

Stock Code: 6569



Onyx Healthcare Inc.

ANNUAL REPORT 2020

Annual Report Website: <https://mops.twse.com.tw/>
Website: <https://www.onyx-healthcare.com/>
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(Translation - In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

I. SPOKESPERSON & DEPUTY SPOKESPERSON

Spokesperson : Wang, Feng-Hsiang

Title : President

Tel : (886)2 28919-2188

E-mail : speaker@onyx-healthcare.com

Deputy Spokesperson : Yang, Hsiang-Chih

Title : Head of Accounting

Tel : (886)2 8919-2188

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II. HEADQUARTERS AND PLANTS

Address of the head office : 2F, No.135, Lane 235, Baoqiao Rd. Xindian Dist., New Taipei City, Taiwan, ROC.

Tel : (886)2 8919-2188

Address of plants : 2F,2F-1,2F-2,2F-3 No.135, 2F,2F-1,2F-2,2F-3 No.133, 2F-2 No.131, 2F-2 No.137, Lane 235, Baoqiao Rd. Xindian Dist., New Taipei City, Taiwan, ROC.

Tel : (886)2 8919-2188

III. SECURITIES DEALING INSTITUTE

Name : Taishin International Bank, Department of Stock Affair Agent

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Website : <https://www.taishinbank.com.tw/>

Tel : (886)2 2504-8125

IV. AUDITORS

Name of CPA : CPA Weng, Shih-Rong and CPA Lin, Chun – Yao

CPA Firm : PricewaterhouseCoopers, Taiwan

Address : 27F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110

Tel : (886) 2 2729-6666

E-mail : <https://www.pwc.com>

V. EXCHANGEABLE BOND EXCHANGE MARKETPLACE : None.

VI. COMPANY WEBSITE

<https://www.onyx-healthcare.com/>

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ONE Letter to Shareholders

Ladies and gentlemen:

Thank you, dear shareholders, for your support and encouragement. 2020 was a challenging year for Onyx Healthcare. Looking ahead to 2021, although the economic environment is still filled with variables, we will continue with R&D to enhance competitiveness and create new business opportunities, as well as improve capacity and quality to actively face future challenges. What follows is the report on our business performance in 2020 and business plan for 2021:

I. Business Performance in 2020

(I) Project Results in 2020

Changes of the economic environment, intensified market competition, and the strengthening of NTD against USD have all affected the Company's profits in 2020. The Company generated operating revenues of NT\$1,347,304 thousand for 2020, down 9.15% compared to 2019, and reported gross profit of NT\$464,007 thousand and net income of NT\$164,907 thousand for 2020, representing declines of -14.49% and -29.98% over 2019, respectively. Below is a breakdown of revenue weight by products:

| Product category | Revenue weight |
|--------------------------|----------------|
| Critical Care Monitoring | 31.60% |
| Medical Controller | 24.16% |
| Mobile Medical Assistant | 14.25% |
| Mobile Nursing Care | 17.03% |
| Others | 10.30% |
| Service Charge | 2.66% |
| | 100.00% |

(II) Budget execution and analysis of revenues, expenses and profitability

1. Budget execution: The Company did not produce a financial forecast for 2020, and hence is not required to disclose its progress.
2. Revenues, expenses, and profitability analysis

Unit: NT\$ thousand

| Item | | Year | 2020 | 2019 |
|------------------------|--|------------------|--------------|--------------|
| | | | Consolidated | Consolidated |
| Financial receipts | Operating revenues | | \$1,347,304 | \$1,482,944 |
| | Gross profit | | 464,007 | 542,644 |
| | Current net income | | 164,907 | 235,529 |
| Profitability analysis | Return on assets (%) | | 11.93 | 18.31 |
| | Return on shareholders' equity (%) | | 15.91 | 24.23 |
| | As a percentage of paid-up capital (%) | Operating profit | 58.40 | 107.52 |
| | | Pre-tax profit | 73.65 | 131.73 |
| | Net profit margin (%) | | 12.24 | 15.88 |
| | Basic earnings per share (NT\$) | | 6.07 | 10.88 |
| | Diluted earnings per share (NT\$) | | 6.04 | 10.82 |

(III) Research and development

1. Research and development expenses in the last 2 years

Unit: NT\$ thousand; %

| Item | | Year | 2020 | 2019 |
|---|--|------|-----------|-----------|
| | | | | |
| R&D expenses | | | 68,635 | 68,973 |
| Net operating revenues | | | 1,347,304 | 1,482,944 |
| As a percentage of net operating revenues | | | 5.09 | 4.65 |

2. R&D progress in the last year

The scope of our R&D covers hardware, software, and mechanisms. We also combined the foundations of group technology and industry-academia collaboration to develop new medical products. Hardware development includes medical-grade computers and related peripherals and custom design in collaboration with leading suppliers of medical equipment. Software development includes smart power diagnosis and management and AIoT technologies. Current R&D interests cover medical AI image identification, AI edge computing, smart power management, and telemedicine systems. Mechanism development includes the design of lightweight mechanisms with rugged forms and structures suitable for use in medical environments. The results of R&D will be included in the new functions of future new product development to constantly enhance product particularity, maintain technology leadership, and seize higher market shares. New products launched in 2020 included the Digital Diagnostic Scope for use in telemedicine; the integration of the brand-new generation smart medical power supply UP43 and the latest central control software Orion, which can provide uninterrupted power supply for remote control services for up to 24 hours; and the all-in-one medical PC MATE and ACCEL series, medical display MedDP, and medical controller MedPC.

II. Business plan and strategic development for 2021

(I) Operational policy

1. Our business philosophy is “People Oriented, Integrity and Sincerity, Excellence and Innovation, Customers as Teachers”.
2. Monitor and capitalize on market opportunities for revenue and profit growth.
3. Coordinate with suppliers and execute procurement, production and sales practices in conformity with ethical and environmental standards for mutual benefit.

(II) Projected sales volume and basis

Through continuous cultivation of the medical PC market, we have developed steady customer groups in Europe and America, and our products have earned praise from customers on these continents. Through product R&D and innovation, it is expected that we can capture market growth opportunities in Europe and America to boost revenues and maintain steady profit growth for the company. In 2021, we will continue to implement various strategies based on our experience. Regardless of the impact of COVID-19, steady growth is expected in the coming year.

(III) Production-sales plan

1. Continue to promote our own brand—Onyx—on the Taiwanese, European, and American markets; target smart OR; engage in in-depth learning of medical market needs; provide European professional medical channels with new products; and develop niche products with high gross profits.
2. Provide ODM services, actively seize DMS business opportunities, provide dedicated brand-new automated production lines, strive for ODM orders from leading European and American medical suppliers, and create steady and rapid sales growth.
3. Accelerate and deepen collaboration with medical software developers, introduce smart healthcare solutions with worldwide partners, target medical centers to open business opportunities in precision medicine.
4. Strengthen digital marketing for market expansion.

(IV) Future development strategies

1. Expand the scope of mobile medicine and Android application attributes, and develop new products for miniaturized medical application markets.
2. Deepen and expand the capacity of local DMS technology and services, and deepen product development for local customers.
3. Establish a healthcare innovation unit, utilize AI to provide medical practices with sensing, connection, and adaptation functions and spread their use in medical institutions at home and abroad.
4. Collaborate with leading hospitals in Europe, America, and Asia to provide telecare services.
5. Effectively overcome spatial barriers with ICT and IoT for patients to receive healthcare services outside the hospital.

III. Impact of external competition, legal environment, and macro environment

(I) Impact of external competition

In recent years, large manufacturers have continued to enter the medical PC market. To tackle the competition, besides enhancing services for existing

customers, we will emphasize the R&D of products with higher gross profit to provide customers with more competitive options.

(II) Impact of the legal environment

Besides complying with the relevant regulations at home and abroad, we keep track of policy trends and regulatory changes at home and abroad to provide a reference for management consideration and to take countermeasures. Currently, no unfavorable legal impact on operations has been detected.

(III) Impact of the macro environment

Although global economic recovery looks promising as pandemic control is expected to bear fruit later this year because of mass vaccination in a number of countries, the US dollar continues to fluctuate and increase foreign exchange risks. We will keep close track on Forex rate trends and enhance control over Forex volatility to minimize the impact on operations.

Lastly, we look forward to your continued support, encouragement, and advice.

Sincerely,

Onyx Healthcare Inc.

Chairman: Chuang, Yung-Shun

President: Wang, Feng-Hsiang

Head of Accounting: Yang, Hsiang-Chih

TWO Company profile

I. Date of establishment: February 2, 2010

II. Corporate history

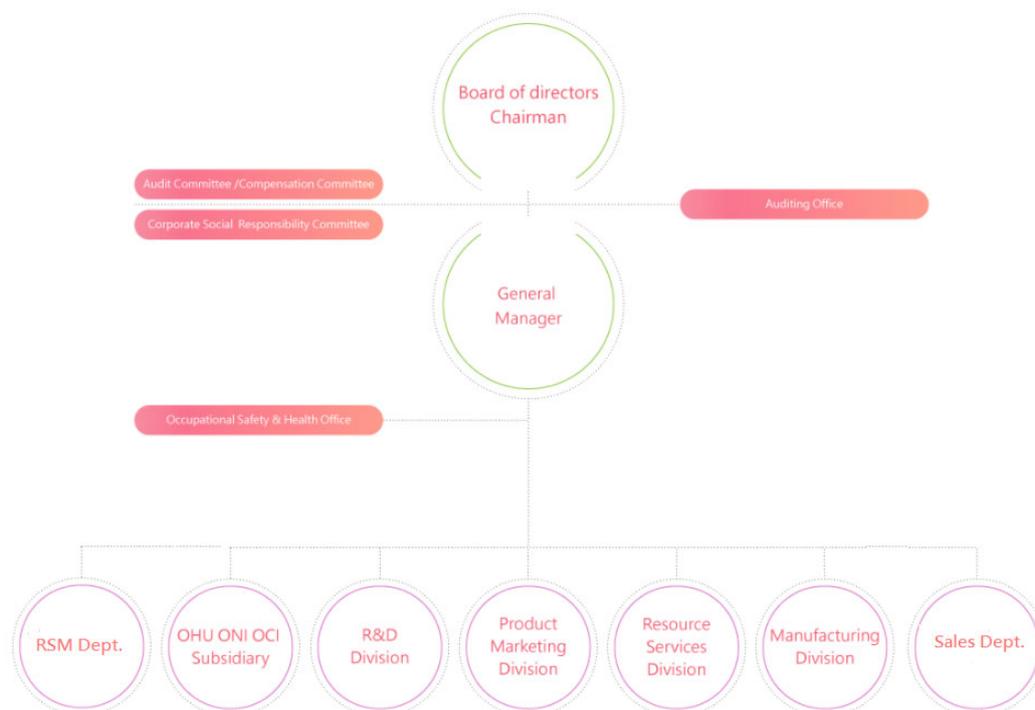
| | |
|------|--|
| 2010 | <ul style="list-style-type: none"> February: The Company was founded with a total capital of NT\$30,000,000 and named ONYX Healthcare Inc. Its primary business activities were to provide reliable and high-quality medical computing solutions. |
| 2011 | <ul style="list-style-type: none"> August: Passed certification for ISO 9001:2008 Quality Management System and ISO 13485: 2003 Medical devices - Quality management systems. November: Founded U.S. subsidiary ONYX HEALTHCARE USA, INC. |
| 2012 | <ul style="list-style-type: none"> March: Completed a cash issue of NT\$45,000 thousand to support operations, which increased total capital to NT\$75,000 thousand. April: Founded Dutch subsidiary ONYX HEALTHCARE EUROPE B.V. |
| 2013 | <ul style="list-style-type: none"> March: The Company's 10-inch Android-powered bedside device (ONYX-BE100) and AI-ready medical image processing system (Zeus Series) won the 21st Taiwan Excellence Award. Zeus-247S, the Company's AI-ready medical image processing system, won Zorg & ICT Innovation Award 2013. December: Capitalized NT\$21,600 thousand of earnings, which increased total capital to NT\$96,600 thousand. |
| 2014 | <ul style="list-style-type: none"> April: The Company's 7-inch rugged medical tablet (MD70-PRO) won the 22nd Taiwan Excellence Award. August: Capitalized NT\$33,810 thousand of earnings, which increased total capital to NT\$130,410 thousand. September: Founded subsidiary Onyx Healthcare (Shanghai) Inc. |
| 2015 | <ul style="list-style-type: none"> April: The Company's UPS-supported mobile medical platform (Venus-191) and medical computer display (ONYX-BE381) won the 23rd Taiwan Excellence Award. August: Capitalized NT\$13,041 thousand of earnings, which increased total capital to NT\$143,451 thousand. December: Shares of the Company were publicly offered. |
| 2016 | <ul style="list-style-type: none"> January: Registered on the Emerging Market board with Taipei Exchange (TPEX). February: Passed certification for ISO 14001: 2015 - Environmental management. August: Capitalized NT\$14,345 thousand of earnings, which increased total capital to NT\$157,796 thousand. October: Won the 25th National Award of Outstanding SMEs, 19th Rising Star Award and 23rd Taiwan SMEs Innovation Award. December: Shares were listed for trading on TPEX. |

| | |
|------|---|
| 2017 | <ul style="list-style-type: none"> ● January: Completed a cash issue of NT\$24,090 thousand, which increased total capital to NT\$181,886 thousand. ● February: The Company's all-in-one integrated bedside multimedia infotainment unit, fanless medical computer, lightweight medical UPS and dual-expansion AI-ready surgical image processing system won the 25th Taiwan Excellence Award. ● June: Won the 4th Taiwan Mittlestand Award. ● August: Ranked second in the 2017 Excellence in Corporate Social Responsibility - SME Division. Capitalized NT\$18,189 thousand of earnings, which increased total capital to NT\$200,075 thousand. ● October: Won 2017 TCSA (Taiwan Corporate Sustainability Awards). ● November: The Company's UPS-supported mobile medical platform (Venus) won the 14th National Innovation Award. |
| 2018 | <ul style="list-style-type: none"> ● February: The Company's rugged emergency medical tablet, automated biomonitoring system and mobile medical UPS won the 26th Taiwan Excellence Award. ● August: Ranked third in the 2018 Excellence in Corporate Social Responsibility - SME Division. ● November: Won bronze award in 2018 Taiwan Corporate Sustainability Awards (TCSA) - Corporate Sustainability Report Award - IT & IC Manufacturing category. |
| 2019 | <ul style="list-style-type: none"> ● February: The Company's fanless medical computer, hospital IT management software, 8-inch medical tablet and all-in-one bedside infotainment unit won the 27th Taiwan Excellence Award. ● September: Ranked second in the 2019 Excellence in Corporate Social Responsibility - SME Division. Capitalized NT\$20,007 thousand of earnings, which increased total capital to NT\$220,082 thousand. |
| 2020 | <ul style="list-style-type: none"> ● February: The Company's expandable modularized fanless medical computer and 32-inch high resolution surgical image processing system won the 28th Taiwan Excellence Award. ● Capitalized NT\$55,020 thousand of earnings, which increased total capital to NT\$275,103 thousand. |
| 2021 | <ul style="list-style-type: none"> ● February: The Company's expandable modularized fanless medical computer and 32-inch high resolution surgical image processing system , UPS-supported mobile medical platform and telehealth tablets won the 28th Taiwan Excellence Award. |

THREE Corporate Governance Report

I. Organization

(I) Organizational structure of the Company



(II) Responsibilities of main departments

| Department | Main duties |
|-------------------------------------|--|
| Auditing Office | <ol style="list-style-type: none"> 1. Establishment and management of the Company's internal control system and audit system. 2. Executes audit tasks. 3. Correction and tracking of internal control defects and misconducts. 4. Reporting of audit outcome. 5. Ensures that internal control and management systems are effectively executed within the Company. |
| Occupational Safety & Health Office | <ol style="list-style-type: none"> 1. Establishment of occupational hazard plan and emergency response plan, and to supervise implementation across departments. 2. Plans and supervises implementation and audit of the worker safety and health audit in all departments. 3. Plans and supervises count and inspection of safety and health facilities. 4. Plans and supervises personnel in conducting regular/focused inspections, hazard identification and operating environment testing. 5. Plans and implements worker safety and health training. 6. Arranges health checkup for workers and implements health management. 7. Supervises workers in the investigation, handling and statistical analysis of occupational hazards such as illness, injury, disability and death. 8. Implements safety and health performance assessment and offers consultation on worker safety and health. 9. Provides information and suggestions relating to worker safety and health management. 10. Other matters relating to worker safety and health management. |

| Department | Main duties |
|-------------------------------------|--|
| Product R&D Division | <ol style="list-style-type: none"> 1. Review and confirmation of product research, development and design. 2. Determines engineering specifications. 3. Review and maintenance of research, development and engineering documents. 4. Execution of development projects and objectives. 5. Provides technical support for mass production at production departments. 6. Assist with the handling of customer complaints and issues with vendors' quality. |
| Marketing Division | <ol style="list-style-type: none"> 1. New market and new customer development, and product promotion, introduction and sale. 2. Planning, editing, design, maintenance and update of company website. 3. Plans and executes exhibitions. 4. Preparation and distribution of corporate materials, publications, promotional documents and press release. 5. Forecast and review of project development costs and expenses. 6. Assists production and quality assurance departments in problem solution. |
| Resource & Service Division | <ol style="list-style-type: none"> 1. Responsible for maintenance, control and management of internal information systems. 2. Supervises personnel, administrative and general affairs. 3. Handles communication for board of directors meetings, annual general meetings and important meetings. 4. Routine bookkeeping and financial statement preparation. 5. Tax and compliance matters. 6. Exchange rate and interest rate risk management. 7. Management of working capital and liquidity. 8. Budget preparation, planning and review. |
| Design Quality Assurance Department | <ol style="list-style-type: none"> 1. Management and execution of product function tests and quality assurance. |
| Quality Assurance Department | <ol style="list-style-type: none"> 1. Input material test, procedure control and shipment test. 2. Assists production department in problem solution. 3. Supplier quality management and resolution of quality defects. 4. Adoption and implementation of quality approach and system. 5. Assists customers in after-sale service and complaint resolution. |
| Manufacturing Division | <ol style="list-style-type: none"> 1. Management and planning of production units. 2. Production capacity planning and implementation. 3. Cost and procurement management for production units. 4. Planning for mass production and researches on the production process. 5. Inspection of incoming materials, quality control of production process and finished goods inspection. 6. Assist and handle incidents of abnormal quality from the production units. 7. Quality control and manage of material vendor and supplier 8. Introduction of quality concepts and quality systems. 9. Management, control and approval of production needs. 10. Control of production lead time. 11. Warehousing management and planning and management and approval of material-related operations. 12. Control and reporting of slow-moving materials. 13. Management and approval of procurement. 14. Approval of price negotiations and control of procurement cost. 15. Oversee the management and assessment of vendors. 16. Control, counseling and tracking the implementation of the quality system for production units, vendors and collaborative partners. |
| Sales Dept. | <ol style="list-style-type: none"> 1. Determination and execution of business targets. 2. Survey and expansion of local and foreign markets. 3. Accomplishment of sales targets, maintenance of customer relations and provision of |

| Department | Main duties |
|------------|---|
| | service to customers. |
| RSM Dept. | 1. Maintaining good relationship with clients and promoting satisfaction, and clear accounts receivable from clients' payments. |

II. Background information of directors, supervisors, the President, vice presidents, assistant vice presidents, and heads of departments and branches

(I) Background of directors and supervisors

1. Directors' background

March 31, 2021; unit: shares; %

| Position | Nationality or place of registration | Name | Gender | Date elected/appointed | Term | Date first elected | Shareholding when elected | | Current shareholding | | Shareholdings of spouse and underage children | | Shares held by proxy | | Main career (academic) achievements | Concurrent duties in the Company and in other companies | Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads | | | Remarks |
|----------|--------------------------------------|-----------------------------------|--------|------------------------|---------|--------------------|---------------------------|-------------------------|----------------------|-------------------------|---|-------------------------|----------------------|--|--|---|--|------|--------------|---------|
| | | | | | | | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding percentage | | | Position | Name | Relationship | |
| Chairman | Republic of China | Jui Hai Investment Co., Ltd. | | 2019.05.29 | 3 years | 2019.05.29 | 134,823 | 0.67% | 185,381 | 0.67% | — | — | — | — | — | — | None | None | None | None |
| | Republic of China | Representative: Chuang, Yung-Shun | Male | | | 2010.01.25 | — | — | 2,147,162 | 7.80% | — | — | — | — | Ph.D. of Engineering (honors), National Taiwan University of Science and Technology AAEON Technology Inc. - Chairman | Chairman of the Company Details of other concurrent duties (Note 1) | None | None | None | None |
| Director | Republic of China | AAEON Technology Inc. | | 2019.05.29 | 3 years | 2010.01.25 | 10,004,678 | 50.00% | 13,756,431 | 50.00% | — | — | — | — | | | None | None | None | None |
| | Republic of China | Representative: Wang, Feng-Hsiang | Male | | | 2013.06.28 | — | — | 959,357 | 3.49% | — | — | — | — | MBA, City University of New York ONYX Healthcare - Vice President AAEON Technology - Vice President Advantech - Manager | President of the Company Details of other concurrent duties (Note 2) | None | None | None | None |
| Director | Republic of China | AAEON Technology Inc. | | 2019.05.29 | 3 years | 2010.01.25 | 10,004,678 | 50.00% | 13,756,431 | 50.00% | — | — | — | — | | | None | None | None | None |
| | Republic of China | Representative: Lin, Chien-Hung | Male | | | 2019.05.29 | — | — | 11,646 | 0.04% | — | — | — | — | AAEON Technology Inc. - President Graduate Institute of Electrical Engineering, National Taiwan University | AAEON Technology Inc. - President | None | None | None | None |
| Director | Republic of China | Lee, Tsu-Der | Male | 2019.05.29 | 3 years | 2016.02.23 | — | — | — | — | — | — | — | Bachelor of Dentistry, Taipei Medical University Taipei Medical University - Chairman | Taipei Medical University - Director Details of other concurrent duties (Note 3) | None | None | None | None | |

| Position | Nationality or place of registration | Name | Gender | Date elected/appointed | Term | Date first elected | Shareholding when elected | | Current shareholding | | Shareholdings of spouse and underage children | | Shares held by proxy | | Main career (academic) achievements | Concurrent duties in the Company and in other companies | Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads | | | Remarks |
|----------------------|--------------------------------------|----------------|--------|------------------------|---------|--------------------|---------------------------|-------------------------|----------------------|-------------------------|---|-------------------------|----------------------|-------------------------|--|---|--|------|--------------|---------|
| | | | | | | | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding percentage | | | Position | Name | Relationship | |
| Independent Director | Republic of China | Chiang, Po-Wen | Male | 2019.05.29 | 3 years | 2016.02.23 | — | — | — | — | — | — | — | — | Bachelor of Electrical Engineering, National Cheng Kung University Acer Incorporated - General Manager of Distribution | | None | None | None | None |
| Independent Director | Republic of China | Tai, Yi-Hui | Female | 2019.05.29 | 3 years | 2016.02.23 | — | — | — | — | — | — | — | — | Ph.D. in Accounting, National Taiwan University Accountant of higher examination Ming Chuan University - Associate Professor of Accounting | | None | None | None | None |
| Independent Director | Republic of China | Lee, San-Liang | Male | 2019.05.29 | 3 years | 2016.07.22 | — | — | — | — | — | — | — | — | Ph.D., University of California, Santa Barbara Distinguished Professor of Electronic and Computer Engineering, National Taiwan University of Science and Technology | AXCEN Photonics Corporation - Independent Director | None | None | None | None |

Note 1: AAEON Electronics Inc. - Director, AEON TECHNOLOGY (Europe) B.V. - Director, AEON TECHNOLOGY GMBH - Director, AEON TECHNOLOGY SINGAPORE PTE. LTD. - Director, AAEON Technology Inc. Chairman & corporate representative, AAEON Technology (Suzhou) Inc. Chairman & corporate representative, AAEON Investment Co., Ltd. Chairman & corporate representative, Yan Sin Investment Co., Ltd. - Chairman, AAEON Foundation - Director, Fu Li Investment Co., Ltd. - Chairman, Mefees Group Inc. - Director, Everfocus Electronics Corp. - Chairman, Allied Biotech Corp. - Director, King Core Electronics Inc. - Director, Atech OEM Inc. - Director, Qiye Electronic (Dongguan) Co., Ltd. - Director, Outstanding Electronics Manufacturer (Danyang) Co., Ltd. - Director, Machvision Inc. Co., Ltd. - Director, Machvision (Dongguan) Corp. - Director, Top Union Electronics (Suzhou) Corp. - Director & corporate representative, Top Union Electronics Corp. - Independent Director, Allied Oriental International Ltd. - Director & corporate representative, Litemax Electronics Inc. - Director, Litemax Technology, Inc. - Director, ONYX Healthcare Inc. - Chairman & corporate representative, Onyx Healthcare (Shanghai) Inc. - Chairman & corporate representative, Chang Yang Incorporation - Chairman & corporate representative, ONYX Healthcare Europe B.V. - Director, ONYX Healthcare USA, Inc. - Director, iHelper Inc. - Director & corporate representative, Winmate Inc. Director & corporate representative, XAC Automation Corp. - Director & corporate representative, Inno-fund I - Director & corporate representative, CHC Healthcare Group - Director & corporate representative, Sunengine Corporation Ltd. - Director & corporate representative, New Future Capital Director & corporate representative, iBase Technology Inc. - Director & corporate representative.

Note 2: ONYX HEALTHCARE USA, INC. - Director, ONYX HEALTHCARE EUROPE B.V. - Director & President, Onyx Healthcare (Shanghai) Inc. - Director & President, iHelper Inc. - Director & corporate representative, iHelper Inc. - President, Melten Connected Healthcare Inc. - Director.

Note 3: Microbio (Shanghai) Co., Ltd.- Director & corporate representative, H&Q Biotech Management Consultant Co., Ltd. - Chairman, Environmental Quality Protection Foundation - Director, DERMEI Int. Co., Ltd. - Chairman, Machvision Inc. Co., Ltd. - Independent Director, China General Plastics Corp. - Independent Director, Hsin Yao Biotech Investment Co., Ltd. - Director & corporate representative, Diamond Biofund - Director & corporate representative, Diamond Capital Management Co., Ltd. - Director & corporate representative, iHelper Inc. - Director.

2. Major shareholders of corporate shareholders

March 31, 2021

| Name of corporate shareholder | Major shareholders of corporate shareholders |
|-------------------------------|--|
| Jui Hai Investment Co., Ltd. | Fu Li Investment Co., Ltd. (49.58%), Huang, Hui-Mei (23.87%), Chuang, Yung-Shun (11.43%), Chuang, Fu-Chieh (7.56%), Chuang, Fu-Chun (7.35%), |
| AAEON Technology Inc. | ASUSTeK Computer Inc. (29.47%) iBase Technology Inc. (28.08%) Chuang, Yung-Shun (13.24%) Hua Cheng Venture Capital Corp. (5.63%) Hua-Min Investment Co., Ltd. (5.63%) Jui Hai Investment Co., Ltd. (3.04%) Huang, Yumin (2.85%) Zhuang, Wusong (0.82%) Li, Yingzhen (0.75%) Zhuang, Xiuli (0.63%) |

Note: The above information was sourced from the Department of Commerce, Ministry of Economic Affairs, and AAEON Technology Inc.

3. Major shareholders of major corporate shareholders

March 31, 2021

| Name of corporate entity | Corporate entity's major shareholders |
|----------------------------|--|
| Fu Li Investment Co., Ltd. | Chuang, Yung-Shun(43.75%), Huang, Hui-Mei (37.50%), Chuang, Fu-Chieh (9.375%), Chuang, Fu-Chun (9.375%) |
| ASUSTeK Computer Inc. | Jonney Shih (4.05%) 、ASUS' s Certificate of Depository with CitiBank (Taiwan) (3.31%) 、Cathay United Bank managed Expert Union Limited Investment account (2.77%) 、Taiwan Bank managed Silchester International Investors International Value Equity Trust (2.69%) 、New Labor Pension Fund (2.60%) 、Labor Insurance Funds (2.12%) 、Vanguard Emerging Market Stock Index Fund a Series of Vanguard International Equity Index Funds (1.68%) 、CitiBank (Taiwan) managed Norges Bank (1.47%) 、JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.40%) 、Taiwan bank managed Silchester International Investors International Value Equity Trust Group (1.35%) |
| iBase Technology Inc. | AAEON Technology Inc. (30.8%) Chun Bao Investment Co., Ltd. (1.57%) SPDR(R) Index Shares Funds - SPDR(R) S&P Emerging Markets ETF (1.29%) LIN, CHIU-SHI (0.8529%) |

| | |
|---------------------------------|---|
| | Winmate Inc. (0.82%) CHEN YANG, MEI-LING Special Trust Property Account (0.74%) CHEN, SHIH-HSIUNG (0.74%) LIN, RAY-QIN Special Trust Property Account (0.70%) Industrial Technology Investment Cooperation (0.68%) Fu Li Investment Co., Ltd.(0.64%) |
| Hua Cheng Venture Capital Corp. | ASUSTeK Computer Inc. (100%) |
| Hua-Min Investment Co., Ltd. | ASUSTeK Computer Inc. (100%) |

Note: The above information was sourced from 2018 annual report of ASUSTeK Computer Inc. the Department of Commerce, Ministry of Economic Affairs, and iBase Technology Inc.

4. Directors' expertise and independence

March 31, 2021

| Criteria | Having more than 5 years work experience and the following qualifications | | | Compliance of independence (Note) | | | | | | | | | | | | Number of positions as independent director in other public companies |
|-------------------|--|--|--|-----------------------------------|---|---|---|---|---|---|---|---|----|----|----|---|
| | Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution | Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the Company's operations | Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Name | | | | | | | | | | | | | | | | |
| Chuang, Yung-Shun | | | ✓ | | | | ✓ | | ✓ | | | ✓ | ✓ | ✓ | ✓ | 1 |
| Wang, Feng-Hsiang | | | ✓ | | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | None |
| Lin, Chien-Hung | | | ✓ | | ✓ | ✓ | ✓ | | ✓ | | | ✓ | ✓ | ✓ | ✓ | None |
| Lee, Tsu-Der | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |
| Chiang, Po-Wen | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | None |
| Tai, Yi-Hui | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | None |
| Lee, San-Liang | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |

Note: A "✓" is placed in the box if the director or supervisor met the following conditions at any time during active duty and two years prior to the date elected.

- (1) Not employed by the Company or by any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Act or local laws).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.

- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act local laws).
- (6) Not a director, supervisor or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Does not assume concurrent duty and is not a spouse to the Company's Chairman, President or equivalent role, and is not a director, supervisor or employee of another company or institution. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Does not meet any of the conditions stated in Article 30 of The Company Act.
- (12) Not elected as a government or corporate representative according to Article 27 of the Company Act.

(II) Background information of the President, Vice Presidents, Assistant Vice Presidents, and heads of departments and branch offices

March 31, 2021; unit: shares; %

| Position | Nationality | Name | Gender | Date elected/appointed | Shareholding | | Shares held by spouse and underage children | | Shares held by proxy | | Main career (academic) achievements | Concurrent positions in other companies | Spouse or relatives of second degree or closer acting as managers | | | Remarks |
|--|-------------------|-------------------|--------|------------------------|--------------|-------------------------|---|-------------------------|----------------------|-------------------------|---|---|---|------|--------------|---------|
| | | | | | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding percentage | | | Position | Name | Relationship | |
| CEO | Republic of China | Chuang, Yung-Shun | Male | 2018.01.01 | 2,147,162 | 7.80% | — | — | — | — | Ph.D. of Engineering (honors), National Taiwan University of Science and Technology AAEON Technology Inc. - Chairman | Details of other concurrent duties (Note 1) | None | None | None | None |
| President | Republic of China | Wang, Feng-Hsiang | Male | 2018.01.01 | 959,357 | 3.49% | — | — | — | — | MBA, City University of New York ONYX Healthcare Inc. - President AAEON Technology Inc. - Vice President Advantech Co., Ltd. - Manager | iHelper Inc. - President Details of other concurrent duties (Note 2) | None | None | None | None |
| Assistant Vice President | Republic of China | Lin, Huang-Pao | Male | 2019.10.01 | — | 0.00% | — | — | — | — | Department of Industrial Engineering and Management, National Taipei University of Technology Argox Information - Plant Manager KWORLD - Head of Manufacturing Division | None | None | None | None | None |
| Assistant Vice President of Marketing Division | Republic of China | Chen, Ying-Te | Male | 2012.07.13 | 87,776 | 0.32% | — | — | — | — | Master of Marketing Hertfordshire University, UK ONYX Healthcare - Assistant Vice President of Marketing Division | None | None | None | None | None |
| Head of Product R&D Division | Republic of China | Chao, Hsing-Kuo | Male | 2010.03.01 | 9,375 | 0.03% | — | — | — | — | MBA, National Chengchi University ONYX Healthcare - Head of R&D Division AAEON Technology - Manager of R&D Bicom Technology - Product Section Chief | None | None | None | None | None |

| Position | Nationality | Name | Gender | Date elected/appointed | Shareholding | | Shares held by spouse and underage children | | Shares held by proxy | | Main career (academic) achievements | Concurrent positions in other companies | Spouse or relatives of second degree or closer acting as managers | | | Remarks |
|--------------------|-------------------|-------------------|--------|------------------------|--------------|-------------------------|---|-------------------------|----------------------|-------------------------|---|---|---|------|--------------|---------|
| | | | | | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding percentage | | | Position | Name | Relationship | |
| Head of Accounting | Republic of China | Yang, Hsiang-Chih | Female | 2015.04.27 | 7,370 | 0.03% | — | — | — | — | Postgraduate Institute of Finance, National Taiwan University Litemax Electronics - Head of Accounting | None | None | None | None | None |

Note 1: AAEON Electronics Inc. - Director, AEON TECHNOLOGY (Europe) B.V. - Director, AEON TECHNOLOGY GMBH - Director, AEON TECHNOLOGY SINGAPORE PTE. LTD. - Director, AAEON Technology Inc. Chairman & corporate representative, AAEON Technology (Suzhou) Inc. Chairman & corporate representative, AAEON Investment Co., Ltd. Chairman & corporate representative, Yan Sin Investment Co., Ltd. - Chairman, AAEON Foundation - Director, Fu Li Investment Co., Ltd. - Chairman, Mcfees Group Inc. - Director, Everfocus Electronics Corp. - Chairman, Allied Biotech Corp. - Director, King Core Electronics Inc. - Director, Atech OEM Inc. - Director, Qiye Electronic (Dongguan) Co., Ltd. - Director, Outstanding Electronics Manufacturer (Danyang) Co., Ltd. - Director, Machvision Inc. Co., Ltd. - Director, Machvision (Dongguan) Corp. - Director, Top Union Electronics (Suzhou) Corp. - Director & corporate representative, Top Union Electronics Corp. - Independent Director, Allied Oriental International Ltd. - Director & corporate representative, Litemax Electronics Inc. - Director, Litemax Technology, Inc. - Director, ONYX Healthcare Inc. - Chairman & corporate representative, Onyx Healthcare (Shanghai) Inc. - Chairman & corporate representative, Chang Yang Incorporation - Chairman & corporate representative, ONYX Healthcare Europe B.V - Director, ONYX Healthcare USA, Inc. - Director, iHelper Inc. - Director & corporate representative, Winmate Inc. Director & corporate representative, XAC Automation Corp. - Director & corporate representative, Inno-fund I - Director & corporate representative, CHC Healthcare Group - Director & corporate representative, Sunengine Corporation Ltd. - Director & corporate representative, New Future Capital Director & corporate representative, iBase Technology Inc. - Director & corporate representative.

Note 2: ONYX HEALTHCARE USA, INC. - Director, ONYX HEALTHCARE EUROPE B.V. - Director & President, Onyx Healthcare (Shanghai) Inc. - Director & President, iHelper Inc. - Director & corporate representative, Melten Connected Healthcare Inc. - Director

III. Compensation to directors, supervisors, the President, and Vice Presidents in the latest year

(I) Compensation to non-independent and independent directors (aggregate disclosure of directors' names and range of remuneration)

Unit: NTD thousands

| Position | Name | Director compensation | | | | | | | | Sum of A, B, C, and D as a percentage of net income | | Compensation received as employee | | | | | | | | Sum of A, B, C, D, E, F, and G as a percentage of net income | | Compensation from invested businesses other than subsidiaries |
|--------------------------------------|------------------------------|-----------------------|--|-------------|--|---------------------------------------|--|--------------------------------|--|---|--|--|--|-------------|--|---------------------------------------|---|--|---|--|--|---|
| | | Compensation (A) | | Pension (B) | | Director remuneration (C) (Note 2) | | Fees for services rendered (D) | | | | Salaries, bonuses, special allowances etc. (E) | | Pension (F) | | Employee remuneration (G) (Note 2) | | | | | | |
| | | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | | All companies included in the financial statements | | The Company | All companies included in the financial statements | |
| | | | | | | | | | | | | | | | | | | | | | | |
| Director | Jui Hai Investment Co., Ltd. | | | | | | | | | | | | | | | | | | | | | |
| | AAEON Technology Inc. | | | | | | | | | | | | | | | | | | | | | |
| Representative of corporate director | Chuang, Yung-Shun | | | | | | | | | | | | | | | | | | | | | |
| | Wang, Feng-Hsiang | — | — | — | — | 2,400 | 2,400 | 30 | 30 | 1.45% | 1.45% | 5,252 | 5,252 | 108 | 108 | 1,721 | — | 1,721 | — | 5.69% | 5.69% | 15,448 |
| | Hsu, Chin-Lung (Note 3) | | | | | | | | | | | | | | | | | | | | | |
| | Lin, Chien-Hung | | | | | | | | | | | | | | | | | | | | | |
| Director | Lee, Tsu-Der | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chiang, Po-Wen | | | | | | | | | | | | | | | | | | | | | |
| | Tai, Yi-Hui | 1,440 | 1,440 | — | — | — | — | 198 | 198 | 0.98% | 0.98% | — | — | — | — | — | — | — | — | 0.98% | 0.98% | — |
| | Lee, San-Liang | | | | | | | | | | | | | | | | | | | | | |

Note 1: Net income attributable to parent company shareholders in 2020 amounted to NT\$167,075 thousand.

Note 2: 2020 director and employee remuneration have yet to be paid; the proposed/estimated amount is presented instead.

Compensation bracket table

| Range of compensation paid to directors | Name of director | | | |
|--|---|---|---|--|
| | Sum of first 4 compensations (A+B+C+D) | | Sum of first 7 compensations (A+B+C+D+E+F+G) | |
| | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements (Note 1) |
| Below NT\$ 1,000,000 | Jui Hai Investment Co., Ltd., AAEON Technology Inc., Chuang, Yung-Shun, Wang, Feng-Hsiang, Lin, Chien-Hung, Lee, Tsu-Der, Chiang, Po-Wen, Tai, Yi-Hui, Lee, San-Liang | Jui Hai Investment Co., Ltd., AAEON Technology Inc., Chuang, Yung-Shun, Wang, Feng-Hsiang, Lin, Chien-Hung, Lee, Tsu-Der, Chiang, Po-Wen, Tai, Yi-Hui, Lee, San-Liang | Jui Hai Investment Co., Ltd., AAEON Technology Inc., Lin, Chien-Hung, Lee, Tsu-Der, Chiang, Po-Wen, Tai, Yi-Hui, Lee, San-Liang | Jui Hai Investment Co., Ltd., AAEON Technology Inc., Lee, Tsu-Der, Chiang, Po-Wen, Tai, Yi-Hui, Lee, San-Liang |
| NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive) | — | — | — | — |
| NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive) | — | — | Chuang, Yung-Shun | — |
| NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive) | — | — | Wang, Feng-Hsiang | Wang, Feng-Hsiang |
| NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive) | — | — | — | Chuang, Yung-Shun, Lin, Chien-Hung, |
| NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive) | — | — | — | — |
| NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive) | — | — | — | — |
| NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive) | — | — | — | — |
| NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive) | — | — | — | — |
| NT\$ 100,000,000 and above | — | — | — | — |
| Total | 9 | 9 | 9 | 9 |

Note 1 : Included Compensation from invested businesses other than subsidiaries

(II) Supervisors' compensation: The Company has assembled an Audit Committee to replace supervisors.

(III) Compensation to the President and vice presidents

Unit: NTD thousands

| Position | Name | Salary (A) | | Pension (B) | | Bonuses and allowances (C) | | Employee remuneration (D) (Note 2) | | | | Sum of A, B, C, and D as a percentage of net income (%) | | Compensation from investments other than subsidiaries |
|-----------|-------------------|-------------|--|-------------|--|----------------------------|--|---------------------------------------|-----------------------|--|-----------------------|---|--|---|
| | | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | | All companies included in the financial statements | | The Company | All companies included in the financial statements | |
| | | | | | | | | Amount paid in cash | Amount paid in shares | Amount paid in cash | Amount paid in shares | | | |
| CEO | Chuang, Yung-Shun | 3,867 | 3,867 | 108 | 108 | 1,385 | 1,385 | 1,721 | — | 1,721 | — | 4.24% | 4.24% | 6,193 |
| President | Wang, Feng-Hsiang | | | | | | | | | | | | | |

Note 1: Net income attributable to parent company shareholders in 2020 amounted to NT\$167,075 thousands.

Note 2: 2020 director and employee remuneration have yet to be paid; the proposed/estimated amount is presented instead.

Compensation bracket table

| President's and vice presidents' compensation brackets | Name of director | |
|--|--------------------|---|
| | The Company | All companies included in the financial statements (Note 1) |
| Below NT\$ 1,000,000 | — | — |
| NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive) | — | — |
| NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive) | Chuang, Yung-Shun, | — |
| NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive) | Wang, Feng-Hsiang | Wang, Feng-Hsiang |
| NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive) | — | Chuang, Yung-Shun, |
| NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive) | — | — |
| NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive) | — | — |
| NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive) | — | — |
| NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive) | — | — |
| NT\$ 100,000,000 and above | — | — |
| Total | 2 | 2 |

Note 1 : Included Compensation from invested businesses other than subsidiaries

(IV) Names of managers entitled to employee remuneration and amount entitled

March 31, 2021 Unit: NTD thousands

| | Position | Name | Amount paid in shares (Note 2) | Amount paid in cash (Note 2) | Total | Total as a percentage of net income (%) |
|----------|--|-------------------|--------------------------------|------------------------------|-------|---|
| Managers | CEO | Chuang, Yung-Shun | — | 2,824 | 2,824 | 1.69% |
| | President | Wang, Feng-Hsiang | | | | |
| | Assistant Vice President | Lin, Huang-Pao | | | | |
| | Assistant Vice President of Marketing Division | Chen, Ying-Te | | | | |
| | Division Head | Chao, Hsing-Kuo | | | | |
| | Head of Accounting | Yang, Hsiang-Chih | | | | |

Note 1: Net income attributable to parent company shareholders in 2020 amounted to NT\$167,075 thousands.

Note 2: 2020 director and employee remuneration have yet to be paid; the proposed/estimated amount is presented instead.

(V) Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and vice presidents, and their respective percentages to standalone or individual net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks

1. Compensation paid to the Company's directors, supervisors, President and vice presidents in the last 2 years, and percentages relative to standalone or consolidated net income

Unit: NTD thousands, %

| Item | 2019 | | 2020 | |
|---|----------------|-----------------------------------|----------------|-----------------------------------|
| | The Company | Consolidated financial statements | The Company | Consolidated financial statements |
| Total director compensation | 4,040 | 4,040 | 4,068 | 4,068 |
| Total director compensation as a percentage of net income | 1.69% | 1.69% | 2.43% | 2.43% |
| Total supervisor compensation (Note 1) | Not applicable | Not applicable | Not applicable | Not applicable |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Total supervisor compensation as a percentage of net income | Not applicable | Not applicable | Not applicable | Not applicable |
| Total compensation to the President and vice presidents | 10,373 | 10,373 | 7,081 | 7,081 |
| Total compensation to the President and vice presidents as a percentage of net income | 4.33% | 4.33% | 4.24% | 4.24% |

Note 1: The Company assembled an Audit Committee to replace supervisors in 2016, hence not applicable.

Note 2: Net income attributable to parent company shareholders in 2020 amounted to NT\$167,075 thousands.

2. Compensation policies, standards, packages and procedures, and association with future risks and business performance
 - (1) Compensation policy, standards, packages and procedures for determining compensation

A. Directors

According to the Articles of Incorporation, directors' compensations shall be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of all attending directors, and subsequently reported in shareholder meeting. Director remuneration (profit-sharing) is calculated according to the Articles of Incorporation, which is capped at 3% of pre-tax profit before employee and director remuneration for the current year. However, profits must first be taken to offset cumulative losses if any. Director remuneration can only be paid in cash.

B. President and vice presidents

Compensation for the President and vice presidents includes salary, bonus and employee remuneration. Salary and bonus are determined based on job role, the responsibilities undertaken, contributions to the Company and peer levels. Employee remuneration is determined according to Articles of Incorporation, which is subject to board of directors' approval and acknowledgment at shareholder meeting.

- (2) Association with business performance and future risks

Director and manager compensations are determined according to the Company's "Board of Directors Performance Evaluation Policy" and "Director and Manager Salary, Compensation and Performance Assessment Policy" after taking

into consideration relevant factors such as corporate performance, industry risks and trends, individual performance and accomplishment, and contribution to corporate performance. Performance assessment and compensation are subject to review of the Remuneration Committee and resolution by the board of directors. The Company will continue reviewing and adjusting its compensation system to ensure conformity with actual practice and relevant laws, and in doing so maintain proper balance between business continuity and risk exposure. In summary, the Company's compensation policies and procedures for directors, President and vice presidents have been designed to promote positive business performance.

IV. Corporate governance

(I) Functionality of the board of directors

A total of 6 board meetings (A) were held in the last year (2020); below are directors' attendance records:

| Position | Name | Attendance in person (B) | Proxy attendance | In-person attendance rate (%) (B/A) | Remarks |
|----------------------|-------------------|--------------------------|------------------|-------------------------------------|---------|
| Chairman | Chuang, Yung-Shun | 6 | 0 | 100% | |
| Director | Wang, Feng-Hsiang | 6 | 0 | 100% | |
| Director | Lin, Chien-Hung | 6 | 0 | 100% | |
| Director | Lee, Tsu-Der | 5 | 1 | 83% | |
| Independent Director | Chiang, Po-Wen | 6 | 0 | 100% | |
| Independent Director | Tai, Yi-Hui | 6 | 0 | 100% | |
| Independent Director | Lee, San-Liang | 6 | 0 | 100% | |

Other mandatory disclosures:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the Company has responded to such opinions

(I) Conditions described in Article 14-3 of the Securities and Exchange Act:

| Board of directors meeting | Motion | Independent directors' opinions | Company's response to independent directors' opinions | Outcome of resolution |
|--|---|---------------------------------|---|---|
| 5th meeting of the 4th board 2020/2/24 | Allocation of 2019 employee and director remuneration | None | None | Passed as proposed by all attending directors. |
| | 2019 earnings appropriation | None | None | Passed as proposed by all attending directors. |
| | Change of financial statement auditor | None | None | Passed as proposed by all attending directors. |
| | 2020 incentive bonus for non-sales employees | None | None | Except for stakeholders that had recused from resolution, the motion was passed as proposed by all remaining directors. See section II. for detailed description. |
| | 2020 manager salary adjustment proposal | None | None | Except for stakeholders that had recused from resolution, the motion was passed as proposed by all remaining |

| | | | | |
|--|--|------|------|---|
| | | | | directors. See section II. for detailed description. |
| | Allocation of 2019 employee warrant | None | None | Except for stakeholders that had recused from resolution, the motion was passed as proposed by all remaining directors. See section II. for detailed description. |
| 6th meeting of the 4th board 2020/5/11 | Amendments to "Internal Control System" and Internal Audit System" of the Company and subsidiary - ONI | None | None | Passed as proposed by all attending directors. |
| | Partial amendments to the Company's "Issuance and Subscription Policy for 2019 Employee Warrant." | None | None | Passed as proposed by all attending directors. |
| 8th meeting of the 4th board 2020/8/3 | Donation to AAEON Foundation | None | None | Except for stakeholders that had recused from resolution, the motion was passed as proposed by all remaining directors. See section II. for detailed description. |
| | Allocation of 2019 director remuneration | None | None | Except for stakeholders that had recused from resolution, the motion was passed as proposed by all remaining directors. See section II. for detailed description. |
| | Allocation of 2019 employee remuneration for managers | None | None | Except for stakeholders that had recused from resolution, the motion was passed as proposed by all remaining directors. See section II. for detailed description. |
| | Reclassification of overdue accounts receivable to loan | None | None | Passed as proposed by all attending directors. |
| 9th meeting of the 4th board 2020/11/5 | Suspension of capital contribution to Winmate | None | None | Except for stakeholders that had recused from resolution, the motion was passed as proposed by all remaining directors. See section II. for detailed description. |
| | Proposal for capital contribution to Winmate | None | None | Except for stakeholders that had recused from resolution, the motion was passed as proposed by all remaining directors. See section II. for detailed description. |
| 10th meeting of the 4th board 2020/12/22 | Distribution of 2020 managers' year-end bonus | None | None | Except for stakeholders that had recused from resolution, the motion was passed as proposed by all remaining directors. See section II. for detailed description. |

(II) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above: None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process

| Date | Motion | Name of director | Reasons for avoiding conflict of interest | Participation in voting process |
|---|---|--|---|---|
| 5th meeting of the 4th board 2020/2/24 | 2020 incentive bonus for non-sales employees | Chuang, Yung-Shun, Wang, Feng-Hsiang, | Chuang, Yung-Shun and Wang, Feng-Hsiang held stake in the discussed motion | Directors Chuang, Yung-Shun and Wang, Feng-Hsiang had recused according to law and did not participate in the vote |
| | 2020 manager salary adjustment proposal | Chuang, Yung-Shun, Wang, Feng-Hsiang, | Chuang, Yung-Shun and Wang, Feng-Hsiang held stake in the discussed motion | Directors Chuang, Yung-Shun and Wang, Feng-Hsiang had recused according to law and did not participate in the vote |
| | Allocation of 2019 employee warrant | Chuang, Yung-Shun, Wang, Feng-Hsiang, | Chuang, Yung-Shun and Wang, Feng-Hsiang held stake in the discussed motion | Directors Chuang, Yung-Shun and Wang, Feng-Hsiang had recused according to law and did not participate in the vote |
| 8th meeting of the 4th board 2020/8/3 | Donation to AAEPON Foundation | Chuang, Yung-Shun and Lee, Tsu-Der | Chuang, Yung-Shun and Lee, Tsu-Der held stake in the discussed motion (i.e. stakeholders) | Directors Chuang, Yung-Shun and Lee, Tsu-Der had recused according to law and did not participate in the vote |
| | Allocation of 2019 director remuneration | Chuang, Yung-Shun, Lin, Chien-Hung, Wang, Feng-Hsiang and Lee, Tsu-Der | Chuang, Yung-Shun, Lin, Chien-Hung, Wang, Feng-Hsiang and Lee, Tsu-Der held stake in the discussed motion (i.e. stakeholders) | Directors Chuang, Yung-Shun, Lin, Chien-Hung, Wang, Feng-Hsiang and Lee, Tsu-Der had recused from resolution and did not participate in the vote. |
| | Allocation of 2019 employee remuneration for managers | Chuang, Yung-Shun and Wang, Feng-Hsiang | Chuang, Yung-Shun and Wang, Feng-Hsiang held stake in the discussed motion | Directors Chuang, Yung-Shun and Wang, Feng-Hsiang had recused according to law and did not participate in the vote |

| | | | | |
|---|---|---|--|--|
| 9th meeting of the 4th board 2020/11/5 | Suspension of capital contribution to Winmate | Chuang, Yung-Shun | Chuang, Yung-Shun, in the discussed motion (i.e. stakeholders | Directors Chuang, Yung-Shun, had recused from resolution and did not participate in the vote. |
| | Proposal for capital contribution to Winmate | Chuang, Yung-Shun | Chuang, Yung-Shun, in the discussed motion (i.e. stakeholders | Directors Chuang, Yung-Shun, had recused from resolution and did not participate in the vote. |
| 10th meeting of the 4th board 2020/12/22 | Distribution of 2020 managers' year-end bonus | Chuang, Yung-Shun and Wang, Feng-Hsiang | Chuang, Yung-Shun and Wang, Feng-Hsiang held stake in the discussed motion | Directors Chuang, Yung-Shun and Wang, Feng-Hsiang had recused according to law and did not participate in the vote |

III. Execution of board of directors self evaluation:

| Assessment cycle | Assessment duration | Scope of assessment | Assessment method | Assessment details |
|------------------|---|----------------------------|----------------------|--|
| Once a year | Performance for the period from January 1, 2020 to December 31, 2020 was assessed | Board of directors meeting | Members of the board | I.Participation in the operation of the company; II.Improvement of the quality of the board of directors' decision making; III.Composition and structure of the board of directors; IV. Election and ongoing education of directors. V.Internal control. |

IV. Enhancements to the functionality of board of directors in the current and most recent year, and progress of such enhancements:

1. The Company has convened board meetings according to "Board of Directors Conference Rules."
2. The Company has independent directors and Audit Committee in place to enhance board of directors' corporate governance capacity. They exercise supervision over the board according to "Independent Directors Responsibility Principles."
3. The Company has assembled a Remuneration Committee to assist the board of directors in assessing and implementing compensation and welfare systems within the Company, and to perform regular reviews on whether directors and managers are appropriately compensated.
4. The Company makes arrangements to have directors undergo professional training, which helps support core value and maintain professional capacity.
5. The Company has assigned dedicated personnel to disclose information, update the Company's website and continually improve information transparency.
6. The Company evaluates board performance as a way to enforce sound corporate governance and strengthen the board's governance capacity. The most recent performance evaluation was conducted in accordance with Board of Directors Performance Evaluation Policy at the end of January 2021, which concluded a rating of "Excellent."

(II) Involvement of Audit Committee members and supervisors in board of directors meetings

1. Functionality of the Audit Committee

A total of 5 (A) Audit Committee meetings were held in the last year (2020); independent directors' attendance records are summarized below:

| Position | Name | In-person attendance count (B) | Proxy attendance count | Percentage of in-person attendance (%) (B/A) | Remarks |
|----------------------|----------------|--------------------------------|------------------------|--|---------|
| Independent Director | Chiang, Po-Wen | 5 | 0 | 100% | |
| Independent Director | Tai, Yi-Hui | 5 | 0 | 100% | |
| Independent Director | Lee, San-Liang | 5 | 0 | 100% | |

Other mandatory disclosures:

I. Where operation of the audit committee exhibits any of the following, the minutes concerned shall clearly state the meeting date, term, the motions, audit committee's resolution and the Company's response to Audit Committee's opinions.

(I) Conditions described in Article 14-5 of the Securities and Exchange Act:

| Audit Committee | Motion | Conditions described in Article 14-5 of the | Audit Committee resolution: | Independent directors' opinions | Board's response to Audit Committees' opinions |
|--|---|---|--|---------------------------------|--|
| 3rd meeting of the 4th committee 2020/2/24 | 1. 2019 year-end accounts. | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| | 2. Issuance of new shares against capitalized 2019 earnings. | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| | 3. Passed 2019 Declaration of Internal Control System. | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| | 4. Independence and performance assessment for the financial statement auditor | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| | 5. Change of financial statement auditor. | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| 4th meeting of the 4th committee 2020/5/11 | 1. Amendments to "Internal Control System" and Internal Audit System" of the Company and subsidiary - ONI | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| 5th meeting of the 4th committee | 1. Donation to AAeon Foundation. | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| 2020/8/3 | 2. Reclassification of overdue accounts receivable to loan. | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| 6th meeting of the 4th committee | 1. Suspension of capital contribution to Winnmate. | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| 2020/11/5 | 2. Proposal for capital contribution to Winnmate. | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |
| 7th meeting of the 4th committee 2020/12/22 | 1. 2021 audit plan of the Company and subsidiaries. | ✓ | Passed by all attending members of the Audit Committee | None | Passed by all attending directors |

(II) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

II. Avoidance of conflicting-interest motions by independent directors: No such occurrence was observed during the year.

III. Communication between independent directors and internal/external auditors

1. Independent directors are provided with regular audit reports, whereas the chief internal auditor is required to make reports on audit tasks during Audit Committee and board of directors meetings. Overall, both the progress and effectiveness of audit tasks are deemed to have been adequately communicated.
2. CPAs would communicate with independent directors in writing or in person about issues concerning audit or review of the Company's financial statements.

IV. Purposes of the Audit Committee are to support proper corporate governance, supervision and management practices within the Company. Responsibilities of the Audit Committee mainly include:

1. Establishment or amendment of the internal control system according to rules.
2. Evaluation over the effectiveness of internal control system.
3. Establishment or amendment of asset acquisition and disposal procedures, derivative trading procedures, external party lending procedures, external party endorsement and guarantee procedures, and other procedures of major financial consequences according to rules.
4. Matters concerning directors' personal interests.
5. Major transaction of assets or derivatives.
6. Major lending, endorsement or guarantee to an external party.
7. Offering, issuance, or private placement of securities with equity characteristics.
8. Appointment, dismissal, or compensation of financial statement auditors.
9. Appointment and dismissal of finance, accounting, or internal audit officers.
10. Annual and semi-annual financial reports.
11. Other issues deemed material by the Company or the authority.

2. Supervisors' involvement in board of directors meetings

The Company assembled an Audit Committee to replace supervisors in 2016, hence not applicable.

