



Stock Code : 3088

# **AXIOMTEK CO., LTD.**

## **Handbook for the 2021 Annual Meeting of Shareholders (Translation)**

Meeting Time : May 28<sup>th</sup>, 2021

Meeting Venue : 8F., No.55, Nanxing Road, Xizhi District,  
New Taipei City 221026, Taiwan

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# **AXIOMTEK CO., LTD.**

## **2021 Annual Meeting of Shareholders**

### **PART ONE – MEETING AGENDA**

Meeting time: 9:00 a.m., May 28<sup>th</sup> (Friday), 2021

Meeting venue: 8F., No.55, Nanxing Rd., Xizhi Dist., New Taipei City 221026, Taiwan

1. Call Meeting to Order (and declaration of the number of shares of shareholders in attendance)
2. Chairman’s Address
3. Reports Items
  - (1) 2020 Business Report.
  - (2) 2020 Consent Report of Audit Committee.
  - (3) 2020 Report of Remuneration Distribution to Employees and Directors.
  - (4) 2020 Profit Distribution of Cash Dividend Report.
  - (5) Revision of partial Articles in the “Rules of Procedure for Adoption of Codes of Ethical Conduct”.
  - (6) The Status of the First Domestic Unsecured Convertible Corporate Bonds Conversion.
4. Proposals and Acknowledgement
  - (1) 2020 Business Report and Financial Statements.
  - (2) 2020 Profit Distribution.
5. Discussion and Election Items
  - (1) Revision of partial Articles in the “Rules of Procedures for Shareholders’ Meeting”.
  - (2) Revision of partial Articles in the “Methods for Election of Directors”.
  - (3) Re-election of All Directors.
  - (4) Release of the Prohibition on Directors from Participation in Competitive Business.
6. Extemporary Motions
7. Adjournment

## I. Reports Items

### (I) 2020 Business Report

- Explanation:

The 2020 Business Report is attached as P.11 ~ P.15, ATTACHMENT I.

### (II) 2020 Consent Report of Audit Committee

- Explanation:

The 2020 Consent Report of Audit Committee is attached as P.16, ATTACHMENT II.

### (III) 2020 Report of Remuneration Distribution to Employees and Directors

- Explanation:

1. Pursuant to Article 27 of the Articles of Incorporation of the Company: This Company shall set aside 1%-20% as employees' remuneration and the percentage lower than 2% as directors' remuneration if the Company has profit (means the pre-tax income before deduction of the employees' and directors' remuneration) in the current year.
2. The Board of Directors of the Company had approved to allocate TWD 48,010,000 as the remuneration to employees and TWD 4,365,000 as the remuneration to the directors for the year 2020, where all remuneration shall be paid in cash. (hereinafter all monetary unit will be TWD)
3. The above-mentioned remuneration to employees and to directors had been expensed for the year 2020, the amount of the expenditures is consistent with that of the remuneration allocation agreed by the Board of Directors.
4. The proposal has passed in the Remuneration Committee and the Board of Directors.

### (IV) 2020 Report of Profit Distribution of Cash Dividend

- Explanation:

1. According to the 27-1 of the Article of Incorporation of the Company, 2020 profit distribution of cash dividend totaling in TWD 216,954,210, or TWD 2.6 per share. The Company shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting. The Chairman of the Board of Directors is authorized to determine the record date, payment date and other relevant matters for the distribution of the cash dividend.
2. If there is any change in the number of common shares of the Company which consequently leads to a change in the dividend distribution ratio, the Chairman of the

Board of Directors is authorized to adjust the dividend distribution ratio based on the actual shares outstanding on the record date for distribution.

3. The 2020 net income shall be distributed with higher priority this time.
4. Regarding the cash dividend distribution this time, the cash dividend is to be calculated to the integral number with all decimals truncated. And all the truncated decimals from all distorted figures are accumulated to a summation amount which will then be adjusted among shareholders - in the order of decimal of each cash dividend amount from big to small as well as in the order of account number from the top to the bottom - until the total amount of cash dividend actually paid out can match that in the book.

(V) Revision of partial Articles in the “Rules of Procedure for Adoption of Codes of Ethical Conduct”.

● Explanation:

In order to comply with the articles’ modifications of “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies by Public Companies”, the Company hereby proposes to amend the “Rules of Procedure for Adoption of Codes of Ethical Conduct”. Please refer to ATTACHMENT III for Comparison Table for Articles in the “Rules of Procedure for Adoption of Codes of Ethical Conduct” (before and after Revision). (P.17)

(VI) The Status of the First Domestic Unsecured Convertible Corporate Bonds Conversion.

● Explanation:

Particulars about the issuance and conversion of the convertible corporate bonds are as follows:

1. The aggregate amount of issuance: The face value of each convertible corporate bond was set to be TWD 100,000 even sold at the full price where totally 4,200 convertible corporate bonds were issued this time totaling in TWD 420 million even.
2. Coupon rate/ yield to maturity: Annual coupon rate was set to be 0%.
3. Issuance period: The maturity period was set to be five years from December 13<sup>th</sup>, 2016 (the issuance date) to December 13<sup>th</sup>, 2021(the maturity date).
4. Conversion status: As of March 30<sup>th</sup>, 2021, totally 1,653 of the convertible corporate bonds had been converted to 3,472,544 ordinary shares of the Company by the bondholders.

## II. Proposals and Acknowledgement

(I) Proposal One (proposed by the Board of Directors)

- Subject:

2020 Business Report and Financial Statements.

- Explanation:

1. 2020 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company had been passed by the Audit Committee and the Board of Directors where the Financial Statements had been audited by CPA Feng, Ming-Juan and Wu, Han-Chi of PricewaterhouseCoopers Taiwan. The Audit Committee had also issued a written Consent Report incorporating 2020 Business Report, Financial Statements along with 2020 Profit Distribution.
2. For details, please refer to ATTACHMENT I for 2020 Business Report (P.11 ~ P.15). ATTACHMENT IV for 2020 Independent Auditors' Report and Parent Company Only Financial Statements (P.18 ~ P.28), and ATTACHMENT V for 2020 Independent Auditors' Report and Consolidated Financial Statements (P.29 ~ P.39).
3. Please kindly acknowledge this proposal.

- Resolutions:

(II) Proposal Two (proposed by the Board of Directors)

- Subject:

2020 Profit Distribution.

- Explanation:

1. The 2020 Profit Distribution Table is attached as P.40, ATTACHMENT VI.
2. For 2020, the beginning retained earnings of the Company is TWD 612,822,861, added remeasurement of defined benefit plans recognized in retained earnings of TWD 76,117, and unappropriated retained earnings after adjustment is TWD 612,898,978, plus 2020 net income of TWD 306,597,897, and set aside legal reserve of TWD 30,667,401, and accrue special reserve of TWD 12,341,751, the total unappropriated retained earnings is TWD 876,487,723, 2020 profit distribution of cash dividend totaling in TWD 216,954,210. The Company shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors.

【TWD 876,487,723 =

TWD 612,822,861 + 76,117 + 306,597,897 - (306,597,897 + 76,117) x 10% -  
12,341,751】

3. The 2020 net income shall be distributed with higher priority this time.
4. Please kindly acknowledge this proposal.

- Resolutions:

### III. Discussion and Election Items

(I) Proposal Three (proposed by the Board of Directors)

- Subject:

Revision of partial Articles in the “Rules of Procedures for Shareholders’ Meeting”.

- Explanation:

1. In order to comply with the articles’ modifications of “Sample Template for Rules of Procedure for Shareholders Meetings by Public Companies”, the Company hereby proposes to amend the “Rules of Procedure for Shareholders’ Meeting”. Please refer to ATTACHMENT VII for Comparison Table for Articles in the “Rules of Procedures for Shareholders’ Meeting” (before and after Revision). (P.41 ~ P.43)
2. Please kindly discuss this proposal.

- Resolutions:

(II) Proposal Four (proposed by the Board of Directors)

- Subject:

Revision of partial Articles in the “Methods for Election of Directors”.

- Explanation:

1. In order to comply with the articles’ modifications of “Sample Template for Procedures for Election of Directors”, the Company hereby proposes to amend the “Methods for Election of Directors” and change the name from “Methods for Election of Directors” to “Procedures for Election of Directors”. Please refer to ATTACHMENT VIII for Comparison Table for Articles in the “Procedures for Election of Directors” (before and after Revision). (P.44 ~ P.47)
2. Please kindly discuss this proposal.

- Resolutions:

(III) Proposal Five (proposed by the Board of Directors)

- Subject:

Re-election of All Directors.

- Explanation:

1. As the term of the current (the eleventh) directors expires on May 28<sup>th</sup>, 2021 and the re-election of all directors shall be held in the Shareholders’ Meeting this year.
2. According to Article 18 and Article 18-1 of the Articles of Incorporation of the Company, the Shareholders’ Meeting plans to elect 7 directors (including 3 Independent Directors) with a term of 3 years. The candidate nomination system is adopted for the election of



directors and they may be eligible for re-election. The Company plans to establish the Audit Committee, which is composed of all Independent Directors, according to Article 24 of the Articles of Incorporation of the Company.

3. The term of newly elected directors starts from May 28<sup>th</sup>, 2021 to May 27<sup>th</sup>, 2024. The term of the current directors will be end until the completion of Shareholders' Meeting this year.
4. The list of candidates for directors (including Independent Directors) has been approved by the Nomination Committee and the Board of Directors. The names, education, experiences and relevant information of the nominees for directors (including Independent Directors) is as follows:

Title	Name	Education	Experiences	Current Position
Director	Yang, Yu-Te	Bachelor of Electrical Engineering, Fu Jen University	Founder and General Manager of Axiomtek Co., Ltd. Manager of Advantech Co., Ltd. Automation System Unit	Chairman and Chief Strategy Officer of Axiomtek Co., Ltd.
Director	Advantech Co., Ltd. Representative Liu, Wei-Ting	Master of Business Administration, National Taiwan University Bachelor of Electrical Engineering, University of Illinois	Supervisor of Tran-Fei Development Co., Ltd.	Director of Axiomtek Co., Ltd. Investment Representative of Advantech Co., Ltd. Corporate Investment Division Chairman of ChuanTing Investment Co., Ltd. Chairman of ACI IOT Investment Fund-I Corporation Chairman of Tran-Fei Development Co., Ltd. Chairman of Shiung-Yang Investment Corporation Director of DeNeng Scientific Research Co., Ltd. Director of Cermate Technologies Inc. Director of K&M Investment Co., Ltd. Director of CZ Investment Co., Ltd. Director of Huan Yan Water Solution Co., Ltd. Director of DotZero Co., Ltd. Director of Smasoft Technology Co., Ltd.

