,598</u>	<u>\$139,820</u>
<b>2019</b>			
Opening net book amount	\$112,222	\$27,598	\$139,820
Disposals (Cost)	(43,949)	(14,749)	(58,698)
Disposals (Accumulated depreciation)	-	7,647	7,647
Depreciation	-	(2,528)	(2,528)
Closing net book amount	<u>\$68,273</u>	<u>\$17,968</u>	<u>\$86,241</u>
<b>At December 31, 2019</b>			
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>

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

	Years ended December 31	
	2020	2019
Rental income from investment property	<u>\$3,450</u>	<u>\$3,553</u>
Direct operating expenses arising from investment property that generated rental income	<u>\$618</u>	<u>\$1,975</u>
Direct operating expenses arising from investment property that did not generate rental income	<u>\$896</u>	<u>\$1,169</u>

B. The fair value of the investment property held by the Company was \$218,640 and \$185,890 as of December 31, 2020 and 2019, 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	Total
At January 1, 2020				
Cost	\$291	\$61,709	\$5,898	\$67,898
Accumulated Amortization	(291)	(49,695)	-	(49,986)
	<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
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	\$72,831	\$5,898	\$79,020
Accumulated Amortization	(291)	(57,493)	-	(57,784)
	<u>\$-</u>	<u>\$15,338</u>	<u>\$5,898</u>	<u>\$21,236</u>
	Trademark	Computer software	Goodwill	Total
At January 1, 2019				
Cost	\$291	\$57,952	\$5,898	\$64,141
Accumulated Amortization	(291)	(41,507)	-	(41,798)
	<u>\$-</u>	<u>\$16,445</u>	<u>\$5,898</u>	<u>\$22,343</u>
2019				
Opening net book amount	\$-	\$16,445	\$5,898	\$22,343
Additions	-	3,757	-	3,757
Disposals (Cost)	-	-	-	-
Disposals (Accumulated Amortization)	-	-	-	-
Reclassifications	-	-	-	-
Amortization	-	(8,188)	-	(8,188)
Closing net book amount	<u>\$-</u>	<u>\$12,014</u>	<u>\$5,898</u>	<u>\$17,912</u>
At December 31, 2019				
Cost	\$291	\$61,709	\$5,898	\$67,898
Accumulated Amortization	(291)	(49,695)	-	(49,986)
	<u>\$-</u>	<u>\$12,014</u>	<u>\$5,898</u>	<u>\$17,912</u>

A. The Company has no interest capitalised to intangible assets.

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

	Years ended December 31	
	2020	2019
Operating costs	\$21	\$3
Selling expenses	268	11
General and administrative expenses	4,914	5,827
Research and development expenses	2,595	2,347
	<u>\$7,798</u>	<u>\$8,188</u>

(10) Short-term borrowings

December 31, 2020: None.

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ \$102,000</u>	0.97%~0.98%	None

Interest expense recognized in profit or loss amounted to \$827 and \$511 for the years ended December 31, 2020 and 2018, respectively.

(11) Other payables

	December 31, 2020	December 31, 2019
Salaries and bonus payable	\$138,150	\$127,730
Accrued employees' compensation and directors' remuneration	52,915	62,292
Payable to equipment suppliers	5,063	4,449
Others	42,731	38,930
	<u>\$238,859</u>	<u>\$233,401</u>

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

Item	December 31, 2020	December 31, 2019
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>
Non-Current items:		
Financial liabilities held for trading		
Non-hedging derivatives (conversion of corporate debt options)	\$-	\$4,328
Evaluation adjustment	-	(4,328)
Total	<u>\$-</u>	<u>\$-</u>

The Company recognized net loss of \$0 and \$2,763 for the years ended December 31, 2020 and 2019, respectively.