(III) Corporate governance, and deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

| Assess criteria | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|----------------------------|----|---|---|
| | Yes | No | Summary | |
| I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?" | ✓ | | The Company's "Corporate Governance Code of Conduct" was first passed by the board of directors on June 13, 2016 and subsequently revised on 2December 20, 2016, April 23, 2019, and Aug 3, 2020. The code of conduct has been disclosed and made accessible to shareholders on Market Observation Post System (MOPS) and the corporate website. | No material deviation is found. |
| II. Shareholding structure and shareholders' interests (I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations? (II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller? (III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with? (IV) Has the Company established internal policies that prevent insiders from trading securities against non- | ✓ | | (I) The company has appointed a spokesperson and an acting spokesperson to handle shareholders' suggestions and disputes. (II) The Company is constantly informed of the shareholding position of its directors, managers and major shareholders with more than 10% ownership interest, and reports this information to the authority in a timely manner. (III) All dealings between the Company and affiliated companies are carried out according to "Transaction Procedures for Affiliated Enterprises, Specific Companies and Related Parties." (IV) The Company has implemented "Insider Trading Prevention Policy" to prevent insider trading. | No material deviation is found. |

| Assess criteria | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|----------------------------|----|--|---|
| | Yes | No | Summary | |
| III. Assembly and obligations of the board of directors (I) Has the board devised and implemented policies to ensure diversity of its members? | ✓ | | (I) 1. Board members are chosen from different areas of expertise to accommodate the Company's functional, operational and growth requirements. 2. The 4th board of directors includes one female; out of the 7 board members, four directors possess leadership, business administration, operational decision-making skills and industry knowledge (namely Chuang, Yung-Shun, Wang, Feng-Hsiang, Lin, Chien-Hung and Lee, Tsu-Der), whereas the three independent directors (namely Chiang, Po-Wen, Tai, Yi-Hui and Lee, San-Liang) are well-equipped with industry knowledge, risk management, accounting and financial analysis skills. 3. 29% of the board concurrently serves as employees; independent directors represent 43% whereas female directors represent 14% of board members. 1 independent director has served for 3~4 years whereas 2 independent directors have served for 4~5 years. 1 director are in the 70~75, age range, 2 directors are in the 60~69 age range and 4 directors are below the age of 60. The Company also pays attention to gender equality | No material deviation is found. |

| Assess criteria | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|----------------------------|----|--|---|
| | Yes | No | Summary | |
| <p>(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p> <p>(III) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions?</p> | | | <p>among board members, and requires at least one female director on the board.</p> <p>4. The Company has devised policy to promote diversity of its board members and disclosed this policy on website and on MOPS.</p> <p>(II) The Company assembled its Remuneration Committee and Audit Committee in 2016, and will introduce other functional committees at appropriate times depending on operational growth and requirements of the authority.</p> <p>(III) The Company's Board of Directors Performance Evaluation Policy was passed during the board meeting held on December 20, 2016. Under this policy, the board of directors is required to conduct internal performance assessments at least once a year at the end of each year, and external assessments at least once every three years.</p> <p>1. Internal assessment: Performance assessment of the board of directors covers at least the six main aspects below: I.Participation in the operation of the company; II.Improvement of the quality of the board of directors' decision making; III.Composition and structure of the board of directors;</p> | |

| Assess criteria | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|-----------------|----------------------------|----|---|---|
| | Yes | No | Summary | |
| | | | <p>IV. Election and ongoing education of directors. V.Internal control. Directors' individual performance (self or peer) assessment shall cover at least the following six main aspects: I.Alignment of the goals and mission of the company; II.Awareness of the duties of a director; III.Participation in the operation of the company; IV.Management of internal relationship and communication; V.The director's professionalism and continuing education; and VI.Internal control.</p> <p>The most recent internal assessment was completed at the end of January 2021, and the following outcome was reported during the board meeting held on February 25, 2021: Board of directors self assessment: Rated "Excellent" with an average score of 4.85 Board member (self or peer) assessment: Rated "Excellent" with an average score of 4.93 Overall rating of board members: A</p> <p>2. External assessment: In January 2019, the Company engaged the Taiwan Institute of Ethical Business and Forensics to</p> | |

| Assess criteria | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|----------------------------|----|--|---|
| | Yes | No | Summary | |
| (IV) Are external auditors' independence assessed on a regular basis? | | | <p>conduct an external assessment of 2018 on board of directors' performance in particular regards to decision-making, professional capacity, control over internal operations and CSR. The assessment was carried out through a combination of questionnaire (including quantitative measurements and opinion survey) and on-site interview, which concluded an average score of 4.69. This outcome was reported to the board of directors on February 18, 2019 to serve as reference for further enhancements to board capacity.</p> <p>(IV) Financial statement auditors' independence is assessed by the Finance Department and Audit Office on a yearly basis. Outcome of current year's assessment had already been reported to the Audit Committee on February 23, 2021 and to the board of directors on February 25, 2021. According to the assessment, CPA Weng, Shih-Rong and CPA Lin, Chun-Yao of PwC Taiwan have met the Company's independence criteria (Note 2).</p> | |
| IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing | ✓ | | The Company has assembled a corporate governance task force spearheaded by the Chairman, and assigned the Resource & Service Division the concurrent duty to assist directors in corporate governance-related matters such as | No material deviation is found. |

| Assess criteria | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|----------------------------|----|--|---|
| | Yes | No | Summary | |
| directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)? | | | <p>compliance, preparation of required materials, and convention of board/shareholder meetings.</p> <p>The following tasks were performed throughout 2019:</p> <ol style="list-style-type: none"> 1. Notification, agenda and motion materials were prepared and distributed to directors 7 days before each meeting. 2. Shareholder meeting-related affairs were completed according to laws, whereas conference manuals, annual reports and minutes were prepared within due dates. Changes to Articles of Incorporation were completed as resolved and registered with the authority. 3. Assisted board of directors and shareholders with meeting procedures, resolution and compliance issues: <ol style="list-style-type: none"> (1) Verify whether convention of board meeting and shareholder meeting are compliant with laws. (2) Check compliance and accuracy of announcements such as major board resolutions and material information, and thereby ensure information symmetry for investors. 4. Assisted directors and independent directors by providing them with the information needed to perform duties and made training arrangements: <ol style="list-style-type: none"> (1) Meetings were arranged for independent directors to communicate and discuss with chief internal auditor and | |

| Assess criteria | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|----------------------------|----|--|---|
| | Yes | No | Summary | |
| | | | financial statement auditor about financial and audit-related issues. (2) Training courses were arranged for directors based on their education/career background and nature of the Company's industry. | |
| V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)? | ✓ | | The Company has a spokesperson and acting spokesperson available. Their contact details have been disclosed on MOPS, whereas access to spokesperson's mailbox and complaint mailbox has been made available in the stakeholders section of the Company's website to facilitate communication with stakeholders. The Company also has communication channels available for employees to express opinions in writing and via e-mail. | No material deviation is found. |
| VI. Does the Company engage a share service agency to handle shareholder meeting affairs? | ✓ | | The Company has engaged Share Transfer Agency Department of Taishin International Bank Co., Ltd. to perform share administration service. | No material deviation is found |
| VII. Information disclosure (I) Has the Company established a website that discloses financial, business, and corporate governance-related information? (II) Has the Company adopted other means to disclose information (e.g., English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson | ✓ | | (I) A dedicated section has been created on the Company's website to disclose financial, business and corporate governance information to investors. (II) The Company has assigned dedicated personnel to maintain and update information published on MOPS and website (Chinese and English). In addition to making monthly announcements of consolidated revenue, the Company hosts regular | No material deviation is found. |

| Assess criteria | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|----------------------------|----|--|---|
| | Yes | No | Summary | |
| <p>system, broadcasting of investor conferences via the Company website)?</p> <p>(III) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?</p> | | | <p>investor seminars and discloses seminar information on website for improved transparency.</p> <p>(III) The Company publishes and files annual financial report within two months after the end of an accounting period, and publishes/files Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates.</p> | |
| <p>VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and supervisors)?</p> | ✓ | | <ol style="list-style-type: none"> 1. The Company has long devoted attention to caring for employees' rights and well-being. An Employee Welfare Committee was created for this reason to oversee matters including Labor Insurance/National Health Insurance coverage, pension contribution, regular health checkup, on-job training and safety in the work environment. 2. The Company maintains productive, long-term relationship with all of its suppliers. 3. The Company has created a stakeholder section on its website to disclose corporate governance and financial information; furthermore, complaint channels have been implemented to facilitate communication with investors and stakeholders. 4. Directors' education: Directors' education in 2020 was arranged in compliance with "Directions for the Implementation of Continuing Education for Directors | No material deviation is found. |

| Assess criteria | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|-----------------|----------------------------|----|--|---|
| | Yes | No | Summary | |
| | | | <p>of TWSE Listed and TPEX Listed Companies." Refer to Note 3 for training details.</p> <p>5. The Company has assembled a risk response panel under the Audit Committee that is responsible for execution of risk management tasks.</p> <p>6. The Company has purchased insurance policy to protect itself against directors' liability. The sum assured in 2020 totaled US\$5 million and the coverage remained valid as of the publication date of annual report. The Company expects to renew the policy before it expires in June 2021, and will report progress in the upcoming board of directors meeting.</p> | |

IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified:

| Improvements completed for the 6th Corporate Governance Evaluation | | |
|--|--|---|
| Question No. | Indicator | Improvement method |
| 2.14 | Has the Company assembled functional committees comprising no fewer than 3 members with at least half of them being independent directors and at least one of them having possessed the professional capacity needed for the committee, in addition to the mandatory functional committees required by law, and made detailed disclosures on the composition, duties, and operations of the committee? | The issue will be prioritized for improvements. |

| Assess criteria | | Actual governance (Note 1) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|-----------------|--|----------------------------|----|---------|---|
| | | Yes | No | Summary | |
| 2.22 | Has the Company established a set of board-approved risk management policies and procedures and made detailed disclosures on the scope, framework, and execution of risk management practices? | | | | |

Note 1: Always provide explanations in the summary description column, regardless of whether there are any deviations from the best practice principles.

Note 2:

| Assessment indicators | Compliance of independence |
|--|----------------------------|
| 1. CPAs were reappointed at least once every 7 years as of the most recent audit. | Yes |
| 2. CPAs did not have any major financial dealing with their clients. | Yes |
| 3. CPAs were free of any inappropriate relationship with their clients. | Yes |
| 4. CPAs have instructed their assistants to be honest, fair and independent. | Yes |
| 5. CPAs did not audit financial statements of companies they were formerly employed under during the two years prior to practice. | Yes |
| 6. CPAs did not allow others to perform service in their names. | Yes |
| 7. CPAs did not hold shares in the Company and affiliated enterprises. | Yes |
| 8. CPAs did not engage the Company or affiliated enterprises in any borrowing/lending arrangement. | Yes |
| 9. CPAs did not engage the Company or affiliated enterprises in any joint investment or profit-sharing arrangement. | Yes |
| 10. CPAs were not concurrently involved in routine work activities within the Company or affiliated enterprises, and neither were they paid fixed salaries by the Company or affiliated enterprises. | Yes |
| 11. CPAs were not involved in decision-making or administrative duties within the Company or affiliated enterprises. | Yes |
| 12. CPAs did not run any other businesses concurrently that may compromise their independence. | Yes |
| 13. CPAs were not related to the Company's management personnel, in any relationship characterized as spouse, direct blood relative, relative by affinity, or relative of 4th degree or closer. | Yes |
| 14. CPAs did not receive any commission relating to their service. | Yes |
| 15. CPAs have not been penalized or exhibited any conduct that contradicts the independence principles to date | Yes |

Note 3:

| Position | Name | Date | Organizer | Course name | Hours |
|----------------------|-------------------|------------|--|--|-------|
| Chairman | Chuang, Yung-Shun | 2020/2/25 | Taiwan Securities Association | Digital Empowerment: Business Outsourcing Innovation—Practice and Case Study | 3 |
| | | 2020/3/16 | Taiwan Listed Company Association | On Taiwan’s Environmental Protection | 2 |
| | | 2020/4/6 | Taiwan Corporate Governance Association | Patent Right Confrontation and | 3 |
| | | 2020/8/5 | Taiwan Corporate Governance Association | Business M&A—Practice and Case Study | 3 |
| Director & President | Wang, Feng-Hsiang | 2020/9/21 | Taipei Exchange | Corporate Governance 3.0-Sustainable Development Roadmap | 3 |
| | | 2020/9/24 | Governance Professionals Institute of Taiwan (GPT) | 2020 Legal Affairs Seminar on Beneficial Ownership | 3 |
| Director | Lin, Chien-Hung | 2020/10/14 | Securities and Futures Institute | Roles and Responsibilities of Directors and Supervisors: Illegal Acts in the Securities Market | 3 |
| | | 2020/10/14 | Securities and Futures Institute | Issues on Human Resources Integration in Business M&A | 3 |
| Director | Lee, Tsu-Te | 2020/7/9 | Securities and Futures Institute | Business Strategies and Corporate Governance of Non-Sustainability Risk of the World: A COVID-19 Perspective | 3 |
| | | 2020/7/22 | Taiwan Academy of Banking and Finance | Corporate Governance and Business Sustainable Development Course | 3 |

| | | | | | |
|----------------------|----------------|------------|---|---|---|
| Independent Director | Chiang, Po-Wen | 2020/2/21 | Taiwan Corporate Governance Association | Trend and Risk Management of Digital Technology and AI | 3 |
| | | 2020/7/22 | Taiwan Academy of Banking and Finance | Corporate Governance and Business Sustainable Development Course | 3 |
| | | 2020/8/11 | Taiwan Corporate Governance Association | Strategies for Addressing Corporate Reforms | 3 |
| Independent Director | Tai, Yi-Hui | 2020/8/28 | Taipei Exchange | Seminar on Insider Shares of OCT and Emerging Stock Companies | 3 |
| | | 2020/10/15 | Securities and Futures Institute | Analysis and Case Study on Related Party Trading of Directors and Supervisors | 3 |
| Independent Director | Lee, San-Liang | 2020/8/6 | Taiwan Corporate Governance Association | Struggle for Management Power and Case Study | 3 |
| | | 2020/10/30 | Taiwan Corporate Governance Association | Prevention of Labor-Management Disputes and Corporate Governance | 3 |

(IV) Composition, responsibilities, and functionality of the Remuneration Committee

1. Composition and duties of the Remuneration Committee

(1) Composition of the committee:

The Committee consists of three members selected by the board of directors; one of whom is appointed as the convener.

Members of the committee are required to satisfy the professional backgrounds and independence criteria mentioned in Article 5-1 of the foundation principles.

(2) Responsibilities of the committee:

The committee shall exercise the care of a prudent manager to fulfill the following duties, and offer recommendations for discussion by the board of directors; however, recommendations for supervisor compensation are referred to the board of directors for discussion, and are determined either according to the terms of the Articles of Incorporation or by the board of directors under shareholders' authorization sought in a shareholder meeting:

- A. Conduct regular review of this policy and raise amendment suggestions.
- B. Establish and review regularly the annual and long-term performance targets outlined for the Company's directors, supervisors and managers, and the policies, systems, standards, and structures of their compensation.
- C. Evaluate on a regular basis the accomplishment of performance targets by the Company's directors, supervisors and managers, and determine the details and amounts of individual compensation.

The committee shall perform the abovementioned duties in accordance with the following principles:

- A. Ensure that the Company's compensation arrangements comply with all relevant laws and are capable of attracting top talents.
- B. Directors', supervisors' and managers' performance shall be compensated in reference to peer level after taking into consideration the amount of time invested, the responsibilities undertaken, accomplishment of personal target, performance in other duties, compensation granted to employees of equivalent role in recent years, accomplishment of the Company's short-term and long-term goals, corporate financial position, individual performance relative to corporate performance, and association with future risks.

- C. The compensation shall not entice directors and managers into seeking high returns by acting outside the Company's risk appetite.
- D. Short-term performance bonuses to directors and senior executives and the timing of variable salary payments/compensations shall be set according to industry characteristics and the Company's business nature.
- E. Committee members cannot discuss or vote on their own salary/compensation packages.

2. Members of the Remuneration Committee

| Designation (Note 1) | Name | Having more than 5 years work experience and professional qualifications listed below | | | Compliance of independence (Note 2) | | | | | | | | | | Number of positions as Remuneration Committee member in other public companies | Remarks |
|-------------------------|----------------|--|--|---|-------------------------------------|---|---|---|---|---|---|---|---|----|--|---------|
| | | Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution | Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the Company's operations | Commercial, legal, financial, accounting or other work experience required to perform the assigned duties | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent Director | Chiang, Po-Wen | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent Director | Tai, Yi-Hui | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent Director | Lee, San-Liang | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 | |

Note 1: Please specify director, independent director or others.

Note 2: Members who meet the following conditions at any time during active duty and two years prior to the date of appointment will have a "✓" placed in the corresponding boxes.

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Act or local laws).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws)

- (6) Not a director, supervisor or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Does not assume concurrent duty as Chairman, President or equivalent role, and is not a director, supervisor or employee of another company or institution owned by spouse. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) Does not meet any of the conditions stated in Article 30 of The Company Act.

3. Functionality of the Remuneration Committee

(1)The Company's Remuneration Committee consists of 3 members.

(2)Term of service of the current (3rd) committee commenced May 29, 2019 and ends on May 28, 2022. The Remuneration Committee held 3 meetings (A) in the last year (2020). Attendance records of committee members are as follows:

| Position | Name | No. of in-person attendance (B) | Proxy attendance | Percentage of in-person attendance (%) (B/A)(Note) | Remarks |
|------------------------------|----------------|---------------------------------|------------------|--|---------|
| Convener | Chiang, Po-Wen | 3 | 0 | 100% | |
| Member | Tai, Yi-Hui | 3 | 0 | 100% | |
| Member | Lee, San-Liang | 3 | 0 | 100% | |
| Other mandatory disclosures: | | | | | |

I. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Remuneration Committee's proposals: None

| Remuneration Committee | Agenda and subsequent actions | Outcome of resolution | Company's response to Remuneration Committee's opinions |
|---|---|---|--|
| 3rd meeting of the 3rd committee 2020/2/24 | 1. Allocation of 2019 employee and director remuneration. | Passed unanimously by committee members | Proposed to the board of directors and passed unanimously by all attending members |
| | 2. 2020 incentive bonus for non-sales employees. | Passed unanimously by committee members | Proposed to the board of directors and passed unanimously by all attending members |
| | 3. 2020 manager salary adjustment proposal. | Passed unanimously by committee members | Proposed to the board of directors and passed unanimously by all attending members |
| | 4. Proposed allocation of 2019 employee warrant for managers. | Passed unanimously by committee members | Proposed to the board of directors and passed unanimously by all attending members |
| 4th meeting of the 3rd committee 2020/8/3 | 1. Proposed allocation of 2019 director remuneration. | Passed unanimously by committee members | Proposed to the board of directors and passed unanimously by all attending members |

| | | | |
|--|--|---|--|
| | 2. Proposed allocation of 2019 employee remuneration for managers. | Passed unanimously by committee members | Proposed to the board of directors and passed unanimously by all attending members |
| 4th meeting of the 3rd committee 2020/8/3 | 1. Proposed allocation of 2019 director remuneration. | Passed unanimously by committee members | Proposed to the board of directors and passed unanimously by all attending members |
| | 2. Proposed allocation of 2019 employee remuneration for managers. | Passed unanimously by committee members | Proposed to the board of directors and passed unanimously by all attending members |
| 5th meeting of the 3rd committee 2020/12/22 | 1. Distribution of 2020 managers' year-end bonus | Passed unanimously by committee members | Proposed to the board of directors and passed unanimously by all attending members |

II. Should any committee member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed: None.

(V)Fulfillment of social responsibilities

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|--|
| | Yes | No | Summary | |
| I. Has the Company conducted risk assessment on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality? | ✓ | | <p>1. Environmental protection policy The Company is dedicated to the research, development, production and sale of automated medical computing solutions. Driven by the mission to improve people's lives, the Company envisions itself as a global citizen and strives to maximize contribution to the environment. In addition to complying with policies and relevant environmental protection laws, the Company also promotes environmental awareness and actions from within as part of its focus toward ongoing improvements and pollution prevention. The Company has made an environmental statement to ensure "community-wide satisfaction," and commits to reuse, recycle and reduce (the 3 R's) where possible in design, production and service activities in order to minimize and prevent pollution. An environmental sustainability panel has been assembled to carry out environment reviews and risk assessments according to the "Environmental Management Policy, Goals, Methods and Procedures."</p> <p>2. Product liabilities The Company takes the initiative to communicate with suppliers in writing about its quality policy, environment policy and environmental protection philosophy, including the use of "Environmental Protection Statement." The statement not only</p> | No material deviation is found |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|--|--|
| | Yes | No | Summary | |
| | | | conveys the Company's emphasis on quality and the environment, but also serves as an invitation to join us on cutting down wastage and protecting the environment in compliance with government regulations. Vendors that pass certification for ISO 9000 and ISO 14000 are treated as preferred suppliers. | |
| II. Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors? | ✓ | | The Company has assembled a CSR Committee; the role of convener/chairperson is assumed by the Chairman, whereas the remaining committee members comprise the President and senior managers from various departments. The committee convenes regular as well as ad-hoc meetings to discuss material issues. A total of 4 meetings were held in 2020, and current year's progress was reported to the board of directors on Nov 5, 2020. During the year, the Company donated a sum of NT\$2 million to AAEON Foundation to sponsor charity activities: Discovery Tech Wonderland and Discovery Tech Wonder Land 2.0-STEAM & Code. | No material deviation is found |
| III. Environmental issues (I) Has the Company developed an appropriate environmental management system, given its distinctive characteristics? | | | (I) The Company engages government-certified waste handlers to dispose of and process waste, and has obtained certification for ISO 14001 Environmental Management System and CE marking to ensure compliance with environmental management | No material deviation is found. |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|--|--|
| | Yes | No | Summary | |
| <p>(II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p> <p>(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?</p> <p>(IV) Does the Company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?</p> | | | <p>regulations.</p> <p>(II) By reducing pollutants and improving recyclability and reusability of raw materials purchased and products produced, the Company strives to maximize and achieve sustainable use of available resources.</p> <p>(III)The Company evaluates environmental impact during product design and production. Air conditioning equipment is regularly checked and serviced to maintain power efficiency.</p> <p>(IV)The Company continues to promote energy and carbon reduction as part of its corporate social responsibilities, given that energy/carbon reduction and environmental protection have emerged to become the two prominent trends in the world. We reduced environmental footprint according to he environmental management policy. Furthermore, annual statistics on greenhouse gas emissions, water consumptions and waste weight for setting reduction targets and gradual optimization of</p> | |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|--|--|
| | Yes | No | Summary | |
| | | | environmental performance every year. | |
| <p>IV. Social issues</p> <p>(I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p> <p>(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?</p> <p>(III) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p> <p>(IV) Has the Company implemented an effective training program that helps employees develop</p> | ✓ | | <p>(I) The Company complies with labor regulations and the UN's Universal Declaration of Human Rights, and has implemented internal management policies and procedures accordingly.</p> <p>(II) The Company has implemented employee work rules, compensation and performance bonus policies in such a way that enables employees' salary to grow in line with the Company's operations. Employees are given additional credits for volunteer activities, so that performance evaluation can be more closely associated with social responsibilities.</p> <p>(III) The Company complies with Labor Standards Act and Occupational Safety and Health Act by organizing employee health checkup once a year at factory premise, and having physicians provide medical consultation on-site on a quarterly basis. Furthermore, the Company provides employees with a friendly, comfortable and safe office environment, and organizes fire safety drill and safety and health training once a year.</p> <p>(IV) The Company arranges on-job training for its employees.</p> | No material deviation is found |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|--|--|
| | Yes | No | Summary | |
| <p>skills over their career?</p> <p>(V) Has the Company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?</p> <p>(VI) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?</p> | | | <p>The Company convenes regular labor-management meetings and utilizes appropriate means to notify employees on operational changes that may be of significant impact to them.</p> <p>(V) The Company has labeled and marketed its products and services in accordance with laws and international standards. E-mail links are provided on website for customers to raise queries, complaints and suggestions for the protection of their interests.</p> <p>(VI) The Company has implemented a set of supplier evaluation procedures and adopted the practice to evaluate suppliers before commencing business relationship. Although contracts with key suppliers do not entitle the Company to terminate a relationship unilaterally if suppliers are found to have violated corporate social responsibilities and caused significant impact to the environment or the society, the Company still coordinates actively with suppliers to increase CSR awareness.</p> | |
| V. Does the Company prepare corporate social responsibility report or any report of non-financial information based on international | ✓ | | In 2020, the Company adopted the GRI Standard for the preparation of its 2019 CSR report. This report is disclosed on the Company's website. | No material deviation is found |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---------|--|
| | Yes | No | Summary | |
| reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier? | | | | |
| <p>VI. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles:</p> <p>The Company has implemented a set of "Corporate Social Responsibility Code of Conduct"; there is no significant difference between actual practices and the code of conduct.</p> | | | | |
| <p>VII. Other information useful to the understanding of corporate social responsibilities:</p> <p>The Company integrates internal manpower and resources and cooperates with AAEON Foundation to care for the underprivileged, encourage art and cultural activities, sponsor charity and promote education of technologies. Below is a summary description of various social events that the Company had participated in:</p> <p>(I) Education:</p> <ol style="list-style-type: none"> 1. A total of 15 schools in Chiayi County participated in the 2020 "Discovery Tech Wonder Land" project. They included: SheKou Elementary School, LuMan Primary School, TongRen Elementary School, LiMing Primary School, SiDing Primary School, GuangHua Primary School, RuiFeng Primary School, LaiJi Elementary School, TaiPao Primary School, PingLin Elementary School, PuTzu Primary School, San-Sing Elementary School, TaiPing Primary School, SongShan Elementary School, and WanNei Primary School. Besides five daily-life technology exhibitions: Food Technology | | | | |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|---------|--|
| | Yes | No | Summary | |
| <p>Application, Household Technology, Transportation Technology, Technology for the Future, and Wearable Technology, the project also included multifaceted popular science DIY courses: Computer Assembly DIY, Science Creative Games, VR and AR Operation, Solar House DIY, HOC Exploration, and Fun with Animation. In addition, a 3-day and 2-night science trip was also arranged at a host of sights for children to experience different types of technology resources. During September 2020-February 2021, a total of 768 exhibitions were held with 16,066 participants.</p> <p>2. A total of 5 schools in Chiayi County participated in the “Discovery Tech Wonder Land 2.0-STEAM & Code” in 2020. They included: IChu Primary School, HoMu Primary School, NeiPu Primary School, PingLin Elementary School, and TungShih Primary School. In addition to the five sets of module-based digital teaching materials for STEAM: Science, Technology, Engineering, the (Liberal) Arts, and Mathematics, the project also included over 80 types of popular science, programming equipment, and robot hardware equipment (Programming Education Exploration Base) for schoolchildren to operate and explore the base’s module-based digital teaching materials: Programming Education Exploration Base Digital Teaching Materials. Display boards were prepared in six themes for schools to explore the base’s decoration and visit the “Programming Education Exploration Base.” Each school was assigned with a base classroom for teachers and students to use and apply programming-related equipment and teaching materials. During March-June 2020, a total of 80 educational programs were given with 100 participants.</p> <p>(II) Environmental protection: All of the Company's products have met WEEE (Waste of Electrical and Electronic Equipment) and RoHS (Restriction of Hazardous Substances) requirements. Cartons used in packaging are produced from environment-friendly pulp and conform to reusable standards. In-carton protections are made from recyclable EPO, which can be reused to save resources. In terms of recycling label, all packaging materials have been</p> | | | | |

| Assess criteria | Actual governance | | | Summary | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|--|---------|--|
| | Yes | No | | | |
| <p>printed with globally recognized recycling symbols to promote customers' awareness toward environmental protection.</p> <ol style="list-style-type: none"> 1. Three directions of environment-friendly design <ol style="list-style-type: none"> (1) Eliminate or reduce hazardous substances in existing products through selection of raw materials. (2) Design products using materials that can be easily reused, recycled and disintegrated where possible. (3) Incorporate power management functions into product design for improved energy efficiency and reduced power consumption. 2. Green cycle <ol style="list-style-type: none"> (1) Waste management and resource recycling <p>ONYX generated 5,322kg of general waste and 9,608kg of resource waste in 2020. Carton boxes accounted for 92% of resource waste, whereas the remainder consisted of packaging materials that were stripped off from goods purchased (e.g., trays, specialized cartons and plastic panels). 93% of the waste generated was recycled and reused.</p> (2) Industrial waste management <p>The Company searches for waste treatment service providers according to the rules imposed by Environmental Protection Administration (EPA), and makes "License Inquiries" for suitable service providers on EPA's waste control website. The Company's existing waste service provider has been able to present waste disposal and treatment license issued by EPA or recycling permit issued by the Ministry of Economic Affairs; furthermore, the categories of waste the service provider is permitted to handle match those generated by the Company. An</p> | | | | | |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|-----------------|-------------------|----|--|--|
| | Yes | No | Summary | |
| | | | <p>industrial waste disposal contract of 2021 was signed with the service provider (valid until February 28, 2022), and the contractor is bound by the terms to dispose industrial waste. (Class A Waste Permit: 2020-Tao-Fei-Chu-Zi-0068-1; valid until May 26, 2021)</p> <p>(3) Recycling income</p> <p>The Company received NT\$13,300 of income from recycling 8,858kg of industrial waste (cartons) in 2020.</p> <p>(III) Community engagement, social contribution, social service and charity:</p> <ol style="list-style-type: none"> 1. The Company coordinates with charity foundation to organize regular blood donations on factory premise from 9:30 to 16:30 on the first Friday of March, June, September and December each year. In 2020, a total of 933 people from various organizations within the industrial park donated 1,002 250c.c. bags of blood in total. By engaging peers in charitable activities, the Company aimed to promote unity among businesses within the park. 2. The 2020 Charity with Onyx: Pre-owned Items Donation recruited a total of 71 cartons of pre-owned daily necessities, picture books, stationery, clothes, shoes, bags, and toys in mint condition. Beneficiaries included Woodpecker Life Association (WPLA) in Hualien County, Guanghua Community Development Associationom Cikasuan (Ji'an) Township, and Ahmwebsi (Five-Way House) in Rinahem (Shoufeng) Township.. 3. Annual coastal clean-up: In response to the "International Coastal Cleanup," we organize the coastal clean-up every year. In 2020, 50 participants cleaned up 80.5kg of coastal waste. 4. "Shoes for Life" Recruitment: The Step 30 International Ministries make in-kind donations to third-world countries to help local residents improve the basic | |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|-----------------|-------------------|----|--|--|
| | Yes | No | Summary | |
| | | | <p>living condition. To spread the Onyx Charity spirit and to fulfill our corporate social responsibility, we recruited a total of 10 cartons of pre-owned shoes, summer clothes, backpacks, and others in 2020.</p> <p>(IV) Customers' interests: The Company has assigned dedicated units to address customers' complaints in a timely and appropriate manner, and thereby protect customers' interest.</p> <p>(V) Human rights: The Company cares for the underprivileged and hires persons with disability in support of the government's initiative to protect work rights for all.</p> <p>(VI) Safety, health and other social responsibility activities: The Company complies with Labor Standards Act and Occupational Safety and Health Act by organizing safety and health training and regular health checkups for all employees.</p> <p>(VII) In February 2016, the Company passed ISO-14001: 2015 Environmental Management System and obtained certification that is valid from February 19, 2019 to February 19, 2022.</p> <p>(VIII) The Company will be preparing its 2020 CSR report based on GRI Standard and publish it on website once completed.</p> | |

(VI) Integrity policies and practices

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|---|
| | Yes | No | Summary | |
| <p>I. Establishment of integrity policies and solutions</p> <p>(I) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?</p> <p>(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest</p> | ✓ | | <p>(I) The board of directors passed "Ethical Conduct Guidelines" and "Business Integrity Code of Conduct" on June 6, 2016 to provide the foundation principles for business integrity.</p> <p>(II) The board of directors passed "Business Integrity Procedures and Behavioral Guidelines" on June 6, 2016 that introduced restrictions to project proposals in order to reduce risk of dishonesty</p> <p>(III) The Company has a set of "Business Integrity Procedures and Behavioral Guidelines" that outline the proper operating procedures, behavioral guidelines, disciplinary actions and grievance</p> | No material deviation is found |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|---|---|
| | Yes | No | Summary | |
| conducts? Are the above measures reviewed and revised on a regular basis? | | | system; all of which are duly implemented. | |
| <p>II. Business integrity</p> <p>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the Company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?</p> | ✓ | | <p>(I) Prior to commencing business dealing, the Company would evaluate the legitimacy and commercial integrity of its business partner.</p> <p>(II) The GM Office is responsible for enforcing the Company's integrity goals and making regular reports to the board of directors. Current year's report was made to the board of directors on Nov 5, 2020. 2020 progress: 1. Employees of the Company follow "Business Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines" and enforce business integrity policy in all business activities. 2. The Company promotes integrity awareness and organizes training for all employees. 3. The Company has implemented accounting and internal control systems. It has an internal audit unit that plans and audits major transactions and reports to the board of directors on a quarterly basis. 4. The Company performs internal control self-</p> | No material deviation is found |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|---|---|
| | Yes | No | Summary | |
| <p>(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?</p> <p>(IV) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?</p> <p>(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?</p> | | | <p>assessments on a yearly basis to evaluate how well the integrity measures have been enforced. A Declaration of Internal Control System is issued based on the findings.</p> <p>(III) Directors and managers are not allowed to participate in decision-making or voting if they have any conflict of interest in the decision or transaction.</p> <p>(IV) The Company has implemented effective accounting and internal control systems that are constantly reviewed and improved upon. It also has internal auditors that regularly perform audits over the internal control system and procedures, and produces audit reports for the board of directors.</p> <p>(V) The Company organizes internal training on business integrity on a regular basis, and promotes integrity awareness at management meetings and internal meetings. The following is a list of internal and external integrity courses organized by the Company in 2020:</p> | |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies | | | | | | | | | | | | | | | |
|--|-------------------|-------|--|---|-------------|-------|------------------------------------|-----|-----|-------------------|---|----|-------------------------|-----|-----|-------|-----|-----|--|
| | Yes | No | Summary | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th>2019</th> <th>Enrollments</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>Business Integrity Code of Conduct</td> <td>135</td> <td>135</td> </tr> <tr> <td>Accounting policy</td> <td>2</td> <td>24</td> </tr> <tr> <td>Internal control system</td> <td>112</td> <td>134</td> </tr> <tr> <td>Total</td> <td>249</td> <td>293</td> </tr> </tbody> </table> | 2019 | Enrollments | Hours | Business Integrity Code of Conduct | 135 | 135 | Accounting policy | 2 | 24 | Internal control system | 112 | 134 | Total | 249 | 293 | |
| 2019 | Enrollments | Hours | | | | | | | | | | | | | | | | | |
| Business Integrity Code of Conduct | 135 | 135 | | | | | | | | | | | | | | | | | |
| Accounting policy | 2 | 24 | | | | | | | | | | | | | | | | | |
| Internal control system | 112 | 134 | | | | | | | | | | | | | | | | | |
| Total | 249 | 293 | | | | | | | | | | | | | | | | | |
| <p>III. Whistleblowing system</p> <p>(I) Does the Company provide incentives and means for employees to report misconducts? Has the Company assigned dedicated personnel to investigate the reported misconducts?</p> <p>(II) Has the Company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?</p> | ✓ | | <p>(I) The Company has "Grievance Mailbox" that employees may use to report misconducts. All reported misconducts are handled according to "Business Integrity Procedures and Behavioral Guidelines" by dedicated personnel that the Chairman has assigned. Complaint channels have also been disclosed on the "Stakeholder Identification and Communication" webpage. There was no report of major misconduct internally or externally in 2020.</p> <p>(II) The Company has implemented a set of standard procedures for handling reported misconducts that covers the following steps: 1. Case acceptance; 2. Clarification of offense; 3. Investigation of reported misconduct; 4. Interview with relevant personnel; and 5. Disciplinary action. Other details such as standard procedures for the</p> | No material deviation is found | | | | | | | | | | | | | | | |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|--|---|
| | Yes | No | Summary | |
| (III) Has the Company adopted any measures to prevent whistleblowers from retaliation for filing reports? | | | <p>investigation of reported misconduct, follow-up actions after investigation, and confidentiality measures have also been addressed in the procedures.</p> <p>(III) The Company maintains confidentiality over informant's identity and details of each misconduct report, and is committed to protecting informants from retaliation as a result of their report.</p> | |
| IV. Enhanced information disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS? | ✓ | | The Company has a website to disclose corporate information, and makes relevant announcements over MOPS. | No material deviation is found |
| <p>V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established Business Integrity Code of Conduct and Business Integrity Procedures and Behavioral Guidelines based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" and enforced accordingly. There was no significant deviation between actual practices and the above</p> | | | | |

| Assess criteria | Actual governance | | | Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|---------|---|
| | Yes | No | Summary | |
| policies. | | | | |
| VI. Other information useful to the understanding of business integrity: Apart from the annual report, readers may also visit the Company's website at https://www.onyx-healthcare.com . | | | | |

(VII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed

The Company has established governance-related policies including "Corporate Governance Code of Conduct," "Ethical Conduct Guidelines," "Business Integrity Code of Conduct," "Business Integrity Procedures and Behavioral Guidelines," "Misconduct Report Handling Guidelines," "Board Meeting Proceeding Guidelines," "Shareholder Meeting Conference Rules," "Director Election Policy," "Audit Committee Foundation Principles," "Insider Trading Prevention Policy," "Corporate Social Responsibility Code of Conduct" and "Remuneration Committee Foundation Principles." All of which have been disclosed on MOPS and the Company's website.

(VIII) Other information material to the understanding of corporate governance within the Company

The Company has a set of "Insider Trading Prevention Policy" that outlines insider trading prevention as well as how material insider information shall be handled.

(IX)Internal control

1.Declaration of Internal Control System

Onyx Healthcare Inc.

Declaration of Internal Control System

Date: February 25, 2021

The following declaration has been made based on the 2020 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that enables immediate rectification of deficiencies upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by the "Governing Principles" consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2020. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This declaration was passed unanimously without objection by all 7 directors present at the board meeting dated February 25, 2021.

Onyx Healthcare Inc.

Chairman: Chuang, Yung-Shun

President: Wang, Feng-Hsiang

2.CPA's review on internal control system: None.

(X) Penalties imposed against the Company for regulatory violation, or penalties against insiders for violation of internal control policy in the most recent year up till the publication date of this annual report; describe areas of weakness and any corrective actions taken: None.

(XI) Significant resolutions made in shareholder meetings and board of directors meetings in the last financial year, up to the publication date of annual report

1. Major shareholder meeting resolutions

| Date of meeting | Nature of meeting | Major resolutions | Current progress |
|-----------------|------------------------|--|---|
| 2020/5/22 | Annual general meeting | 1. Passed 2019 business report and financial statements. | Passed as proposed through vote by ballot. |
| | | 2. Passed 2019 earnings appropriation. | With authorization sought in a shareholder meeting, the Chairman had set the dividend baseline date at August 11, 2020, and dividends were entirely paid on September 9, 2020. (To distribute cash dividends at NT\$6 per share) |
| | | 3. Passed issuance of new shares against capitalized 2019 earnings. | With authorization sought in a shareholder meeting, the board of directors passed a resolution on July 20, 2020 to set the dividend baseline date at August 11, 2020. Dividends were entirely paid on September 9, 2020. (To distribute stock dividends at NT\$2.5 per share) |
| | | 4. Passed partial amendments to "External Party Lending Procedures." | This motion was passed as proposed through a vote by ballot. The amended procedures took effect and were published on the Company's website and MOPS on May 25, 2020. |

| | | | |
|--|--|--|---|
| | | 5. Passed partial amendments to "Endorsement and Guarantee Procedures" | This motion was passed as proposed through a vote by ballot. The amended procedures took effect and were published on the Company's website and MOPS on May 25, 2020. |
| | | 6. Passed partial amendments to "Shareholder Meeting Conference Rules" | This motion was passed as proposed through a vote by ballot. The amended procedures took effect and were published on the Company's website and MOPS on May 25, 2020. |

2. Major board resolutions

| Date of meeting | Nature of meeting | Major resolutions |
|-----------------|--------------------|---|
| 2020/2/24 | Board of Directors | <ol style="list-style-type: none"> 1. Passed allocation of 2019 employee and director remuneration. 2. Passed 2019 business report and financial statements. 3. Passed 2019 earnings appropriation. 4. Passed issuance of new shares against capitalized 2019 earnings. 5. Passed 2019 Declaration of Internal Control System. 6. Partial amendments to "Shareholder Meeting Conference Rules." 7. Passed details concerning the 2020 annual general meeting 8. Amendments to "Responsibility Matrix." 9. Resolved change of financial statement auditor. 10. Passed 2020 performance bonus for non-sales employees 11. Passed 2020 manager salary adjustment proposal. 12. Passed allocation of 2019 employee warrant. |
| 2020/5/11 | Board of Directors | <ol style="list-style-type: none"> 1. Passed 2020 1st quarter consolidated financial statements. |

| Date of meeting | Nature of meeting | Major resolutions |
|-----------------|--------------------|---|
| | | <ol style="list-style-type: none"> 2. Passed amendments to "Internal Control System" and Internal Audit System" of the Company and subsidiary - ONI. 3. Partial amendments to the Company's "Issuance and Subscription Policy for 2019 Employee Warrant." |
| 2020/7/20 | Board of Directors | <ol style="list-style-type: none"> 1. Set the baseline date for cash/stock dividend distribution. |
| 2020/8/03 | Board of Directors | <ol style="list-style-type: none"> 1. Passed 2020 2nd quarter consolidated financial statements. 2. Partial amendments to "Business Integrity Procedures and Behavioral Guidelines." 3. Partial amendments to "Corporate Governance Code of Conduct." 4. Partial amendments to "Corporate Social Responsibility Code of Conduct." 5. Partial amendments to "Board of Directors Conference Rules." 6. Partial amendment to "Independent Directors' Responsibility Principles." 7. Partial amendments to "Audit Committee Foundation Principles." 8. Partial amendments to "Remuneration Committee Foundation Principles." 9. Partial amendments to "Board of Directors Performance Evaluation Policy." 10. Partial amendments to "Director Election Policy." 11. Passed the proposal to accept credit facilities from Mega Bank. 12. Passed the proposal to accept derivative trading limit from Mega Bank. 13. Passed the proposal to apply for treasury trading limit with CTBC Bank. 14. Passed the proposal to accept credit facilities from Taishin Bank. |

| Date of meeting | Nature of meeting | Major resolutions |
|-----------------|--------------------|---|
| | | <ul style="list-style-type: none"> 15. Passed the proposal to accept derivative trading limit from Taishin Bank. 16. Passed authorization for derivative trading. 17. Passed donation to AAEON Foundation. 18. Passed allocation of 2019 director remuneration. 19. Passed allocation of 2019 employee remuneration for managers. 20. Passed reclassification of overdue accounts receivable to loan. |
| 2020/11/05 | Board of Directors | <ul style="list-style-type: none"> 1. Passed 2020 3rd quarter consolidated financial statements. 2. Passed suspension of capital contribution to Winmate. 3. Passed proposal for capital contribution to Winmate. |
| 2020/12/22 | Board of Directors | <ul style="list-style-type: none"> 1. Passed 2021 audit plan of the Company and subsidiaries. 2. Passed distribution of 2020 managers' year-end bonus. 3. Passed the Company's 2021 operational plan (and budget). |

(XII) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up till the publication date of annual report: None.

(XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, or head of R&D in the most recent year up till the publication date of annual report: None.

V. Disclosure of external auditors' remuneration

| Name of accounting firm | Name of CPA | | Audit period | Remarks |
|-------------------------|-----------------|---------------|---------------------|---------|
| PwC Taiwan | Weng, Shih-Rong | Lin, Chun-Yao | 2020/1/1~2020/12/31 | |

Unit: NTD thousands

| Amount range | | Fee category | Audit fee | Non-audit fee | Total |
|--------------|--|--------------|-----------|---------------|-------|
| 1 | Below NT\$ 2,000,000 | | — | — | — |
| 2 | NT\$2,000,000 (inclusive) ~ NT\$4,000,000 | | 2,960 | — | 2,960 |
| 3 | NT\$4,000,000 (inclusive) ~ NT\$6,000,000 | | — | — | — |
| 4 | NT\$6,000,000 (inclusive) ~ NT\$8,000,000 | | — | — | — |
| 5 | NT\$8,000,000 (inclusive) ~ NT\$10,000,000 | | — | — | — |
| 6 | NT\$10,000,000 and above | | — | — | — |

(I) Disclosure of audit fee, non-audit fee and details of non-audit services, if the sum of non-audit remuneration paid to the auditor, accounting firm and affiliated companies amount to more than one-quarter of total audit remuneration: None.

Audit fee information:

| Name of accounting firm | Name of CPA | Audit fee | Non-audit fee | | | | | Period of audit service | Remarks |
|-------------------------|-----------------|-----------|---------------|-----------------------|----------------|--------|----------|-------------------------|---------|
| | | | Policy design | Business registration | Human resource | Others | Subtotal | | |
| PwC Taiwan | Weng, Shih-Rong | 2,960 | — | — | — | — | 2,960 | 2020/1/1~2020/12/31 | |
| | Lin, Chun-Yao | | | | | | | | |

(II) If the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.

(III) If the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more None.

VI. Change of external auditor:

(I) Information relating to the former auditor:

| | | | |
|--|--|---------|--------------------------------|
| Date of reappointment | Since 2020/1/1 | | |
| Reasons and details of the reappointment | Following an internal rotation within PwC Taiwan, the Company has reappointed its financial statement auditors from CPA Chang, Shu-Chiung and CPA Lin, Chun-Yao to CPA Weng, Shih-Rong and CPA, Lin, Chun-Yao starting from year 2020. | | |
| Whether the termination of audit service was initiated by the client or by the auditor | Parties | | |
| | Situation | Auditor | Client |
| | Service terminated by | — | — |
| | Service no longer accepted (continued) by | — | — |
| Reasons for issuing opinions other than unqualified opinion in the last 2 years | None | | |
| Any disagreement with the issuer | Yes | — | Accounting policy or practice |
| | | — | Disclosure of financial report |
| | | — | Audit coverage or procedures |
| | | — | Others |
| | None | V | |
| | Explanation | | |
| Supplementary disclosure (Disclosures deemed necessary under Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Guidelines) | None | | |

(II) Information relating to the succeeding auditor

| | |
|--|-----------------------------------|
| Name of accounting firm | PwC Taiwan |
| Name of CPA | Weng, Shih-Rong Lin, Chun-Yao, |
| Date of reappointment | Since 2020 |
| Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment | Not applicable |
| Written disagreements from the succeeding auditor against opinions made by the former CPA | Not applicable |

(III) Former auditor's reply relating to Item 1 and Item 2-3, Subparagraph 6, Article 10 of the Guidelines: None.

VII. The Company's Chairman, President, or any managers involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company in the last year: None.

VIII.Details of shares transferred or pledged by directors, supervisors, managers and shareholders with more than 10% ownership interest in the last year, up till the publication date of annual report

(I) Changes in shares pledged by directors, supervisors, managers and major shareholders

Unit: shares

| Position | Name | 2020 | | Current year up till report publication date (March 31, 2021) | |
|--|------------------------------|------------------------------------|---------------------------------------|---|---------------------------------------|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged |
| Directors and major shareholders (10% ownership and above) | AAEON Technology Inc. | 2,751,286 | — | — | — |
| Director | Jui Hai Investment Co., Ltd. | 37,076 | — | — | — |
| Director - corporate representative Chairman | Chuang, Yung-Shun | 429,432 | — | — | — |
| Director - corporate representative President | Wang, Feng-Hsiang | 191,871 | — | — | — |
| Director - corporate representative | Lin, Chien-Hung | 2,329 | — | — | — |
| Director | Lee, Tsu-Der | — | — | — | — |
| Independent Director | Chiang, Po-Wen | — | — | — | — |
| Independent Director | Tai, Yi-Hui | — | — | — | — |
| Independent Director | Lee, San-Liang | — | — | — | — |
| Assistant Vice President of Marketing Division | Chen, Ying-Te | 17,555 | — | — | — |
| Head of Product R&D Division | Chao, Hsing-Kuo | (51,125) | — | — | — |
| Assistant Vice President | Lin, Huang-Pao | — | — | — | — |
| Head of Accounting | Yang, Hsiang-Chih | 1,474 | — | — | — |

(II) Transfer of shares where the counterparty is a related party: None

(III) Pledge of shares where the counterparty is a related party: None

IX. Relationships characterized as spouse or second-degree relatives or closer among top-ten shareholders:

Unit: shares; March 27, 2021

| Name | Shares held in own name | | Shares held by spouse and underage children | | Shares held in the names of others | | Names and relationships of top-10 shareholders characterized as spouse or relative of second degree or closer | | Remarks |
|--|-------------------------|-------------------------|---|-------------------------|------------------------------------|-------------------------|---|---|---------|
| | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding percentage | Name | Relationship | |
| AAEON Technology Inc. | 13,756,431 | 50.00% | — | — | — | — | ASUSTeK Computer Inc. Hua-Min Investment Co., Ltd. Chuang, Yung-Shun Jonney Shih | Parent and subsidiary Associated company Representative of the mentioned company Director of the mentioned company | — |
| AAEON Technology Inc. Representative: Chuang, Yung-Shun | 2,147,162 | 7.80% | — | — | — | — | AAEON Technology Inc. | Representative of the mentioned company | — |
| Chuang, Yung-Shun | 2,147,162 | 7.80% | — | — | — | — | AAEON Technology Inc. | Representative of the mentioned company | — |
| ASUSTeK Computer Inc. | 1,540,102 | 5.60% | — | — | — | — | AAEON Technology Inc. Hua-Min Investment Co., Ltd. Jonney Shih | Parent and subsidiary Parent and subsidiary Representative of the mentioned company | — |
| ASUSTeK Computer Inc. Representative: Jonney Shih | — | — | — | — | — | — | AAEON Technology Inc. Hua-Min Investment Co., Ltd. | Director of the mentioned company Representative of the mentioned company | — |
| Wang, Feng-Hsiang | 959,357 | 3.49% | — | — | — | — | — | — | — |
| Fubon Securities Co., Ltd. in Its Capacity as Master Custodian for Investment Account of Magic Group Company | 559,487 | 2.03% | — | — | — | — | — | — | — |
| Li, I-Hsuan | 438,425 | 1.59% | — | — | — | — | — | — | — |

| Name | Shares held in own name | | Shares held by spouse and underage children | | Shares held in the names of others | | Names and relationships of top-10 shareholders characterized as spouse or relative of second degree or closer | | Remarks |
|---|-------------------------|-------------------------|---|-------------------------|------------------------------------|-------------------------|---|---|---------|
| | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding percentage | Name | Relationship | |
| Li, Chien-Hsing | 375,000 | 1.36% | — | — | — | — | — | — | — |
| Li, Mingxian | 354,641 | 1.29% | — | — | — | — | — | — | — |
| Hua-Min Investment Co., Ltd. | 329,195 | 1.20% | — | — | — | — | ASUSTeK Computer Inc. AAEON Technology Inc. Jonney Shih | Parent and subsidiary Associated company Representative of the mentioned company | — |
| Hua-Min Investment Co., Ltd. Representative: Jonney Shih | — | — | — | — | — | — | ASUSTeK Computer Inc. AAEON Technology Inc. | Representative of the mentioned company Director of the mentioned company | — |
| Hsu, Hang-Chien | 324,500 | 1.18% | — | — | — | — | — | — | — |

X. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties

March 31, 2021 Unit: shares

| Invested businesses | Held by the Company | | Held by directors, supervisors, managers, and directly or indirectly controlled enterprises | | Aggregate investment | |
|---------------------------------|---------------------|-------------------------|---|-------------------------|----------------------|-------------------------|
| | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding percentage |
| ONYX HEALTHCARE USA, INC. | 200,000 | 100.00% | — | — | 200,000 | 100.00% |
| ONYX HEALTHCARE EUROPE B.V. | 100,000 | 100.00% | — | — | 100,000 | 100.00% |
| Onyx Healthcare (Shanghai) Inc. | (Note) | 100.00% | — | — | (Note) | 100.00% |
| iHelper Inc. | 1,656,000 | 46.00% | 180,000 | 5.00% | 1,836,000 | 51.00% |
| Winmate Inc. | 9,863,000 | 13.61% | 4,300,000 | 5.96% | 14,163,000 | 19.54% |

Note: Limited liability company

FOUR Capital Overview

I. Capital and outstanding shares

(I) Sources of share capital

1. Outstanding shares

March 31, 2021
Unit: shares; NTD

| Month/Year | Issued price (NTD) | Authorized capital | | Paid-up capital | | Remarks | | |
|----------------|--------------------|--------------------|-------------|-----------------|-------------|--|------------------------------------|----------|
| | | Shares | Amount | Shares | Amount | Sources of share capital | Paid in properties other than cash | Others |
| February 2010 | 10 | 3,000,000 | 30,000,000 | 3,000,000 | 30,000,000 | Company incorporation - 3,000,000 shares | None | Note 1 |
| April 2012 | 10 | 10,000,000 | 100,000,000 | 7,500,000 | 75,000,000 | Cash issue 4,500 thousand shares | None | Note 2 |
| December 2013 | 10 | 10,000,000 | 100,000,000 | 9,660,000 | 96,600,000 | Capitalization of earnings 2,160 thousand shares | None | Note 3 |
| August 2014 | 10 | 15,000,000 | 150,000,000 | 13,041,000 | 130,410,000 | Capitalization of earnings 3,381 thousand shares | None | Note 4 |
| August 2015 | 10 | 15,000,000 | 150,000,000 | 14,345,100 | 143,451,000 | Capitalization of earnings - 1,304 thousand shares | None | Note 5 |
| August 2016 | 10 | 25,000,000 | 250,000,000 | 15,779,610 | 157,796,100 | Capitalization of earnings - 1,435 thousand shares | None | Note 6 |
| January 2017 | 10 | 25,000,000 | 250,000,000 | 18,188,610 | 181,886,100 | Cash issue 2,409 thousand shares | None | Note 7,8 |
| August 2017 | 10 | 25,000,000 | 250,000,000 | 20,007,471 | 200,074,710 | Capitalization of earnings - 1,819 thousand shares | None | Note 9 |
| September 2019 | 10 | 50,000,000 | 500,000,000 | 22,008,218 | 220,082,180 | Capitalization of earnings - 2,001 thousand shares | None | Note 10 |
| August 2020 | 10 | 50,000,000 | 500,000,000 | 27,510,273 | 275,102,730 | Capitalization of earnings - 5,502 thousand shares | None | Note 11 |

Note 1: Approved under Letter No. Bei-Fu-Jing-Chan-Deng-Zi-0993064054 dated February 2, 2010

Note 2: Approved under Letter No. Bei-Fu-Jing-Chan-Deng-Zi-1015021639 dated April 12, 2012

Note 3: Approved under Letter No. Bei-Fu-Jing-Si-Zi-1025077162 dated December 11, 2013

Note 4: Approved under Letter No. Bei-Fu-Jing-Si-Zi-1035173417 dated August 22, 2014

Note 5: Approved under Letter No. Xin-Bei-Fu-Jing-Si-Zi-1045172152 dated August 13, 2015

Note 6: Approved under Letter No. Xin-Bei-Fu-Jing-Si-Zi-1055302897 dated August 17, 2016

Note 7: Approved under Letter No. Zheng-Gui-Shen-Zi-1050031647 dated November 9, 2016

Note 8: Approved under Letter No. Xin-Bei-Fu-Jing-Si-Zi-1068000159 dated January 5, 2017

Note 9: Approved under Letter No. Xin-Bei-Fu-Jing-Si-Zi-1068053455 dated August 7, 2017

Note 10: Approved under Letter No. Xin-Bei-Fu-Jing-Si-Zi-1088061513 dated September 10, 2019

Note 11: Approved under Letter No. Xin-Bei-Fu-Jing-Si-Zi-1098057652 dated August 12, 2020

2. Share categories

March 27, 2021; unit: shares

| Share category | Authorized capital | | | Remarks |
|--------------------------|--------------------|-----------------|------------|--------------------|
| | Outstanding shares | Unissued shares | Total | |
| Registered common shares | 27,510,273 | 22,489,727 | 50,000,000 | TPEX listed shares |

3. Information relevant to the aggregate reporting policy: None

(II) Shareholder structure

March 27, 2021; unit: parties; shares

| Shareholder structure Count | Government institutions | Financial institutions | Other corporate entities | Natural persons | Foreign institutions and foreigners | Total |
|--------------------------------|-------------------------|------------------------|--------------------------|-----------------|-------------------------------------|------------|
| Count | — | 2 | 21 | 1,739 | 8 | 1,770 |
| Number of shares held | — | 40,255 | 16,017,523 | 10,710,575 | 741,920 | 27,510,273 |
| Shareholding percentage | — | 0.15% | 58.22% | 38.93% | 2.70% | 100.00% |

(III) Ownership diversity

1. Common shares

March 27, 2021; unit: parties; shares

| Shareholding category | Shareholder count | Number of shares held | Shareholding percentage |
|-----------------------|-------------------|-----------------------|-------------------------|
| 1 to 999 | 612 | 115,263 | 0.42% |
| 1,000 to 5,000 | 928 | 1,811,831 | 6.59% |
| 5,001 to 10,000 | 122 | 900,594 | 3.27% |
| 10,001 to 15,000 | 29 | 375,046 | 1.36% |
| 15,001 to 20,000 | 23 | 404,809 | 1.47% |
| 20,001 to 30,000 | 13 | 318,381 | 1.16% |
| 30,001 to 50,000 | 5 | 183,222 | 0.67% |
| 40,001 to 50,000 | 7 | 308,900 | 1.12% |
| 50,001 to 100,000 | 13 | 969,980 | 3.53% |
| 100,001 to 200,000 | 7 | 1,061,160 | 3.86% |
| 200,001 to 400,000 | 5 | 1,660,123 | 6.03% |
| 400,001 to 600,000 | 2 | 997,912 | 3.63% |
| 600,001 to 800,000 | 0 | 0 | 0.00% |
| 800,001 to 1,000,000 | 1 | 959,357 | 3.49% |
| 1,000,001 and above | 3 | 17,443,695 | 63.41% |
| Total | 1,770 | 27,510,273 | 100.00% |

2. Preferred shares: none

(IV) List of major shareholders

March 27, 2021; unit: shares

| List of major shareholders | Shareholding | Number of shares held | Shareholding percentage |
|--|--------------|-----------------------|-------------------------|
| AAEON Technology Inc. | | 13,756,431 | 50.00% |
| Chuang, Yung-Shun | | 2,147,162 | 7.80% |
| ASUSTeK Computer Inc. | | 1,540,102 | 5.60% |
| Wang, Feng-Hsiang | | 959,357 | 3.49% |
| Fubon Securities Co., Ltd. in Its Capacity as Master Custodian for Investment Account of Magic Group Company | | 559,487 | 2.03% |
| Li, I-Hsuan | | 438,425 | 1.59% |
| Li, Chien-Hsing | | 375,000 | 1.36% |
| Li, Mingxian | | 354,641 | 1.29% |
| Hua-Min Investment Co., Ltd. | | 329,195 | 1.20% |
| Hsu, Hang-Chien | | 324,500 | 1.18% |

(V) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years

Unit: NTD \$

| Item | Year | | 2019 | 2020 | Up till April 1, 2021 |
|---|-------------------------------------|---------------------------------|------------------------|------------------------|------------------------|
| | Market price per share (Note 1) | High | | 207.00 | 182.50 |
| Low | | 127.50 | 117 | 121 | |
| Average | | 168.68 | 158.51 | 135.59 | |
| Net worth per share | Before dividend | | 46.35 | 38.27 | — |
| | After dividend | | 32.28 | Undistributed | — |
| EPS | Weighted average outstanding shares | | 22,082 thousand shares | 27,510 thousand shares | 27,510 thousand shares |
| | EPS (Note 2) | Before retrospective adjustment | 10.88 | 6.07 | — |
| | | After retrospective adjustment | 8.70 | Undistributed | — |
| Dividends per share | Cash dividends | | 6.00 | 5.50 (Note 2) | — |
| | Stock dividends | From earnings | 2.50 | 1.00 (Note 2) | — |
| | | From capital reserves | — | — | — |
| | Cumulative unpaid dividends | | — | — | — |
| Analysis of investment returns (Note 3) | P/E ratio | | 15.22 | 24.98 | — |
| | Price to dividends ratio | | 27.62 | 27.57 | — |
| | Cash dividend yield | | 3.62% | 3.63% | — |

Note 1: Information sourced from the Taipei Exchange; high, low and average prices are determined through comparison during trading hours.

Note 2: 2020 earnings appropriation represents amount resolved by the board of directors and is pending for approval at 2021 shareholder meeting.