Title	Name	Education	Experiences	Current Position
				Director of ISAP Solution Corporation Supervisor of iLink Co., Ltd. Supervisor of Advantech Intelligent Healthcare Co., Ltd.
Director	Tsai, Shih-Yang	Bachelor of Electronic Engineering, MingHsin University Bachelor of Applied Mathematics (Information Dept.), Chinese Culture University	Supervisor of Axiomtek Co., Ltd.	Director of Axiomtek Co., Ltd. Chairman of Smart Management Consulting Co., Ltd. Chairman of Fudi Investment Co., Ltd. Chairman of Junzhuang Comprehensive Development Co., Ltd. Director of Advantech Equipment Corp. Director of JAYA Networks Corp. Director of Legendaire Technology Co., Ltd. Supervisor of Winmate Inc. Adviser of Global Talentpreneur Innovation & Collaboration Association.
Director	Huang, Jui-Nan	Master of Management Sciences, Tamkang University Bachelor of Computer Science & Information Engineering, National Taiwan University	VP of Advantech Co., Ltd. Industry Automation Business Group CEO of Cermate Technologies Inc. Independent Director of Avermedia Technologies Inc. Director of Zotech Co., Ltd.	Director and General Manager of Axiomtek Co., Ltd.
Independent Director	Lin, Yih-Jong	Bachelor of Electrical Engineering, National Cheng Kung University	Chairman of Ufi Space Co., Ltd. President and COO of Advantech Co., Ltd. Automation Business Group VP of Computer Systems Organization, HP Taiwan Chairman of Tektronix China	Independent Director of Axiomtek Co., Ltd. Chairman of Vossic Technology Co., Ltd.

Title	Name	Education	Experiences	Current Position
Independent Director	Chang, Jen-Chih	Master of Accounting, National Chengchi University Bachelor of Accounting, National Chung Hsing University	Department Head, Department of Accounting & Statistics, Chungyu College of Business Management Department Head, National Taipei College of Business	Independent Director of Axiomtek Co., Ltd. Certified Public Accountant of Hot Tai Accounting Firm Director of Liang Guan Investment Co., Ltd.
Independent Director	Yu, Chwo-Ming	PhD in Business Administration, University of Michigan	Independent Director of Yuanta Securities Co., Ltd. Independent Director of Yuanta Bank Co., Ltd. Independent director of Advantech Co., Ltd.	Professor, Department of Business Administration, National Chengchi University. Independent Director of Yuanta Futures Co., Ltd. Member of Remuneration Committee, Advantech Co., Ltd.

5. Please vote.

- Voting results:

(IV) Proposal Six

(proposed by the Board of Directors)

- Subject:

Release of the Prohibition on Directors from Participation in Competitive Business.

- Explanation:

1. In order to comply with Article 209 of the Company Act: "A director shall address the important contents of his conducts - acting on behalf of himself or on others within the scope of the business of the Company - to the Shareholders' Meeting while obtaining the permission from the shareholders".
2. In order to take advantage of the specialty and relevant experience of the directors of the Company, hereby it is proposed – according to the provision mentioned above - to add a new clause which is to release the prohibition on directors from participation in competitive business, hereby propose for getting approval of Shareholders' Meeting.
3. The following directors serve as additional positions in other companies are as below:

<b>Title</b>	<b>Name</b>	<b>Concurrent Positions in Other Companies</b>
Chairman	Yang, Yu-Te	Chairman of Axiomtek Deutschland GmbH Chairman of Axiom Technology (BVI) Co., Ltd. Chairman of Axiomtek Japan Co., Ltd. Chairman of Axiomtek UK Limited Director of Axiom Technology, Inc. U.S.A. Director of Uni-innovate Technology Co., Ltd.
Director	Advantech Co., Ltd. Representative Liu, Wei-Ting	Investment Representative of Advantech Co., Ltd. Corporate Investment Division Chairman of the following companies: ChuanTing Investment Co., Ltd. ACI IOT Investment Fund-I Corporation Tran-Fei Development Co., Ltd. Shiung-Yang Investment Corporation Director of the following companies: DeNeng Scientific Research Co., Ltd. Cermate Technologies Inc. K&M Investment Co., Ltd. CZ Investment Co., Ltd. Huan Yan Water Solution Co., Ltd. DotZero Co., Ltd., Smasoft Technology Co., Ltd. ISAP Solution Corporation Supervisor of the following companies: iLink Co., Ltd. Advantech Intelligent Healthcare Co., Ltd.
Director	Tsai, Shih-Yang	Chairman of the following companies: Smart Management Consulting Co., Ltd. Fudi Investment Co., Ltd. Junzhuang Comprehensive Development Co., Ltd. Director of the following companies: Advantech Equipment Corporation JAYA Networks Corporation Legendaire Technology Co., Ltd. Supervisor of Winmate Inc. Non-profit organization Adviser of Global Talentrepreneur Innovation & Collaboration Association
Independent director	Lin, Yih-Jong	Chairman of Vossic Technology Co., Ltd.
Independent Director	Chang, Jen-Chih	Certified Public Accountant of Hot Tai Accounting Firm Director of Liang Guan Investment Co., Ltd.
Independent Director	Yu, Chwo-Ming	Professor, Department of Business Administration, National Chengchi University Independent Director of Yuanta Futures Co., Ltd. Member of Remuneration Committee, Advantech Co., Ltd. Independent Director of Integrated Service Technology Inc. (New)

4. Please kindly discuss this proposal.

- Resolutions:

#### **IV. Extemporary Motions**

## **PART TWO – ATTACHMENTS**

**(ATTACHMENT I)**

### **AXIOMTEK CO., LTD.**

#### **2020 Business Report**

In 2020, the annual operating revenue of Axiomtek Co., Ltd. (hereinafter referred to as "the Company") had reached TWD 3.085 billion - a 9.46% decrease in comparison with TWD 3.407 billion in 2019.

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

The Company operating performance in 2020 and business plan for 2021 are illustrated as follows:

#### **I. Operating Performance in 2020:**

##### **(I) Outcome of business plan implementation:**

In 2020, out of the Company's operating revenue of TWD 3.085 billion, we generated a total net income of TWD 307 million, a total comprehensive income of TWD 294 million and after-tax earnings per share of TWD 3.73.

##### **(II) Budget implementation:**

Since the Company did not disclose the financial budget for 2020, we are not obliged to report on budgetary implementation.

(III) Financial income, expenditures and profitability:

Item		2020	2019
Financial Structure (%)	Debt to assets ratio	29.14	31.85
	Long-term capital to property, plant and equipment ratio	279.25	294.26
Solvency (%)	Current ratio	177.46	238.79
	Quick ratio	127.07	175.42
	Interest earned ratio (times)	6,210.01	7,545.19
Profitability	Return on assets (%)	8.28	12.08
	Return on equity (%)	11.72	18.57
	Income before tax to paid-in capital (%)	45.19	64.99
	Profit ratio (%)	9.94	13.51
	Earnings per share (TWD)	3.73	5.76

(IV) Research and development status:

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

1. Optimize automation applications by providing edge computing platforms with machine vision capabilities, incorporating core technologies across video, robotics, and AGV/AMR to provide a comprehensive suite of AIoT industrial automation solutions.
2. Focus on mission-critical smart transportation applications and IP54 Layer 2 Ethernet switch products with professional certification, build AI systems for outdoor facilities, and provide smart city solutions in collaboration with technology partners.
3. Continue to cultivate the gaming industry, smart retail, and smart medical applications, providing partners with exclusive, customized and flexible value-added services.
4. Continue to develop hardware application platforms and expand IT and OT network security supply chains for cybersecurity enhancement; meanwhile invest in new technology research and development as well as software and hardware integration with modular design.

II. Summary Business Plan for 2021:

(I) Business objective:

1. Stay focused on the integration of AI and IoT (AIoT) and the technology and products pertaining to Industrial 4.0. Continue to invest in factory automation, smart transportation, smart retail and smart energy.
2. Provide comprehensive product lines and customized service to targeted vertical application markets.

3. Establish alliances with strategic partners, integrating software and hardware to enhance product value, enabling long-term development and sustainability for the business.
4. Focus on expanding design engineering service centers, service centers overseas, foster closer relationships with customers across the global sales network and establish global sales partnerships.
5. Pay close attention to organizational development, corporate social responsibility and long-term talent development plans.

(II) Production and sales policy:

1. Introduce MES (Manufacturing Execution System) smart factory operations management and progress towards full factory automation.
2. Lay the groundwork for green product supply chain and supplier management using GPM (Green Product Management System) and SCM (Supply Chain Management) management systems for organic certification and regular supplier assessment.
3. Through the PLM (Product Lifecycle Management), global information management and communication systems, obtain data on materials, semi-finished products, inventories and future market demands, reducing inventory management costs and losses due to price reduction on slow-moving stock.

III. The Company's Development Strategy:

(I) Sales strategy:

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

(II) Product technology:

1. Industrial and embedded computing systems & touchscreen panel computers: strive for professional certification in modular design and applications for targeted verticals. Adopt

industrial aesthetic design, focus on user experience, and progress towards machine vision, AI and IoT application markets.

2. Network application hardware platforms: target IT and OT network security application markets, develop edge computing servers, remote monitoring technology IPMI and high-speed Ethernet modules, and build the infrastructure for SDN network security.
3. Gaming industry-specific computer platforms: Develop Video Mixer technology and Player Tracking System (PTS) platform for gaming machines; cultivate our vertical expertise and integration capabilities.
4. Smart retail platforms and computers: Adopt modular design to develop specialized computers, digital signage players and self-service kiosks, while also providing professional customization and system integration services.
5. Medical computers and high computing PC: Provide a certified embedded computer system platform, a high-performance medical computing platform, etc., comply with rigorous specifications, and combine with the customer's IT architecture to create a smart medical & healthcare environment.
6. Embedded boards and SoM computer modules: Continue to develop next-generation modular products and step-up Design-in customization services to explore new opportunities in related applications.

