

**ATEN INTERNATIONAL CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of ATEN INTERNATIONAL CO., LTD. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ATEN INTERNATIONAL CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: ATEN INTERNATIONAL CO., LTD.

Chairman: Sun-Chung Chen

Date: March 8, 2022



安侯建業聯合會計師事務所
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Independent Auditors' Report

To the Board of Directors of ATEN INTERNATIONAL CO., LTD.:

Opinion

We have audited the consolidated financial statements of ATEN INTERNATIONAL CO., LTD. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ATEN INTERNATIONAL CO., LTD. and its subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of ATEN INTERNATIONAL CO., LTD. and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to notes 4(o) and 6(r) for disclosure related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating ATEN INTERNATIONAL CO., LTD. and its subsidiaries' financial or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue recognition rely on subjective judgment of the management. Hence, we consider it as the key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed included testing the effectiveness of the design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing significant sales contract to determine whether the key judgments and assumptions of revenue recognition are reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying them with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

2. Inventory measurement

Please refer to notes 4(h), 5, and 6(f) for disclosure related to inventory measurement.

Description of key audit matter:

The inventory is measured at the lower of cost and net realizable value. Due to the update of technology, the inventory might be out of date or no longer meets the requirement of the market, which may result in a decline on the price of the product resulting in the cost of the inventory to be higher than the net realizable value. The measurement of inventory depends on the evaluation of the management based on several evidences. Therefore, we consider it as a key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand the management's accounting policy of inventory measurement and determine whether it is reasonable and is being implement. The procedures include inspecting the method of inventory valuation assumption is consistently and evaluating whether the assumption is needed to be adjusted due to the operating and economic condition change. Obtaining the inventory valuation table, understanding the net realizable values by management and the variation of the prices, in the period after the reporting date, to ensure the appropriateness of the valuation price. Reviewing the reason and verifying the accuracy on past three years and current year's allowance of inventory. Assessing whether the disclosure of provision for inventory valuation is appropriate.

Other Matter

ATEN INTERNATIONAL CO., LTD. has prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including Audit Committee or the supervisors) are responsible for overseeing ATEN INTERNATIONAL CO., LTD. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Chung-shun Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets									
11xx Current assets:					21xx Current liabilities:				
1100 Cash and cash equivalents (note 6(a))	\$ 1,565,739	22	941,902	13	2100 Short-term borrowings (notes 6(k) and 8)	\$ 541,731	7	781,779	10
1110 Financial assets at fair value through profit or loss – current (note 6(b))	606,829	9	1,933,163	26	2322 Current portion of long-term borrowings (notes 6(k) and 8)	5,012	-	5,608	-
1120 Financial assets at fair value through other comprehensive income – current (note 6(c))	6,941	-	5,116	-	2120 Financial liabilities at fair value through profit or loss – current (note 6(b))	696	-	7,858	-
1140 Contract assets – current (note 6(r))	8,678	-	1,532	-	2150 Notes payable	2,146	-	1,873	-
1150 Notes receivable, net (notes 6(d) and (r))	8,282	-	9,574	-	2170 Accounts payable	432,706	6	350,867	5
1170 Accounts receivable, net (notes 6(d) and (r))	862,120	12	758,222	10	2219 Other payable (note 6(s))	571,739	8	610,934	8
1200 Other receivables (note 6(e))	17,150	-	1,906	-	2230 Current tax liabilities	257,803	4	192,811	3
130x Inventories(note 6(f))	1,021,449	14	1,013,610	14	2250 Provisions – current (note 6(l))	25,680	-	25,277	-
1410 Prepayments	92,720	1	67,644	1	2280 Current lease liabilities (note 6(m))	101,947	1	62,373	1
1470 Other current assets	14,394	-	32,647	-	2399 Other current liabilities	112,399	2	70,232	1
Total current assets	4,204,302	58	4,765,316	64	Total current liabilities	2,051,859	28	2,109,612	28
15xx Non-current assets:					25xx Non-Current liabilities:				
1517 Financial assets at fair value through other comprehensive income – non-current (note 6(c))	21,617	-	24,780	-	2540 Long-term borrowings (notes 6(k) and 8)	5,014	-	53,891	1
1600 Property, plant and equipment (notes 6(h), 7, 8 and 9)	2,586,485	35	2,210,053	29	2560 Non-current tax liabilities	89,550	1	52,212	1
1755 Right-of-use assets (note 6(i))	180,389	3	168,172	2	2570 Deferred income tax liabilities (note 6(o))	177,909	3	174,539	2
1780 Intangible assets(note 6(j))	10,314	-	13,680	-	2580 Non-current lease liabilities (note 6(m))	84,894	1	111,891	1
1840 Deferred income tax assets (note 6(o))	152,944	2	170,886	3	2645 Net defined benefit liabilities – non current (note 6(n))	90,318	1	93,730	1
1915 Prepayments for equipment	2,145	-	4,815	-	2670 Deposits received	730	-	1,115	-
1920 Refundable deposits	26,816	-	27,784	-	Other non-current liabilities	48,758	1	44,384	1
1980 Other financial assets – non-current (notes 8 and 9)	105,546	2	106,511	2	Total non-current liabilities	497,173	7	531,762	7
1990 Other non-current assets	2,271	-	318	-	Total liabilities	2,549,032	35	2,641,374	35
Total non-current assets	3,088,527	42	2,726,999	36	Equity attributable to shareholders of the company (note 6(p)):				
					3110 Common stock	1,194,711	16	1,194,711	16
					3200 Capital surplus:				
					3210 Additional paid-in capital	316,913	4	316,913	4
					3250 Donated assets received	50	-	50	-
						316,963	4	316,963	4
					3300 Retained earnings:				
					3310 Legal reserve	1,493,727	20	1,465,181	19
					3320 Special reserve	189,465	3	145,188	2
					3350 Unappropriated retained earnings	1,716,314	24	1,789,407	24
						3,399,506	47	3,399,776	45
					3400 Other equity interest:				
					3410 Financial statements translation differences for foreign operations	(211,146)	(3)	(107,158)	(1)
					3420 Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(17,764)	-	(17,058)	-
						(228,910)	(3)	(124,216)	(1)
					Total equity attributable to shareholders of the company	4,682,270	64	4,787,234	64
					36xx Non-controlling interests	61,527	1	63,707	1
					3xxx Total equity	4,743,797	65	4,850,941	65
1xxx Total assets	\$ 7,292,829	100	7,492,315	100	2-3xxx Total liabilities and equity	\$ 7,292,829	100	7,492,315	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2021		2020	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000 Operating revenue (note 6(r))	\$ 5,163,691	100	4,823,613	100
5000 Operating costs (notes 6(f), (h), (i), (m), (n) and (s))	<u>2,155,200</u>	<u>42</u>	<u>1,984,333</u>	<u>41</u>
5900 Gross profit	<u>3,008,491</u>	<u>58</u>	<u>2,839,280</u>	<u>59</u>
6000 Operating expenses (notes 6(d), (h), (i), (j), (m), (n), (s) and 7):				
6100 Selling expenses	1,221,588	24	1,230,751	25
6200 Administrative expenses	487,707	9	512,333	11
6300 Research and development expenses	493,622	10	489,644	10
6450 Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	<u>201</u>	<u>-</u>	<u>(1,798)</u>	<u>-</u>
Total operating expenses	<u>2,203,118</u>	<u>43</u>	<u>2,230,930</u>	<u>46</u>
6900 Operating profit	<u>805,373</u>	<u>15</u>	<u>608,350</u>	<u>13</u>
7000 Non-operating income and expenses (notes 6(g), (m) and (t)):				
7100 Interest income	1,675	-	3,475	-
7010 Other income	98,368	2	40,200	-
7020 Other gains and losses	(19,481)	-	1,056,906	22
7050 Finance costs	(17,744)	-	(21,186)	-
7060 Share of profit of associates accounted for under equity method	<u>-</u>	<u>-</u>	<u>5,573</u>	<u>-</u>
Total non-operating income and expenses	<u>62,818</u>	<u>2</u>	<u>1,084,968</u>	<u>22</u>
7900 Profit from continuing operations before tax	868,191	17	1,693,318	35
7950 Less: Income tax expenses (note 6(o))	<u>223,893</u>	<u>5</u>	<u>191,340</u>	<u>4</u>
Net income	<u>644,298</u>	<u>12</u>	<u>1,501,978</u>	<u>31</u>
8300 Other comprehensive income (notes 6(g), (o) and (p)):				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(5,557)	-	2,475	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,338)	-	(259)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(1,699)</u>	<u>-</u>	<u>461</u>	<u>-</u>
Components of other comprehensive income that will not be reclassified to profit or loss	<u>(5,196)</u>	<u>-</u>	<u>1,755</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(106,713)	(2)	2,679	-
8370 Share of other comprehensive income of associates accounted for using equity method	-	-	131	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>(106,713)</u>	<u>(2)</u>	<u>2,810</u>	<u>-</u>
8300 Other comprehensive income	<u>(111,909)</u>	<u>(2)</u>	<u>4,565</u>	<u>-</u>
8500 Total comprehensive income	<u>\$ 532,389</u>	<u>10</u>	<u>1,506,543</u>	<u>31</u>
8600 Net income attributable to:				
8610 Shareholders of the parent	\$ 637,313	12	1,499,268	31
8620 Non-controlling interests	<u>6,985</u>	<u>-</u>	<u>2,710</u>	<u>-</u>
Total comprehensive income attributable to:	<u>\$ 644,298</u>	<u>12</u>	<u>1,501,978</u>	<u>31</u>
8700 Total comprehensive income attributable to:				
8710 Shareholders of the parent	\$ 528,233	10	1,504,231	31
8720 Non-controlling interests	<u>4,156</u>	<u>-</u>	<u>2,312</u>	<u>-</u>
Total comprehensive income attributable to:	<u>\$ 532,389</u>	<u>10</u>	<u>1,506,543</u>	<u>31</u>
Basic earnings per share (in New Taiwan dollars) (note 6(q))				
9750 Basic earnings per share	<u>\$ 5.33</u>		<u>12.55</u>	
9850 Diluted earnings per share	<u>\$ 5.25</u>		<u>12.30</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital		Retained earnings				Financial statements translation differences for foreign operations	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Total			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total						
Balance at January 1, 2020	\$ 1,194,711	345,634	1,271,617	107,295	1,454,776	2,833,688	(110,346)	(16,799)	(127,145)	4,246,888	83,257	4,330,145
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	193,564	-	(193,564)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	37,893	(37,893)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(931,875)	(931,875)	-	-	-	(931,875)	(5,955)	(937,830)
Changes in equity of associates accounted for using equity method	-	885	-	-	-	-	-	-	-	885	-	885
Net income	-	-	-	-	1,499,268	1,499,268	-	-	-	1,499,268	2,710	1,501,978
Other comprehensive income	-	-	-	-	2,034	2,034	3,188	(259)	2,929	4,963	(398)	4,565
Total comprehensive income	-	-	-	-	1,501,302	1,501,302	3,188	(259)	2,929	1,504,231	2,312	1,506,543
Disposal of investments accounted for using equity method	-	(29,556)	-	-	-	-	-	-	-	(29,556)	-	(29,556)
Difference between consideration and carrying amount of subsidiaries acquired	-	-	-	-	(3,339)	(3,339)	-	-	-	(3,339)	-	(3,339)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(15,907)	(15,907)
Balance at December 31, 2020	1,194,711	316,963	1,465,181	145,188	1,789,407	3,399,776	(107,158)	(17,058)	(124,216)	4,787,234	63,707	4,850,941
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	28,546	-	(28,546)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	44,277	(44,277)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(633,197)	(633,197)	-	-	-	(633,197)	(6,336)	(639,533)
Net income	-	-	-	-	637,313	637,313	-	-	-	637,313	6,985	644,298
Other comprehensive income	-	-	-	-	(4,386)	(4,386)	(103,988)	(706)	(104,694)	(109,080)	(2,829)	(111,909)
Total comprehensive income	-	-	-	-	632,927	632,927	(103,988)	(706)	(104,694)	528,233	4,156	532,389
Balance at December 31, 2021	\$ 1,194,711	316,963	1,493,727	189,465	1,716,314	3,399,506	(211,146)	(17,764)	(228,910)	4,682,270	61,527	4,743,797

