



ASRock Incorporation
2021 Annual Report

Published on April, 2022

The website designated by the Financial Supervisory Commission for reporting:

<http://mops.twse.com.tw>

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Subsidiaries and plants: None.

III. Institution for stock transfer:

Name: Registrar & Transfer Agency Department of KGI Securities Co. LTD
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IV. Names of financial statement auditors in the latest year:

Names of Auditors: CPA, Chih-Hui, Yang; Chien-Ju, Yu
CPA Firm: Ernst & Young, Taiwan
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V. Overseas Listings and Access to the Listing Information: None

VI. Website: <http://www.asrock.com>

ASROCK INCORPORATION

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Chapter I. Report to Shareholders

Ladies and gentlemen, Dear Shareholders:

Dear shareholders, it is indeed a great pleasure to have your presence in this regular session of the 2022 Shareholders Meeting. COVID-19 was still the biggest factor affecting the global supply and demand in 2021. Due to the epidemic, the demand for home-related products will continue to be strong. According to an IDC research report, global PC shipments will grow by 14.8% in 2021, the highest growth in the past 10 years. On the other hand, the epidemic has caused an unstable supply chain due to shortage of raw materials, shutdown of factories due to epidemic prevention, and backlog of container ships in ports, etc., which brought extreme challenges to the company's operation and management.

Facing the difficult supply chain challenges with sharp increase in material costs and the continuous strong appreciation of the New Taiwan Dollar, the company has adopted strategies such as increasing foundry partners, raising safety stocks for material, and adjusting product strategies. It has adjusted prices in a timely manner according to the market to provide consumers with the best possible products with best value. The effort of all has not been made in vain. ASRock has performed splendidly with sound results. The annual revenue, operation profit and net profit all set new highs since the establishment.

Financial and Business Performance

With strong focus on the development of product diversification, the proportion of the motherboard business continues to decline. Thus, as the motherboard business declines in 2021 due to the shutdown of foundries due to epidemic prevention and the shortage of CPU/display cards in the market, the company continues to focus on other products. With the other product lines, the company ensures a sustainable growth in the revenue and profit.

ASRock had consolidated revenue of NT\$19,760 million in 2021, which was an increase of 10.3% from NT\$17,910 million in the same period of 2020. Benefiting from the increase in product combinations and gross profit of individual products, the gross profit margin in 2021 has increased to 28.2% with an increase of 6.7% from the gross profit margin of 21.5% in 2020. With the expansion, ASRock reports a consolidated net income after tax of NT\$ 2.38 billion in 2021, an increase of 75% from NT\$1.36 billion in 2020. Information on the Consolidated Financial Statements of ASRock Inc. is shown in the table below:

Unit: NT\$ 100 million

Item	2021 (consolidated)		2020 (consolidated)	
	Amount	%	Amount	%
Revenue	197.6	100.0%	179.1	100.0%
Gross profit	55.6	28.2%	38.5	21.5%
Operating expenses	25.0	12.7%	19.9	11.1%
Operating income	30.6	15.5%	18.6	10.4%
Pre-tax profit	30.6	15.5%	18.6	10.4%
Net income after tax (Owner of the parent company)	23.8	12.0%	13.6	7.6%
Earnings per share after taxation (NT\$)	19.67		11.30	

Note: No financial forecast was disclosed in 2021. Budget attainment is not applicable here.

Gravity of technological development and operation

The AIOT industry's maturing, the popularity of cloud application, and the upcoming 5G application compelled ASRock to continue the development of in-depth learning, big data analysis, factory automation and cloud computing and related products. In consumer products, through the brand diversification strategy, the company can meet the needs of different consumer groups around the world. Through strategic alliances and continuous development of new product lines, ASRock provides consumers with a full range of professional gaming brand and products to enroot unique and innovative brand identity in consumers in different fields.

The prospect

The pursuit of the product/brand/market diversified development strategy will continue to be the pillar of corporate development. The Company will continue to develop new products/new markets in stable and incremental paces and create growth opportunities to mitigate the fluctuation caused by a particular product line of the Company. The upgrade of the business scale of the products will continue to contribute to the operation and profit of ASRock. The economic outlook in 2022 will still be unpredictable, such as the change in the development of the pandemic and the tight supply of the semiconductor supply chain. ASRock will spare no effort to launch for the growth of the products, maintain the momentum in operation and profit, and create higher value for the shareholders.