#### IV. The Impact of the External Competitive Environment, Regulatory Environment and Macroeconomic Conditions:

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

Looking forward to the future, we will continue to deepen localization and deep cultivation operations, move design engineering support & service to the front line. We'll build up local Design Engineering Service (DES) team to provide exclusive services with zero-time difference; and cooperate with partners such as key accounts, domain-focused SI, channels. The Company's strong organizational structure and clear growth directives, coupled with a well-managed global presence and strong branding, is well-positioned to fuel the growth engine with more success stories.



Yang, Yu-Te, Chairman

Huang, Jui-Nan, President

Hsu, Chin-Chuan, Principal Accounting Officer

AXIOMTEK CO., LTD.

**(ATTACHMENT II)**

## **2020 Consent Report of Audit Committee**

To 2021 Annual Meeting of Shareholders of  
AXIOMTEK CO., LTD.

Date: February 25<sup>th</sup>, 2021

Consented by the Audit Committee, 2020 Business Report, Financial Statements and profit distribution proposals have also been resolved by the Board of Directors of the Company where the financial statements have been completely audited and subsequently a 2020 Unqualified Opinion Independent Auditors' Report has been issued by CPA Feng, Ming-Chuan and Wu, Han-Chi of PricewaterhouseCoopers Taiwan which has been entrusted by the Board of Directors.

In compliance with the provisions of relevant laws and regulations, the abovementioned 2020 Business Report, Financial Statements and Profit Distribution proposals are being reported and presented herewith for review in order to comply with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,

Chang, Jen-Chih  
Convener of Audit Committee  
AXIOMTEK CO., LTD.

## AXIOMTEK CO., LTD.

### Comparison Table for Articles in the “Rules of Procedure for Adoption of Codes of Ethical Conduct” (before and after Revision)

Contents after revision	Contents before revision	Explanation
7.1.1 Shall be perform the duties in an objective and efficient manner and avoid taking advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, or relatives with the second degree of kinship.	7.1.1 Shall be perform the duties in an objective and efficient manner and avoid taking advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, <u>parents,</u> <u>children,</u> or relatives with the second degree of kinship.	Act in connection with the articles' modifications of 『 Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies 』 and amendment of word.
7.7 Encouraging reporting on illegal or unethical activities: The Company shall raise awareness of ethics internally and encourage employs to report to the Company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. To encourage employees to report illegal conduct, the Company shall establish a concrete whistle-blowing system <u>and allow anonymous reporting</u> and make employees aware that the Company will use its best efforts to ensure the safety of <u>informants</u> and protect them from reprisals.	7.7 Encouraging reporting on illegal or unethical activities: The Company shall raise awareness of ethics internally and encourage employs to report to the Company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. To encourage employees to report illegal conduct, the Company shall establish a concrete whistle-blowing system and make employees aware that the Company will use its best efforts to ensure the safety of <u>information</u> and protect them from reprisals.	

**2020 Independent Auditors' Report**  
**(Parent Company Only Financial Statements)**

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

**Opinion**

We have audited the accompanying parent company only balance sheets of AXIOMTEK CO., LTD. (hereinafter referred to as "Axiomtek" or "the Company") as at December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in order to comply with the Regulations Governing the Preparations of Financial Reports by Securities Issuers.

**Basis for Opinion**

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

**Key Audit Matters**

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

Key audit matters for the parent company only financial statements for the year ended December 31, 2020 are stated as follows:

## **Cut off of Operating Revenue**

### Description

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

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

### How our audit addressed the matter

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

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

## **Allowance for Inventory Valuation Losses**

### Description

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses and Note 6(3) for details of inventories. As at December 31, 2020, the Company's inventories and allowance for inventory valuation losses amounted to NT\$474,145 thousand and NT\$42,800 thousand, respectively.

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

As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is subject to management's judgment, we considered

the allowance for inventory valuation losses as a key audit matter.

#### How our audit addressed the matter

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

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

#### **Other Matter- Audit by the Other Independent Accountants**

We did not audit the financial statements of certain investments accounted for under the equity method. These investments accounted for under the equity method amounted to NT \$225,960 thousand and NT \$209,511 thousand, constituting 6.08% and 5.50% of total assets as of December 31, 2020 and 2019, respectively, and other comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to NT\$14,207 thousand and NT\$15,668 thousand, constituting 4.83% and 3.61% of total comprehensive income for the years ended December 31, 2020 and 2019, respectively. The financial statements of these investments accounted for under the equity method were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the Parent Company Only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Feng, Ming-Chuan

Wu, Han-Chi

for and on behalf of PricewaterhouseCoopers, Taiwan February 25, 2021



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

	Assets	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 667,964	18	\$ 652,040	17
1150	Notes receivable	6(2) and 12(2)	2,948	-	6,681	-
1170	Accounts receivable	6(2) and 12(2)	76,643	2	191,031	5
1180	Accounts receivable – related parties	6(2),7 and 12(2)	272,299	8	342,402	9
1200	Other receivables		11,345	-	15,013	1
1210	Other receivables – related parties	7	84,350	2	47,434	1
1220	Current income tax assets		703	-	-	-
130X	Inventories	6(3)	431,345	12	444,363	12
1410	Prepayments		11,590	-	9,069	-
1470	Other current assets		770	-	596	-
11XX	<b>Total current assets</b>		<u>1,559,957</u>	<u>42</u>	<u>1,708,629</u>	<u>45</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(4)	946,692	26	846,829	22
1600	Property, plant and equipment	6(5) and 8	1,016,340	27	1,052,023	28
1755	Use rights assets	6(6)	31,716	1	47,297	1
1760	Investment property	6(8)	85,193	2	86,241	2
1780	Intangible assets	6(9)	21,236	1	17,912	1
1840	Deferred income tax assets	6(27)	50,913	1	47,949	1
1920	Refundable deposits		5,087	-	4,298	-
15XX	<b>Total non-current assets</b>		<u>2,157,177</u>	<u>58</u>	<u>2,102,549</u>	<u>55</u>
1XXX	<b>Total Assets</b>		<u>\$ 3,717,134</u>	<u>100</u>	<u>\$ 3,811,178</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ -	-	\$ 102,000	3
2130	Contract liabilities - current	6(20)	29,684	1	17,597	1
2150	Notes payables		997	-	675	-
2170	Accounts payable		221,384	6	282,255	7
2180	Accounts payable – related parties	7	7,398	-	13,614	-
2200	Other payables	6(11)	238,859	7	233,401	6
2230	Current income tax liabilities	6(27)	75,605	2	47,586	1
2280	Lease liabilities-current portion		14,571	-	16,249	1
2310	Advance receipts		12,816	-	471	-
2320	Current portion of long-term borrowings	6(13)	275,884	8	-	-
2399	Other current liabilities		1,830	-	1,678	-
21XX	<b>Total current liabilities</b>		<u>879,028</u>	<u>24</u>	<u>715,526</u>	<u>19</u>
<b>Non-current liabilities</b>						
2530	Bonds payable	6(13)	-	-	319,618	8
2560	Income tax liabilities- non current		15,423	-	-	-
2570	Deferred income tax liabilities	6(27)	126,713	3	101,350	3
2580	Lease liabilities-non current		17,565	1	31,573	1
2640	Accrued pension liabilities	6(14)	43,864	1	45,109	1
2645	Guarantee deposit received		763	-	603	-
25XX	<b>Total non-current liabilities</b>		<u>204,328</u>	<u>5</u>	<u>498,253</u>	<u>13</u>
2XXX	<b>Total liabilities</b>		<u>1,083,356</u>	<u>29</u>	<u>1,213,779</u>	<u>32</u>
<b>Equity attributable to shareholders of the parent</b>						
<b>Share capital</b>						
3110	Ordinary shares	6(16)	825,953	22	803,954	21
3140	Advance receipts for share capital	6(16)	23,897	1	60,957	2
<b>Capital surplus</b>						
3200	Capital surplus	6(17)	330,595	8	245,919	7
<b>Retained earnings</b>						
3310	Legal reserve	6(18)	546,178	15	500,481	13
3320	Special reserve		26,633	1	4,231	-
3350	Unappropriated retained earnings		919,497	25	1,008,490	26
<b>Other equity</b>						
3400	Other equity	6(19)	( 38,975)	( 1)	( 26,633)	( 1)
3XXX	<b>Total equity</b>		<u>2,633,778</u>	<u>71</u>	<u>2,597,399</u>	<u>68</u>
<b>Significant commitment and contingent item</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 3,717,134</u>	<u>100</u>	<u>\$ 3,811,178</u>	<u>100</u>

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

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

Items	Notes	Year ended December 31			
		2020		2019	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(20) and 7	\$ 3,084,802	100	\$ 3,407,144	100
5000 <b>Operating costs</b>	6(3), (25) and (26)	( 2,158,795)	( 70)	( 2,330,229)	( 68)
5900 <b>Gross profit</b>		926,007	30	1,076,915	32
5910 Unrealized gain from sale	6(4)	( 87,278)	( 3)	( 86,299)	( 2)
5920 Realized gain from sale		86,299	3	73,004	2
5950 <b>Net gross profit</b>		925,028	30	1,063,620	32
<b>Operating expenses</b>	6(25) and (26)				
6100 Selling expenses		( 99,841)	( 3)	( 121,977)	( 4)
6200 General and administrative expenses		( 118,660)	( 4)	( 101,934)	( 3)
6300 Research and development expenses		( 420,549)	( 14)	( 451,471)	( 13)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	140	-	( 120)	-
6000 <b>Total operating expenses</b>		( 638,910)	( 21)	( 675,502)	( 20)
6900 <b>Operating profit</b>		286,118	9	388,118	12
<b>Non-operating income and expenses</b>					
7100 Interest income	6(21) and 7	7,127	-	11,638	-
7010 Other income	6(22)	15,982	-	10,137	-
7020 Other gains and losses	6(23)	( 44,730)	( 1)	83,794	3
7050 Finance costs	6(24)	( 6,286)	-	( 7,550)	-
7070 Share of profit of associates and joint ventures accounted for under equity method	6(4)	125,864	4	75,975	2
7000 <b>Total non-operating income and expenses</b>		97,957	3	173,994	5
7900 <b>Profit before income tax</b>		384,075	12	562,112	17
7950 Income tax expenses	6(27)	( 77,477)	( 2)	( 101,657)	( 3)
8200 <b>Net Income</b>		\$ 306,598	10	\$ 460,455	14
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Remeasurements of defined benefit plan	6(14)	\$ 95	-	(\$ 4,354)	-
8349 Income tax relating to components of other comprehensive income	6(27)	( 19)	-	871	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 15,427)	-	( 28,003)	( 1)
8399 Income tax relating to the components of other comprehensive income	6(27)	3,085	-	5,600	-
8300 <b>Other comprehensive income (loss) for the year</b>		(\$ 12,266)	-	(\$ 25,886)	( 1)
8500 <b>Total Comprehensive Income</b>		\$ 294,332	10	\$ 434,569	13
9750 <b>Basic earnings per share</b>	6(28)	\$	3.73	\$	5.76
9850 <b>Diluted earnings per share</b>	6(28)	\$	3.43	\$	5.18