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net income before tax	\$ 868,191	1,693,318
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation expense	210,521	160,769
Amortization expense	3,366	2,243
Impairment loss (reversal of impairment loss) determined in accordance with IFRS9	201	(1,798)
Interest expenses	17,744	21,186
Interest income	(1,675)	(3,475)
Dividend income	(532)	(230)
Share of profit of associates accounted for under equity method	-	(5,573)
Losses on disposal of property, plant and equipment	1,249	352
Property, plant and equipment transferred to expenses	31	272
Gains on disposal of investments accounted for using equity method	-	(1,062,042)
Long-term borrowings transferred to other income	(62,861)	-
Prepayments for equipment transferred to expenses	433	-
Losses on lease modification	2	-
Total adjustments to reconcile profit and loss	<u>168,479</u>	<u>(888,296)</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	1,326,334	(342,156)
Contract assets	(7,146)	(1,532)
Notes receivable	1,292	(1,107)
Accounts receivable	(104,069)	(136,394)
Other receivable	(15,244)	1,219
Inventories	(6,838)	(27,808)
Prepayments	(25,076)	(2,239)
Other current assets	18,253	(99)
Total changes in operating assets, net	<u>1,187,506</u>	<u>(510,116)</u>
Net changes in operating liabilities:		
Financial liabilities held for trading	(7,162)	6,489
Notes payable	273	(2,075)
Accounts payable	81,839	(26,544)
Other payable	(39,195)	101,641
Provisions	403	487
Other current liabilities	42,631	5,734
Net defined benefit liabilities	(8,969)	(562)
Other non-current liabilities	(643)	6,340
Total changes in operating liabilities, net	<u>69,177</u>	<u>91,510</u>
Total changes in operating assets / liabilities, net	<u>1,256,683</u>	<u>(418,606)</u>
Total adjustments	<u>1,425,162</u>	<u>(1,306,902)</u>
Cash provided by operating activities	2,293,353	386,416
Dividends received	532	230
Payment of income tax	(97,510)	(45,343)
Net cash provided by operating activities	<u>2,196,375</u>	<u>341,303</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(3,000)
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	918,133
Proceeds from disposal of investments accounted for under equity method	-	205,688
Acquisition of property, plant and equipment	(528,685)	(293,968)
Proceeds from disposal of property, plant and equipment	1,483	566
Decrease (increase) in refundable deposits	968	(9,984)
Acquisition of intangible assets	-	(13,167)
Decrease in other financial assets — non-current	965	10,655
Decrease (increase) in other non-current assets	(1,953)	231
Decrease (increase) in prepayments for equipment	(4,552)	2,091
Interest received	1,675	3,475
Net cash provided by (used in) investing activities	<u>(530,099)</u>	<u>820,720</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(236,775)	77,445
Proceeds from long-term debt	31,178	32,243
Repayment of long-term borrowings	(15,165)	(5,608)
Decrease in deposits received	(385)	-
Payment of lease liabilities	(101,847)	(69,039)
Cash dividends paid	(639,533)	(937,830)
Acquisition of ownership interests in subsidiaries	-	(19,246)
Interest paid	(17,744)	(21,186)
Net cash used in financing activities	<u>(980,271)</u>	<u>(943,221)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(62,168)</u>	<u>(18,620)</u>
Increase in cash and cash equivalents for the period	623,837	200,182
Cash and cash equivalents at beginning of period	941,902	741,720
Cash and cash equivalents at end of period	<u>\$ 1,565,739</u>	<u>941,902</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

ATEN INTERNATIONAL CO., LTD. (the “Company”) was incorporated on July 6, 1979, under the laws of the Republic of China (ROC). The Company and its subsidiaries (the Group) are mainly engaged in the manufacturing and trading of computer peripheral equipment, manufacturing of wired and wireless communication equipment, and manufacturing of electronic modules and parts.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and published on March 8, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies have been applied consistently throughout the presented periods in the financial statement.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

- (b) Basis of preparation

- (i) Basis of measurement

The financial statements have been prepared on a historical cost basis, unless otherwise stated (Refer to the summary of the significant accounting policies).

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency using the exchange rates on reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries included in the consolidated financial statements

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership		Description
			December 31, 2021	December 31, 2020	
The Company	TOPMOST INTERNATIONAL CO., LTD. (TOPMOST)	Investing	100 %	100 %	
The Company	ATEN JAPAN CO., LTD. (ATEN JAPAN)	Trading of computer peripheral products	100 %	100 %	
The Company	ATEN US HOLDINGS INC. (ATEN US)	Investing	100 %	100 %	
The Company	FOREMOST INTERNATIONAL CO., LTD. (FOREMOST)	Investing	100 %	100 %	
The Company	ATEN INFOTECH N.V. (ATEN INFOTECH)	Trading of computer peripheral products	100 %	100 %	
The Company	ATECH PERIPHERALS INC. (ATECH PERIPHERALS)	Manufacturing and trading of computer peripheral products	100 %	100 %	
The Company	ATEN RESEARCH INC. (ATEN RESEARCH)	Trading of computer peripheral products	95 %	95 %	
The Company	ATEN COMPUTER PRODUCTS CO., LTD. (ATEN COMPUTER)	Manufacturing of computer peripheral products	100 %	100 %	
The Company	VISIONTOP CO., LTD. (VISIONTOP)	Specialized printing	60 %	60 %	

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership		Description
			December 31, 2021	December 31, 2020	
The Company	HONG JHENG TECHNOLOGY CO., LTD. (HONG JHENG)	Investing	100 %	100 %	
The Company	HONG YUAN CO., LTD. (HONG YUAN)	Investing	100 %	100 %	
The Company	ATEN ANZ PTY LTD. (ATEN ANZ)	Trading of computer peripheral products	100 %	100 %	
The Company	RCM FULLY AUTOMATION CO., LTD. (RCM FULLY)	Trading of computer peripheral products	26 %	26 %	
The Company	ATEN INFO COMMUNICAION LIMITED LIABILITY COMPANY (ATEN TURKEY)	Trading of computer peripheral products	100 %	100 %	
The Company	ATEN POLAND SP Z.O. O. (ATEN POLAND)	Trading of computer peripheral products	100 %	100 %	
The Company	ATEN ROMANIA S.R.L. (ATEN ROMANIA)	Trading of computer peripheral products	100 %	100 %	
The Company	ATEN ADVANCE PRIVATE LIMITED	Trading of computer peripheral products	100 %	100 %	Note 2
TOPMOST	EXPAND INTERNATIONAL CO., LTD. (EXPAND)	Investing	100 %	100 %	
TOPMOST	ATEN EUROPE LIMITED (ATEN EUROPE)	Investing	100 %	100 %	
TOPMOST	I/O MASTER INC. (I/O MASTER)	Investing	100 %	100 %	
The Company & FOREMOST	ATEN CHINA CO., LTD. (ATEN CHINA)	Trading of computer peripheral products	100 %	100 %	Note 1
FOREMOST	ATEN FOREMOST INTERNATIONAL CO., LTD. (ATEN FOREMOST)	Manufacturing and trading of computer peripheral products	100 %	100 %	
EXPAND	EXPAND ELECTRONIC CO., LTD. (EXPAND ELECTRONIC)	Manufacturing of computer peripheral products	100 %	100 %	
ATEN EUROPE	ATEN UK LIMITED (ATEN UK)	Trading of computer peripheral products	100 %	100 %	
ATEN EUROPE	ATEN KOREA CO., LTD. (ATEN KOREA)	Trading of computer peripheral products	85 %	85 %	
ATEN US	ATEN TECHNOLOGY INC. (ATEN TECHNOLOGY)	Trading of computer peripheral products	99 %	99 %	Note 3
ATEN US & ATEN TECHNOLOGY	ATEN NEW JERSEY INC. (ATEN NEW JERSEY)	Trading of computer peripheral products	99 %	99 %	Note 3
I/O MASTER	ATEN CANADA TECHNOLOGIES INC. (ATEN CANADA)	Research and development	100 %	100 %	
I/O MASTER	IOGEAR, INC.(IOGEAR)	Trading of computer peripheral products	100 %	100 %	
A TECH PERIPHERALS	RCM FULLY AUTOMATION CO., LTD. (RCM FULLY)	Trading of computer peripheral products	74 %	74 %	

Note 1: On March 2020, the Company acquired all of ATEN CHINA's non-controlling interests at the price of \$19,246 thousand, thereby increasing the Company's consolidated shareholding percentage from 70% to 100%.

Note 2: The subsidiary was established on July 22, 2020.

Note 3: On May 2020, ATEN US increased its capital investment in ATEN TECHNOLOGY by \$6,000 thousand USD, thereby increasing ATEN US's ownership percentage of ATEN TECHNOLOGY from 97% to 99% and the consolidated shareholding percentage of ATEN NEW JERSEY from 98% to 99%.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amount of money. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose should be recognized as cash equivalent.

(g) Financial instruments

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, a financial asset is classified as Financial assets measured at amortized cost, Fair value through other comprehensive income (FVOCI) or Fair value through profit or loss (FVTPL).

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Subsequent to initial recognition, inventories are measured at the lower of cost or net realizable value and the cost of inventories is based on the standard cost principle. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. The differences between standard and actual costing are fully classified as operating costs. When the cost of inventories is higher than the net realizable value, the inventories are written down to net realizable value, and the write down amount is charged to current year's cost of goods sold.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for under equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that in significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of its associates and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of its associates in 'capital surplus' in proportion to its ownership interests.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Land improvements	3 years
Buildings	2~61 years
Machinery equipment	3~10 years
Other equipment	1~12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying asset purchase option; or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases of office equipment and other equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Intangible assets

(i) Recognition and measurement

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Patents	3~5 years
2) Trademarks	3 years
3) Customer relationships	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment – Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(o) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group is mainly engaged in the manufacture and trading of computer peripheral products. The Group recognizes revenue when control of the products has been transferred. When the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract and the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers volume discounts to its customers based on aggregate sales of electronic components in the contractual period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The Group's obligation to provide a refund for faulty electronic components under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(1).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Construction contracts

The Group enters into contracts to management of IT infrastructure. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract.

The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For variable considerations, the Group estimates the amount of variable consideration using the most likely amount. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods; discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Government grants

The Group recognizes an unconditional government grant as other income or there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(r) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred income tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

When computing diluted earnings per share, all potential share are considered outstanding shares for the current period; therefore, both profit attributable to ordinary shareholders and outstanding shares should be adjusted for the impact of potential shares. Employee bonuses in the form of stock of the Company are accounted for as potential shares.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment regarding significant influence of associates

Although the Group has less than 20% of the voting or potential voting rights in Aspeed Technology Inc. (Aspeed) on December 31, 2019, the Group still has significant influence over it since the Group has the authority to assign one director to the board of Aspeed to make decision regarding its financial and operating policies. However, the Group had disposed its entire shares in Aspeed in 2020, resulting in the Group to lose significant influence over it.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 60,774	4,221
Saving deposits and foreign currency deposits	941,853	794,278
Checking deposits	29,219	25,905
Time deposits	<u>533,893</u>	<u>117,498</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 1,565,739</u></u>	<u><u>941,902</u></u>

Please refer to note 6(u) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss—current:		
Derivative instruments not used for hedging	\$ 4,209	1,825
Non-derivative financial assets	<u>602,620</u>	<u>1,931,338</u>
Total	<u><u>\$ 606,829</u></u>	<u><u>1,933,163</u></u>
	December 31, 2021	December 31, 2020
Financial liabilities held for trading—current:		
Derivative instruments not used for hedging	<u><u>\$ 696</u></u>	<u><u>7,858</u></u>

For the amount of financial assets and liabilities remeasured at fair value through profit or loss, please refer to note 6(t).