(13) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable	\$280,400	\$330,400
Less: Discount on bonds payable	(4,516)	(10,782)
Less: Long-term liabilities, current portion	<u>(275,884)</u>	<u>-</u>
	<u>\$-</u>	<u>\$319,618</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 31, 2020, the Company's debt denomination of \$139,600 has been converted to 2,904,000 shares of common stock, completed on January 4, 2021.
  - (C) Since August 8, 2019 and July 8, 2020, the Company's cash dividend ex-dividend, the conversion price has been recalculated according to the provisions of this bond issuance and conversion, from \$52.0 to \$48.6 and \$48.6 to \$45.2.
  - (D) As of December 31, 2020, the Company has not bought back the bonds from the securities counter trading center.
- 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, 2020	December 31, 2019
Present value of defined benefit obligations	(\$99,438)	(\$97,051)
Fair value of plan assets	55,574	51,942
Net defined benefit liability	(\$43,864)	(\$45,109)

(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, 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 demographic assumptions	(132)	-	(132)
Change in financial assumptions	(6,087)	-	(6,087)
Experience adjustments	4,589	1,725	6,314
	(1,630)	1,725	95
Pension fund contribution	-	1,502	1,502
Balance at December 31	(\$99,438)	\$55,574	(\$43,864)
Year ended December 31, 2019			
Balance at January 1	(\$89,973)	\$48,228	(\$41,745)
Interest (expense) income	(1,089)	584	(505)
	(91,062)	48,812	(42,250)
Remeasurements:			
Change in financial assumptions	(6,473)	-	(6,473)
Experience adjustments	484	1,635	2,119
	(5,989)	1,635	(4,354)
Pension fund contribution	-	1,495	1,495
Balance at December 31	(\$97,051)	\$51,942	(\$45,109)

(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, 2020 and 2019 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	
	2020	2019
Discount rate	0.31%	0.78%
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, 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>
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$6,677)</u>	<u>\$7,275</u>	<u>\$7,076</u>	<u>(\$6,570)</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 2020 and 2019 are the same.

- (F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amounts to \$1,501.
- (G) As of December 31, 2020, 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	\$48,572
1 - 2 Years	5,996
3 - 4 Years	11,643

More than 5 years

11,454

\$77,665

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, 2020 and 2019 were \$21,730 and \$20,792, respectively.

(15) Share-based payment

A. For the years ended December 31, 2020 and 2019, 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			
	2020		2019	
	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)	515	\$20.70	688	\$22.10
Stock options waived in the current period	-	-	-	-
Options exercised	(270)	19.71	(173)	20.93
Options outstanding at end of the year	245	19.30	515	20.70
Options exercisable at end of the year	245	19.30	430	20.70

	Years ended December 31			
	2020		2019	
	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)	1,520	\$49.30	1,600	\$52.70
Stock options waived in the current period	(48)	45.90	-	-
Options exercised	(160)	48.03	(80)	49.30
Options outstanding at end of the year	1,312	45.90	-	-
Options exercisable at end of the year	448	45.90	1,520	49.30

	Years ended December 31			
	2020		2019	
	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)	-	\$-	-	\$-
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	50.80	-	\$-

- C. Average price of Stock options exercised in 2020 and 2019 were \$53.49 and \$56.02 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, 2020		December 31, 2019	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
August 19, 2015	August 18, 2021	515	20.70	688	22.10
April 12, 2018	April 11, 2023	1,520	49.30	1,600	52.70
October 29, 2020	October 28, 2026	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	
	2020	2019
Equity Settled	\$6,236	\$8,520

G. As of ex-dividend date July 23, 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.

H. As of ex-dividend date August 8, 2019 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 \$22.1 and \$52.7 to \$20.7 and \$49.3.

(16) Share capital

- A. As of December 31, 2020, the Company's authorized capital was \$1,600,000, consisting of 160,000 thousand ordinary shares, and the paid-in capital was \$825,953 with a par value of \$10 (in dollars) per share, consisting of 82,595 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	
	2020(in thousands)	2019(in thousands)
At January 1	81,647	79,667
Exercise of employee stock options	430	173
Conversion of convertible bonds	1,063	1,807
At December 31	83,140	81,647

	December 31, 2020		December 31, 2019	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Exercise of employee stock options (Advance receipts for share capital)	89	\$2,463	44	\$911
Conversion of convertible bonds (Advance receipts for share capital)	456	21,434	1,208	60,046