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

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

	Notes	Share capital			Retained earnings			Other equity	Total equity
		Ordinary share	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	
<u>Year 2019</u>									
Balance at January 1, 2019		\$ 796,206	\$ 1,039	\$ 214,960	\$ 459,789	\$ 12,914	\$ 882,311	(\$ 4,230 )	\$ 2,362,989
Profit for the year		-	-	-	-	-	460,455	-	460,455
Other comprehensive income (loss) for the year		-	-	-	-	-	( 3,483 )	( 22,403 )	( 25,886 )
Total comprehensive income		-	-	-	-	-	456,972	( 22,403 )	434,569
Appropriations of 2018 earnings									
Legal reserve	6(19)	-	-	-	40,692	-	( 40,692 )	-	-
Reversal of special reserve	6(19)	-	-	-	-	( 8,683 )	8,683	-	-
Cash dividends	6(19)	-	-	-	-	-	( 298,784 )	-	( 298,784 )
Share-based payments		1,760	( 128 )	1,990	-	-	-	-	3,622
Compensation cost of share-based payments	6(16)	-	-	10,345	-	-	-	-	10,345
Conversion of convertible bonds	6(2)	5,988	60,046	18,624	-	-	-	-	84,658
Balance at December 31, 2019		\$ 803,954	\$ 60,957	\$ 245,919	\$ 500,481	\$ 4,231	\$ 1,008,490	(\$ 26,633 )	\$ 2,597,399
<u>Year 2020</u>									
Balance at January 1, 2020		\$ 803,954	\$ 60,957	\$ 245,919	\$ 500,481	\$ 4,231	\$ 1,008,490	(\$ 26,633 )	\$ 2,597,399
Profit for the year		-	-	-	-	-	306,598	-	306,598
Other comprehensive income (loss) for the year		-	-	-	-	-	76	( 12,342 )	( 12,266 )
Total comprehensive income		-	-	-	-	-	306,674	( 12,342 )	294,332
Appropriations of 2019 earnings									
Legal reserve	6(19)	-	-	-	45,697	-	( 45,697 )	-	-
Special reserve		-	-	-	-	22,402	( 22,402 )	-	-
Cash dividends	6(19)	-	-	-	-	-	( 327,568 )	-	( 327,568 )
Share-based payments		3,850	1,552	7,605	-	-	-	-	13,007
Compensation cost of share-based payments	6(16)	-	-	7,814	-	-	-	-	7,814
Conversion of convertible bonds		18,149	( 38,612 )	69,257	-	-	-	-	48,794
Balance at December 31, 2020		\$ 825,953	\$ 23,897	\$ 330,595	\$ 546,178	\$ 26,633	\$ 919,497	(\$ 38,975 )	\$ 2,633,778

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

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

	Notes	Years ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 384,075	\$ 562,112
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5), (6) and (25)	69,806	64,292
Depreciation from investment Property	6(8) and (23)	1,048	2,528
Amortization	6(9) and (25)	7,798	8,188
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	( 140 )	120
Net gain on financial assets or liabilities at fair value through profit or loss	6(12) and (23)	-	( 2,763 )
Interest expense	6(24)	6,286	7,550
Interest income	6(21)	( 7,127 )	( 11,638 )
Compensation cost of share-based payments	6(15) and (26)	6,236	8,520
Share of profit of associates and joint ventures accounted for under equity method	6(4)	( 125,864 )	( 75,975 )
Loss (gain) on disposal of property, plant and equipment	6(23)	( 167 )	( 48 )
Gain on disposal of investments	6(23)	( 204 )	( 305 )
Gain on disposal of investment assets	6(23)	-	( 100,677 )
Impairment loss on investments accounted for using equity method	6(23)	9,596	-
Unrealized profit from sales		979	13,295
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		204	305
Notes receivable		3,733	3,827
Accounts receivable (including related parties)		184,631	7,099
Other receivables (including related parties)		4,314	7,784
Inventories		13,018	66,293
Prepayments		( 2,521 )	6,189
Other current assets		( 174 )	( 125 )
Changes in liabilities relating to operating activities			
Contract liabilities		12,087	( 3,800 )
Notes payables		322	-
Accounts payable (including related parties)		( 67,087 )	( 261,754 )
Other payables		4,857	( 18,200 )
Advance receipts		12,345	( 1,564 )
Other current assets		152	158
Accrued pension liabilities		( 1,150 )	( 990 )
Cash inflow generated from operations		517,053	280,421
Receipt of interest		8,274	11,417
Payment of interest		( 1,241 )	( 1,030 )
Payment of income tax		( 9,273 )	( 172,022 )
Net cash flows provided by operating activities		514,813	118,786

(Continued)

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

	Notes	Years ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using equity method	6(4)	\$ -	(\$ 89,819)
Other receivables (including related parties)		( 37,131 )	37,932
Proceeds from disposal of investments for under equity method	6(29)	( 19,446 )	( 36,539 )
Proceeds from disposal of property, plant and equipment		171	48
Proceeds from disposal of investment properties		-	151,728
Acquisition of intangible assets	6(9)	( 9,387 )	( 3,757 )
Increase in refundable deposits		( 217 )	( 513 )
Net cash flows provided by (used in) investing activities		( 66,010 )	59,080
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short -term borrowings		963,000	553,000
Redemption of short -term borrowings		( 1,065,000 )	( 504,000 )
Increase (decrease) in refundable deposits		160	( 299 )
Payment of cash dividends	6(18)	( 327,568 )	( 298,784 )
Proceeds from exercise of employee stock options	6(15)	13,007	3,622
Repayment of lease principal		( 16,478 )	( 14,182 )
Net cash flows provided by (used in) financing activities		( 432,879 )	( 260,643 )
Increase (Decrease) in cash and cash equivalents		15,924	( 82,777 )
Cash and cash equivalents at beginning of year		652,040	734,817
Cash and cash equivalents at end of year		\$ 667,964	\$ 652,040

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

(ATTACHMENT V)

## **2020 Independent Auditors' Report**

### **(Consolidated Financial Statements)**

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

#### **Opinion**

We have audited the accompanying consolidated balance sheets of AXIOMTEK CO., LTD. and its subsidiaries (hereinafter referred to as “the Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended In order to comply with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

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

## **Key Audit Matters**

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

Key audit matters on the Consolidated Financial Statements for the year ended December 31, 2020 are stated as follows:

### **Cut-off of Operating Revenue**

#### Description

Please refer to Note 4(32) for accounting policy on revenue recognition and Note 6(22) for details of operating revenue.

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

#### How our audit addressed the matter

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

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

### **Allowance for Inventory Valuation Losses**

#### Description

Please refer to Note 4(12) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses and Note 6(3) for details of inventories. As at December 31, 2020, the Group's inventories and allowance for inventory valuation losses amounted to NT\$869,741 thousand and NT\$50,900 thousand, respectively.

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



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

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

#### How our audit addressed the matter

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

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

#### **Other Matter – Audits of Other Independent Accountants**

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$357,925 thousand and NT\$258,775 thousand, constituting 8.85% and 6.29% of consolidated total assets as of December 31, 2020 and 2019, respectively, and operating revenue of NT\$517,111 and NT\$591,102 thousand, constituting 11.23% and 12.47% of consolidated total operating revenue for the years ended December 31, 2020 and 2019, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiaries, is based solely on the audit reports of the other independent accountants.

#### **Other Matter – Parent Company Only Financial Reports**

We have audited and expressed an unqualified opinion on the Parent Company Only Financial Statements of AXIOMTEK CO., LTD. as of and for the years ended December 31, 2020 and 2019.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements

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

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

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

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

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

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

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

conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Feng, Ming-Chuan

Wu, Han-Chi

for and on behalf of PricewaterhouseCoopers, Taiwan February 25, 2021

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

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

(Continued)

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

	Assets	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11)	\$-	-	\$ 102,000	2
2130	Contract liabilities - current	6(22)	37,249	1	23,601	1
2150	Notes payables		997	-	675	-
2170	Accounts payable		318,697	8	397,432	10
2180	Accounts payable – related parties	7	4,640	-	5,075	-
2200	Other payables	6(12)	325,696	8	313,651	8
2230	Current income tax liabilities		81,882	2	54,355	1
2250	Provisions for liabilities - current		939	-	896	-
2280	Current lease liabilities		31,834	1	37,237	1
2320	Current portion of long-term borrowings	6(14) (15)	278,732	7	2,998	-
2399	Other current liabilities		19,475	-	12,010	-
21XX	<b>Total current liabilities</b>		<u>1,100,141</u>	<u>27</u>	<u>949,930</u>	<u>23</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(14)	-	-	319,618	8
2540	Long-term borrowings	6(15) and 8	38,685	1	43,721	1
2560	Non-current income tax liabilities		15,423	1	-	-
2570	Deferred income tax liabilities	6(29)	131,848	3	109,166	3
2580	Non-current lease liabilities		68,468	2	42,001	1
2600	Other non-current liabilities		55,174	1	55,217	1
25XX	<b>Total non-current liabilities</b>		<u>309,598</u>	<u>8</u>	<u>569,723</u>	<u>14</u>
2XXX	<b>Total liabilities</b>		<u>1,409,739</u>	<u>35</u>	<u>1,519,653</u>	<u>37</u>
<b>Equity attributable to shareholders of the parent</b>						
<b>Share capital</b>						
3110	Ordinary shares	6(18)	825,953	20	803,954	20
3140	Advance receipts for share capital	6(18)	23,897	1	60,957	1
<b>Capital surplus</b>						
3200	Capital surplus	6(19)	330,595	8	245,919	6
<b>Retained earnings</b>						
3310	Legal reserve	6(20)	546,178	13	500,481	12
3320	Special reserve		26,633	1	4,231	-
3350	Unappropriated retained earnings		919,497	23	1,008,490	25
<b>Other equity</b>						
3400	Other equity	6(21)	(38,975)	(1)	(26,633)	(1)
31XX	<b>Total equity attributable to shareholders of the parent</b>		<u>2,633,778</u>	<u>65</u>	<u>2,597,399</u>	<u>63</u>
3XXX	<b>Total equity</b>		<u>2,633,778</u>	<u>65</u>	<u>2,597,399</u>	<u>63</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>						
3X2X	<b>Total Liabilities and Equity</b>	11	<u>\$4,043,517</u>	<u>100</u>	<u>\$4,117,052</u>	<u>100</u>