May I wish you all

Good health and good luck

ASRock Incorporation

Chairman Hsu-Tien, Tung

Chapter II. Company Profile

I. Date of establishment: May 10, 2002

II. Company history

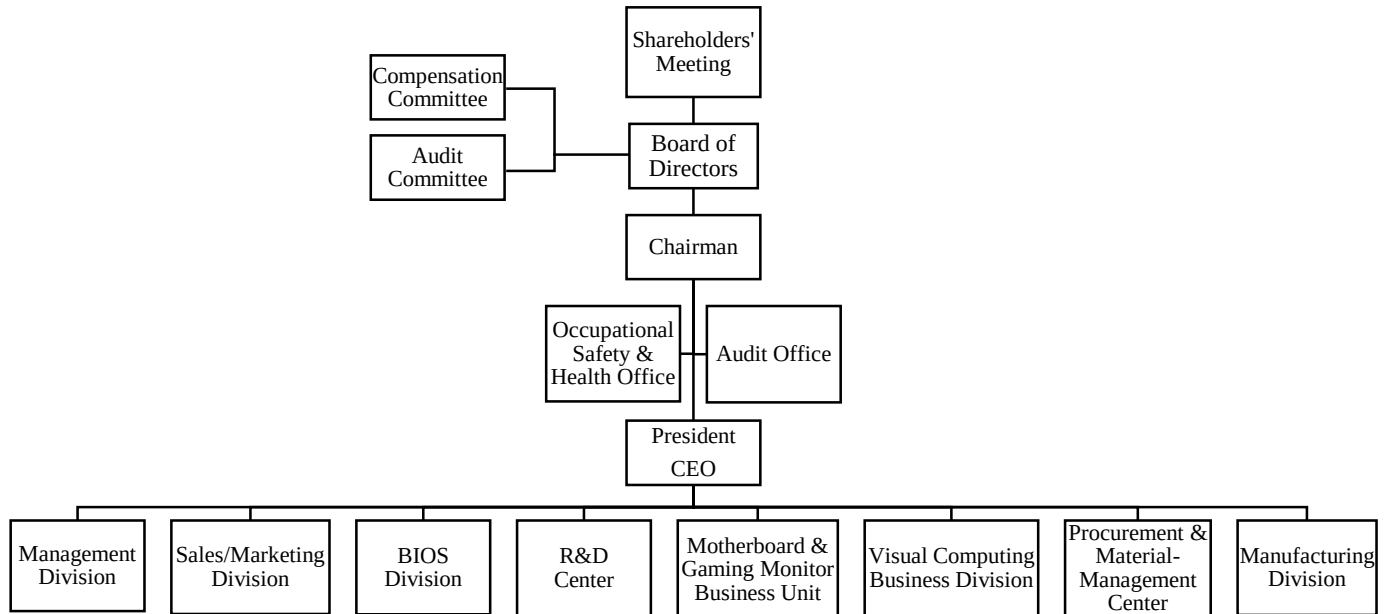
- May 2002 ASRock was founded, and the office was set up in the An-Tai Tower, Tanshui Hongshulin, with a paid-in capital of NT\$200,000,000 and a core business in selling the ASROCK computer motherboard.
- Dec 2002 ASRock was profitable in the first year of its establishment, with a net profit after tax exceeding NT\$50,000,000.
- Jun 2003 NT\$42,000,000 of new shares were issued through stock dividends, and the paid-in share capital after the capital increase was NT\$242,000,000.
- Jul 2004 NT\$147,000,000 of new shares were issued through stock dividends and employee bonus, and the paid-in share capital after the capital increase was NT\$389,000,000.
- Aug 2004 ASRock moved to Lide Building, 2F, No. 11, Lane 120, Lide Road.
- Dec 2004 New shares of NT\$40,000,000 were issued through seasoned equity offering, and the paid-in capital after the increase was NT\$429,000,000.
- Jul 2005 NT\$156,700,000 of new shares were issued through stock dividends and employee bonus, and the paid-in share capital after the capital increase was NT\$585,700,000.
- Dec 2005 Established a schedule for listing in the TWSE for equity dispersion.
- May 2006 The stock public offering was approved by the Securities and Futures Bureau of the Financial Supervisory Commission.
- Jul 2006 NT\$157,390,000 of new shares were issued through stock dividends and employee bonus, and the paid-in share capital after the capital increase was NT\$743,090,000.
- Sep 2006 ASRock was approved and listed as an emerging stock by Taipei Exchange.
- Oct 2006 ASRock moved to Jang Dah Plaza, 2F, No. 37, Section 2, Zhongyang S. Rd.
- Jul 2007 ASRock was approved to be listed on the TWSE by the FSC.
- Aug 2007 NT\$165,118,000 of new shares were issued through stock dividends, and the paid-in share capital after the capital increase was NT\$908,208,000.
- Nov 2007 New shares of NT\$114,430,000 were issued through seasoned equity offering, and the paid-in capital after the increase was NT\$1,022,638,000.
- Nov 2007 ASRock was listed on the TWSE.
- Aug 2008 NT\$77,632,000 of new shares were issued through stock dividends, and the paid-in share capital after the capital increase was NT\$1,100,270,000.
- Apr 2009 The treasury shares were canceled, and the capital was reduced by NT\$9,080,000. After the capital reduction, the paid-in share capital was NT\$1,091,190,000.
- Aug 2009 NT\$59,226,000 of new shares were issued through stock dividends, and the paid-in share capital after the capital increase was NT\$1,150,416,000.