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, 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	-	-	-	-	-	-	-	-
Year ended December 31, 2019								
	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	\$126,146	\$1,465	\$1,026	\$176	\$2	\$61,889	\$24,256	\$214,960
Exercise of employee stock options	1,990	-	-	-	-	-	-	1,990
Compensation cost of employee stock options	-	-	-	-	-	10,345	-	10,345
Conversion of convertible bonds	-	23,717	-	-	-	-	(5,093)	18,624
At December 31	\$128,136	\$25,182	\$1,026	\$176	\$2	\$72,234	\$19,163	\$245,919

(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 2019 and 2018 earnings appropriation resolved by the shareholders on May 29, 2020 and May 29, 2019, respectively are as follows:

	Years ended December 31			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$45,697		\$40,692	
Special reserve	22,403		-	
Cash dividends	326,925	\$4	298,784	\$3.75
Total	<u>\$395,025</u>		<u>\$339,476</u>	

Details of 2020 earnings appropriation proposed by the Board of Directors on February 26, 2020 are as follows:

	Year ended December 31, 2020	
	Amount	Dividends per share (in dollars)
Legal reserve	\$30,667	
Special reserve	12,342	
Cash dividends	216,954	\$2.6
Total	<u>\$259,963</u>	

(19) Other equity interest

	Year ended December 31,	
	2020	2019
Financial statements translation differences of foreign operations		
At January 1	(\$26,633)	(\$4,230)
Increase (decrease) in current period	(12,342)	(22,403)
At December 31	<u>(\$38,975)</u>	<u>(\$26,633)</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:

	Year ended December 31	
	2020	2019
Originating from transfer at a point in time:		
Design-in Services	\$1,404,887	\$2,019,244

Intelligent Platforms & Solutions Products Division	1,468,149	1,126,262
Others	181,078	228,937
Net sales revenue	3,054,114	3,374,443
Originating from the transfer of labor services over time:		
Other Operating revenue	30,688	32,701
Total	\$3,084,802	\$3,407,144

B. Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities			
Contract liabilities-Advance payments	\$29,684	\$17,597	\$21,397

The revenue recognized from the beginning balance of contract liability:

	Year ended December 31	
	2020	2019
The revenue recognized from the beginning balance of contract liability.	\$17,549	\$20,594

(21) Interest income

	Year ended December 31,	
	2020	2019
Interest on Bank deposit:	\$2,674	\$10,104
Other interest income	4,453	1,534
Total	\$7,127	\$11,638

(22) Other income

	Year ended December 31	
	2020	2019
Rental revenue	\$3,450	\$3,553
Other income	12,532	6,584
Total	\$15,982	\$10,137

(23) Other gains and losses

	Year ended December 31	
	2020	2019
Net gain on financial liabilities at fair value through profit or loss	\$-	2,763
Foreign exchange gains (losses)	(33,968)	(16,692)
Gain (loss) on disposal of property, plant and equipment	167	48

Loss (gain) on disposal of investment property	-	100,677
Loss (gain) on disposal of investments	204	305
Depreciation expense from investment property	(1,048)	(2,528)
Impairment loss on investments accounted for using equity method	(9,596)	-
Miscellaneous Expenditure	(489)	(780)
Gain on lease modification	-	1
Total	<u>(\$44,730)</u>	<u>\$83,794</u>

(24) Finance costs

	Year ended December 31	
	2020	2019
Interest expense		
Bank borrowings	\$827	\$511
Corporate bond discount	5,059	6,522
Lease liabilities	393	510
Other	7	7
Total	<u>\$6,286</u>	<u>\$7,550</u>

(25) Expenses by nature

	Years ended December 31	
	2020	2019
Employee benefit expense	\$629,438	\$630,397
Depreciation- property, plant and equipment	53,432	49,585
Depreciation-right of use assets	16,374	14,707
Amortization	7,798	8,188
Total	<u>\$707,042</u>	<u>\$702,877</u>

(26) Employee benefit expense

	Years ended December 31	
	2020	2019
Wages and salaries	\$538,163	\$537,974
Labor and health insurance fees	42,422	41,633
Pension costs	22,082	21,297
Compensation cost of employee stock options	6,236	8,520
Other employee benefit expense	20,535	20,973
Total	<u>\$629,438</u>	<u>\$630,397</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, 2020 and 2019, employees' compensation was accrued at \$48,010 and \$56,323, respectively; while directors' remuneration was accrued at \$4,365 and \$5,302, respectively. The aforementioned amounts were recognized in salary expenses.