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

**AXIOMTEK CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2020		2019	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(22)	\$4,602,779	100	\$4,738,911	100
5000 <b>Operating costs</b>	6(3)(27)(28) and 7	(3,052,024)	(66)	(3,045,427)	(64)
5900 <b>Gross profit</b>		1,550,755	34	1,693,484	36
5910 Unrealized gain from sale	6(4)	(57)	-	(36)	-
5920 Realized gain from sale		36	-	-	-
5950 <b>Net operating margin</b>		1,550,734	34	1,693,448	36
<b>Operating expenses</b>	6(27) (28)				
6100 Selling expenses		(594,948)	(13)	(623,480)	(13)
6200 General and administrative expenses		(126,519)	(3)	(115,174)	(2)
6300 Research and development expenses		(422,620)	(9)	(453,968)	(10)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(2,696)	-	(1,991)	-
6000 <b>Total operating expenses</b>		(1,146,783)	(25)	(1,194,613)	(25)
6900 <b>Operating profit</b>		403,951	9	498,835	11
<b>Non-operating income and expenses</b>					
7100 Interest income	6(23)	5,853	-	10,657	-
7010 Other income	6(24)	60,462	1	15,342	-
7020 Other gains and losses	6(25)	(46,679)	(1)	84,273	2
7050 Finance costs	6(26)	(9,481)	-	(11,263)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(4)	(1,604)	-	(1,427)	-
<b>Total non-operating income and expenses</b>		8,551	-	97,582	2
7000 <b>Profit before income tax</b>	6(29)	412,502	9	596,417	13
7900 Income tax expenses		(105,904)	(3)	(135,962)	(3)
7950 <b>Net Income</b>		\$306,598	6	\$460,455	10
8200 <b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Remeasurements of defined benefit plan	6(16)	\$95	-	(\$4,354)	-
8349 Income tax relating to components of other comprehensive income	6(29)	(19)	-	871	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		(15,427)	-	(28,003)	(1)
8399 Income tax relating to the components of other comprehensive income	6(29)	3,085	-	5,600	-
8300 <b>Other comprehensive income (loss) for the year</b>		(\$12,266)	-	(\$25,886)	(1)
8500 <b>Total Comprehensive Income</b>		\$294,332	6	\$434,569	9
<b>Profit attributable to:</b>					
8610 Shareholders of the parent		\$306,598	6	\$460,455	10
<b>Total comprehensive income (loss) attributable to:</b>					
8710 Shareholders of the parent		\$294,332	6	\$434,569	9
9750 <b>Basic earnings per share</b>	6(30)	\$ 3.73		\$ 5.76	
9850 <b>Diluted earnings per share</b>	6(30)	\$ 3.43		\$ 5.18	

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to shareholders of the parent							Total
		Share capital		Retained Earnings			Other Equity Interest		
		Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	
<b>Year 2019</b>									
Balance at January 1, 2019		\$796,206	\$1,039	\$214,960	\$459,789	\$12,914	\$882,311	\$(4,230)	\$2,362,989
Profit for the year		-	-	-	-	-	460,455	-	460,455
Other comprehensive income (loss) for the year		-	-	-	-	-	(3,483)	(22,403)	(25,886)
Total comprehensive income		-	-	-	-	-	456,972	(22,403)	434,569
Appropriations of 2018 earnings	6(21)								
Legal reserve		-	-	-	40,692	-	(40,692)	-	-
Special reserve		-	-	-	-	(8,683)	8,683	-	-
Cash dividends		-	-	-	-	-	(298,784)	-	(298,784)
Share-based payments		1,760	(128)	1,990	-	-	-	-	3,622
Compensation cost of share-based payments	6(18)	-	-	10,345	-	-	-	-	10,345
Conversion of convertible bonds		5,988	60,046	18,624	-	-	-	-	84,658
Balance at December 31, 2019		\$803,954	\$60,957	\$245,919	\$500,481	\$4,231	\$1,008,490	\$(26,633)	\$2,597,399
<b>Year 2020</b>									
Balance at January 1, 2020		\$803,954	\$60,957	\$245,919	\$500,481	\$4,231	\$1,008,490	\$(26,633)	\$2,597,399
Profit for the year		-	-	-	-	-	306,598	-	306,598
Other comprehensive income (loss) for the year	6(22)	-	-	-	-	-	76	(12,342)	12,266
Total comprehensive income		-	-	-	-	-	306,674	(12,342)	294,332
Appropriations of 2019 earnings									
Legal reserve	6(21)	-	-	-	45,697	-	(45,697)	-	-
Special reserve		-	-	-	-	22,402	(22,402)	-	-
Cash dividends	6(21)	-	-	-	-	-	(327,568)	-	(327,568)
Share-based payments		3,850	1,552	7,605	-	-	-	-	13,007
Compensation cost of share-based payments	6(18)	-	-	7,814	-	-	-	-	7,814
Conversion of convertible bonds		18,149	(38,612)	69,257	-	-	-	-	48,794
Balance at December 31, 2020		\$825,953	\$23,897	\$330,595	\$546,178	\$26,633	\$919,497	\$(38,975)	\$2,597,399

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

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

(Continued)



AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

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

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

(ATTACHMENT VI)

**AXIOMTEK CO., LTD.**

**2020 Profit Distribution Table**

Unit : TWD

Item	Amount	
	Sub-total	Total
Unappropriated retained earnings at the beginning of the term		612,822,861
Remeasurement of defined benefit plans recognized in retained earnings	76,117	
Adjusted unappropriated retained earnings		612,898,978
2020 Net income	306,597,897	
10% set aside as legal reserve	(30,667,401)	
Special reserves	(12,341,751)	
Total unappropriated retained earnings		876,487,723
Distributable item:		
Shareholders' dividend – cash (\$2.6 per share)		(216,954,210)
Unappropriated retained earnings at the end of the term		659,533,513

Note: The 2020 net income shall be distributed with higher priority this time.

Chairman : Yang, Yu-Te

President : Huang, Jui-Nan

Principal Accounting Officer : Hsu, Chin-Chuan

**AXIOMTEK CO., LTD.**

**Comparison Table for Articles in the “Rules of Procedures for Shareholders’ Meeting”  
(before and after Revision)**

<b>Contents after revision</b>	<b>Contents before revision</b>	<b>Explanation</b>
<p><b>Article 3</b> Unless otherwise provided by law or regulation, the Company’s Shareholders’ Meeting shall be convened by the Board of Directors. The Company shall make including the Shareholders’ Meeting notice, proxy form, approval proposal, discussion proposal, election or discharge Directors and so on (a regular meeting of shareholders prior within 30 days or special meeting of shareholders prior 15 days) as electronic forms upload to MOPS. And the amendment of the meeting shall be made as electronic files and upload to MOPS (a regular meeting of shareholders prior within 21 days or special meeting of shareholders prior 15 days). Before the 15 days of the Shareholders’ Meeting, the Company shall well prepare the Shareholders Meeting’s handbook and the amendment to be put in the place of professional stock transfer agency authorized by the Company and reviewed by each shareholder anytime and shall grant to shareholders in the place of the meeting. The reasons for convening a Shareholders’ Meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form. Matters pertaining to election or discharge of directors, alteration of the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company,</p>	<p><b>Article 3</b> Unless otherwise provided by law or regulation, the Company’s Shareholders’ Meeting shall be convened by the Board of Directors. The Company shall make including the Shareholders’ Meeting notice, proxy form, approval proposal, discussion proposal, election or discharge Directors and so on (a regular meeting of shareholders prior within 30 days or special meeting of shareholders prior 15 days) as electronic forms upload to MOPS. And the amendment of the meeting shall be made as electronic files and upload to MOPS (a regular meeting of shareholders prior within 21 days or special meeting of shareholders prior 15 days). Before the 15 days of the Shareholders’ Meeting, the Company shall well prepare the Shareholders Meeting’s handbook and the amendment to be put in the place of professional stock transfer agency authorized by the Company and reviewed by each shareholder anytime and shall grant to shareholders in the place of the meeting. The reasons for convening a Shareholders’ Meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form. Matters pertaining to election or discharge of directors, alteration of the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company,</p>	<p>Act in connection with the articles’ modifications of “XXX Co., Ltd. Rules of Procedure for Shareholders Meetings”</p>

Contents after revision	Contents before revision	Explanation
<p>approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 of <u>Company Act, Article 26-1, Article 43-6 of Securities and Exchange Act, Article 56-1 and Article 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers</u> shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions.</p> <p>The convening of the Shareholders' Meeting has stated the full re-election of directors and the date of appointment. After the re-election of the Shareholders' Meeting is completed, the same meeting may not change its appointment date by provisional motion or other means. A shareholder holding one percent (1%) or more of the total number of outstanding shares may propose to the Company a proposal for discussion at a regular Shareholders' Meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. <u>In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda. Shareholders may submit a proposed proposal for urging the Company to promote public interests or fulfill its social responsibilities, and it is limited to one only in accordance with the relevant provisions of Article 172-1 of Company Act, and no proposal containing more than one item will be</u></p>	<p>approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 <u>hereof</u> shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions; <u>the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.</u></p> <p>The convening of the Shareholders' Meeting has stated the full re-election of directors and the date of appointment. After the re-election of the Shareholders' Meeting is completed, the same meeting may not change its appointment date by provisional motion or other means. A shareholder holding one percent (1%) or more of the total number of outstanding shares may propose to the Company a proposal for discussion at a regular Shareholders' Meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. <u>However, the shareholders' proposal is a proposal to urging a company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors. And the proposal issued by shareholder should be pursuant to Article 172-1 of the Company Act, any proposal with regards to the Item 4 of Article 172-1 of the Company act will not be discussed for the motion.</u></p>	