Sep 2017	Issued new restricted employees shares of NT\$57,040,000, and the paid-in share capital after capital increase was NT\$1,207,456,000.
Apr 2019	Canceled expired restricted employee shares, reduced capital by NT\$480,000, and the paid-in share capital after the capital reduction was NT\$1,206,976,000.
Sep 2019	Canceled expired restricted employee shares, reduced capital by NT\$186,000, and the paid-in share capital after the capital reduction was NT\$1,206,790,000.
Dec 2019	Canceled expired restricted employee shares, reduced capital by NT\$318,000, and the paid-in share capital after the capital reduction was NT\$1,206,472,000.
Jul 2020	Canceled expired restricted employee shares, reduced capital by NT\$48,000, and the paid-in share capital after the capital reduction was NT\$1,206,424,000.
Oct 2021	Issued new restricted employees shares of NT\$22,830,000, and the paid-in share capital after capital increase was NT\$1,229,254,000.

Chapter III. Corporate Governance

I. Organizational structure:

(I) Organization chart:



(II) Business affairs operated by the key departments

Department	Business affairs
Audit Office	1. Establishment, follow-up, and revision of internal audit policies 2. Research, audit, and revision of internal control policies
Occupational Safety & Health Office	1. Establish safety & health management plan and emergency plan for employees 2. Supervise on the implementation, management and review of safety & health management plan
Management Division	1. Establishment and implementation of HR planning and personnel management system 2. Establishment and implementation of administrative and general affairs systems 3. Financial planning, fund management and administration 4. Budgeting and planning 5. Accounting operations, closing and establishment, implementation of tax systems 6. Establishment and implementation of MIS, integrating the company's computerized management
Sales/Marketing Division	1. Planning and coordinating the development of new products 2. Developing sales strategies and promoting production and sales coordination 3. Sales execution and collection management, analysis and statistics 4. Global sales development and business information collection, and analyzation
BIOS Division	1. Software research, design and development plan for new products and technologies 2. Software technical support for product development 3. Software quality testing for product development phases
R&D Center	1. Research, design and development plan for new products and technologies 2. Technical support for product development 3. Quality testing for product development phases
Motherboard & Gaming Monitor Business Unit	1. Development planning, project management and tracking for motherboard products 2. Sales, product marketing planning, campaign planning and execution 3. Strategic competitive market research and analysis
Visual Computing Business Division	1. Research, sales planning, design, and development planning for computer graphics card 2. Development, research, design, and sales planning for blockchain-related products 3. Research and development planning for cryptocurrency
Procurement & Material-Management Center	1. Negotiation and procurement of raw materials 2. Provide high-quality, low-cost raw materials and material procurement that meet market demands
Manufacturing Division	Overall planning and management of manufacturing, quality assurance, and engineering units