As of December 31, 2021 and 2020, the Group has not provided any aforementioned financial assets as collateral.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. The Group reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial instruments on December 31, 2021 and 2020 .

Mandatorily measured at fair value through profit or loss financial assets – Forward contract:

December 31, 2021			
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward exchange sold	EUR 3,019 /	EUR/NTD	2022.01.12~2022.03.25
	NTD 96,537		
Forward exchange sold	USD 11,046 /	USD/NTD	2022.01.04~2022.03.25
	NTD 307,152		
Forward exchange sold	JPY 169,500 /	JPY/NTD	2022.01.19~2022.02.18
	NTD 41,344		
Forward exchange sold	GBP 230 /	GBP/NTD	2022.01.19~2022.02.18
	NTD 8,733		
Forward exchange sold	USD 1,500 /	USD/CNY	2022.01.06~2022.02.23
	CNY 9,606		
Forward exchange sold	AUD 403 /	AUD/NTD	2022.01.05~2022.01.28
	NTD 8,310		
Forward exchange purchased	USD 800 /	USD/KRW	2022.02.24
	KRW 947,202		
December 31, 2020			
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward exchange sold	USD 3,300 /	USD/NTD	2021.01.04~2021.03.08
	NTD 95,199		
Forward exchange sold	USD 1,950 /	USD/CNY	2021.01.05~2021.02.03
	CNY 12,901		

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Held-for-trading financial liabilities — Forward contract:

December 31, 2021			
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward exchange sold	EUR 838 /	EUR/NTD	2022.01.05~2022.03.23
	NTD 26,236		
Forward exchange sold	USD 2,000 /	USD/NTD	2022.02.18~2022.04.01
	NTD 55,310		
Forward exchange sold	JPY 88,000 /	JPY/NTD	2022.02.18
	NTD 21,129		
Forward exchange sold	GBP 301 /	GBP/NTD	2022.02.18~2022.03.21
	NTD 11,112		
Forward exchange sold	USD 500 /	USD/CNY	2022.02.14
	CNY 3,196		
Forward exchange sold	AUD 387 /	AUD/NTD	2022.03.07~2022.04.06
	NTD 7,676		
Forward exchange purchased	USD 1,900 /	USD/KRW	2022.01.27~2022.02.24
	KRW 2,265,147		

December 31, 2020			
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward exchange sold	EUR 3,538 /	EUR/NTD	2021.01.08~2021.03.17
	NTD 120,115		
Forward exchange sold	USD 6,300 /	USD/NTD	2021.02.05~2021.04.30
	NTD 178,268		
Forward exchange sold	JPY 162,000 /	JPY/NTD	2021.01.20~2021.02.19
	NTD 44,044		
Forward exchange sold	GBP 316 /	GBP/NTD	2021.01.20~2021.03.22
	NTD 11,908		
Forward exchange sold	AUD 417 /	AUD/NTD	2021.02.05~2021.04.07
	NTD 8,652		
Forward exchange purchased	USD 2,000 /	USD/KRW	2021.01.27~2021.02.25
	KRW 2,207,622		

For credit risk and market risk please refer to note 6(u).

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

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:		
Listed stocks (domestic) — current	\$ 6,941	5,116
Unlisted stocks (domestic) — non-current	\$ 21,617	24,780

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) Equity investments at fair value through other comprehensive income

The Group held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

- (ii) For credit risk and market risk, please refer to note 6(u).

- (iii) The Group did not hold any collateral for the collectible amounts.

- (d) Notes and accounts receivable and other receivables

	December 31, 2021	December 31, 2020
Notes receivable	\$ 8,282	9,574
Accounts receivable, net	863,457	759,388
Less: allowance for impairment	1,337	1,166
	<u>\$ 870,402</u>	<u>767,796</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables on December 31, 2021. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information, including macroeconomic and relevant industry information. The expected credit losses as of was determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 755,085	0%	-
0 to 30 days past due	101,480	0%	-
31 to 60 days past due	14,369	0%	-
61 to 90 days past due	20	0%	-
91 to 120 days past due	248	0%	-
121 to 180 days past due	92	0%	-
More than 360 days past due	445	100%	445
	<u>\$ 871,739</u>		<u>445</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 695,380	0%	-
0 to 30 days past due	60,947	0%	-
31 to 60 days past due	4,203	0%	-
61 to 90 days past due	4,621	0%	-
91 to 120 days past due	30	0%	-
121 to 180 days past due	69	0%	-
181 to 360 days past due	343	0%	-
More than 360 days past due	3,369	30%~100%	1,166
	\$ 768,962		1,166

The movement in the allowance for accounts receivable was as follows:

	2021	2020
Balance at January 1	\$ 1,166	3,042
Impairment losses recognized (reversed)	201	(1,798)
Foreign exchange gain (losses)	(30)	(78)
Balance at December 31	\$ 1,337	1,166

As of December 31, 2021 and 2020, the bank has priority claim over the Group's accounts receivable amounting to \$162,006 thousand and \$152,996 thousand, respectively.

(e) Other receivables

	December 31, 2021	December 31, 2020
Other receivables	\$ 18,150	2,906
Less: Loss allowance	1,000	1,000
	\$ 17,150	1,906

As of December 31, 2021 and 2020, the Group had no other receivable that were past due but not impaired.

(f) Inventories

The components of the Group's inventories were as follows:

	December 31, 2021	December 31, 2020
Finished goods	\$ 610,979	674,745
Work in process	98,204	120,111
Raw material	312,266	218,754
	\$ 1,021,449	1,013,610

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Due to the decrease in the net realizable value of inventories, the Group recognized the inventory pricing loss as cost of goods sold. The amounts are as follows:

	<u>2021</u>	<u>2020</u>
Losses on decline in market value of in inventory	\$ 21,834	11,196
Losses on physical inventory, net	668	684
Losses on scrapping of inventory	<u>16,577</u>	<u>11,751</u>
Total	<u>\$ 39,079</u>	<u>23,631</u>

As of December 31, 2021 and 2020, the bank has priority claim over the Group's inventories amounting to \$250,728 thousand and \$365,139 thousand, respectively.

(g) Investments accounted for under equity method

The Group's investments in associate entities accounted for under equity method, which are not individually significant, were as follows. Such financial information is included in the consolidated financial statements of the Group.

	<u>2020</u>
Attributable to the Group:	
Income from continued operation	\$ 5,573
Other comprehensive income	<u>68</u>
Total comprehensive income	<u>\$ 5,641</u>

The Group disposed its entire shares in Aspeed Technology Inc. in 2020, resulting in the Group to lose significant influence over it. Thereafter, the disposal proceeds, less associated costs, amounted to \$1,123,821 thousand, in which a gain on disposal of \$1,062,042 thousand was recognized under other gains and losses in the Consolidated Statement of Comprehensive Income, including the amount previously recognized in other comprehensive income related to the associates and the amount reclassified to profit or loss from paid-in capital.

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2021	\$ 1,332,061	7,534	825,014	235,888	383,924	157,171	2,941,592
Additions	305,448	-	111,089	56,817	51,162	9,186	533,702
Disposals	-	-	-	(8,586)	(11,234)	-	(19,820)
Reclassification	-	-	119,433	29,616	4,938	(146,473)	7,514
Effect of changes in exchange rates	(14,313)	(317)	(34,069)	(1,954)	(11,249)	(10,702)	(72,604)
Balance at December 31, 2021	<u>\$ 1,623,196</u>	<u>7,217</u>	<u>1,021,467</u>	<u>311,781</u>	<u>417,541</u>	<u>9,182</u>	<u>3,390,384</u>
Balance at January 1, 2020	\$ 1,332,483	7,538	769,772	181,768	350,153	22,112	2,663,826
Additions	-	-	6,168	48,258	50,033	194,752	299,211
Disposals	-	-	-	(2,770)	(19,195)	-	(21,965)
Reclassification	-	-	45,603	8,002	5,816	(59,693)	(272)
Effect of changes in exchange rates	(422)	(4)	3,471	630	(2,883)	-	792
Balance at December 31, 2020	<u>\$ 1,332,061</u>	<u>7,534</u>	<u>825,014</u>	<u>235,888</u>	<u>383,924</u>	<u>157,171</u>	<u>2,941,592</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Land improvements	Buildings	Machinery	Other equipment	Construction in progress and testing equipment	Total
Depreciation:							
Balance at January 1, 2021	\$ -	6,269	306,229	157,370	261,671	-	731,539
Depreciation	-	188	32,642	24,140	51,139	-	108,109
Disposal	-	-	-	(7,239)	(9,849)	-	(17,088)
Reclassification	-	-	-	-	(9)	-	(9)
Effect of changes in exchange rates	-	(168)	(9,696)	(525)	(8,263)	-	(18,652)
Balance at December 31, 2021	<u>\$ -</u>	<u>6,289</u>	<u>329,175</u>	<u>173,746</u>	<u>294,689</u>	<u>-</u>	<u>803,899</u>
Balance at January 1, 2020	\$ -	6,072	280,544	143,532	233,254	-	663,402
Depreciation	-	199	24,026	15,563	48,965	-	88,753
Disposal	-	-	-	(2,348)	(18,699)	-	(21,047)
Effect of changes in exchange rates	-	(2)	1,659	623	(1,849)	-	431
Balance at December 31, 2020	<u>\$ -</u>	<u>6,269</u>	<u>306,229</u>	<u>157,370</u>	<u>261,671</u>	<u>-</u>	<u>731,539</u>
Carrying value:							
December 31, 2021	<u>\$ 1,623,196</u>	<u>928</u>	<u>692,292</u>	<u>138,035</u>	<u>122,852</u>	<u>9,182</u>	<u>2,586,485</u>
December 31, 2020	<u>\$ 1,332,061</u>	<u>1,265</u>	<u>518,785</u>	<u>78,518</u>	<u>122,253</u>	<u>157,171</u>	<u>2,210,053</u>
January 1, 2020	<u>\$ 1,332,483</u>	<u>1,466</u>	<u>489,228</u>	<u>38,236</u>	<u>116,899</u>	<u>22,112</u>	<u>2,000,424</u>

Please refer to note 8 for the information of the pledged property, plant and equipment, as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the bank has priority claim over the Group's property, plant and equipment amounting to \$9,622 thousand and \$13,678 thousand, respectively.