Note 3: P/E ratio = average closing price per share for the year / earnings per share; price to dividend ratio = average closing price per share for the year / cash dividends per share; cash dividend yield: cash dividends per share / average closing price per share for the year.

(VI) Dividend policy and execution

1. The Company's dividend policy

Annual net income concluded by the Company is first subject to reimbursement of previous losses (including adjustment to undistributed earnings) followed by a 10% provision for statutory reserve. However, no further provision is needed when statutory reserve has accumulated to an amount equal to the Company's paid-up capital. Any surpluses remaining shall be subject to provision or reversal of special reserve as laws may require. The residual balance can then be added to undistributed earnings (including adjustment to undistributed earnings) carried from previous years and distributed as dividends to shareholders, subject to board of directors' proposal and shareholder meeting resolution. The amount of dividends paid to shareholders shall not be less than 5% of total distributable earnings.

Cash dividends shall not be less than 10% of the sum of cash and stock dividends for the current year. However, cash dividends amounting to less than NT\$0.1 per share are to be paid in the form of stock dividend instead.

The Company adopts a residual dividend policy that takes into consideration current and future investment prospects, capital requirements, local and foreign competition, capital budget, shareholders' interest, balanced dividend, long-term financial plans and related factors.

2. Earnings distribution proposed for current year's shareholder meeting

Dividends proposed for the upcoming shareholder meeting are based on the earnings appropriation plan resolved during the board of directors meeting dated February 25, 2021, and include cash dividends of NT\$151,306,499 at NT\$5.50 (cash dividends at NT\$4.50, cash distribution at NT\$1.00 per share), and stock dividends at NT\$2.50 per share.

3. Explanation to expected material changes in dividend policy

None.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share

During the meeting held on February 25, 2021, the board of directors passed a resolution to distribute stock dividends at NT\$1.00 per share in the current year. 2,751,027 new shares are expected to be issued to produce a dilution effect of approximately 10%. The Company is still in its growth stage, and after taking into consideration the current share capital and the need to reserve cash for future expansions, paying stock dividends in moderation should benefit the Company over the long

term, and short-term dilution of EPS should not have negative impact on overall operations.

(VIII) Employee/director/supervisor remuneration

1. Percentage and range of employees'/directors'/supervisors' remuneration stated in the Articles of Incorporation

According to the Articles of Incorporation, pre-tax profit before employee and director remuneration concluded in any given year shall be subject to employee remuneration of no less than 5% and director remuneration of no more than 3%. However, profits shall first be taken to offset cumulative losses if any.

Distribution of the above shall be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of all attending directors, and subsequently reported in shareholder meeting.

Employee remuneration can be paid in shares or cash to employees of subsidiaries that satisfy certain criteria. This criteria is determined under the board's authority. Director remuneration can only be paid in cash.

2. Basis of calculation for employee/director remuneration and share-based compensations, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid

Employee remuneration of NT\$15,000,000 and director remuneration of NT\$2,400,000 have been estimated for the current period. If the amount changes on a later date, the difference will be treated as a change in accounting estimate and recognized as a gain or loss in the following year.

3. Remuneration passed by the board of directors

The Company's 2020 employee and director remuneration was passed during the board of directors meeting held on February 25, 2021. Details of the remuneration approved by the board are presented below:

(1) Employee/director remuneration, in cash or in shares

Decision was passed to pay employee remuneration of NT\$17,000,000 and director remuneration of NT\$2,400,000 entirely in cash. These amounts were indifferent from the amounts estimated in the previous year.

(2) Percentage of employee remuneration paid in shares, relative to current net income and total employee remuneration

None of the 2021 employee remuneration was paid in shares, hence not applicable.

4. Actual payment of employee/director/supervisor remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies)

(1) The Company's 2019 remunerations were resolved during the annual general meeting held on May 22, 2020; details of employee and director remuneration are as follows:

| | Amount allocated (NTD thousands) |
|------------------------------|----------------------------------|
| Employee remuneration | 17,000 |
| Director remuneration (Note) | 2,400 |

Note: The Company has assembled an Audit Committee to replace supervisors.

(2) Difference between the above amounts and amounts of employee/director/supervisor remuneration previously recognized:
None.

(IX) Buyback of company shares: None

II. Disclosure relating to corporate bonds: None

III. Disclosure relating to preferred shares: None

IV. Disclosure relating to global depository receipts: None

V. Employee warrants:

(1) Status of unexpired employee subscription warrants:

Mar. 31.2021

| | | |
|---|---|---------------------------|
| The types of employee subscription warrants | 2020 employee subscription warrants | |
| Effective date | 2020/5/6 | |
| Issuance date | 2020/8/6 | |
| No. of units issued | 1,000 units | |
| No. of subscribable shares as a percentage of total issued shares (%) | 3.6350% | |
| Subscription period | The term of the employee subscription warrants is five years. The subscription warrants and the rights thereof cannot be transferred, pledged, gifted to others, or other ways of disposal. However, successor is not limited subject to the above. | |
| Performance of contract | The Company shall issue new common shares. | |
| Period and ratio (%) in which subscription is restricted | Employees may exercise their subscription rights according the following vesting schedule two years after issuance. | |
| | <u>Vesting date</u> | <u>Cumulative vesting</u> |
| | 2 nd year | 50% |
| | 3 rd year | 75% |
| | 4 th year | 100% |
| Number of shares obtained through exercise of subscription rights | 0 shares | |
| NT\$ amount of shares subscribed | NT\$0 | |
| No. of shares that have not been subscribed | 1,000,000 | |
| Subscription price per share of the unsubscribed shares | NT\$139.50 | |
| No. of unsubscribed shares as a percentage of total issued shares (%) | 3.6350% | |
| Effect on the shareholders | This stock option is vested over two years starting the third year after issuance. The shareholders' equity is diluted year by year, and thus the dilutive effect is limited. | |

(2) Names and subscription status of managerial officers who have obtained employee stock warrants and of employees who rank among the top ten in terms of the number of shares to which they have subscription rights through employee stock warrants acquired:

| | Title | Name | Subscribable shares through obtained employee share warrants (thousand shares) | No. of subscribable shares as a percentage (%) of total issued shares | Subscribed | | | | Unsubscribed | | | |
|----------|--|-------------------|--|---|---------------------------------|---------------------------|-----------------------------|--|---------------------------------|--|---|--|
| | | | | | No. of shares (thousand shares) | Subscription price (NT\$) | Amount of shares subscribed | No. of shares as a percentage (%) of the total issued shares | No. of shares (thousand shares) | Subscription price | NT\$ amount of the shares (thousand NT\$) | No. of shares as a percentage (%) of the total issued shares |
| Managers | CEO | Chuang, Yung-Shun | 380 | 1.38% | - | Not applicable | - | - | 380 | 2020 subscription price per share: NT\$139.5 | - | 1.38% |
| | President | Wang, Feng-Hsiang | | | | | | | | | | |
| | Assistant Vice President | Lin, Huang-Pao | | | | | | | | | | |
| | Assistant Vice President of Marketing Division | Chen, Ying-Te | | | | | | | | | | |
| | Head of Product R&D Division | Chao, Hsing-Kuo | | | | | | | | | | |
| | Head of Accounting | Yang, Hsiang-Chih | | | | | | | | | | |
| Employee | The top ten employees (Note 1) | | 316 | 1.15% | - | Not applicable | - | - | 316 | - | - | 1.15% |

VI. Employee restricted shares: None

VII. New shares issued for merger or acquisition: None.

VIII. Progress on planned use of capital:

The Company had completed its previous (2016) cash issue, and the proceeds received were fully allocated as planned by the 4th quarter of 2016.

FIVE Operational overview

I. Business activities

(I) Scope of business

1. Principal business activities

| | |
|---------|---|
| CC01080 | Electronic Parts and Components Manufacturing |
| CC01101 | Restrained Telecom Radio Frequency Equipments and Materials Manufacturing |
| CC01110 | Computers and Computing Peripheral Equipments Manufacturing |
| CC01120 | Data Storage Media Manufacturing and Duplicating |
| CE01010 | Precision Instruments Manufacturing |
| E605010 | Computing Equipments Installation Construction |
| EZ05010 | Apparatus Installation Construction |
| F108031 | Wholesale of Drugs, Medical Goods |
| F113030 | Wholesale of Precision Instruments |
| F118010 | Wholesale of Computer Software |
| F119010 | Wholesale of Electronic Materials |
| F208031 | Retail sale of Medical Equipments |
| F213030 | Retail sale of Computing and Business Machinery Equipment |
| F213040 | Retail Sale of Precision Instruments |
| F214990 | Retail Sale of Other Transport Equipment and Parts |
| F218010 | Retail Sale of Computer Software |
| F219010 | Retail Sale of Electronic Materials |
| F401010 | International Trade |
| F401021 | Restrained Telecom Radio Frequency Equipments and Materials Import |
| F601010 | Intellectual Property |
| I301010 | Software Design Services |
| ZZ99999 | All business items that are not prohibited or restricted by law, except those that are subject to special approval. |

2. Weight of business activities

Unit: NTD thousands

| Item \ Year | 2019 | | 2020 | |
|---|-----------|----------------|-----------|----------------|
| | Amount | Revenue weight | Amount | Revenue weight |
| Medical computing solutions and accessories | 1,447,621 | 97.62% | 1,311,483 | 97.34% |
| Others (Note) | 35,323 | 2.38% | 35,821 | 2.66% |
| Total | 1,482,944 | 100% | 1,347,304 | 100% |

Note: Others include income from services rendered and warranty coverage.

3. Products and Services

Our main product lines are medical computers, classified into the following seven categories based on product characteristics and application:

| Product Type | Contents |
|---------------------------------|---|
| Physiological monitoring system | ACCEL, ZEUS and Mate series of medical workstations, medical displays, smart OR solutions, and AI smart medical stations. |
| Mobile medical devices | MD-series medical tablets and telehealth solutions. |
| Mobile nursing care system | VENUS series medical cart computer |
| Medical controller | AM medical AI servers and medical motherboards. |
| Long-term care system | Bedside series infotainment unit |
| Medical power | Small, quick mobility medical power supply and high-power (wattage) durable mobile power supply solutions |
| Service incomes | Professional medical ODM/OEM service |

4. New product (service) under development

| Product Type | Product characteristics and application |
|---|---|
| Operating room medical display | Convenient integration of medical images in the operating room. Ultra-fine 4K resolution and color saturation to display true-to-life medical images. |
| Servers and mobile tablets for AI-ready endoscopic system | Utilize the high-performance Nvidia/Intel AI computing core modules and the safety of medical isolation to satisfy the demand for high-resolution endoscopic imaging and unparalleled mobile capacity. |
| Smart operating room image streaming system | Employ optical fibers as the medium to combine the transmission and integration of high-resolution image during surgical operation, realizing true digitization of operating room and ultra-real time transmission of high-end medical image. |
| Smart drug identification system | Using artificial intelligence technology to enable smart drug identification. Eliminating the need for triple-redundant verification and improving medical care efficiency. |

| | |
|--|--|
| | Significantly reduce medication errors and prevent medical dispute. |
| AI smart ward patient protection system | Uses 3D image capturing technology and AI to interpret and analyze patient behaviors, and send out alarms to ensure the safety of hospitalized patients. |
| Ultra-high resolution medical workstation | Ultra-high resolution For use in operating rooms and ultra-high resolution medical test laboratory Features Deep-Learning computational functions to achieve smart medical imaging |
| Medical-grade intelligent power system | Intelligent monitoring function Smart battery management Supply stable power for mobile medical devices Power-backup for stationary medical equipment Smart bulletin system for Self-diagnosis and abnormal reminders |
| Hospital remote-monitoring and management software | Conveniently manage and control the entire hospital's medical workstations from the information control room Remote analysis and troubleshooting Remote power on/off and program update Remote connection and operation Automatic warnings of abnormal conditions Integration of information management for head and branch hospitals |
| Telehealth solutions | Healthcare anywhere Beyond the limit of time, space, and environments Lower infection risk and avoid Cluster infection Realization of clinics for minor illness and regional hospitals for major illness. (Realization of right places for the right illness.) |

(II) Industry Status Quo

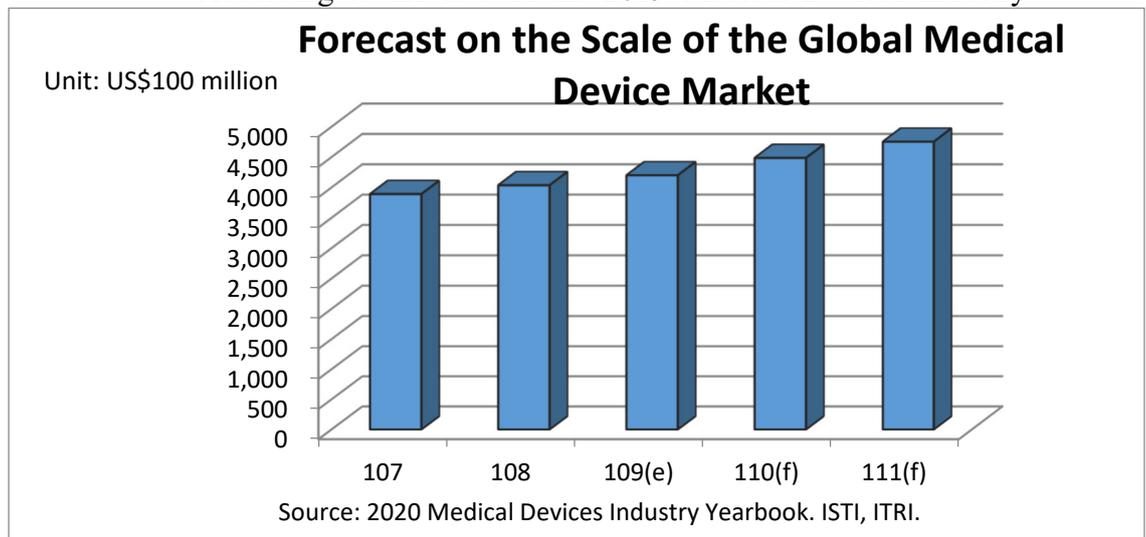
1. The Status Quo and Current Development of the related industry

While population aging accelerates across the globe, healthcare expenses escalate according, causing an enormous financial burden. Industrialized (advanced) countries actively seek and develop new technologies to reduce healthcare expenses and simplify treatment processes for more effective healthcare.

Looking back at the spread of the COVID-19 pandemic in 2020 that slowed global economic growth and affected all industries, European countries and the USA all announced the emergency use authorization (EUA) of pandemic-related products to keep up with the pandemic changes. This EUA has thus driven the demand for pandemic-control-related medical supplies. Particularly, the output value of diagnostic and monitoring (thermometers, ear thermometers,

physiological monitoring devices) devices and healthcare personal protective equipment (PPE) grew significantly. According to the Industrial Technology Research Institute (ITRI) statistics, the 2020 output of Taiwan’s medical supply industry increased by 4.5% from 2019 to NT\$123.0 billion. BMI Research estimates show that the 2020 scale of the global medical supply market increased by 4% from 2019 to US\$420 billion and will grow up to US\$475.3 billion in 2022, with a compound annual growth rate (CAGR) of about 5.6%. In 2019, the US market, accounting for 48.0% of the world, was still the major regional market of global medical supplies, then the Western European market at 23.7%, the Asia-Pacific market at 21.2%, the Central European and Eastern European markets at 3.6%, and the Middle Eastern and African markets at 3.0%.

According to the data of the 2019 Medical Devices Industry

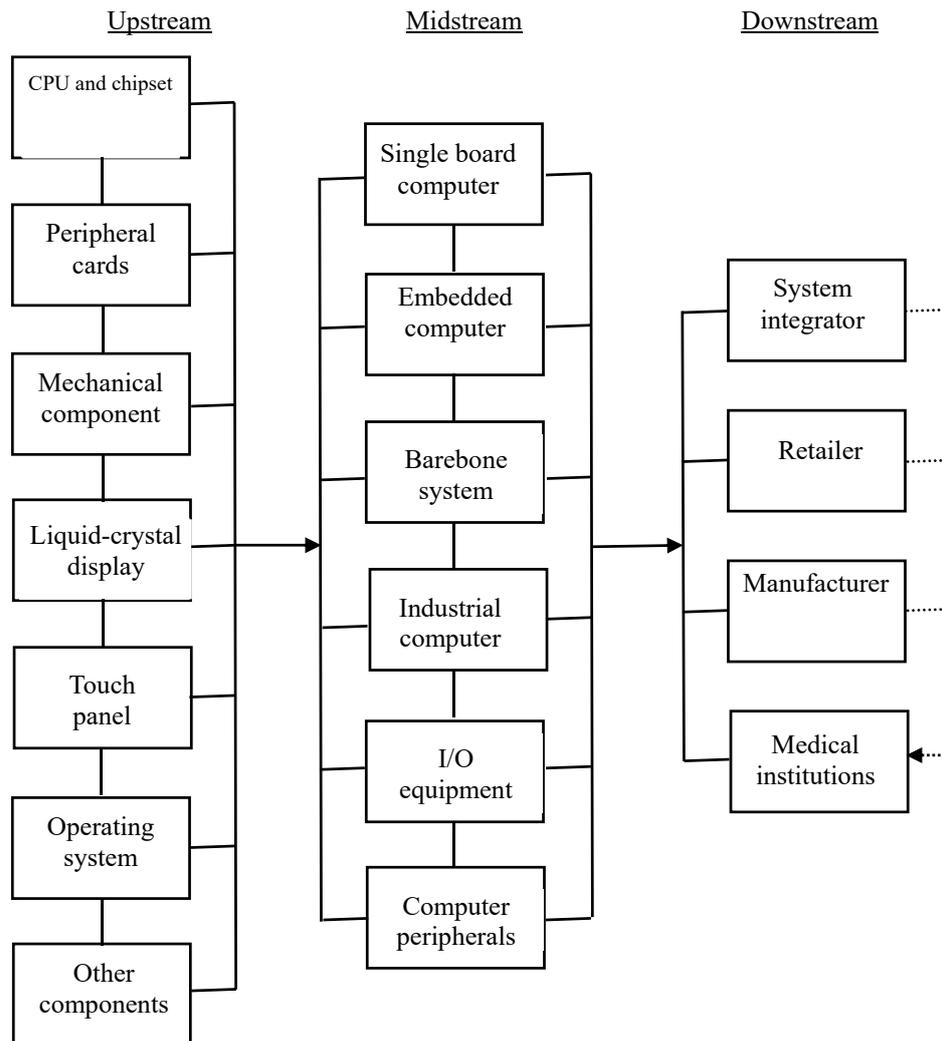


Yearbook, the major global markets of medical devices are in the U.S. and Europe, and are often the first choice of most major corporations. The medical device certification standards from these countries are widely recognized by many countries and have been re-translated into their respective legislatures. Therefore, obtaining certification from the EU and U.S. is an essential step for medical device vendors to bring their products into the international market. This results in the U.S. and EU policies and related agenda exerting significant influence over the development of medical device industry. The leading U.S. vendors of medical devices continue to guide global industry development. The relative stability of the U.S. healthcare insurance system provides better support than other countries. Under the strong

momentum created by supply and demand, the market in the U.S. is expected to grow continuously, securing its place as the world's largest single market nation. Germany is one of the major economic entities in the European Union. The medical device market in Germany continues to grow under favorable economic conditions, aging demands and high expectation for the quality of medical services, and has exceeded Japan as the 2nd largest single market country in the world. Japan continues to dominate the medical device market in the Asia Pacific region. As the first country in the world to enter a super-aging society, Japan has implemented care insurance system since 2000 to enhance the utilization of healthcare and medical services. This resulted in Japan occupying nearly 40% of the Asian market for medical devices. The rapid economic growth in Mainland China has also elevated the country into the world's 4th largest healthcare market, and has attracted the attention of many international vendors.

Looking out to 2021, the Industry, Science and Technology International Strategy Center (ISTI), ITRI, is optimistic about the global medical supply industry, when the per capita medical expense continues to rise in major countries and regions, including the USA, the EU, Japan, and mainland China. In addition to the pandemic, elderly care, preventive medicine, and smart healthcare also count. It is estimated that the 2021 output of Taiwan's medical supply industry will increase by 5.2%-6.1%. ASEAN countries and South Asian countries with increasing demand for quality, bargain-priced medical supplies will be the focus emerging markets awaiting manufacturers' cultivation, and developing an own brand and actively passing the certification of the national healthcare quality systems of the target markets will be our important development strategies.

2. Relationship between the upstream, midstream and downstream industries



The upstream medical computer industries are suppliers of semiconductors, peripheral cards, mechanical and related components. Due to the rising popularity of slim industrial computers, LCD display becomes one of the upstream industries of industrial computers. The slim LCD panel is one of the major components in the medical computer industry defined by our company.

The midstream industries include manufacturers of I/O equipment, single board computers, barebone systems, industrial computers and peripherals. Our company and most of the industrial computer vendors in Taiwan are within the scope of midstream industries.

Depending on the sale format, downstream industries like retailers with engineering backgrounds, system integrators or equipment manufacturers sell the final products to medical institutions.

3. Development trends of various products

The main development trends of medical devices are digitization, mobile service, paper-less, remote access and AI.

(1) Digitization

The traditional analogue display and chemical storage methods of medical equipment are increasingly digitized: for example, the traditional X-ray films are archived as digital PACS files, which greatly improve the accuracy and integrity of archived data. Digitization of medical institution infrastructure allows the permanent archiving and real-time transmission of test results, which greatly improves the efficiency of medical care.

(2) Mobile service and paper-less operation

The mobile operation of medical and care equipment contributes to the realization of patient-centered healthcare, such as mobile X-ray machine, mobile EKG, mobile drug cart and nursing cart. Medical staff can obtain real-time status of patients through mobile platforms, browse patient's information in real-time, and modify physician's orders online. Computerized technology allows full paper-less operation and accurate drug use, and significantly improves the quality of medical care.

(3) Remote access

The aid of wireless technology allows the extension of medical analysis and care from institution to communities, households and remote areas, fulfilling true remote healthcare and telecare.

(4) Artificial Intelligence (AI)

The role of AI is gaining importance in the medical field, such as computer-aided diagnosis, surgical navigation system, elderly care, and so on. When validity is enhanced and popularization extends in the future, AI can significantly reduce the burden of medical personnel and enhance care and treatment quality. AI technology and product application will be potential areas in the future.

4. Overall economic environment and competition

While vaccination for COVID-19 has begun in some countries, effective control of the pandemic is expected later this year to give rise to a global economic rebound. According to the IMF outlook in January 2021, the global economy recessed by 3.5% in 2020, and the situation of industrialized economies was even worse, up to 4.9%. Overall, the pandemic's economic impact was even harsher than that of the 2008 financial crises. According to market surveyor IHS Markit, COVID-19's impact is no second to that of the 1918 flu pandemic that infected 500 million people across the globe and lasted for three years. Looking out to 2021, the global economy is expected to rebound after the pandemic's peak. However, the momentum of rebound requires further observation, particularly in emerging economies that have already gone beyond the originally predicted track. The World Health Organization (WHO) warns, the resurgence lapse of emerging diseases of mass infection across the world has been shortened, suggesting that the outbreak of lethal diseases of mass infection across the world is frequent and will become a "new routine" in the future.

The medical device industry in Taiwan is mainly oriented toward

exportation of products to specific markets, which is easily influenced by local industry policies. The exchange rate of New Taiwan Dollar to U.S. Dollar also becomes a key indicator to the operational performance of industries. In addition, the cost of materials occupies a significant proportion of the expenses of medical device and equipment manufacturer. Therefore, the price trend of raw materials is also another key indicator that affect the operational performance of industries, aside from the NTD exchange rate. In terms of policies, while the constant fluctuation of the US Dollar has heightened the foreign exchange risk, we will keep close track of the forex trend and enhance forex volatility control to minimize its impact on operations. From the policy point of view, the “Act for the Development of Biotech and New Pharmaceuticals Industry” promulgated and implemented unit 2007 will expire at the end of 2021. As the government has included the biotechnology and biopharma industries (hereinafter called the “biotech industries”) as one of the six major strategic industries, the Ministry of Economic Affairs (MOEA) has recently announced the amendment of the Act into the “Act for the Development of the Biotechnology and Biopharma Industries” and will send this new act the Legislative Yuan for passage (third reading) in the second half of 2021, the “Act for the Development of the Biotechnology and Biopharma Industries” will seamlessly connect with the “Act for the Development of Biotech and New Pharmaceuticals Industry” and take effect from 2022 until the end of 2031. Besides adding applicable items to the previous act to meet the new development trends of the global biotech industries, tax incentives will be introduced to attract investments and retain excellent talents, hoping to enhance the industries’ international competitiveness.

The era of aging means that the national expenses on healthcare will inevitably rise, but its growth may not match the speed of the aging. To lower the financial burden, many governments or insurance companies may continue to cut back on payment of healthcare products. It is expected that pricing of medical devices and equipment products will be impacted, and manufacturers would have to continue to decrease costs to maintain profit margins. As the legislature governing medical devices become increasingly rigorous on the review of medical devices, and the EU on the verge of implementing updated versions of medical device legislation, all of these factors will compound to increase the future operation costs of related manufacturers.

The main competitors of our company’s medical computer products are Taiwan’s vendors of industrial computers and foreign medical device vendors. The biggest difference between us and the competitors is that we are focused on the R&D, production and marketing of medical computers, while other vendors are focused on industrial computers targeted for the retail enterprises. Our target markets include medical, vehicle, monitoring and industrial control; we share our personnel experiences and our resources are distributed.

The needs of the medical computer clients are different from

other industries. Medical clients require partners that are familiar with both professional medical knowledge and capacity. As our company is focused on the market of medical computers, our modes of services and operation are targeted toward services for medical customers, from talent training, professional development, R&D, medical safety compliance testing, control of materials and parts life cycles, international medical ISO validation and medical ISO 13485 certified manufacturing plants. Our company is well-situated to provide design and production services of medical computers that are on an entirely different level from our competitors, and is able to create win-win scenarios for both our clients and ourselves.

(III) Technology and R&D Status

1. Budget devoted to research and development in the latest fiscal year and at the time of this annual's printing and publishing

Unit: NTD thousands; %

| Item \ Year | 2020 | Consolidated information up till publication date of annual report (March 31, 2021) |
|---------------------------------|-----------|---|
| R&D budget | 68,635 | 26,863 |
| Net revenues | 1,347,304 | 273,277 |
| As a percentage of net revenues | 5.09 | 9.83 |

2. Technology or Product Successfully Developed in the past 5 years

| Year | Technology or Product |
|------|--|
| 2016 | VENUS-223/243 3rd generation Medical Cart Computer ZEUS-198/228/248 3rd generation Smart Medical Workstation Emergency Care Medical Computer |
| 2017 | MD101 Android-based Medical Tablet MedPC-2700 Smart Ward Gateway 2nd generation eyeball-control aid |
| 2018 | ACCEL Operating Room Medical Server Venus-123/153/173 Mini Mobile Cart Computer XXL ultra-high capacity medical power system 5"~7" mini medical handheld computer |
| 2019 | 32" Operating Room high-end display XEON grade Medical AI server Ubiquitous Power Solution |

| | |
|------|---|
| 2020 | Gen 4 Venus Medical Cart Computers Advanced High-Power Power Bank Gen 5 Mate Medical All-in-1 PC Medical AI-Accelerated Server (ACCEL) Gen 2 Monitor for Digital OR |
|------|---|

(IV) Long and Short Term Business Development Plans

1. Short-term business development plan

(1) Marketing Strategies

- A. Strengthen the sale channels in Europe, United States, Japan and Australia
 - a. Invest in primary market locations, strengthen professional marketing talents to effectively promote new products, employ oversea talents to manage local market.
 - b. Invest marketing resources to expand the commercial momentum of primary market channels.
 - c. Establish local design and manufacturing service (DMS) capacity, intensify local-for-local client collaboration.
 - d. Based on the attributes of application, develop new partnership in the application markets.
- B. Increase OEM/ODM clients and revenue
 - a. Establish a medical-specific DMS (Design and Manufacturing Service) department for rapid service of Tier 1 client needs.
 - b. Make good use of internet marketing tools to develop new client sources.
- C. Aggressive development of the Asia Pacific Market
 Take over the Greater China market with comprehensive healthcare solution, create bigger added values. Coincide with the growth curves of New Zealand, Australian and ASEAN to rapidly replicate the successful experiences of Europe and North America.

(2) R&D strategies

Our company implements dual-track R&D strategies on co-developing products and technologies. Technology wise, our research encompasses AI, medical IoT technology, remote monitoring, medical aids, remote sensing, data image packing and transmission technologies. The results of our R&D will be incorporated into future products as newly developed functions, so we can continuously enhance the unique features of our products and maintain industry leadership over rival businesses.

(3) Product strategies

- A. Incorporate AI smart technology into medical system, use AI to greatly improve medical care efficiency and realize precision medicine.
- B. Assist domestic and oversea medical institutions to introduce electronic medical records (EMR), medical picture archiving

and communication systems (PACS) and clinical information system (CIS).

- (4) Plan and implement financial management mechanisms for the company, enhance risk control, and devise intermediate and long-term capital need planning as basis of our financial planning.

2. Long-term business development plans

- (1) From medical application platform to vertical medical application solutions.

- A. Establish innovative medical research and development centers, utilize ICT technology to imbue medical behaviors with Sensing, Connecting and Adapting features, accelerate popularization of CPOE (computerized physician order entry) and real-time location system (RTLS) in domestic and oversea medical institutions.
- B. Form alliances with specific hospitals to jointly develop related technology, rapidly integrate medical knowledge and information technology through win-win scenario to greatly reduce the time needed to develop new products.
- C. Collaborate with large medical institutions in Europe, North America and Asia to provide telecare services.
- D. Research AI for use in interpretation of medical images to significantly increase the accuracy of diagnosis and improve the efficiency of physician’s diagnostic inquiry.

- (2) A-level talent recruitment and training

- A. Make good use of oversea talents to manage local markets.
- B. Establish internal instructor system to train future generations of management talents.

- (3) Build Branding

- A. Continue investment in the Onyx brand to maintain tier-one branding status in Europe, North America and China.
- B. Select vertical application markets and introduce new brands of application products.

II. Market and Sale Status

(I) Market Analysis

1. Main Regions of Product (and service) Sale (and Provision)

Unit: NTD thousands; %

| By Region \ By Year | 2019 | | 2020 | |
|---------------------|--------------|------------|--------------|------------|
| | Sales Amount | Proportion | Sales Amount | Proportion |
| Domestic Sales | 16,676 | 1.12% | 18,526 | 1.38% |
| Oversea Sales | 1,466,268 | 98.88% | 1,328,778 | 98.62% |
| Total | 1,482,944 | 100.00% | 1,347,304 | 100.00% |

2. Market share

Our company offers private-label products and customized services of medical computers. As medical computers constitute a part of medical equipment, one of our management principles is to create win-win scenarios together with vendors of medical equipment.

Therefore, we are not involved in the development and sale of medical equipment, resulting in difficulty obtaining exact data on market share in both domestic and overseas markets. Our products have been successfully distributed to the European and American market and earned praise from local customers who eventually became our loyal customer groups. Through product R&D and innovation, it is expected that we can capture market growth opportunities in Europe and America to boost revenues and maintain steady profit growth for the company. In 2021, we will continue to implement various strategies based on our past experience. Regardless of the impact of COVID-19, steady growth is expected in the coming year.

3.Future Market Supply and Demand and Growth Potential

Issues including global population aging, chronic disease prevalence, and low subfertility rate have been changing the global demographic structure. According to the UNFPA, given the continuation of global population aging, until 2050 one of every six persons will be aged 65 or older, and the workforce population will also reduce. As a result, the medical cost and workforce demand will increase annually.

As the COVID-19 pandemic continues, the number of confirmed cases worldwide has exceeded 117 million persons. The number of deaths exceeded 2.6 million (by March 9, 2021), leading to the surge of demands for related medical supplies. It is expected that the pandemic will switch and change the structure of the global medical supply industry.

According to the ITRI, despite the huge efforts in vaccine R&D of countries across the world, it is generally predicted that vaccine popularization will not come until the second half of 2021. Therefore, the growth in PPE (facemasks and protective gowns), quick test kits, diagnostic devices (thermometers, ear thermometers, physiological monitoring devices, epidemic prevention robots), cloud health monitoring devices, and others is optimistic.

To ensure public health, epidemic prevention, and safety, telemedicine, telehealth, and home healthcare will be the possible options for medical attention and give rise to the demand for personalized medical devices and services, directing manufacturers to turn toward the high-mix, low-volume (HMLV) manufacturing of custom(ized) medical device products. In addition, in view of the rapid development of digital technologies, such as AI, in medical applications, competent medical authorities of countries in the world have introduced measures to reform the regulations governing digital medical devices to address the administrative challenges brought by product development. The tightening of regulatory verification will positively compete for the fittest to the medical device industry. According to the ITRI prediction, a growth of 5.2-6.1% will continue in Taiwan's medical device industry, with an output up to NT\$130 billion and an added value of nearly 40%.

As for supply and demand, according to the data compiled from Medicaldevice-network.com (2019) by the CTCI Foundation, amongst the global medical device market shares, 40% is occupied by the

world's top ten medical equipment manufacturers. As the global IoT development and medical digitization continues to transform, major medical device manufacturers are also aggressively planning in this market segment. International medical device industry is mostly led by major manufacturers, therefore by observing the strategic planning of key international medical device manufacturers, one can grasp the global development trends of medical devices. Based on the statistic of the 2019 Medical Devices Industry Yearbook, there are 1,128 medical device vendors in Taiwan by the end of 2018, producing mostly medium-grade medical devices, the majority being Class 1 and 2 medical devices by classification. The main exports are medical aids and prosthesis, and mostly oriented toward consumer intermediate-and low-end medical devices, which echo with the development type of Taiwan's small and medium businesses. Following the trends of global IoT development and healthcare digitization, vendors in Taiwan with electronic industry and IoT industry competitive advantages are actively exploring the field of healthcare. The burden of increasing global medical costs has created major trends to improve preventive surveillance, health promotion and increasing medical benefits, and the service mentality is gradually shifting from medical provider-centered to patient-centered. Small, portable and smart medical devices with strong connectivity are now a key development trend. As Taiwan is strong in electronic design and production, product development should also follow the global trend.

4. Competitive Niche

The primary management teams of our company have extensive industry experiences, and are sensitive to market reaction, able to make accurate and quick decisions backed with enormous ambition. Since the establishment of our company, we have been focused on the development of medical computers. Our R&D teams have accumulated years of solid proficiency, making our products excel in a competitive niche.

5. Advantages and Disadvantages of Development Prospect and Countermeasures

(1) Advantages

A. Extension of Post-COVID-19 Service Model

In response to the pandemic, the demand for telehealth, zero-contact physiological monitoring devices, and personalized medical devices and services increases to boost the sales of Onyx products

B. Change in population structure drives the growth of market demands

As the population structure changes, the world is entering the era of increased aging, low birth rates and growing proportion of chronic disease patients. Factors like these contribute to rising medical expenditures every year. To lower the costs of healthcare and increase service quality and efficiency, the increase in

demand of smart healthcare products will become the driving force behind our company’s business growth.

C. Government policy orientation

Various governments in the world and healthcare industry are actively investing in smart healthcare to lower the costs of healthcare in the upcoming era of aging society, as well as improving quality and efficiency of healthcare services. These trends will also promote the growth of medical computer industry.

D. Cloud-base medical information

The miniaturization of semiconductors and maturation of IOT technology will accelerate the development of wearable devices and slim down the size of medical sensing equipment, making them easy to use and consumes little power. These wearable devices allow constant monitoring and recording of patient’s vital signs and are a significant opportunity for development of smart healthcare.

(1) Disadvantages and countermeasures

- A. We are a start-up company; our scale and market channels cannot yet compare to major foreign manufacturers.

Countermeasures

- (A) To tackle market competitions, besides improving services for existing customers, we will emphasize the R&D of products with high quality and higher gross profit to provide customers with more competitive options.
- (B) Combine oversea vertical manufacturers and customers to form an ecosystem alliance; actively participate in professional exhibitions.

- B. Higher emphasis on exportation and at higher risk of changing exchange rate.

Countermeasures

Our company’s financial department is constantly collecting information on the changing foreign currency exchange rate, and actively consults with our bank partners on foreign exchange information and advice, so we can grasp the most appropriate moment to buy, sell or convert foreign currencies. In addition, factors like changing exchange rates also being considered when providing price quotes to our clients, so that reasonable profits for our company are guaranteed.

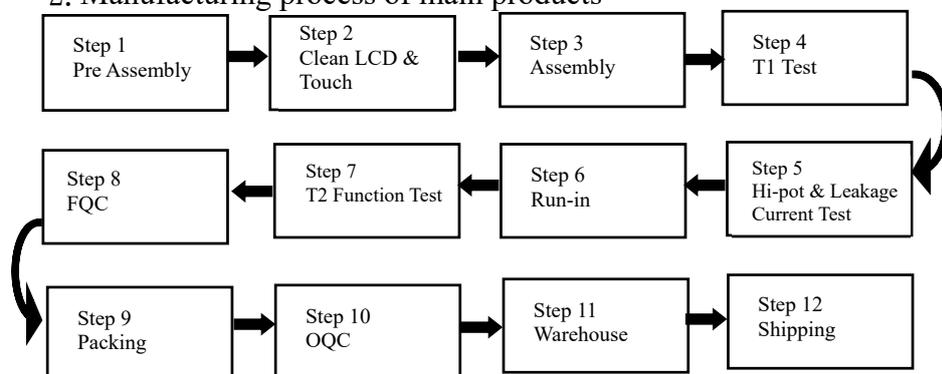
(II) Key applications of main products and manufacturing process

1. Key applications of main products

| Product title | Key application |
|---------------------------------|---|
| Physiological monitoring system | <ul style="list-style-type: none"> ▪ Powerful computational performance and real-time graphical processing for medical needs ▪ Medical DICOM display ▪ OR/ICU/ER |

| Product title | Key application |
|---|---|
| Medical controller | <ul style="list-style-type: none"> ▪ Fan-less and expansion card module design ▪ Greatly reduce the development time of medical equipment ▪ Greatly advance the marketing time of medical equipment |
| Long-term care system | <ul style="list-style-type: none"> ▪ Provide WARD/LTC patients with entertainment and important health education information ▪ Significantly increase the efficiency of nursing staff ▪ Greatly increase patient satisfaction and reduce return visit rate |
| Mobile medical devices | <ul style="list-style-type: none"> ▪ Communication tool for wheelchair users with impaired mobility ▪ Infra red eye-ball identification system |
| Mobile nursing care system | <ul style="list-style-type: none"> ▪ Wireless cart for effortless pushing by nursing staff ▪ Ergonomic design allows height adjustment within 1 second, conforms to the movement height of nursing staff, as well as transforming into a mobile nursing station |
| Medical-grade power system | <ul style="list-style-type: none"> ▪ Replaceable batteries for uninterrupted, 24/7 nursing care service ▪ Fast 1-minute installation |
| Customized medical computer design and manufacturing services | <ul style="list-style-type: none"> ▪ Specialized in customized medical computer services ▪ One-stop full customization services from planning/design/testing/test production/production/customer service |

2. Manufacturing process of main products



(III) Supply status of primary raw materials

| Name of primary raw materials | Supply status |
|-------------------------------|--|
| Peripheral cards | Longer Delivery Time from Market Demands |
| Liquid-crystal display | Longer Delivery Time from Market Demands |
| Metallic chassis | Good |
| Touch screen panel | Longer Delivery Time from Market Demands |
| Memory cards and modules | Longer Delivery Time from Market Demands |
| Operating system | Good |

(IV) Name of trade partner representing more than 10% of total purchases (sales) in any of the previous two years, and the amount and percentage of purchase (sale). Describe causes of any variation.

1. Main suppliers

Unit: NTD thousands

| Item | 2019 | | | | 2020 | | | |
|------|-----------------------|---------|---|------------------------------|-----------------------|---------|---|------------------------------|
| | Name | Amount | As a percentage of annual net purchases (%) | Relationship with the issuer | Name | Amount | As a percentage of annual net purchases (%) | Relationship with the issuer |
| 1 | AAEON Technology Inc. | 287,063 | 33.38 | Parent company | AAEON Technology Inc. | 264,915 | 33.85 | Parent company |
| | Others | 572,991 | 66.62 | — | Others | 517,774 | 66.15 | — |
| | Net purchase | 860,054 | 100 | — | Net purchase | 782,689 | 100 | — |

Note 1: Suppliers are presented using alias due to confidentiality agreement.

Explanation to variations:

AAEON Technology Inc. represented one of the main suppliers in 2019 and 2020, from which the Company purchases industrial motherboards. Increase in the amount purchased was mainly attributed for a particular project.

2. Main buyers

Unit: NTD thousands

| Item | 2018 | | | | 2019 | | | |
|------|------|--------|---|------------------------------|------|--------|---|------------------------------|
| | Name | Amount | As a percentage of annual net sales (%) | Relationship with the issuer | Name | Amount | As a percentage of annual net sales (%) | Relationship with the issuer |

| | | | | | | | | |
|---|-----------|-----------|--------|---|-----------|-----------|--------|---|
| 1 | Company A | 256,737 | 17.31 | — | Company A | 101,352 | 7.52 | — |
| 2 | Company B | — | — | — | Company B | 148,658 | 11.03 | |
| | Others | 1,226,207 | 82.69 | — | Others | 1,097,294 | 81.45 | — |
| | Net sales | 1,482,944 | 100.00 | — | Net sales | 1,347,304 | 100.00 | — |

Note 1: Buyers are presented using alias due to confidentiality agreement.

Explanation to variations:

Company A is one of the Company's ODM customers, Shipment to this particular customer decreased in 2020, resulting in lower sales revenues. Company B is nthe largest customer as a new customer due to receive the project.

(V) Production volume and value in the last two years

Unit: volume: pieces; value: NTD thousands

| Year Production volume/value Main products | 2019 | | | 2020 | | |
|--|------------------------|----------------------|---------------------|------------------------|----------------------|---------------------|
| | Production capacity | Production volume | Production value | Production capacity | Production volume | Production value |
| Medical computing solutions and accessories | 30,000 | 25,293 | 609,408 | 30,000 | 27,061 | 511,672 |
| Others (Note) | — | — | — | — | — | — |
| Total (Note) | — | — | 609,408 | — | — | 511,672 |

Note: Production volume excludes accessories. Others represents income from service rendered, hence neither production volume nor value is presented.

(VI) Sales volume and value in the last two years

Unit: volume: thousand pieces; value: NTD thousands

| Year Sales volume/value Main products | 2019 | | | | 2020 | | | |
|--|----------------|--------|---------------|-----------|----------------|--------|---------------|-----------|
| | Domestic Sales | | Oversea Sales | | Domestic Sales | | Oversea Sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Medical computing solutions and accessories | 3,175 | 16,618 | 125,926 | 1,431,003 | 5,621 | 18,433 | 272,444 | 1,431,003 |
| Others (Note) | — | 58 | — | 35,265 | — | 93 | — | 28,745 |
| Total (Note) | — | 16,676 | — | 1,466,268 | — | 18,526 | — | 1,328,778 |

Note: Others represents income from service rendered, hence no sales volume is presented.

III. Latest information on employees within the last 2 years and up to the date of printing and publishing of this annual

| Year | | 2019 | 2020 | Up to the date of printing and publishing of this annual, March 31, 2021 |
|--------------------------------------|-----------------------------|-------|-------|--|
| Number of employees | Managers | 12 | 12 | 12 |
| | General employees | 99 | 109 | 112 |
| | Direct labor | 18 | 21 | 22 |
| | Total | 129 | 142 | 146 |
| Average age (years) | | 41.07 | 41.88 | 42.16 |
| Average service years (year) | | 4.4 | 4.74 | 4.70 |
| Distribution of education experience | Doctorate | 0 | 0 | 0 |
| | Master | 32 | 37 | 36 |
| | University or College-level | 75 | 83 | 88 |
| | High-school | 22 | 21 | 21 |
| | High-school or lower | 0 | 1 | 1 |

Note: employees do not include board members with a position within the company

IV. Information on environmental expenses

- (I) Description on the application, payment or establishment of pollution facility license, pollution emission permit, fees for pollution prevention and treatment or establishment of environmental personnel as governed by legislation.

Our company is specialized in the assembly of medical computers and the process does not emit special pollution, therefore there is no need to apply for a pollution facility license or pollution facility emission permit, as well as no needs for payment of pollution prevention and treatment fees or establishment of environmental personnel.

- (II) Describe your company's investment and application of the main equipment for preventing environmental pollution, and list possible benefits: not applicable.
- (III) Please describe any improvements made by the company on environmental pollution or any pollution-related disputes within the past 2 years and up to the date of printing and publishing of this annual, and describe the resolve process : none.
- (IV) Describe any losses (including compensation) incurred from environment pollution, the total amount of penalty fines, and disclose any possible costs of future measures (including improvement plans) within the past 2 years and up to the date of printing and publishing of this annual (may include estimated amounts of loss from failure to implement measures, penalties and compensation; please specify the

reasons if the amount could not be reasonably estimated): none.

- (V) Please describe the current pollution status and its effects on improving company surplus, competitiveness and capital expenditure, and planned major environmental capital expenditures within the next 2 years: not applicable.

V. Labor Relation

- (I) The company's various employment benefits, advancement studies, training, retirement system and implementation status, labor-management agreements and various enforcements of employee rights and benefits.

1. Employee benefits and implementation status

(1) Insurance

In addition to the Labor and National Health Insurance as required by national regulation, all of our employees are covered with group insurance (including accident insurance and inpatient medical insurance), and offer discounted coverage premium on group insurance for the family members of our employees.

(2) Occupational safety and health

A. We organize annual physical examinations on site for all of our employees; bi-annual hospital physical examinations for supervisors; we also incorporated surveys on overwork and mental health scale, musculoskeletal (human-factors engineering) survey for the benefit of work, physical and mental balance of our employees. Interpretation of physical examination reports and analysis of health status are available during physical examination; in-house physician arranges seasonly consultation on health status for our employees.

B. Occupational safety organization and personnel

In order to promote occupational safety and health, we have designated occupational safety and health organization and dedicated personnel (professionals including OH&S personnel, class I occupational safety and health affairs managers, factory doctors and nurses), and report for recordation. We will also establish an OH&S committee to periodically review the progress and effectiveness of various OH&S affairs and implement workplace health promotion activities to value employees' mental and physical health.

C. Occupational safety and health management measures

The company formulates occupational safety management plans, management charter and work guidelines as part of the occupational safety and health management measures, so that the employee's occupational safety awareness can be elevated to enhance safety and health measures. There have

been no occupational hazardous events in the past 3 years; we continue to maintain and protect the safety of our workplace.

D. Occupational safety and health education training

New employees receive occupational safety and health education training upon arrival, which contains courses on Occupational Safety and Health Act, safe and health work rules, automatic inspection, standard operation procedures, emergency response, fire and first-aid; we also arrange annual occupational safety and health training for all of our employees; professional personnel participate in respective professional education training (e.g., first-aid personnel, occupational safety management personnel, fire hazard personnel, etc.).

E. Monitoring of work environments

We value the work environment safety and health of our employees, therefore we implement monitoring of work environments every 6 months, and seasonal testing of drinking water. We evaluate the labor environments and exposure to hazardous factors through sampling, surveillance and analysis, so as to guarantee the workplace safety and health of our employees.

F. Facility safety management

We regularly implement automatic inspection and maintenance of various equipment and machinery, ensuring their operations are normal. We also conduct annual fire safety equipment check and repair, replacing or improving any malfunctioning fire and evacuation equipment, so that our machinery and equipment remain safe.

G. Contractor management

As the risks of contractor hazards are high, to protect the safety of our contractors, we devised contractor management documents and implemented hazard notification, education training and construction application before any contracted work, which prevents occupational hazards from happening.

H. Fire safety

We formulated fire hazard self-defense teams and participate in 6-months fire evacuation drills and practice courses organized by the management committee, which direct our employees to perform evacuation drills and practice operation of fire extinguishers, so that when real emergency comes, everyone can remain calm and reduce

losses to personnel and property.

(3) Welfare benefits

The labor welfare committee of our company provides each employee with 10,000 NTD benefit bonus points per year, which can be spent on cultural activities organized by the welfare committee, tourism subsidies, club subsidies, department dinners and self-inspirational activities.

(4) Employee assistance

We have selected qualified professional consulting firms and signed employee assistance contracts with them to provide employees with psychological consultation; employees may consult on issues such as work, life, parent-children relationship, marriage, relationship, emotion, stress and health conditions. A monthly psychologist column and regular mental health seminars are available for employees to maintain mental and spiritual health.

(5) Leaves and vacations

We provide paid vacations according to the Labor Standards Act. Employees and supervisors can check their vacation status through an online system, which helps to maintain work-life balance of our colleagues.

(6) Employee satisfaction survey

We conduct annual employee satisfaction surveys to understand our employee's identification of the organization and job satisfaction. Feedbacks from our employees will be incorporated as key reference indicators for the company's next year policies.

(7) Marriage, Funerals and Festivals

We regularly issue monthly birthday coupons to our employees, and plan seasonal meetings and birthday activities per season. All of our employees will congratulate people with birthday in the current month. We also issue a fixed subsidy for employee's marriage or funeral occasions, hospitalization and major catastrophes.

2. Retirement system and implementation status

We implement defined contribution pension plan for our employees as stipulated by the Labor Pension Act. Six percent of the monthly wages are borne by our company as retirement pension for our employees, and are deposited into the personal accounts of labor pension.

3. Employee advancement and training status

To improve the quality and work proficiency of our employees, we actively encourage employees to participate in various training courses. In addition to planning internal training courses for the

purpose of professional knowledge and skill inheritance, employees may also apply for external training as necessary for work or business affair-related needs.

4. Labor-management agreement

Our labor-management relationship has been harmonious so far without major labor-management disputes.

5. Protection of various employee benefits and rights

The protection of our employee's benefits and rights are based on current legislation. We also designed various document-based regulations that clearly defined the employee's rights and duties, so that their due rights and benefits are properly maintained.

(II) Losses incurred by labor-management disputes as of the current year and up to the date of printing and publishing of this annual. Disclose any estimated amount for current or future disputes and response measures.

As of the current year and up to the date of printing and publishing of this annual, there have been no labor-management disputes.

VI. Important contracts: None.

SIX Financial Summary

I. Summary balance sheet, statement of comprehensive income, auditors and audit opinions for the last 5 years

(I) Summary balance sheet and statement of comprehensive income

1. Summary balance sheet - IFRS-compliant (consolidated)

Unit: NTD thousands

| Year | | Financial information in the past five years | | | | |
|---|-------------------|--|-----------|-----------|-----------|-----------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Item | | | | | | |
| Current Assets | | 1,157,990 | 1,051,127 | 1,150,423 | 776,699 | 763,280 |
| Property, plant and equipment | | 19,099 | 21,021 | 27,157 | 23,781 | 20,440 |
| Intangible Assets | | 588 | 1,378 | 966 | 553 | 5,134 |
| Other Assets | | 11,240 | 54,430 | 26,656 | 577,853 | 604,351 |
| Total Assets | | 1,188,917 | 1,127,956 | 1,205,202 | 1,378,886 | 1,393,205 |
| Current Liabilities | Before allocation | 265,103 | 218,027 | 247,405 | 288,720 | 279,181 |
| | After allocation | 392,423 | 348,075 | 377,453 | 420,769 | (Note 1) |
| Total non-current | | 37,790 | 39,629 | 33,876 | 70,155 | 61,175 |
| Total Liabilities | Before allocation | 302,893 | 257,656 | 281,281 | 358,875 | 340,356 |
| | After allocation | 430,213 | 387,704 | 411,329 | 490,924 | (Note 1) |
| Equity attributable to owners of the parent | | 886,024 | 870,300 | 907,992 | 1,007,930 | 1,042,936 |
| Share capital | | 181,886 | 200,075 | 200,075 | 220,082 | 275,102 |
| Capital surplus | | 473,856 | 473,856 | 473,856 | 473,856 | 478,566 |
| Retained earnings | Before allocation | 229,673 | 200,075 | 264,933 | 354,255 | 334,261 |
| | After allocation | 102,353 | 70,027 | 134,885 | 222,206 | (Note 1) |
| Other Equity | | 609 | (3,706) | (30,872) | (40,263) | (44,993) |
| Treasury shares | | — | — | — | — | — |
| Non-controlling interest | | — | — | 15,929 | 12,081 | 9,913 |
| Total Equity | Before allocation | 886,024 | 870,300 | 923,921 | 1,020,011 | 1,052,849 |
| | After allocation | 758,704 | 740,252 | 793,873 | 887,962 | (Note 1) |

Source: Based on audited financial statements

Note 1: 2020 earnings appropriation has yet to be approved in shareholder meeting, hence no disclosure was made for amount after distribution.

2. Summary balance sheet - IFRS-compliant (standalone)

Unit: NTD thousands

| Year | | Financial information in the past five years | | | | |
|---|-------------------|--|-----------|-----------|-----------|-----------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Item | | | | | | |
| Current Assets | | 1,079,913 | 908,962 | 1,009,156 | 616,517 | 588,578 |
| Property, plant and equipment | | 15,669 | 18,566 | 21,076 | 19,602 | 17,572 |
| Intangible Assets | | 588 | 1378 | 966 | 553 | 5134 |
| Other Assets | | 69,215 | 132,310 | 123,402 | 678,113 | 718,084 |
| Total Assets | | 1,165,385 | 1,061,216 | 1,154,600 | 1,314,785 | 1,329,368 |
| Current Liabilities | Before allocation | 237,469 | 151,388 | 212,778 | 240,952 | 229,444 |
| | After allocation | 364,789 | 281,436 | 342,826 | 373,001 | (Note 1) |
| Total non-current liabilities | | 41,892 | 39,528 | 33,830 | 65,903 | 56,988 |
| Total Liabilities | Before allocation | 279,361 | 190,916 | 246,608 | 306,855 | 286,432 |
| | After allocation | 406,681 | 320,964 | 376,656 | 438,904 | (Note 1) |
| Equity attributable to owners of the parent | | 886,024 | 870,300 | 907,992 | 1,007,930 | 1,042,936 |
| Share capital | | 181,886 | 200,075 | 200,075 | 220,082 | 275,102 |
| Capital surplus | | 473,856 | 473,856 | 473,856 | 473,856 | 478,566 |
| Retained earnings | Before allocation | 229,673 | 200,075 | 264,933 | 354,255 | 334,261 |
| | After allocation | 102,353 | 70,027 | 134,885 | 222,206 | (Note 1) |
| Other Equity | | 609 | (3,706) | (30,872) | (40,263) | (44,993) |
| Treasury shares | | — | — | — | — | — |
| Non-controlling interest | | — | — | — | — | — |
| Total Equity | Before allocation | 886,024 | 870,300 | 907,992 | 1,007,930 | 1,042,936 |
| | After allocation | 758,704 | 740,252 | 777,944 | 875,881 | (Note 1) |

Source: Based on audited financial statements

Note 1: 2020 earnings appropriation has yet to be approved in shareholder meeting, hence no disclosure was made for amount after distribution.

3. Summary statement of comprehensive income - IFRS-compliant
(consolidated)

Unit: NTD thousands

| Year Item | Financial information in the past five years | | | | |
|---|--|-----------|-----------|-----------|-----------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Operating revenue | 1,127,226 | 1,296,343 | 1,424,672 | 1,482,944 | 1,347,304 |
| Gross Profit | 490,620 | 434,901 | 464,582 | 542,644 | 464,007 |
| Operating Income | 210,364 | 160,271 | 181,657 | 236,626 | 160,661 |
| Non-operating Income and Expenses | (9,752) | (17,187) | 46,254 | 53,284 | 41,951 |
| Profit before income tax | 200,612 | 143,084 | 227,911 | 289,910 | 202,612 |
| Income (Losses) from Continuing Operations for the year | 164,012 | 115,911 | 191,395 | 235,529 | 164,907 |
| Losses from Discontinued Operations | — | — | — | — | — |
| Profit for the year (Losses) | 164,012 | 115,911 | 191,395 | 235,529 | 164,907 |
| Other comprehensive income for the year (Net of income tax) | (1,548) | (4,315) | (27,166) | (9,391) | (4,730) |
| Total comprehensive income for the year | 162,464 | 111,596 | 164,229 | 226,138 | 160,177 |
| Profit attributable to shareholders of the parent | 164,012 | 115,911 | 194,906 | 239,377 | 167,075 |
| Profit attributable to Non-controlling interests | — | — | (3,511) | (3,848) | (2,168) |
| Total comprehensive income attributable to shareholders of the parent | 162,464 | 111,596 | 167,740 | 229,986 | 162,345 |
| Total comprehensive income attributable to Non-controlling interests | — | — | (3,511) | (3,848) | (2,168) |
| Earnings per share | 8.20 | 5.79 | 9.74 | 10.88 | 6.07 |

Source: Based on audited financial statements

4. Summary statement of comprehensive income - IFRS-compliant
(standalone)

Unit: NTD thousands

| Item \ Year | Financial information in the past five years (Note 1) | | | | |
|---|---|----------|-----------|-----------|---------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Operating revenue | 993,577 | 978,466 | 1,074,717 | 1,157,701 | 966,340 |
| Gross Profit | 388,654 | 324,421 | 350,979 | 409,571 | 315,160 |
| Operating Income | 220,362 | 156,429 | 181,043 | 236,603 | 146,497 |
| Non-operating Income and Expenses | (20,130) | (17,504) | 46,377 | 50,567 | 52,153 |
| Profit before income tax | 200,232 | 138,925 | 227,420 | 287,170 | 198,650 |
| Income (Losses) from Continuing Operations for | 164,012 | 115,911 | 194,906 | 239,377 | 167,075 |
| Losses from Discontinued Operations | — | — | — | — | — |
| Profit for the year (Losses) | 164,012 | 115,911 | 194,906 | 239,377 | 167,075 |
| Other comprehensive income for the year (Net of income tax) | (1,548) | (4,315) | (27,166) | (9,391) | (4,730) |
| Total comprehensive income for the year | 162,464 | 111,596 | 167,740 | 229,986 | 162,345 |
| Profit attributable to shareholders of the parent | 164,012 | 115,911 | 194,906 | 239,377 | 167,075 |
| Profit attributable to Non-controlling interests | — | — | — | — | — |
| Total comprehensive income attributable to | 162,464 | 111,596 | 167,740 | 229,986 | 162,345 |
| Total comprehensive income attributable to | — | — | — | — | — |
| Earnings per share | 8.20 | 5.79 | 9.74 | 10.88 | 6.07 |

Source: Based on audited financial statements

(II) Name of CPA and Auditors' Opinions for the last five years

| Auditing Year | Name of accounting firm | Name of CPA | Opinions |
|---------------|----------------------------------|--------------------------------------|---------------------|
| 2016 | PricewaterhouseCoopers Taiwan | Chang, Shu-Chiung, Tseng Hui-Chin | Unqualified Opinion |
| 2017 | PricewaterhouseCoopers Taiwan | Chang, Shu-Chiung, Tseng Hui-Chin | Unqualified Opinion |
| 2018 | PricewaterhouseCoopers Taiwan | Chang, Shu-Chiung, Tseng Hui-Chin | Unqualified Opinion |
| 2019 | PricewaterhouseCoopers Taiwan | Chang, Shu-Chiung, Lin, Chun-Yao | Unqualified Opinion |
| 2020 | PricewaterhouseCoopers Taiwan | Weng, Shih-Rong Lin, Chun-Yao | Unqualified Opinion |

II. Financial analysis for the last 5 years

(I) Financial analysis - IFRS

1. Consolidated financial analysis

| Item (Note 2) | | Financial analysis in the past five years | | | | |
|------------------------|---|---|----------|----------|----------|----------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Financial structure(%) | Ratio of liabilities to assets | 25.48 | 22.84 | 23.34 | 26.03 | 24.43 |
| | Ratio of long-term capital to Property, plant | 4,836.98 | 4,328.67 | 3,526.89 | 4,584.19 | 5,450.22 |
| Solvency(%) | Current ratio | 436.81 | 482.11 | 465.00 | 269.01 | 273.40 |
| | Quick ratio | 375.90 | 393.92 | 388.60 | 203.65 | 203.26 |
| | Times interest earned | 3,289.72 | 2,236.69 | 1,123.71 | 230.54 | 426.66 |
| Operating ability | Account receivable turnover (times) | 6.04 | 6.25 | 6.30 | 6.92 | 7.79 |
| | Days sales in accounts receivable | 60 | 58 | 58 | 53 | 47 |
| | Inventory turnover (times) | 4.43 | 4.63 | 4.89 | 4.76 | 4.25 |
| | Account payable turnover (times) | 8.79 | 7.90 | 8.29 | 7.98 | 7.97 |
| | Average days in sales | 82 | 79 | 75 | 77 | 86 |
| | Fixed Assets turnover (times) | 57.69 | 64.62 | 59.14 | 58.23 | 60.94 |
| | Total assets turnover (times) | 1.34 | 1.12 | 1.22 | 1.15 | 0.97 |
| Profitability | Ratio of return on total assets (%) | 19.47 | 10.01 | 16.42 | 18.31 | 11.93 |
| | Ratio of return on equity(%) | 27.26 | 13.20 | 21.33 | 24.23 | 15.91 |
| | Ratio of profit before tax to Paid-in capital (%) | 110.30 | 71.52 | 113.91 | 131.73 | 73.65 |
| | Profit ratio (%) | 14.55 | 8.94 | 13.43 | 15.88 | 12.24 |
| | Earnings per share (\$) | 10.35 | 5.79 | 9.74 | 10.88 | 6.07 |
| Cash flow | Cash flow ratio(%) | 77.08 | 53.12 | 68.75 | 130.39 | 68.45 |
| | Cash flow adequacy ratio(%) | (Note 1) | (Note 1) | 120.78 | 153.44 | 140.57 |
| | Cash reinvestment ratio(%) | 12.20 | - 1.24 | 3.95 | 40.48 | 9.63 |
| Leverage | Degree of operating leverage | 2.33 | 2.71 | 2.56 | 2.29 | 2.89 |
| | Degree of financial leverage | 1.00 | 1.00 | 1.00 | 1.01 | 1.00 |

Variation of financial ratios in the last 2 years (not required for variations below 20%):

1. Interest coverage ratio increased: mainly due to lower interest expense in 2020 compared to 2019.
2. Return on an asset, return on shareholders' equity, pre-tax profit to paid-up capital ratio, net profit margin, and earnings per share decreased: Mainly due to lower profits reported in 2020.
3. Cash flow ratio and cash reinvestment ratio decreased: mainly due to profit decline and lower net cash flow from operating activities.
4. Degree of operating leverage increased: Mainly due to lower operating profit 2020 compared to 2019.