Contents after revision	Contents before revision	Explanation
<u>included in the meeting agenda.</u> (Omitted below)	(Omitted below)	
<p><b>Article 9</b> Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sing-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically. The chair shall call the meeting to order at the appointed meeting time <u>and announce relevant information such as the number of non-voting rights and the number of shares in attendance.</u> (Omitted below)</p>	<p><b>Article 9</b> Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sing-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically. The chair shall call the meeting to order at the appointed meeting time.  (Omitted below)</p>	
<p><b>Article 14</b> The election of Directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, <u>including the list of elected Directors and the number of elected rights, and the list of failed Directors and the number of election rights obtained.</u> (Omitted below)</p>	<p><b>Article 14</b> The election of Directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately.  (Omitted below)</p>	
<p><b>Article 20</b> The amendment was made on May 28, 2021.</p>	<p><b>Article 20</b> The amendment was made on May 28, 2020</p>	

## AXIOMTEK CO., LTD.

### Comparison Table for Articles in the “Methods for Election of Directors” (before and after Revision)

Contents after revision	Contents before revision	Explanation
<u>Procedures</u> for Election of Directors	<u>Method</u> for Election of Directors	Act in connection with the articles' modifications of “XXX Co., Ltd. Procedures for Election of Directors and Supervisors” and amendment of word.
<b>Article 1</b> To ensure a just, fair, and open election of Directors, these Procedures are adopted pursuant to Articles 21 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”	<b>Article 1</b> To ensure a just, fair, and open election of Directors <u>and Supervisors</u> , these Procedures are adopted pursuant to Articles 21 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”	
<b>Article 5</b> Elections of Directors at the Company shall be in order to comply with the procedures for the nomination of candidates in order to comply with Article 192-1 of the Company Act.	<b>Article 5</b> Elections of Directors ( <u>including Independent Directors</u> ) at the Company shall be in order to comply with the procedures for the nomination of candidates in order to comply with Article 192-1 of the Company Act and <u>Article 5 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"</u> .	
(Omitted below)	(Omitted below)	
<b>Article 6</b> The cumulative voting method shall be used for election of the Directors at the Company. Each share will have voting rights in number equal to the Directors to be elected and may be cast for a single candidate or split among multiple candidates.	<b>Article 6</b> The cumulative voting method shall be used for election of the Directors at the Company. Each share will have voting rights in number equal to the Directors to be elected and may be cast for a single candidate or split among multiple candidates. <u>The election of Directors at the Company, shareholder may exercise the right by choosing the way of electronic or cast the vote.</u> <u>Shareholder shall exercise the vote right in the electronic platform assigned by the Company as executing election right stated in preceding paragraph.</u> <u>The election of the Company's Independent Directors is used candidate nominate system.</u>	

Contents after revision	Contents before revision	Explanation
	<u>independent and non-Independent Directors elected at the same time, but in separately calculated numbers.</u>	
<p><b>Article 7</b> The Board of Directors shall prepare separate ballots for Directors in numbers corresponding to the Directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.</p>	<p><b>Article 7</b> The Board of Directors shall prepare separate ballots for Directors <u>and Supervisors</u> in numbers corresponding to the Directors <u>or Supervisors</u> to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders. <u>The ballots will not be printed if shareholder use the way of electronic election.</u></p>	
<p><b>Article 8</b> The number of Directors will be as specified in the Company's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.</p>	<p><b>Article 8</b> The number of Directors will be as specified in the Company's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance. <u>The voting right stated in the preceding paragraph will be calculated with electronic and cast vote in the Shareholders' Meeting.</u> <u>The results of the preceding vouchers shall be determined by the shareholders who meet the requirements of Article 44 of the Rules of Shareholders before the Shareholders' Meeting, confirm the identity of the shareholders and vote and complete the statistical verification.</u></p>	

Contents after revision	Contents before revision	Explanation
(Delete)	<p><b><u>Article 10</u></b>  <u>If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.</u></p>	
<p><b><u>Article 10</u></b>  A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. The ballot was not prepared by the <u>convener</u>.</li> <li>2. A blank ballot is placed in the ballot box.</li> <li>3. The writing is unclear and indecipherable or has been altered.</li> <li>4. <u>A cross-check shows that the candidate's name and list of director candidates do not match.</u></li> </ol> <p>5. Other words or marks are entered in addition to the number of voting rights allotted.</p>	<p><b><u>Article 11</u></b>  A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. The ballot was not prepared by the <u>Board of Directors</u>.</li> <li>2. A blank ballot is placed in the ballot box.</li> <li>3. The writing is unclear and indecipherable or has been altered.</li> <li>4. <u>The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.</u></li> <li>5. Other words or marks are entered in addition to <u>the candidate's account name or shareholder account number (or identity card number) and</u> the number of voting rights allotted.</li> <li>6. <u>The name of the candidate entered</u></li> </ol>	



Contents after revision	Contents before revision	Explanation
	<u>in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.</u>	
<b>Article 11</b> The voting rights shall be calculated on site immediately under the supervision of vote monitoring after the end of the poll. The results of the calculation, including the list of persons elected as Directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.	<b>Article 12</b> The voting rights shall be calculated on site immediately under the supervision of vote monitoring after the end of the poll. The results of the calculation, including the list of persons elected as Directors <u>or Supervisors</u> and the numbers of votes with which they were elected, shall be announced by the chair on the site.	
<b>Article 12</b> <u>The Board of Directors of the Company will issue a notice of election to the elected director.</u>		
<b>Article 14</b> The <u>Procedures</u> was amended on May 28, 2021.	<b>Article 14</b> The <u>Method</u> was amended on May 28, 2020.	

## **PART THREE – APPENDICES**

**(APPENDIX I)**

### **AXIOMTEK CO., LTD.**

#### **Rules of Procedure for Adoption of Codes of Ethical Conduct (before Revision)**

##### **Article 1 Purpose**

For assisting the Directors, managers and employee to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company, the Company establishes a code of ethical conduct with reference to “Guidelines for the Adoption of Codes of ethical Conduct for TWSE/TPEX Listed companies.”

##### **Article 2 Scope**

The Directors, managers and all employee (herein after collected as “employees”).

##### **Article 3 Definitions**

###### 3.1 Managers:

- 3.1.1 General Manager and their equivalents.
- 3.1.2 Assistant General Managers and their equivalents.
- 3.1.3 Deputy Assistant Managers and their equivalents.
- 3.1.4 Chief Financial Officers.
- 3.1.5 Chief Accounting Officers.
- 3.1.6 Other persons authorized to manage affairs and sign documents on behalf of the Company.  
Consider each company will have different job title for each position, so the job title will not be the criteria.

##### **Article 4 Reference Regulations**

- 4.1 Guidelines for the Adoption of Codes of ethical Conduct for TWSE/GTSM Listed companies.
- 4.2 The Official Letter of Tai-Financial-Security-three-Zi No: 0920001301 issued by Securities and Futures Bureau of the Ministry of Finance: the definition of managers.

##### **Article 5 Duty**

- 5.1 The Financial dept.: be responsible for drafting and revising the rules and propose to the Meeting of Board of Directors for discussion.
- 5.2 The Audit dept.: to audit the operation condition for the rules by routine.
- 5.3 The Audit Committee: to be supervisor and manage all related affairs of the rules.
- 5.4 The Board of the Directors: approve the procedure of this Rules.

##### **Article 6 Flow Chart**

Not application

## **Article 7 Procedures/Way**

### **7.1 Prevention of conflicts of interest:**

Employee shall avoid the situations of personal interest intervenes or is likely to intervene in the overall interest of the Company occur, and obeys the following principles:

- 7.1.1 Shall be perform the duties in an objective and efficient manner and avoid taking advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives with the second degree of kinship.
- 7.1.2 The Company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which all employee work.
- 7.1.3 The Company shall establish a policy aimed at preventing conflicts of interest and shall offer appropriate means for all employee to voluntarily explain whether there is any potential conflict between them and the Company.

### **7.2 Minimizing incentives to pursue personal gain:**

The Company shall prevent all employees from engaging in any of the following activities.

- 7.2.1 Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their position.
- 7.2.2 Obtaining personal gain by using company property or information or taking advantage of their position.
- 7.2.3 Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of all employees to maximize the reasonable and proper benefits that can be obtained by the Company.

### **7.3 Confidentiality:**

All employees of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.

### **7.4 Fair Trade:**

All employees shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

### **7.5 Safeguarding and proper use of the Company assets:**

All employees have the responsibility to safeguard the Company assets and to ensure that they can be effectively and lawfully used for official business purpose; any theft, negligence in care, or waste of the assets will all directly impact the Company's profitability.

### **7.6 Legal compliance:**

The Company shall strengthen its compliance with the Securities and Exchange Act and other applicable laws, regulations, and bylaws.

### **7.7 Encouraging reporting on illegal or unethical activities:**

The Company shall raise awareness of ethics internally and encourage employs to report to the Company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. To encourage employees to report illegal conduct, the Company shall establish a concrete whistle-blowing system and make employees aware that the Company will use its best efforts to

ensure the safety of information and protect them from reprisals.

7.8 Disciplinary measures:

When an employee violates the code of ethical conduct, the Company shall handle the matter in accordance with the regulations related to the code of ethical conduct and the rules of Employees and shall without delay disclose on the Market Observation Post System (MOPS) the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The Company shall establish a relevant complaint system to provide the violator with remedies.

7.9 Any exemption for directors, supervisors, or managerial officers from compliance with the code must be adopted by a resolution of the board of directors, and that information on the date on which the board of directors adopted the resolution for exemption, and the period of, reason of, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

7.10 The Company shall disclose the code of ethical conduct it has adopted, and any amendments to it, on its company website, in its annual reports and prospectuses and on the MOPS.

7.11 The Company's code of ethical conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, delivered to each supervisor, and submitted to a shareholders meeting.

## **Article 8 The related documents**

8.1 Documents: not applicable.

Not applicable

8.2 Form: not applicable.

Not applicable

8.3 Record or others: not applicable.

Not applicable

## **AXIOMTEK CO., LTD.**

### **Rules of Procedures for Shareholders' Meeting (Before Revision)**

#### **Section I-General Provisions**

##### **Article 1**

To establish a strong governance system and sound supervisory capabilities for the Company's Shareholders' Meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."

##### **Article 2**

The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

##### **Article 3**

Unless otherwise provided by law or regulation, the Company's Shareholders' Meeting shall be convened by the Board of Directors.