(i) Right-of-use assets

The Group leases its assets including its land, buildings, transportation equipment and other equipment. Information about leases, for which the Group is the lessee, is presented below:

	Land and buildings	Transportation equipment	Other equipment	Total
Cost:				
Balance at January 1, 2021	\$ 259,326	9,466	2,744	271,536
Additions	118,815	1,816	1,892	122,523
Disposal / Write-off	(24,639)	(302)	(175)	(25,116)
Effect of changes in foreign exchange rates	(11,983)	(645)	(58)	(12,686)
Balance at December 31, 2021	<u>\$ 341,519</u>	<u>10,335</u>	<u>4,403</u>	<u>356,257</u>
Balance at January 1, 2020	\$ 195,930	6,297	2,823	205,050
Additions	96,528	3,926	-	100,454
Write-off	(27,832)	(807)	-	(28,639)
Effect of changes in exchange rates	(5,300)	50	(79)	(5,329)
Balance at December 31, 2020	<u>\$ 259,326</u>	<u>9,466</u>	<u>2,744</u>	<u>271,536</u>
Accumulated depreciation:				
Balance at January 1, 2021	\$ 99,041	2,852	1,471	103,364
Depreciation	98,442	2,671	1,299	102,412
Disposal / Write-off	(24,639)	(161)	(102)	(24,902)
Effect of changes in exchange rates	(4,782)	(189)	(35)	(5,006)
Balance at December 31, 2021	<u>\$ 168,062</u>	<u>5,173</u>	<u>2,633</u>	<u>175,868</u>
Balance at January 1, 2020	\$ 58,803	1,736	760	61,299
Depreciation	69,378	1,886	752	72,016
Write-off	(27,832)	(807)	-	(28,639)
Effect of changes in exchange rates	(1,308)	37	(41)	(1,312)
Balance at December 31, 2020	<u>\$ 99,041</u>	<u>2,852</u>	<u>1,471</u>	<u>103,364</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land and buildings</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
Carrying value:				
December 31, 2021	\$ <u>173,457</u>	<u>5,162</u>	<u>1,770</u>	<u>180,389</u>
December 31, 2020	\$ <u>160,285</u>	<u>6,614</u>	<u>1,273</u>	<u>168,172</u>
January 1, 2020	\$ <u>137,127</u>	<u>4,561</u>	<u>2,063</u>	<u>143,751</u>

(j) Intangible assets

The cost, amortization and impairment losses of the intangible assets of the Group were as follows:

	<u>Goodwill</u>	<u>Patent</u>	<u>Trademark</u>	<u>Customer relationship</u>	<u>Total</u>
Costs:					
Balance at January 1, 2021 (Balance at December 31, 2021)	\$ <u>105,814</u>	<u>2,384</u>	<u>4,857</u>	<u>5,926</u>	<u>118,981</u>
Balance at January 1, 2020	\$ 105,814	-	-	-	105,814
Additions	-	2,384	4,857	5,926	13,167
Balance at December 31, 2020	\$ <u>105,814</u>	<u>2,384</u>	<u>4,857</u>	<u>5,926</u>	<u>118,981</u>
Amortization:					
Balance at January 1, 2021	\$ 103,058	374	1,079	790	105,301
Amortization	-	561	1,620	1,185	3,366
Balance at December 31, 2021	\$ <u>103,058</u>	<u>935</u>	<u>2,699</u>	<u>1,975</u>	<u>108,667</u>
Balance at January 1, 2020	\$ 103,058	-	-	-	103,058
Amortization	-	374	1,079	790	2,243
Balance at December 31, 2020	\$ <u>103,058</u>	<u>374</u>	<u>1,079</u>	<u>790</u>	<u>105,301</u>
Carrying value:					
December 31, 2021	\$ <u>2,756</u>	<u>1,449</u>	<u>2,158</u>	<u>3,951</u>	<u>10,314</u>
December 31, 2020	\$ <u>2,756</u>	<u>2,010</u>	<u>3,778</u>	<u>5,136</u>	<u>13,680</u>
January 1, 2020	\$ <u>2,756</u>	-	-	-	<u>2,756</u>

(i) Amortization Fee

The amortization fee for the intangible assets in 2021 and 2020 are recorded under operating expense in the Consolidated Statements of Comprehensive Income.

(ii) Collateral

As of December 31, 2021 and 2020, none of the Group's intangible assets have been pledged as collateral.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

December 31, 2021				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	USD	1.99~2.00	2022	\$ 113,529
Secured loans	KRW	2.03~2.19	2022	46,259
Unsecured loans	USD	0.6~1.2	2022	137,698
Unsecured loans	EUR	0.90	2022	48,555
Unsecured loans	GBP	1.35	2022	20,519
Unsecured loans	JPY	1.7355	2022	30,063
Unsecured loans	CNY	2.9598~4.50	2022	89,108
Unsecured loans	TWD	1.00~1.22	2022	56,000
Total				\$ 541,731

December 31, 2020				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	USD	2.22~2.33	2021	\$ 196,705
Secured loans	KRW	1.84~1.97	2021	91,259
Unsecured loans	USD	0.60~1.30	2021	229,490
Unsecured loans	AUD	0.67~1.14	2021	6,812
Unsecured loans	EUR	0.55~0.90	2021	71,854
Unsecured loans	GBP	1.40	2021	21,404
Unsecured loans	JPY	1.7082	2021	42,858
Unsecured loans	CNY	2.7484~3.5700	2021	96,397
Unsecured loans	TWD	1.14~1.55	2021	25,000
Total				\$ 781,779

As of December 31, 2021, and 2020, the unused credit facilities of the Group's short-term borrowings amounted to \$1,807,468 thousand and \$1,633,689 thousand, respectively.

(ii) Long-term borrowings

December 31, 2021				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	EUR	1.976	2023	\$ 10,026
Current				\$ 5,012
Non-current				5,014
Total				\$ 10,026

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020			Amount
	Currency	Interest rate (%)	Maturity year	
Secured loans	EUR	1.976	2023	\$ 16,826
Secured loans	KRW	2.72	2022	10,430
Unsecured loans	USD	1.00	2022	32,243
Total				\$ 59,499
Current				\$ 5,608
Non-current				53,891
Total				\$ 59,499

For the risk information of the Group interest rate, foreign currency and liquidity risk, please refer to note 6(u).

In 2021 and 2020, the Group applied for loans from CTBC USA branch amounting to USD\$1,113 thousand and \$1,131 thousand, respectively. The Group met the epidemic relief requirement of USA government so the loans were forgiven and transferred to other income amounted to \$62,861 thousand in 2021.

(iii) Collateral of loans

The Group has mortgaged their assets as collateral of loans. Please refer to note 8.

(l) Provisions

	Warranties
Balance as of January 1, 2021	\$ 25,277
Provisions made during the year	23,465
Provisions used during the year	(23,062)
Balance as of December 31, 2021	\$ 25,680
Balance as of January 1, 2020	\$ 24,790
Provisions made during the year	28,655
Provisions used during the year	(28,168)
Balance as of December 31, 2020	\$ 25,277

In 2021 and 2020, provisions are mainly associated with the Group's business products, and are estimated based on the historical data and weighted average of all possibility of similar merchandises and services. Most of the warranty claims are expected to arise in the following year of the sale.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Lease liabilities

The Group's lease liabilities were as follow:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Current	\$ <u>101,947</u>	<u>62,373</u>
Non-current	\$ <u>84,894</u>	<u>111,891</u>

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>6,843</u>	<u>5,331</u>
Expenses relating to short-term leases	\$ <u>17,275</u>	<u>54,866</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>948</u>	<u>615</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>126,913</u>	<u>129,853</u>

(n) Employee benefits

(i) Defined benefit plans

The Group determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Present value of the defined benefit obligations	\$ 205,758	198,274
Fair value of plan assets	(115,440)	(104,544)
The net defined benefit liability	\$ <u>90,318</u>	<u>93,730</u>

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on the employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$115,440 thousand (including pension payables in transit of \$8,350 thousand) at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation at 1 January	\$ 198,275	203,736
Current service costs and interest	2,499	3,063
Remeasurements of the net defined benefit liability (asset)		
– Return on plan assets (excluding amounts included in net interest expense)	6,547	608
– Due to changes in financial assumption of actuarial (losses) gains	105	170
Benefits paid by the plan	<u>(1,668)</u>	<u>(9,303)</u>
Defined benefit obligation at 31 December	<u><u>\$ 205,758</u></u>	<u><u>198,274</u></u>

3) Movement of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets, January 1	\$ 104,544	107,367
Interest revenue	874	1,058
Remeasurements of the net defined benefit liability		
– Return on plan assets (excluding amounts included in net interest expense)	1,095	3,315
Contributions made	10,595	2,107
Benefits paid by the plan	<u>(1,668)</u>	<u>(9,303)</u>
Fair value of plan assets, December 31	<u><u>\$ 115,440</u></u>	<u><u>104,544</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 931	1,051
Net interest on the defined benefit liability	<u>694</u>	<u>954</u>
	<u><u>\$ 1,625</u></u>	<u><u>2,005</u></u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>2021</u>	<u>2020</u>
Operating costs	\$ 531	649
Selling expenses	280	362
Administration expenses	605	755
Research and development expenses	<u>209</u>	<u>239</u>
	<u>\$ 1,625</u>	<u>2,005</u>

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting dates:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Discount rate	0.50%~1.00%	0.75%~1.00%
Future salary increases rate	2.50%~3.00%	2.50%~3.00%

The Group expects to make contributions of \$2,246 thousand to the defined benefit plans in the next year starting from the reporting date of 2021.

The weighted average duration of the defined benefit obligation is 10.8~11.5 years.

6) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2021 and 2020, the present value of defined benefit obligation impact was as follow:

	The impact on defined benefit obligation	
	<u>Increase</u>	<u>Decrease</u>
December 31, 2021		
Discount rate (0.25%)	\$ (3,020)	3,135
Future salary increase rate (1.00%)	13,128	(11,557)
December 31, 2020		
Discount rate (0.25%)	(3,182)	3,309
Future salary increase rate (1.00%)	13,673	(11,925)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labour pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method were \$53,336 thousand and \$58,788 thousand for 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(iii) Short-term employee benefit liabilities

	December 31, 2021	December 31, 2020
Paid annual leave (recorded under other payable)	<u>\$ 47,219</u>	<u>47,040</u>

(o) Income tax

(i) Income tax expenses

The amount of income tax for 2021 and 2020 were as follows:

	2021	2020
Current tax expense		
Current period	\$ 191,451	173,960
Adjustment for prior periods	<u>9,431</u>	<u>(18,072)</u>
	<u>200,882</u>	<u>155,888</u>
Deferred income tax expense		
Origination and reversal of temporary differences	<u>23,011</u>	<u>35,452</u>
Income tax expense from continuing operations	<u>\$ 223,893</u>	<u>191,340</u>

The amounts of income tax recognized in other comprehensive income for 2021 and 2020 were as follows:

	2021	2020
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	\$ 1,067	(461)
Unrealized gains on equity instruments at fair value through other comprehensive income	<u>632</u>	<u>-</u>
	<u>\$ 1,699</u>	<u>(461)</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Net income before tax	\$ <u>868,191</u>	<u>1,693,318</u>
Income tax using the Company's domestic tax rate	\$ 173,638	338,664
Effect of tax rates differences in foreign jurisdiction	32,279	20,085
Adjustments according to tax law	3,202	3,401
Exempt of Securities Trading Income	(710)	(214,300)
Tax treaty rewards	(16,359)	(11,513)
Previous unrecognized tax losses	(1,570)	(844)
Current-year losses for which no deferred income tax asset was recognized	-	420
Underestimated (overestimated) of prior year's income tax	9,431	(18,072)
Overestimated (underestimated) of prior year's deferred income tax assets	(2,976)	17,198
5% surtax on undistributed earnings	34,700	-
Income basic tax	-	21,090
Others	<u>(7,742)</u>	<u>35,211</u>
Total	\$ <u>223,893</u>	<u>191,340</u>

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

The Deferred income tax assets that have not been recognized by the Group are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Tax losses	\$ <u>6,254</u>	<u>13,342</u>