Note 1: The Company first adopted IFRS for financial statement preparation in 2015, hence the ratio could not be calculated for 2016-2017.

Note 2: Formulas of the above calculations are shown below:

1. Financial position

(1) Debt to asset ratio = total liabilities / total assets.

(2) Long-term capital to fixed assets ratio = (net shareholders' equity + long-term liabilities) / net fixed assets.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.

(3) Interest coverage ratio = earnings before interest and tax / interest expenses for the current period.

3. Operating efficiency

(1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).

(2) Average cash collection days = 365 / receivables turnover.

(3) Inventory turnover = cost of sales / average inventory balance.

(4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).

(5) Average inventory turnover days = 365 / inventory turnover.

(6) Fixed asset turnover = net sales / average net fixed assets.

(7) Total asset turnover = net sales / average total assets.

4. Profitability

(1) Return on assets = (net income + interest expenses x (1 - tax rate)) / average asset balance.

(2) Return on shareholders' equity = net income / average shareholders' equity.

(3) Net profit margin = net income / net sales.

(4) Earnings per share = (net income - preferred share dividends) / weighted average outstanding shares.

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross fixed assets + long-term investments + other assets + working capital).

6. Degree of leverage

(1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.

(2) Degree of financial leverage = operating profit / (operating profit - interest expense).

2. Standalone financial analysis

| Item (Note 2) | | Financial analysis in the past five years | | | | |
|------------------------|---|---|----------|-----------|----------|----------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Financial structure(%) | Ratio of liabilities to assets | 23.97 | 17.99 | 21.36 | 23.34 | 21.55 |
| | Ratio of long-term capital to Property, plant | 5910.67 | 4,900.51 | 4,468.69 | 5,478.18 | 6,259.53 |
| Solvency(%) | Current ratio | 454.76 | 600.42 | 474.28 | 255.87 | 256.52 |
| | Quick ratio | 407.76 | 516.26 | 402.93 | 190.32 | 186.08 |
| | Times interest earned | — | — | 10,830.52 | 1,458.72 | 1,274.40 |
| Operating ability | Account receivable turnover (times) | 4.88 | 4.95 | 5.30 | 6.38 | 7.69 |
| | Days sales in accounts receivable | 75 | 74 | 69 | 57 | 47 |
| | Inventory turnover (times) | 6.11 | 5.44 | 5.04 | 4.68 | 3.82 |
| | Account payable turnover (times) | 9.72 | 9.4 | 8.65 | 7.35 | 7.75 |
| | Average days in sales | 60 | 67 | 72 | 78 | 96 |
| | Fixed Assets turnover (times) | 60.97 | 57.11 | 54.22 | 56.92 | 51.99 |
| | Total assets turnover (times) | 1.2 | 0.88 | 0.97 | 0.94 | 0.73 |
| Profitability | Ratio of return on total assets (%) | 19.88 | 10.41 | 17.59 | 19.40 | 12.65 |
| | Ratio of return on equity(%) | 27.26 | 13.2 | 21.92 | 24.99 | 16.29 |
| | Ratio of profit before tax to Paid-in capital | 104.39 | 69.44 | 113.67 | 130.48 | 72.21 |
| | Profit ratio (%) | 16.51 | 1.85 | 18.14 | 20.68 | 17.29 |
| | Earnings per share (\$) | 10.35 | 5.79 | 9.74 | 10.88 | 6.07 |
| Cash flow | Cash flow ratio(%) | 100.96 | 71.49 | 85.08 | 149.15 | 81.95 |
| | Cash flow adequacy ratio(%) | (Note 1) | (Note 1) | 135.64 | 158.50 | 143.98 |
| | Cash reinvestment ratio(%) | 16.85 | -1.83 | 5.71 | 47.54 | 11.83 |
| Leverage | Degree of operating leverage | 1.77 | 2.03 | 1.94 | 1.72 | 2.16 |
| | Degree of financial leverage | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Variation of financial ratios in the last 2 years (not required for variations below 20%):

1. Interest coverage ratio increased: mainly due to lower interest expense in 2020 compared to 2019.
2. Receivables turnable increased: Mainly due to active collection efforts, which resulted in shorter cash collection days.
3. Average inventory turnover days increased: Mainly due to the decision to stock up on strategic supplies, which resulted in longer inventory turnover days.

4. Total asset turnover increased: Mainly due to reduced revenues.
5. Return on an asset, return on shareholders' equity, net profit margin, and earnings per share decreased: Mainly due to lower profits reported in 2020.
6. Cash flow ratio and cash reinvestment ratio decreased: mainly due to lower net cash inflow from operating activities.
7. Degree of operating leverage increased: Mainly due to lower operating profit 2020 compared to 2019.

Note 1: The Company first adopted IFRS for financial statement preparation in 2015, hence the ratio could not be calculated for 2016-2017.

Note 2: Formulas of various calculations presented in this chart are explained in Note 2 of section 1. Consolidated financial analysis

III. Audit Committee's report on the review of the latest financial report

Audit Committee Report

We have reviewed the Company's 2020 business report, financial statements and earnings appropriation proposal prepared by the board of directors. The financial statements have been audited by CPA CHANG, SHU-CHIUNG and CPA LIN, CHUN - YAO of PriceWaterhouseCoopers Taiwan, to which the firm has issued an independent auditor's report. The Audit Committee found no misstatement in the above business report, financial statements or earnings appropriation, and hereby issues its report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act.

For

Onyx Healthcare Inc.
2021 Annual General Meeting

Audit Committee convener: Chiang, Po-Wen

February 23, 2021

- IV. Latest financial statements: Please refer to pages 132 to 205.
- V. The latest audited standalone financial statements: Please refer to pages 206 to 286.
- VI. Any financial distress experienced by the Company or affiliated enterprise and impacts on the Company's financial position in the last year up till the publication date of annual report: None.

SEVEN Review and analysis of financial position and business performance, and risk management issues

I. Financial position

Unit: NTD thousands; %

| Item \ Year | 2020 | 2019 | Difference | |
|---|-----------|-----------|------------|-----------|
| | | | Amount | %(Note 1) |
| Current assets | \$763,280 | \$776,699 | (13,419) | -1.73% |
| Property, plant and equipment | 20,440 | 23,781 | (3,341) | -14.05% |
| Intangible assets | 5,134 | 553 | 4,581 | 828.39% |
| Other assets | 604,351 | 577,853 | 26,498 | 4.59% |
| Total assets | 1,393,205 | 1,378,886 | 14,319 | 1.04% |
| Current liabilities | 279,181 | 288,720 | (9,539) | -3.30% |
| Non-current liabilities | 61,175 | 70,155 | (8,980) | -12.80% |
| Total liabilities | 340,356 | 358,875 | (18,519) | -5.16% |
| Share capital | 275,102 | 220,082 | 55,020 | 25.00% |
| Capital surplus | 478,566 | 473,856 | 4,710 | 0.99% |
| Retained earnings | 334,261 | 354,255 | (19,994) | -5.64% |
| Total equity | 1,052,849 | 1,020,011 | 32,838 | 3.22% |
| Explanation of variations (variations above 20% and amounting to NT\$10 million or higher): | | | | |
| 1. Share capital increased: Mainly due to issuance of stock dividends in 2019. | | | | |

Note 1: Variation percentage is presented in relative terms, by setting previous year's value at 100%.

II. Financial performance

(I) Comparative analysis of operating performance

Unit: NTD thousands; %

| Item \ Year | 2020 | 2019 | Amount change | Ratio change |
|--|-------------|-------------|---------------|--------------|
| | | | | %(Note 1) |
| Operating revenues | \$1,347,304 | \$1,482,994 | (135,690) | -9.15% |
| Operating costs | 883,297 | 940,300 | (57,003) | -6.06% |
| Gross profit | 464,007 | 542,644 | (78,637) | -14.49% |
| Operating expenses | 303,346 | 306,018 | (2,672) | -0.87% |
| Operating profit | 160,661 | 236,626 | (75,965) | -32.10% |
| Non-operating income and expenses | 41,951 | 53,284 | (11,333) | -21.27% |
| Profit before income tax | 202,612 | 289,910 | (87,298) | -30.11% |
| Income tax expenses | 37,705 | 54,381 | (16,676) | -30.67% |
| Profit for the year | 164,907 | 235,529 | (70,622) | -29.98% |
| Explanation of variations (variations above 20% and amounting to NT\$10 million or higher): | | | | |
| 1. Operating profit decreased: Mainly due to reduced revenues and profits. | | | | |
| 2. Non-operating income and expenses decreased: Mainly due to lower net gains on financial assets and liabilities at fair value through profit or loss compared to 2019. | | | | |
| 3. Pre-tax profit, income tax expense, and current net income decreased: Mainly due to reduced revenues and profits. | | | | |

Note 1: Variation percentage is presented in relative terms, by setting previous year's value at 100%.

(II) Expected sales, the basis of estimation, likely impacts on the Company's future financial position, and response plans

The Company specializes in the supply of medical computers and has accumulated a strong customer base in America and Europe due to the quality of products offered. The Company has also been active investing into the Greater China region and exploring opportunities in the fast-growing Chinese market. Given its innovative and R&D capacity, the Company is confident with its ability to capitalize on the market's growth and generate revenues and profits in return. In 2019, Onyx will continue building on top of its successful experience and execute strategies in ways that secure its future growth momentum.

III. Cash flow

(I) Analysis of cash flow variations in the last year

Unit: NTD thousands

| Item | Year | 2020 | 2019 | Variation | Variation (%) |
|----------------------|------|---------|---------|-----------|---------------|
| | | | | | |
| Operating activities | | 191,106 | 376,453 | (185,347) | (49.24) |

| | | | | |
|---|-----------|-----------|-----------|----------|
| Investing activities | (53,891) | (44,101) | (9,790) | 22.20 |
| Financing activities | (148,911) | (141,842) | (7,069) | 4.98 |
| Net cash inflow (outflow) | (16,191) | 186,234 | (202,425) | (108.69) |
| Analysis of cash flow variation: | | | | |
| (1) Operating activities: Mainly due to reduced operating revenues and profits in 2020. | | | | |
| (2) Investing activities: Mainly due to the disposal of shares held as an investment in 2020. | | | | |

(II) Improvements for lack of liquidity: Not applicable.

(III) Liquidity analysis for the next year

Unit: NTD thousands

| Opening cash balance | Projected net cash flow from operating activities for the year | Projected net cash inflow (outflow) from investing and financing activities | Expected cash surplus (deficit) | Financing of projected cash deficits | |
|--|--|---|---------------------------------|--------------------------------------|-----------------|
| | | | | Investment plans | Financing plans |
| 392,364 | 182,473 | (252,320) | 322,517 | — | — |
| 1. Analysis of cash flow variation for the next year: | | | | | |
| (1) Operating activities: Net cash inflow was mainly attributed to business growth and sustained profitability | | | | | |
| (2) Investing and financing activities: The cash outflow was mainly attributed to purchase of real estate property, plant relocation, and payment of cash dividends. | | | | | |
| 2. Financing of projected cash deficits: not applicable. | | | | | |

IV. Material capital expenditures in the last year and impact on business performance

The Company did not incur any major capital expenditure in the last year.

V. Investment policies in the last year; describe any causes of profit or loss, improvement plans, and investment plans for the next year

(I) Investment policies of the Company

The Company mainly invests in businesses that are relevant to its core activities, and has appointed departments to oversee compliance with internal control system, the "Investment Cycle," "Transaction Procedures for Affiliated Enterprises, Specific Companies and Related Parties" and "Asset Acquisition and Disposal Procedures." All policies and procedures above have been discussed and passed during board of directors meetings or shareholder meetings.

(II) Main cause of profit or loss incurred on investments in the last year

Unit: NTD thousands

| Invested businesses | Investment gains (losses) recognized in 2020 | Main causes of profit or loss incurred and improvement plans |
|---------------------------------|--|---|
| ONYX HEALTHCARE USA, INC. | 17,497 | Sale of the Company's products in America has yielded favorable results. |
| ONYX HEALTHCARE EUROPE B.V. | 2,443 | Service income for distributing the Company's products in Europe. |
| Onyx Healthcare (Shanghai) Inc. | (3,029) | Adjustment of operating strategies led to a NT\$12,170,000 reduction compared to the previous year. |
| iHelper Inc. | (1,847) | Performance should improve in the future as revenues have grown compared to the previous year. |
| Winmate Inc. | 33,903 | The company yielded favorable results. |

(III) Investment plans for the coming year: None.

VI. Analysis of risk issues

(I) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and response measures

1. Impact of interest rate variation to the Company's profitability, and future response measures

The Company and subsidiaries reported NT\$1,263 thousands and NT\$476 thousands of interest expense in the last two years, representing 0.44% and 0.23% of pre-tax profit, respectively. Given the insignificant weight, a change in interest rate should not have any material impact on the Company's operations. The Company monitors bank borrowing rates on a regular basis and maintains good relationship with banks to secure preferential rates for reduced interest expense. Furthermore, given the Company's strong financial position, good credibility and conservative capital plans, future interest rate changes should not impact the Company's overall operations to any significant degree.

2. Impact of exchange rate variation to the Company's profitability, and future response measures

The Company and subsidiaries reported NT\$(3,702 thousands) and NT\$(10,982 thousands) of exchange gains (losses) in the last two years, representing (0.25%) and (0.82%) of operating revenues, respectively. The Company monitors exchange rate movements closely and undertakes enhanced measures to manage exchange rate risk, which ultimately reduces impact of exchange gains/losses on overall operations.

3. Impact of inflation on the Company's profit and loss, and response measures

Neither the Company nor its subsidiaries sell products directly to consumers; therefore inflation has no direct or immediately impact on the Company. Furthermore, there has been no change in inflation that significantly affected the Company's profit performance in the last year or up till the publication date of annual report.

(II) Policies on high-risk and highly leveraged investments, loans to external parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future response measures

1. Policies on high-risk and highly leveraged investments; describe the main causes of profit or loss incurred and future response measures

The Company remains focused on core business activities and adopts a conservative management approach. It did not engage in any high-risk or highly leveraged investment in the last year up till the publication date of annual report.

2. Policies on loans to external parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future response measures

(1) The Company has implemented "External Party Lending Procedures."; no external party lending was offered to external party as of the publication date of annual report.

(2) The Company has implemented "External Party Lending Endorsement and Guarantee Procedures"; no endorsement or guarantee was offered to external party as of the publication date of annual report.

(3) We operate derivative transactions in accordance with "Asset Acquisition and Disposal Procedures" in a conservative and cautious manner. We engage in derivative transactions primarily to hedge against exchange rate risks and transact only with financial institutions of good credit standing.

(III) Future R&D projects and projected R&D budget

1. Future R&D projects are as follow:

On the forefront of Medical AI and AIoT industry trends, our current research scope includes professional medical AI edge-computing technology, AIoT, integrated operating room output technology, integrated solutions for mobile nursing care, sensing technology, medical AI platform, medical mobile power stations and extended battery life technology, remote management update and technology for medical workstations, outdoor emergency aid devices and machine self-diagnostic technology. Results from these studies

will be incorporated as new features of newly developed products, so that we can continuously enhance the uniqueness of our products, and increase market share through industry-leading technology.

For long-term research, to accelerate the application and development of AI in medical industry, we plan to develop various AI platforms and invest R&D resources on medical image deep-learning and AI-assisted diagnosis interpretation, so as to maintain our industry leading status.

2. Projected R&D budgets are as follow:

The research and development budgets invested by our company are formulated based on the development progress of new products and technology. To ensure and elevate our company's competitive advantage, we will continue to invest human resources and materials on the development of new products, and make adjustments based on operational status and needs to promote the completion of novel products.

(1) Annual R&D budget for the past 5 years, accounting for 5% of the annual revenue

Unit: NTD thousands

| Year | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------|--------|--------|--------|--------|--------|
| R&D budget | 62,718 | 68,773 | 66,154 | 68,973 | 68,635 |

(2) Projected R&D budget for 2021: NT\$ 80 million

- A. Digital diagnosis system: NT\$10 million.
- B. Doctor-patient management system: NT\$ 5 million.
- C. Medical AI edge computing technology: NT\$ 10 million
- D. Operating room integrated output technology: NT\$ 5 million
- E. Integrated solution for mobile nursing care: NT\$ 10 million
- F. Medical sensing and wireless transfer technology: NT\$ 5 million
- G. Remote management and update technology for medical workstations: NT\$ 5 million
- H. Medical AI platform and AIoT: NT\$ 10 million
- I. Medical mobile power station and high-life battery technology: NT\$ 10 million.

J. Outdoor emergency care aids and machine self-diagnostic technology: NT\$ 10 million

(IV) Financial impacts and response measures in the event of changes in local and foreign regulations:

The Company complies with local and foreign regulations with respect to its operations. It pays constant attention to political and regulatory developments local and abroad. The Company encountered no change in local or foreign policy/regulation that affected its financial or business performance in the last year up till the publication date of this annual report.

(V) Financial impacts and response measures in the event of technological or industrial change

The Company constantly monitors changes in technology. As the population ages, demand for medical computing solutions increases worldwide, and the Company is well-positioned in terms of distribution network to observe industry changes and plan and respond accordingly. The Company also invests persistently into researching and developing new technologies as means to strengthen competitive advantage. There has been no change in technology or industry practice in the last year up till the publication date of annual report that significantly affected the Company's financial position or business performance.

(VI) Crisis management, impacts, and response measures in the event of a change in corporate image

Driven by relentless pursuit for innovation and integrity and a mission to satisfy customers' needs, the Company has built a strong corporate image and earned the preference and trust of many customers by marketing its products under the proprietary brand - "onyx." No change in corporate image or crisis had occurred in the last year up till the publication date of annual report.

(VII) Expected benefits, risks and response measures of planned mergers or acquisitions

The Company did not merge or acquire other companies in the last year up till the publication date of this annual report.

(VIII) Expected benefits, risks and response measures associated with plant expansion

Not applicable.

(IX) Risks and response measures associated with concentrated sales or

purchases

1. Sales

Customers of the Company include system integrators, distributors, manufacturers and medical institutions. The largest customer accounted for 11.03% of the Company's net sales in the most recent year, and no excessive sales concentration was noticed.

2. Purchases

AAEON Technology Inc. has been our largest supplier in recent years, accounting for 33.85% of our net purchases. It mainly supplies us with industrial motherboards. The input amount is higher because most of our products are customized. We selected AAEON mainly due to quality concerns. To ensure supply flexibility and stability, we will source and assess new suppliers. Although the delivery time of some components was delayed in 2020, because suppliers also delayed factory reopening due to the pandemic, no supply was disrupted to affect our business activities.

- (X) Impacts, risks and response measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest

None.

- (XI) Impacts, risks and response measures associated with a change of management

The Company encountered no change of management in the last year up till the publication date of annual report that impacted its operations.

- (XII) Major litigations, non-contentious cases, or administrative litigations involving the Company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders or security prices of the Company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report

None.

- (XIII) Other important risks and response measures

1. Information security risk assessment

(1) Information security policy

To comply with international trends in information security management and client's information security needs, our company passed the ISO-9001 certification in April of 2011. By

introducing the ISO-9001 information security management system, we have realized information security policies to ensure the security of data collection, processing, transmission, storage and circulation, and enhanced our response capacity of information security. Through internal and external audits, there were no major deficiencies identified in 2020.

(2) Information security and network risks

While the methods of cyber attacks are changing rapidly, a good information system should avoid cyber attacks launched by malware and phishing via email or denial of service attacks, which will result in production and business interruptions and data leakage. Therefore, we actively engage in strengthening our information security system. We implement measures such as firewalls, e-mail filters, operating system updates, antivirus software, multi-factor authentication, and an increase in data backup frequency to prevent or reduce the damage caused by information security events

To strengthen our employee's information security awareness, we organize information security training for new employees, and also infrequently distribute information security related knowledge via emails and training courses, advocating knowledge related to information security.

(3) Impacts of major information security event and response measures

Our company's IT department conducts practice drill at least once per year based on the regulation of emergency response to information security. This is so that our IT personnel can immediately perform related operation procedures during an information security event. We also repeated review and amend the emergency response regulation to ensure their appropriateness and suitability.

There are no major information security events in 2020

VII. Other material issues: None.

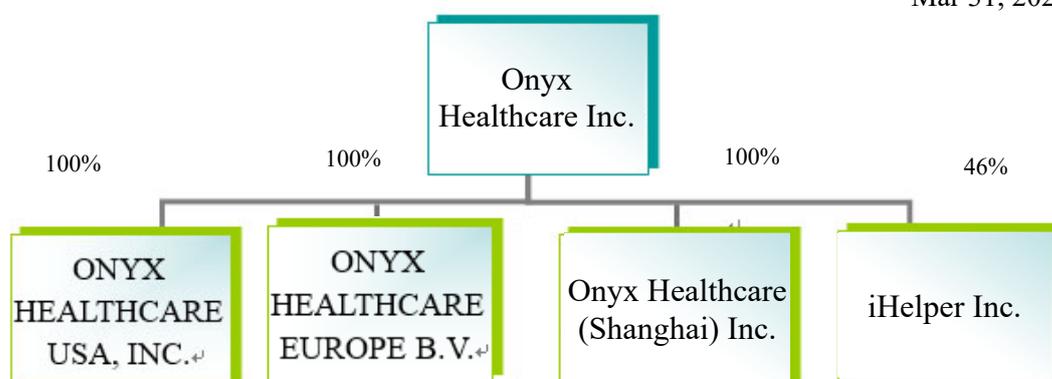
EIGHT Special remarks

I. Affiliated enterprises

(I) Consolidated business report

1. Affiliated enterprises chart

Mar 31, 2021



2. Profile of affiliated companies

December 31, 2020

Unit: NTD thousands

| Company name | Date of establishment | Address | Paid-up capital | Main business activities or products |
|---------------------------------|-----------------------|---|-----------------|--|
| ONYX HEALTHCARE USA, INC. | 2011.11.22 | CA Office: 324 W. Blueridge Ave., Orange, CA 92865 | 59,960 | Sale of medical computing solutions and accessories |
| ONYX HEALTHCARE EUROPE B.V. | 2012.4.20 | Primulalaan 42,5582 GL Waalre, The Netherlands | 3,502 | Sale of medical computing and its peripherals |
| Onyx Healthcare (Shanghai) Inc. | 2014.9.15 | 20F, unit D, GEM Building, No.487 Tianlin Road, Shanghai, China | 56,960 | Sale of medical computing solutions and accessories |
| iHelper Inc. | 2018.2.26 | 10F., No.99, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.) | 36,000 | Research and development and sales of medical robots |

3. Controlling and controlled entities, as defined in Article 369-3 of The Company Act: None

4. Businesses covered by affiliated companies:

The Company and its affiliated companies are primarily involved in the design, manufacturing, processing and sale of medical computing solutions and accessories.

5. Directors, supervisors, and President of affiliated companies:

December 31, 2020

| Company name | Position | Name or name of representative | Shareholding | |
|------------------------------------|-------------------------|---|-----------------------|----------------------------|
| | | | Shares (thousands) | Shareholding percentage |
| ONYX HEALTHCARE USA, INC. | Chairman | Onyx Healthcare Inc.- Chuang, Yung-Shun | 200 | 100% |
| | Director & President | Onyx Healthcare Inc.-Zhuang Fujun | – | – |
| | Director | Onyx Healthcare Inc.-Wang, Feng-Hsiang | – | – |
| ONYX HEALTHCARE EUROPE B.V. | Chairman | Onyx Healthcare Inc.- Chuang, Yung-Shun | 100 | 100% |
| | Director | Onyx Healthcare Inc.-Wang, Feng-Hsiang | – | – |
| Onyx Healthcare (Shanghai) Inc. | Chairman | Onyx Healthcare Inc.- Chuang, Yung-Shun | Note | 100% |
| | Director & President | Onyx Healthcare Inc.-Wang, Feng-Hsiang | – | – |
| | Director | Onyx Healthcare Inc.-Hsu, Chin-Lung | – | – |
| | Supervisor | Onyx Healthcare Inc.-Tu, Yun-Chen | – | – |
| iHelper Inc. | Chairman | Kinpo Electronics, Inc.-Shen, Shi-Rong | 1,584 | 44% |
| | Director | Onyx Healthcare Inc.- Chuang, Yung-Shun | 1,656 | 46% |
| | Director & President | Onyx Healthcare Inc.-Wang, Feng-Hsiang | – | – |
| | Director | Kinpo Electronics, Inc.-Chen, Wei-Chang | – | – |
| | Director | Lee, Tsu-Der | – | – |
| | Supervisor | Xi, Zhi-Jun | – | – |

Note: Limited liability company

6. Performance of affiliated companies

Unit: NTD thousands

| Company name | Share capital | Total assets | Total liabilities | Net worth | Operating revenues | Operating profit (loss) | Current period profit (loss) (after tax) | Earnings per share (NTD) (after tax) |
|--|---------------|--------------|-------------------|-----------|--------------------|-------------------------|--|--------------------------------------|
| ONYX HEALTHCARE USA.INC. | 56,960 | 200,296 | 97,483 | 102,813 | 672,908 | 17,895 | 17,497 | Note |
| ONYX HEALTHCARE EUROPE B.V. | 3,502 | 25,838 | 9,011 | 16,827 | 61,052 | 3,153 | 2,443 | Note |
| ONYX HEALTHCARE (SHANGHAI) LTD. | 56,960 | 6,870 | 1,374 | 5,496 | 971 | (2,938) | (3,029) | Note |
| IHELPER INC. | 36,000 | 21,860 | 3,502 | 18,358 | 6,683 | (3,947) | (4,015) | (1.12) |

Note: Limited liability company, hence not applicable.

(II) Consolidated financial statements of affiliated companies

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under Statement of Financial Accounting Standards No. 7 for financial year 2020. All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements, therefore no separate consolidated financial statements of affiliated enterprises were prepared. Declaration concerning consolidated financial statements of affiliated companies is presented in page 132.

(III) Relationship report: Not applicable.

- II. Private placement of securities in the last year and up till the publication date of annual report: None.
- III. Holding or disposal of the Company's shares by subsidiaries in the last year and up till the publication date of annual report: None.
- IV. Other supplementary information: None.
- V. Occurrences significant to shareholders' equity or securities price, as defined in subparagraph 2, paragraph 3, Article 36 of the Securities and Exchange Act, in the last year up till the publication date of annual report: None.

ONYX Healthcare Inc.

Declaration concerning consolidated financial statements of affiliated enterprises

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were identical to the affiliated companies subject to the preparation of consolidated financial statements under the International Financial Reporting Standards No. 10 (IFRS 10) for the financial year 2020 (from January 1 to December 31, 2020). All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements. Therefore, no separate consolidated financial statements of affiliated enterprises were prepared.

This declaration is solemnly made by

Company name: ONYX Healthcare Inc.

Person-in-charge: Chuang, Yung-Shun

February 25, 2021

Independent Auditor's Report

(110)-Cai-Shen-Bao-Zi-20002932

To stakeholders of ONYX Healthcare Inc.:

Audit opinion

We have audited the accompanying consolidated balance sheet of ONYX Healthcare Inc. and subsidiaries (referred to as “ONYX Group” below) as at December 31, 2020 and 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flow statement from January 1 to December 31, 2020 and 2019, and notes to consolidated financial statements (including a summary of significant accounting policies).

In our opinion, based on our audit results and audit results of other auditors (please refer to the Other Issues paragraph), all material disclosures of the consolidated financial statements mentioned above were prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved by the Financial Supervisory Commission, and presented a fair view of the consolidated financial position of ONYX Group as at December 31, 2020 and 2019, and consolidated business performance and cash flow for the periods January 1 to December 31, 2020 and 2019.

Basis of audit opinion

We have conducted our audits in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and the generally accepted auditing standards of the Republic of China. Our responsibilities as an auditor under the abovementioned standards are further explained in the “Consolidated financial statement auditing responsibilities” paragraph below. All the accounting firm’s relevant personnel have followed the CPA code of ethics of the Republic of China and maintained independence from ONYX Group and fulfilled other responsibilities under the code of ethics. We believe that the evidence obtained from audits and reports made by other auditors provide an adequate and appropriate basis for our opinion.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment when auditing the 2020 consolidated financial statements of ONYX Group. These issues have already been addressed when we audited and formed our opinions on

the consolidated financial statements. Therefore we do not provide opinions separately for individual issues.

Key audit issues concerning the 2020 consolidated financial statements of ONYX Group are as follows:

Existence of revenues from new top-10 buyers

Description

Please refer to Note 4(28) for accounting policy on revenue recognition. For a detailed description of revenue accounts, please refer to Note 6(17) of the consolidated financial statements.

ONYX Group is mainly involved in the design, manufacturing, and sale of medical computers. Since medical computers are customized for specific purposes, the sale of which is highly susceptible to cyclicalities and varies from customer to customer, project to project. For this reason, ONYX Group is constantly in need of exploring new markets and meet orders for different projects, causing changes in top-10 buyers. After comparing ONYX Group's top-10 buyers in 2020 and 2019, new buyers added to this year's top-10 list were considered to have a significant effect on consolidated revenues. As a result, we have identified ONYX Group's new buyers in the top-10 list as one of the key audit issues this year.

Audit procedures

The following audit procedures were taken in relation to the audit issue:

1. Assessment and testing of internal control processes on sales transactions to determine whether transactions were carried out according to the group's internal control system during the reporting period.
2. Review on the industry background and profile of the new top-10 buyers.
3. Random checks for proof of revenue and transaction with new top-10 buyers in the current period.

Accounting estimates for inventory valuation

Description

For accounting policies on inventory valuation, please refer to Note 4(12) of the consolidated financial statements; for major accounting estimates, assumptions, and uncertainties on inventory valuation, please refer to Note 5(2) of the consolidated financial statements; for

detailed inventory accounts, please refer to Note 6(4) of the consolidated financial statements.

ONYX Group is mainly involved in the design, manufacturing, and sale of medical computers. Due to the long useful life of medical computers, ONYX Group is required to maintain an inventory of certain products and peripherals for longer periods of time in order to meet customers' needs for long-term supply and maintenance. Any change in customers' purchase orders or under-performance of the market would cause fluctuation in product pricing or slow down the rate at which inventory is sold. This increases risk of loss on devaluation or obsolescence. ONYX Group accounts for normal inventory at the lower cost and net realizable value; inventory that exceeds a certain duration of time or has been individually identified as obsolete will have loss provisions made on an item-by-item basis according to the devaluation loss provisioning policy.

ONYX Group makes timely adjustments to inventory level in response to changes in market demand and the group's development strategies. The group carries medical computers not only in a wide variety but also make up a substantial portion of the group's product portfolio and a high amount of inventory; furthermore, evaluation of net realizable value on obsolete inventory often involves subjective judgments, making the estimated amount prone to uncertainties, and was one of the areas we had to verify as part of our audit. For this reason, we have identified the estimation of inventory valuation losses as one of the key audit issues for this year.

Audit procedures

The following audit procedures were taken in relation to the audit issue:

1. Evaluating the policy adopted by ONYX Group to make provisions for inventory devaluation losses, based on our understanding of the group's operations and industry nature.
2. Examining details of individual inventory items that the management had considered to be obsolete and verifying against supporting documents.
3. Testing the market prices based upon which net realizable values of individual inventory items were established and making random checks to ensure that net realizable values were correctly calculated.

Other issues - audits by other auditors

Amongst the equity-accounted business investments presented in the consolidated financial statements of ONYX Group, some of which had financial statements audited by other CPAs that

we did not take part in. Therefore, opinions made in the consolidated financial statements mentioned above in regards to such businesses were based on audited reports of other CPAs. As at December 31, 2020 and 2019, balances of the abovementioned equity-accounted investments totaled NT\$537,102,000 and NT\$505,586,000, representing 39% and 37% of consolidated total assets, respectively. For the periods from January 1 to December 31, 2020 and 2019, comprehensive income recognized from the abovementioned companies totaled NT\$32,698,000 and NT\$19,648,000, representing 20% and 9% of consolidated comprehensive income, respectively.

Other issues - standalone financial statements

ONYX Healthcare Inc. has prepared standalone financial statements for 2020 and 2019. We have issued an independent auditor's report with an unqualified opinion and made additional disclosures in the Other issues paragraph.

Responsibilities of the management and governing body to the consolidated financial statements

Responsibilities of the management were to prepare and ensure the fair presentation of consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of consolidated financial statements so that the consolidated financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing financial statements also involved: assessing the ability of ONYX Group to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate or cease business operations or is compelled to do so with no alternative solution.

The governing body of ONYX Group (including the Audit Committee) is responsible for supervising the financial reporting process.

Auditor's responsibilities in the audit of consolidated financial statements

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether caused by fraud or error and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing

principles of the Republic of China do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect the economic decisions of the consolidated financial statement user.

When conducting audits in accordance with generally accepted audit principles of the Republic of China, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate response measures for the identified risks, and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control. Our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing an opinion on the effectiveness of ONYX Group's internal control system.
3. Assessing the appropriateness of accounting policies adopted by the management and the rationality of accounting estimates and related disclosures.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern and whether there are doubts or uncertainties about the ability of ONYX Group to operate as a going concern, based on the audit evidence obtained. We are bound to remind consolidated financial statement users and make related disclosures if material uncertainties exist in regards to the abovementioned events or circumstances and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may still render ONYX Group no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the consolidated financial statements.
6. Obtaining sufficient and appropriate audit evidence on the financial information of individual entities within the group and expressing opinions on consolidated financial statements. Our responsibilities as an auditor are to instruct, supervise and execute audits and form audit

opinions on the group.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm has complied with auditors' professional ethics of the Republic of China and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

After communicating with the governing body regarding the 2020 consolidated financial statements of ONYX Group, we have identified the key audit issues. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to the public interest.

PwC Taiwan

Weng, Shih-Rong

CPA

Lin, Chun - Yao

(Formerly known as) Securities and Futures Commission,
The Ministry of Finance

Approval reference: (88)-Tai-Cai-Zheng-(VI)-95577

(Formerly known as) Securities and Futures Commission,
The Ministry of Finance

Approval reference: (85)-Tai-Cai-Zheng-(VI)-68702

February 25, 2021

ONYX Healthcare Inc. and Subsidiaries
Consolidated balance sheet
As at December 31, 2020 and 2019

Unit: NTD thousands

| Assets | Note | December 31, 2020 | | December 31, 2019 | | |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | Amount | % | Amount | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 392,364 | 28 | \$ 408,555 | 29 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 5,512 | 1 | 9,988 | 1 |
| 1150 | Net notes receivable | 6(3) | 49 | - | - | - |
| 1170 | Net accounts receivable | 6(3) | 152,067 | 11 | 161,306 | 12 |
| 1180 | Accounts receivable - related parties, net | 7 | 648 | - | 2,462 | - |
| 1200 | Other receivables | | 3,124 | - | 3,243 | - |
| 130X | Inventory | 6(4) | 179,305 | 13 | 174,343 | 13 |
| 1410 | Prepayments | | 16,513 | 1 | 14,364 | 1 |
| 1470 | Other current assets | 8 | 13,698 | 1 | 2,438 | - |
| 11XX | Total current assets | | <u>763,280</u> | <u>55</u> | <u>776,699</u> | <u>56</u> |
| Non-current assets | | | | | | |
| 1510 | Financial assets at fair value through profit or loss - non-current | 6(2) | 38,261 | 3 | 33,869 | 3 |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(5) | 2,381 | - | 2,381 | - |
| 1550 | Equity-accounted investments | 6(6) | 537,102 | 39 | 505,586 | 37 |
| 1600 | Property, plant and equipment | 6(7) | 20,440 | 1 | 23,781 | 2 |
| 1755 | Right-of-use assets | 6(8) | 9,279 | 1 | 19,608 | 1 |
| 1780 | Intangible assets | | 5,134 | - | 553 | - |
| 1840 | Deferred income tax assets | 6(22) | 14,484 | 1 | 14,003 | 1 |
| 1900 | Other non-current assets | | 2,844 | - | 2,406 | - |
| 15XX | Total non-current assets | | <u>629,925</u> | <u>45</u> | <u>602,187</u> | <u>44</u> |
| 1XXX | Total assets | | <u>\$ 1,393,205</u> | <u>100</u> | <u>\$ 1,378,886</u> | <u>100</u> |

(Continued next page)

ONYX Healthcare Inc. and Subsidiaries
Consolidated balance sheet
As at December 31, 2020 and 2019

Unit: NTD thousands

| Liabilities and equity | Note | December 31, 2020 | | December 31, 2019 | | |
|---|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | Amount | % | Amount | % | |
| Current liabilities | | | | | | |
| 2130 | Contractual liabilities - current | 6(17) | \$ 55,005 | 4 | \$ 32,009 | 2 |
| 2170 | Accounts payable | | 58,615 | 4 | 53,493 | 4 |
| 2180 | Accounts payable - related parties | 7 | 37,860 | 3 | 67,413 | 5 |
| 2200 | Other payables | 6(10) and 7 | 67,473 | 5 | 76,480 | 6 |
| 2230 | Current income tax liabilities | | 45,150 | 3 | 33,429 | 2 |
| 2250 | Liability reserves - current | 6(12) | 6,672 | 1 | 8,742 | 1 |
| 2280 | Lease liabilities - current | 7 | 4,318 | - | 13,283 | 1 |
| 2300 | Other current liabilities | | 4,088 | - | 3,871 | - |
| 21XX | Total current liabilities | | <u>279,181</u> | <u>20</u> | <u>288,720</u> | <u>21</u> |
| Non-current liabilities | | | | | | |
| 2527 | Contractual liabilities - non-current | 6(17) | 53,072 | 4 | 61,098 | 4 |
| 2550 | Liability reserves - non-current | 6(12) | 1,942 | - | 2,365 | - |
| 2570 | Deferred income tax liabilities | 6(22) | 1,078 | - | 60 | - |
| 2580 | Lease liabilities - non-current | | 5,083 | - | 6,632 | 1 |
| 25XX | Total non-current liabilities | | <u>61,175</u> | <u>4</u> | <u>70,155</u> | <u>5</u> |
| 2XXX | Total liabilities | | <u>340,356</u> | <u>24</u> | <u>358,875</u> | <u>26</u> |
| Equity | | | | | | |
| Equity attributable to parent company shareholders | | | | | | |
| Share capital | | | | | | |
| 3110 | Common share capital | 6(14) | 275,102 | 20 | 220,082 | 16 |
| Capital reserves | | | | | | |
| 3200 | Capital reserves | 6(13)(15) | 478,566 | 34 | 473,856 | 34 |
| Retained earnings | | | | | | |
| 3310 | Legal reserves | 6(16) | 101,948 | 7 | 78,010 | 6 |
| 3320 | Special reserves | | 40,263 | 3 | - | - |
| 3350 | Unappropriated earnings | | 192,050 | 14 | 276,245 | 20 |
| Other equity items | | | | | | |
| 3400 | Other equity items | | (44,993) | (3) | (40,263) | (3) |
| 31XX | Total equity attributable to parent company shareholders | | <u>1,042,936</u> | <u>75</u> | <u>1,007,930</u> | <u>73</u> |
| 36XX | Non-controlling equity | 4(3) | <u>9,913</u> | <u>1</u> | <u>12,081</u> | <u>1</u> |
| 3XXX | Total equity | | <u>1,052,849</u> | <u>76</u> | <u>1,020,011</u> | <u>74</u> |
| Major post-balance sheet date events | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 1,393,205</u> | <u>100</u> | <u>\$ 1,378,886</u> | <u>100</u> |

The attached Notes to consolidated financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Wang, Feng-Hsiang

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc. and Subsidiaries
Consolidated statement of comprehensive income
For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousands
(except earnings per share, which are presented in NTD)

| Item | Note | 2020 | | 2019 | |
|--|------------------------|-------------------|--------------|-------------------|--------------|
| | | Amount | % | Amount | % |
| 4000 Operating revenues | 6(17) and 7 | \$ 1,347,304 | 100 | \$ 1,482,944 | 100 |
| 5000 Operating costs | 6(4)(20) (21) and 7 | (883,297) | (66) | (940,300) | (63) |
| 5900 Gross profit | | <u>464,007</u> | <u>34</u> | <u>542,644</u> | <u>37</u> |
| Operating expenses | 6(20) (21) and 7 | | | | |
| 6100 Selling expenses | | (161,960) | (12) | (157,063) | (10) |
| 6200 Administrative expenses | | (70,198) | (5) | (68,559) | (5) |
| 6300 R&D expenses | | (68,635) | (5) | (68,973) | (5) |
| 6450 Expected credit impairment loss | 12(2) | (2,553) | - | (11,423) | (1) |
| 6000 Total operating expenses | | <u>(303,346)</u> | <u>(22)</u> | <u>(306,018)</u> | <u>(21)</u> |
| 6900 Operating profit | | <u>160,661</u> | <u>12</u> | <u>236,626</u> | <u>16</u> |
| Non-operating income and expenses | | | | | |
| 7100 Interest income | | 665 | - | 1,448 | - |
| 7010 Other income | 6(18) and 7 | 9,746 | 1 | 3,595 | - |
| 7020 Other gains and losses | 6(19) | (1,887) | - | 30,570 | 2 |
| 7050 Financial costs | | (476) | - | (1,263) | - |
| 7060 Share of profits/losses on equity-accounted associated companies and joint ventures | | <u>33,903</u> | <u>2</u> | <u>18,934</u> | <u>2</u> |
| 7000 Total non-operating income and expenses | | <u>41,951</u> | <u>3</u> | <u>53,284</u> | <u>4</u> |
| 7900 Pre-tax profit | | <u>202,612</u> | <u>15</u> | <u>289,910</u> | <u>20</u> |
| 7950 Income tax expense | 6(22) | (37,705) | (3) | (54,381) | (4) |
| 8200 Current net income | | <u>\$ 164,907</u> | <u>12</u> | <u>\$ 235,529</u> | <u>16</u> |

(Continued next page)

ONYX Healthcare Inc. and Subsidiaries
Consolidated statement of comprehensive income
For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousands
(except earnings per share, which are presented in NTD)

| Item | Note | 2020 | | 2019 | |
|--|---|--------|-------------------|-------------|-----------------------------|
| | | Amount | % | Amount | % |
| Other comprehensive income (net) | | | | | |
| Items not reclassified into profit or loss | | | | | |
| 8316 | Unrealized gain/loss on valuation of equity instruments at fair value through other comprehensive income | 6(5) | \$ - | - | (\$ 7,969) (1) |
| 8320 | Share of other comprehensive income from equity-accounted associated companies and joint ventures - not reclassified into profit or loss | | (846) | - | 790 - |
| 8310 | Items not reclassified into profit or loss - total | | (846) | - | (7,179) (1) |
| Items likely to be reclassified into profit or loss | | | | | |
| 8361 | Financial statement translation differences arising from foreign operations | | (4,406) | - | (2,689) - |
| 8370 | Share of other comprehensive income from equity-accounted associated companies and joint ventures - likely to be reclassified into profit or loss | | (359) | - | (76) - |
| 8399 | Income tax on items that are likely to be reclassified into profit or loss | 6(22) | 881 | - | 553 - |
| 8360 | Items likely to be reclassified into profit or loss - total | | (3,884) | - | (2,212) - |
| 8300 | Other comprehensive income (net) | | <u>(\$ 4,730)</u> | - | <u>(\$ 9,391) (1)</u> |
| 8500 | Total comprehensive income for the current period | | <u>\$ 160,177</u> | <u>12</u> | <u>\$ 226,138</u> <u>15</u> |
| Net income (loss) attributable to: | | | | | |
| 8610 | Parent company shareholders | | \$ 167,075 | 12 | \$ 239,377 16 |
| 8620 | Non-controlling equity | | (2,168) | - | (3,848) - |
| | Total | | <u>\$ 164,907</u> | <u>12</u> | <u>\$ 235,529</u> <u>16</u> |
| Comprehensive income attributable to: | | | | | |
| 8710 | Parent company shareholders | | \$ 162,345 | 12 | \$ 229,986 15 |
| 8720 | Non-controlling equity | | (2,168) | - | (3,848) - |
| | Total | | <u>\$ 160,177</u> | <u>12</u> | <u>\$ 226,138</u> <u>15</u> |
| Basic earnings per share | | | | | |
| 9750 | Current net income | 6(23) | <u>\$</u> | <u>6.07</u> | <u>\$</u> <u>8.70</u> |
| Diluted earnings per share | | | | | |
| 9850 | Current net income | 6(23) | <u>\$</u> | <u>6.04</u> | <u>\$</u> <u>8.66</u> |

The attached Notes to consolidated financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Wang, Feng-Hsiang

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc. and Subsidiaries
Consolidated cash flow statement
For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousands

| | Note | January 1 to December 31, 2020 | January 1 to December 31, 2019 |
|--|-------------|-----------------------------------|-----------------------------------|
| <u>Cash flow from operating activities</u> | | | |
| Pre-tax profit for the current period | | \$ 202,612 | \$ 289,910 |
| Adjustments | | | |
| Income, expenses, and losses | | | |
| Depreciation | 6(7)(8)(20) | 29,276 | 27,187 |
| Amortization | 6(20) | 952 | 413 |
| Expected credit impairment loss | 12(2) | 2,553 | 11,423 |
| Net gain on financial assets or liabilities at fair value through profit or loss | 6(2)(9)(19) | (2,544) | (34,272) |
| Interest expenses | 6(8) | 476 | 784 |
| Interest income | | (665) | (1,448) |
| Dividend income | 6(18) | (1,623) | (729) |
| Share-based payment - remuneration | 6(13) | 4,710 | - |
| Share of profit from equity-accounted associated companies | | (33,903) | (18,934) |
| Change in assets/liabilities related to operating activities | | | |
| Net change in assets related to operating activities | | | |
| Financial assets mandatory to be carried at fair value through profit or loss | | 153 | (131) |
| Notes receivable | | (49) | 50 |
| Accounts receivable | | 6,518 | 67,320 |
| Accounts receivable - related parties | | 1,814 | 7,279 |
| Other receivables | | 119 | 664 |
| Inventory | | (4,962) | (2,103) |
| Prepayments | | (2,149) | 2,394 |
| Other current assets | | 1,060 | 243 |
| Net change in liabilities related to operating activities | | | |
| Financial liabilities held for trading | | (1,211) | (1,246) |
| Contractual liabilities | | 14,970 | 30,677 |
| Notes payable | | - | (724) |
| Accounts payable | | 5,122 | (41,464) |
| Accounts payable - related parties | | (29,553) | 50,625 |
| Other payables | | (7,453) | 9,030 |
| Other payables - related parties | | 309 | (76) |
| Liability reserves | | (2,493) | (454) |
| Other current liabilities | | 217 | 1,972 |
| Cash inflow from operating activities | | 184,256 | 398,390 |
| Interests received | | 665 | 1,448 |
| Dividends received | | 30,756 | 25,039 |
| Interests paid | 6(8) | (476) | (784) |
| Income tax paid | | (24,095) | (47,640) |
| Net cash inflow from operating activities | | 191,106 | 376,453 |
| <u>Cash flow from investing activities</u> | | | |
| Acquisition of financial assets at fair value through profit or loss | | (179) | (34,656) |
| Disposal of financial assets at fair value through profit or loss | | 3,865 | - |
| Decrease in restricted assets | | 45 | 22 |
| Acquisition of equity-accounted investments | | (27,951) | (673) |
| Acquisition of property, plant, and equipment | 6(24) | (11,290) | (8,818) |
| Acquisition of intangible assets | | (5,533) | - |
| (Increase) decrease in guarantee deposits paid | | (12,848) | 24 |
| Net cash outflow from investing activities | | (53,891) | (44,101) |
| <u>Cash flow from financing activities</u> | | | |
| Repayment of lease principal | 6(8) | (16,862) | (11,794) |
| Cash dividends paid | 6(16) | (132,049) | (130,048) |
| Net cash outflow from financing activities | | (148,911) | (141,842) |
| Exchange rate impact | | (4,495) | (4,276) |
| Increase (decrease) in cash and cash equivalents in the current period | | (16,191) | 186,234 |
| Opening cash and cash equivalents balance | 6(1) | 408,555 | 222,321 |
| Closing cash and cash equivalents balance | 6(1) | \$ 392,364 | \$ 408,555 |

The attached Notes to consolidated financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Wang, Feng-Hsiang

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For 2020 and 2019

Unit: NT\$ thousand
(unless specified otherwise)

I. Corporate history

ONYX Healthcare Inc. (the “Company”) was incorporated on February 2, 2010 in the Republic of China. The Company and its subsidiaries (collectively referred to as “Group” below) are mainly involved in the design, manufacturing, and trading of medical computers and peripherals. AAEON Technology Inc. holds 50% equity ownership in the Company, whereas ASUSTeK Computer Inc. is the Group’s ultimate parent.

II. Financial statement approval date and procedures

This consolidated financial report was passed during the board of directors meeting dated February 25, 2021.

III. Application of new standards, amendments and interpretations

(I) Impacts of adopting new and amended International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC)

The following is a list of new/amended/modified IFRSs and interpretations approved by FSC that are applicable for the 2020 financial year:

| <u>New/amended/modified standards and interpretations</u> | <u>Effective date of IASB announcement</u> |
|--|--|
| Amendments to IAS 1 and IAS 8 regarding “Disclosure Initiative - Definition of Material” | January 1, 2020 |
| Amendments to IFRS 3 regarding “Definition of a Business” | January 1, 2020 |
| Amendments to IFRS 9, IAS 39, and IFRS 7 regarding “Interest Rate Benchmark Reform” | January 1, 2020 |
| Amendments to IFRS 16 regarding “Covid-19-Related Rent Concessions” | June 1, 2020 (Note) |

Note: FSC has given its permission to bring forward the adoption to January 1, 2020.

After a thorough assessment, the Group expects no material financial or performance impact from the above standards and interpretations.

(II) Impacts of adopting new and amended IFRSs not yet approved by FSC

The following is a list of new/amended/modified IFRSs and interpretations approved by FSC that are applicable for the 2021 financial year:

| <u>New/amended/modified standards and interpretations</u> | <u>Effective date of IASB announcement</u> |
|--|--|
| Amendments to IFRS 4 regarding “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 (phase 2) regarding “Interest Rate Benchmark Reform” | January 1, 2021 |

After a thorough assessment, the Group expects no material financial or performance impact from the above standards and interpretations.

(III) Impacts of IFRS changes announced by International Accounting Standards Board (IASB) but not yet approved by FSC

The following is a list of new/amended/modified IFRSs announced by IASB but not approved by FSC:

| <u>New/amended/modified standards and interpretations</u> | <u>Effective date of IASB announcement</u> |
|--|--|
| Amendments to IFRS 3 regarding “Reference to the Conceptual Framework” | January 1, 2022 |
| Amendments to IFRS 10 and IAS 28 regarding “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture” | Pending final decision from IASB |
| IFRS 17 - Insurance Contracts | January 1, 2023 |
| Amendments to IFRS 17 - “Insurance Contracts” | January 1, 2023 |
| Amendments to IAS 1 regarding “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 1 regarding “Disclosure of Accounting Policies” | January 1, 2023 |
| Amendments to IAS 8 regarding “Definition of Accounting Estimates” | January 1, 2023 |
| Amendments to IAS 16 regarding “Property, Plant and Equipment: Proceeds before Intended Use” | January 1, 2022 |
| Amendment to IAS 37 regarding “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 |
| Improvements for years 2018-2020 | January 1, 2022 |

After a thorough assessment, the Group expects no material financial or performance impact from the above standards and interpretations.

IV. Summary of significant accounting policies

Below is a summary of significant accounting policies used for the preparation of consolidated financial statements. Unless otherwise stated, the following policies were applied consistently in all reporting periods.

(I) Statement of compliance

This consolidated financial report has been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and FSC-approved IFRS, IAS and interpretations thereof (collectively referred to as IFRSs below).

(II) Basis of preparation

1. This consolidated financial report is prepared based on historical cost, except for items including financial assets and liabilities at fair value through profit or loss (including derivatives) and financial assets at fair value through other comprehensive income.
2. Preparation of IFRSs-compliant financial report involves some use of critical accounting estimates, and the management is required to exercise some judgment when applying the Group's accounting policies. Please refer to Note 5 for highly complex and significant assumptions and estimates in relation to the consolidated financial report.

(III) Basis of consolidation

1. Basis of preparation for consolidated financial report

- (1) The Group includes all subsidiaries for the preparation of consolidated financial report. A subsidiary refers to an entity in which the Group exercises control. The Group is considered to exercise control if it is exposed or entitled to variable returns generated by the entity and has the power to influence such return. Subsidiaries are included in the consolidated financial report from the day the Group gains control and removed from the day control is lost.
- (2) Any transactions, balances, and unrealized gains/losses between the same group Group companies have been eliminated. The subsidiaries have made the necessary adjustments to align their accounting policies with that of the Group.
- (3) All compositions of profit and loss and other comprehensive income are attributable to parent company shareholders and non-controlling shareholders. At the same time, the total comprehensive income is also attributable to parent company shareholders and non-controlling shareholders, even if doing so would cause non-controlling shareholders to suffer losses.
- (4) Transfers of equity ownership in a subsidiary with non-controlling shareholders that do not result in a loss of control are accounted as equity transactions and treated as transactions between business owners. The difference between the adjusted amount in

non-controlling equity and the fair value of the consideration paid/received is directly recognized directly in equity.

- (5) When the Group loses control in a subsidiary, remaining investments in the former subsidiary are remeasured at fair value and presented as the initial fair value of the reclassified financial asset or the cost of the reclassified associated company or joint venture. Differences between the fair value and the book value are recognized in current profit and loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for on the same basis as if the Group had directly disposed of the relevant assets or liabilities. In other words, if gains or losses previously recognized in other comprehensive income are to be reclassified into profit and loss upon disposal of relevant assets or liabilities, such gains or losses shall be reclassified from equity into profit and loss when the Group loses control in the subsidiary.

2. Subsidiaries included in the consolidated financial report:

| <u>Name of investor</u> | <u>Name of subsidiary</u> | <u>Business activities</u> | <u>Shareholding percentage</u> | | <u>Description</u> |
|-------------------------|---------------------------------------|--|--------------------------------|--------------------------|--------------------|
| | | | <u>December 31, 2020</u> | <u>December 31, 2019</u> | |
| The Company | ONYX HEALTHCARE USA, Inc.(OHU) | Sale of medical computers and peripherals | 100 | 100 | |
| The Company | ONYX HEALTHCARE EUROPE B.V.(ONI) | Marketing support and maintenance of medical computers and peripherals | 100 | 100 | |
| The Company | Onyx Healthcare (Shanghai) Inc. (OCI) | Sale of medical computers and peripherals | 100 | 100 | |
| The Company | iHELPER Inc. (iHELPER) | Research, development, and sale of medical robots | 46 | 46 | Note |

Note: The Company holds less than 50% aggregate ownership in the entity, but includes it in the preparation of consolidated financial report as the Company has control over the entity's financial, operational, and personnel decisions.

3. Subsidiaries not included in the consolidated financial report: None.
 4. Methods for aligning subsidiaries' accounting periods: None.
 5. Significant limitations: None.

6. Subsidiaries with non-controlling owners significant to the Group: The Group had non-controlling equity outstanding at \$9,913 and \$12,081 on December 31, 2020 and 2019, respectively. None of the non-controlling shareholders were significant to the Group.

(IV) Foreign currency conversion

All items listed in the financial report of every entity within the Group are measured using the currency of the main economic environment where the respective entity operates (i.e. the functional currency). This consolidated financial report is presented using the Company's functional currency - "NTD."