In 2020, 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 11% and 1% respectively.

Employees' compensation and directors' remuneration for 2020 and 2019 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2020 and 2019 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	
	2020	2019
Current tax		
Current tax on profits for the year	\$54,069	\$89,537
Tax on undistributed earnings	3,065	3,614
Adjustments in respect of prior years	(5,122)	(595)
Total current tax	<u>52,012</u>	<u>92,556</u>
Deferred tax		
Origination and reversal of temporary differences	25,465	9,101
Income tax expense	<u>\$77,477</u>	<u>\$101,657</u>

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

	Years ended December 31	
	2020	2019
Remeasurements of defined benefit obligations	(\$19)	\$871
Currency translation differences of foreign operations	3,085	5,600
Total	<u>\$3,066</u>	<u>\$6,471</u>

- B. Reconciliation between income tax expense and accounting profit

	Years ended December 31	
	2020	2019
Tax calculated based on profit before	\$77,440	\$112,422

tax and statutory tax rate		
Effect of items disallowed by tax regulation	2,094	(13,784)
Adjustments in respect of prior years	(5,122)	(595)
Tax on undistributed earnings	3,065	3,614
Income tax expense	<u>\$77,477</u>	<u>\$101,657</u>

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

	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>

	Year ended December 31, 2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensi ve income	December 31
Temporary differences				
Deferred tax assets:				
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	\$6,907	\$1,263	\$-	\$8,170
Unrealized gross margin	14,601	2,659	-	17,260
Unrealized exchange loss	313	2,945	-	3,258
Unused compensated absences payable	3,003	293	-	3,296
Unrealized warranty cost	229	(49)	-	180
Unrealized depreciation and interest	-	105	-	105
Defined benefit obligation	8,349	(198)	871	9,022
Amortization of convertible bond issuance costs	317	(317)	-	-
Exchange differences on translation	1,058	-	5,600	6,658
Subtotal	<u>\$34,777</u>	<u>\$6,701</u>	<u>\$6,471</u>	<u>\$47,949</u>
Deferred tax liabilities				
Net gain on investments accounted for using equity	(\$83,824)	(\$15,480)	\$-	(\$99,304)
Convertible debt loss evaluation	(544)	(322)	-	(866)
Unamortized goodwill	(1,180)	-	-	(1,180)
Subtotal	<u>(\$85,548)</u>	<u>(\$15,802)</u>	<u>\$-</u>	<u>(\$101,350)</u>
Total	<u>(\$50,771)</u>	<u>(\$9,101)</u>	<u>\$6,471</u>	<u>(\$53,401)</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, 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	\$5.76
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

	Year ended December 31, 2019		
	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	\$460,455	79,996	\$5.76
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,172	
Employee stock option	-	600	
Convertible bonds	6,205	8,331	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$466,660	90,099	\$5.18

(29) Supplemental cash flow information

A. Partial cash paid for investing activities

	Years ended December 31	
	2020	2019
Purchase of property, plant and equipment	\$19,488	\$31,913

Add: Beginning balance of payable on equipment	4,449	9,075
Add: Beginning balance of Prepayments for business facilities	572	-
Less: Ending balance of payable on equipment	(5,063)	(4,449)
Cash paid during the year	<u>\$19,446</u>	<u>\$36,539</u>

B. Financing activities not affecting cash flow:

	Years ended December 31	
	2020	2019
Conversion of corporate bond conversion into capital stock	<u>\$48,794</u>	<u>\$84,658</u>