Under the income tax rate, tax losses can be carried forward for ten years to offset taxable income after permitted by domestic tax authority. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Group can utilize the benefits therefrom.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2021, the amount of tax losses from Visiontop Co., Ltd. and RCM Fully Automation Co., Ltd. is not yet recognized as deferred tax assets and their credit for the previous year is as follows:

<u>Year</u>	<u>Amount</u>	<u>Year of expiration</u>
2016	\$ 1,369	2026
2019	2,050	2029
2020	2,835	2030
	<u>\$ 6,254</u>	

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2021 and 2020 were as follows:

Deferred income tax assets:

	<u>Defined benefit plans</u>	<u>Unrealized profit from sales</u>	<u>Loss carryforward</u>	<u>Investment deduction</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2021	\$ 15,646	80,880	3,952	11,513	58,895	170,886
Recognized in profit or loss	(1,752)	(12,811)	865	(11,513)	5,570	(19,641)
Recognized in other comprehensive income	1,067	-	-	-	632	1,699
Balance at December 31, 2021	<u>\$ 14,961</u>	<u>68,069</u>	<u>4,817</u>	<u>-</u>	<u>65,097</u>	<u>152,944</u>
Balance at January 1, 2020	\$ 16,073	84,417	52,781	-	53,906	207,177
Recognized in profit or loss	34	(3,537)	(48,829)	11,513	4,989	(35,839)
Recognized in other comprehensive income	(461)	-	-	-	-	(461)
Balance at December 31, 2020	<u>\$ 15,646</u>	<u>80,880</u>	<u>3,952</u>	<u>11,513</u>	<u>58,895</u>	<u>170,886</u>

Deferred income tax liabilities:

	<u>Foreign investment income accounted for using equity method</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2021	\$ 120,628	53,911	174,539
Recognized in profit or loss	4,518	(1,148)	3,370
Balance at December 31, 2021	<u>\$ 125,146</u>	<u>52,763</u>	<u>177,909</u>
Balance at January 1, 2020	\$ 114,534	60,383	174,917
Recognized in profit or loss	6,094	(6,472)	(378)
Balance at December 31, 2020	<u>\$ 120,628</u>	<u>53,911</u>	<u>174,539</u>

(iii) Examination and Approval

The tax returns of the Company have been assessed by the tax authorities for all years through 2018.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(p) Capital and other equity

(i) Common stock

As of December 31, 2021 and 2020, the total value of nominal ordinary shares amounted to \$1,500,000, face value of each share is \$10, of which 150,000 thousand shares, 119,471 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Additional paid-in capital

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

The Company's articles of incorporation require that the Company's net earnings from the current year shall be used to offset prior years' deficits, pay income tax, provide 10% as legal reserve, provide or reverse a special reserve in accordance with Section 41 of the Securities. After the abovementioned appropriations, the distribution of the remaining earnings, if any, should be proposed by the board of directors and is subject to the stockholders' approval.

The Company's business cycle is in the constant growth stage. In consideration of the Company's future capital requirements, its long term financial plan and shareholders' satisfaction as to cash inflow, the Company's articles of incorporation stipulate that the board of directors may propose 30% or more of the distributable earnings as dividends, of which at least 10% should be distributed as cash dividends. However, such distribution depends on the current earnings and the capital condition, and is subject to the approval of stockholders.

1) Legal reserve

In accordance with the Company Act, when distributing the earnings, 10% should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special earnings reserve

In accordance with Ruling No.1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

The Group's Board of Directors resolved to appropriate the 2021 earnings from July to December. These earnings were appropriated as follows:

	2021
	July – December
	March 8, 2022
Resolution Date of ATEN's Board of Directors	
Special earnings reserve	\$ <u>39,444</u>
Cash dividends to shareholders	\$ <u>346,466</u>
Cash dividends per share (NT\$)	\$ <u>2.9</u>

The Group's Board of Directors resolved to appropriate the 2021 earnings from January to June. These earnings were appropriated as follows:

	2021
	January – June
	August 6, 2021
Resolution Date of ATEN's Board of Directors	
Special earnings reserve	\$ <u>65,249</u>
Cash dividends to shareholders	\$ <u>274,784</u>
Cash dividends per share (NT\$)	\$ <u>2.3</u>

The Group's Board of Directors or shareholders resolved to appropriate the 2020 earnings from July to December and January to June. These earnings were appropriated as follows:

	2020	2020
	July – December	January – June
	September 8,	August 11,
	2021	2020
	August 25, 2021	-
Resolution Date of ATEN's Board of Directors		
Resolution Date of ATEN's shareholders		
Legal reserve	\$ <u>28,546</u>	<u>121,250</u>
Special earnings reserve	\$ <u>(20,972)</u>	<u>18,043</u>
Cash dividends to shareholders	\$ <u>358,413</u>	<u>298,678</u>
Cash dividends per share (NT\$)	\$ <u>3.0</u>	<u>2.5</u>

The Group's shareholders resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019
	June 16, 2020
Resolution Date of ATEN's shareholders	
Legal reserve	\$ <u>72,314</u>
Special earnings reserve	\$ <u>19,850</u>
Cash dividends to shareholders	\$ <u>633,197</u>
Cash dividends per share (NT\$)	\$ <u>5.3</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equities (net of tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance as of January 1, 2021	\$ (107,158)	(17,058)	(4,208)	(128,424)
Foreign exchange differences arising from foreign operations	(103,988)	-	(2,725)	(106,713)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(706)	-	(706)
Balance as of December 31, 2021	<u>\$ (211,146)</u>	<u>(17,764)</u>	<u>(6,933)</u>	<u>(235,843)</u>
Balance as of January 1, 2020	\$ (110,346)	(16,799)	(3,767)	(130,912)
Foreign exchange differences arising from foreign operations	3,120	-	(441)	2,679
Exchange differences on translation financial statements of foreign associates accounted for using equity method	68	-	-	68
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(259)	-	(259)
Balance as of December 31, 2020	<u>\$ (107,158)</u>	<u>(17,058)</u>	<u>(4,208)</u>	<u>(128,424)</u>

(q) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for years ended December 31, 2021 and 2020 was as follows:

(i) Basic earnings per share

	2021	2020
Net income attributable to ordinary shareholders of the Company	<u>\$ 637,313</u>	<u>1,499,268</u>
Weighted-average number of ordinary shares	<u>119,471</u>	<u>119,471</u>
Basic earnings per share (in NT dollars)	<u>\$ 5.33</u>	<u>12.55</u>

(ii) Diluted earnings per share

	2021	2020
Net income attributable to ordinary shareholders of the Company	<u>\$ 637,313</u>	<u>1,499,268</u>
Weighted-average number of ordinary shares (basic)	119,471	119,471
Impact of potential common shares		
Effect of employee stock bonus	1,970	2,426
Weighted-average number of ordinary shares (diluted)	<u>121,441</u>	<u>121,897</u>
Diluted earnings per share (in NT dollars)	<u>\$ 5.25</u>	<u>12.30</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021		
	Computer peripheral products	Other	Total
Primary geographical markets:			
United States	\$ 1,108,801	-	1,108,801
Taiwan	557,550	106,422	663,972
Japan	653,548	-	653,548
Others	2,737,370	-	2,737,370
	<u>\$ 5,057,269</u>	<u>106,422</u>	<u>5,163,691</u>
Major product lines:			
IT infrastructure management solutions	\$ 3,164,373	-	3,164,373
Video products	848,283	-	848,283
Others	1,044,613	106,422	1,151,035
	<u>\$ 5,057,269</u>	<u>106,422</u>	<u>5,163,691</u>
	2020		
	Computer peripheral products	Other	Total
Primary geographical markets:			
United States	\$ 1,114,612	-	1,114,612
Taiwan	565,506	119,721	685,227
Japan	602,937	-	602,937
Others	2,420,837	-	2,420,837
	<u>\$ 4,703,892</u>	<u>119,721</u>	<u>4,823,613</u>
Major product lines:			
IT infrastructure management solutions	\$ 2,934,442	-	2,934,442
Video products	797,163	-	797,163
Others	972,287	119,721	1,092,008
	<u>\$ 4,703,892</u>	<u>119,721</u>	<u>4,823,613</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balance

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>January 1,</u> <u>2020</u>
Notes receivable	\$ 8,282	9,574	8,467
Accounts receivable, net	863,457	759,388	622,994
Less: allowance for impairment	<u>1,337</u>	<u>1,166</u>	<u>3,042</u>
Total	<u>\$ 870,402</u>	<u>767,796</u>	<u>628,419</u>
Contract assets	<u>\$ 8,678</u>	<u>1,532</u>	<u>-</u>

Please refer to note 6(d) for the disclosure of accounts receivable and its impairment.

(s) Remuneration to employees, directors and supervisors

In accordance with the Company's articles, the net income before tax, after deducting the remuneration to employees, directors and supervisors, shall first be offset against any deficit, then 10%~16% will be distributed as employee remuneration and less than 2% will be allocated as directors' and supervisors' remuneration. The amounts of employee, directors' and supervisors' remuneration, to be distributed in cash or stock, should be decided in the board meeting, with two thirds of the board members attending the meeting, and over half of the attendees approving the amounts for distribution that are to be reported at the shareholders meeting. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Group who meet certain specific requirement.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$129,874 thousand and \$181,580 thousand, and directors' and supervisors' remuneration amounting to \$11,544 thousands and \$21,790 thousands, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

(t) Non-operating income and expenses

(i) Interest income

	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	<u>\$ 1,675</u>	<u>3,475</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(ii) Other income

	<u>2021</u>	<u>2020</u>
Dividend income	\$ 532	230
Other income— Other		
Compensation income	6,600	10,503
Subsidy income	62,861	-
Business tax refund income	5,804	-
Other income	<u>22,571</u>	<u>29,467</u>
Total other income	<u>\$ 98,368</u>	<u>40,200</u>

(iii) Other gains and losses

	<u>2021</u>	<u>2020</u>
Losses on disposal of property, plant and equipment	\$ (1,249)	(352)
Gains on disposals of investment	-	1,062,042
Gains (losses) on foreign exchange	(41,230)	(13,163)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	32,530	8,693
Others gains and losses	<u>(9,532)</u>	<u>(314)</u>
Net other gains and losses	<u>\$ (19,481)</u>	<u>1,056,906</u>

(iv) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense	<u>\$ 17,744</u>	<u>21,186</u>

(u) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2021 and 2020, the maximum amount exposed to credit risk amounted to \$3,221,040 thousand and \$3,808,958 thousand, respectively.