II. Background information of Directors, President, Vice Presidents, Assistant Managers, and the heads of various departments and branches

(I) Profiles of Directors

1. Name of director, work experience (educational background), amount and nature of shareholdings

March 27, 2022; Unit: shares

Title	Nationality and Registry	Name	Gender / Age	On-board date	Term	Date first elected	Shares at Election		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as department heads, directors			Remark (Note 6)
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Director	Republic of China	Asus Investment Co., Ltd.		August 20, 2021	3 Years	December 20, 2006	57,217,754	46.55	57,217,754	46.55	—	—	—	—	—	—	—	—	—	—
Chairman	Republic of China	Hsu-Tien, Tung	Male Age 60-69	August 20, 2021	Not Applicable	Not Applicable	—	—	—	—	—	—	—	—	Bachelor degree in Electrical Engineering, National Taiwan University Assistant Vice President, ASUSTeK Computer Inc.	Note 1	—	—	—	—
Director	Republic of China	Asus Investment Co., Ltd. Institutional Representative: Tzu-Hsien, Tung	Male Age 60-69	August 20, 2021	Not Applicable	Not Applicable	—	—	—	—	—	—	—	—	Master degree in Computer and Communication Engineering, National Taipei University of Technology Honorary Ph.D in Engineering, National Taipei University of Technology Vice Chairman, ASUSTeK Computer Inc. Chairman, Kinsus Interconnect Technology Corp. Chairman, Pegavision Corporation	Note 2	—	—	—	—
Director	Republic of China	Asus Investment Co., Ltd. Institutional Representative: Kuang-Chin, Cheng	Male Age 50-59	August 20, 2021	Not Applicable	Not Applicable	—	—	—	—	244	0.00	—	—	Master degree in Computer Science and Information Engineering, Tamkang University Bachelor in electrical and computer engineering, Tamkang University Assistant Vice President, ASUSTeK Computer Inc. R&D Vice President, Pegatron Corporation	Note 3	—	—	—	—

Title	Nationality and Registry	Name	Gender / Age	On-board date	Term	Date first elected	Shares at Election		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as department heads, directors			Remark (Note 6)
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Director	Republic of China	Asus Investment Co., Ltd. Institutional Representative: Lung-Lun, Hsu	Male Age 50-59	August 20, 2021	Not Applicable	Not Applicable	–	–	1,653,750	1.35	320,621	0.26	–	–	Bachelor degree in Electrical Engineering, National Taiwan University Master degree in Electrical Engineering, National Taiwan University Section Head, R&D Dept., ASUSTeK Computer Inc.	Note 4	–	–	–	–
Independent Director	Republic of China	Ai, Wei	Male Age 70-79	August 20, 2021	3 Years	June 16, 2009	–	–	–	–	–	–	–	–	Ph.D. in East Asian Studies, National Cheng-Chi University Master degree in Fletcher School of Law and Diplomacy, Tufts University Bachelor degree in Economics, National Cheng-Chi University Director/Associate Professor, Graduate Institute of East Asian Studies, National Cheng-Chi University Chief Secretary, Secretariat of National Cheng-Chi University Government shareholder's representative, Hua Nan Financial Holdings Co., Ltd. Associate Professor, Department of Public Finance, National Cheng-Chi University Vice Convener of Economy Group, Institute of International Relations, National Cheng-Chi University Visiting Scholar, Stanford University	Note 5	–	–	–	–
Independent Director	Republic of China	Chin-Jung, Wu	Male Age 60-69	August 20, 2021	3 Years	June 22, 2011	–	–	–	–	–	–	–	–	Master degree in Industrial Educations, National Taiwan Normal University Bachelor degree in Chemical Engineering, National Taiwan University Senior Advisor, iSuppli President, Taiwan of Dataquest Manager, IGEE Technology Inc. Factory Manager, KUNG-JIM Chemical Co., Ltd. Lecturer, Hungkuang University	President, Explore Microelectronics Inc.	–	–	–	–