(30) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$102,000	\$47,822	\$149,822
Changes in cash flow from financing activities	(102,000)	(16,871)	(118,871)
Other changes in non-cash items	-	1,185	1,185
At December 31, 2020	<u>\$-</u>	<u>\$32,136</u>	<u>\$32,136</u>

	Short-term borrowings	Short-term borrowings	Liabilities from financing activities-gross
At January 1, 2019	\$53,000	\$55,854	\$108,854
Changes in cash flow from financing activities	49,000	(14,692)	34,308
Other changes in non-cash items	-	6,660	-
At December 31, 2019	<u>\$102,000</u>	<u>\$47,822</u>	<u>\$149,822</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

Name of related parties	Relationship with the Company
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

Note: No longer related to the Company as of May 29, 2018

### (2) Significant related party transactions and balances

#### A. Sale

	Years ended December 31	
	2020	2019
Sales of goods		
Individuals with joint control or significant influence on the Company	\$155	\$345
Subsidiary		
AXUS	1,310,140	1,442,071
AXGM	317,515	410,369
Others	143,812	145,639
Associate	55	342
Total	\$1,771,677	\$1,998,766

The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

#### B. Purchase

	Years ended December 31	
	2020	2019
Purchase of goods		
Individuals with joint control or entities with significant influence	\$31,576	\$52,022
Subsidiary		
	41,533	51,158
Total	\$73,109	\$103,180

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, 2020</u>	<u>December 31, 2019</u>
Receivables from related parties		
Subsidiary		
AXUS	\$210,399	\$283,446
Others	34,652	17,923
Second-tier subsidiary		
AXSZ	27,248	40,980
Associate	-	53
Total	<u>\$272,299</u>	<u>\$342,402</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, 2020</u>	<u>December 31, 2019</u>
Subsidiary-AXUS	\$71,200	\$30,055
Second-tier subsidiary-AXSZ	13,150	17,220
	<u>\$84,350</u>	<u>\$47,275</u>

(D) Interest income

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary-AXUS	\$1,380	\$1,080
Second-tier subsidiary-AXSZ	285	317
	<u>\$1,665</u>	<u>\$1,397</u>

The loans to subsidiaries AXUS and AXSZ are repayable over 1 year and carry interest at 3% and 1.75% per annum for both years ended December 31, 2020 and 2019.

E. Account payable -related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables to related parties		
Individuals with joint control or entities with significant influence		
Advantech	\$3,827	\$3,314
Advanixs Corporation.	812	\$1,761
Subsidiary		
AXUK	1,225	778
AXUS	821	6,766
Other	713	995
Total	<u>\$7,398</u>	<u>\$13,614</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 2020 and December 31, 2019 the Company acted as guarantor for subsidiary AXGM for a loan from NVIDIA. Amount USD250,000 as of 2020 and December 31, 2019 AXGM's accounts payable to NVIDIA were USD0 and USD125,000 respectively.

(3) Key management compensation

	Years ended December 31	
	2020	2019
Short-term employee benefits	\$51,306	\$48,078
Share-based payment	4,093	6,034
Post-employment compensation	1,390	1,351
Total	<u>\$56,789</u>	<u>\$55,463</u>

8. PLEGGED 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 2020 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, 2020</u>	<u>December 31, 2019</u>
Financial assets		
Financial assets at amortized cost	<u>\$1,120,064</u>	<u>\$1,258,899</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>

Financial liabilities		
Financial Liabilities at amortized cost	\$745,285	\$952,166
Lease liabilities	32,136	47,822
	<u>\$777,421</u>	<u>\$999,988</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, RUR, 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, 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	\$35,851	29.98	\$1,074,813	1%	\$8,599
EUR : NTD	664	33.59	22,304	1%	178
RMB : NTD	21,093	4.31	90,911	1%	727
<u>Non-monetary items</u>					
USD : NTD	\$15,960	29.98	\$478,481	1%	\$3,828
EUR : NTD	7,394	33.59	248,364	1%	1,987
JPY : NTD	28,377	0.28	7,946	1%	63
GBP : NTD	95	39.36	3,739	1%	30
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$5,534	29.98	\$165,909	1%	\$1,327