2) Concentration of credit risk

The Group did not have significant transaction with any individual customer in 2021 and 2020.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
December 31, 2021							
Non-derivative financial liabilities							
Secured loans	\$ 169,814	172,056	166,988	5,068	-	-	-
Unsecured loans	381,943	384,216	384,216	-	-	-	-
Notes and accounts payable	434,852	434,852	434,852	-	-	-	-
Other payables	571,739	571,739	571,739	-	-	-	-
Lease liabilities	186,841	192,816	106,064	51,268	26,119	9,337	28
Deposits received	730	730	730	-	-	-	-
Derivative financial liabilities							
Other forward contracts:							
Outflow	696	696	696	-	-	-	-
	<u>\$ 1,746,615</u>	<u>1,757,105</u>	<u>1,665,285</u>	<u>56,336</u>	<u>26,119</u>	<u>9,337</u>	<u>28</u>
December 31, 2020							
Non-derivative financial liabilities							
Secured loans	\$ 315,220	319,889	297,769	6,019	5,671	10,430	-
Unsecured loans	526,058	533,810	498,665	35,145	-	-	-
Notes and accounts payable	352,740	352,740	352,740	-	-	-	-
Other payables	610,934	610,934	610,934	-	-	-	-
Lease liabilities	174,264	181,537	66,289	58,804	32,718	23,726	-
Deposits received	1,115	1,115	1,115	-	-	-	-
Derivative financial liabilities							
Other forward contracts:							
Outflow	7,858	7,858	7,858	-	-	-	-
	<u>\$ 1,988,189</u>	<u>2,007,883</u>	<u>1,835,370</u>	<u>99,968</u>	<u>38,389</u>	<u>34,156</u>	<u>-</u>

The Group is not expecting the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Exchange rate risk

1) Exposure to exchange rate risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
December 31, 2021			
Financial assets:			
Monetary items:			
USD	\$ 24,263	27.6900	671,850
JPY	264,539	0.2405	63,622
EUR	4,780	31.3257	149,750
CNY	23,672	4.3467	102,896
GBP	576	37.3067	21,507
Financial liabilities:			
Monetary items:			
USD	\$ 10,491	27.6900	290,505
CNY	23,685	4.3467	102,952
December 31, 2020			
Financial assets:			
Monetary items:			
USD	\$ 21,009	28.5080	598,925
JPY	172,895	0.2765	47,805
CNY	26,641	4.3817	116,733
EUR	4,060	35.0506	142,305
Financial liabilities:			
Monetary items:			
USD	\$ 12,637	28.5080	360,256
CNY	27,587	4.3817	120,878

Note: Since the effect of foreign exchange risk derived from the transactions within the Group cannot be fully eliminated, analysis is based on the amounts prior to the eliminated adjustments.

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables that are denominated in foreign currency. A 1% appreciation or depreciation of the TWD against the USD, JPY, CNY, EUR, KRW and GBP as of December 31, 2021 and 2020 would have increased or decreased the net profit by \$6,162 thousand and \$4,246 thousand, respectively. The analysis is performed on the same basis for both periods.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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3) Foreign exchange gain and loss on monetary item

Since the Group books its transaction in different functional currencies, the information on foreign exchange gains (loss) on monetary items is disclosed based on the total amount. For the years 2021 and 2020, foreign exchange losses (including realized and unrealized portion) amounted to \$41,230 thousand and \$13,163 thousand, respectively

(iv) Interest rate analysis

Please refer to the note for liquidity risk management and the interest rate exposure to the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Group's assessment on the reasonably possible interval of interest rate change.

With all other variable factors remain constant. If the interest rate increases or decreases by 1%, the Group's net income will increase or decrease by \$5,518 thousand and \$8,413 thousand, respectively, for the years ended December 31, 2021, and 2020. This is mainly due from the Group's borrowing on variable rates.

(v) Fair value and carrying amount

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

	Carrying amount	December 31, 2021			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 4,209	-	4,209	-	4,209
Non derivative financial assets mandatorily measured at fair value through profit or loss	602,620	602,620	-	-	602,620
Subtotal	606,829	602,620	4,209	-	606,829
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	6,941	6,941	-	-	6,941
Unlisted stocks (domestic and overseas)	21,617	-	-	21,617	21,617
Subtotal	28,558	6,941	-	21,617	28,558
Total	\$ 635,387	609,561	4,209	21,617	635,387

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>(696)</u>	<u>-</u>	<u>(696)</u>	<u>-</u>	<u>(696)</u>
	December 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 1,825	-	1,825	-	1,825
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,931,338</u>	<u>1,931,338</u>	<u>-</u>	<u>-</u>	<u>1,931,338</u>
Subtotal	<u>1,933,163</u>	<u>1,931,338</u>	<u>1,825</u>	<u>-</u>	<u>1,933,163</u>
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	5,116	5,116	-	-	5,116
Unlisted stocks (domestic and overseas)	<u>24,780</u>	<u>-</u>	<u>-</u>	<u>24,780</u>	<u>24,780</u>
Subtotal	<u>29,896</u>	<u>5,116</u>	<u>-</u>	<u>24,780</u>	<u>29,896</u>
Total	<u>\$ 1,963,059</u>	<u>1,936,454</u>	<u>1,825</u>	<u>24,780</u>	<u>1,963,059</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>(7,858)</u>	<u>-</u>	<u>(7,858)</u>	<u>-</u>	<u>(7,858)</u>

2) Valuation techniques in financial instruments measured at fair value

a) Non—derivative financial instruments

If there are quoted prices in the active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks of the fair value of equity instruments and Liability instruments trading in active markets.

The fair value of financial assets and liabilities traded in the active markets will be based on the quoted market prices when the quoted prices can be obtained from the exchanges, brokers, underwriters, industrial unions, pricing service agencies or authorities, as well as if they can represent as the one usually traded in fair market transaction in practice. If the requirements above mentioned don't actually accomplish, the market ought to be seen inactive condition. Generally speaking, the index of inactive market are based on the large difference of the price between buying and selling transaction, the difference of the price between buying and selling transaction distinctively increasing or little quantity of trading volume.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The fair values of the Group's financial instruments trading in active markets are categorized by types and nature as follows:

Stocks of listed Companies and open-ended funds are financial assets possessing standard provision and trading in active markets. Their fair values are determined based on the market quotes and net assets value, respectively.

In addition to the aforementioned financial instruments trading in active markets, the fair values of other financial instruments are obtained through valuation or by referencing the quotes from counterparties. Such valuation technique involves referencing the fair value of financial instruments that are virtually alike in terms and characteristic, and using discounted cash flow model or other pricing models. Other pricing models may utilize the available market information on the balance sheet date such as yield curve from Over the Counter and the average quotes on the interest rates of Reuters Commercial Paper.

b) Derivative financial instrument

Derivatives are priced based on the pricing models widely accepted by markets. Forward Exchange Contracts are normally priced based on the current forward exchange rates or the forward interest rate estimated using interest rate parity theory.

3) Fair value hierarchy

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transfers between level 1 and level 2

There was no significant transfer from level 2 financial instrument to level 1 financial instrument.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2021	\$ 24,780
Recongized in other comprehensive income	(3,163)
Balance at December 31, 2021	\$ 21,617
Balance at January 1, 2020	\$ 21,780
Purchase	3,000
Balance at December 31, 2020	\$ 24,780

The aforementioned gains or losses were listed in “Unrealized gains (losses) from financial assets at fair value through other comprehensive income”.

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multipliers of price-Book ratios as of December 31, 2021 and 2020 were both 1.17. · Multipliers of enterprise value as of December 31, 2021 were 2.28 and 2.5, respectively. · Market illiquidity discount rate as of December 31, 2021 and 2020 were both 20%. 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> · the multiplier were higher (higher) · the market illiquidity discount were higher (lower)

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 7) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Input	Assumptions	Other comprehensive income	
			Favorable	Unfavorable
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	\$ 1,291	(1,291)
December 31, 2020				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	1,370	(1,370)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(v) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note expresses the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes to each risk.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Board of Directors oversees how management monitors the risk which should be in compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by the Internal Audit. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer, financial institution, or counterparty fails to meet its contractual obligations and arises principally from the Group's receivables from its customers, financial instruments, or non-public trading securities.

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The counterparties of the Consolidated Companies' notes and accounts receivable are predominantly concentrated in Asia, which accounted for 59% and 51% of the total amount of notes and accounts receivable as of December 31, 2021 and 2020.

The Group has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed regularly.

The Group has established an allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on the historical collection record of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transactions are with the counterparties, and the contractually obligated counterparties are the banks, financial institutions, corporate organizations and government agencies with good credits, there are no compliance issues, and therefore, there is no significant credit risk.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused short-term bank facilities of \$1,807,468 thousand and \$1,633,689 thousand, respectively, as of December 31, 2021 and 2020.

(v) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group. The currencies used in these transactions are the EUR, USD, JPY, GBP, and CNY.

The Group holds accounts receivable denominated on the currency other than functional currency. Gains or losses on change of exchange rate and that on long-term and short-term borrowings denominated in foreign currency can offset each other, reducing the currency risk of the Group.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the NTD, EUR, USD, JPY, GBP, KRW and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group's short-term borrowings are liabilities which are affected by the fluctuation of interest rates. Accordingly, changes in market rate would affect the effective interest rate and the future cash flow to alter.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Other market price risk

Financial assets at fair value through profit or loss— current and available-for-sale financial assets— current are listed stocks and mutual funds, which may fluctuate with changes in equity price. In order to manage market risk, the Group carefully selects trust companies with good reputations to engage in financial instrument transactions.

The Group's bank balances and financial liability— short-term and long-term borrowings are exposed to the cash flow risk arising from changes in interest rates. However, the impact of the cash flow risk arising from changes in interest rate is not expected to be significant.

(w) Capital management

The Group's objectives for managing capital are to safeguard the capacity to continue to operate, to provide a return to shareholders and benefits to other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, or issue new shares to settle long-term liabilities.

The Group uses the debt ratio to manage capital. This ratio divides debt by total assets. The debt from the balance sheet is accounted for as total liabilities. Total assets include share capital, capital surplus, retained earnings, other equity and non-controlling interest, plus, debt; the Group may also use its equity ratio, computed as one, less, its debt ratio, as a basis in managing its capital.

The Group's debt and equity ratio at the end of the reporting date were as follow:

	December 31, 2021	December 31, 2020
Total liabilities	<u>\$ 2,549,032</u>	<u>2,641,374</u>
Total assets	<u>\$ 7,292,829</u>	<u>7,492,315</u>
Debt ratio	<u>35 %</u>	<u>35 %</u>
Equity ratio	<u>65 %</u>	<u>65 %</u>

As of December 31, 2021, there were no changes in the Group's approach of capital management.

(x) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows:

For right-of-use assets under leases, please refer to note 6(i).

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Effect of change in exchange rates	Others	
Short-term borrowings	\$ 781,779	(236,775)	(3,273)	-	541,731
Long-term borrowings (including current portion)	\$ 59,499	16,013	(2,625)	(62,861)	10,026
Lease liabilities	174,264	(108,690)	(7,887)	129,154	186,841
Deposits received	1,115	(385)	-	-	730
Total liabilities from financing activities	<u>\$ 1,016,657</u>	<u>(329,837)</u>	<u>(13,785)</u>	<u>66,293</u>	<u>739,328</u>

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Effect of change in exchange rates	Others	
Short-term borrowings	\$ 706,466	77,445	(2,132)	-	781,779
Long-term borrowings (including current portion)	\$ 35,447	26,635	(2,583)	-	59,499
Lease liabilities	147,027	(74,370)	(4,178)	105,785	174,264
Deposits received	1,115	-	-	-	1,115
Total liabilities from financing activities	<u>\$ 890,055</u>	<u>29,710</u>	<u>(8,893)</u>	<u>105,785</u>	<u>1,016,657</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The related parties that have transactions with the consolidated company in the reporting period are shown below:

Name of related party	Relationship with the Group
Asped Technology Inc (Asped) (note)	Associate

Note: The Company was no longer an associate of the Group from May 2020.

(b) Significant related party transactions

(i) Purchases

The amount of purchase transactions between the Group and related parties were as follows:

	2020
Associates	<u>\$ 1,459</u>

The purchasing price, other terms and conditions with related parties were not significantly different from those with third parties.

(c) Key management personnel compensations

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	<u>\$ 71,914</u>	<u>80,833</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2021 and 2020, the Group provided three and four vehicles at a cost of \$12,044 thousand and \$14,344 thousand for key management personnel.