1. Foreign currency transaction and balance

- (1) Foreign currency transactions are converted into the functional currency using the spot exchange rate at the transaction date or measurement date. Differences arising from the conversion of such transactions are recognized in current profit and loss.
- (2) Balances of monetary assets and liabilities denominated in foreign currencies are converted using the spot exchange rate as at the balance sheet date. Differences arising from exchange rate fluctuation are recognized as current period gain or loss.
- (3) For non-monetary assets and liabilities denominated in foreign currencies, those that are carried at fair value through profit or loss will have balances converted using the spot exchange rate as at the balance sheet date, and any exchange differences arising from the adjustment will be recognized in current profit and loss; those that are carried at fair value through other comprehensive income will have balances converted using the spot exchange rate as at the balance sheet date, and any exchange differences arising from the adjustment will be recognized in other comprehensive income; those that are not carried at fair value will have balances converted using the historical exchange rate applicable at the time when the transaction was initiated.
- (4) All gains and losses on the exchange are presented as "Other gains and losses" in the statement of comprehensive income.

2. Currency conversion for foreign operations

For Group entities and associated companies that have a functional currency different from the presentation currency, performance results and financial position are converted into the presentation currency using the following methods:

- (1) Every asset and liability in the balance sheet is converted using the exchange rate as at the balance sheet date;
- (2) Every income, expense, and loss in the statement of comprehensive income is converted using the average exchange rate for the given period; and
- (3) All exchange differences are recognized in other comprehensive income.

(V) Classification of current and non-current assets and liabilities

1. Assets that satisfy any of the following criteria are classified as current assets:

- (1) Assets that are expected to be realized, or intended to be sold or consumed, over the normal operating cycle.
- (2) Held mainly for the purpose of trading.
- (3) Assets that are expected to be realized within 12 months after balance sheet date.
- (4) Cash or cash equivalents, except those that will be swapped or used to repay liabilities at least 12 months from the balance sheet date, and those with restricted uses.

The Group classifies all assets that do not satisfy the above criteria as non-current assets.

2. Liabilities that satisfy any of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled over the normal operating cycle.
- (2) Held mainly for the purpose of trading.
- (3) Liabilities that are due to be settled within 12 months after the balance sheet date.
- (4) Liabilities with repayment terms that can not be extended unconditionally for more than 12 months after the balance sheet date. Classification of liability is unaffected even if there are terms that give counterparties the option to be repaid in the form of equity instruments.

The Group classifies all liabilities that do not satisfy the above criteria as non-current liabilities.

(VI) Cash equivalents

Cash equivalent refers to short-term and highly liquid investments that are readily convertible into known amounts of cash and are prone to an insignificant risk of changes in value. Time deposits that meet the abovementioned definitions and are held for a tenor of less than three months from initiation to meet short-term cash commitments are stated as cash equivalents.

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

1. Refers to financial assets that are not carried at cost after amortization or at fair value through other comprehensive income.
2. The Group adopts trade day accounting to account for financial assets at fair value through profit or loss that conforms with normal trade terms.
3. These items are recognized at fair value at initiation with transaction costs recognized through profit and loss and subsequently assessed at fair value with gains or losses recognized through profit and loss.
4. Dividend income is recognized in the consolidated statement of comprehensive income when the entitlement to receive dividend has been established when economic benefits relating to dividends are very likely to be realized. The amount in dividend can be measured reliably.

(VIII) Financial assets at fair value through other comprehensive income

1. Refers to equity instruments not held for trading for which an irrevocable choice was made at initiation to account for subsequent fair value changes through other comprehensive income.
2. The Group adopts trade day accounting to account for financial assets at fair value through other comprehensive income that conforms with normal trade terms.
3. These assets are recognized at fair value at initiation inclusive of transaction cost, and are subsequently measured at fair value:
 - A. Changes in the fair value of equity instruments are recognized through other comprehensive income. When the asset is removed from the balance sheet, all cumulative gains/losses previously recognized through other comprehensive income can not be reclassified to profit and loss and are transferred to retained earnings instead. Dividend income is recognized in the consolidated statement of comprehensive income when the entitlement to receive dividend has been established when economic benefits relating to dividends are very likely to be realized. The amount in dividend can be measured reliably.

(IX) Accounts and notes receivable

1. Refers to accounts and notes that the Company may collect unconditionally as consideration for the transfer of merchandise or rendering of service, according to the terms of the respective contracts.
2. Short-term accounts and notes receivable that bear no interest are subsequently measured at the original invoice amount as the effect of discounting is insignificant.

(X) Impairment of financial assets

Accounts receivable with significant financing components are evaluated on every balance sheet date by taking into account all reasonable and verifiable information (including prospective information). Assets that exhibit no significant increase in credit risk after initial recognition have loss reserves measured based on 12-month expected credit loss; those that exhibit a significant increase in credit risk after initial recognition have loss reserves measured based on expected credit loss over the remaining duration. Accounts receivable that do not contain significant financing components have loss reserves measured based on expected credit loss over the remaining duration.

(XI) Removal of financial assets

Financial assets that satisfy any of the following criteria are removed:

1. When entitlement to contractual cash inflow has ended.
2. When the contractual right to collect cash flow on the financial asset has been transferred

along with virtually all risks and returns associated with ownership of the financial asset.

3. When the contractual right to collect cash flow on the financial asset has been transferred, and no control over the financial asset is retained.

(XII) Inventory

Inventory is stated at the lower of cost or net realizable value. The amount in cost is determined using the weighted average method. The cost of finished goods and work-in-progress includes raw material, direct labor, other direct costs, and production-related overheads (allocated based on normal production capacity), but excludes the cost of borrowing. The lower of cost or net realizable value is compared on an item-by-item basis. Net realizable value refers to the remainder of the estimated selling price after deducting variable selling expenses over the normal operating cycle and estimated costs to completion.

(XIII) Equity-accounted investments - associated companies

1. Associated company refers to an entity in which the Group exercises significant influence but no control, which generally means 20% direct or indirect voting interest or above. The Group accounts for associated companies using the equity method. Value at initial acquisition is accounted for at cost.
2. Share of profits/losses from associated company after the acquisition is recognized in current profit and loss; share of other comprehensive income after the acquisition is recognized in other comprehensive income. If the Group's share of losses in an associated company equals to or exceeds its equity interest in the associated company (including any other unsecured receivables), the Group will not recognize the extra losses unless the Group has a legal obligation or constructive obligation to pay, or has paid, liabilities on behalf of the associated company.
3. If an associated company undergoes a change of equity that has no impact on profit and loss, other comprehensive income, and shareholding percentage, the Group will recognize the change of ownership proportionally in "Capital reserve."
4. Unrealized gains arising from transactions between the Group and an associated company are eliminated proportionally based on ownership percentage. Unrealized losses are also eliminated unless there is evidence to suggest impairment in the transferred assets. All associated companies have made the necessary adjustments to align their accounting policies with that of the Group.
5. If the Group disposes of an associated company in a manner that causes it to lose significant influence, all amounts previously recognized in other comprehensive income in relation to the associated company are accounted on the same basis as if the Group had directly disposed of the relevant assets or liabilities. In other words, if gains or losses

previously recognized in other comprehensive income are to be reclassified into profit and loss upon disposal of relevant assets or liabilities, such gains or losses shall be reclassified into profit and loss when the Group loses significant influence in the associated company. If the Company still retains significant influence in the associated company, the above amounts previously recognized in other comprehensive income are reclassified proportionally in the manner mentioned above.

(XIV) Property, plant and equipment

1. All property, plant and equipment are recorded at cost.
2. Subsequent costs incurred are added to book value or recognized as separate assets only when future economic benefits associated with the costs are likely to be realized by the Group. Such costs can be reliably measured. Book values of replaced components are removed from the balance sheet. All other maintenance expenses are recognized in current profit and loss when incurred.
3. Property, plant, and equipment are subsequently measured using the cost method, with depreciation recognized over the estimated useful life using the straight-line method. Significant compositions of property, plant, and equipment are depreciated separately.
4. The Group reviews the residual value, useful life, and depreciation method of all assets at the end of each financial year. If the residual value or useful life differs from the previous estimate, or if there is any material change to how an asset's future economic benefit is realized, the difference would be treated as a change in accounting estimate according to IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" from the day the change occurs. The useful lives of various asset categories are explained in Note 6(7).

(XV) Lease transaction as a lessee - right-of-use assets/lease liabilities

1. The Group recognizes a right-of-use asset and a lease liability on the day the lease asset becomes available for use. For short-term lease and lease of low-value asset, lease payments are expensed using the straight-line method over the lease tenor.
2. Lease liability is recognized on the lease start date as the present value of outstanding lease payments discounted at the Group's incremental borrowing rate. Lease payments are made in fixed amounts and presented net of any lease incentives collectible.

Leases are subsequently measured at cost after amortization using the interest approach with interest expenses provided over the lease tenor. Lease liabilities will be re-evaluated for any change in lease tenor or lease payment that is not caused by modification of contract terms. In which case, the amount in remeasurement will be adjusted to right-of-use assets.

3. Right-of-use assets are recognized at cost on the lease start date. The cost includes:

- (1) Initial measured amount in lease liability;
- (2) Any direct cost incurred at initiation.

Right-of-use assets are subsequently measured using the cost approach with depreciation expenses provided over the useful life or lease tenor, whichever expires the earlier. When lease liability is re-assessed, the right-of-use asset is adjusted for any remeasurement made to lease liability.

(XVI) Intangible assets

Intangible asset mainly comprises the cost of computer software, which is amortized using the straight-line method over 3 years.

(XVII) Impairment of non-financial assets

For assets that show signs of impairment on the balance sheet date, the Group first estimates the recoverable amount in such assets. It recognizes impairment losses if the recoverable amount is lower than the book value. The recoverable amount refers to the higher of an asset's fair value net of disposal cost or its utilization value. Impairment losses previously recognized can be reversed if asset impairment no longer exists or has been reduced. However, the reversal of impairment loss shall not increase the asset's book value above the amount in book value after depreciation/amortization if the impairment loss had not occurred in the first place.

(XVIII) Accounts and notes payable

1. Refers to liabilities arising from purchases of raw material, merchandise, or service on credit and notes payable on operating and non-operating activities.
2. Short-term accounts and notes payable that bear no interest are subsequently measured at the original invoice amount as the effect of discounting is insignificant.

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

1. Refers to financial liabilities that arise mainly to buy back in the near future, and financial liabilities held for trading that are not designated as hedging instruments under hedge accounting principles.
2. These items are recognized at fair value at initiation with transaction costs recognized through profit and loss and subsequently assessed at fair value with gains or losses recognized through profit and loss.

(XX) Removal of financial liabilities

Financial liabilities are removed from the balance sheet upon fulfillment, cancellation, or expiry of contractual obligation.

(XXI) Offset of financial assets and liabilities

The Company will offset financial assets against financial liability and present them in a netted figure on the balance sheet only if the Company is legally entitled and intends to settle the two accounts on a netted basis or realize them at the same time.

(XXII) Non-hedging derivatives

Non-hedging derivatives are measured at a fair value of the contract signing date at the initiation. They are presented as financial assets or liabilities at fair value through profit or loss and subsequently measured at fair value. Gains or losses on non-hedging derivatives are recognized in profit and loss.

(XXIII) Liability reserves

Liability reserves (warranty) are obligations that the Company is legally liable or deemed liable to fulfill due to a past event. The Company is very likely to incur an outflow of economic benefit or resource to settle such an obligation. Liability reserves are recognized when the amount in obligation can be estimated reliably. Liability reserves represent the Company's best estimate of the present value of all future obligations that the Company is liable to settle as at the balance sheet date. The discount rate used is a pre-tax discount rate reflecting the market's current perception of the time value of currency and risks associated with the specific liability. The amount in discount is amortized and recognized as an interest expense. No liability reserve is made on future operating losses.

(XXIV) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured as non-discounted amounts expected to be paid in the future and are recognized as expenses when relevant service is rendered.

2. Pension

Defined contribution plan

For a defined contribution plan, the contributions payable to the pension fund are recognized as pension costs in the year that occurred on an accrual basis. Prepaid contributions that are refundable in cash or can be offset against future payments are recognized as assets.

3. Employee and director remuneration

Employees' and directors' remuneration are recognized as expense and liability when the Company becomes legally obligated or is deemed obligated to pay, and that the amount can be reasonably estimated. Any differences between the amount estimated

and the amount resolved/paid are treated as a change of accounting estimate.

(XXV) Share-based payment

In a share-based payment arrangement, the value of employees' services is measured based on the fair value of the equity instrument granted on the grant date. This payment is recognized as remuneration in the period vested, with corresponding adjustments made to equity. The fair value of the equity instrument should reflect the market price and the effects of both vesting and non-vesting conditions. The cost of remuneration to be recognized will be adjusted as service conditions and non-market value vesting conditions are met. The quantity of shares paid on the vesting date will determine the final amount to be recognized in the financial report.

(XXVI) Income tax

1. Income tax expenses include current and deferred income tax. Income taxes are recognized in profit and loss, except for certain items that must be recognized in other comprehensive income or presented directly as equity items.
2. The Group calculates current income tax based on the statutory tax rate applicable at countries of operation and generates taxable income as at the balance sheet date. The management regularly assesses income tax filing in accordance with applicable income tax laws and estimates income tax liabilities for the estimated amount in tax payable to the authority. Unappropriated earnings are subject to additional income tax according to the Income Tax Act. This additional tax is recognized in the year after earning is generated, when the earnings appropriation proposal is passed in a shareholder meeting and the amount in earnings retained can be ascertained.
3. Deferred income tax is accounted for using the balance sheet method and recognized on taxable temporary differences that arise between the taxable basis and book value of assets and liabilities shown in the consolidated balance sheet. Deferred income tax liabilities are not recognized upon initial recognition of goodwill. No deferred income tax liability is recognized upon initial recognition of an asset or liability (except in the case of business combination) if it affects neither accounting profit nor taxable profit (tax loss) at the time of the transaction. Temporary differences arising from investment in subsidiaries and associated companies are not recognized as income tax asset/liability if the Group is able to control the timing at which temporary difference is reversed and that the temporary difference is unlikely to be reversed in the foreseeable future. Deferred income taxes are calculated using the tax rate (and tax law) applicable on the day deferred income tax assets/liabilities are expected to be realized/settled, based on prevailing laws as at the balance sheet date.
4. Deferred income tax assets are recognized to the extent that temporary differences are

likely to be used to offset future taxable income. Unrecognized and recognized deferred income tax assets are re-assessed on each balance sheet date.

5. The Company will offset current income tax assets against current income tax liability and settle on a netted basis or realize both at the same time only if it has the intent and is legally entitled to do so. The Company will offset deferred income tax assets against deferred income tax liabilities and settle on a netted basis or realize both at the same time only if it has the intent and is legally entitled to do so, and that the deferred income tax assets/liabilities are attributable to the same tax authority and the same taxpayer, or different taxpayers with a mutual intent to settle on a netted basis.

(XXVII) Dividend distribution

Dividends to the Company's shareholders are recognized in the financial report at the time the resolution is passed in a shareholder meeting. Cash dividends pending payment are recognized as liability, whereas stock dividends pending distribution are presented as pending stock dividends and reclassified into common share capital on the issuance baseline date.

(XXVIII) Revenue recognition

1. Sales of goods

- (1) The Group manufactures and sells medical computers and peripherals. Sales revenues are recognized when control of the product is transferred to the customer; or in other words, when product is delivered to the customer and the Group has no outstanding obligation that would otherwise affect the customer from accepting the product. Product transfer is deemed to have completed when the product is shipped to the designated location and the customer accepts the product according to the terms of the sales contract, or if there is objective evidence to prove that acceptance has been made, and thereby transferring all risks associated with obsolescence and loss to the customer.
- (2) The Group offers a standard warranty on the products sold and is obligated to repair defective products. Liability reserves are made to account for this obligation at the time of sale.
- (3) Accounts receivable are recognized when products are delivered to the customer because this is the point of time when the Group gains unconditional rights to contractual proceeds and is entitled to collect consideration from customers simply through the passage of time.

2. Warranty income

Warranty income in advance that the Group receives for the sale of warranty extension is reclassified into income based on the remaining service duration.

(XXIX) Government subsidies

Government subsidies are recognized at fair value when the Company has reasonable assurance towards fulfilling the government's subsidy criteria and receiving the subsidy. For government subsidies aimed to reimburse expenses incurred, the Group will recognize government subsidies through current profit and loss in a systematic manner when relevant expenses are incurred.

(XXX) Operating segments

The Group's segment information is prepared according to what the decision makers rely on for internal management. The decision maker is responsible for allocating resources to the various segments and evaluating performance, and the board of directors has been identified as the Group's decision maker.

V. Major sources of uncertainty for significant accounting judgments, estimates and assumptions

The management had exercised judgment to determine the accounting policies to adopt when the consolidated financial report was prepared and made accounting estimates and assumptions based on prevailing circumstances and reasonable expectations toward future events as at the balance sheet date. The significant accounting estimates and assumptions made can differ from the actual result, which the management will continually evaluate and adjust based on historical experience and other factors. These estimates and assumptions may result in major adjustments to the book value of assets and liabilities in the next financial year. Uncertainties associated with significant accounting judgments, estimates, and assumptions are explained below:

(I) Significant judgments adopted for accounting policies

None.

(II) Significant accounting estimates and assumptions

Valuation of inventory

Due to the fact that inventory is presented at the lower of cost or net realizable value, the Group is required to exercise judgment and make estimates in order to determine the net realizable value of inventory as at the balance sheet date. Inventory as at the balance sheet may be susceptible to normal wear, obsolescence, or loss of market value due to rapidly changing technologies. The Group estimates the above losses and reduces inventory cost down to the net realizable value. This inventory valuation is made by estimating product demand within a specific period of time in the future, which may give rise to significant changes.

Book value of the Group's inventory as at December 31, 2020 totaled \$179,305.

VI. Notes to major accounts

(I) Cash and cash equivalents

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------|--------------------------|--------------------------|
| Petty cash | \$ 319 | \$ 303 |
| Check and current deposit | 352,045 | 368,252 |
| Time deposit | <u>40,000</u> | <u>40,000</u> |
| | <u>\$ 392,364</u> | <u>\$ 408,555</u> |

1. All financial institutions that the Group deals with are of strong credit background. The Group also diversifies credit risk by dealing with multiple financial institutions at the same time and therefore is unlikely to suffer from the default of a financial institution.
2. Cash and cash equivalents that have been placed as collateral for forwarding exchange contracts are presented as other financial assets (under other current assets). Please see Note 8 for details.

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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Current portion: | | |
| Financial assets mandatory to be carried at fair value through profit or loss | | |
| TWSE/TPEX listed shares | \$ 6,250 | \$ 9,107 |
| Derivatives | | |
| Forward exchange contracts | - | 77 |
| Cross currency swap | - | 177 |
| Valuation adjustment | <u>(738)</u> | <u>627</u> |
| | <u>\$ 5,512</u> | <u>\$ 9,988</u> |
| Non-current portion: | | |
| Financial assets mandatory to be carried at fair value through profit or loss | | |
| Not listed on TWSE/TPEX or the Emerging Stock Market board | \$ 30,000 | \$ 30,000 |
| Valuation adjustment | <u>8,261</u> | <u>3,869</u> |
| | <u>\$ 38,261</u> | <u>\$ 33,869</u> |

1. Details of gains (losses) on financial assets at fair value through profit or loss:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------|------------------|
| Financial assets mandatory to be carried at fair value through profit or loss | | |
| Equity instrument | \$ 3,856 | \$ 35,450 |
| Derivatives | <u>(100)</u> | <u>67</u> |
| | <u>\$ 3,756</u> | <u>\$ 35,517</u> |

2. Explanation to derivative assets and contracts that do not conform with hedge accounting:

| | <u>December 31, 2019</u> | |
|---|--|--------------------------|
| <u>Derivative financial assets</u> | <u>Contract sum</u> <u>(Notional principal)</u> | <u>Contract duration</u> |
| Current portion: | | |
| Forward exchange contract - long NTD, short USD | US\$ 200,000 | 2019.12.04 - 2020.01.03 |
| Cross-currency swap - long NTD, short USD | US\$ 500,000 | 2019.12.04 - 2020.01.03 |

3. The Group had entered into the above forward exchange and cross-currency swap contracts to take a short position on a particular foreign currency and to secure exchange rate between foreign currencies. They were intended to hedge exchange rate risks associated with export sales but no hedge accounting treatment was applied.

4. None of the Group's financial assets at fair value through profit or loss was placed as collateral.

(III) Notes and accounts receivable

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------|--------------------------|--------------------------|
| Notes receivable | <u>\$ 49</u> | <u>\$ -</u> |
| Accounts receivable | \$ 168,107 | \$ 174,626 |
| Less: loss provisions | <u>(16,040)</u> | <u>(13,320)</u> |
| | <u>\$ 152,067</u> | <u>\$ 161,306</u> |

1. Notes and accounts receivable (including related parties) aging analysis:

| | <u>December 31, 2020</u> | | <u>December 31, 2019</u> | |
|----------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | <u>Accounts receivable</u> | <u>Notes receivable</u> | <u>Accounts receivable</u> | <u>Notes receivable</u> |
| Current | \$ 115,727 | \$ 49 | \$ 126,961 | \$ - |
| Overdue within 30 days | 35,263 | - | 34,518 | - |
| Overdue 31 - 60 days | 2,424 | - | 2,425 | - |
| Overdue 61 - 90 days | - | - | 423 | - |
| Overdue 91 - 120 days | 285 | - | - | - |
| Overdue more than 121 days | <u>15,056</u> | <u>-</u> | <u>12,761</u> | <u>-</u> |
| | <u>\$ 168,755</u> | <u>\$ 49</u> | <u>\$ 177,088</u> | <u>\$ -</u> |

The above aging analysis has been prepared based on the number of days overdue.

- Balances of accounts and notes receivable (including related parties) as at December 31, 2020 and 2019, had arisen entirely from contractual arrangements with customers. Balances of contractual proceeds receivable from customers (including related parties) and loss provisions as at January 1, 2019 were \$251,737 and \$2,371, respectively.
- In the absence of collaterals and other credit enhancements, maximum credit risk exposure associated with the Group's notes receivable as at December 31, 2020 and 2019, amounted to \$49 and \$0, respectively; maximum credit risk exposure associated with the Group's accounts receivable (including related parties) as at December 31, 2020 and 2019, amounted to \$152,715 and \$163,768, respectively.
- The Group held no collateral on accounts receivable (including related parties).
- For credit risk information on accounts receivable (including related parties), please refer to Note 12(2).

(IV) Inventory

| | <u>December 31, 2020</u> | | |
|---------------------|--------------------------|--|-------------------|
| | <u>Cost</u> | <u>Allowance for obsolescence and devaluation loss</u> | <u>Book value</u> |
| Raw materials | \$ 85,367 | (\$ 7,388) | \$ 77,979 |
| Work-in-progress | 26,696 | (181) | 26,515 |
| Semi-finished goods | 45,592 | (7,809) | 37,783 |
| Finished goods | <u>52,124</u> | <u>(15,096)</u> | <u>37,028</u> |
| | <u>\$ 209,779</u> | <u>(\$ 30,474)</u> | <u>\$ 179,305</u> |

| | <u>December 31, 2019</u> | | |
|---------------------|--------------------------|--|-------------------|
| | <u>Cost</u> | <u>Allowance for obsolescence and devaluation loss</u> | <u>Book value</u> |
| Raw materials | \$ 78,692 | (\$ 4,216) | \$ 74,476 |
| Work-in-progress | 19,434 | (80) | 19,354 |
| Semi-finished goods | 52,803 | (6,896) | 45,907 |
| Finished goods | <u>46,492</u> | <u>(11,886)</u> | <u>34,606</u> |
| | <u>\$ 197,421</u> | <u>(\$ 23,078)</u> | <u>\$ 174,343</u> |

Cost of inventory recognized as expenses or losses in the current period:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-------------------|-------------------|
| Cost of inventory sold | \$ 853,362 | \$ 923,086 |
| Obsolescence and devaluation loss | 17,259 | 5,065 |
| Impairment loss | 4,839 | 4,294 |
| Service and warranty cost | <u>7,837</u> | <u>7,855</u> |
| | <u>\$ 883,297</u> | <u>\$ 940,300</u> |

(V) Financial assets at fair value through other comprehensive income

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Non-current portion: | | |
| Equity instrument | | |
| Not listed on TWSE/TPEX or the Emerging Stock Market board | \$ 39,334 | \$ 39,334 |
| Valuation adjustment | <u>(36,953)</u> | <u>(36,953)</u> |
| | <u>\$ 2,381</u> | <u>\$ 2,381</u> |

1. The Group has chosen to classify shares of MELTEN CONNECTED HEALTHCARE INC., a strategic investment, as financial assets at fair value through other comprehensive income. The fair value of this investment was reported at \$2,381 as at December 31, 2020 and 2019.
2. Details of gains or losses on financial assets at fair value through other comprehensive income:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------------|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value changes recognized through other comprehensive income | <u>\$ -</u> | <u>(\$ 7,969)</u> |

3. None of the Group's financial assets at fair value through other comprehensive income was placed as collateral.

(VI) Equity-accounted investments

| <u>Name of associated company</u> | <u>December 31, 2020</u> | | <u>December 31, 2019</u> | |
|-----------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| | <u>Shareholding %</u> | <u>Amount presented</u> | <u>Shareholding %</u> | <u>Amount presented</u> |
| Winmate Inc. (Winmate)(Note) | 13.60% | <u>\$537,102</u> | 12.97% | <u>\$505,586</u> |

Note: Although the Group held less than 20% of voting shares in Winmate, it did undertake directorship in Winmate and therefore accounted for the entity using the equity method for exercising significant influence.

1. Summary financial information of significant associated companies:

Balance sheet

| | <u>Winmate</u> | |
|---|--------------------------|--------------------------|
| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Current assets | \$ 1,713,003 | \$ 1,458,446 |
| Non-current assets | 1,052,240 | 1,032,866 |
| Current liabilities | (550,772) | (321,092) |
| Non-current liabilities | (12,362) | (10,647) |
| Total net assets | <u>\$ 2,202,109</u> | <u>\$ 2,159,573</u> |
| As a percentage of net assets across associated companies | \$ 299,487 | \$ 280,129 |
| Goodwill | <u>237,615</u> | <u>225,457</u> |
| Book value of associated company | <u>\$ 537,102</u> | <u>\$ 505,586</u> |

Statement of comprehensive income

| | <u>Winmate</u> | |
|---|-------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Income | \$ 1,845,525 | \$ 1,666,155 |
| Current net income | \$ 256,062 | \$ 241,183 |
| Other comprehensive income (net, after-tax) | (9,669) | 9,090 |
| Total comprehensive income for the current period | <u>\$ 246,393</u> | <u>\$ 250,273</u> |
| Dividends received from associated companies | <u>\$ 29,133</u> | <u>\$ 24,310</u> |

2. Fair value of associated companies that are openly quoted:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------|--------------------------|--------------------------|
| Winmate | <u>\$ 739,360</u> | <u>\$ 514,965</u> |

(VII) Property, plant and equipment

| | <u>2020</u> | | | | | |
|--------------------------|-----------------|------------------|--------------------|------------------|---|------------------|
| | Machinery | Office equipment | Lease improvements | Other equipment | Construction in progress and equipment pending inspection | Total |
| January 1 | | | | | | |
| Cost | \$ 13,336 | \$ 8,745 | \$ 13,549 | \$ 67,092 | \$ 1,660 | \$104,382 |
| Accumulated depreciation | (10,580) | (6,702) | (10,652) | (52,667) | - | (80,601) |
| | <u>\$ 2,756</u> | <u>\$ 2,043</u> | <u>\$ 2,897</u> | <u>\$ 14,425</u> | <u>\$ 1,660</u> | <u>\$ 23,781</u> |
| January 1 | \$ 2,756 | \$ 2,043 | \$ 2,897 | \$ 14,425 | \$ 1,660 | \$ 23,781 |
| Addition | 1,328 | 215 | 1,763 | 384 | 5,737 | 9,427 |
| Reclassification | 2,716 | - | - | 576 | (3,292) | - |
| Depreciation | (1,710) | (1,036) | (2,724) | (7,316) | - | (12,786) |
| Net exchange difference | - | (10) | - | 28 | - | 18 |
| December 31 | <u>\$ 5,090</u> | <u>\$ 1,212</u> | <u>\$ 1,936</u> | <u>\$ 8,097</u> | <u>\$ 4,105</u> | <u>\$ 20,440</u> |
| December 31 | | | | | | |
| Cost | \$ 17,380 | \$ 8,781 | \$ 15,187 | \$ 66,643 | \$ 4,105 | \$112,096 |
| Accumulated depreciation | (12,290) | (7,569) | (13,251) | (58,546) | - | (91,656) |
| | <u>\$ 5,090</u> | <u>\$ 1,212</u> | <u>\$ 1,936</u> | <u>\$ 8,097</u> | <u>\$ 4,105</u> | <u>\$ 20,440</u> |

| | <u>2019</u> | | | | | |
|--------------------------|------------------|-------------------------|---------------------------|------------------------|--|------------------|
| | <u>Machinery</u> | <u>Office equipment</u> | <u>Lease improvements</u> | <u>Other equipment</u> | <u>Construction in progress and equipment pending inspection</u> | <u>Total</u> |
| January 1 | | | | | | |
| Cost | \$ 12,518 | \$ 8,177 | \$ 12,173 | \$ 60,849 | \$ - | \$ 93,717 |
| Accumulated depreciation | (9,300) | (5,820) | (7,859) | (43,581) | - | (66,560) |
| | <u>\$ 3,218</u> | <u>\$ 2,357</u> | <u>\$ 4,314</u> | <u>\$ 17,268</u> | <u>\$ -</u> | <u>\$ 27,157</u> |
| January 1 | \$ 3,218 | \$ 2,357 | \$ 4,314 | \$ 17,268 | \$ - | \$ 27,157 |
| Addition | 757 | 572 | 1,376 | 4,241 | 3,839 | 10,785 |
| Reclassification | 61 | - | - | 2,118 | (2,179) | - |
| Depreciation | (1,280) | (1,089) | (2,793) | (9,108) | - | (14,270) |
| Net exchange difference | - | 203 | - | (94) | - | 109 |
| December 31 | <u>\$ 2,756</u> | <u>\$ 2,043</u> | <u>\$ 2,897</u> | <u>\$ 14,425</u> | <u>\$ 1,660</u> | <u>\$ 23,781</u> |
| December 31 | | | | | | |
| Cost | \$ 13,336 | \$ 8,745 | \$ 13,549 | \$ 67,092 | \$ 1,660 | \$104,382 |
| Accumulated depreciation | (10,580) | (6,702) | (10,652) | (52,667) | - | (80,601) |
| | <u>\$ 2,756</u> | <u>\$ 2,043</u> | <u>\$ 2,897</u> | <u>\$ 14,425</u> | <u>\$ 1,660</u> | <u>\$ 23,781</u> |

Major components of property, plant, and equipment held by the Group, and useful lives:

| <u>Item</u> | <u>Major component</u> | <u>Useful life</u> |
|--------------------|--|--------------------|
| Machinery | Oscilloscope, suspensory burn-in equipment, and automated streamline workstation | 3 years |
| Office equipment | Server and host | 3 years |
| Lease improvements | Plant expansion and revovation works | 2 years |
| Other equipment | Front and back cover mold, repair mold, and sizing mold | 2-5 years |

1. All property, plant, and equipment mentioned above are self-occupied.
2. No borrowing cost was capitalized into the Group's property, plant, and equipment.
3. None of the Group's property, plant, and equipment was placed as collateral.

(VIII) Leases - as a lessee

1. The Group leases buildings, transport equipment, and office equipment; the duration of the lease agreements usually ranges from 1 to 6 years. Lease contracts were individually negotiated and drafted with different terms and conditions with no additional restriction, except that the leased assets can not be placed as collateral.
2. Lease tenors for buildings and transport equipment do not exceed 12 months, whereas leases for office equipment are treated as low-value leases.
3. Book value of right-of-use assets and recognized amounts of depreciation expense are presented below:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------|--------------------------|--------------------------|
| | <u>Book value</u> | <u>Book value</u> |
| Buildings | \$ 5,436 | \$ 16,952 |
| Transport equipment | 1,866 | 1,982 |
| Office equipment | <u>1,977</u> | <u>674</u> |
| | <u>\$ 9,279</u> | <u>\$ 19,608</u> |

| | <u>2020</u> |
|---------------------|---------------------|
| | <u>Depreciation</u> |
| Buildings | \$ 15,471 |
| Transport equipment | 658 |
| Office equipment | <u>361</u> |
| | <u>\$ 16,490</u> |

4. Amounts of right-of-use assets added in 2020 and 2019 were \$6,191 and \$3,032, respectively.
5. Income and expenses relating to lease agreements are presented below:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| <u>Current income/expense accounts affected</u> | | |
| Interest expense on lease liabilities | \$ 465 | \$ 784 |
| Expenses on short-term lease agreements | 4,436 | 5,973 |
| Lease expense of low-value leases | 22 | 25 |

6. Amounts of cash outflow incurred on leases totaled \$21,785 in 2020 and \$18,576 in 2019.

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

1. Details of gains (losses) on financial liabilities at fair value through profit or loss:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------|--------------------|
| Financial liabilities held for trading | | |
| Derivatives | (\$ <u>1,212</u>) | (\$ <u>1,245</u>) |

2. Explanation to derivative liabilities and contracts that do not conform with hedge accounting:

| | <u>December 31, 2019</u> | |
|---|-----------------------------|----------------------------|
| <u>Derivative financial liabilities</u> | <u>Contract sum</u> | <u>Contract duration</u> |
| | <u>(Notional principal)</u> | |
| Current portion: | | |
| Cross-currency swap - long NTD, short USD | US\$ 500,000 | 2019.12.18 - 2020.01.20 |

3. The Group had entered into the above cross-currency swap contract to secure the exchange rate between foreign currencies. It was intended to hedge exchange rate risks associated with export sales, but no hedge accounting treatment was applied.

(X) Other payables

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Salaries payable | \$ 26,958 | \$ 28,811 |
| Employee and director remuneration payable | 24,522 | 22,800 |
| Other payables | <u>15,993</u> | <u>24,869</u> |
| | <u>\$ 67,473</u> | <u>\$ 76,480</u> |

(XI) Pension

1. The Company and domestic subsidiaries have implemented defined contribution policies in accordance with the "Labor Pension Act" that apply to all employees of local nationality. For employees who are subject to the pension scheme introduced under the "Labor Pension Act," the Company and domestic subsidiaries contribute an amount equal to 6% of employees' monthly salary to their individual accounts held with the Bureau of Labor Insurance on a monthly basis. Upon retirement, employees are paid the balance of their pension account plus cumulative gains either in monthly installments or in one lump sum.
2. OHU currently implements a company-funded personal pension program. Every employee who voluntarily participates in the program may have pension contributions

shared between OHU and the employee. OHU makes contributions at 3% of gross salary, up to the amount in employee's self contribution.

3. OCI is required under the retirement insurance system of The People's Republic of China to pay monthly retirement premiums at a certain percentage of gross salary for local employees. Employees' pension funds are collectively managed by the local government. OCI has no further obligations other than making monthly contributions.
4. ONI makes pension contributions according to local regulations.
5. Total pension costs recognized under the above policies amounted to \$6,242 in 2020 and \$5,422 in 2019.

(XII) Liability reserves

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|------------------|
| | <u>Warranty</u> | <u>Warranty</u> |
| January 1 | \$ 11,107 | \$ 11,561 |
| Increase of liability reserves in the current period | 6,244 | 8,165 |
| Liability reserves used and reversed in the current period | (8,737) | (8,619) |
| December 31 | <u>\$ 8,614</u> | <u>\$ 11,107</u> |

Analysis of liability reserves:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------|--------------------------|--------------------------|
| Current | <u>\$ 6,672</u> | <u>\$ 8,742</u> |
| Non-current | <u>\$ 1,942</u> | <u>\$ 2,365</u> |

Warranty reserves are related to the sale of medical computers; the amount in which is estimated based on historical warranty information of the product concerned.

(XIII) Share-based payment

1. The Group had the following share-based payment arrangements in 2020:

| <u>Type of agreement</u> | <u>Grant date</u> | <u>Quantity granted</u> (thousand shares) | <u>Contract duration</u> | <u>Vesting condition</u> |
|--------------------------|-------------------|--|--------------------------|--------------------------|
| Employee warrant program | 2020.08.06 | 1,000 | 5 years | 2-4 years of service |

The above share-based payment arrangement is settled with equity.

2. Details of the above share-based payment arrangements:

| | <u>2020</u> | |
|---|---|--|
| | <u>Quantity of warrants</u> <u>(thousands)</u> | <u>Weighted average</u> <u>exercise price (NTD)</u> |
| Opening balance (January 1) of outstanding warrants | - | \$ - |
| Warrants granted in the current period | <u>1,000</u> | 139.5 |
| Closing balance (December 31) of outstanding warrants | <u>1,000</u> | 139.5 |
| Closing balance (December 31) of exercisable warrants | <u>-</u> | - |

3. Maturity date and exercise price of warrants outstanding as at the balance sheet date:

| <u>December 31, 2020</u> | | | | |
|--------------------------|----------------------|---------------------------------|-----------------------------|-------|
| <u>Issuance date</u> | <u>Maturity date</u> | <u>Shares (thousand shares)</u> | <u>Exercise price (NTD)</u> | |
| 2020.08.06 | 2025.08.06 | 1,000 | \$ | 139.5 |

4. The Group uses Black-Scholes options pricing model to estimate the fair value of warrants allocated for share-based payment as at the grant date. Information on relevant parameters are presented below:

| <u>Type of agreement</u> | <u>Grant date</u> | <u>Share price</u> | <u>Exercise price (NTD)</u> | <u>Expected volatility</u> | <u>Expected duration</u> | <u>Risk-free rate</u> | <u>Fair value per unit (NTD)</u> |
|--------------------------|-------------------|--------------------|-----------------------------|----------------------------|--------------------------|-----------------------|----------------------------------|
| Employee warrant program | 2020.08.06 | ##### | \$139.5 | 32.26% | 3.88 years | 0.29% | \$35.39 |

5. Expenses incurred on share-based payments are as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------|-----------------|-------------|
| Equity settlement | <u>\$ 4,710</u> | <u>\$ -</u> |

(XIV) Share capital

1. A resolution was passed during the shareholder meeting held in May 2020 to capitalize

\$55,020 of earnings and issue 5,502,000 new shares. Registration for the above capital increase was completed in August 2020.

2. After the above capital increase, the Company had \$500,000 of authorized capital (including 6,000,000 shares reserved for issuance of employee warrant) as per Articles of Incorporation and \$275,102 of paid-up capital issued in 27,510,000 shares at a face value of NT\$10 per share as at December 31, 2020.

Reconciliation between opening and closing number of outstanding common shares (in thousand shares) in 2020 and 2019 is explained below:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|----------------------|----------------------|
| January 1 | 22,008 | 20,007 |
| Additions in the current period | <u>5,502</u> | <u>2,001</u> |
| December 31 | <u><u>27,510</u></u> | <u><u>22,008</u></u> |

3. The board of directors passed a resolution on August 7, 2019 to issue employee warrants and later resolved on December 23, 2019 to amend the issuance policy. A total of 1,000 units of the warrant were issued, and each warrant is vested with the right to subscribe 1,000 shares. 1,000,000 new common shares will have to be issued when the warrants are exercised. The subscription price per share will be determined according to policy. The warrants mentioned above were issued on August 6, 2020; please see Note 6(13) for details.

(XV) Capital reserves

Pursuant to The Company Act, the amount in premiums received on shares issued above the face value plus any capital reserves arising from gifts received may be used to reimburse previous losses. If the Company has not accumulated losses, this amount may be distributed to shareholders in cash or new shares based on shareholders' exiting ownership percentage. Furthermore, according to the Securities and Exchange Act, the amount in capital reserves capitalized into share capital is capped at 10% of paid-up capital per year. The Company may not utilize capital reserves to offset losses when there is still a positive balance in the earning reserves.

| | <u>2020</u> | | |
|---------------------|--------------------------|--------------------------|--------------------------|
| | <u>Share premium</u> | <u>Employee warrants</u> | <u>Total</u> |
| January 1 | \$ 473,856 | \$ - | \$ 473,856 |
| Share-based payment | <u>-</u> | <u>4,710</u> | <u>4,710</u> |
| December 31 | <u><u>\$ 473,856</u></u> | <u><u>\$ 4,710</u></u> | <u><u>\$ 478,566</u></u> |

| | <u>2019</u> | | treasury stocks |
|------------------------------|----------------------|--------------------------|-------------------|
| | <u>Share premium</u> | <u>Employee warrants</u> | <u>Total</u> |
| January 1 (i.e. December 31) | <u>\$ 473,856</u> | <u>\$ -</u> | <u>\$ 473,856</u> |

(XVI) Retained earnings

1. According to the Articles of Incorporation, annual net income concluded by the Company is the first subject to reimbursement of previous losses (including adjustment to unappropriated earnings) followed by a 10% provision for legal reserve. However, no further provision is needed when the legal reserve has accumulated to an amount equal to the Company's paid-up capital. Any surpluses remaining shall be subject to provision or reversal of special reserve as laws or the authority may require. The residual balance can then be added to unappropriated earnings (including adjustment to unappropriated earnings) carried from previous years and distributed as dividends to shareholders, subject to the board of directors' proposal and shareholder meeting resolution. The amount in dividends paid to shareholders must not be less than 5% of total distributable earnings. Cash dividends must not be less than 10% of the sum of cash and stock dividends for the current year. However, cash dividends amounting to less than NT\$0.1 per share are to be paid in stock dividends instead.

The Company adopts a residual dividend policy that takes into consideration current and future investment prospects, capital requirements, local and foreign competition, capital budget, shareholders' interest, balanced dividend, long-term financial plans and related factors.

2. The legal reserve may not be used for purposes other than reimbursing previous losses or distributing proportionally back to existing shareholders in the form of cash or new shares. Only the amount in reserve that exceeds paid-up capital by 25% may be distributed in cash or new shares.
3. When distributing earnings, the Company is bound by laws to make provision for special reserves equal to the debit balance of other equity items as at the current balance sheet date before proceeding. If the debit balance of other equity items is reversed on a later date, the amount reversed can be added to available earnings for distribution.
4. Appropriation of 2019 and 2018 earnings were resolved in shareholder meetings dated May 22, 2020 and May 29, 2019, respectively. Details are as follows:

| | <u>2019</u> | | <u>2018</u> | |
|------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| | <u>Amount</u> | <u>Dividends per share (NTD)</u> | <u>Amount</u> | <u>Dividends per share (NTD)</u> |
| Legal reserves | \$ 23,938 | | \$ 19,491 | |
| Special reserves | 40,263 | | - | |
| Cash dividends | 132,049 | \$ 6.0 | 130,048 | \$ 6.5 |
| Stock dividends | <u>55,020</u> | 2.5 | <u>20,007</u> | 1.0 |
| | <u>\$ 251,270</u> | | <u>\$ 169,546</u> | |

Appropriation of 2019 and 2018 earnings, as explained above, were indifferent from the proposals raised by the board of directors.

5. Appropriation of 2020 earnings has been proposed and passed by the board of directors during the meeting held on February 25, 2021; details are as follows:

| | <u>2020</u> | |
|------------------|-------------------|----------------------------------|
| | <u>Amount</u> | <u>Dividends per share (NTD)</u> |
| Legal reserves | \$ 16,707 | |
| Special reserves | 4,730 | |
| Cash dividends | 123,796 | \$ 4.5 |
| Stock dividends | <u>27,510</u> | 1.0 |
| | <u>\$ 172,743</u> | |

The 2020 earnings appropriation mentioned above has not been resolved in a shareholder meeting as of February 25, 2021.

(XVII) Operating revenues

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|---------------------|---------------------|
| Revenue from contracts with customers | <u>\$ 1,347,304</u> | <u>\$ 1,482,944</u> |

1. Breakdown of revenue from contracts with customers

The Group recognizes income when merchandise is transferred or when service is rendered, which may take place progressively over time or occur at a specific time. Income can be distinguished by main product lines and geographic areas as follows:

| <u>2020</u> | <u>Medical computers</u> | | | <u>Services and warranty</u> | | |
|--|--------------------------|------------------|-----------------|------------------------------|----------------|--------------------|
| | <u>Taiwan</u> | <u>USA</u> | <u>Others</u> | <u>Taiwan</u> | <u>USA</u> | <u>Total</u> |
| Revenue from contracts with external customers | <u>\$633,383</u> | <u>\$644,208</u> | <u>\$33,892</u> | <u>\$27,610</u> | <u>\$8,211</u> | <u>\$1,347,304</u> |
| Timing of revenue recognition | | | | | | |
| Revenues recognized at a specific time | \$633,383 | \$644,208 | <u>\$33,892</u> | \$12,405 | \$6,230 | \$1,330,118 |
| Revenues recognized progressively over time | - | - | - | <u>15,205</u> | <u>1,981</u> | <u>17,186</u> |
| | <u>\$633,383</u> | <u>\$644,208</u> | <u>\$33,892</u> | <u>\$27,610</u> | <u>\$8,211</u> | <u>\$1,347,304</u> |

| <u>2019</u> | <u>Medical computers</u> | | | <u>Services and warranty</u> | | |
|--|--------------------------|------------------|-----------------|------------------------------|----------------|--------------------|
| | <u>Taiwan</u> | <u>USA</u> | <u>Others</u> | <u>Taiwan</u> | <u>USA</u> | <u>Total</u> |
| Revenue from contracts with external customers | <u>\$819,223</u> | <u>\$595,180</u> | <u>\$33,218</u> | <u>\$27,988</u> | <u>\$7,335</u> | <u>\$1,482,944</u> |
| Timing of revenue recognition | | | | | | |
| Revenues recognized at a specific time | \$819,223 | \$595,180 | \$33,218 | \$17,099 | \$6,906 | \$1,465,416 |
| Revenues recognized progressively over time | - | - | - | <u>17,099</u> | <u>429</u> | <u>17,528</u> |
| | <u>\$819,223</u> | <u>\$595,180</u> | <u>\$33,218</u> | <u>\$27,988</u> | <u>\$7,335</u> | <u>\$1,482,944</u> |

2. Contractual liabilities

(1) Contractual liabilities associated with revenue from contracts with customers are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>January 1, 2019</u> |
|--|--------------------------|--------------------------|------------------------|
| Contractual liabilities - current: | | | |
| Service and sales contract | \$ 40,482 | \$ 13,225 | \$ 11,047 |
| Warranty contract | 14,523 | 18,784 | 20,412 |
| Contractual liabilities - non-current: | | | |
| Service and sales contract | 31,995 | 34,454 | - |
| Warranty contract | <u>21,077</u> | <u>26,644</u> | <u>30,881</u> |
| | <u>\$ 108,077</u> | <u>\$ 93,107</u> | <u>\$ 62,340</u> |

(2) Amount in opening contractual liabilities recognized as current income

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Amount in opening contractual liabilities recognized as current income | | |
| Service and sales contract | \$ 6,763 | \$ 6,891 |
| Warranty contract | <u>17,111</u> | <u>17,528</u> |
| | <u>\$ 23,874</u> | <u>\$ 24,419</u> |

(3) Long-term contracts not yet fulfilled

The Group had long-term contracts with customers that were unfulfilled (or not fully fulfilled) as at December 31, 2020 and 2019, which had allocated prices of \$108,077 and \$93,107, respectively. The management expects to recognize \$55,005 and \$32,009 of revenues from allocated prices of unfulfilled performance obligations as at December 31, 2020 and 2019, in the following year. In contrast, the remaining contract prices are expected to be recognized as income over 2 to 9 years. The above amounts do not include constraining estimates of variable consideration.

(XVIII) Other income

| | <u>2020</u> | <u>2019</u> |
|-----------------|-----------------|-----------------|
| Dividend income | \$ 1,623 | \$ 729 |
| Other income | <u>8,123</u> | <u>2,866</u> |
| | <u>\$ 9,746</u> | <u>\$ 3,595</u> |

(XIX) Other gains and losses

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|------------------|
| Net loss on foreign currency exchange | (\$ 10,982) | (\$ 3,702) |
| Net gain on financial assets or liabilities at fair value through profit or loss | 2,544 | 34,272 |
| Government subsidies income | <u>6,551</u> | <u>-</u> |
| | <u>(\$ 1,887)</u> | <u>\$ 30,570</u> |

(XX) Additional information on expenses

| | <u>2020</u> | | <u>2019</u> |
|--|-------------------|----|----------------|
| Employee benefit expenses | \$ 244,866 | \$ | 222,864 |
| Depreciation on property, plant, and equipment | 12,786 | | 14,270 |
| Depreciation on right-of-use assets | 16,490 | | 12,917 |
| Amortization | 952 | | 413 |
| | <u>\$ 275,094</u> | \$ | <u>250,464</u> |

(XXI) Employee benefit expenses

| | <u>2020</u> | | <u>2019</u> |
|--------------------------------|-------------------|----|----------------|
| Salary expenses | \$ 216,721 | \$ | 202,339 |
| Labor/health insurance premium | 20,256 | | 13,231 |
| Pension expense | 6,242 | | 5,422 |
| Other personnel expenses | 1,647 | | 1,872 |
| | <u>\$ 244,866</u> | \$ | <u>222,864</u> |

1. According to the Articles of Incorporation, any profits remaining after reimbursing cumulative losses in a given year shall be subject to employee remuneration of no less than 5% and director remuneration of no higher than 3%.
2. The Company had estimated employee remuneration at \$15,000 and \$17,000, and director remuneration at \$2,400 and \$2,400, for 2020 and 2019, respectively. All above amounts were presented as salary expenses for the respective years.

Amounts for 2020 were estimated based on the current year's profits and the percentages outlined in the Articles of Incorporation. The board of directors has resolved to pay \$15,000 and \$2,400, respectively, in cash.

The board of directors had resolved to pay 2019 employee remuneration and director remuneration at \$17,000 and \$2,400, respectively; both figures were consistent with the amounts previously recognized in the 2019 financial report and were paid in cash.

Details of employees' and directors' remuneration passed by the Company's board of directors can be found on the Market Observation Post System.

(XXII) Income tax

1. Income tax expenses

(1) Composition of income tax expense:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Current income tax: | | |
| Income tax on current profit | \$ 35,625 | \$ 53,226 |
| Additional tax on unappropriated earnings | 949 | 1,268 |
| Overestimation of income tax expenses in previous years | (287) | (542) |
| Total current income tax | <u>36,287</u> | <u>53,952</u> |
| Deferred income tax: | | |
| Occurrence and reversal of temporary difference | <u>1,418</u> | <u>429</u> |
| Income tax expense | <u>\$ 37,705</u> | <u>\$ 54,381</u> |

(2) Income tax on other comprehensive income:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Translation differences from foreign operations | (\$ 881) | (\$ 553) |

2. Relationship between income tax expense and accounting profit

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Income tax derived by applying the statutory tax rate to pre-tax income (Note) | \$ 45,860 | \$ 64,022 |
| Tax-exempt income under tax law | (8,817) | (10,367) |
| Overestimation of income tax expenses in previous years | (287) | (542) |
| Additional tax on unappropriated earnings | <u>949</u> | <u>1,268</u> |
| Income tax expense | <u>\$ 37,705</u> | <u>\$ 54,381</u> |

Note: Calculated based on applicable tax rates of the respective countries.

3. Deferred income tax assets and liabilities arising from temporary differences are presented below:

| | <u>2020</u> | | | |
|---|------------------|---|---|--------------------|
| | <u>January 1</u> | <u>Recognized through profit and loss</u> | <u>Recognized in other comprehensive income</u> | <u>December 31</u> |
| Temporary difference: | | | | |
| - Deferred income tax assets: | | | | |
| Warranty reserves | \$ 2,221 | (\$ 498) | \$ - | \$ 1,723 |
| Allowance for inventory devaluation | 4,699 | 1,443 | - | 6,142 |
| Unrealized gross profit | 1,853 | 196 | - | 2,049 |
| Unrealized loss on exchange | 747 | (569) | - | 178 |
| Translation differences from foreign operations | 1,025 | - | 881 | 1,906 |
| Others | <u>3,458</u> | <u>(972)</u> | <u>-</u> | <u>2,486</u> |
| Subtotal | <u>14,003</u> | <u>(400)</u> | <u>881</u> | <u>14,484</u> |
| - Deferred income tax liabilities: | | | | |
| Gain on foreign investments | - | (1,078) | - | (1,078) |
| Others | <u>(60)</u> | <u>60</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>(60)</u> | <u>(1,018)</u> | <u>-</u> | <u>(1,078)</u> |
| | <u>\$ 13,943</u> | <u>(\$ 1,418)</u> | <u>\$ 881</u> | <u>\$ 13,406</u> |

| | <u>2019</u> | | | |
|---|------------------|---|---|--------------------|
| | <u>January 1</u> | <u>Recognized through profit and loss</u> | <u>Recognized in other comprehensive income</u> | <u>December 31</u> |
| Temporary difference: | | | | |
| - Deferred income tax assets: | | | | |
| Warranty reserves | \$ 2,312 | (\$ 91) | \$ - | \$ 2,221 |
| Allowance for inventory devaluation | 4,791 | (92) | - | 4,699 |
| Unrealized gross profit | 2,489 | (636) | - | 1,853 |
| Unrealized loss on exchange | 170 | 577 | - | 747 |
| Translation differences from foreign operations | 472 | - | 553 | 1,025 |
| Others | <u>3,642</u> | <u>(184)</u> | <u>-</u> | <u>3,458</u> |
| | <u>13,876</u> | <u>(426)</u> | <u>553</u> | <u>14,003</u> |
| - Deferred income tax liabilities: | | | | |
| Others | <u>(57)</u> | <u>(3)</u> | <u>-</u> | <u>(60)</u> |
| | <u>\$ 13,819</u> | <u>(\$ 429)</u> | <u>\$ 553</u> | <u>\$ 13,943</u> |

4. OCI, one of the consolidated entities, is incorporated in the People's Republic of China as a production-oriented foreign enterprise and is governed by the Enterprise Income Tax Law of the People's Republic of China.
5. Profit-seeking enterprise business income tax returns of the Company and iHELPER have been certified by the tax authority up to 2018.

(XXIII) EPS

| | <u>2020</u> | | |
|---|---------------------|---|----------------|
| | Amount after tax | Weighted average outstanding shares (thousand shares) | EPS (NTD) |
| <u>Basic earnings per share</u> | | | |
| Current net income attributable to common shareholders of parent company | <u>\$167,075</u> | <u>27,510</u> | <u>\$ 6.07</u> |
| <u>Diluted earnings per share</u> | | | |
| Current net income attributable to common shareholders of parent company | \$167,075 | 27,510 | |
| Dilutive effect of potential common shares | | | |
| Employee remuneration | <u>-</u> | <u>170</u> | |
| Current net income attributable to common shareholders of parent company plus the effect of potential common shares | <u>\$167,075</u> | <u>27,680</u> | <u>\$ 6.04</u> |

Employee warrants issued by the Company had an anti-dilutive effect in 2020 and were therefore excluded from the calculation of earnings per share.

| | <u>2019</u> | Retrospective adjustment to outstanding shares (thousand shares)(Note) | EPS (NTD) |
|---|-----------------------------|--|---------------|
| | <u>Amount after tax</u> | | |
| <u>Basic earnings per share</u> | | | |
| Current net income attributable to common shareholders of parent company | <u>\$239,377</u> | <u>27,510</u> | <u>\$8.70</u> |
| <u>Diluted earnings per share</u> | | | |
| Current net income attributable to common shareholders of parent company | \$239,377 | 27,510 | |
| Dilutive effect of potential common shares | | | |
| Employee remuneration | - | <u>123</u> | |
| Current net income attributable to common shareholders of parent company plus the effect of potential common shares | <u>\$239,377</u> | <u>27,633</u> | <u>\$8.66</u> |

Note: The outstanding shares mentioned above have been adjusted retrospectively to capitalize on unappropriated earnings in 2019.

(XXIV) Supplementary cash flow information

Investing activities involving partial cash outlay:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|-----------------|
| Purchase of property, plant, and equipment | \$ 9,427 | \$ 10,785 |
| Plus: equipment proceeds payable at the beginning of the period | 2,108 | 141 |
| Less: Equipment proceeds payable at the end of the period | <u>(245)</u> | <u>(2,108)</u> |
| Cash paid during the current period | <u>\$ 11,290</u> | <u>\$ 8,818</u> |

(XXV) Change of liabilities relating to financing activities

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|--------------------------|--------------------------|
| | <u>Lease liabilities</u> | <u>Lease liabilities</u> |
| January 1 | \$ 19,915 | \$ 29,812 |
| Changes in cash flow from financing | <u>(16,862)</u> | <u>(11,794)</u> |

| | | |
|-----------------------------------|-----------------|------------------|
| activities | | |
| Effects of exchange rate change | 157 | (1,135) |
| Other changes without cash effect | <u>6,191</u> | <u>3,032</u> |
| December 31 | <u>\$ 9,401</u> | <u>\$ 19,915</u> |

VII. Related party transactions

(I) Parent company and ultimate controller

The Company (incorporated in the Republic of China) has 50% of its shares controlled by AAEON Technology Inc. AAEON Technology Inc. is the parent company, whereas ASUSTeK Computer Inc. is the ultimate controller of the Company.

(II) Name and relationship of related parties

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|--|--|
| ASUSTeK Computer Inc. | The Company's ultimate parent company |
| AAEON Technology Inc. | The Company's parent company |
| AAEON Technology (Su Zhou) Inc. | Affiliated subsidiary - with the common ultimate parent |
| AAEON ELECTRONICS,INC. | " |
| Asus Computer International | " |
| Winmate Inc. (Note 1) | Associated company - investee accounted by the Company using the equity method |
| Litemax Electronics Inc. | Other related party - investee accounted by the Company's parent using the equity method |
| IBASE Technology Inc. | " |
| WT Microelectronics Co., Ltd. (Note 3) | Other related party - investee accounted by the Company's affiliated subsidiary using the equity method |
| NuVision Technology, Inc. (Note 3) | Other related party - subsidiary of an investee accounted by the Company's affiliated subsidiary using the equity method |
| Morrihan International Corp. (Note 3) | " |
| Fu Li Investment Co., Ltd. | Other related party - the Company's Chairman concurrently serves as chairman in the entity |
| Everfocus Electronics Corporation | " |
| EverFocus Electronics Corp. (USA) | " |
| Everhighlight Technology Corp. | Other related party - the Company's Chairman concurrently serves as chairman in the entity's parent company |
| AAEON Foundation | Other related party - the Company's Chairman concurrently serves as chairman in the foundation |
| King Core Electronics, Inc. (Note 2) | Other related party - the Company's Chairman concurrently serves as director in the entity |
| MACHVISION Inc Co., LTD | " |

| | |
|--------------------------|---|
| Kinpo Electronics Inc. | Other related party - iHELPER's chairman serves as director for the entity |
| New Era AI Robotics Inc. | Other related party - subsidiary of a shareholder that has significant influence over iHELPER |
| Spark Technologies Inc. | Other related party - the Company's Chairman is a 2nd-degree relative to the chairman of the entity |
| Chuang, Yung-Shun | Other related party - the Company's Chairman |

Note 1: Winmate Inc. became an associated company of the Group since May 24, 2019.

Note 2: King Core Electronics, Inc. became another related party outside the Group since January 1, 2020.

Note 3: WT Microelectronics Co., Ltd. and its subsidiaries became related parties of the Group since April 21, 2020.