Title	Nationality and Registry	Name	Gender / Age	On-board date	Term	Date first elected	Shares at Election		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as department heads, directors			Remark (Note 6)
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Independent Director	Republic of China	Ming, Ouhyoung	Male Age 60-69	August 20, 2021	3 Years	June 12, 2019	–	–	–	–	–	–	–	–	Chair/Director, Department of Computer Science & Information Engineering, National Taiwan University Associate Dean, College of Electrical Engineering and Computer Science, National Taiwan University Research Fellow, MTS, AT&T Bell Laboratory N.J. USA	–	–	–	–	–

Note 1: Senior Vice President, Pegatron Corporation, Chairman, Top Quark Ltd., Executive Director, Pegatron Corporation (Chongqing)

Note 2: Chairman and Chief Strategy Officer, Pegatron Corporation, Chairman, Kinsus Holding, Chairman, Lumens Digital Optics Inc., Chairman, Asus Investment Co., Ltd., Chairman, Asuspowers Investment Co., Ltd., Chairman, Asustek Investment Co., Ltd., Chairman, Ri-Kuan Metal Corporation, Chairman, BeautyTech Platform Corporation, Chairman, FacialBeau International Corporation, Chairman, Fisfisa Media, Director, Kinsus Interconnect Technology, Director, Pegavision, Director, Fuyang Technology Corporation, Director, Hua-Yuan, Investment Ltd., Director, Asfly Travel Service Ltd., Director, Pega International Limited, Director, Casetek Holdings Limited (Cayman), Director, Pegatron Holding Ltd., Director, Unihan Holding Ltd., Director, Magnificent Brightness Limited, Director, Casetek Holdings Ltd., Director, Protek Global Holdings Ltd., Director, Digitek Global Holdings Ltd., Director, Kinsus Corp. (USA), Director, Pegatron Holland Holding BV, Director, Powtek Holdings Limited, Director, Cotek Holdings Limited, Director, Grand Upright Technology Limited, Director, Aslink Precision Co., Ltd., Director, Q Place Creative Inc., Independent Director, PChome Online Inc., Director, The Alliance Cultural Foundation, Director, Hanguang Education Foundation, Director, Taipei Computer Association, Supervisor, National Performing Arts Center of MOC, Director, Lung Yingtai Cultural Foundation, Director, Andrew T. Huang Medical Education Promotion Foundation, Director, Fair Winds Foundation, Director, Bridge Across The Strait Foundation, Chairman, Chinese Cultural and Creative Development Association, Chairman, Monte Jade Science & Technology Association of Taiwan, Director, FullFoods Foundation, Director, Bulareyaung Dance Company, Director, National Chung-Shan Institute of Science and Technology, Director, Cloud Gate Culture And Arts Foundation, and Director, Lovely Taiwan Foundation.

Note 3: Vice President, Pegatron Corporation, President and CEO, AzureWave Technologies, Inc., Director, AzureWave Technologies, Inc.

Note 4: President, ASRock Inc., Chairman and Chief Strategy Officer, ASRock Rack, Chairman, ASJade Technology, Director of Yah Boo Trading Co., Ltd., ASIAROCK TECHNOLOGY LTD., LEADER INSIGHT HOLDINGS LTD., FIRSTPLACE INTERNATIONAL LTD., CALROCK HOLDINGS, LLC, ASRock America, Inc.

Note 5: Supervisor, Research Center of Cross-Straits Political and Economic Affairs, College of International Affairs, National Cheng-Chi University, Vice Chairman, Bridge Across the Strait Foundation

Note 6: Where the chairperson of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increase the number of independent directors and no more than half of the directors are employees or managers).

2. Major Shareholders of Corporate Shareholders

December 31, 2021

Corporate Shareholder Name	Major Shareholders of Corporate Shareholders	Proportion of shareholding (%)
Asus Investment Co., Ltd.	Pegatron Corporation	100

3. Major shareholder(s) where the major shareholder of the juristic is a juristic person

July 6, 2021

Name of corporate shareholder	Major Shareholders of Corporate Shareholders	Proportion of shareholding (%)
Pegatron Corporation	ASUSTeK Computer Inc. (Representative: Chung-Tang, Shih)	16.80
	Tzu-Hsien, Tung	3.54
	Chung-Tang, Shih	2.51
	Shih-Chang, Hsu	2.11
	HSBC managed Silchester International Value Equity Trust	2.04
	Fubon Life Assurance Co., Ltd.	2.02
	CTBC Bank in Custody of Pegatron Corporation	1.93
	HSBC managed Morgan Stanley & Co. International Ltd investment account	1.67
	Cathay Pacific Bank managed Professional Alliance Company investment account	1.44
	Citi managed Singapore Government investment account	1.43