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash and negotiable certificate of deposits (recorded under other financial assets – non current)	Guarantee for provisional attachment	\$ 71,428	72,428
Time deposits (recorded under other financial assets – non current)	Guarantee for customs	4,118	4,083
Negotiable certificate of deposits (recorded under other financial assets – non current)	Guarantee for provisional seizure	30,000	30,000
Property, plant and equipment	Guarantee for long-term and short-term borrowings	<u>177,492</u>	<u>196,087</u>
		<u>\$ 283,038</u>	<u>302,598</u>

(9) Commitments and contingencies

(a) The unrecognized construction contract of the Group as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of Property, plant and equipment	<u>\$ 30,566</u>	<u>136,714</u>

(b) As of December 31, 2021 and 2020, the Group had an unused line of credit for purchasing raw materials amounting to \$10,324 thousand (USD371,100) and \$0 thousand.

(c) As of December 31, 2021 and 2020, the outstanding bank drafts to secure credit facilities and financial instruments amounted to \$2,100,497 thousand and \$1,984,510 thousand, respectively.

(d) Hoeya Technology Inc. (Hoeya) filed a lawsuit against the Company for requesting the Intellectual Property Court (IPC) to hold its products under custody in August 2007 and 2020. The Supreme Court reversed the judgement of the 2007 lawsuit in March 2020 and handed the case over to the IPC for reconsideration. On the other hand, in October 2021, the IPC rejected the 2020 lawsuit brought by Hoeya, who then filed an appeal to the Supreme Court. Both cases mentioned above were still in progress as of the reporting date, and the Company has appointed an attorney to handle the matters.

(e) Yifeng Technology Co., Ltd. (Yifeng) filed lawsuit against the Company for requesting the IPC to hold its products under custody in September 2019, wherein the court ruled in favor of the Company in June 2021. Yifeng disagreed with the decision made by the IPC, thus, filed an appeal to the Supreme Court on July 5, 2021. The case was still in progress as of the reporting date.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) **Losses Due to Major Disasters: None.**

(11) **Subsequent Events: None.**

(12) **Other**

- (a) The following is a summary statement of employee benefits, depreciation and amortization expenses by function:

By nature	By function	Years ended December 31 2021			Years ended December 31 2020		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		334,675	1,346,788	1,681,463	317,718	1,366,930	
Labor and health insurance		30,984	124,851	155,835	23,212	111,587	
Pension		8,476	46,485	54,961	7,962	52,831	
Directors' remuneration		-	17,544	17,544	-	24,519	
Others		22,606	50,206	72,812	24,053	51,265	
Depreciation		78,247	132,274	210,521	38,719	122,050	
Amortization		-	3,366	3,366	-	2,243	

- (b) The Company filed criminal charges against its former employees for not following its policy, wherein they illegally gained profit for themselves during their service in 2015 to 2016. The suspects have already resigned from the Company at the end of 2016. After the Company filed the lawsuit, Taiwan Taipei District Court and Taiwan Taipei High Court ruled the defendant to be guilty and made the sentence in July 2019 and February 2020, respectively. The Company and both of the defendant filed appeal to the Taiwan Supreme Court in March 2020. The Supreme Court rendered a judgement on March 19, 2021 and declared that both defendants committed Subparagraph 2, Paragraph 1, Article 171 of Securities and Exchange Act for making the Company process the non-arm's length transactions and were both sentenced 32 months in prison. Both defendants turned in the criminal proceeds plus the interest amounted to \$3,174 thousand and \$3,342 thousand should be returned to the Company. The seized \$70,296 thousand and \$6,516 thousand criminal proceeds were returned to the Company in 2019 and 2021. The civil lawsuit is still in the first trial at Taipei District Court.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	2021				Maximum investment in 2021	Remarks
				Number of shares	Book value	Holding percentage	Market value		
	Mutual fund:								
The Company	JHHSUN Money Market Fund	-	Financial assets at fair value through profit or loss – current	14,058	210,689	-	210,689	748,948	
The Company	First Bank Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss – current	17,396	269,145	-	269,145	912,600	
HONG JHENG TECHNOLOGY CO., LTD	JHHSUN Money Market Fund	-	Financial assets at fair value through profit or loss – current	2,567	38,466	-	38,466	38,466	
HONG YUAN CO., LTD	JHHSUN Money Market Fund	-	Financial assets at fair value through profit or loss – current	2,838	42,530	-	42,530	42,530	
ATEN FOREMOST INTERNATIONAL CO., LTD.	SHANG TOU Money Market Fund	-	Financial assets at fair value through profit or loss – current	3,610	15,699	-	15,699	24,067	
ATEN CHINA CO., LTD.	GUANGFA TIANIANHUNG Money Market Fund	-	Financial assets at fair value through profit or loss – current	5,999	26,091	-	26,091	26,091	
	Stock:								
The Company	SHIN KONG FINANCIAL HOLDING CO., LTD.	-	Financial assets at fair value through other comprehensive income – current	165	1,825	-	1,825	1,825	
The Company	TAIWAN COOPERATIVE BANK	-	Financial assets at fair value through other comprehensive income – current	146	3,728	-	3,728	3,728	
The Company	CHINA DEVELOPMENT FINANCIAL HOLDINGS CO., LTD.	-	Financial assets at fair value through other comprehensive income – current	79	1,388	-	1,388	1,388	
The Company	ACROX CO., LTD.	-	Financial assets at fair value through other comprehensive income – non current	1,428	14,280	14	14,280	14,280	
The Company	OptoMedia Technology Inc.	-	Financial assets at fair value through other comprehensive income – non current	500	4,337	2	4,337	7,500	
The Company	Taiwan Wind Power Energy Inc.	-	Financial assets at fair value through other comprehensive income – non current	300	3,000	5	3,000	3,000	
HONG JHENG TECHNOLOGY CO., LTD	Common Stock of Visionary Dynamics Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non current	20	-	1	-	-	Note 1

Note 1: The impairment loss was fully recognized.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Name of security	Account name	Counterparty	Relationship with the Company	Beginning balance		Purchases		Sales			Ending balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Disposal gain	Shares	Amount
The Company	IHSUN Money Market Fund	Financial assets at fair value through profit or loss – current	-	-	46,090	689,048	4,007	60,000	36,040	541,193	540,000	1,193	14,058	210,689
The Company	First Bank Taiwan Money Market Fund	Financial assets at fair value through profit or loss – current	-	-	46,857	723,163	17,759	274,500	47,220	731,055	730,000	1,055	17,396	269,145

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land	2021.9.9	302,495	According to the signing contract	Natural person	-	-	-	-	-	Appraisal of real estate report	Operation	-

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	EXPAND ELECTRONIC CO., LTD.	Invested by sub subsidiary	Purchase	758,797	54	30 days	No significant differences	Note 1	(87,645)	(28)	Note 2
EXPAND ELECTRONIC CO., LTD.	The Company	Invested by sub subsidiary	(Sales)	(758,797)	(100)	30 days	No significant differences	Note 1	87,645	100	Note 2
The Company	ATEN FOREMOST INTERNATIONAL CO., LTD.	Sub subsidiary	Purchase	110,428	8	30 days	No significant differences	Note 1	(25,708)	(8)	Note 2
ATEN FOREMOST INTERNATIONAL CO., LTD.	The Company	Sub subsidiary	(Sales)	(110,428)	(81)	30 days	No significant differences	Note 1	25,708	72	Note 2
The Company	ATEN INFOTECH N.V.	Subsidiary	(Sales)	(437,372)	(13)	90 days	No significant differences	No significant differences	101,025	15	Note 2
ATEN INFOTECH N.V.	The Company	Subsidiary	Purchase	437,372	100	90 days	No significant differences	No significant differences	(101,025)	(100)	Note 2
The Company	ATECH PERIPHERALS.	Subsidiary	(Sales)	(223,682)	(7)	30 days	No significant differences	No significant differences	27,099	4	Note 2
ATECH PERIPHERALS.	The Company	Subsidiary	Purchase	223,682	61	30 days	No significant differences	No significant differences	(27,099)	(35)	Note 2
The Company	ATEN KOREA CO., LTD.	Invested by sub subsidiary	(Sales)	(299,884)	(9)	60 days	No significant differences	No significant differences	77,915	11	Note 2
ATEN KOREA CO., LTD.	The Company	Invested by sub subsidiary	Purchase	299,884	100	60 days	No significant differences	No significant differences	(77,915)	(100)	Note 2
The Company	ATEN CHINA CO., LTD.	Sub subsidiary	(Sales)	(381,075)	(11)	45 days	No significant differences	No significant differences	89,016	13	Note 2
ATEN CHINA CO., LTD.	The Company	Sub subsidiary	Purchase	381,075	100	45 days	No significant differences	No significant differences	(89,016)	(99)	Note 2
The Company	ATEN TECHNOLOGY INC.	Sub subsidiary	(Sales)	(330,973)	(10)	95 days	No significant differences	No significant differences	92,902	14	Note 2
ATEN TECHNOLOGY INC.	The Company	Sub subsidiary	Purchase	330,973	69	95 days	No significant differences	No significant differences	(92,902)	(79)	Note 2
The Company	ATEN JAPAN CO., LTD.	Subsidiary	(Sales)	(300,919)	(9)	45 days	No significant differences	No significant differences	62,739	9	Note 2
ATEN JAPAN CO., LTD.	The Company	Subsidiary	Purchase	300,919	100	45 days	No significant differences	No significant differences	(62,739)	(100)	Note 2

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1: Payments are netted with the account receivable resulting from the Company purchasing on behalf of related parties.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
The Company	ATEN INFOTECH N.V	Subsidiary	101,025	4.28	-		74,575 (As of March 8, 2022)	-
EXPAND INTERNATIONAL CO., LTD.	The Company	The ultimate parent company	191,786	-	-	Depend on capital budgeting	- (As of March 8, 2022)	-

- (ix) Trading in derivative instruments:

Please refer to 6(b) for further information.

- (x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	ATEN TECHNOLOGY INC.	1	Sales revenue	330,973	No significant differences	6 %
0	The Company	ATEN INFOTECH N.V.	1	Sales revenue	437,372	No significant differences	8 %
0	The Company	ATEN CHINA CO., LTD.	1	Sales revenue	381,075	No significant differences	7 %
0	The Company	ATEN JAPAN CO., LTD.	1	Sales revenue	300,919	No significant differences	6 %
0	The Company	ATEN KOREA CO., LTD.	1	Sales revenue	299,884	No significant differences	6 %
0	The Company	ATEN UK LTD.	1	Sales revenue	65,912	No significant differences	1 %
0	The Company	ATECH PERIPHERALS.	1	Sales revenue	223,682	No significant differences	4 %
0	The Company	ATEN ANZ PTY LTD.	1	Sales revenue	44,498	No significant differences	1 %
0	The Company	ATEN POLAND SP. Z O. O.	1	Sales revenue	58,266	No significant differences	1 %
0	The Company	ATEN TECHNOLOGY INC.	1	Accounts receivable	92,902	95 days	1 %
0	The Company	ATEN INFOTECH N.V.	1	Accounts receivable	101,025	90 days	1 %
0	The Company	ATEN CHINA CO., LTD.	1	Accounts receivable	89,016	45 days	1 %
0	The Company	ATEN JAPAN CO., LTD.	1	Accounts receivable	62,739	45 days	1 %
0	The Company	ATEN KOREA CO., LTD.	1	Accounts receivable	77,915	60 days	1 %
1	EXPAND INTERNATIONAL CO., LTD.	The Company	2	Accounts receivable	191,786	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	3 %
2	ATEN FOREMOST INTERNATIONAL CO., LTD.	The Company	2	Sales revenue	110,428	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	2 %
3	EXPAND ELECTRONIC CO., LTD.	The Company	2	Sales revenue	758,797	The Company is its only customer	15 %

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
3	EXPAND ELECTRONIC CO., LTD.	The Company	2	Accounts receivable	87,645	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	1 %
4	ATEN CANADA TECHNOLOGIES INC.	The Company	2	Sales revenue	96,705	The Company is its only customer	2 %

Note 1: Company numbering is as follows:

- (1) Parent company is 0.
- (2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents sidestream transactions.