(III) Major transactions with related parties

1. Operating revenues

| | <u>2020</u> | <u>2019</u> |
|---|------------------|-----------------|
| Sales of goods: | | |
| Ultimate parent company | \$ 106 | \$ - |
| Parent company | 254 | 83 |
| Affiliated subsidiary of the same group | 15,341 | 8,011 |
| Other related parties | <u>2,834</u> | <u>-</u> |
| | <u>\$ 18,535</u> | <u>\$ 8,094</u> |

Selling prices of transactions with related parties were determined between the Group and the related counterparties, for which there were no transactions of similar nature available for comparison. Other sales transactions were handled according to normal trade terms (at market price). Sales proceeds were collectible 60 days after shipment or 30 days after month-end.

2. Purchases

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Purchase of merchandise: | | |
| Ultimate parent company | \$ - | \$ 1,115 |
| Parent company: | | |
| AAEON Technology Inc. | 264,915 | 287,063 |
| Affiliated subsidiary of the same group | 131 | 2,832 |
| Associated company | 2,290 | 937 |
| Other related parties | <u>14,522</u> | <u>5,790</u> |
| | <u>\$ 281,858</u> | <u>\$ 297,737</u> |

The abovementioned purchases were handled according to normal trade terms (at market price). Payments were made 30 days after month-end.

3. Operating costs and expenses

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Parent company | \$ 5,259 | \$ 3,859 |
| Affiliated subsidiary of the same group | 4,839 | 8,159 |
| Associated company | 351 | 406 |
| Other related parties | <u>5,765</u> | <u>6,623</u> |
| | <u>\$ 16,214</u> | <u>\$ 19,047</u> |

The above operating costs and expenses mainly represent service charges, donations, and sundry expenses.

4. Other income

| | <u>2020</u> | <u>2019</u> |
|-----------------------|-----------------|-------------|
| Other related parties | <u>\$ 5,319</u> | <u>\$ -</u> |

Other income presented above mainly comprises income from administrative and support services.

5. Related party receivables

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Accounts receivable: | | |
| Ultimate parent company | \$ 111 | \$ - |
| Parent company | 22 | 22 |
| Affiliated subsidiary of the same group | <u>515</u> | <u>2,440</u> |
| | <u>\$ 648</u> | <u>\$ 2,462</u> |

6. Related party payables

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Accounts payable: | | |
| Parent company: | | |
| AAEON Technology Inc. | \$ 34,360 | \$ 65,751 |
| Affiliated subsidiary of the same group | - | 21 |
| Associated company | - | 601 |
| Other related parties | <u>3,500</u> | <u>1,040</u> |
| | <u>\$ 37,860</u> | <u>\$ 67,413</u> |

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Other payables: | | |
| Parent company | \$ 280 | \$ 236 |
| Affiliated subsidiary of the same group | 141 | 91 |
| Associated company | - | 6 |
| Other related parties | <u>250</u> | <u>29</u> |
| | <u>\$ 671</u> | <u>\$ 362</u> |

7. Lease liabilities

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Lease liabilities | | |
| Affiliated subsidiary of the same group | | |
| AAEON ELECTRONICS,INC. | <u>\$ -</u> | <u>\$ 4,318</u> |

The Group leases office premises from one of its affiliated companies; the lease tenor began January 2019 and ended December 2020. Amounts paid in relation to the above totaled \$4,256 in 2020 and \$4,560 in 2019.

(IV) Compensation for key management

| | <u>2020</u> | <u>2019</u> |
|------------------------------|------------------|------------------|
| Short-term employee benefits | \$ 46,952 | \$ 38,811 |
| Retirement benefits | <u>610</u> | <u>550</u> |
| | <u>\$ 47,562</u> | <u>\$ 39,361</u> |

VIII. Pledged assets

The Group had placed the following assets as collaterals:

| <u>Assets</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>Purpose of security</u> |
|---|--------------------------|--------------------------|---|
| Time deposit (presented as other current assets) | \$ <u>854</u> | \$ <u>899</u> | Security for forward exchange contract |
| Guarantee deposits paid (presented as other current and non-current assets) | \$ <u>15,254</u> | \$ <u>2,406</u> | Rental deposit for office and warehouse space, and deposit for special projects |

IX. Major contingent liabilities and unrecognized contractual commitments

None.

X. Losses from major disasters

None.

XI. Major post-balance sheet date events

Appropriation of 2020 earnings has been proposed and passed by the board of directors during the meeting held on February 25, 2021; please see Note 6(16) for details.

XII. Others

(I) Capital management

Objectives of the Group's capital management efforts are to ensure continuity of business activities and maintain the optimal capital structure that minimizes funding costs while maximizing returns for shareholders. To maintain or adjust the capital structure, the Group may revise the amount in dividends paid to shareholders, refund capital back to shareholders, issue new shares, or reduce debts by making more effective use of working capital.

(II) Financial instruments

1. Types of financial instrument

| | December 31, 2020 | December 31, 2019 |
|---|----------------------|----------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatory to be carried at fair value through profit or loss | \$ 43,773 | \$ 43,857 |
| Financial assets at fair value through other comprehensive income | | |
| Voluntarily designated as an investment in an equity instrument | \$ 2,381 | \$ 2,381 |
| Financial assets carried at cost after amortization | | |
| Cash and cash equivalents | \$ 392,364 | \$ 408,555 |
| Notes receivable | 49 | - |
| Accounts receivable | 152,067 | 161,306 |
| Accounts receivable - related parties | 648 | 2,462 |
| Other receivables | 3,124 | 3,243 |
| Other financial assets (presented as other current assets) | 854 | 899 |
| Guarantee deposits paid (presented as other current and non-current assets) | 15,254 | 2,406 |
| | <u>\$ 564,360</u> | <u>\$ 578,871</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities carried at cost after amortization | | |
| Accounts payable | \$ 58,615 | \$ 53,493 |
| Accounts payable - related parties | 37,860 | 67,413 |
| Other payables | 67,473 | 76,480 |
| | <u>\$ 163,948</u> | <u>\$ 197,386</u> |
| Lease liabilities | <u>\$ 9,401</u> | <u>\$ 19,915</u> |

2. Risk management policy

- (1) The Group's day-to-day operations are susceptible to multiple forms of financial risk, including market risks (exchange rate risk, interest rate risk, and price risk), credit risks, and liquidity risks. The Group undertakes forward exchange and cross-currency swap contracts to eliminate exchange rate risks, thereby minimizing the adverse impact of uncertainties on the Group's financial performance.
- (2) Risk management is performed by the Group's Treasury Department according to board-approved policies. The Treasury Department is responsible for identifying, assessing, and mitigating financial risks, and it achieves this by working closely with other departments within the Group. The board of directors has implemented written principles on risk management practices and outlined policies for specific matters such as exchange rate risk, interest rate risk, credit risk, use of derivative/non-derivative instruments, and investment of residual liquid capital.
- (3) Please see Notes 6(2) and (9) for more details on the use of derivatives for financial risk mitigation.

3. Characteristics and level of significant financial risks

(1) Market risk

Exchange rate risk

- A. The Group is a multinational organization, and transactions undertaken by the Company and subsidiaries in currencies other than the functional currency would give rise to exchange rate risks. USD accounts for the highest exposure of exchange rate risk. Exchange rate risks arise from future commercial transactions and recognized amounts of assets and liabilities.
- B. The management has implemented policies to guide Group affiliates in managing exchange rate risks associated with their functional currencies. All entities are required to hedge exchange rate risks through the Group's Treasury Department. Exchange rate risks are measured by the value of USD transactions that are highly likely to occur. Instruments such as forward exchange and cross-currency contracts are used to mitigate the effect of exchange rate volatility on expected sales revenues.
- C. The Group uses forward exchange and cross-currency swap contracts to mitigate exchange rate risks but does not adopt hedge accounting treatment and instead presents them as financial assets or liabilities at fair value through profit or loss. Please refer to Notes 6(2) and (9) for details.
- D. Some of the Group's business activities involve non-functional currencies (the Company and some of its subsidiaries use NTD as the functional currency, while some overseas subsidiaries use USD as the functional currency) and are therefore susceptible to exchange rate fluctuations. Information on foreign currency-denominated assets and liabilities susceptible to significant exchange rate fluctuation is presented below:

| | <u>December 31, 2020</u> | | | Book value |
|---|---------------------------|----------------------|----|--------------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | | <u>(NTD)</u> |
| | <u>(thousand dollars)</u> | | | |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ 5,054 | 28.48 | \$ | 143,938 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 790 | 28.48 | | 22,499 |

| | <u>December 31, 2019</u> | | | Book value |
|---|---------------------------|----------------------|----|--------------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | | <u>(NTD)</u> |
| | <u>(thousand dollars)</u> | | | |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ 7,473 | 29.98 | \$ | 224,041 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1,047 | 29.98 | | 31,389 |

- E. Total net loss on exchange (realized and unrealized) recognized by the Group for monetary items susceptible to significant exchange rate fluctuation in 2020 and 2019 amounted to \$10,982 and \$3,702, respectively.
- F. The following is an analysis of risk exposures to various foreign currencies and impacts of significant exchange rate fluctuations:

| <u>2020</u> | | | |
|---|------------------|----------------------------------|---|
| <u>Sensitivity analysis</u> | | | |
| | <u>Variation</u> | <u>Effect on profit and loss</u> | <u>Effect on other comprehensive income</u> |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 1,439 | \$ - |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | 225 | - |
| | | | |
| <u>2019</u> | | | |
| <u>Sensitivity analysis</u> | | | |
| | <u>Variation</u> | <u>Effect on profit and loss</u> | <u>Effect on other comprehensive income</u> |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 2,240 | \$ - |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | 314 | - |

Price risk

- A. Equity instruments held by the Group exposed to price risks have been presented as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. For better management of price risks on equity instruments, the Group has implemented concentration limits and diversified its investment portfolio accordingly.
- B. The Group mainly invests in equity instruments issued by local companies. Prices of these equity instruments are affected by the uncertainty associated with the future value of the underlying investment. A 1% rise/fall in the price of equity instruments would increase/decrease the gain on equity instruments at fair value through profit or loss by \$438 and \$436 in 2020 and 2019, respectively, assuming that all other factors remain unchanged. For equity investments that are carried at

fair value through other comprehensive income, the above changes would increase gain or loss on investment by \$24.

Cash flow and fair value risk of interest rate

The Group had no debt instrument that was susceptible to significant interest rate risk.

(2) Credit risk

- A. Credit risk refers to the possibility of losses suffered by the Group due to its customers or financial instrument counterparties becoming unable to fulfill contractual obligations. These risk events mostly involve the counterparties being unable to settle the amount collectible or the contractual cash flow according to the payment terms agreed.
- B. The Group has developed credit risk management practices from a group perspective. According to the Group's internal credit policy, all operating entities are required to perform credit risk management and analysis on every new customer before establishing payment and delivery terms. The Company adopts an internal risk management system that assesses credit quality by considering customers' financial position, previous conduct, and other relevant factors. The board of directors sets individual counterparty risk limits based on internal or external assessments. Uses of credit limit are monitored on a regular basis.
- C. The Group adopts the assumptions stated in IFRS 9 and treats a contract to be in default if payment is overdue for more than 90 days.
- D. The Group has adopted the following assumptions mentioned in IFRS 9 to provide the basis for identifying any significant increase in the credit risk of a financial instrument held on hand after initial recognition:
A financial asset is considered to have exhibited a significant increase in credit risk after initial recognition when contractual payment (according to the terms of the underlying contract) becomes past due for more than 30 days.
- E. The Group distinguishes accounts receivable by customers' characteristics, and adopts a simplified approach along with the use of provision matrix and loss given default to estimate expected credit loss.
- F. Financial assets that are rationally deemed unrecoverable after exhausting collection efforts are charged off. In which case, however, the Group will continue taking legal actions to secure debt entitlement. The Group had no charged-off debt with ongoing collection activities as at December 31, 2020 and 2019.
- G. (1) Customers of good credit background and insured accounts receivable are subject to loss given default of 0.2%. As at December 31, 2020 and 2019, the Company had outstanding accounts receivable of \$146,454 and \$150,120 and had made bad debt provisions of \$293 and \$300, respectively.

- (2) The Group takes into account multiple considerations, including future prospects of the global economy, historical and current information etc. to determine loss given default, which is used for estimating loss provisions on notes and accounts receivable from customers under normal credit conditions. The provision matrix as at December 31, 2020 and 2019, is as follows:

| | <u>Current</u> | <u>Overdue within 30 days</u> | <u>Overdue 31 - 60 days</u> | <u>Overdue 61 - 90 days</u> | <u>Overdue 91 - 120 days</u> | <u>Overdue 121 days and above</u> | <u>Total</u> |
|---------------------------------|-----------------|---------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|---|------------------|
| <u>December 31, 2020</u> | | | | | | | |
| Expected loss given default0~2% | | 6% | 23% | 47% | 50% | 100% | |
| Total book value | <u>\$ 2,510</u> | <u>\$ 2,789</u> | <u>\$ 1,754</u> | <u>\$ -</u> | <u>\$ 285</u> | <u>\$ 15,012</u> | <u>\$ 22,350</u> |
| Loss provision | <u>\$ 33</u> | <u>\$ 154</u> | <u>\$ 406</u> | <u>\$ -</u> | <u>\$ 142</u> | <u>\$ 15,012</u> | <u>\$ 15,747</u> |
| | | <u>Overdue within 30 days</u> | <u>Overdue 31 - 60 days</u> | <u>Overdue 61 - 90 days</u> | <u>Overdue 91 - 120 days</u> | <u>Overdue 121 days and above</u> | <u>Total</u> |
| <u>December 31, 2019</u> | | | | | | | |
| Expected loss given default0~2% | | 4% | 15% | 41% | 50% | 100% | |
| Total book value | <u>\$ 9,866</u> | <u>\$ 4,268</u> | <u>\$ 73</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,761</u> | <u>\$ 26,968</u> |
| Loss provision | <u>\$ 81</u> | <u>\$ 167</u> | <u>\$ 11</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,761</u> | <u>\$ 13,020</u> |

H. Below are changes in loss provision on notes and accounts receivable (including related parties), determined using the simplified approach:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|------------------|------------------|
| January 1 | \$ 13,320 | \$ 2,371 |
| Impairment loss provided | 2,553 | 11,423 |
| Amount unrecoverable and charged off | - | (28) |
| Exchange rate impact | 167 | (446) |
| December 31 | <u>\$ 16,040</u> | <u>\$ 13,320</u> |

Losses provided in 2020 and 2019 included \$2,553 and \$11,423 of impairment losses, respectively, that were recognized on receivables from contracts with customers.

(3) Liquidity risk

A. Cash flow projections are made by individual operating entities within the Group, and consolidated by the Group Treasury Department. The Group Treasury Department is responsible for monitoring and predicting liquidity and capital requirements within the Group and ensuring that adequate capital has been sourced to support operational requirements.

B. As at December 31, 2020 and 2019, the Group had undrawn credit limits of

\$86,800 and \$99,000, and drawn \$13,200 and \$1,000 for guarantee purpose, respectively.

- C. The Group classifies non-derivative financial liabilities by maturity date. It analyzes them based on their remaining timespan from the balance sheet date until contract maturity, as shown in the following chart. The amount of contractual cash flow shown in the table below are not discounted.

December 31, 2020

| <u>Non-derivative financial liabilities</u> | <u>Within 1 year</u> | <u>1 to 2 years</u> | <u>2 to 5 years</u> |
|---|----------------------|---------------------|---------------------|
| Accounts payable | \$ 58,615 | \$ - | \$ - |
| Accounts payable - related parties | 37,860 | - | - |
| Other payables | 67,473 | - | - |
| Lease liabilities | 4,654 | 2,915 | 2,329 |

December 31, 2019

| <u>Non-derivative financial liabilities</u> | <u>Within 1 year</u> | <u>1 to 2 years</u> | <u>2 to 5 years</u> |
|---|----------------------|---------------------|---------------------|
| Accounts payable | \$ 53,493 | \$ - | \$ - |
| Accounts payable - related parties | 67,413 | - | - |
| Other payables | 76,480 | - | - |
| Lease liabilities | 13,691 | 3,827 | 3,046 |

- D. The Group does not expect cash flows in the maturity analysis to occur at an earlier time or in amounts that differ significantly.

(III) Fair value information

1. Valuation techniques and inputs used for measuring fair value of financial and non-financial instruments are defined below:

Level 1 input: Quotations that can be obtained from an active market (unadjusted) on the measurement date for asset or liability of equivalent nature. An active market is one where assets or liabilities are transacted in sufficient frequency and quantity and where price information is provided on an ongoing basis. The fair value of investments in listed shares is determined using this input.

Level 2 input: Inputs that can be observed directly or indirectly on an asset or liability, except for quotations covered in level 1 input. The fair value of investments in derivative instruments is determined using this input.

Level 3 input: Inputs that can not be observed for an asset or liability. Investments in equity instruments without an active market are valued using this input.

2. Financial instruments not measured at fair value

Accounts including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, other financial assets (presented as other current assets), guarantee deposits paid (presented as other current and non-current assets), notes payable, accounts payable (including related parties), other payables (including related parties), and lease liabilities have book value that closely resembles their fair value.

3. Information on financial and non-financial instruments measured at fair value, classified by asset, liability, nature, characteristics, risks, and levels of fair value input:

(1) Group assets and liabilities by nature:

| December 31, 2020 | <u>Level 1 input</u> | <u>Level 2 input</u> | <u>Level 3 input</u> | <u>Total</u> |
|---|----------------------|----------------------|----------------------|------------------|
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 5,512 | \$ - | \$ 38,261 | \$ 43,773 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 2,381 | 2,381 |
| | <u>\$ 5,512</u> | <u>\$ -</u> | <u>\$ 40,642</u> | <u>\$ 46,154</u> |
| December 31, 2019 | | | | |
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 9,734 | \$ - | \$ 33,869 | \$ 43,603 |
| Derivatives | | | | |
| Forward exchange contracts | - | 77 | - | 77 |
| Cross currency swap | - | 177 | - | 177 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 2,381 | 2,381 |
| | <u>\$ 9,734</u> | <u>\$ 254</u> | <u>\$ 36,250</u> | <u>\$ 46,238</u> |

(2) Methods and assumptions used for measuring fair value:

A. Instruments using market quotation as fair value input (i.e. level 1), distinguished by characteristics:

| | |
|------------------|--------------------------------|
| | <u>TWSE/TPEX listed shares</u> |
| Market quotation | Closing price |

- B. Except for financial instruments traded in active markets, as described above, fair values of all other financial instruments were obtained either by applying valuation techniques or by referring to counterparties' quotations.
- C. For the valuation of non-standardized financial instruments of low complexity, the Group adopts valuation techniques that are commonly used among market participants. Valuation models for this type of financial instrument often use observable market information as the parameter.
- D. Derivatives are valued using valuation models that are commonly accepted among market users, such as the discounted cash flow approach. Forward exchange contracts are usually valued using the prevailing forward exchange rate.
- E. Results generated from the valuation model are approximations of the estimate. The valuation technique may not reflect all relevant factors associated with the holding of financial and non-financial instruments. For this reason, estimates generated from the valuation model are adjusted using additional parameters, such as modeling risks or liquidity risks. Judging by the Group's fair value assessment modeling policies and control procedures, the management is confident that they ensure a fair presentation for the fair values of financial and non-financial instruments shown on the balance sheet. All valuation adjustments made were appropriate and necessary. All price information and parameters used in the valuation process have been thoroughly assessed and adjusted appropriately according to the prevailing market conditions.
4. There had been no transfer between level 1 and level 2 input in 2020 or 2019.
5. Changes of level 3 input in 2020 and 2019 are explained below:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| | <u>Equity instrument</u> | <u>Equity instrument</u> |
| January 1 | \$ 36,250 | \$ 10,350 |
| Additions in the current period | - | 30,000 |
| Recognized through profit and loss (Note 1) | 4,392 | 3,869 |
| Recognized in other comprehensive income (Note 2) | - | (7,969) |
| December 31 | <u>\$ 40,642</u> | <u>\$ 36,250</u> |

Note 1: Presented as other gains and losses.

Note 2: Presented as unrealized gain/loss on valuation of equity instruments at fair value through other comprehensive income

6. There had been no transfer to or from level 3 input in 2020 or 2019.
7. The Treasury Department is responsible for validating the fair value of assets that require the use of level 3 fair value input. The department relies on independent sources of information to ensure that the valuation results closely resemble the market condition; it verifies that information is obtained from independent, reliable, and consistent sources; and makes necessary fair value adjustments to ensure that valuation results are reasonable. Furthermore, the Treasury Department has financial instrument fair value evaluation policies and procedures in place and adopts practices to ensure compliance with International Financial Reporting Standards.
8. Quantitative information and sensitivity of significant and unobservable inputs used for level 3 fair value measurement are explained below:

| | <u>Fair value as at</u> <u>December 31,</u> <u>2020</u> | <u>Valuation</u> <u>technique</u> | <u>Significant</u> <u>and</u> <u>unobservable</u> <u>input</u> | <u>Range</u> <u>(weighted</u> <u>average)</u> | <u>Relationship</u> <u>between input</u> <u>and fair value</u> |
|-----------------------------------|---|--------------------------------------|---|---|--|
| Equity instrument: | | | | | |
| Non-listed shares | \$ 2,381 | Discounted cash flow method | Note 1 | Not applicable | Note 2 |
| Shares of joint venture companies | 38,261 | Net asset value approach | Not applicable | Not applicable | Not applicable |

| | <u>Fair value as at</u> <u>December 31,</u> <u>2019</u> | <u>Valuation</u> <u>technique</u> | <u>Significant</u> <u>and</u> <u>unobservable</u> <u>input</u> | <u>Range</u> <u>(weighted</u> <u>average)</u> | <u>Relationship</u> <u>between input</u> <u>and fair value</u> |
|-----------------------------------|---|--------------------------------------|---|---|--|
| Equity instrument: | | | | | |
| Non-listed shares | \$ 2,381 | Discounted cash flow method | Note 1 | Not applicable | Note 2 |
| Shares of joint venture companies | 33,869 | Net asset value approach | Not applicable | Not applicable | Not applicable |

Note 1: Long-term revenue growth rate, the weighted average cost of capital, long-term pre-tax operating profit, discount for lack of marketability, discount for minority

interest.

Note 2: The higher the weighted average cost of capital, discount for lack of marketability, and discount for minority interest, the lower the fair value; the higher the long-term revenue growth rate and long-term pre-tax operating profit, the higher the fair value.

9. The Group exercises a high level of discretion and evaluation in the selection of valuation models and parameters. However, the uses of different valuation models or parameters may produce different valuation results.

XIII. Other disclosures

(I) Information related to significant transactions

Significant transactions undertaken by the Group in 2020, as defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers, are explained below; transactions with subsidiaries have been eliminated while preparing the consolidated financial report and are disclosed below solely for reference.

1. Loans to external parties: Please refer to Attachment 1.
2. Endorsement/guarantee to external parties: None.
3. End-of-period holding position of marketable securities (excluding investment in subsidiaries, associated companies, and joint ventures): Please refer to Attachment 2.
4. Cumulative purchase or sale of the same marketable securities amounting to NT\$300 million or more than 20% of the paid-up capital: None.
5. Acquisition of real estate amounting to NT\$300 million or more than 20% of paid-up capital: None.
6. Disposal of real estate amounting to NT\$300 million or more than 20% of paid-up capital: None.
7. Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital: Please refer to Attachment 3.
8. Related party accounts receivable amounting to NT\$100 million or more than 20% of paid-up capital: None.
9. Trading of derivatives: Please see Notes 6(2) and (9).
10. Major business dealings between the parent company and subsidiaries and transactions between subsidiaries: Please see Attachment 4.

(II) Information on business investments

Names, locations, and information on investees (excluding Mainland investees): Please see Attachment 5.

(III) Information relating to investments in the Mainland

1. Profile: Please see Attachment 6.

2. Significant transactions with Mainland investees, whether directly invested or indirectly invested through a third location: None.

(IV) Information on major shareholders

Information on major shareholders: Please see Attachment 7.

XIV. Segment information

(I) General information

The Group prepares regional information for its decision makers; regional information is sorted by the locations at which sales orders are received and is currently divided between Taiwan and the USA. Since the two regions differ significantly in terms of sales network, products, and distribution model and operate independently with respect to financial management and performance evaluation, the Group has identified Taiwan and the USA as the reporting segments.

(II) Assessment of segment information

The Group assesses the performance of each segment based on operating revenues. All segments adopt consistent accounting policies, as described in Note 4 - Summary of significant accounting policies of the consolidated financial report. Sales between segments are conducted based on the fair trade principle. Revenues from external sources reported to main decision makers are measured consistently with revenues of the income statement.

(III) Segment profit/loss

| | <u>2020</u> | | | <u>Eliminated</u> | |
|---|-------------------|------------------|------------------|----------------------|---------------------|
| | <u>Taiwan</u> | <u>USA</u> | <u>Others</u> | <u>upon</u> | <u>Consolidated</u> |
| | | | | <u>consolidation</u> | |
| Income from customers other than the ultimate parent, parent, and consolidated subsidiaries | \$ 660,993 | \$652,419 | \$ 33,892 | \$ - | \$1,347,304 |
| Income from the ultimate parent, parent, and consolidated subsidiaries | <u>312,029</u> | <u>73</u> | <u>28,131</u> | <u>(340,233)</u> | <u>-</u> |
| | <u>\$ 973,022</u> | <u>\$652,492</u> | <u>\$ 62,023</u> | <u>(\$340,233)</u> | <u>\$1,347,304</u> |
| Segment profit/loss | <u>\$ 142,551</u> | <u>\$ 17,895</u> | <u>\$ 215</u> | <u>\$ -</u> | <u>\$ 160,661</u> |
| Segment profit/loss includes: | | | | | |
| Depreciation and amortization | <u>\$ 23,130</u> | <u>\$ 4,475</u> | <u>\$ 2,623</u> | <u>\$ -</u> | <u>\$ 30,228</u> |

| | <u>2019</u> | | | <u>Eliminated</u> | <u>Consolidated</u> |
|---|--------------------|------------------|--------------------|----------------------|---------------------|
| | <u>Taiwan</u> | <u>USA</u> | <u>Others</u> | <u>upon</u> | |
| | | | | <u>consolidation</u> | |
| Income from customers other than the ultimate parent, parent, and consolidated subsidiaries | \$ 847,211 | \$602,515 | \$ 33,218 | \$ - | \$1,482,944 |
| Income from the ultimate parent, parent, and consolidated subsidiaries | <u>311,288</u> | <u>27</u> | <u>30,304</u> | <u>(341,619)</u> | <u>-</u> |
| | <u>\$1,158,499</u> | <u>\$602,542</u> | <u>\$ 63,522</u> | <u>(\$341,619)</u> | <u>\$1,482,944</u> |
| Segment profit/loss | <u>\$ 229,490</u> | <u>\$ 17,951</u> | <u>(\$ 10,815)</u> | <u>\$ -</u> | <u>\$ 236,626</u> |
| Segment profit/loss includes: | | | | | |
| Depreciation and amortization | <u>\$ 20,120</u> | <u>\$ 4,790</u> | <u>\$ 2,690</u> | <u>\$ -</u> | <u>\$ 27,600</u> |

Note: Information on segment assets and liabilities was not provided to key decision makers of the Group, and therefore were not disclosed.

(IV) Reconciliation of segment profit/loss

Sales of merchandise (product) and rendering of service between segments are conducted based on the fair trade principle. Revenues from external sources and financial information reported to main decision makers are measured in a manner that is consistent with the revenues and financial information presented in the statement of comprehensive income. Reconciliation between segment profit/loss and pre-tax profit from continuing operations for the current period:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Net income from reporting segments | \$ 160,446 | \$ 247,441 |
| Net loss from other reporting segments | <u>215</u> | <u>(10,815)</u> |
| Total across segments | \$ 160,661 | \$ 236,626 |
| Net gain on financial assets or liabilities at fair value through profit or loss | 2,544 | 34,272 |
| Other gains and losses | 39,883 | 20,275 |
| Financial costs | <u>(476)</u> | <u>(1,263)</u> |
| Pre-tax profit from continuing operations | <u>\$ 202,612</u> | <u>\$ 289,910</u> |

(V) Product and service category

The Group is involved in the design, manufacturing, trading, and maintenance of medical

computers and peripherals; refer to Note 6(17) for financial information by product type and service type.

(VI) Regional disclosure

The following are the Group's regional disclosures for 2020 and 2019:

| | <u>2020</u> | | <u>2019</u> | |
|--------|--------------------|---------------------------|--------------------|---------------------------|
| | <u>Income</u> | <u>Non-current assets</u> | <u>Income</u> | <u>Non-current assets</u> |
| Taiwan | \$ 660,993 | \$ 27,166 | \$ 847,211 | \$ 30,186 |
| USA | 652,419 | 395 | 602,515 | 4,805 |
| Others | 33,892 | 7,292 | 33,218 | 8,951 |
| | <u>\$1,347,304</u> | <u>\$ 34,853</u> | <u>\$1,482,944</u> | <u>\$ 43,942</u> |

Non-current assets refer to non-current items excluding financial instruments, deferred income tax assets, and guarantee deposits paid (presented as other non-current assets).

(VII) Information on key customers

Customers with sales values representing more than 10% of consolidated operating revenues in 2020 and 2019:

| | <u>Operating revenues</u> | |
|------------|---------------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Customer A | \$ 148,658 | \$ - |
| Customer B | 94,393 | 207,208 |

ONYX Healthcare Inc. and Subsidiaries

Loans to external parties

January 1 to December 31, 2020

Attachment 1

Unit: NT\$ thousand
(unless specified otherwise)

| Serial No. | Lender | Borrower | Transaction | Whether balance in the related party | Highest balance in the current period | Closing balance | Actual amount drawn | Interest rate range | Nature of loan | Amount in business transactions | Reason for short-term funding | Loss provisions provided | Collateral | Single borrower lending limit | Aggregate lending limit | Remarks |
|------------|----------------------|--------------------------------------|-------------|--------------------------------------|---------------------------------------|-----------------|---------------------|---------------------|----------------|---------------------------------|-------------------------------|--------------------------|------------|-------------------------------|-------------------------|---------|
| (Note 1) | | | Other | party | (Note 4) | (Note 4) | (Note 4) | | (Note 2) | (Note 3) | Working capital | \$ | Name | (Note 3) | (Note 3) | |
| 0 | ONYX Healthcare Inc. | Onyx Healthcare Inc. (Shanghai) Inc. | receivables | Y | \$ 3,925 (USD\$138) | \$ - (USD\$0) | \$ - (USD\$0) | 5.76% | 2 | - | | \$ - | None | \$ 104,294 | \$417,174 | None |

Note 1: Explanation to the serial number column:

(1). 0 denotes issuer.

(2). Investees are numbered in sequential order starting from 1.

Note 2: For the nature of the loan, specified either as a business transaction or short-term financing.

(1). Denotes business transaction.

(2). Denotes short-term financing.

Note 3: The sum of loans granted to external parties shall not exceed 40% of the Company's net worth, as shown in the latest audited or auditor-reviewed financial statements.

Loans to a single external party shall not exceed 10% of the Company's current net worth. If the purpose is for business transactions, the amount in loans shall not exceed the value of business transactions between the two parties in the most recent year. Value of business transactions refers to the amount in purchase or sale between two parties, whichever is higher.

Note 4: Foreign currencies are converted into NTD and presented in this Attachment using the exchange rate as at the end of the reporting period.

ONYX Healthcare Inc. and Subsidiaries

End-of-period marketable securities holding position (excluding investment in subsidiaries, associated companies and joint ventures)

December 31, 2020

Attachment 2

Unit: NT\$ thousand
(unless specified otherwise)

| Company name | Type of security | Name of security | Relationship with the securities issuer | Account category | End-of-period | | Shareholding percentage | Fair value | Remarks |
|----------------------|------------------|--|--|---|---------------|------------|-------------------------|------------|---------------|
| | | | | | Shares | Book value | | | |
| ONYX Healthcare Inc. | Shares | MELTEN CONNECTED HEALTHCARE INC. (Note 1) | None (Note 2) | Financial assets at fair value through other comprehensive income - non-current | 4,193,548 | \$ 2,381 | 6.47% | 2,381 | None (Note 4) |
| ONYX Healthcare Inc. | Shares | MACHVISION Inc Co., LTD | Other related party - the Company's Chairman concurrently serves as director in the entity | Financial assets at fair value through profit or loss - current | 18,716 | 5,512 | 0.04% | 5,512 | " |
| ONYX Healthcare Inc. | Shares | Taiwan Star Venture Capital Investment Co., Ltd. | None | Financial assets at fair value through profit or loss - non-current | 3,000,000 | 38,261 | 13.04% | 38,261 | " |

Note 1: Securities mentioned in the financial statements shall refer to shares, bonds, beneficiary certificates, and any securities derived from the above, as specified in IFRS 9 "Financial Instruments."

Note 2: Not required if the securities issuer is a non-related party.

Note 3: For items that are measured at fair value, the amount in fair value after adjustment and net of cumulative impairment is shown in the book value column; for items that are not measured at fair value, the amount in original acquisition cost or cost after amortization net of cumulative impairment is shown in the book value column.

Note 4: All securities that have been placed as collateral, borrowed against, or are subject to restrictions under agreed terms shall have details such as the quantity pledged, the amount charged, and restrictions explained in the remarks column.

ONYX Healthcare Inc. and Subsidiaries

Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital

January 1 to December 31, 2020

Attachment 3

Unit: NT\$ thousand
(unless specified otherwise)

| Name of buyer (seller) | Name of counterparty | Relationship Subsidiary | Purchase (sale) (Sale) | Amount (\$ 286,739) | As a percentage to total purchases (sales) (29.67%) | Loan tenor 90 days after month-end | Unit price \$ | Loan tenor - | Balance \$ 52,484 | Notes and accounts receivable (payable) | Distinctive terms of trade and reasons (Note 1) | Transaction summary | As a percentage of total notes and accounts receivable (payable) | | Remarks (Note 2) | |
|---------------------------|---------------------------|-------------------------|------------------------|---------------------|---|------------------------------------|---------------|--------------|-------------------|---|---|---------------------|--|--------|------------------|--|
| | | | | | | | | | | | | | 47.79% | 47.79% | | |
| ONYX Healthcare Inc. | ONYX HEALTHCARE USA, INC. | Subsidiary | Purchase (Sale) | (\$ 286,739) | (29.67%) | 90 days after month-end | \$ | - | \$ 52,484 | | | | | | | |
| ONYX Healthcare Inc. | AAEON Technology Inc. | Parent company | Purchase | 74,302 | 12.85% | 30 days after month-end | - | - | (2,726) | | | | | | | |
| ONYX HEALTHCARE USA, INC. | AAEON Technology Inc. | Parent company | Purchase | 190,613 | 38.33% | 60 days after month-end | - | - | (31,634) | | | | | | | |

Note 1: Where the terms of related party transactions differ from ordinary transactions, the discrepancy and causes of discrepancy shall be explained in the unit price and loan tenor columns.

Note 2: In the case of advanced receipt (prepayment), explain in the remarks column the reason, terms & conditions, amount, and deviation from general transaction terms.

Note 3: Paid-up capital refers to that of the Parent company. If the issuer has issued shares without a face value or at face values other than NT\$10 per share, the 20% requirement on paid-up capital shall be calculated instead at 10% of equity attributable to parent company shareholders, as shown on the balance sheet.

Note 4: Disclose the revenue side; no disclosure is needed on the opposing side of the same transaction.

ONYX Healthcare Inc. and Subsidiaries

Major business dealings between the parent company and subsidiaries and transactions between subsidiaries

January 1 to December 31, 2020

Attachment 4

Unit: NT\$ thousand
(unless specified otherwise)

| Serial No. (Note 1) | Name of transacting party | Counterparty | Relationship with the transacting party (Note 2) | Transaction summary | | As a percentage of consolidated revenues or total assets (Note 3) |
|------------------------|---------------------------|---------------------------|--|---------------------|-------------------|---|
| | | | | Account | Transaction terms | |
| 0 | ONYX Healthcare Inc. | ONYX HEALTHCARE USA, INC. | 1 | Sales | \$ 286,739 | 90 days after month-end 21.28% |
| " | " | " | " | Accounts receivable | 5248400.00% | 90 days after month-end 3.77% |

Note 1: Business dealings between the parent company and subsidiaries are indicated in the serial number column. The numbering rule is explained below:

- (1) 0 for the parent company.
- (2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related party transactions are distinguished into one of three categories, as shown below. Only the category is indicated (no duplicate disclosure is made on two counterparties of the same transaction; for example, in a parent-to-subsidary transaction, no disclosure is made on the subsidiary's end if disclosure has already been made on the parent company's end; in a subsidiary-to-subsidary transaction, no disclosure is made on one subsidiary's end if disclosure has already been made on the other subsidiary):

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

Note 3: Calculation for business dealings as a percentage of total consolidated revenues or total assets is explained as follows: for balance sheet items, percentage of period-end balance is calculated relative to consolidated total assets or liabilities; for profit and loss items, percentage of end-of-period cumulative amount is calculated relative to consolidated total revenues.

Note 4: The Company determines key transactions presented in this chart based on principles of materiality.

Note 5: Individual transactions that amount to less than \$50,000 are not disclosed; disclose the asset or revenue side only. No further disclosure is needed on the opposing side of the same transaction.

ONYX Healthcare Inc. and Subsidiaries

Names, locations and information on investees (excluding Mainland investees)

January 1 to December 31, 2020

Attachment 5

Unit: NT\$ thousand
(unless specified otherwise)

| Name of investor | Name of investee (Notes 1 and 2) | Location | Main business activities | Sum of initial investment | | Period-end holding position | | Current period profit/loss of the investee (Note 2(2)) | Investment gains/losses recognized in the current period (Note 2(3)) | Remarks |
|----------------------|-------------------------------------|--------------------|--|---------------------------|-------------------------|-----------------------------|-------------------|---|--|---------|
| | | | | End of current period | End of previous year | Shares | Percentage (%) | | | |
| ONYX Healthcare Inc. | ONYX HEALTHCARE USA, INC. | USA | Sale of medical computers and peripherals | \$ 56,960 | \$ 59,960 | 200,000 | 100 | \$ 95,464 | \$ 17,497 | None |
| ONYX Healthcare Inc. | ONYX HEALTHCARE EUROPE B.V. | The Netherlands | Marketing support and maintenance of medical computers and peripherals | 3,502 | 3,359 | 100,000 | 100 | 14,803 | 2,443 | " |
| ONYX Healthcare Inc. | iHELPER Inc. | Taiwan | Research, development, and sale of medical robots | 16,560 | 16,560 | 1,656,000 | 46 | 8,445 | (1,847) | " |
| ONYX Healthcare Inc. | Winmate Inc. | Taiwan | Tendering, quotation, and distribution of LCD equipment and modules | 538,199 | 510,248 | 9,845,000 | 14 | 537,102 | 256,062 | 33,903 |

Note 1: If the public company has set up a foreign holding entity and prepared a consolidated financial report on the holding entity according to local regulations, information on foreign investees can be disclosed to the level of the foreign holding entity, and no further breakdown is needed.

Note 2: Companies that do not meet the condition described in Note 1 shall complete the form according to the following rules:

- (1) For columns including "Name of investor," "Location," "Main business activities," "Sum of initial investment," and "Period-end holding position," list down investees that are held by the Company first, followed by those held by directly controlled investees and indirectly controlled investees. Specify in the remarks column the relationship between each investee and the Company (such as a subsidiary or 2nd-tier subsidiary).
- (2) For "Current period profit/loss of the investee," specify the amount in profit or loss made by each investee in the current period.
- (3) For "Investment gains/losses recognized in the current period," specify only the amount in profit or loss that the Company has recognized from directly held subsidiaries and equity-accounted investees. No disclosure is needed on indirectly held investees. When disclosing "current gains/losses recognized on directly held subsidiaries," make sure that the gains/losses already include investment gains/losses that they are required to recognize on their investments.

Note 3: Amounts that are denominated in foreign currencies shall be converted into NTD using either the average exchange rate between January 1 and December 31, 2020 for profit and loss items or the exchange rate as at the end of the reporting period for all other items.

ONYX Healthcare Inc. and Subsidiaries
 Information on major shareholders

December 31, 2020

Attachment 7

| <u>Name of major shareholder</u> | <u>Number of shares held</u> | <u>Shareholding</u> | <u>Shareholding percentage (%)</u> |
|----------------------------------|------------------------------|---------------------|------------------------------------|
| AAEON Technology Inc. | 13,756,431 | | 50.00 |
| Chuang, Yung-Shun | 2,147,162 | | 7.80 |
| ASUSTeK Computer Inc. | 1,540,102 | | 5.59 |

Note 1: Information on major shareholders, as presented in this chart, was taken from records of Taiwan Depository & Clearing Corporation as at the final business day of the reported quarter; and included parties holding book-entry common and preferred shares (including treasury stock) for aggregate ownership of 5% and above.

Share capital reported in the Company's financial statements may differ from the number of shares delivered via book entry due to different basis of preparation/calculation.

Note 2: Shareholders who placed shares under the trust are disclosed in trustors' sub-accounts held with various trustees. According to Securities and Exchange Act, shareholders with more than 10% ownership interest are subject to insider equity reporting. Insider equity includes shares held in own name and any shares placed under a trust that the insider has control over. Please access Market Observation Post System for reports on insider equity.

Independent Auditor's Report

(110)-Cai-Shen-Bao-Zi-20002880

To stakeholders of ONYX Healthcare Inc.:

Audit opinion

We have audited the accompanying standalone balance sheet of ONYX Healthcare Inc. (referred to as "ONYX Healthcare" below) as at December 31, 2020 and 2019, the standalone statement of comprehensive income, standalone statement of changes in equity, and standalone cash flow statement from January 1 to December 31, 2020 and 2019, and notes to standalone financial statements (including a summary of significant accounting policies).

In our opinion, based on our audit results and audit results of other auditors (please refer to the Other Issues paragraph), all material disclosures of the standalone financial statements mentioned above were prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and presented a fair view of the standalone financial position of ONYX Healthcare as at December 31, 2020 and 2019, and standalone business performance and cash flow for the periods January 1 to December 31, 2020 and 2019.

Basis of audit opinion

We have conducted our audits in accordance with "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the generally accepted auditing standards of the Republic of China. Our responsibilities as an auditor under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed the CPA code of ethics of the Republic of China and maintained independence from ONYX Healthcare and fulfilled other responsibilities under the code of ethics. We believe that the evidence obtained from audits and reports made by other auditors provide an adequate and appropriate basis for our opinion.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment when auditing the 2020 standalone financial statements of ONYX Healthcare. These issues have already been addressed when we audited and formed our opinions on the standalone financial statements. Therefore, we do not provide opinions separately for individual issues.

Key audit issues concerning the 2020 standalone financial statements of ONYX Healthcare are as follows:

Existence of revenues from new top-10 buyers

Description

Please refer to Note 4(27) for accounting policy on revenue recognition. Please refer to Note 6(17) of the standalone financial statements for a detailed description of revenue accounts.

ONYX Healthcare and subsidiaries (presented as equity-accounted investments) are mainly involved in the design, manufacturing, and sale of medical computers. Since medical computers are customized for specific purposes, the sale of which is highly susceptible to cyclicity and varies from customer to customer, project to project. For this reason, ONYX Healthcare is constantly in need of exploring new markets and meet orders for different projects, causing changes in top-10 buyers. After comparing ONYX Healthcare's top-10 buyers in 2020 and 2019, new buyers added to this year's top-10 list were considered to significantly affect revenues of ONYX Healthcare and subsidiaries. As a result, we have identified ONYX Healthcare's new buyers in the top-10 list as one of the key audit issues this year.

Audit procedures

This issue concerned ONYX Healthcare and certain subsidiaries (presented as equity-accounted investments), and the following audit procedures were taken specifically in relation to the key audit issues described below:

1. Assessment and testing of internal control processes on sales transactions to determine whether transactions were carried out according to the company's internal control system during the reporting period.
2. Reviewing industry backgrounds and profiles of the new top-10 buyers.
3. Random checks for proof of revenue and transaction with new top-10 buyers in the current period.

Accounting estimates for inventory valuation

Description

For accounting policies on inventory valuation, please refer to Note 4(11) of the standalone financial statements; for major accounting estimates, assumptions, and uncertainties on inventory valuation, please refer to Note 5(2) of the standalone financial statements; for detailed inventory accounts, please refer to Note 6(4) of the standalone financial statements.

ONYX Healthcare is mainly involved in the design, manufacturing, and sale of medical computers. Due to the long useful life of medical computers, ONYX Healthcare is required to maintain an inventory of certain products and peripherals for longer periods of time in order to meet customers' needs for long-term supply and maintenance. Any change in customers' purchase orders or under-performance of the market would cause fluctuation in product pricing or slow down the rate at which inventory is sold. This increases the risk of loss on devaluation or obsolescence. ONYX Healthcare accounts for normal inventory at the lower of cost and net realizable value; inventory that exceeds a certain duration of time or has been individually identified as obsolete will have loss provisions made on an item-by-item basis according to the devaluation loss provisioning policy.

ONYX Healthcare makes timely adjustments to inventory level in response to changes in market demand and the company's development strategies. The company carries medical computers not only in a wide variety, but also make up a substantial portion of the company's product portfolio and a high amount of inventory; furthermore, evaluation of net realizable value on obsolete inventory often involves subjective judgments, making the estimated amount prone to uncertainties, and was one of the areas we had to verify as part of our audit. For this reason, we have identified the estimation of inventory valuation losses as one of the key audit issues for this year.

Audit procedures

This issue concerned ONYX Healthcare and certain subsidiaries (presented as equity-accounted investments), and the following audit procedures were taken specifically in relation to the key audit issues described above:

1. Evaluating the policy adopted by ONYX Healthcare to make provisions for inventory devaluation losses based on our understanding of the company's operations and industry nature.

2. Examining details of individual inventory items that the management had considered to be obsolete and verifying against supporting documents.
3. Testing the market prices based upon which net realizable values of individual inventory items were established and making random checks to ensure that net realizable values were correctly calculated.

Other issues - audits by other auditors

Amongst the equity-accounted business investments presented in the standalone financial statements of ONYX Healthcare, some of which had financial statements audited by other CPAs that we did not take part in. Therefore, opinions made in the standalone financial statements mentioned above in regards to such businesses were based on audited reports of other CPAs. As at December 31, 2020 and 2019, balances of the abovementioned equity-accounted investments totaled NT\$537,102,000 and NT\$505,586,000, representing 40% and 38% of total assets, respectively. For the periods from January 1 to December 31, 2020 and 2019, comprehensive income recognized from the abovementioned companies totaled NT\$32,698,000 and NT\$19,648,000, representing 20% and 9% of comprehensive income, respectively.

Responsibilities of the management and governing body to the standalone financial statements

Responsibilities of the management were to prepare and ensure the fair presentation of standalone financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to exercise proper internal control practices that are relevant to the preparation of standalone financial statements so that the standalone financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing financial statements also involved: assessing the ability of ONYX Healthcare to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate or cease business operations or is compelled to do so with no alternative solution.

The governing body of ONYX Healthcare (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of CPAs in Inspecting Individual Financial Statements

The purposes of our audit were to obtain reasonable assurance of whether the financial statements were prone to material misstatements caused by fraud or error and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles of the Republic of China do not necessarily guarantee detection of all material misstatements within the standalone financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect the economic decisions of the financial statement user.

When conducting audits in accordance with generally accepted audit principles of the Republic of China, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate response measures for the identified risks, and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control. Our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing an opinion on the effectiveness of ONYX Healthcare's internal control system.
3. Assessing the appropriateness of accounting policies adopted by the management and the rationality of accounting estimates and related disclosures.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern and whether there are doubts or uncertainties about the ability of ONYX Healthcare to operate as a going concern, based on the audit evidence obtained. We are bound to remind users of standalone financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may still render ONYX Healthcare no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the standalone financial statements (including related footnotes) and whether certain transactions and events are presented appropriately in the financial statements.
6. Obtaining sufficient and appropriate audit evidence on the financial information of equity-accounted investments held by ONYX Healthcare and expressing opinions on standalone financial statements. Our responsibilities as an auditor are to instruct, supervise and execute audits and form audit opinions on the standalone financial statements.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm has complied with auditors' professional ethics of the Republic of China and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

After communicating with the governing body regarding the 2020 standalone financial statements of ONYX Healthcare, we have identified the key audit issues. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to the public interest.

PwC Taiwan

Weng, Shih-Rong

CPA

Lin, Chun - Yao

(Formerly known as) Securities and Futures Commission,
The Ministry of Finance

Approval reference: (88)-Tai-Cai-Zheng-(VI)-95577

(Formerly known as) Securities and Futures Commission,
The Ministry of Finance

Approval reference: (85)-Tai-Cai-Zheng-(VI)-68702

February 25, 2021

ONYX Healthcare Inc.
Standalone Balance Sheet
As at December 31, 2020 and 2019

Unit: NTD thousands

| Assets | Note | December 31, 2020 | | December 31, 2019 | | |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | Amount | % | Amount | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 295,565 | 22 | \$ 303,632 | 23 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 5,512 | - | 9,988 | 1 |
| 1150 | Net notes receivable | 6(3) | 49 | - | - | - |
| 1170 | Net accounts receivable | 6(3) | 55,111 | 4 | 97,446 | 7 |
| 1180 | Accounts receivable - related parties, net | 7 | 54,668 | 4 | 37,939 | 3 |
| 1200 | Other receivables | | 2,547 | - | 2,852 | - |
| 1210 | Other receivables - related parties | 7 | 17 | - | 4,291 | - |
| 130X | Inventory | 6(4) | 152,065 | 12 | 151,250 | 12 |
| 1410 | Prepayments | | 9,556 | 1 | 6,681 | 1 |
| 1470 | Other current assets | 8 | 13,488 | 1 | 2,438 | - |
| 11XX | Total current assets | | <u>588,578</u> | <u>44</u> | <u>616,517</u> | <u>47</u> |
| Non-current assets | | | | | | |
| 1510 | Financial assets at fair value through profit or loss - non-current | 6(2) | 38,261 | 3 | 33,869 | 3 |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(5) | 2,381 | - | 2,381 | - |
| 1550 | Equity-accounted investments | 6(6) | 660,436 | 50 | 619,002 | 47 |
| 1600 | Property, plant and equipment | 6(7) | 17,572 | 1 | 19,602 | 1 |
| 1755 | Right-of-use assets | 6(8) | 4,193 | - | 9,480 | 1 |
| 1780 | Intangible assets | | 5,134 | 1 | 553 | - |
| 1840 | Deferred income tax assets | 6(23) | 10,616 | 1 | 11,484 | 1 |
| 1900 | Other non-current assets | | 2,197 | - | 1,897 | - |
| 15XX | Total non-current assets | | <u>740,790</u> | <u>56</u> | <u>698,268</u> | <u>53</u> |
| 1XXX | Total assets | | <u>\$ 1,329,368</u> | <u>100</u> | <u>\$ 1,314,785</u> | <u>100</u> |

(Continued next page)

ONYX Healthcare Inc.
Standalone Balance Sheet
As at December 31, 2020 and 2019

Unit: NTD thousands

| Liabilities and equity | Note | December 31, 2020 | | December 31, 2019 | | |
|--------------------------------|---------------------------------------|-------------------|---------------------|-------------------|---------------------|------------|
| | | Amount | % | Amount | % | |
| Current liabilities | | | | | | |
| 2130 | Contractual liabilities - current | 6(17) | \$ 53,821 | 4 | \$ 28,355 | 2 |
| 2170 | Accounts payable | | 56,767 | 4 | 52,454 | 4 |
| 2180 | Accounts payable - related parties | 7 | 3,935 | - | 51,161 | 4 |
| 2200 | Other payables | 6(10) | 54,981 | 4 | 57,140 | 4 |
| 2220 | Other payables - related parties | 7 | 3,601 | - | 2,757 | - |
| 2230 | Current income tax liabilities | | 42,670 | 3 | 29,330 | 2 |
| 2250 | Liability reserves - current | 6(12) | 6,672 | 1 | 8,742 | 1 |
| 2280 | Lease liabilities - current | | 2,927 | - | 7,161 | 1 |
| 2300 | Other current liabilities | | 4,070 | 1 | 3,852 | - |
| 21XX | Total current liabilities | | <u>229,444</u> | <u>17</u> | <u>240,952</u> | <u>18</u> |
| Non-current liabilities | | | | | | |
| 2527 | Contractual liabilities - non-current | 6(17) | 52,694 | 4 | 61,098 | 5 |
| 2550 | Liability reserves - non-current | 6(12) | 1,942 | 1 | 2,365 | - |
| 2570 | Deferred income tax liabilities | 6(23) | 1,078 | - | 51 | - |
| 2580 | Lease liabilities - non-current | | 1,274 | - | 2,389 | - |
| 25XX | Total non-current liabilities | | <u>56,988</u> | <u>5</u> | <u>65,903</u> | <u>5</u> |
| 2XXX | Total liabilities | | <u>286,432</u> | <u>22</u> | <u>306,855</u> | <u>23</u> |
| Equity | | | | | | |
| | Share capital | 6(14) | | | | |
| 3110 | Common share capital | | 275,102 | 21 | 220,082 | 17 |
| | Capital reserves | 6(13)(15) | | | | |
| 3200 | Capital reserves | | 478,566 | 36 | 473,856 | 36 |
| | Retained earnings | 6(16) | | | | |
| 3310 | Legal reserves | | 101,948 | 8 | 78,010 | 6 |
| 3320 | Special reserves | | 40,263 | 3 | - | - |
| 3350 | Unappropriated earnings | | 192,050 | 14 | 276,245 | 21 |
| | Other equity items | | | | | |
| 3400 | Other equity items | | (44,993) | (4) | (40,263) | (3) |
| 3XXX | Total equity | | <u>1,042,936</u> | <u>78</u> | <u>1,007,930</u> | <u>77</u> |
| | Major post-balance sheet date events | 11 | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 1,329,368</u> | <u>100</u> | <u>\$ 1,314,785</u> | <u>100</u> |

The attached Notes to the standalone financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Wang, Feng-Hsiang

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc.
Standalone Statement of Comprehensive Income
For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousands
(except earnings per share, which are presented in NTD)

| 項目 | Note | 2020 | | 2019 | |
|---|------------------------|-------------|--------|--------------|--------|
| | | Amount | % | Amount | % |
| 4000 Operating revenues | 6(17) and 7 | \$ 966,340 | 100 | \$ 1,157,701 | 100 |
| 5000 Operating costs | 6(4)(21) (22) and 7 | (650,196) | (67) | (751,312) | (65) |
| 5900 Gross profit | | 316,144 | 33 | 406,389 | 35 |
| 5910 Unrealized gain on sales | | (10,246) | (1) | (9,262) | - |
| 5920 Realized gain on sales | | 9,262 | 1 | 12,444 | 1 |
| 5950 Net gross profit | | 315,160 | 33 | 409,571 | 36 |
| Operating expenses | 6(21) (22) and 7 | | | | |
| 6100 Selling expenses | | (58,482) | (6) | (67,511) | (6) |
| 6200 Administrative expenses | | (41,924) | (5) | (39,500) | (3) |
| 6300 R&D expenses | | (65,597) | (7) | (66,308) | (6) |
| 6450 Expected credit impairment (loss) reversal gain | | (2,660) | - | 351 | - |
| 6000 Total operating expenses | | (168,663) | (18) | (172,968) | (15) |
| 6900 Operating profit | | 146,497 | 15 | 236,603 | 21 |
| Non-operating income and expenses | | | | | |
| 7100 Interest income | 6(18) | 732 | - | 1,582 | - |
| 7010 Other income | 6(19) | 4,425 | - | 1,783 | - |
| 7020 Other gains and losses | 6(20) | (1,815) | - | 30,844 | 3 |
| 7050 Financial costs | | (156) | - | (197) | - |
| 7070 Share of profits/losses on equity- accounted subsidiaries, associated companies, and joint ventures | 6(6) | 48,967 | 5 | 16,555 | 1 |
| 7000 Total non-operating income and expenses | | 52,153 | 5 | 50,567 | 4 |
| 7900 Pre-tax profit | | 198,650 | 20 | 287,170 | 25 |
| 7950 Income tax expense | 6(23) | (31,575) | (3) | (47,793) | (4) |
| 8200 Current net income | | \$ 167,075 | 17 | \$ 239,377 | 21 |

(Continued next page)

ONYX Healthcare Inc.
Standalone Statement of Comprehensive Income
For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousands
(except earnings per share, which are presented in NTD)

| Item | Note | 2020 | | 2019 | |
|--|--|--------|--------------|---------|--------------------|
| | | Amount | % | Amount | % |
| Other comprehensive income | | | | | |
| Items not reclassified into profit or loss | | | | | |
| 8316 | Unrealized gain/loss on valuation of equity instruments at fair value through other comprehensive income | 6(5) | \$ - | - | (\$ 7,969) (1) |
| 8330 | Share of other comprehensive income from subsidiaries, equity-accounted associated companies, and joint ventures - not reclassified into profit or loss | | (846) | - | 790 - |
| 8310 | Items not reclassified into profit or loss - total | | (846) | - | (7,179) (1) |
| Items likely to be reclassified into profit or loss | | | | | |
| 8361 | Financial statement translation differences arising from foreign operations | | (4,406) | - | (2,689) - |
| 8380 | Share of other comprehensive income from equity-accounted subsidiaries, associated companies, and joint ventures - likely to be reclassified into profit or loss | | (359) | - | (76) - |
| 8399 | Income tax on items that are likely to be reclassified into profit or loss | 6(23) | 881 | - | 553 - |
| 8360 | Items likely to be reclassified into profit or loss - total | | (3,884) | - | (2,212) - |
| 8300 | Other comprehensive income (net) | | (\$ 4,730) | - | (\$ 9,391) (1) |
| 8500 | Total comprehensive income for the current period | | \$ 162,345 | 17 | \$ 229,986 20 |
| Basic earnings per share | | | | | |
| 9750 | Current net income | 6(24) | \$ 6.07 | \$ 8.70 | |
| Diluted earnings per share | | | | | |
| 9850 | Current net income | 6(24) | \$ 6.04 | \$ 8.66 | |

The attached Notes to the standalone financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Wang, Feng-Hsiang

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc.
Standalone Statement of Changes in Equity
For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousands

| | Note | Retained earnings | | | | Other equity items | | | Total |
|---|-----------|----------------------|------------------|----------------|------------------|-------------------------|---|--|--------------|
| | | Common share capital | Capital reserves | Legal reserves | Special reserves | Unappropriated earnings | Financial statement translation differences arising from foreign operations | Unrealized gains/losses on financial assets at fair value through other comprehensive income | |
| <u>2019</u> | | | | | | | | | |
| Balance as at January 1, 2019 | | \$ 200,075 | \$ 473,856 | \$ 58,519 | \$ - | \$ 206,414 | (\$ 1,888) | (\$ 28,984) | \$ 907,992 |
| Current net income | | - | - | - | - | 239,377 | - | - | 239,377 |
| Other current comprehensive income | 6(5) | - | - | - | - | - | (2,212) | (7,179) | (9,391) |
| Total comprehensive income for the current period | | - | - | - | - | 239,377 | (2,212) | (7,179) | 229,986 |
| Appropriation and distribution of 2018 retained earnings: | 6(16) | | | | | | | | |
| Provision for legal reserves | | - | - | 19,491 | - | (19,491) | - | - | - |
| Cash dividends | | - | - | - | - | (130,048) | - | - | (130,048) |
| Stock dividends | 6(14) | 20,007 | - | - | - | (20,007) | - | - | - |
| Balance as at December 31, 2019 | | \$ 220,082 | \$ 473,856 | \$ 78,010 | \$ - | \$ 276,245 | (\$ 4,100) | (\$ 36,163) | \$ 1,007,930 |
| <u>2020</u> | | | | | | | | | |
| Balance as at January 1, 2020 | | \$ 220,082 | \$ 473,856 | \$ 78,010 | \$ - | \$ 276,245 | (\$ 4,100) | (\$ 36,163) | \$ 1,007,930 |
| Current net income | | - | - | - | - | 167,075 | - | - | 167,075 |
| Other current comprehensive income | | - | - | - | - | - | (3,884) | (846) | (4,730) |
| Total comprehensive income for the current period | | - | - | - | - | 167,075 | (3,884) | (846) | 162,345 |
| Appropriation and distribution of 2019 retained earnings: | 6(16) | | | | | | | | |
| Provision for legal reserves | | - | - | 23,938 | - | (23,938) | - | - | - |
| Provision for special reserves | | - | - | - | 40,263 | (40,263) | - | - | - |
| Cash dividends | | - | - | - | - | (132,049) | - | - | (132,049) |
| Stock dividends | 6(14) | 55,020 | - | - | - | (55,020) | - | - | - |
| Share-based payment | 6(13)(15) | - | 4,710 | - | - | - | - | - | 4,710 |
| Balance as at December 31, 2020 | | \$ 275,102 | \$ 478,566 | \$ 101,948 | \$ 40,263 | \$ 192,050 | (\$ 7,984) | (\$ 37,009) | \$ 1,042,936 |

The attached Notes to the standalone financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Wang, Feng-Hsiang

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc.
Standalone Cash Flow Statement
For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousands

| | Note | January 1 to December 31, 2020 | January 1 to December 31, 2019 |
|--|-------------|-----------------------------------|-----------------------------------|
| <u>Cash flow from operating activities</u> | | | |
| Pre-tax profit for the current period | | \$ 198,650 | \$ 287,170 |
| Adjustments | | | |
| Income, expenses, and losses | | | |
| Depreciation | 6(7)(8)(21) | 21,894 | 18,922 |
| Amortization | 6(21) | 952 | 413 |
| Expected credit impairment loss (reversal gain) | 12(2) | 2,660 | (351) |
| Net gain on financial assets or liabilities at fair value through profit or loss | 6(2)(9)(20) | (2,544) | (34,272) |
| Interest expenses | 6(8) | 156 | 194 |
| Interest income | 6(18) | (732) | (1,582) |
| Dividend income | 6(19) | (1,623) | (729) |
| Share of (profits) losses on equity-accounted subsidiaries, associated companies, and joint ventures | 6(6) | (48,967) | (16,555) |
| Unrealized gains/losses among affiliates | | 984 | (3,182) |
| Share-based payment - remuneration | 6(13) | 4,466 | - |
| Change in assets/liabilities related to operating activities | | | |
| Net change in assets related to operating activities | | | |
| Financial assets mandatory to be carried at fair value through profit or loss | | 153 | (131) |
| Notes receivable | | (49) | 50 |
| Accounts receivable | | 39,675 | 40,669 |
| Accounts receivable - related parties | | (16,729) | 47,784 |
| Other receivables | | 4,579 | 544 |
| Inventory | | (815) | (9,511) |
| Prepayments | | (2,875) | 3,382 |
| Other current assets | | 1,105 | 243 |
| Net change in liabilities related to operating activities | | | |
| Financial liabilities held for trading | | (1,211) | (1,246) |
| Notes payable | | - | (724) |
| Accounts payable | | 4,313 | (40,494) |
| Accounts payable - related parties | | (47,226) | 44,988 |
| Other payables | | (296) | 8,700 |
| Other payables - related parties | | 844 | 255 |
| Liability reserves | | (2,493) | (454) |
| Other current liabilities | | 218 | 1,888 |
| Contractual liabilities | | 17,062 | 30,426 |
| Cash inflow from operating activities | | 172,151 | 376,397 |
| Interests received | | 732 | 1,582 |
| Dividends received | | 30,756 | 25,039 |
| Interests paid | 6(8) | (156) | (194) |
| Income tax paid | | (15,459) | (43,433) |
| Net cash inflow from operating activities | | <u>188,024</u> | <u>359,391</u> |
| <u>Cash flow from investing activities</u> | | | |
| Acquisition of financial assets at fair value through profit or loss | | (179) | (34,656) |
| Disposal of financial assets at fair value through profit or loss | | 3,865 | - |
| Increase in loans receivable - related parties | | - | (4,291) |
| Decrease in restricted assets | | 45 | 22 |
| Acquisition of equity-accounted investments | | (27,951) | (15,969) |
| Acquisition of property, plant, and equipment | 6(25) | (11,075) | (8,636) |
| Acquisition of intangible assets | | (5,533) | - |
| (Increase) decrease in guarantee deposits paid | | (12,500) | 4 |
| Net cash outflow from investing activities | | <u>(53,328)</u> | <u>(63,526)</u> |
| <u>Cash flow from financing activities</u> | | | |
| Repayment of lease principal | 6(8) | (10,714) | (6,775) |
| Cash dividends paid | 6(16) | (132,049) | (130,048) |
| Net cash outflow from financing activities | | <u>(142,763)</u> | <u>(136,823)</u> |
| Increase (decrease) in cash and cash equivalents in the current period | | (8,067) | 159,042 |
| Opening cash and cash equivalents balance | 6(1) | 303,632 | 144,590 |
| Closing cash and cash equivalents balance | 6(1) | <u>\$ 295,565</u> | <u>\$ 303,632</u> |

The attached Notes to the standalone financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Chuang, Yung-Shun

Manager: Wang, Feng-Hsiang

Head of Accounting: Yang, Hsiang-Chih

ONYX Healthcare Inc.
Notes to Standalone Financial Statements
For 2020 and 2019

Unit: NT\$ thousand
(unless specified otherwise)

I. Corporate history

ONYX Healthcare Inc. (the "Company") was incorporated on February 2, 2010 in the Republic of China. The Company is mainly involved in the design, manufacturing, and trading of medical computers and peripherals. AAEON Technology Inc. holds 50% equity ownership in the Company.