4. Disclosure of professional qualification of the directors and independence of directors

Qualification Name	Professional qualification and experience (Note)	Compliance of independence	Number of positions as an Independent Director in other public listed companies
Chairman Hsu-Tien, Tung	Assistant Vice President, ASUSTeK Computer Inc. Period of service: December, 1991~December 2007 Senior President, Pegatron Corporation Period of service: January, 2008~Present	Does not meet any descriptions stated in Article 30 of The Company Act.	-
Director Tzu-Hsien, Tung	Chairman, Pegatron Corporation Period of service: May, 2010~Present		-
Director Kuang-Chin, Cheng	Assistant Vice President, ASUSTeK Computer Inc. Period of service: July, 1993~December, 2007		-

Qualification Name	Professional qualification and experience (Note)	Compliance of independence	Number of positions as an Independent Director in other public listed companies
	Vice President, R&D Department, Pegatron Corporation Period of service: January, 2008~April, 2021		
Director Lung-Lun, Hsu	President, ASRock Incorporation Period of service: May, 2016~Present		-
Independent Director Ai, Wei	Associate Professor, Graduate Institute of East Asia Studies, National Cheng-Chi University Period of service: August, 2016~Present	During the two years before being elected or during the term of office, the following independence assessment conditions have been met: 1. Not employed by the company or any of its affiliated companies. 2. Not a director, supervisor of the company or any of its affiliated companies. 3. Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company. 4. Not the spouse, the kindred to the second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managers stated in Subparagraph 1 or other roles stated aforementioned Subparagraph. 5. Not a director, supervisor or employee of an institutional shareholder directly holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders, or a representative of an institutional shareholders appointed as the director or supervisor of the company according to Paragraph 1 or 2, Article 27 of Company Act. 6. Not a director, supervisor or employee of a company controlling over one half of the company director seats or voting shares under one person. 7. Not a director of a company or institution whose chairperson and president or equivalent role is same person or its spouse. 8. A director, supervisor, officer, or	-
Independent Director Chin-Jung, Wu	President, Explore Microelectronics Inc. Period of service: May, 1997~Present		-
Independent Director Ming, Ouhyoung	Professor, Graduate Institute of Networking and Multimedia, National Taiwan University Period of service: August, 2003~July, 2020 Professor, Dept. of Computer Science & Information Engineering, National Taiwan University Period of service: August, 2020~Present		-

Quali- fication Name	Professional qualification and experience (Note)	Compliance of independence	Number of positions as an Independent Director in other public listed companies
		shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. 9. Not a professional or owner, partner, director, supervisor, manager or the spouse of these roles of a sole proprietorship, partnership, company or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 over the last two years for the company or its affiliates; except for members of the remuneration committee, public tender offer review committee or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations. Provided that this restriction does not apply to a member of the remuneration Committee, public tender offer review Committee or special Committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act, the Business Mergers and Acquisitions Act, or related law and regulations. 10. Does not meet any descriptions stated in Article 30 of The Company Act.	

5. Board member diversification

ASRock advocates and respects the policy of diversity of directors. We believe that the policy of diversity will help improve the overall performance to strengthen corporate governance and promote the development of the composition and structure of the board of directors. The board member takes into consideration various diversified dimensions such as basic makeup (i.e., gender, age, nationality, race, etc.), industry experience, and professional knowledge and skills.