December 31, 2019

	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	\$35,851	29.98	\$1,074,813	1%	\$8,599
EUR : NTD	664	33.59	22,304	1%	178
RMB : NTD	21,093	4.31	90,911	1%	727
JPY : NTD					
<u>Non-monetary items</u>					
USD : NTD	\$15,960	29.98	\$478,481	1%	\$3,828
EUR : NTD	7,394	33.59	248,364	1%	1,987
JPY : NTD	28,377	0.28	7,946	1%	63
GBP : NTD	95	39.36	3,739	1%	30
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$5,534	29.98	\$165,909	1%	\$1,327
USD : NTD	\$35,851	29.98	\$1,074,813	1%	\$8,599

- 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, 2020 and 2019,

amounted to loss of \$33,968 and loss of \$16,692, respectively.

Price risk

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.

(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, 2020 and 2019, 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, 2020, the provision matrix is as follows:

December 31, 2020	Not overdue	Overdue 1 ~ 90 days	Overdue 91 ~ 180 days	Overdue 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 271 ~ 360 days	Overdue More than 360 days	Total
Expected loss rate	65.53%	100.00%	
Total book value	\$-	\$-	\$351,925
Loss allowance	\$-	\$-	\$35

December 31, 2019	Not overdue	Overdue 1 ~ 90 days	Overdue 91 ~ 180 days	Overdue 181 ~ 270 days
Expected loss rate	0%-0.05%	0.05%	0.05%	0.05%
Total book value	\$453,705	\$86,479	\$18	\$-
Loss allowance	\$49	\$39	\$-	\$-

December 31, 2019	Overdue 271 ~ 360 days	Overdue More than 360 days	Total
Expected loss rate	65.53%	100.00%	
Total book value	\$-	\$87	\$540,289
Loss allowance	\$-	\$87	\$175

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

	December 31, 2020		December 31, 2019	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	\$2,948	\$345,875	\$6,681	\$447,024
within 30 days	-	3,102	-	8,915
31 ~ 90 days	-	-	-	77,564
91 ~ 180 days	-	-	-	18
More than 181 days	-	-	-	87
	<u>\$2,948</u>	<u>\$348,977</u>	<u>\$6,681</u>	<u>\$533,608</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, 2020</u>
	<u>Accounts receivable</u>
January 1	\$175
Impairment loss	(140)
December 31	<u>\$35</u>
	<u>Years ended December 31, 2019</u>
	<u>Accounts receivable</u>
January 1	\$55
Impairment loss	120
December 31	<u>\$175</u>

- xi. The Company uses the forecastability 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, 2020 and 2019.

(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, 2020					
Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Lease liabilities	\$16,638	\$14,409	\$17,515	\$-	\$48,562
December 31, 2019					
Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Lease liabilities	\$16,638	\$14,409	\$17,515	\$-	\$48,562
Bonds payable	-	330,400	-	-	330,400

(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 related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets are as follows:

The financial liabilities measured by fair value through profit and loss of the Company for the periods as of 31 December 2020 and 2019 are the second level of financial instrument, amounts \$0 and \$2,760.

C. 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.

D. In 2020 and 2019, 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: None.

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 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

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 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

#### (3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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 2020, please refer to table 6.
- (4) Information on investees
- A. Basic information: Please refer to table 9.

AXIOMTEK CO., LTD.  
Loans to others  
For the year ended December 31, 2020

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, 2020 (Note 3)	Balance at December 31, 2020 (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	\$73,725	\$71,200	\$71,200	2.75%-3%	1	\$1,310,140	-	-	-	-	\$263,378	\$1,053,511	
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	Other receivables-related parties	Y	37,444	38,518	13,131	1.75%	1	112,069	-	-	-	-	\$263,378	\$1,053,511	

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, 2020

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, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (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	\$ 263,378	USD 3,500	USD 3,500	USD -	-	3.78%	1,316,889	Y	-	-	
0	AXIOMTEK CO., LTD.	AXGM	2	\$ 263,378	USD 250	USD 250	USD -	-	0.27%	1,316,889	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, 2020

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, 2020		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2020	
					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	-	-	-	-	39,537,786	565,000	39,537,786	565,204	565,000	204	-	-

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.