II. Financial statement approval date and procedures

This standalone financial report was passed during the board of directors meeting dated February 25, 2021.

III. Application of new standards, amendments and interpretations

(I) Impacts of adopting new and amended International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC)

The following is a list of new/amended/modified IFRSs and interpretations approved by FSC that are applicable for the 2020 financial year:

| <u>New/amended/modified standards and interpretations</u> | <u>Effective date of IASB announcement</u> |
|--|--|
| Amendments to IAS 1 and IAS 8 regarding "Disclosure Initiative - Definition of Material" | January 1, 2020 |
| Amendments to IFRS 3 regarding "Definition of a Business" | January 1, 2020 |
| Amendments to IFRS 9, IAS 39, and IFRS 7 regarding "Interest Rate Benchmark Reform" | January 1, 2020 |
| Amendments to IFRS 16 regarding "Covid-19-Related Rent Concessions" | June 1, 2020 (Note) |

Note: FSC has given its permission to bring forward the adoption to January 1, 2020.

After a thorough assessment, the Company expects no material financial or performance impact from the above standards and interpretations.

(II) Impacts of adopting new and amended IFRSs not yet approved by FSC

The following is a list of new/amended/modified IFRSs and interpretations approved by FSC that are applicable for the 2021 financial year:

| <u>New/amended/modified standards and interpretations</u> | <u>Effective date of IASB announcement</u> |
|--|--|
| Amendments to IFRS 4 regarding "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 (phase 2) regarding "Interest Rate Benchmark Reform" | January 1, 2021 |

After a thorough assessment, the Company expects no material financial or performance impact from the above standards and interpretations.

(III) Impacts of IFRS changes announced by International Accounting Standards Board (IASB) but not yet approved by FSC

The following is a list of new/amended/modified IFRSs announced by IASB but not approved by FSC:

| <u>New/amended/modified standards and interpretations</u> | <u>Effective date of IASB announcement</u> |
|--|--|
| Amendments to IFRS 3 regarding "Reference to the Conceptual Framework" | January 1, 2022 |
| Amendments to IFRS 10 and IAS 28 regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | Pending final decision from IASB |
| IFRS 17 - Insurance Contracts | January 1, 2023 |
| Amendments to IFRS 17 - "Insurance Contracts" | January 1, 2023 |
| Amendments to IAS 1 regarding "Classification of Liabilities as Current or Non-current" | January 1, 2023 |
| Amendments to IAS 1 regarding "Disclosure of Accounting Policies" | January 1, 2023 |
| Amendments to IAS 8 regarding "Definition of Accounting Estimates" | January 1, 2023 |
| Amendments to IAS 16 regarding "Property, Plant and Equipment: Proceeds before Intended Use" | January 1, 2022 |
| Amendment to IAS 37 regarding "Onerous Contracts - Cost of Fulfilling a Contract" | January 1, 2022 |
| Improvements for years 2018-2020 | January 1, 2022 |

After a thorough assessment, the Company expects no material financial or performance impact from the above standards and interpretations.

IV. Summary of significant accounting policies

Below is a summary of significant accounting policies used for the preparation of standalone financial statements. Unless otherwise stated, the following policies were applied consistently in all reporting periods.

(I) Statement of compliance

The standalone financial statements have been prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(II) Basis of preparation

1. This standalone financial report is prepared based on historical cost, except for items including financial assets and liabilities at fair value through profit or loss (including derivatives) and financial assets at fair value through other comprehensive income.
2. Preparation of financial report that complies with the version of International Financial Reporting Standards, International Accounting Standards and interpretations approved by FSC (collectively referred to as "IFRSs" below) involves some use of critical accounting estimates, and the management is required to exercise some judgment when applying the Company's accounting policies. Please refer to Note 5 for highly complex and significant assumptions and estimates made in relation to the standalone financial report.

(III) Foreign currency conversion

All items listed in the standalone financial report are measured using the currency of the main economic environment where the Company operates (i.e. the functional currency). This standalone financial report is presented using the Company's functional currency - "NTD."

1. Foreign currency transaction and balance

- (1) Foreign currency transactions are converted into the functional currency using the spot exchange rate at the transaction date or measurement date. Differences arising from the conversion of such transactions are recognized in current profit and loss.
- (2) Balances of monetary assets and liabilities denominated in foreign currencies are converted using the spot exchange rate as at the balance sheet date. Differences arising from exchange rate fluctuation are recognized as current period gain or loss.
- (3) For non-monetary assets and liabilities denominated in foreign currencies, those that are carried at fair value through profit or loss will have balances converted using the spot exchange rate as at the balance sheet date, and any exchange differences arising from the adjustment will be recognized in current profit and loss; those that are carried at fair value through other comprehensive income will have balances converted using the spot exchange rate as at the balance sheet date, and any exchange differences arising from the adjustment will be recognized in other comprehensive income; those that are not carried at fair value will have balances converted using the historical exchange rate

applicable at the time when the transaction was initiated.

- (4) All gains and losses on the exchange are presented as "Other gains and losses" in the statement of comprehensive income.

2. Currency conversion for foreign operations

For entities and associated companies that have a functional currency different from the presentation currency, performance results and financial position are converted into the presentation currency using the following methods:

- (1) Every asset and liability in the balance sheet is converted using the exchange rate as at the balance sheet date;
- (2) Every income, expense, and loss in the statement of comprehensive income is converted using the average exchange rate for the given period; and
- (3) All exchange differences are recognized in other comprehensive income.

(IV) Classification of current and non-current assets and liabilities

1. Assets that satisfy any of the following criteria are classified as current assets:

- (1) Assets that are expected to be realized, or intended to be sold or consumed, over the normal operating cycle.
- (2) Held mainly for the purpose of trading.
- (3) Assets that are expected to be realized within 12 months after balance sheet date.
- (4) Cash or cash equivalents, except those that will be swapped or used to repay liabilities at least 12 months from the balance sheet date, and those with restricted uses.

The Company classifies all assets that do not satisfy the above criteria as non-current assets.

2. Liabilities that satisfy any of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled over the normal operating cycle.
- (2) Held mainly for the purpose of trading.
- (3) Liabilities that are due to be settled within 12 months after the balance sheet date.
- (4) Liabilities with repayment terms that can not be extended unconditionally for more than 12 months after the balance sheet date. Classification of liability is unaffected even if there are terms that give counterparties the option to be repaid in the form of equity instruments.

The Company classifies all liabilities that do not satisfy the above criteria as non-current assets.

(V) Cash equivalents

Cash equivalent refers to short-term and highly liquid investments that are readily convertible into known amounts of cash and are prone to an insignificant risk of changes in value. Time deposits that meet the abovementioned definitions and are held for a tenor of less than three

months from initiation to meet short-term cash commitments are stated as cash equivalents.

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

1. Refers to financial assets that are not carried at cost after amortization or at fair value through other comprehensive income.
2. The Company adopts trade day accounting to account for financial assets at fair value through profit or loss that conforms with normal trade terms.
3. These items are recognized at fair value at initiation with transaction costs recognized through profit and loss and subsequently assessed at fair value with gains or losses recognized through profit and loss.
4. Dividend income is recognized in a standalone statement of comprehensive income when the entitlement to receive dividend has been established when economic benefits relating to dividends are very likely to be realized. The amount in dividend can be measured reliably.

(VII) Financial assets at fair value through other comprehensive income

1. Refers to equity instruments not held for trading for which an irrevocable choice was made at initiation to account for subsequent fair value changes through other comprehensive income.
2. The Company adopts trade day accounting to account for financial assets at fair value through other comprehensive income that conforms with normal trade terms.
3. These assets are recognized at fair value at initiation inclusive of transaction cost, and are subsequently measured at fair value:
 - A. Changes in the fair value of equity instruments are recognized through other comprehensive income. When the asset is removed from the balance sheet, all cumulative gains/losses previously recognized through other comprehensive income can not be reclassified to profit and loss and are transferred to retained earnings instead. Dividend income is recognized in a standalone statement of comprehensive income when the entitlement to receive dividend has been established when economic benefits relating to dividends are very likely to be realized. The amount in dividend can be measured reliably.

(VIII) Accounts and notes receivable

1. Refers to accounts and notes that the Company may collect unconditionally as consideration for the transfer of merchandise or rendering of service, according to the terms of the respective contracts.
2. Short-term accounts and notes receivable that bear no interest are subsequently measured at the original invoice amount as the effect of discounting is insignificant.

(IX) Impairment of financial assets

Accounts receivable with significant financing components are evaluated on every balance sheet date by taking into account all reasonable and verifiable information (including prospective information). Assets that exhibit no significant increase in credit risk after initial recognition have loss reserves measured based on 12-month expected credit loss; those that exhibit a significant increase in credit risk after initial recognition have loss reserves measured based on expected credit loss over the remaining duration. Accounts receivable that do not

contain significant financing components have loss reserves measured based on expected credit loss over the remaining duration.

(X) Removal of financial assets

Financial assets that satisfy any of the following criteria are removed:

1. When entitlement to contractual cash inflow has ended.
2. When the contractual right to collect cash flow on the financial asset has been transferred along with virtually all risks and returns associated with ownership of the financial asset.
3. When the contractual right to collect cash flow on the financial asset has been transferred, and no control over the financial asset is retained.

(XI) Inventory

Inventory is stated at the lower of cost or net realizable value. The amount in cost is determined using the weighted average method. The cost of finished goods and work-in-progress includes raw material, direct labor, other direct costs, and production-related overheads (allocated based on normal production capacity), but excludes the cost of borrowing. The lower of cost or net realizable value is compared on an item-by-item basis. Net realizable value refers to the remainder of the estimated selling price after deducting variable selling expenses over the normal operating cycle and estimated costs to completion.

(XII) Equity-accounted investments/subsidiaries and associated companies

1. A subsidiary refers to an entity (including a structured entity) in which the Company exercises control. The Company is considered to exercise control if it is exposed or entitled to variable returns generated by the entity and can influence such return.
2. Any unrealized gains/losses arising from transactions between the Company and subsidiaries have been eliminated. The subsidiaries have made the necessary adjustments to align their accounting policies with that of the Company.
3. Share of profits/losses from the associated company after the acquisition is recognized in current profit and loss; share of other comprehensive income after the acquisition is recognized in other comprehensive income. If the share of losses on a subsidiary equals or exceeds the Company's equity ownership, the Company will continue recognizing additional losses at the current shareholding percentage.
4. Associated company refers to an entity in which the Company exercises significant influence but no control, which generally means 20% direct or indirect voting interest or above. The Company accounts for associated companies using the equity method. Value at initial acquisition is accounted for at cost.
5. Share of profits/losses from an associated company after the acquisition is recognized in current profit and loss; share of other comprehensive income after the acquisition is recognized in other comprehensive income. If the Company's share of losses in an associated company equals to or exceeds its equity interest in the associated company (including any other unsecured receivables), the Company will not recognize the extra

losses unless the Company has a legal obligation or constructive obligation to pay, or has paid, liabilities on behalf of the associated company.

6. If an associated company undergoes a change of equity that has no impact on profit and loss, other comprehensive income, and shareholding percentage, the Company will recognize the change of ownership proportionally in "Capital reserve."
7. Unrealized gains arising from transactions between the Company and an associated company are eliminated proportionally based on ownership percentage. Unrealized losses are also eliminated unless there is evidence to suggest impairment in the transferred assets. All associated companies have made the necessary adjustments to align their accounting policies with that of the Company.
8. If the Company disposes of an associated company in a manner that causes it to lose significant influence, all amounts previously recognized in other comprehensive income in relation to the associated company are accounted on the same basis as if the Company had directly disposed of the relevant assets or liabilities. In other words, if gains or losses previously recognized in other comprehensive income are to be reclassified into profit and loss upon disposal of relevant assets or liabilities, such gains or losses shall be reclassified into profit and loss when the Company loses significant influence in the associated company. If the Company still retains significant influence in the associated company, the above amounts previously recognized in other comprehensive income are reclassified proportionally in the manner mentioned above.
9. According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the amount in current profit/loss and other comprehensive income attributable to parent company shareholders should be consistent between standalone and consolidated financial reports; the amount in equity attributable to parent company shareholders should also be consistent between standalone and consolidated financial reports.

(XIII) Property, plant and equipment

1. All property, plant and equipment are recorded at cost.
2. Subsequent costs incurred are added to book value or recognized as separate assets only when future economic benefits associated with the costs are likely to be realized by the Company. Such costs can be reliably measured. Book values of replaced components are removed from the balance sheet. All other maintenance expenses are recognized in current profit and loss when incurred.
3. Property, plant, and equipment are subsequently measured using the cost method, with depreciation recognized over the estimated useful life using the straight-line method. Significant compositions of property, plant, and equipment are depreciated separately.
4. The Company reviews the residual value, useful life, and depreciation method of all assets at the end of each financial year. If the residual value or useful life differs from the previous estimate, or if there is any material change to how an asset's future economic

benefit is realized, the difference would be treated as a change in accounting estimate according to IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" from the day the change occurs. The useful lives of various asset categories are explained in Note 6(7).

(XIV) Lease transaction as a lessee - right-of-use assets/lease liabilities

1. The Company recognizes a right-of-use asset and a lease liability on the day lease asset becomes available for use. For short-term lease and lease of low-value asset, lease payments are expensed using the straight-line method over the lease tenor.
2. Lease liability is recognized on the lease start date as the present value of outstanding lease payments discounted at the Company's incremental borrowing rate. Lease payments are made in fixed amounts and presented net of any lease incentives collectible.

Leases are subsequently measured at cost after amortization using the interest approach with interest expenses provided over the lease tenor. Lease liabilities will be re-evaluated for any change in lease tenor or lease payment that is not caused by modification of contract terms. In which case, the amount in remeasurement will be adjusted to right-of-use assets.

3. Right-of-use assets are recognized at cost on the lease start date. The cost includes:
 - (1) Initial measured amount in lease liability;
 - (2) Any direct cost incurred at initiation.

Right-of-use assets are subsequently measured using the cost approach with depreciation expenses provided over the useful life or lease tenor, whichever expires the earlier. When lease liability is re-assessed, the right-of-use asset is adjusted for any remeasurement made to lease liability.

(XV) Intangible assets

Intangible asset mainly comprises the cost of computer software, which is amortized using the straight-line method over 3 years.

(XVI) Impairment of non-financial assets

For assets that show signs of impairment on the balance sheet date, the Company first estimates the recoverable amount in such assets. It recognizes impairment losses if the recoverable amount is lower than the book value. The recoverable amount refers to the higher of an asset's fair value net of disposal cost or its utilization value. Impairment losses previously recognized can be reversed if asset impairment no longer exists or has been reduced. However, the reversal of impairment loss shall not increase the asset's book value above the amount in book value after depreciation/amortization if the impairment loss had not occurred in the first place.

(XVII) Accounts and notes payable

1. Refers to liabilities arising from purchases of raw material, merchandise, or service on credit and notes payable on operating and non-operating activities.

2. Short-term accounts and notes payable that bear no interest are subsequently measured at the original invoice amount as the effect of discounting is insignificant.

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

1. Refers to financial liabilities that arise mainly to buy back in the near future, and financial liabilities held for trading that are not designated as hedging instruments under hedge accounting principles.
2. These items are recognized at fair value at initiation with transaction costs recognized through profit and loss and subsequently assessed at fair value with gains or losses recognized through profit and loss.

(XIX) Removal of financial liabilities

Financial liabilities are removed from the balance sheet upon fulfillment, cancellation, or expiry of contractual obligation.

(XX) Offset of financial assets and liabilities

The Company will offset financial assets against financial liability and present them in a netted figure on the balance sheet only if the Company is legally entitled and intends to settle the two accounts on a netted basis or realize them at the same time.

(XXI) Non-hedging derivatives

Non-hedging derivatives are measured at a fair value of the contract signing date at the initiation. They are presented as financial assets or liabilities at fair value through profit or loss and subsequently measured at fair value. Gains or losses on non-hedging derivatives are recognized in profit and loss.

(XXII) Liability reserves

Liability reserves (warranty) are obligations that the Company is legally liable or deemed liable to fulfill due to a past event. The Company is very likely to incur an outflow of economic benefit or resource to settle such an obligation. Liability reserves are recognized when the amount in obligation can be estimated reliably. Liability reserves represent the Company's best estimate of the present value of all future obligations that the Company is liable to settle as at the balance sheet date. The discount rate used is a pre-tax discount rate reflecting the market's current perception of the time value of currency and risks associated with the specific liability. The amount in discount is amortized and recognized as an interest expense. No liability reserve is made on future operating losses.

(XXIII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured as non-discounted amounts expected to be paid in the future and are recognized as expenses when relevant service is rendered.

2. Pension

Defined contribution plan

For a defined contribution plan, the contributions payable to the pension fund are

recognized as pension costs in the year that occurred on an accrual basis. Prepaid contributions that are refundable in cash or can be offset against future payments are recognized as assets.

3. Employee and director remuneration

Employees' and directors' remuneration are recognized as expense and liability when the Company becomes legally obligated or is deemed obligated to pay, and that the amount can be reasonably estimated. Any differences between the amount estimated and the amount resolved/paid are treated as a change of accounting estimate.

(XXIV) Share-based payment

In a share-based payment arrangement, the value of employees' services is measured based on the fair value of the equity instrument granted on the grant date. This payment is recognized as remuneration in the period vested, with corresponding adjustments made to equity. The fair value of the equity instrument should reflect the market price and the effects of both vesting and non-vesting conditions. The cost of remuneration to be recognized will be adjusted as service conditions and non-market value vesting conditions are met. The quantity of shares paid on the vesting date will determine the final amount to be recognized in the financial report.

(XXV) Income tax

1. Income tax expenses include current and deferred income tax. Income taxes are recognized in profit and loss, except for certain items that must be recognized in other comprehensive income or presented directly as equity items.
2. The Company calculates current income tax based on the statutory tax rate applicable at countries of operation and where it generates taxable income as at the balance sheet date. The management regularly assesses income tax filing in accordance with applicable income tax laws and estimates income tax liabilities for the estimated amount in tax payable to the authority. Unappropriated earnings are subject to additional income tax according to the Income Tax Act. This additional tax is recognized in the year after earning is generated, when the earnings appropriation proposal is passed in a shareholder meeting and the amount in earnings retained can be ascertained.
3. Deferred income tax is accounted for using the balance sheet method and recognized on taxable temporary differences that arise between the taxable basis and book value of assets and liabilities shown in the standalone balance sheet. Deferred income tax liabilities are not recognized upon initial recognition of goodwill. No deferred income tax liability is recognized upon initial recognition of an asset or liability (except in the case of business combination) if it affects neither accounting profit nor taxable profit (tax loss) at the time of the transaction. Temporary differences arising from investment in subsidiaries and associated companies are not recognized as income tax

asset/liability if the Company is able to control the timing at which temporary difference is reversed and that the temporary difference is unlikely to be reversed in the foreseeable future. Deferred income taxes are calculated using the tax rate (and tax law) applicable on the day deferred income tax assets/liabilities are expected to be realized/settled, based on prevailing laws as at the balance sheet date.

4. Deferred income tax assets are recognized to the extent that temporary differences are likely to be used to offset future taxable income. Unrecognized and recognized deferred income tax assets are re-assessed on each balance sheet date.
5. The Company will offset current income tax assets against current income tax liability and settle on a netted basis or realize both at the same time only if it has the intent and is legally entitled to do so. The Company will offset deferred income tax assets against deferred income tax liabilities and settle on a netted basis or realize both at the same time only if it has the intent and is legally entitled to do so, and that the deferred income tax assets/liabilities are attributable to the same tax authority and the same taxpayer, or different taxpayers with a mutual intent to settle on a netted basis.

(XXVI) Dividend distribution

Dividends to the Company's shareholders are recognized in the financial report at the time the resolution is passed in a shareholder meeting. Cash dividends pending payment are recognized as liability, whereas stock dividends pending distribution are presented as pending stock dividends and reclassified into common share capital on the issuance baseline date.

(XXVII) Revenue recognition

1. Sales of goods

- (1) The Company manufactures and sells medical computers and peripherals. Sales revenues are recognized when control of the product is transferred to the customer; or in other words, when the product is delivered to the customer and the Company has no outstanding obligation that would otherwise affect the customer from accepting the product. Product transfer is deemed to have completed when the product is shipped to the designated location and the customer accepts the product according to the terms of the sales contract, or if there is objective evidence to prove that acceptance has been made, and thereby transferring all risks associated with obsolescence and loss to the customer.
- (2) The Company offers a standard warranty on the products sold and is obligated to repair defective products. Liability reserves are made to account for this obligation at the time of sale.
- (3) Accounts receivable are recognized when products are delivered to the customer because this is the point of time when the Company gains unconditional rights to

contractual proceeds and is entitled to collect consideration from customers simply through the passage of time.

2. Warranty income

Warranty income in advance that the Company receives for the sale of warranty extension is reclassified into income based on the remaining service duration.

(XXVIII) Government subsidies

Government subsidies are recognized at fair value when the Company has reasonable assurance towards fulfilling the government's subsidy criteria and receiving the subsidy. For government subsidies aimed to reimburse expenses incurred, the Company will recognize government subsidies through current profit and loss in a systematic manner when the relevant expenses are incurred.

V. Major sources of uncertainty for significant accounting judgments, estimates and assumptions

The management had exercised judgment to determine the accounting policies to adopt when the standalone financial report was prepared and made accounting estimates and assumptions based on prevailing circumstances and reasonable expectations toward future events as at the balance sheet date. The significant accounting estimates and assumptions made can differ from the actual result, which the management will continually evaluate and adjust based on historical experience and other factors. These estimates and assumptions may result in major adjustments to the book value of assets and liabilities in the next financial year. Uncertainties associated with significant accounting judgments, estimates, and assumptions are explained below:

(I) Significant judgments adopted for accounting policies

None.

(II) Significant accounting estimates and assumptions

Valuation of inventory

Due to the fact that inventory is presented at the lower of cost or net realizable value, the Company is required to exercise judgment and make estimates in order to determine the net realizable value of inventory as at the balance sheet date. Inventory as at the balance sheet may be susceptible to normal wear, obsolescence, or loss of market value due to rapidly changing technologies. The Company estimates the above losses and reduces inventory cost down to the net realizable value. This inventory valuation is made by estimating product demand within a specific period of time in the future, which may give rise to significant changes.

Book value of the Company's inventory as at December 31, 2020 totaled \$152,065.

VI. Notes to major accounts

(I) Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---------------------------|-------------------|-------------------|
| Petty cash | \$ 296 | \$ 214 |
| Check and current deposit | 255,269 | 263,418 |
| Time deposit | 40,000 | 40,000 |
| | <u>\$ 295,565</u> | <u>\$ 303,632</u> |

1. All financial institutions that the Company deals with are of strong credit background. The Company also diversifies credit risk by dealing with multiple financial institutions at the same time and therefore is unlikely to suffer from the default of a financial institution.
2. Cash and cash equivalents that have been placed as collateral for forwarding exchange contracts are presented as other financial assets (under other current assets). Please see Note 8 for details.

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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Current portion: | | |
| Financial assets mandatory to be carried at fair value through profit or loss | | |
| TWSE/TPEX listed shares | \$ 6,250 | \$ 9,107 |
| Derivatives | | |
| Forward exchange contracts | - | 77 |
| Cross currency swap | - | 177 |
| Valuation adjustment | <u>(738)</u> | <u>627</u> |
| | <u>\$ 5,512</u> | <u>\$ 9,988</u> |
| Non-current portion: | | |
| Financial assets mandatory to be carried at fair value through profit or loss | | |
| Not listed on TWSE/TPEX or the Emerging Stock Market board | \$ 30,000 | \$ 30,000 |
| Valuation adjustment | <u>8,261</u> | <u>3,869</u> |
| | <u>\$ 38,261</u> | <u>\$ 33,869</u> |

1. Details of gains or losses on financial assets at fair value through profit or loss:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------|------------------|
| Financial assets mandatory to be carried at fair value through profit or loss | | |
| Equity instrument | \$ 3,856 | \$ 35,450 |
| Derivatives | <u>(100)</u> | <u>67</u> |
| | <u>\$ 3,756</u> | <u>\$ 35,517</u> |

2. Explanation to derivative assets and contracts that do not conform with hedge accounting:

| | <u>December 31, 2019</u> |
|------------------------------------|--|
| <u>Derivative financial assets</u> | <u>Contract sum</u> <u>(Notional principal) Contract duration</u> |

Current portion:

| | | | |
|---|------|---------|------------------|
| Forward exchange contract - long NTD, short USD | US\$ | 200,000 | 108.12.4~109.1.3 |
| Cross-currency swap - long NTD, short USD | US\$ | 500,000 | 108.12.4~109.1.3 |

3. The Company entered into the above forward exchange and cross-currency swap contracts to take a short position on a particular foreign currency and secure exchange rates between foreign currencies. They were intended to hedge exchange rate risks associated with export sales, but no hedge accounting treatment was applied.

4. None of the Company's financial assets at fair value through profit or loss was collateral.

(III) Notes and accounts receivable

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------|--------------------------|--------------------------|
| Notes receivable | \$ 49 | \$ - |
| Accounts receivable | \$ 59,496 | \$ 99,171 |
| Less: loss provisions | (4,385) | (1,725) |
| | <u>\$ 55,111</u> | <u>\$ 97,446</u> |

1. Notes and accounts receivable (including related parties) aging analysis:

| | <u>December 31, 2020</u> | | <u>December 31, 2019</u> | |
|----------------------------|--------------------------|------------------|--------------------------|------------------|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Current | \$ 105,055 | \$ 49 | \$ 109,833 | \$ - |
| Overdue within 30 days | 1,208 | - | 21,080 | - |
| Overdue 31 - 60 days | 3,863 | - | 4,284 | - |
| Overdue 61 - 90 days | - | - | 423 | - |
| Overdue 91 - 120 days | 285 | - | - | - |
| Overdue more than 120 days | <u>3,753</u> | <u>-</u> | <u>1,490</u> | <u>-</u> |
| | <u>\$ 114,164</u> | <u>\$ 49</u> | <u>\$ 137,110</u> | <u>\$ -</u> |

The above aging analysis has been prepared based on the number of days overdue.

2. Balances of accounts and notes receivable (including related parties) as at December 31, 2020 and 2019, had arisen entirely from contractual arrangements with customers. Balances of contractual proceeds receivable from customers (including related parties) and loss provisions as at January 1, 2019 were \$225,641 and \$2,104, respectively.

3. In the absence of collaterals and other credit enhancements, maximum credit risk exposure associated with the Company's notes receivable as at December 31, 2020 and 2019,

amounted to \$49 and \$0, respectively; maximum credit risk exposure associated with the Company's accounts receivable (including related parties) as at December 31, 2020 and 2019, amounted to \$109,779 and \$135,385, respectively.

4. The Company held no collateral on accounts and notes receivable (including related parties).
5. For credit risk information on accounts and notes receivable (including related parties), please refer to Note 12(2).

(IV) Inventory

| | December 31, 2020 | | |
|---------------------|-------------------|---|-------------------|
| | Cost | Allowance for obsolescence and devaluation loss | Book value |
| Raw materials | \$ 85,367 | (\$ 7,388) | \$ 77,979 |
| Work-in-progress | 26,696 | (181) | 26,515 |
| Semi-finished goods | 45,592 | (7,809) | 37,783 |
| Finished goods | 11,447 | (1,659) | 9,788 |
| | <u>\$ 169,102</u> | <u>(\$ 17,037)</u> | <u>\$ 152,065</u> |

| | December 31, 2019 | | |
|---------------------|-------------------|--|-------------------|
| | Cost | Allowance for obsolescence and devaluation loss | Book value |
| Raw materials | \$ 78,692 | (\$ 4,216) | \$ 74,476 |
| Work-in-progress | 19,434 | (80) | 19,354 |
| Semi-finished goods | 52,803 | (6,896) | 45,907 |
| Finished goods | 13,756 | (2,243) | 11,513 |
| | <u>\$ 164,685</u> | <u>(\$ 13,435)</u> | <u>\$ 151,250</u> |

Cost of inventory recognized as expenses or losses in the current period:

| | 2020 | 2019 |
|-----------------------------------|-------------------|-------------------|
| Cost of inventory sold | \$ 629,251 | \$ 741,008 |
| Obsolescence and devaluation loss | 13,108 | 4,038 |
| Service and warranty cost | 7,837 | 6,266 |
| | <u>\$ 650,196</u> | <u>\$ 751,312</u> |

(V) Financial assets at fair value through other comprehensive income

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Non-current portion: | | |
| Equity instrument | | |
| Not listed on TWSE/TPEX or the Emerging Stock Market board | \$ 39,334 | \$ 39,334 |
| Valuation adjustment | <u>(36,953)</u> | <u>(36,953)</u> |
| | <u>\$ 2,381</u> | <u>\$ 2,381</u> |

1. The Company has chosen to classify shares of MELTEN CONNECTED HEALTHCARE INC., a strategic investment, as financial assets at fair value through other comprehensive income. The fair value of this investment was reported at \$2,381 as at December 31, 2020 and 2019.
2. Details of gains or losses on financial assets at fair value through other comprehensive income:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------------|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value changes recognized through other comprehensive income | <u>\$ -</u> | <u>(\$ 7,969)</u> |

3. None of the Company's financial assets at fair value through other comprehensive income was placed as collateral.

(VI) Equity-accounted investments

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------------|--------------------------|--------------------------|
| Subsidiaries: | | |
| ONXY HEALTHCARE USA, INC. (OHU) | \$ 95,464 | \$ 84,047 |
| ONYX HEALTHCARE EUROPE B.V.(ONI) | 14,803 | 11,582 |
| Onyx Healthcare (Shanghai) Inc. (OCI) | 4,622 | 7,495 |
| iHELPER Inc. (iHELPER) | 8,445 | 10,292 |
| Associated companies: | | |
| Winmate Inc. (Winmate) | <u>537,102</u> | <u>505,586</u> |
| | <u>\$ 660,436</u> | <u>\$ 619,002</u> |

1. Subsidiaries
 - (1) For information relating to the Company's subsidiaries, please refer to Note 4(3) of the 2020 consolidated financial statements.
 - (2) The Company's board of directors made a resolution during the meeting held in August 2019 to invest US\$500,000 into subsidiary - OCI for additional working capital.

(3) Share of profits/losses on equity-accounted subsidiaries, associated companies, and joint ventures amounted to \$48,967 in 2020 and \$16,555 in 2019.

2. Associated companies

(1) Profile of significant associated companies:

| Name of associated company | December 31, 2020 | | December 31, 2019 | |
|----------------------------|-------------------|------------------|-------------------|------------------|
| | Shareholding % | Amount presented | Shareholding % | Amount presented |
| Winmate (Note) | 13.60% | <u>\$537,102</u> | 12.97% | <u>\$505,586</u> |

Note: Although the Company held less than 20% of voting shares in Winmate, it did undertake directorship in Winmate and therefore accounted for the entity using the equity method for exercising significant influence.

(2) Summary financial information of significant associated companies:

Balance sheet

| | Winmate | |
|---|---------------------|---------------------|
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 1,713,003 | \$ 1,458,446 |
| Non-current assets | 1,052,240 | 1,032,866 |
| Current liabilities | (550,772) | (321,092) |
| Non-current liabilities | (12,362) | (10,647) |
| Total net assets | <u>\$ 2,202,109</u> | <u>\$ 2,159,573</u> |
| As a percentage of net assets across associated companies | \$ 299,487 | \$ 280,129 |
| Goodwill | <u>237,615</u> | <u>225,457</u> |
| Book value of associated company | <u>\$ 537,102</u> | <u>\$ 505,586</u> |

Statement of comprehensive income

| | Winmate | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Income | <u>\$ 1,845,525</u> | <u>\$ 1,666,155</u> |
| Current net income | \$ 256,062 | \$ 241,183 |
| Other comprehensive income (net, after-tax) | (9,669) | 9,090 |
| Total comprehensive income for the current period | <u>\$ 246,393</u> | <u>\$ 250,273</u> |
| Dividends received from associated companies | <u>\$ 29,133</u> | <u>\$ 24,310</u> |

(3) Fair value of associated companies that are openly quoted:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------|--------------------------|--------------------------|
| Winmate | <u>\$ 739,360</u> | <u>\$ 514,965</u> |

(VII) Property, plant and equipment

| | <u>2020</u> | | | | | |
|--------------------------|------------------|-------------------------|---------------------------|------------------------|--|------------------|
| | <u>Machinery</u> | <u>Office equipment</u> | <u>Lease improvements</u> | <u>Other equipment</u> | <u>Construction in progress and equipment pending inspection</u> | <u>Total</u> |
| January 1 | | | | | | |
| Cost | \$ 13,336 | \$ 2,483 | \$ 12,406 | \$ 63,622 | \$ 1,660 | \$ 93,507 |
| Accumulated depreciation | (10,580) | (1,826) | (9,653) | (51,846) | - | (73,905) |
| | <u>\$ 2,756</u> | <u>\$ 657</u> | <u>\$ 2,753</u> | <u>\$ 11,776</u> | <u>\$ 1,660</u> | <u>\$ 19,602</u> |
| January 1 | \$ 2,756 | \$ 657 | \$ 2,753 | \$ 11,776 | \$ 1,660 | \$ 19,602 |
| Addition | 1,328 | - | 1,763 | 384 | 5,737 | 9,212 |
| Reclassification | 2,716 | - | - | 576 | (3,292) | - |
| Depreciation | (1,710) | (268) | (2,580) | (6,684) | - | (11,242) |
| December 31 | <u>\$ 5,090</u> | <u>\$ 389</u> | <u>\$ 1,936</u> | <u>\$ 6,052</u> | <u>\$ 4,105</u> | <u>\$ 17,572</u> |
| December 31 | | | | | | |
| Cost | \$ 17,380 | \$ 2,411 | \$ 14,044 | \$ 63,122 | \$ 4,105 | \$101,062 |
| Accumulated depreciation | (12,290) | (2,022) | (12,108) | (57,070) | - | (83,490) |
| | <u>\$ 5,090</u> | <u>\$ 389</u> | <u>\$ 1,936</u> | <u>\$ 6,052</u> | <u>\$ 4,105</u> | <u>\$ 17,572</u> |

| | <u>2019</u> | | | | | |
|--------------------------|------------------|-------------------------|---------------------------|------------------------|--|--------------|
| | <u>Machinery</u> | <u>Office equipment</u> | <u>Lease improvements</u> | <u>Other equipment</u> | <u>Construction in progress and equipment pending inspection</u> | <u>Total</u> |
| January 1 | | | | | | |
| Cost | \$ 12,518 | \$ 2,152 | \$ 11,031 | \$ 57,262 | \$ - | \$ 82,963 |
| Accumulated depreciation | (9,300) | (1,668) | (7,431) | (43,488) | - | (61,887) |

| | | | | | | |
|--------------------------|-----------------|---------------|-----------------|------------------|-----------------|------------------|
| | <u>\$ 3,218</u> | <u>\$ 484</u> | <u>\$ 3,600</u> | <u>\$ 13,774</u> | <u>\$ -</u> | <u>\$ 21,076</u> |
| January 1 | \$ 3,218 | \$ 484 | \$ 3,600 | \$ 13,774 | \$ - | \$ 21,076 |
| Addition | 757 | 390 | 1,375 | 4,242 | 3,839 | 10,603 |
| Reclassification | 61 | - | - | 2,118 | (2,179) | - |
| Depreciation | (1,280) | (217) | (2,222) | (8,358) | - | (12,077) |
| December 31 | <u>\$ 2,756</u> | <u>\$ 657</u> | <u>\$ 2,753</u> | <u>\$ 11,776</u> | <u>\$ 1,660</u> | <u>\$ 19,602</u> |
| December 31 | | | | | | |
| Cost | \$ 13,336 | \$ 2,483 | \$ 12,406 | \$ 63,622 | \$ 1,660 | \$ 93,507 |
| Accumulated depreciation | (10,580) | (1,826) | (9,653) | (51,846) | - | (73,905) |
| | <u>\$ 2,756</u> | <u>\$ 657</u> | <u>\$ 2,753</u> | <u>\$ 11,776</u> | <u>\$ 1,660</u> | <u>\$ 19,602</u> |

Major components of property, plant, and equipment held by the Company, and useful lives:

| <u>Item</u> | <u>Major component</u> | <u>Useful life</u> |
|--------------------|--|--------------------|
| Machinery | Oscilloscope, suspensory burn-in equipment, and automated streamline workstation | 3 years |
| Office equipment | Server and host | 3 years |
| Lease improvements | Plant expansion and renovation works | 2 years |
| Other equipment | Front and back cover mold, repair mold, and sizing mold | 2 years |

1. All property, plant, and equipment mentioned above are self-occupied.
2. No borrowing cost was capitalized into the Company's property, plant, and equipment.
3. None of the Company's property, plant, and equipment was placed as collateral.

(VIII) Leases - as a lessee

1. The Company leases buildings and office equipment; the duration of the lease agreements usually ranges from 1 to 6 years. Lease contracts were individually negotiated and drafted with different terms and conditions with no additional restriction, except that the leased assets can not be placed as collateral.
2. Lease tenors for buildings do not exceed 12 months.
3. Book value of right-of-use assets and recognized amounts of depreciation expense are presented below:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|------------------|--------------------------|--------------------------|
| | <u>Book value</u> | <u>Book value</u> |
| Buildings | \$ 2,216 | \$ 8,806 |
| Office equipment | <u>1,977</u> | <u>674</u> |
| | <u>\$ 4,193</u> | <u>\$ 9,480</u> |

| | <u>2020</u> | <u>2019</u> |
|------------------|---------------------|---------------------|
| | <u>Depreciation</u> | <u>Depreciation</u> |
| Buildings | \$ 10,291 | \$ 6,692 |
| Office equipment | <u>361</u> | <u>153</u> |
| | <u>\$ 10,652</u> | <u>\$ 6,845</u> |

4. Amounts of right-of-use assets added in 2020 and 2019 were \$5,365 and \$2,278, respectively.

5. Income and expenses relating to lease agreements are presented below:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| <u>Current income/expense accounts affected</u> | | |
| Interest expense on lease liabilities | \$ 156 | \$ 194 |
| Expenses on short-term lease agreements | 2,788 | 4,274 |

6. Amounts of cash outflow incurred on leases totaled \$13,658 in 2020 and \$11,243 in 2019.

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

1. Details of gains (losses) on financial liabilities at fair value through profit or loss:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Financial liabilities held for trading | | |
| Derivatives | <u>(\$ 1,212)</u> | <u>(\$ 1,245)</u> |

2. Explanation to derivative liabilities and contracts that do not conform with hedge accounting:

| | <u>December 31, 2019</u> | |
|---|-----------------------------|--------------------------|
| | <u>Contract sum</u> | <u>Contract duration</u> |
| <u>Derivative financial liabilities</u> | <u>(Notional principal)</u> | |
| Current portion: | | |
| Cross-currency swap - long NTD, short USD | US\$ 500,000 | 108.12.18~109.1.20 |

3. The Company had entered into the above cross-currency swap contract to secure the exchange rate between foreign currencies. It was intended to hedge exchange rate risks associated with export sales, but no hedge accounting treatment was applied.

(X) Other payables

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Employee and director remuneration payable | \$ 24,522 | \$ 22,800 |
| Salaries payable | 20,899 | 20,957 |
| Other payables | <u>9,560</u> | <u>13,383</u> |
| | <u>\$ 54,981</u> | <u>\$ 57,140</u> |

(XI) Pension

- The Company has implemented defined contribution policies in accordance with the "Labor Pension Act" that apply to all employees of local nationality. For employees who are subject to the pension scheme introduced under the "Labor Pension Act," the Company contributes an amount equal to 6% of employee's monthly salary to their individual accounts held with the Bureau of Labor Insurance on a monthly basis. Upon retirement, employees are paid the balance of their pension account plus cumulative gains either in monthly installments or in one lump sum.
- Total pension costs recognized under the above policies amounted to \$4,618 in 2020 and \$4,149 in 2019.

(XII) Liability reserves

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|------------------|
| | <u>Warranty</u> | <u>Warranty</u> |
| January 1 | \$ 11,107 | \$ 11,561 |
| Increase of liability reserves in the current period | 6,244 | 8,165 |
| Liability reserves used and reversed in the current period | <u>(8,737)</u> | <u>(8,619)</u> |
| December 31 | <u>\$ 8,614</u> | <u>\$ 11,107</u> |

Analysis of liability reserves:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------|--------------------------|--------------------------|
| Current | <u>\$ 6,672</u> | <u>\$ 8,742</u> |
| Non-current | <u>\$ 1,942</u> | <u>\$ 2,365</u> |

Warranty reserves are related to the sale of medical computers, the amount in which is estimated based on historical warranty information of the product concerned.

(XIII) Share-based payment

1. The Company had the following share-based payment arrangements in 2020:

| <u>Type of agreement</u> | <u>Grant date</u> | <u>Quantity granted (thousand shares)</u> | <u>Contract duration</u> | <u>Vesting condition</u> |
|--------------------------|-------------------|---|--------------------------|--------------------------|
| Employee warrant program | 2020.08.06 | 1,000 | 5 years | 2-4 years of service |

The above share-based payment arrangement is settled with equity.

2. Details of the above share-based payment arrangements:

| | <u>2020</u> | |
|---|---|--|
| | <u>Quantity of warrants (thousands)</u> | <u>Weighted average exercise price (NTD)</u> |
| Opening balance (January 1) of outstanding warrants | - | \$ - |
| Warrants granted in the current period | <u>1,000</u> | 139.5 |
| Closing balance (December 31) of outstanding warrants | <u><u>1,000</u></u> | 139.5 |
| Closing balance (December 31) of exercisable warrants | <u><u>-</u></u> | - |

3. Maturity date and exercise price of warrants outstanding as at the balance sheet date:

| <u>December 31, 2020</u> | | | | |
|--------------------------|----------------------|---------------------------------|-----------------------------|-------|
| <u>Issuance date</u> | <u>Maturity date</u> | <u>Shares (thousand shares)</u> | <u>Exercise price (NTD)</u> | |
| 2020.08.06 | 2025.08.06 | 1,000 | \$ | 139.5 |

4. The Company uses Black-Scholes options pricing model to estimate the fair value of warrants allocated for share-based payment as at the grant date. Information on relevant parameters are presented below:

| Type of agreement | Grant date | Share price | Exercise price (NTD) | Expected volatility | Expected duration | Risk-free rate | Fair value per unit (NTD) |
|--------------------------|------------|-------------|----------------------|---------------------|-------------------|----------------|---------------------------|
| Employee warrant program | 2020.08.06 | ##### | ##### | 32.26% | 3.88 years | 0.29% | \$35.39 |

5. Expenses incurred on share-based payments are as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------|-------------|-------------|
| Equity settlement | \$ 4,466 | \$ - |

(XIV) Share capital

1. A resolution was passed during the shareholder meeting held in May 2020 to capitalize \$55,020 of earnings and issue 5,502,000 new shares. Registration for the above capital increase was completed in August 2020.
2. After the above capital increase, the Company had \$500,000 of authorized capital (including 6,000,000 shares reserved for issuance of employee warrant) as per Articles of Incorporation and \$275,102 of paid-up capital issued in 27,510,000 shares at a face value of NT\$10 per share as at December 31, 2020.

Reconciliation between opening and closing number of outstanding common shares (in thousand shares) in 2020 and 2019 is explained below:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|---------------|---------------|
| January 1 | 22,008 | 20,007 |
| Additions in the current period | <u>5,502</u> | <u>2,001</u> |
| December 31 | <u>27,510</u> | <u>22,008</u> |

3. The board of directors passed a resolution on August 7, 2019 to issue employee warrants and later resolved on December 23, 2019 to amend the issuance policy. A total of 1,000 units of the warrant were issued, and each warrant is vested with the right to subscribe 1,000 shares. 1,000,000 new common shares will have to be issued when the warrants are exercised. The subscription price per share will be determined according to policy. The warrants mentioned above were issued on August 6, 2020; please see Note 6(13) for details.

(XV) Capital reserves

Pursuant to The Company Act, the amount in premiums received on shares issued above the face value plus any capital reserves arising from gifts received may be used to reimburse previous losses. If the Company has not accumulated losses, this amount may be distributed

to shareholders in cash or new shares based on shareholders' exiting ownership percentage. Furthermore, according to the Securities and Exchange Act, the amount in capital reserves capitalized into share capital is capped at 10% of paid-up capital per year. The Company may not utilize capital reserves to offset losses when there is still a positive balance in the earning reserves.

| | <u>2020</u> | | |
|---------------------|----------------------|--------------------------|-------------------|
| | <u>Share premium</u> | <u>Employee warrants</u> | <u>Total</u> |
| January 1 | \$ 473,856 | \$ - | \$ 473,856 |
| Share-based payment | - | 4,710 | 4,710 |
| December 31 | <u>\$ 473,856</u> | <u>\$ 4,710</u> | <u>\$ 478,566</u> |

| | <u>2019</u> | | |
|------------------------------|----------------------|--------------------------|-------------------|
| | <u>Share premium</u> | <u>Employee warrants</u> | <u>Total</u> |
| January 1 (i.e. December 31) | <u>\$ 473,856</u> | <u>\$ -</u> | <u>\$ 473,856</u> |

(XVI) Retained earnings

1. According to the Articles of Incorporation, annual net income concluded by the Company is the first subject to reimbursement of previous losses (including adjustment to unappropriated earnings) followed by a 10% provision for legal reserve. However, no further provision is needed when the legal reserve has accumulated to an amount equal to the Company's paid-up capital. Any surpluses remaining shall be subject to provision or reversal of special reserve as laws or the authority may require. The residual balance can then be added to unappropriated earnings (including adjustment to unappropriated earnings) carried from previous years and distributed as dividends to shareholders, subject to the board of directors' proposal and shareholder meeting resolution. The amount in dividends paid to shareholders must not be less than 5% of total distributable earnings. Cash dividends must not be less than 10% of the sum of cash and stock dividends for the current year. However, cash dividends amounting to less than NT\$0.1 per share are to be paid in stock dividends instead.

The Company adopts a residual dividend policy that takes into consideration current and future investment prospects, capital requirements, local and foreign competition, capital budget, shareholders' interest, balanced dividend, long-term financial plans and related factors.

2. The legal reserve may not be used for purposes other than reimbursing previous losses or distributing proportionally back to existing shareholders in the form of cash or new shares. Only the amount in reserve that exceeds paid-up capital by 25% may be distributed in cash or new shares.
3. When distributing earnings, the Company is bound by laws to make provision for special reserves equal to the debit balance of other equity items as at the current balance sheet date before proceeding. If the debit balance of other equity items is reversed on a later date, the amount reversed can be added to available earnings for distribution.
4. Appropriation of 2019 and 2018 earnings were resolved in shareholder meetings dated May 22, 2020 and May 29, 2019, respectively. Details are as follows:

| | <u>2019</u> | | <u>2018</u> |
|------------------|-------------------|----------------------------------|----------------------------------|
| | <u>Amount</u> | <u>Dividends per share (NTD)</u> | <u>Amount</u> |
| | | | <u>Dividends per share (NTD)</u> |
| Legal reserves | \$ 23,938 | | \$ 19,491 |
| Special reserves | 40,263 | | - |
| Cash dividends | 132,049 | \$ 6.0 | 130,048 |
| Stock dividends | <u>55,020</u> | 2.5 | <u>20,007</u> |
| | <u>\$ 251,270</u> | | <u>\$ 169,546</u> |

Appropriation of 2019 and 2018 earnings, as explained above, were indifferent from the proposals raised by the board of directors.

5. Appropriation of 2020 earnings has been proposed and passed by the board of directors during the meeting held on February 25, 2021; details are as follows:

| | <u>2020</u> |
|------------------|----------------------------------|
| | <u>Amount</u> |
| | <u>Dividends per share (NTD)</u> |
| Legal reserves | \$ 16,707 |
| Special reserves | 4,730 |
| Cash dividends | 123,796 |
| Stock dividends | <u>27,510</u> |
| | <u>\$ 172,743</u> |

The 2020 earnings appropriation mentioned above has not been resolved in a shareholder meeting as of February 25, 2021.

(XVII) Operating revenues

| | | |
|---------------------------------------|-------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Revenue from contracts with customers | <u>\$ 966,340</u> | <u>\$ 1,157,701</u> |

1. Breakdown of revenue from contracts with customers

The Company recognizes income when merchandise is transferred or when service is rendered, which may take place progressively over time or occur at a specific time. Income can be distinguished by main product lines and geographic areas as follows:

| <u>2020</u> | <u>Medical computers</u> | <u>Services and</u> <u>warranty</u> | <u>Total</u> |
|--|--------------------------|--|-------------------|
| | <u>Taiwan</u> | <u>Taiwan</u> | |
| Revenue from contracts with external customers | <u>\$ 937,502</u> | <u>\$ 28,838</u> | <u>\$ 966,340</u> |
| Timing of revenue recognition | | | |
| Revenues recognized at a specific time | \$ 937,502 | \$ 13,633 | \$ 951,135 |
| Revenues recognized progressively over time | <u>-</u> | <u>15,205</u> | <u>15,205</u> |
| | <u>\$ 937,502</u> | <u>\$ 28,838</u> | <u>\$ 966,340</u> |

| <u>2019</u> | <u>Medical computers</u> | <u>Services and</u> <u>warranty</u> | <u>Total</u> |
|--|--------------------------|--|---------------------|
| | <u>Taiwan</u> | <u>Taiwan</u> | |
| Revenue from contracts with external customers | <u>\$ 1,127,993</u> | <u>\$ 29,708</u> | <u>\$ 1,157,701</u> |
| Timing of revenue recognition | | | |
| Revenues recognized at a specific time | \$ 1,127,993 | \$ 12,609 | \$ 1,140,602 |
| Revenues recognized progressively over time | <u>-</u> | <u>17,099</u> | <u>17,099</u> |
| | <u>\$ 1,127,993</u> | <u>\$ 29,708</u> | <u>\$ 1,157,701</u> |

2. Contractual liabilities

(1) Contractual liabilities associated with revenue from contracts with customers are as follows:

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|--|----------------------|----------------------|------------------|
| Contractual liabilities - current: | | | |
| Service and sales contract | \$ 40,482 | \$ 13,225 | \$ 11,047 |
| Warranty contract | 13,339 | 15,130 | 17,099 |
| Contractual liabilities - non-current: | | | |
| Service and sales contract | 31,995 | 34,454 | - |
| Warranty contract | 20,699 | 26,644 | 30,881 |
| | <u>\$ 106,515</u> | <u>\$ 89,453</u> | <u>\$ 59,027</u> |

(2) Amount in opening contractual liabilities recognized as current income

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Amount in opening contractual liabilities recognized as current income | | |
| Service and sales contract | \$ 6,763 | \$ 6,891 |
| Warranty contract | <u>15,130</u> | <u>17,099</u> |
| | <u>\$ 21,893</u> | <u>\$ 23,990</u> |

(3) Long-term contracts not yet fulfilled

The Company had long-term contracts with customers that were unfulfilled (or not fully fulfilled) as at December 31, 2020 and 2019, which had allocated prices of \$106,515 and \$89,453, respectively. The management expects to recognize \$53,821 and \$28,355 of revenues from allocated prices of unfulfilled performance obligations as at December 31, 2020 and 2019, in the following year. In contrast, the remaining contract prices are expected to be recognized as income over 2 to 9 years. The above amounts do not include constraining estimates of variable consideration.

(XVIII) Interest income

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|---------------|-----------------|
| Interest income: | | |
| Interest from bank deposits | \$ 636 | \$ 1,412 |
| Other interest income | <u>96</u> | <u>170</u> |
| Total interest income | <u>\$ 732</u> | <u>\$ 1,582</u> |

(XIX) Other income

| | <u>2020</u> | <u>2019</u> |
|-----------------|-----------------|-----------------|
| Dividend income | \$ 1,623 | \$ 729 |
| Other income | <u>2,802</u> | <u>1,054</u> |
| | <u>\$ 4,425</u> | <u>\$ 1,783</u> |

(XX) Other gains and losses

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|------------------|
| Net gain on financial assets or liabilities at fair value through profit or loss | \$ 2,544 | \$ 34,272 |
| Net loss on foreign currency exchange | (10,910) | (3,428) |
| Government subsidies income | <u>6,551</u> | <u>-</u> |
| | <u>(\$ 1,815)</u> | <u>\$ 30,844</u> |

(XXI) Additional information on expenses

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Employee benefit expenses | \$ 133,372 | \$ 128,833 |
| Depreciation on property, plant, and equipment | 11,242 | 12,077 |
| Depreciation on right-of-use assets | 10,652 | 6,845 |
| Amortization | <u>952</u> | <u>413</u> |
| | <u>\$ 156,218</u> | <u>\$ 148,168</u> |

(XXII) Employee benefit expenses

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------------|-------------------|
| Salary expenses | \$ 119,334 | \$ 115,852 |
| Labor/health insurance premium | 8,257 | 7,543 |
| Pension expense | 4,618 | 4,149 |
| Other personnel expenses | <u>1,163</u> | <u>1,289</u> |
| | <u>\$ 133,372</u> | <u>\$ 128,833</u> |

1. According to the Articles of Incorporation, any profits remaining after reimbursing cumulative losses in a given year shall be subject to employee remuneration of no less than 5% and director remuneration of no higher than 3%.
2. The Company had estimated employee remuneration at \$15,000 and \$17,000, and

director remuneration at \$2,400 and \$2,400, for 2020 and 2019, respectively. All above amounts were presented as salary expenses for the respective years.