Implementation of board diversity policy at ASRock

Diversity Core Item	Basic composition							Professional knowledge/skills								
	Nationality	Gender	Current positions in our company	Age		Tenure of Independent Director			Operational judgment competency	Accounting and financial analysis ability	Business management ability	Crisis management ability	Knowledge of the industry	An international market perspective	Leadership ability	Decision making ability
				Age 50-59	Age 60-69	Age 70-79	Under 3 years	3-9 years								
Name																
Hsu-Tien, Tung	Republic of China	Male			✓				✓	✓	✓	✓	✓	✓	✓	✓
Tzu-Hsien, Tung	Republic of China	Male			✓				✓	✓	✓	✓	✓	✓	✓	✓
Kuang-Chin, Cheng	Republic of China	Male		✓					✓	✓	✓	✓	✓	✓	✓	✓
Lung-Lun, Hsu	Republic of China	Male	✓	✓					✓	✓	✓	✓	✓	✓	✓	✓
Ai, Wei	Republic of China	Male				✓			✓	✓	✓	✓	✓	✓	✓	✓
Chin-Jung, Wu	Republic of China	Male			✓				✓	✓	✓	✓	✓	✓	✓	✓
Ming, Ouhyoung	Republic of China	Male			✓		✓		✓		✓	✓	✓	✓	✓	✓

- (1) The 7 directors (including 3 independent directors) of the 7th Board of Directors of the Company are equipped with operational judgment competency, leadership and decision making ability, business management ability, international market perspective and other capabilities with industry knowledge and professional capabilities; among them, Chairman Hsu-Tien, Tung, Director Tzu-Hsien, Tung, Director Kuang-Chin, Cheng, Director Lung-Lun, Hsu and Director Chin-Jung, Wu have experience in the IT industry; and Independent Director Ai, Wei and Independent Director Ming, Ouhyoung have hands on teaching experience.
- (2) The average term of office of the directors is 8 years, of which the term of office of independent director Ming, Ouhyoung is less than 3 years; the term of office of

independent director Ai, Wei and Chin-Jung, Wu are 11 years and 13 years respectively. The members of the Board of Directors are Taiwanese, consisted of 3 independent directors and 4 directors serving as employee. The age distribution of directors includes 2 directors in the 50-59 age group, 4 directors in the 60-69 age group and 1 director in the 70-79 age group.

- (3) The Company will continue to revise the diversity policy in a timely manner according to the operation of the Board of Directors, the type of operation and the development needs, to ensure the members of the Board of Directors have the knowledge, skills and qualities necessary to perform their duties.

6. Independence of Board of Directors

- (1) Chairman Hsu-Tien, Tung, Director Tzu-Hsien, Tung, Director Kuang-Chin, Cheng and Director Lung-Lun, Hsu are employees of the Company or its affiliates and directors of the company's affiliates. Director Lung-Lun, Hsu and his spouse and children and director Kuang-Chin, Cheng's spouse and children hold shares of the Company, and all directors have no spouse or familial within the second degree of kinship, and there is no violation to Paragraph 3 and 4, Article 26-3 of the Securities and Exchange Act.
- (2) There are 3 independent directors of the Company which represented more than one third of total director seats. None of the independent directors hold shares of the Company or its affiliates to maintain independence.

7. Pursuit of Study for Directors:

Title	Name	Training date	Organizer	Course name	Training hours
Chairman	Hsu-Tien, Tung	September 16, 2021	Corporate Governance Association in Taiwan	Corporate Sustainability - "Environmental Protection" and Legal Compliance Management	3
		November 11, 2021	Corporate Governance Association in Taiwan	Understand related party transactions, irregular transactions, and insider transactions through case analysis	3
Director	Asus Investment Co., Ltd. Institutional Representative: Tzu-Hsien, Tung	April 26, 2021	Corporate Governance Association in Taiwan	Launch Corporate Digital Resilience – discussion on the threat of ransomware	3
		September 16, 2021	Corporate Governance Association in Taiwan	Corporate Sustainability - "Environmental Protection" and Legal Compliance Management	3
		October 28, 2021	Corporate Governance	Case analysis of ethical corporate management,	3