The Company shall make including the Shareholders' Meeting notice, proxy form, approval proposal, discussion proposal, election or discharge Directors and so on (a regular meeting of shareholders prior within 30 days or special meeting of shareholders prior 15 days) as electronic forms upload to MOPS. And the amendment of the meeting shall be made as electronic files and upload to MOPS (a regular meeting of shareholders prior within 21 days or special meeting of shareholders prior 15 days). Before the 15 days of the Shareholders' Meeting, the Company shall well prepare the Shareholders Meeting's handbook and the amendment to be put in the place of professional stock transfer agency authorized by the Company and reviewed by each shareholder anytime and shall grant to shareholders in the place of the meeting.

The reasons for convening a Shareholders' Meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form. Matters pertaining to election or discharge of directors, alteration of the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 hereof shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.

The convening of the Shareholders' Meeting has stated the full re-election of directors and the date of appointment. After the re-election of the Shareholders' Meeting is completed, the same meeting may not change its appointment date by provisional motion or other means.

A shareholder holding one percent (1%) or more of the total number of outstanding shares may propose to the Company a proposal for discussion at a regular Shareholders' Meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. However, the shareholders' proposal is a proposal to

urging a company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors. And the proposal issued by shareholder should be pursuant to Article 172-1 of the Company Act, any proposal with regards to the Item 4 of Article 172-1 of the Company act will not be discussed for the motion.

Prior to the date on which share transfer registration is suspended before the convention of a regular Shareholders' Meeting, the company shall give a public notice announcing acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular Shareholders' Meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a Shareholders' Meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results and shall list in the meeting notice the proposals that conform to the provisions of this article. At the Shareholders' Meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

#### **Article 4**

For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting and shall deliver the proxy form to the Company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

#### **Article 5**

The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the Independent Directors with respect to the place and time of the meeting.

#### **Article 6**

The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders or their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report,

attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of Directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

## **Article 7**

If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the chairman shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the Directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the Directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders meetings convened by the Board of Directors be chaired by the chairperson of the board in person and attended by a majority of the Directors and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

## **Article 8**

The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The Company shall retain the recording for at 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

## **Article 9**

Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sing-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act, all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

### **Article 10**

If a Shareholders' Meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Relevant motions (including temporary motions and amendments to the original motions) shall be decided on a case-by-case basis. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the Shareholders' Meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a Shareholders' Meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the Shareholders' Meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in order to comply with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders, when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

### **Article 11**

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor, the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

### **Article 12**

Voting at shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented



by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

### **Article 13**

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When voting rights are exercised by correspondence or electronic means, the method of exercise shall be established in accordance with the laws and shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, the shareholder mentioned in the preceding paragraph will be deemed to waive the right for the motion and the modification of the proposal at that Shareholders' Meeting mentioned herein, therefore, the Company shall avoid the situation of providing the proposal for the motion and the modification for the agenda item.

When shareholder exercises voting rights by written consent or electronic means in accordance with the preceding paragraph, the intention shall be delivered to the Company before 2 days before the date of the Shareholders' Meeting, when the intention repeat, the one received earliest shall prevail unless a declaration is made to cancel the previous intention.

After shareholder exercises voting rights by written consent or electronic means, if they want to attend to the Shareholders' Meeting in personal, the shareholder mentioned in the preceding sentence shall withdraw the intention by written consent or electronic means in the same way of exercising voting rights before 2 days before the date of the Shareholders' Meeting; when the withdraw mentioned herein is overdue, the voting rights by written consent or electronic mean shall prevail. If shareholder exercises voting rights by written consent or electronic means and appoint agent as proxy to attend the shareholders meeting, the voting right of proxy shall prevail.

Except as otherwise specified in the Company Act or in the Company's articles of incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed veto, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, and all monitoring personnel shall be shareholders of the Company.

Vote counting shall be conducted in public at the place of the shareholders meeting, and voting results shall be reported on-site immediately and recorded in writing.

### **Article 14**

The election of Directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the company Act, the ballots shall be retained until the conclusion of the litigation.

### **Article 15**

Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The distribution of the meeting minutes could be in the way of electronic form.

The distribution for the meeting minutes in the preceding paragraph can be in the ways of published in MOPS.

The meeting minutes shall record the date of the meeting, place, the chair name, the way of resolution and the results of voting (including the weight of statistics). When there are elected directors, the number of votes for each candidate shall be disclosed and keep it forever during the term of continuing of the Company.

### **Article 16**

On the day of a Shareholders' Meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute information under applicable laws or regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

### **Article 17**

The personnel who is responsible for the Shareholders' Meeting shall wear the badge or identification card.

The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the meeting place. Such disciplinary officers or the security guard shall wear the badge marked "Disciplinary officers" for identification purpose.

At the place of meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceeding and refusing to heed calls to stop, the chair may direct relevant personnel to escort the shareholder from the meeting.

### **Article 18**

During the meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the Meeting and announce, depending on the situation.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

### **Article 19**

These Rules and Procedure shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

### **Article 20**

The amendment was made on May 28, 2020.

## AXIOMTEK CO., LTD.

### Methods for Election of Directors (Before Revision)

#### Article 1

To ensure a just, fair, and open election of Directors and Supervisors, these Procedures are adopted pursuant to Articles 21 of the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."

#### Article 2

Except as otherwise provided by law and regulation or by the Company's articles of incorporation, elections of Directors shall be conducted in accordance with these Procedures.

#### Article 3

The overall composition of the Board of Directors shall be taken into consideration in the selection of the Company's Directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the Directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The Board of Directors of the Company shall consider adjusting its composition based on the results of performance evaluation.

#### Article 4

The qualifications for the Independent Directors of the Company shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The election of Independent Directors of the Company shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

## **Article 5**

Elections of Directors (including Independent Directors) at the Company shall be in order to comply with the procedures for the nomination of candidates in order to comply with Article 192-1 of the Company Act and Article 5 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

When the number of Directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election to fill the vacancy at its next Shareholders' Meeting. When the number of Directors falls short by one third of the total number prescribed in the Company's articles of incorporation, the Company shall call a special Shareholders' Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of Independent Directors falls below that required under the provision of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next Shareholders' Meeting to fill the vacancy. When the independent Directors are all dismissed, a special s Shareholders' Meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

## **Article 6**

The cumulative voting method shall be used for election of the Directors at the Company. Each share will have voting rights in number equal to the Directors to be elected and may be cast for a single candidate or split among multiple candidates.

The election of Directors at the Company, shareholder may exercise the right by choosing the way of electronic or cast the vote.

Shareholder shall exercise the vote right in the electronic platform assigned by the Company as executing election right stated in preceding paragraph.

The election of the Company's Independent Directors is used candidate nominate system, independent and non-Independent Directors elected at the same time, but in separately calculated numbers.

## **Article 7**

The Board of Directors shall prepare separate ballots for Directors and Supervisors in numbers corresponding to the Directors or Supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders. The ballots will not be printed if shareholder use the way of electronic election.

## **Article 8**

The number of Directors will be as specified in the Company's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

The voting right stated in the preceding paragraph will be calculated with electronic and cast vote in the Shareholders' Meeting.

The results of the preceding vouchers shall be determined by the shareholders who meet the requirements of Article 44 of the Rules of Shareholders before the shareholders' meeting, confirm the identity of the shareholders and vote and complete the statistical verification.

## **Article 9**

Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel, vote monitoring personnel

shall be shareholder to execute each job of duty. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.

### **Article 10**

If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

### **Article 11**

A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by the Board of Directors.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

### **Article 12**

The voting rights shall be calculated on site immediately under the supervision of vote monitoring after the end of the poll. The results of the calculation, including the list of persons elected as Directors or Supervisors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

### **Article 13**

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

### **Article 14**

The Method was amended on May 28, 2020.

# **AXIOMTEK CO., LTD.**

## **Article of Incorporation**

### **Section I-General Principles**

#### **Article 1**

The Company is incorporated under the Company Act and its name shall be “Axiomtek Co., Ltd.”.

#### **Article 2**

The scope of business of the Company shall be as follow:

1. CB01020 Office Machines Manufacturing
2. CC01080 Electronic Parts and Components Manufacturing
3. F219010 Retail Sale of Electronic Materials
4. I301020 Data Processing Services
5. I301030 Digital Information Supply Services
6. I501010 Product Designing
7. E605010 Computing Equipment Installation Construction
8. CC01060 Wired Communication Equipment and Apparatus Manufacturing
9. CC01070 Telecommunication Equipment and Apparatus Manufacturing
10. CC01110 Computers and Computing Peripheral Equipment Manufacturing
11. CE01010 Precision Instruments Manufacturing
12. EZ05010 Apparatus Installation Construction
13. I301010 Software Design Services
14. F213030 Retail sale of Computing and Business Machinery Equipment
15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

#### **Article 3**

The Company’s headquarter is in New Taipei City, and may setup domestic or overseas branches with the resolution of the Board of Directors.

#### **Article 4**

The Company for business needs may conduct the making of endorsement and guarantee in accordance with the “Operating Procedures of Fund Lending and Making of Endorsements and Guarantees”.

### **Section II – Shares**

#### **Article 5**

The Company’s total capital shall be in the amount of NT\$1,600,000,000, divided into 160,000,000 shares, at a par value of Ten New Taiwan Dollars (NT\$10) each, and may be issued in installments subject to the resolution of Board of Directors.

Within the aforementioned capital, NT\$100,000,000 divided into 10,000,000 shares, with a par value of Ten New Taiwan Dollars (NT\$10) each shall be reserved for issuing employee stock options which may be issued in installments in accordance with the resolution of the Board of Directors.

## **Article 6**

To transfer shares to employees at less than the average actual share repurchase price, the Company must have obtained the consent of at least two-thirds of the voting rights present at the most recent Shareholders' Meeting attended by shareholders representing a majority of total issued shares.

### **Article 6-1**

When the Company issuing the employee stock options at an exercise price lower than the Company's closing price on the date the issuance, it must obtain the consent of at least two-thirds of the voting rights represented at a Shareholders Meeting attended by shareholders representing a majority of the total issued shares.

### **Article 6-2**

Qualification requirements of employees, including the employees of parents or subsidiaries of the Company meeting certain specific requirements, entitled to receive the Company's treasury stocks in accordance with the Company Act. The requirement and manner of distribution are authorized to Board of Directors for resolution.