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, 2020

Table 4

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	\$1,310,140	28.46%	Monthly 45 ~ 90 days	-	-	\$210,399	29.16%	
AXIOMTEK CO., LTD.	AXGM	The Company's subsidiaries are stated as follows:	Sale	317,515	6.90%	Monthly 45 days	-	-	28,940	4.01%	
AXIOMTEK CO., LTD.	Axiomtek Shenzhen	The Company's subsidiaries are stated as follows:	Sale	112,069	2.43%	Monthly 75 days	-	-	27,248	3.78%	

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, 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Balance as at December 31, 2020 (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	\$210,399	5.31	-	-	\$158,905	-

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, 2020

Table 6

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	\$317,515	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	6.90%
0	AXIOMTEK CO., LTD.	AXUS	1	Sales revenue	1,310,140	same as that applicable to the general customer receivables collection as per for the average customer, 45 - 90 days	28.46%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Sales revenue	112,069	same as that applicable to the general customer receivables collection for the general customer 75 days; 45 - 75 days with slight delay	2.43%
0	AXIOMTEK CO., LTD.	AXIT	1	Sales revenue	31,691	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	0.69%
0	AXIOMTEK CO., LTD.	AXUS	1	Purchase of goods	28,575	same as that applicable to the general vendor receivables collection as per for the average vendor, 45 days	0.62%
0	AXIOMTEK CO., LTD.	AXSZ	1	Purchase of goods	12,931	same as that applicable to the general vendor receivables collection as per for the average vendor, 45 days	0.28%
0	AXIOMTEK CO., LTD.	AXUS	1	Accounts receivable	210,399		5.20%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Accounts receivable	27,248		0.67%
0	AXIOMTEK CO., LTD.	AXGM	1	Accounts receivable	28,940		0.72%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Other receivables	13,150		0.33%
0	AXIOMTEK CO., LTD.	AXUS	1	Other receivables	71,200		1.76%

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, 2020

Table 7

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, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2(3))	Remark
				Balance as at December 31, 2020	Balance as at December 31, 2019	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	\$546,713	\$110,665	\$110,665	
"	AXGM	Germany	Industrial computer and Embedded Board manufacturing, trading, post-sales service	19,941	19,941	(Note 3)	100.00	225,960	4,470	4,470	
"	AXBVI	British Virgin Islands	Holding company	156,650	156,650	5,000	100.00	99,649	16,284	16,338	
"	AXUK	United Kingdom	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,615	8,615	180,000	100.00	2,392	(1,274)	(1,274)	
"	AXJP	Japan	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,235	8,235	600	100.00	8,493	655	655	
"	AXIT	Italy	Industrial computer and Embedded Board manufacturing, trading, post-sales service	56,068	56,068	(Note 3)	100.00	37,540	(1,796)	(12,982)	
"	UNI	Taiwan	Automation equipment system set-up and development	29,000	29,000	1,450,000	26.70	25,945	(6,007)	(1,604)	

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, 2020' 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, 2020' 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, 2020' 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, 2020

Table 8

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Axiomtek Shenzhen	Industrial computer and Embedded Board manufacturing, trading, post-sales service	NT\$ 119,815 (USD 4,207)	Note1(2)	NT\$ 119,815 (USD 4,207)	\$-	\$-	NT\$ 119,815 (USD 4,207)	\$16,365	100.00	\$16,365	\$105,029	\$-	

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=28.48 on December 31, 2020.

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, 2020	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	\$119,815	USD 4,223	\$1,580,267
	USD 4,207		

Table 9

AXIOMTEK CO., LTD.  
Major shareholders information  
For the year ended December 31, 2020

Name of major shareholders	Shares	Name of shares held	Ownership (%)
Advantech	20,537,984		24.70%

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**