Note 3: For balance sheet items, over 1% of total consolidated assets, and for profit or loss items, over 1% of total consolidated revenue were selected for disclosure.

(b) Information on investees:

The following is the information on investees for the year 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2021	Net income of investee	Investment income (losses)	Remarks
				December 31, 2021	December 31, 2020	Shares	Ratio of shares	Book value				
The Company	TOPMOST INTERNATIONAL CO., LTD.	Cayman	Investing	22,183	22,183	700,000	100 %	474,258	22,183	31,253	31,253	note 1
The Company	ATEN JAPAN CO., LTD.	Japan	Trading of computer peripheral equipment	25,105	25,105	1,600	100 %	94,139	25,105	42,720	42,720	note 1
The Company	ATEN US HOLDINGS INC.	USA	Investing	287,083	287,083	9,380,000	100 %	27,686	287,083	36,687	36,687	note 1
The Company	FOREMOST INTERNATIONAL CO., LTD.	Mauritius	Investing	69,730	69,730	2,180,628	100 %	41,693	69,730	(8,403)	(8,403)	note 1
The Company	ATEN RESEARCH INC.	USA	Trading of computer peripheral equipment	15,494	15,494	2,840	95 %	78	15,494	(170)	(162)	note 1
The Company	ATECH PERIPHERALS.	Taiwan	Manufacturing and trading of computer peripheral equipment	90,479	90,479	10,000,000	100 %	151,550	90,479	39,955	40,007	note 1
The Company	ATEN INFOTECH N.V.	Belgium	Trading of computer peripheral equipment	54,197	54,197	58,343	100 %	42,470	54,197	10,311	10,311	note 1
The Company	ATEN COMPUTER PRODUCTS CO., LTD.	Thailand	Manufacturing and trading of computer peripheral equipment	392,097	249,537	4,300,000	100 %	302,179	392,097	(36,954)	(36,954)	note 1
The Company	VISIONTOP CO., LTD.	Taiwan	Specialized printing	86,483	86,483	6,472,066	60 %	64,190	86,483	967	580	note 1
The Company	HONG JHENG TECHNOLOGY CO., LTD.	Taiwan	Investing	31,778	31,778	1,600,000	100 %	43,903	31,778	125	125	note 1
The Company	HONG YUAN CO., LTD.	Taiwan	Investing	31,778	31,778	1,600,000	100 %	47,905	31,778	127	127	note 1
The Company	ATEN ANZ PTY LTD.	Australia	Trading of computer peripheral equipment	77,350	42,186	3,500,000	100 %	28,263	77,350	(16,583)	(16,583)	note 1
The Company	RCM FULLY AUTOMATION CO., LTD.	Taiwan	Trading of computer peripheral equipment	7,800	7,800	780,000	26 %	4,274	7,800	4,106	538	note 1
The Company	ATEN INFO COMMUNICATION LIMITED LIABILITY COMPANY	Turkey	Trading of computer peripheral equipment	17,683	17,683	2,000	100 %	1,041	17,683	(212)	(212)	note 1
The Company	ATEN POLAND SP. Z O. O.	Poland	Trading of computer peripheral equipment	8,295	8,295	20,000	100 %	4,947	8,295	748	748	note 1
The Company	ATEN ROMANIA S.R.L.	Romania	Trading of computer peripheral equipment	5,839	5,839	80,000	100 %	7,239	5,839	1,314	1,314	note 1
The Company	ATEN ADVANCE PRIVATE LIMITED	India	Trading of computer peripheral equipment	9,030	9,030	2,200,000	100 %	8,543	9,030	512	512	note 1
TOPMOST INTERNATIONAL CO., LTD.	ATEN EUROPE LTD.	UK	Investing	67,279	67,279	1,069,000	100 %	168,800	67,279	33,212	33,212	note 1
TOPMOST INTERNATIONAL CO., LTD.	I/O MASTER INC.	Samoa	Investing	9,782	9,782	700,000	100 %	31,058	9,782	2,450	2,450	note 1
ATEN US HOLDING INC.	ATEN NEW JERSEY INC.	USA	Trading of computer peripheral equipment	22,815	22,815	160,000	20 %	5,572	22,815	(1,298)	(260)	note 1

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2021	Net income of investee	Investment income (losses)	Remarks
				December 31, 2021	December 31, 2020	Shares	Ratio of shares	Book value				
ATEN US HOLDING INC.	ATEN TECHNOLOGY INC.	USA	Trading of computer peripheral equipment	267,204	267,204	8,672,084	99 %	92,592	267,204	36,980	36,651	note 1
ATEN TECHNOLOGY INC.	ATEN NEW JERSEY INC.	USA	Trading of computer peripheral equipment	3,303	3,303	640,000	80 %	22,290	3,303	(1,298)	(1,038)	note 1
ATEN EUROPE LTD.	ATEN UK LTD.	UK	Trading of computer peripheral equipment	37,922	37,922	650,000	100 %	2,657	37,922	57	57	note 1
ATEN EUROPE LTD.	ATEN KOREA CO., LTD.	Korea	Trading of computer peripheral equipment	34,811	34,811	102,000	85 %	106,166	34,811	40,466	34,396	note 1
I/O MASTER INC.	ATEN CANADA TECHNOLOGIES INC.	Canada	Research and development	3	3	300	100 %	38,391	3	2,490	2,490	note 1
I/O MASTER INC.	IOGEAR, Inc.	USA	Trading of computer peripheral equipment	3	3	10	100 %	-	3	-	-	note 1
ATECH PERIPHERALS.	RCM FULLY AUTOMATION CO., LTD.	Taiwan	Trading of computer peripheral equipment	22,066	22,066	2,220,000	74 %	13,517	22,066	4,106	3,038	note 1

Note 1: Eliminated in the consolidated financial statements.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2021	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2021	Net income on investee	Direct / indirect investment holding percentage	Maximum investment in 2021	Investment income (loss) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
EXPAND INTERNATIONAL CO., LTD. (Note 2)	Investing	21,383	(3)	21,383	-	-	21,383	(4,850)	100 %	21,383	(4,850)	323,545	69,337
ATEN CHINA CO., LTD.	Trading of computer peripheral equipment	56,924	(3)	51,394	-	-	51,394	(4,945)	100 %	51,394	(4,945)	69,252	86,093
ATEN FOREMOST INTERNATIONAL CO., LTD.	Manufacturing and trading of computer peripheral equipment	29,315	(3)	29,315	-	-	29,315	(4,862)	100 %	29,315	(4,862)	29,291	-
EXPAND ELECTRONIC CO., LTD.	Manufacturing of computer peripheral products	67,184	(3)	34,706	-	-	34,706	(7,456)	100 %	34,706	(7,456)	124,211	-

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: In response to the regulation toward processing plants in China and Chinese government's incentive rewards for processing plants turn funded enterprises, the Company's investment through third party companies to reinvest the mainland areas of existing processing plant in Shenzhen, mainland was converted to a wholly owned company (EXPAND ELECTRONIC CO., LTD.) on March 27, 2012.

Note 3: Aforementioned amounts have been eliminated upon consolidation.

Note 4: The financial statements of the investee are audited by the auditors of the parent company. Investment gains (losses) are accounted for by the equity method.

Note 5: The exchange rate is USD 1 to NTD27.6900.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs (Note 1)
The Company	136,798	152,295	2,809,362

Note 1: The limit on investment in mainland China is determined by sixty percent (60%) of the Company's net worth.

Note 2: The exchange rate is USD1 to NTD27.6900.

(iii) Significant transactions:

Please refer to 13(a) item No. 10 for further information.

(d) Major shareholders:

Shareholder's Name	Shareholding	
	Shares	Percentage
Shang-Jen Chen	6,789,342	5.68 %
Ching-Tang Chen	6,449,352	5.39 %

Unit: share

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The Group has two reportable segments: computer peripheral equipment segment and specialized printing segment. The computer peripheral equipment segment is primarily involved in the production and sales of computer peripheral equipment. The specialized printing segment is primarily involved in the printing of advertisements.

The reportable segments are the Group's strategic divisions, offering different products and services. Because each strategic division requires different technology and marketing strategies, each division is managed separately.

(b) Information on the reportable segment's profit or loss, assets, liabilities, and their measurement and reconciliations

The Group uses the internal management report (that the chief operating decision maker reviews) as the basis to determine resource allocation and make a performance evaluation. The internal management report (including profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses due to taxation, extraordinary activity and foreign exchange gain or losses) are managed on a group basis, and hence, they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is consistent with that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in note 4 "Significant Accounting Policies".

The Group treats intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group's operating segment information and reconciliation are as follows:

	2021			
	<u>Computer peripheral equipment</u>	<u>Others</u>	<u>Adjustments or elimination</u>	<u>Total</u>
Revenue:				
Revenue from external customers	\$ 5,057,269	106,422	-	5,163,691
Inter-segment revenues	<u>3,276,337</u>	<u>-</u>	<u>(3,276,337)</u>	<u>-</u>
Total revenue	<u>\$ 8,333,606</u>	<u>106,422</u>	<u>(3,276,337)</u>	<u>5,163,691</u>
Reportable segment profit or loss	<u>\$ 968,161</u>	<u>967</u>	<u>(100,937)</u>	<u>868,191</u>
Reportable segment assets (Note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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	2020			Total
	Computer peripheral equipment	Others	Adjustments or elimination	
Revenue:				
Revenue from external customers	\$ 4,703,892	119,721	-	4,823,613
Inter-segment revenues	<u>3,160,948</u>	<u>-</u>	<u>(3,160,948)</u>	<u>-</u>
Total revenue	<u>\$ 7,864,840</u>	<u>119,721</u>	<u>(3,160,948)</u>	<u>4,823,613</u>
Reportable segment profit or loss	<u>\$ 1,667,521</u>	<u>4,219</u>	<u>21,578</u>	<u>1,693,318</u>
Reportable segment assets (Note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: As the information on segment assets was not provided to the chief operating decision marker, the information segment assets is not disclosed.

The material reconciling items of the above reportable segment are as below:

In 2021 and 2020, inter-segment revenues of \$3,276,337 thousand and \$3,160,948 thousand respectively, should be eliminated from total revenue. Share of associate profit (loss) under equity method amounting to \$100,937 thousand and \$(21,578) thousand, respectively, should be eliminated.

(c) Information about the products and services

Revenue from the external customers of the Group was as follows:

Products and services	2021	2020
IT infrastructure management solutions	\$ 3,164,373	2,934,442
Video products	848,283	797,163
Other	<u>1,151,035</u>	<u>1,092,008</u>
Total	<u>\$ 5,163,691</u>	<u>4,823,613</u>

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographic information	2021	2020
Revenue from external customers:		
United States	\$ 1,108,801	1,114,612
Taiwan	663,972	685,227
Japan	653,548	602,937
Other countries	<u>2,737,370</u>	<u>2,420,837</u>
Total	<u>\$ 5,163,691</u>	<u>4,823,613</u>

(Continued)

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<u>Geographical information</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current assets:		
Taiwan	\$ 2,152,701	1,827,147
Other countries	<u>655,719</u>	<u>569,891</u>
Total	<u>\$ 2,808,420</u>	<u>2,397,038</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments and deferred income tax assets.

(e) Information about major customers

For the years 2021 and 2020, the Group had no major customer who constituted 10% or more of the net sales.