Amounts for 2020 were estimated based on the current year's profits and the percentages outlined in the Articles of Incorporation. The board of directors has resolved to pay \$15,000 and \$2,400, respectively, in cash.

The board of directors had resolved to pay 2019 employee remuneration and director remuneration at \$17,000 and \$2,400, respectively; both figures were consistent with the amounts previously recognized in the 2019 financial report and were paid in cash.

Details of employees' and directors' remuneration passed by the Company's board of directors can be found on the Market Observation Post System.

3. The Company employed a total of 114 employees in 2020 and 101 employees in 2019; the number of directors without a concurrent role as an employee was 5 in both years.

(XXIII) Income tax

1. Income tax expenses

- (1) Composition of income tax expense:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Current income tax: | | |
| Income tax on current profit | \$ 28,137 | \$ 46,813 |
| Additional tax on unappropriated earnings | 949 | 1,268 |
| Overestimation of income tax expenses in previous years | (287) | (542) |
| Total current income tax | <u>28,799</u> | <u>47,539</u> |
| Deferred income tax: | | |
| Occurrence and reversal of temporary difference | <u>2,776</u> | <u>254</u> |
| Total deferred income tax | <u>2,776</u> | <u>254</u> |
| Income tax expense | <u>\$ 31,575</u> | <u>\$ 47,793</u> |

- (2) Income tax on other comprehensive income:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Translation differences from foreign operations | (\$ <u>881</u>) | (\$ <u>553</u>) |

2. Relationship between income tax expense and accounting profit

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
|--|-------------|-------------|

| | | | | |
|---|----|---------------|----|---------------|
| Income tax derived by applying the statutory tax rate to pre-tax profit | \$ | 39,730 | \$ | 57,434 |
| Tax-exempt income under tax law | (| 8,817) | (| 10,367) |
| Overestimation of income tax expenses in previous years | (| 287) | (| 542) |
| Additional tax on unappropriated earnings | | <u>949</u> | | <u>1,268</u> |
| | \$ | <u>31,575</u> | \$ | <u>47,793</u> |

3. Deferred income tax assets and liabilities arising from temporary differences are presented below:

| | January 1 | 2020 Recognized through profit and loss | Recognized in other comprehensive income | December 31 |
|---|------------------|--|--|-----------------|
| Temporary difference: | | | | |
| - Deferred income tax assets: | | | | |
| Warranty reserves | \$ 2,221 | (\$ 498) | \$ - | \$ 1,723 |
| Allowance for inventory devaluation | 2,687 | 720 | - | 3,407 |
| Unrealized gross profit | 1,853 | 196 | - | 2,049 |
| Unrealized loss on exchange Translation differences from foreign operations | 747 | (569) | - | 178 |
| Others | 1,025 | - | 881 | 1,906 |
| Subtotal | <u>2,951</u> | <u>(1,598)</u> | <u>-</u> | <u>1,353</u> |
| Subtotal | <u>11,484</u> | <u>(1,749)</u> | <u>881</u> | <u>10,616</u> |
| - Deferred income tax liabilities: | | | | |
| Gain on foreign investments | - | (1,078) | - | (1,078) |
| Others | (51) | 51 | - | - |
| Subtotal | <u>(51)</u> | <u>(1,027)</u> | <u>-</u> | <u>(1,078)</u> |
| | <u>\$ 11,433</u> | <u>(\$ 2,776)</u> | <u>\$ 881</u> | <u>\$ 9,538</u> |

| | January 1 | 2019 Recognized through profit and loss | Recognized in other comprehensive income | December 31 |
|---|-----------------|---|---|-----------------|
| Temporary difference: | | | | |
| - Deferred income tax assets: | | | | |
| Warranty reserves | \$ 2,312 | (\$ 91) | \$ - | \$ 2,221 |
| Allowance for inventory devaluation | 2,586 | 101 | - | 2,687 |
| Unrealized gross profit | 2,489 | (636) | - | 1,853 |
| Unrealized loss on exchange | 170 | 577 | - | 747 |
| Translation differences from foreign operations | 472 | - | 553 | 1,025 |
| Others | <u>3,116</u> | <u>(165)</u> | <u>-</u> | <u>2,951</u> |
| | <u>11,145</u> | <u>(214)</u> | <u>553</u> | <u>11,484</u> |
| - Deferred income tax liabilities: | | | | |
| Others | <u>(11)</u> | <u>(40)</u> | <u>-</u> | <u>(51)</u> |
| | <u>\$11,134</u> | <u>(\$ 254)</u> | <u>\$ 553</u> | <u>\$11,433</u> |

4. The Company's profit-seeking enterprise business income tax returns have been certified by the tax authority up to 2018.

(XXIV) EPS

| | Amount after tax | 2020 Weighted average outstanding shares (thousand shares) | EPS (NTD) |
|--|------------------|---|----------------|
| <u>Basic earnings per share</u> | | | |
| Current net income | <u>\$167,075</u> | <u>27,510</u> | <u>\$ 6.07</u> |
| <u>Diluted earnings per share</u> | | | |
| Current net income | \$167,075 | 27,510 | |
| Dilutive effect of potential common shares | | | |
| Employee remuneration | <u>-</u> | <u>170</u> | |

| | | | |
|---|------------------|---------------|----------------|
| Current net income plus effect of potential common shares | <u>\$167,075</u> | <u>27,680</u> | <u>\$ 6.04</u> |
|---|------------------|---------------|----------------|

Employee warrants issued by the Company had an anti-dilutive effect in 2020, and were therefore excluded from the calculation of earnings per share.

| | <u>Amount after tax</u> | <u>2019 Retrospective adjustment to outstanding shares (thousand shares)(Note)</u> | <u>EPS (NTD)</u> |
|---|-------------------------|--|----------------------|
| <u>Basic earnings per share</u> | | | |
| Current net income | <u>\$239,377</u> | <u>27,510</u> | <u>\$ 8.70</u> |
| <u>Diluted earnings per share</u> | | | |
| Current net income | \$239,377 | 27,510 | |
| Dilutive effect of potential common shares | | | |
| Employee remuneration | - | <u>123</u> | |
| Current net income plus effect of potential common shares | <u>\$239,377</u> | <u>27,633</u> | <u>\$ 8.66</u> |

Note: The outstanding shares mentioned above have been adjusted retrospectively to capitalize on unappropriated earnings in 2019.

(XXV) Supplementary cash flow information

Investing activities involving partial cash outlay:

| | <u>2020</u> | <u>2019</u> | |
|--|------------------|-----------------|--|
| Purchase of property, plant, and equipment | \$ 9,212 | \$ 10,603 | |
| Plus: equipment proceeds payable at the beginning of the period | 2,108 | 141 | |
| Less: Equipment proceeds payable at the end of the period | <u>(245)</u> | <u>2,108</u> | |
| Cash paid during the current period | <u>\$ 11,075</u> | <u>\$ 8,636</u> | |

(XXVI) Change of liabilities relating to financing activities

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|
| | <u>Lease liabilities</u> | <u>Lease liabilities</u> |
| January 1 | \$ 9,550 | \$ 14,047 |
| Changes in cash flow from financing activities | (10,714) | (6,775) |
| Other changes without cash effect | <u>5,365</u> | <u>2,278</u> |
| December 31 | <u>\$ 4,201</u> | <u>\$ 9,550</u> |

VII. Related party transactions

(I) Parent company and ultimate controller

The Company (incorporated in the Republic of China) has 50% of its shares controlled by AAEON Technology Inc. AAEON Technology Inc. is the parent company, whereas ASUSTeK Computer Inc. is the ultimate controller of the Company.

(II) Name and relationship of related parties

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|--|--|
| ASUSTeK Computer Inc. | The Company's ultimate parent company |
| AAEON Technology Inc. | The Company's parent company |
| AAEON Technology (Su Zhou) Inc. | Affiliated subsidiary - with the common ultimate parent |
| AAEON TECHNOLOGY SINGAPORE PTE.LTD. | " |
| ONYX HEALTHCARE USA,INC. | The Company's subsidiary |
| ONYX HEALTHCARE EUROPE B.V. | " |
| Onyx Healthcare (Shanghai) Inc. | " |
| iHELPER Inc. | " |
| Winmate Inc. (Note 1) | Associated company - investee accounted by the Company using the equity method |
| Litemax Electronics Inc. | Other related party - investee accounted by the Company's parent using the equity method |
| IBASE Technology Inc. | " |
| WT Microelectronics Co., Ltd. (Note 2) | Other related party - investee accounted by the Company's affiliated subsidiary using the equity method |
| NuVision Technology, Inc. (Note 2) | Other related party - subsidiary of an investee accounted by the Company's affiliated subsidiary using the equity method |
| Morrihan International Corp. (Note 2) | " |
| Fu Li Investment Co., Ltd. | Other related party - the Company's Chairman concurrently serves as chairman in the entity |

| | |
|--------------------------------|---|
| Everhighlight Technology Corp. | Other related party - the Company's Chairman concurrently serves as chairman in the entity's parent |
| AAEON Foundation | Other related party - the Company's Chairman concurrently serves as chairman in the foundation |
| King Core Electronics, Inc. | Other related party - the Company's Chairman concurrently serves as director in the entity |
| MACHVISION Inc Co., LTD | " |
| Chuang, Yung-Shun | Other related party - the Company's Chairman |

Note 1: Winmate Inc. became an associated company of the Company since May 24, 2019.

Note 2: WT Microelectronics Co., Ltd. and its subsidiaries became related parties of the Group since April 21, 2020.

(III) Major transactions with related parties

1. Operating revenues

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Sales of goods: | | |
| Ultimate parent company | \$ 106 | \$ - |
| Parent company | 116 | 83 |
| Affiliated subsidiary of the same group | 14,370 | 6,117 |
| Subsidiary | | |
| ONYX HEALTHCARE USA, INC. | 286,739 | 282,445 |
| Others | 25,230 | 28,508 |
| Associated company | 1 | - |
| | <u>\$ 326,456</u> | <u>\$ 317,153</u> |

Selling prices of transactions with related parties were determined between the Company and the related counterparties, for which there were no transactions of similar nature available for comparison. Other sales transactions were handled according to normal trade terms (at market price). Sales proceeds were collectible 30-90 days after shipment or 30-90 days after month-end.

2. Purchases

| | <u>2020</u> | <u>2019</u> |
|--------------------------|-------------|-------------|
| Purchase of merchandise: | | |
| Ultimate parent company | \$ - | \$ 1,115 |
| Parent company | | |

| | | |
|-----------------------|------------------|-------------------|
| AAEON Technology Inc. | 74,302 | 125,952 |
| Subsidiary | 74 | 27 |
| Associated company | 2,290 | 937 |
| Other related parties | <u>12,272</u> | <u>4,370</u> |
| | <u>\$ 88,938</u> | <u>\$ 132,401</u> |

The abovementioned purchases were handled according to normal trade terms (at market price). Payments were made 30 days after month-end.

3. Operating costs and expenses

| | | |
|---|------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Parent company | \$ 4,154 | \$ 3,859 |
| Affiliated subsidiary of the same group | 36 | 96 |
| Subsidiary | 27,797 | 30,307 |
| Associated company | 351 | 406 |
| Other related parties | <u>4,316</u> | <u>5,381</u> |
| | <u>\$ 36,654</u> | <u>\$ 40,049</u> |

The above operating costs and expenses mainly represent service charges, donations, and sundry expenses.

4. Related party receivables

| | | |
|---|--------------------------|--------------------------|
| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Accounts receivable: | | |
| Ultimate parent company | \$ 111 | \$ - |
| Parent company | 22 | 22 |
| Affiliated subsidiary of the same group | 513 | 1,810 |
| Subsidiary | | |
| ONYX HEALTHCARE USA, INC. | 52,484 | 29,359 |
| Others | <u>1,538</u> | <u>6,748</u> |
| | <u>\$ 54,668</u> | <u>\$ 37,939</u> |
| Other receivables: | | |
| Subsidiary | <u>\$ 17</u> | <u>\$ 160</u> |

5. Related party payables

| | | |
|-------------------|--------------------------|--------------------------|
| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Accounts payable: | | |

| | | |
|-----------------------|-----------------|------------------|
| Parent company | | |
| AAEON Technology Inc. | \$ 2,726 | \$ 50,533 |
| Associated company | - | 601 |
| Other related parties | 1,209 | 27 |
| | <u>\$ 3,935</u> | <u>\$ 51,161</u> |
| Other payables: | | |
| Parent company | \$ 280 | \$ 236 |
| Subsidiary | 3,321 | 2,515 |
| Associated company | - | 6 |
| | <u>\$ 3,601</u> | <u>\$ 2,757</u> |

6. Loans to external parties

Loans to related parties

(1) Closing balance:

| | | |
|---------------------------------|--------------------------|--------------------------|
| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Subsidiary | | |
| Onyx Healthcare (Shanghai) Inc. | <u>\$ -</u> | <u>\$ 4,131</u> |

(2) Interest income:

| | | |
|---------------------------------|--------------|---------------|
| | <u>2020</u> | <u>2019</u> |
| Subsidiary | | |
| Onyx Healthcare (Shanghai) Inc. | <u>\$ 92</u> | <u>\$ 160</u> |

Loans granted to subsidiaries are repayable within one year after disbursement. Interest was collected at 5.76% per annum in 2020 and 2019.

(IV) Compensation for key management

| | | |
|------------------------------|------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Short-term employee benefits | \$ 16,107 | \$ 15,237 |
| Retirement benefits | 455 | 406 |
| | <u>\$ 16,562</u> | <u>\$ 15,643</u> |

VIII. Pledged assets

The Company had placed the following assets as collaterals:

| | | | |
|---------------|---------------------|---------------------|----------------------------|
| <u>Assets</u> | <u>December 31,</u> | <u>December 31,</u> | <u>Purpose of security</u> |
|---------------|---------------------|---------------------|----------------------------|

| | <u>2020</u> | <u>2019</u> | |
|---|------------------|-----------------|---|
| Time deposit (presented as other current assets) | <u>\$ 854</u> | <u>\$ 899</u> | Security for forward exchange contract |
| Guarantee deposits paid (presented as other current and non-current assets) | <u>\$ 14,398</u> | <u>\$ 1,897</u> | Rental deposit for office and warehouse space, and deposit for special projects |

IX. Major contingent liabilities and unrecognized contractual commitments

None.

X. Losses from major disasters

None.

XI. Major post-balance sheet date events

Appropriation of 2020 earnings has been proposed and passed by the board of directors during the meeting held on February 25, 2021; please see Note 6(16) for details.

XII. Others

Capital management

Objectives of the Company's capital management efforts are to ensure continuity of business activities and maintain the optimal capital structure that minimizes funding costs while maximizing returns for shareholders. To maintain or adjust the capital structure, the Company may revise the amount in dividends paid to shareholders, refund capital back to shareholders, issue new shares, or reduce debts by making more effective use of working capital.

Financial instruments

1. Types of financial instrument

| | <u>December 31,</u> <u>2020</u> | <u>December 31,</u> <u>2019</u> |
|---|------------------------------------|------------------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatory to be carried at fair value through profit or loss | \$ 43,773 | \$ 43,857 |
| Financial assets at fair value through other comprehensive income | | |
| Voluntarily designated as an investment in an equity instrument | \$ 2,381 | \$ 2,381 |
| Financial assets carried at cost after amortization | | |
| Cash and cash equivalents | \$ 295,565 | \$ 303,632 |
| Notes receivable | 49 | - |
| Accounts receivable | 55,111 | 97,446 |
| Accounts receivable - related parties | 54,668 | 37,939 |
| Other receivables | 2,547 | 2,852 |
| Other receivables - related parties | 17 | 4,291 |
| Other financial assets (presented as other current assets) | 854 | 899 |
| Guarantee deposits paid (presented as other current and non-current assets) | 14,398 | 1,897 |
| | <u>\$ 423,209</u> | <u>\$ 448,956</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities carried at cost after amortization | | |
| Accounts payable | \$ 56,767 | \$ 52,454 |
| Accounts payable - related parties | 3,935 | 51,161 |
| Other payables | 54,981 | 57,140 |
| Other payables - related parties | 3,601 | 2,757 |
| | <u>\$ 119,284</u> | <u>\$ 163,512</u> |
| Lease liabilities | <u>\$ 4,201</u> | <u>\$ 9,550</u> |

2. Risk management policy

- (1) The Company's day-to-day operations are susceptible to multiple forms of financial risk, including market risks (exchange rate risk, interest rate risk, and price risk), credit risks, and liquidity risks. The Company undertakes forward exchange and cross-currency swap contracts to eliminate exchange rate risks, thereby minimizing the adverse impact of uncertainties on the Company's financial performance.
- (2) Risk management is performed by the Company's Treasury Department according to board-approved policies. The Treasury Department is responsible for identifying, assessing, and mitigating financial risks, and it achieves this by working closely with other departments within the Company. The board of directors has implemented written principles on risk management practices and outlined policies for specific matters such as exchange rate risk, interest rate risk, credit risk, use of derivative/non-derivative instruments, and investment of residual liquid capital.
- (3) Please see Notes 6(2) and (9) for more details on the use of derivatives for financial risk mitigation.

3. Characteristics and level of significant financial risks

(1) Market risk

Exchange rate risk

- A. The Company is a multinational organization, and transactions undertaken by the Company in currencies other than the functional currency would give rise to exchange rate risks. USD accounts for the highest exposure of exchange rate risk. Exchange rate risks arise from future commercial transactions and recognized amounts of assets and liabilities.
- B. The management has implemented policies to guide the Company in managing exchange rate risks associated with its functional currency. The Company hedges overall exchange rate risk through its Treasury Department. Exchange rate risks are measured by the value of USD transactions that are highly likely to occur. Instruments such as forward exchange and cross-currency contracts are used to mitigate the effect of exchange rate volatility on expected sales revenues.
- C. The Company uses forward exchange and cross-currency swap contracts to mitigate exchange rate risks but does not adopt hedge accounting treatment and instead presents them as financial assets or liabilities at fair value through profit or loss. Please refer to Notes 6(2) and (9) for details.

| | | | |
|------------------------------|-----|-------|--------|
| | | 4.31 | 7,495 |
| EUR:NTD | 345 | 33.59 | 11,582 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 903 | 29.98 | 27,072 |

E. Total net loss on exchange (realized and unrealized) recognized by the Company for monetary items susceptible to significant exchange rate fluctuation in 2020 and 2019 amounted to \$10,910 and \$3,428, respectively.

F. The following is an analysis of risk exposures to various foreign currencies and impacts of significant exchange rate fluctuations:

| | <u>2020</u> | | |
|--|-----------------------------|-------------------------|-----------------------------|
| | <u>Sensitivity analysis</u> | | |
| | <u>Variati</u> | <u>Effect on profit</u> | <u>Effect on other</u> |
| | <u>on</u> | <u>and loss</u> | <u>comprehensive income</u> |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 1,971 | \$ - |
| <u>Non-monetary items</u> | | | |
| USD:NTD | 1% | - | 955 |
| RMB:NTD | 1% | - | 46 |
| EUR:NTD | 1% | - | 148 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | 225 | - |

| | <u>2019</u> | | |
|--|-----------------------------|-------------------------|-----------------------------|
| | <u>Sensitivity analysis</u> | | |
| | <u>Variati</u> | <u>Effect on profit</u> | <u>Effect on other</u> |
| | <u>on</u> | <u>and loss</u> | <u>comprehensive income</u> |
| (Foreign currency: functional currency) | | | |

| | | | | |
|------------------------------|----|----|-------|------|
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 2,459 | \$ - |
| <u>Non-monetary items</u> | | | | |
| USD:NTD | 1% | | - | 840 |
| RMB:NTD | 1% | | - | 75 |
| EUR:NTD | 1% | | | 116 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | | 271 | - |

Price risk

- A. Equity instruments held by the Company that is exposed to price risks have been presented as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To better manage price risks on equity instruments, the Company has implemented concentration limits and diversified its investment portfolio accordingly.
- B. The Company mainly invests in equity instruments issued by local companies. Prices of these equity instruments are affected by the uncertainty associated with the future value of the underlying investment. A 1% rise/fall in the price of equity instruments would increase/decrease the gain on equity instruments at fair value through profit or loss by \$438 and \$436 in 2020 and 2019, respectively, assuming that all other factors remain unchanged. For equity investments carried at fair value through other comprehensive income, the above changes would increase gain or loss on investment by \$24.

Cash flow and fair value risk of interest rate

The Company had no debt instrument that was susceptible to significant interest rate risk.

(2) Credit risk

- A. Credit risk refers to the possibility of losses suffered by the Company due to its customers or financial instrument counterparties becoming unable to fulfill contractual obligations. These risk events mostly involve the counterparties being unable to settle the amount collectible or the contractual cash flow according to the payment terms agreed.
- B. The Company has developed credit risk management practices. According to the Company's internal credit policy, all departments are required to perform credit risk management and analysis on every new customer before establishing payment and delivery terms. The Company adopts an internal risk management system that assesses credit quality by considering customers' financial position, previous

conduct, and other relevant factors. The board of directors sets individual counterparty risk limits based on internal or external assessments. Uses of credit limit are monitored on a regular basis.

- C. The Company adopts the assumptions stated in IFRS 9 and treats a contract to be in default if payment is overdue for more than 90 days.
- D. The Company has adopted the following assumptions mentioned in IFRS 9 to provide the basis for identifying any significant increase in the credit risk of a financial instrument held on hand after initial recognition:
A financial asset is considered to have exhibited a significant increase in credit risk after initial recognition when contractual payment (according to the terms of the underlying contract) becomes past due for more than 30 days.
- E. The Company distinguishes accounts receivable by customers' characteristics and adopts a simplified approach along with the use of provision matrix and loss given default to estimate expected credit loss.
- F. Financial assets that are rationally deemed unrecoverable after exhausting collection efforts are charged off. In which case, however, the Company will continue taking legal actions to secure debt entitlement. The Company had no charged-off debt with ongoing collection activities as at December 31, 2020 and 2019.
- G.(1) Customers of good credit background and insured accounts receivable are subject to loss given default of 0.2%. As at December 31, 2020 and 2019, the Company had outstanding accounts receivable of \$52,263 and \$95,848 and had made bad debt provisions of \$105 and \$192, respectively.

- (2) The Company takes into account multiple considerations, including future prospects of the global economy, historical and current information etc. to determine loss given default, which is used for estimating loss provisions on notes and accounts receivable from customers under normal credit conditions. Provision matrix as at December 31, 2020 and 2019, is as follows:

| | Current | Overdue within 30 days | Overdue 31 - 60 days | Overdue 61 - 90 days | Overdue 91 - 120 days | Overdue 121 days and above | Total |
|-----------------------------|---------|------------------------|----------------------|----------------------|-----------------------|----------------------------|-----------|
| <u>December 31, 2020</u> | | | | | | | |
| Expected loss given default | 0~2% | 6% | 23% | 47% | 50% | 100% | |
| Total book value | ##### | \$ 111 | \$1,748 | \$ - | \$ 285 | \$ 3,708 | \$ 61,950 |
| Loss provision | \$ 26 | \$ - | \$ 404 | \$ - | \$ 142 | \$ 3,708 | \$ 4,280 |
| | | | | | | | |
| | Current | Overdue within 30 days | Overdue 31 - 60 days | Overdue 61 - 90 days | Overdue 91 - 120 days | Overdue 121 days and above | Total |
| <u>December 31, 2019</u> | | | | | | | |
| Expected loss given default | 0~2% | 4% | 15% | 41% | 50% | 100% | |
| Total book value | ##### | \$ 582 | \$ 15 | \$ - | \$ - | \$ 1,490 | \$ 41,262 |
| Loss provision | \$ 18 | \$ 23 | \$ 2 | \$ - | \$ - | \$ 1,490 | \$ 1,533 |

H. Below are changes in loss provision on notes and accounts receivable (including related parties), determined using the simplified approach:

| | 2020 | 2019 |
|---|----------|----------|
| January 1 | \$ 1,725 | \$ 2,104 |
| Provision (reversal) of impairment loss | 2,660 | (351) |
| Amount unrecoverable and charged off | - | (28) |
| December 31 | \$ 4,385 | \$ 1,725 |

Losses provided (reversed) in 2020 and 2019 included \$2,660 and (\$351) of impairment losses (reversal gains), respectively, that were recognized on receivables from contracts with customers.

(3) Liquidity risk

A. Cash flow projections are made by individual departments within the Company and consolidated by the Treasury Department. The Treasury Department is responsible for monitoring and predicting liquidity and capital requirements within the Company and ensuring that adequate capital has been sourced to support operational requirements.

B. As at December 31, 2020 and 2019, the Company had undrawn credit limits of \$86,800 and \$99,000, and drawn \$13,200 and \$1,000 for guarantee purpose, respectively.

C. The Company classifies non-derivative financial liabilities by maturity date. It analyzes them based on their remaining timespan from the balance sheet date until contract maturity, as shown in the following chart. The amount of contractual cash flow shown in the table below are not discounted.

| December 31, 2020 | <u>Within 1 year</u> | <u>1 to 2 years</u> | <u>2 to 5 years</u> |
|---|----------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | |
| Accounts payable | \$ 56,767 | \$ - | \$ - |
| Accounts payable - related parties | 3,935 | - | - |
| Other payables | 54,981 | - | - |
| Other payables - related parties | 3,601 | - | - |
| Lease liabilities | 2,960 | 417 | 903 |

| December 31, 2019 | <u>Within 1 year</u> | <u>1 to 2 years</u> | <u>2 to 5 years</u> |
|---|----------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | |
| Accounts payable | 52,454 | - | - |
| Accounts payable - related parties | 51,161 | - | - |
| Other payables | 57,140 | - | - |
| Other payables - related parties | 2,757 | - | - |
| Lease liabilities | 7,262 | 2,025 | 386 |

D. The Company does not expect cash flows in the maturity analysis to occur at an earlier time, or in amounts that differ significantly.

Fair value information

1. Valuation techniques and inputs used for measuring fair value of financial and non-financial instruments are defined below:

Level 1 input: Quotations that can be obtained from an active market (unadjusted) on the measurement date for asset or liability of equivalent nature. An active market is one where assets or liabilities are transacted in sufficient frequency and quantity and where price information is provided on an ongoing basis. Fair

value of investments in listed shares is determined using this input.

Level 2 input: Inputs can be observed directly or indirectly on an asset or liability, except for quotations covered in level 1 input. Fair value of investments in derivative instruments is determined using this input.

Level 3 input: Inputs that can not be observed for an asset or liability. Investments in equity instruments without an active market are valued using this input.

2. Financial instruments not measured at fair value

Accounts including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), other financial assets (presented as other current assets), guarantee deposits paid (presented as other current and non-current assets), notes payable, accounts payable (including related parties), other payables (including related parties), and lease liabilities have book value that closely resembles their fair value.

3. Information on financial and non-financial instruments measured at fair value, classified by asset, liability, nature, characteristics, risks, and levels of fair value input:

(1) The Company's assets and liabilities by nature:

| December 31, 2020 | <u>Level 1</u> <u>input</u> | <u>Level 2</u> <u>input</u> | <u>Level 3</u> <u>input</u> | <u>Total</u> |
|---|--------------------------------|--------------------------------|--------------------------------|------------------|
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 5,512 | \$ - | \$ 38,261 | \$ 43,773 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 2,381 | 2,381 |
| | <u>\$ 5,512</u> | <u>\$ -</u> | <u>\$ 40,642</u> | <u>\$ 46,154</u> |

| December 31, 2019 | <u>Level 1</u> <u>input</u> | <u>Level 2</u> <u>input</u> | <u>Level 3</u> <u>input</u> | <u>Total</u> |
|---|--------------------------------|--------------------------------|--------------------------------|------------------|
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 9,734 | \$ - | \$ 33,869 | \$ 43,603 |
| Derivatives | | | | |
| Forward exchange contracts | - | 77 | - | 77 |
| Cross currency swap | - | 177 | - | 177 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 2,381 | 2,381 |
| | <u>\$ 9,734</u> | <u>\$ 254</u> | <u>\$ 36,250</u> | <u>\$ 46,238</u> |

(2) Methods and assumptions used for measuring fair value:

A. Instruments using market quotation as fair value input (i.e. level 1), distinguished by characteristics:

| | |
|------------------|---|
| Market quotation | <u>TWSE/TPEX listed shares</u> Closing price |
|------------------|---|

- B. Except for financial instruments traded in active markets, as described above, fair values of all other financial instruments were obtained either by applying valuation techniques or by referring to counterparties' quotations.
- C. For the valuation of non-standardized financial instruments of low complexity, the Company adopts valuation techniques commonly used among market participants. Valuation models for this type of financial instrument often use observable market information as the parameter.
- D. Derivatives are valued using valuation models that are commonly accepted among market users, such as the discounted cash flow approach. Forward exchange contracts are usually valued using the prevailing forward exchange rate.
- E. Results generated from the valuation model are approximations of the estimate. The valuation technique may not reflect all relevant factors associated with the holding of financial and non-financial instruments. For this reason, estimates generated from the valuation model are adjusted using additional parameters, such as modeling risks or liquidity risks. Judging by the Company's fair value assessment modeling policies and control procedures, the management is confident that they ensure a fair presentation for the fair values of financial and non-financial instruments shown on the balance sheet. All valuation adjustments made were appropriate and necessary. All price information and parameters used in the valuation process have been thoroughly assessed and adjusted appropriately according to the prevailing market conditions.
4. There had been no transfer between level 1 and level 2 input in 2020 or 2019.
5. Changes of level 3 input in 2020 and 2019 are explained below:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| | <u>Equity instrument</u> | <u>Equity instrument</u> |
| January 1 | \$ 36,250 | \$ 10,350 |
| Additions in the current period | - | 30,000 |
| Recognized through profit and loss (Note 1) | 4,392 | 3,869 |
| Recognized in other comprehensive income (Note 2) | - | (7,969) |
| December 31 | <u>\$ 40,642</u> | <u>\$ 36,250</u> |

Note 1: Presented as other gains and losses.

Note 2: Presented as unrealized gain/loss on valuation of equity instruments at fair value through other comprehensive income.

6. There had been no transfer to or from level 3 input in 2020 or 2019.
7. The Treasury Department is responsible for validating the fair value of assets that require

the use of level 3 fair value input. The department relies on independent sources of information to ensure that the valuation results closely resemble the market condition; it verifies that information is obtained from independent, reliable, and consistent sources; and makes necessary fair value adjustments to ensure that valuation results are reasonable.

Furthermore, the Treasury Department has financial instrument fair value evaluation policies and procedures in place and adopts practices to ensure compliance with International Financial Reporting Standards.

8. Quantitative information and sensitivity of significant and unobservable inputs used for level 3 fair value measurement are explained below:

| | <u>Fair value as at</u> <u>December 31,</u> <u>2020</u> | <u>Valuation</u> <u>technique</u> | <u>Significant</u> <u>and</u> <u>unobservable</u> <u>input</u> | <u>Range</u> <u>(weighted</u> <u>average)</u> | <u>Relationship</u> <u>between input</u> <u>and fair value</u> |
|-----------------------------------|---|--------------------------------------|---|---|--|
| Equity instrument: | | | | | |
| Non-listed shares | \$ 2,381 | Discounted cash flow method | Note 1 | Not applicable | Note 2 |
| Shares of joint venture companies | 38,261 | Net asset value approach | Not applicable | Not applicable | Not applicable |

| | <u>Fair value as at</u> <u>December 31,</u> <u>2019</u> | <u>Valuation</u> <u>technique</u> | <u>Significant</u> <u>and</u> <u>unobservable</u> <u>input</u> | <u>Range</u> <u>(weighted</u> <u>average)</u> | <u>Relationship</u> <u>between input</u> <u>and fair value</u> |
|-----------------------------------|---|--------------------------------------|---|---|--|
| Equity instrument: | | | | | |
| Non-listed shares | \$ 2,381 | Discounted cash flow method | Note 1 | Not applicable | Note 2 |
| Shares of joint venture companies | 33,869 | Net asset value approach | Not applicable | Not applicable | Not applicable |

Note 1: Long-term revenue growth rate, the weighted average cost of capital, long-term pre-tax operating profit, discount for lack of marketability, discount for minority interest.

Note 2: The higher the weighted average cost of capital, discount for lack of marketability, and discount for minority interest, the lower the fair value; the higher the long-term revenue growth rate and long-term pre-tax operating profit, the higher the fair value.

9. The Company exercises a high level of discretion and evaluation in selecting valuation models and parameters. However, the uses of different valuation models or parameters

may produce different valuation results.

XIII. Other disclosures

(I) Information related to significant transactions

Significant transactions are undertaken by the Company in 2020, as defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers, are explained below; disclosures concerning investees have been prepared based upon investees' audited financial statements for the corresponding period; transactions with subsidiaries have been eliminated while preparing the consolidated financial report, and are disclosed below solely for reference.

1. Loans to external parties: Please refer to Attachment 1.
2. Endorsement/guarantee to external parties: None.
3. End-of-period holding position of marketable securities (excluding investment in subsidiaries, associated companies, and joint ventures): Please refer to Attachment 2.
4. Cumulative purchase or sale of the same marketable securities amounting to NT\$300 million or more than 20% of the paid-up capital: None.
5. Acquisition of real estate amounting to NT\$300 million or more than 20% of paid-up capital: None.
6. Disposal of real estate amounting to NT\$300 million or more than 20% of paid-up capital: None.
7. Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital: Please refer to Attachment 3.
8. Related party accounts receivable amounting to NT\$100 million or more than 20% of paid-up capital: None.
9. Trading of derivatives: Please see Notes 6(2) and (9).
10. Major business dealings between the parent company and subsidiaries and transactions between subsidiaries: Please see Attachment 4.

Information on business investments

Names, locations, and information on investees (excluding Mainland investees): Please see Attachment 5.

Information relating to investments in the Mainland

1. Profile: Please see Attachment 6.
2. Significant transactions with Mainland investees, whether directly invested or indirectly invested through a third location: None.

Information on major shareholders

Information on major shareholders: Please see Attachment 7.

XIV. Segment information

Not applicable.

ONYX Healthcare Inc.
Cash and cash equivalents
December 31, 2020

Unit: NT\$ thousand

| Account set 1 | | | |
|----------------------|----------------------------------|-------------------|---------|
| Item | Summary | Amount | Remarks |
| Petty cash | | \$ 296 | |
| Demand deposit - NTD | | 161,165 | |
| | USD 2,996,098.18; exchange rate: | | |
| | 28.48 | 85,329 | |
| | EUR 250,574.70; exchange rate: | | |
| | 35.02 | 8,775 | |
| Time deposit - NTD | | 40,000 | |
| | | <u>\$ 295,565</u> | |

All time deposits mentioned above mature in less than 3 month's time and accrue interests at 0.34%.

ONYX Healthcare Inc.
Net accounts receivable
December 31, 2020

Unit: NT\$ thousand

Account set 2

| Customer name | Summary | Amount | Remarks |
|-----------------------|---------|------------------|---|
| Customer A | | \$ 19,772 | |
| Customer B | | 8,544 | |
| Customer C | | 5,489 | |
| Customer D | | 4,152 | |
| Customer E | | 3,747 | |
| Others | | 17,792 | No single customer represented more than 5% of this account balance |
| | | 59,496 | |
| Less: loss provisions | | (4,385) | |
| | | <u>\$ 55,111</u> | |

ONYX Healthcare Inc.
Inventory
December 31, 2020

Account set 3

Unit: NT\$ thousand

| <u>Item</u> | <u>Summary</u> | <u>Amount</u> | | <u>Remarks</u> |
|---|----------------|------------------|-----------------------------|---|
| | | <u>Cost</u> | <u>Net realizable value</u> | |
| Raw materials | | \$ 85,367 | \$ 77,980 | Measured at replacement cost or original cost |
| Work-in-progress | | 26,696 | 26,514 | Measured at net realizable value |
| Semi-finished goods | | 45,592 | 37,783 | Measured at net realizable value |
| Finished goods | | <u>11,447</u> | <u>11,536</u> | Measured at net realizable value |
| | | 169,102 | <u>\$ 153,813</u> | |
| Less: Allowance for obsolescence and devaluation loss | | <u>(17,037)</u> | | |
| | | | <u>\$ 152,065</u> | |

ONYX Healthcare Inc.

Change in equity-accounted investments
January 1 to December 31, 2020

Unit: NT\$ thousand

Account set 4

| Name | <u>Opening balance</u> | | <u>Current period increase</u> | | <u>Current period decrease</u> | | <u>Closing balance</u> | | <u>Market price or net equity</u> | | |
|---------|------------------------|------------------|--------------------------------|--------------------|--------------------------------|--------------------|------------------------|------------|-----------------------------------|-----------------|-------------|
| | Shares | Book value | Shares | Amount (Note 1) | Shares | Amount (Note 2) | Shares | Proportion | Amount | Unit price (\$) | Total price |
| OHU | 200,000 | \$ 84,047 | - | \$ 17,742 | - | (\$ 6,325) | 200,000 | 100% | \$ 95,464 | \$ - | - |
| ONI | 100,000 | 11,582 | - | 3,221 | - | - | 100,000 | 100% | 14,803 | - | - |
| OCI | - | 7,495 | - | 156 | - | (3,029) | - | 100% | 4,622 | - | - |
| iHelper | 1,656,000 | 10,292 | - | - | - | (1,847) | 1,656,000 | 46% | 8,445 | - | - |
| Winnate | 9,363,000 | 505,586 | 482,000 | 61,854 | - | (30,338) | 9,845,000 | 14% | 537,102 | 75.1 | 739,360 |
| | | <u>\$619,002</u> | | <u>\$ 82,973</u> | | <u>(\$41,539)</u> | | | <u>\$660,436</u> | | |

Note 1: Increases in the current period are the result of additional investments, the share of gain from subsidiaries, associated companies, and joint ventures using the equity method, and cumulative translation adjustments.

Note 2: Decreases in the current period are the result of cash dividends collected from investees, share of loss from subsidiaries, associated companies, and joint ventures using the equity method, and cumulative translation adjustments.

ONYX Healthcare Inc.
Accounts payable
December 31, 2020

Unit: NT\$ thousand

Account set 5

| Name of supplier | Summary | Amount | Remarks |
|------------------|---------|------------------|---|
| Supplier A | | \$ 5,748 | |
| Supplier B | | 4,500 | |
| Supplier C | | 4,359 | |
| Supplier D | | 4,187 | |
| Supplier E | | 3,292 | |
| Supplier F | | 2,875 | |
| Others | | 31,806 | No single supplier represented more than 5% of this account balance |
| | | <u>\$ 56,767</u> | |

ONYX Healthcare Inc.
Operating revenues
January 1 to December 31, 2020

Account set 6

Unit: NT\$ thousand

| Item | Quantity (pieces) | Amount | Remarks |
|---------------------|-------------------|-------------------|---------|
| Sales revenue | | | |
| - Medical computers | 38,722 | \$ 846,005 | |
| - Others | 59,178 | 95,950 | |
| | | 941,955 | |
| Less: sales return | | (3,659) | |
| Sales discount | | (794) | |
| Net sales revenue | | 937,502 | |
| Service income | | 28,838 | |
| | | <u>\$ 966,340</u> | |

ONYX Healthcare Inc.
Operating costs
January 1 to December 31, 2020

Unit: NT\$ thousand

| Account set 7 | Amount |
|---|-------------------|
| Item | Amount |
| Opening raw materials | \$ 78,692 |
| Plus: Raw materials purchased in the current period | 330,270 |
| Less: Closing raw materials | (85,367) |
| Sale of raw materials | (12,069) |
| Raw materials used and reclassified to expenses | (4,941) |
| Director raw materials | 306,585 |
| Direct labor | 8,960 |
| Manufacturing overhead | 58,733 |
| Manufacturing cost | 374,278 |
| Opening balance of work-in-progress and semi-finished goods | 72,237 |
| Plus: Semi-finished goods purchased | 196,010 |
| Reclassification from finished goods | 2,706 |
| Less: Closing work-in-progress and semi-finished goods | (72,288) |
| Sale of semi-finished goods | (20,920) |
| Reclassification of work-in-progress to expenses | (3,264) |
| Cost of finished goods | 548,759 |
| Opening balance of finished goods | 13,756 |
| Plus: Finished goods purchased | 52,027 |
| Less: Closing balance of finished goods | (11,447) |
| Reclassification to semi-finished goods | (2,706) |
| Reclassification of finished goods to expenses | (4,127) |
| Production/selling cost | 596,262 |
| Cost of raw materials and semi-finished goods sold | 32,989 |
| Cost of inventory sold | 629,251 |
| Inventory obsolescence and devaluation loss | 13,108 |
| Service cost | 2,300 |
| Warranty cost | 5,537 |
| Operating costs | <u>\$ 650,196</u> |

ONYX Healthcare Inc.
Manufacturing overhead
January 1 to December 31, 2020

Account set 8

Unit: NT\$ thousand

| Item | Amount | Remarks |
|------------------------------|------------------|---|
| Salary expenses | \$ 28,126 | |
| Depreciation | 20,311 | |
| Sundry purchases | 4,518 | |
| Insurance premium | 3,442 | |
| Other manufacturing overhead | 2,336 | No single item represented more than 5% of this account balance |
| | <u>\$ 58,733</u> | |

ONYX Healthcare Inc.
Selling expenses
January 1 to December 31, 2020

Unit: NT\$ thousand

Account set 9

| Item | Summary | Amount | Remarks |
|----------------------|---------|------------------|--|
| Service charges | | \$ 27,988 | |
| Salary expenses | | 21,130 | |
| Advertising expenses | | 4,341 | |
| Other expenses | | 5,023 | No single item represented more than 5% of this account balance |
| | | <u>\$ 58,482</u> | |

ONYX Healthcare Inc.
Administrative expenses
January 1 to December 31, 2020

Unit: NT\$ thousand

Account set 10

| Item | Summary | Amount | Remarks |
|-------------------------------|---------|------------------|--|
| Salary expenses | | \$ 26,488 | |
| Professional service expenses | | 3,557 | |
| Insurance premium | | 3,321 | |
| Donation | | 2,135 | |
| Other expenses | | 6,423 | No single item represented more than 5% of this account balance |
| | | <u>\$ 41,924</u> | |

ONYX Healthcare Inc.
R&D expenses
January 1 to December 31, 2020

Unit: NT\$ thousand

Account set 11

| Item | Summary | Amount | Remarks |
|------------------|-----------|---------------|---|
| Salary expenses | \$ | 34,630 | |
| R&D budget | | 11,024 | |
| Testing expenses | | 7,898 | |
| Other expenses | | 12,045 | No single item represented more than 5% of this account balance |
| | <u>\$</u> | <u>65,597</u> | |

ONYX Healthcare Inc.

Summary of current employee welfare, depreciation, and amortization by function

January 1 to December 31, 2020

Account set 12

Unit: NT\$ thousand

| <u>Item</u> | <u>2020</u> | | <u>2019</u> | | <u>Total</u> |
|---------------------------------|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|-------------------|
| | <u>Presented as operating cost</u> | <u>Presented as operating expense</u> | <u>Presented as operating cost</u> | <u>Presented as operating expense</u> | |
| Employee benefit expenses | | | | | |
| Salary expenses | \$ 37,086 | \$ 79,848 | \$ 116,934 | \$ 30,726 | \$ 113,452 |
| Labor/health insurance premium | 3,090 | 5,167 | 8,257 | 2,436 | 7,543 |
| Pension expense | 1,560 | 3,058 | 4,618 | 1,200 | 4,149 |
| Directors' compensation | - | 2,400 | 2,400 | - | 2,400 |
| Other employee benefit expenses | 495 | 668 | 1,163 | 463 | 1,289 |
| | <u>\$ 42,231</u> | <u>\$ 91,141</u> | <u>\$ 133,372</u> | <u>\$ 34,825</u> | <u>\$ 128,833</u> |
| Depreciation | <u>\$ 20,311</u> | <u>\$ 1,583</u> | <u>\$ 21,894</u> | <u>\$ 16,771</u> | <u>\$ 18,922</u> |
| Amortization | <u>\$ -</u> | <u>\$ 952</u> | <u>\$ 952</u> | <u>\$ -</u> | <u>\$ 413</u> |

1. The Company employed a total of 114 employees in 2020 and 101 employees in 2019; the number of directors without a concurrent role as an employee was 5 in both years.

2. The Company is required to make the mandatory disclosures below given that its shares are listed for trading on Taipei Exchange (TPEX):

(1) Average employee benefit expense was reported at \$1,202 for 2020 and \$1,317 for 2019.

(2) Average employee salary expense was reported at \$1,073 for 2020 and \$1,182 for 2019.

(3) Change in average employee salary expenses was calculated at (9.22%).

(4) The Company has assembled an Audit Committee. Therefore no compensation was recognized for supervisors in 2020 and 2019.

3. The Company's salary/comensation policy: The Company's director, manager, and employee salary/comensation policies and procedures take into consideration the performance of the organization, industry risks and trends, as well as performance, target accomplishment, and contribution of each individual.

ONYX Healthcare Inc.
Loans to external parties

January 1 to December 31, 2020

Attachment 1

Unit: NT\$ thousand
(unless specified otherwise)

| Serial No. (Note 1) | Lender | Borrower | Onyx Healthcare (Shanghai) Inc. | Other receivables | Transaction | Whether a related party | Highest balance in the current period (Note 4) | Closing balance (Note 4) | Actual amount drawn (Note 4) | Interest rate range (Note 4) | Nature of loan transactions (Note 2) | Amount in business (Note 3) | Reason for short-term funding (Note 3) | Bad debt provisions made | Collateral Name Value | Single borrower lending limit (Note 3) | Aggregate lending limit (Note 3) | Remarks (Note 3) |
|---------------------|----------------------|---------------------------------|---------------------------------|-------------------|-------------------|-------------------------|--|--------------------------|------------------------------|------------------------------|--------------------------------------|-----------------------------|--|--------------------------|-----------------------|--|----------------------------------|------------------|
| 0 | ONYX Healthcare Inc. | Onyx Healthcare (Shanghai) Inc. | | | Other receivables | Y | \$3,925 (USD\$138) | \$ - (USD\$ -) | \$ - (USD\$ -) | 5.76% | 2 | \$ - | Working capital | \$ - | None | \$ 104,294 | \$417,174 | None |

Note 1: Explanation to the serial number column:

(1). 0 denotes issuer.

(2). Investees are numbered in sequential order starting from 1.

Note 2: For the nature of the loan, specified either as a business transaction or short-term financing.

(1). 0 denotes issuer.

(2). Investees are numbered in sequential order starting from 1.

Note 3: The sum of loans granted to external parties shall not exceed 40% of the Company's net worth, as shown in the latest audited or auditor-reviewed financial statements.

Loans to a single external party shall not exceed 10% of the Company's current net worth. If the purpose is for business transactions, the amount in loans shall not exceed the value of business transactions between the two parties in the most recent year. Value of business transactions refers to the amount in purchase or sale between two parties, whichever the higher.

Note 4: Foreign currencies are converted into NTD and presented in this Attachment using the exchange rate as at the end of the reporting period.

ONYX Healthcare Inc.

End-of-period marketable securities holding position (excluding investment in subsidiaries, associated companies and joint ventures)

December 31, 2020

Attachment 2

Unit: NT\$ thousand
(unless specified otherwise)

| Company name | Type of security | Name of security | Relationship with the securities issuer | Account category | Shares | End-of-period | | Remarks |
|----------------------|------------------|--|--|---|-----------|---------------------|-------------------------|------------------|
| | | | | | | Book value (Note 3) | Shareholding percentage | |
| ONYX Healthcare Inc. | Shares | MELTEN CONNECTED HEALTHCARE INC. (Note 1) | None | Financial assets at fair value through other comprehensive income - non-current | 4,193,548 | \$ 2,381 | 6.47% | (Note 4) None |
| ONYX Healthcare Inc. | Shares | MACHVISION Inc Co., LTD | Other related party - the Company's Chairman concurrently serves as director in the entity | Financial assets at fair value through profit or loss - current | 18,716 | 5,512 | 0.04% | " |
| ONYX Healthcare Inc. | Shares | Taiwan Star Venture Capital Investment Co., Ltd. | None | Financial assets at fair value through profit or loss - non-current | 3,000,000 | 38,261 | 13.04% | " |

Note 1: Securities mentioned in the financial statements shall refer to shares, bonds, beneficiary certificates, and any securities derived from the above, as specified in IFRS 9 "Financial Instruments."

Note 2: Not required if the securities issuer is a non-related party.

Note 3: For items that are measured at fair value, the amount in fair value after adjustment and net of cumulative impairment is shown in the book value column; for items that are not measured at fair value, the amount in original acquisition cost or cost after amortization net of cumulative impairment is shown in the book value column.

Note 4: All securities that have been placed as collateral, borrowed against, or are subject to restrictions under agreed terms shall have details such as the quantity pledged, the amount charged, and restrictions explained in the remarks column.

ONYX Healthcare Inc.

Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital

January 1 to December 31, 2020

Attachment 3

Unit: NT\$ thousand
(unless specified otherwise)

| | | Transaction summary | | | | Distinctive terms of trade and reasons (Note 1) | | Notes and accounts receivable (payable) | | |
|---------------------------|---------------------------|---------------------|-----------|--|-------------------------|--|------------|---|--|------------------|
| Name of buyer (seller) | Name of counterparty | Purchase (sale) | Amount | As a percentage to total purchases (sales) | Loan tenor | Unit price | Loan tenor | Balance | As a percentage of total notes and accounts receivable (payable) | Remarks (Note 2) |
| ONYX Healthcare Inc. | ONYX HEALTHCARE USA, INC. | Subsidiary | (286,739) | (29.67%) | 90 days after month-end | - | - | \$ 52,484 | 47.79% | None |
| ONYX Healthcare Inc. | AAEON Technology Inc. | Parent company | 74,302 | 12.85% | 30 days after month-end | - | - | (2,726) | (4.49%) | " |
| ONYX HEALTHCARE USA, INC. | AAEON Technology Inc. | Parent company | 190,613 | 38.33% | 60 days after month-end | - | - | (31,634) | (37.49%) | " |

Note 1: Where the terms of related party transactions differ from ordinary transactions, the discrepancy and causes of discrepancy shall be explained in the unit price and loan tenor columns.

Note 2: In the case of advanced receipt (prepayment), explain in the remarks column the reason, terms & conditions, amount, and deviation from general transaction terms.

Note 3: Paid-up capital refers to that of the Parent company. If the issuer has issued shares without a face value or at face values other than NT\$10 per share, the 20% requirement on paid-up capital shall be calculated instead at 10% of equity attributable to parent company shareholders, as shown on the balance sheet.

Note 4: Disclose the revenue side; no disclosure is needed on the opposing side of the same transaction.

ONYX Healthcare Inc.

Major business dealings between the parent company and subsidiaries and transactions between subsidiaries

January 1 to December 31, 2020

Attachment 4

Unit: NT\$ thousand
(unless specified otherwise)

Transaction summary

| <u>Serial No.</u> (Note 1) | <u>Name of transacting party</u> | <u>Counterparty</u> | <u>Relationship with the transacting party</u> (Note 2) | <u>Account</u> | | <u>Amount</u> | <u>Transaction terms</u> 90 days after month-end 90 days after month-end | <u>As a percentage of consolidated revenues or total assets</u> (Note 3) |
|-------------------------------|----------------------------------|---------------------------|--|---------------------|---------------------|---------------|--|---|
| | | | | Sales | Accounts receivable | | | |
| 0 | ONYX Healthcare Inc. | ONYX HEALTHCARE USA, INC. | 1 | Sales | \$ | 286,739 | | 21.28% |
| " | " | " | " | Accounts receivable | | 52,484 | | 3.77% |

Note 1: Business dealings between the parent company and subsidiaries are indicated in the serial number column. The numbering rule is explained below:

(1) 0 for the parent company.

(2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related party transactions are distinguished into one of three categories, as shown below. Only the category is indicated (no duplicate disclosure is made on two counterparties of the same transaction; for example, in a parent-to-subsubsidiary transaction, no disclosure is made on the subsidiary's end if disclosure has already been made on the parent company's end; in a subsidiary-to-subsubsidiary transaction, no disclosure is made on one subsidiary's end if disclosure has already been made on the other subsidiary):

(1) Parent to subsidiary.

(2) Subsidiary to parent.

(3) Subsidiary to subsidiary.

Note 3: Calculation for business dealings as a percentage of total consolidated revenues or total assets is explained as follows: for balance sheet items, percentage of period-end balance is calculated relative to consolidated total assets or liabilities; for profit and loss items, percentage of end-of-period cumulative amount is calculated relative to consolidated total revenues.

Note 4: The Company determines key transactions presented in this chart based on principles of materiality.

Note 5: Individual transactions that amount to less than \$50,000 are not disclosed; disclose the asset or revenue side only. No further disclosure is needed on the opposing side of the same transaction.

ONYX Healthcare Inc.

Names, locations and information on investees (excluding Mainland investees)

January 1 to December 31, 2020

Attachment 5

Unit: NT\$ thousand
(unless specified otherwise)

| Name of investor | Name of investee (Notes 1 and 2) | Location | Main business activities | Sum of initial investment | | Period-end holding position | | Current period profit/loss of the investee (Note 2(2)) | Investment gains/losses recognized in the current period (Note 2(3)) | Remarks |
|----------------------|-------------------------------------|-----------------|--|---------------------------|-------------------------|-----------------------------|-------------------|---|--|---------|
| | | | | End of current period | End of previous year | Shares | Percentage (%) | | | |
| ONYX Healthcare Inc. | ONYX HEALTHCARE USA, INC. | USA | Sale of medical computers and peripherals | \$ 56,960 | \$ 59,960 | 200,000 | 100 | \$ 17,497 | \$ 17,497 | None |
| ONYX Healthcare Inc. | ONYX HEALTHCARE EUROPE B.V. | The Netherlands | Marketing support and maintenance of medical computers and peripherals | 3,502 | 3,359 | 100,000 | 100 | 2,443 | 2,443 | " |
| ONYX Healthcare Inc. | iHELPER Inc. | Taiwan | Research, development, and sale of medical robots | 16,560 | 16,560 | 1,656,000 | 46 | (4,015) | (1,847) | " |
| ONYX Healthcare Inc. | Winmate Inc. | Taiwan | Tendering, quotation, and distribution of LCD equipment and modules | 538,199 | 510,248 | 9,845,000 | 14 | 256,062 | 33,903 | " |

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Note 1: If the public company has set up a foreign holding entity and prepared a consolidated financial report on the holding entity according to local regulations, information on foreign investees can be disclosed to the level of the foreign holding entity, and no further breakdown is needed.

Note 2: Companies that do not meet the condition described in Note 1 shall complete the form according to the following rules:

- (1) For columns including "Name of investor," "Location," "Main business activities," "Sum of initial investment," and "Period-end holding position," list down investees that are held by the Company first, followed by those held by directly controlled investees and indirectly controlled investees. Specify in the remarks column the relationship between each investee and the Company (such as a subsidiary or 2nd-tier subsidiary).
- (2) For "Current period profit/loss of the investee," specify the amount in profit or loss made by each investee in the current period.
- (3) For "Investment gains/losses recognized in the current period," specify only the amount in profit or loss that the Company has recognized from directly held subsidiaries and equity-accounted investees. No disclosure is needed on indirectly held investees. When disclosing "current gains/losses recognized on directly held subsidiaries," make sure that the gains/losses already include investment gains/losses that they are required to recognize on their investments.

Note 3: Amounts that are denominated in foreign currencies shall be converted into NTD using either the average exchange rate between January 1 and December 31, 2020 for profit and loss items or the exchange rate as at the end of the reporting period for all other items.

ONYX Healthcare Inc.
Mainland investments - profile
January 1 to December 31, 2020

Attachment 6 Unit: NT\$ thousand
(unless specified otherwise)

| Name of Mainland investee | Main business activities | Method of investment (Note 1) | Opening cumulative balance of investment capital invested from Taiwan | Investment capital contributed or recovered during the current period | Closing cumulative balance of investment capital invested from Taiwan | The Company's direct or indirect holding percentage (%) | Investment gains (losses) recognized in the current period (Note 2(2)B.) | Closing investment book value | Investment gains recovered to date | Remarks |
|---------------------------------|---|-------------------------------|---|---|---|---|--|-------------------------------|------------------------------------|---------|
| Onyx Healthcare (Shanghai) Inc. | Sale of medical computers and peripherals | 1 | \$ 56,960 | \$ - | \$ 56,960 | 100(\$ 3,029) | \$ 3,029 | \$ 4,622 | \$ - | None |

| Company name | Closing cumulative balance of investment capital transferred from Taiwan into Mainland | Limits authorized by the Investment Commission, Ministry of Economic Affairs, for investing in Mainland China |
|----------------------|--|---|
| ONYX Healthcare Inc. | \$ 56,960 | \$ 631,709 |

Note 1: Method of investment is distinguished between the three categories below, and presented in category name only:

- (1) Direct investment into the Mainland
- (2) Indirect investment into the Mainland through a third location (please indicate the name of the investee at the third location)
- (3) Other method

Note 2: With regards to investment gains/losses recognized in the current period:

- (1) Additional remarks are made for investments that are in the midst of preparation and have yet to produce gains or losses
- (2) Investment gains or losses are specified for having been recognized using one of the following three bases
 - A. Based on financial statements audited by the R.O.C. partner of an international CPA firm.
 - B. Based on audited financial statements of the parent company in Taiwan.
 - C. Others.

Note 3: Figures in this chart are presented in NTD.

Note 4: Amounts that are denominated in foreign currencies shall be converted into NTD using either the average exchange rate between January 1 and December 31, 2020 for profit and loss items or the exchange rate as at the end of the reporting period for all other items.

ONYX Healthcare Inc.

Information on major shareholders

December 31, 2020

Attachment 7

| <u>Name of major shareholder</u> | <u>Number of shares held</u> | <u>Shareholding</u> | <u>Shareholding percentage (%)</u> |
|----------------------------------|------------------------------|---------------------|------------------------------------|
| AAEON Technology Inc. | 13,756,431 | | 50.00 |
| Chuang, Yung-Shun | 2,147,162 | | 7.80 |
| ASUSTeK Computer Inc. | 1,540,102 | | 5.59 |

Note 1: Information on major shareholders, as presented in this chart, was taken from records of Taiwan Depository & Clearing Corporation as at the final business day of the reported quarter; and included parties holding book-entry common and preferred shares (including treasury stock) for aggregate ownership of 5% and above.

Share capital reported in the Company's financial statements may differ from the number of shares delivered via book entry due to different basis of preparation/calculation.

Note 2: Shareholders who placed shares under the trust are disclosed in trustors' sub-accounts held with various trustees. According to Securities and Exchange Act, shareholders with more than 10% ownership interest are subject to insider equity reporting. Insider equity includes shares held in own name and any shares placed under a trust that the insider has control over. Please access Market Observation Post System for reports on insider equity.

Onyx Healthcare Inc.



Chairman Chuang, Yung-Shun