Qualification requirements of employees, including the employees of parents or subsidiaries of the Company meeting certain specific requirements, entitled to receive the share subscription warrant. The requirement and manner of distribution are authorized to Board of Directors for resolution.

When the Company issues new shares, qualification requirements of employees, including the employees of parents or subsidiaries of the Company meeting certain specific requirements, entitled to receive the shares. The requirement and manner of distribution are authorized to Board of Directors for resolution.

Qualification requirements of employees, including the employees of parents or subsidiaries of the Company meeting certain specific requirements, entitled to receive restricted stock for employees. The requirement and manner of distribution are authorized to Board of Directors for resolution.

## **Article 7**

The Company is exempted from having the stock shares printed out; however, the Company should contact the securities depository and clearing institution for registration.

## **Article 8**

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

## **Article 9**

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholder of the Company shall follow the "Guidelines for Stock Operations for Public Companies".

## **Article 10**

The total investment of the Company shall not be restricted by Article 13 of the Company Act, which shall not exceed 40% of the paid-up capital of the Company.

## **SECTION III- Shareholders' Meeting**

### **Article 11**

Shareholders' Meeting of the Company shall be of two types, namely regular meeting and special meetings. Regular meeting shall be convened once a year by the Board of Directors in accordance with laws within six months after the close of each fiscal year. Special meetings shall be convened in accordance with laws whenever necessary.

### **Article 12**

Shareholder who is unable to attend the Shareholders' Meeting in person may have a representative appointed to attend the meeting by issuing the power of attorney that is printed by the Company with the scope of authorization specified and then signed and sealed. The power of attorney referred to above is regulated in accordance with Article 177 of the Company Act and the "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" published by the competent authority.

### **Article 13**

A shareholder shall have one voting power in respect of each share in his/her/its possession. The shares shall have no voting power in accordance with the regulations of Article 179 of the Company Act.

### **Article 14**

Resolutions at a Shareholders' Meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

### **Article 15**

A notice to convene a regular meeting of shareholders shall be given to each shareholder no later than thirty (30) days prior to the scheduled meeting date. In case the Company intends to convene a special meeting of shareholders, a meeting notice shall be given to each shareholder no later than fifteen (15) days prior to the scheduled meeting date. All shareholders will be notified of the meeting date, venue and proposed matters for convening any such meeting.

### **Article 16**

The Chairman of the Board of Directors shall be the Chairman of the Shareholders' Meeting. When the Chairman is absent for some reason, the Chairman shall appoint one of the Board of Directors as the Chairman, and when not appointed, one of the directors shall be elected as the Chairman. If a Shareholders' Meeting convened by any other person having the convening right, he/she shall act as the Chairman of that meeting provided, however, that if there are two or more persons having the convening right, the Chairman of the meeting shall be elected from among themselves.

### **Article 17**

Resolutions adopted at a Shareholders' Meeting shall be recorded in the minutes of the meeting, and handle in accordance with the regulations of Article 183 of the Company Act.



## **Section IV-Directors and Functional Committees**

### **Article 18**

The Company shall have seven to nine directors. They are elected from capable candidates through a nominating system at the Shareholders' Meeting for a term of three (3) years. A director may be re-elected. The total shareholding of the Company held by all Directors shall be handled in accordance with the regulations of the security's regulatory authorities. The Company may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.

### **Article 18-1**

The Company shall have to appoint Independent Directors at least three in number and not less than one-fifth of total number of Directors in accordance with the regulations of Article 14-2 of the Securities Exchange Act. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and appointment, and other matters for compliance with respect to Independent Directors shall be prescribed by the competent authority. Independent Directors and Directors shall be elected at the same time, but in separately calculated numbers, a candidate to whom the ballots cast represent a prevailing number of votes shall be deemed Independent Directors and Directors.

### **Article 19**

The Board of Directors is formed by the Directors. The Chairman is elected by a majority of the attending directors at the Board meeting that is attended by two-thirds of the Directors. The Chairman of the Board of Directors shall externally represent the Company.

### **Article 20**

In case the Chairman of the Board of Directors is on leave or absent or cannot exercise his power and authority for any cause, the matter regarding the deputy of the Chairman should be handled in accordance with Article 208 of the Company Act.

### **Article 21**

In calling a meeting of the Board of Directors, a notice shall be given to each director no later than seven (7) days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time.

The Board of Directors is authorized to determine the remunerations of all Directors according to their participation and contributions to the Companies' operation and by referring to the remuneration standard adopted by other firms of the same industry.

### **Article 22**

When the number of vacancies in the Board of Directors of the Company equals to one-third of the total number of Directors, the Board of Directors shall convene a special meeting of shareholders to elect succeeding directors to fill the vacancies within 60 days, the new Directors shall serve the remaining term of the predecessors.

### **Article 23**

Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. In case a director appoints another director to attend a meeting of the Board of Directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the proxy for

one other director only.

#### **Article 24**

Resolutions adopted at a meeting of the Board of Directors shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the Chairman of the meeting and shall be distributed to all Directors within fifteen (15) days after the close of the meeting. The minute of the meeting of the Board of Directors shall record the date and place of the meeting, the name of the Chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company. The attendance list bearing the signatures of Directors present at the meeting and the powers of attorney of the proxies shall be kept with the minutes of the meeting by the Company.

#### **Article 24-1**

The Board of Directors may set up a Remuneration Committee, an Audit Committee or other Functional Committees due to the needs of business operations.

The Company establishes an Audit Committee, which composes of the entire number of Independent Directors in accordance with Article 14-4 of the Securities and Exchange Act, The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Act, Securities and Exchange Act and other relevant regulations.

### **Section V-Managers**

#### **Article 25**

The Company may have one or more managerial personnel. Appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with Article 29 of the Company Act. Managerial personnel shall be empowered to manage the operation of the Company and to sign relevant business documents for the company, subject to the scope of authorization. The Company may obtain managerial liability insurance with respect to liabilities resulting from exercising their duties during their tenure.

### **Section VI-Accounting**

#### **Article 26**

At the close of each fiscal year, the Board of Directors shall prepare Business Report, Financial Statement, and the Profit Distribution Proposal for acknowledgement in the general meeting of shareholders.

#### **Article 27**

This Company shall set aside 1%-20% as employees' remuneration and the percentage lower than 2% as directors' remuneration if the Company has profit (means the pre-tax income before deduction of the employees' and directors' remuneration) in the current year. However, the Company's accumulated deficit shall have been covered, if any (including the adjustment of unappropriated retained earnings). The Company may have the profit distributable as employees' remuneration in the preceding paragraphs distributed in the form of shares or in cash to the qualification requirements of employees, including the employees of parents or subsidiaries of the Company meeting certain specific requirements, the requirement and manner of distribution are authorized to Board of Directors for resolution. The remuneration of directors in the preceding paragraphs only can receive the profit in the form of cash.

The Company shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors for the preceding two paragraphs distributed

and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting.

### **Article 27-1**

When allocating the net income for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and accumulated retained earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the proposal for distribution, and to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting.

The Company distributing surplus earning in the form of new shares to be issued by the Company in accordance with the preceding paragraphs shall follow the provisions of Article 240 of the Company Act with a resolution adopted at a meeting of shareholders.

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

### **Article 27-2**

When the Company incurs no loss, it may authorize the legal reserve (only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed) and the capital reserve following the provisions of the Company Act in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting.

## **Section VII-Supplementary Provisions**

### **Article 28**

For all matters not stipulated in the Company's Articles of Incorporation, the Company Act shall govern.

### **Article 29**

These Articles of Incorporation were established on May 8, 1990.

The first amendment was approved on January 7, 1993.

The second amendment was made on October 1, 1993.

The third amendment was made on May 24, 1997.

The fourth amendment was made on August 15, 1997.

The fifth amendment was made on September 5, 1997.

The sixth amendment was made on June 20, 1998.

The seventh amendment was made on June 12, 1999.

The eighth amendment was made on June 24, 2000.

The ninth amendment was made on June 16, 2001.

The tenth amendment was made on March 5, 2002.

The eleventh amendment was made on June 25, 2002.

The twelfth amendment was made on June 30, 2003.

The thirteenth amendment was made on May 24, 2004.

The fourteenth amendment was made on June 24, 2005.

The fifteenth amendment was made on June 9, 2006.  
The sixteen amendment was made on June 25, 2007.  
The seventeenth amendment was made on June 6, 2008.  
The eighteenth amendment was made on June 22, 2009.  
The nineteenth amendment was made on June 17, 2010.  
The twentieth amendment was made on June 24, 2011.  
The twenty-first amendment was made on June 18, 2012.  
The twenty-second amendment was made on June 3, 2015.  
The twenty-third Amendment was made on May 31, 2016.  
The twenty-fourth Amendment was made on May 22, 2017.  
The twenty-fifth Amendment was made on May 29, 2019.

**AXIOMTEK CO., LTD.****Article of Incorporation**

I. As per calculation based on the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the overall shareholding by Directors is as follow:

(I) The Company has issued 83,925,578 common shares of which 10% (i.e., 8,392,558 shares) shall be held by all Directors according to statutory requirements. Also, the Audit Committee comprising Independent Directors has been established by the Company in order to comply with Article 14.4 of the Securities and Exchange Act, responsible for the implementation of the authority of Supervisors under the provisions of the Company Act, the Securities and Exchange Act and other laws and regulations. Therefore, supervisors' shareholding requirements are not applicable.

(II) The Company has also elected three Independent Directors; subsequently, the statutorily required number of common shares held by the Directors shall be reduced according to 80% of the abovementioned shares that shall be held by Directors. Hence, the total number of common shares held by the Directors of the Company shall come to 6,714,047 shares.

II. As of March 30<sup>th</sup>, 2021 (book closure date), the shareholding of common shares held by all Directors in the shareholders' registry has been as follows:

Title	Name	Representative	Current Shareholding	
			Shares	Shareholding Ratio %
Chairman	Yang, Yu-Te		1,578,512	1.88
Director	Advantech Co., Ltd.	Liu, Wei-Ting	22,495,984	26.80
Director	Tsai, Shih-Yang		408,000	0.49
Director	Huang, Jui-Nan		0	0
Independent Director	Lin, Yih-Jong		0	0
Independent Director	Chang, Jen-Chih		0	0
Independent Director	Shon, Zheng-Yi		0	0
The Shareholding of Ordinary Shares Held by all Directors			24,482,496	29.17

III. As it has stood, the number of ordinary shares held by all Directors has reached the statutorily required number.