Title	Name	Training date	Organizer	Course name	Training hours
			Association in Taiwan	CSR and ESG	
		November 11, 2021	Corporate Governance Association in Taiwan	Understand related party transactions, irregular transactions, and insider transactions through case analysis	3
Director	Asus Investment Co., Ltd. Institutional Representative: Kuang-Chin, Cheng	June 21, 2021	Accounting Research and Development Foundation	Analysis of Financial Report Falsification and Seeing Through Key Information in Financial Reports	3
		November 12, 2021	Securities and Futures Institute	Key to corporate sustainability: ESG practices	3
Director	Asus Investment Co., Ltd. Institutional Representative: Lung-Lun, Hsu	November 19, 2021	Greater China Financial and Economic Development Association	Tax planning for operation and shareholding structure	3
		December 15, 2021	Greater China Financial and Economic Development Association	M&A trends and investment holding company development in Taiwan	3
Independent Director	Ai, Wei	April 27, 2021	Accounting Research and Development Foundation	Establishment and operation of Audit Committee	3
		May 7, 2021	Accounting Research and Development Foundation	Audit Committee Advanced Experience Sharing - M&A Review and Directors' Responsibilities	3
Independent Director	Chin-Jung, Wu	August 6, 2021	Securities and Futures Institute	Blockchain technology development and business model	3
		August 25, 2021	Securities and Futures Institute	Discussion on legal risks and countermeasures of directors and supervisors with major corporate malpractice cases	3
Independent Director	Ming, Ouhyoung	May 18, 2021	Accounting Research and Development Foundation	Case analysis of fraud prevention and new policies and development on corporate sustainability	3
		August 6, 2021	Corporate Governance Association in Taiwan	Staying Away from Insider Trading	3

(II) President, Vice Presidents, Assistant Managers, and the heads of various departments and branches

March 27, 2022; Unit: shares

Title	Nationality	Name	Gender	On-board date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
President	Republic of China	Lung-Lun, Hsu	Male	May 10, 2002	1,653,750	1.35	320,621	0.26	–	–	Bachelor degree in Electrical Engineering, National Taiwan University Master degree in Electrical Engineering, National Taiwan University Section Head, R&D Dept., ASUSTeK Computer Inc.	Chairman & CSO, ASRock Rack Incorporation Chairman, ASJade Technology Incorporation Director of Yah Boo International Trading Co., Ltd., ASIAROCK TECHNOLOGY LTD., LEADER INSIGHT HOLDINGS LTD., FIRSTPLACE INTERNATIONAL LTD., Calrock Holdings, LLC	–	–	–	–
CEO	Republic of China	Chien-Hsin, Chou	Male	May 10, 2002	968,631	0.79	360,383	0.30	–	–	Department of Computer Science, National Yang Ming Chiao Tung University Department of Computer Science and Information Engineering, National Taiwan University Section Head, R&D Dept., ASUSTeK Computer Inc.	Director, ASRock Industrial Computer Corporation Director, ASJade Technology Incorporation	–	–	–	–

Title	Nationality	Name	Gender	On-board date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Senior Vice President (Discharged on February 25, 2022)	Republic of China	Chun-Ying, Li	Male	May 10, 2002	705,931	0.57	–	–	–	–	Master of Science degree in Mechanical Engineering, Stanford University Department of Mechanical Engineering, National Taiwan University Specialist of ASUS Computer Sales Department	Chairman & President, ASRock Industrial Computer Corporation	–	–	–	Note 1
Senior Vice President	Republic of China	Yu-Huang, Chen	Male	May 10, 2002	807,220	0.66	847,174	0.69	–	–	Bachelor degree in Electrical Engineering, National Taiwan University Master degree in Electrical Engineering, National Taiwan University Section Head, R&D Dept., ASUSTeK Computer Inc.	Director, ASRock Industrial Computer Corporation	–	–	–	–
Senior Vice President (Discharged on February 25, 2022)	Republic of China	Wei-Hsu, Sha	Male	May 10, 2002	471,588	0.38	53,141	0.05	–	–	Department of Physics, National Taiwan University Master degree in Electrical Engineering, National Taiwan University Section Head, R&D Dept., ASUSTeK Computer Inc.	Director & President, ASRock Rack Incorporation	–	–	–	Note 2
Senior Vice President	Republic of China	Sung-Chien, Chen	Male	December 1, 2011	212,030	0.17	–	–	–	–	Bachelor degree in Electrical Engineering, National Taiwan University Director of BIOS Technology Division, ASRock	Vice President, ASRock Rack Incorporation Director, ASJade Technology Incorporation	–	–	–	–

Title	Nationality	Name	Gender	On-board date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Vice President (Assumed office on October 25, 2021)	Republic of China	Cheng-Yang, Li	Male	October 25, 2021	33,000	0.03	–	–	–	–	Tamkang University Department of Physics	None	–	–	–	–
Vice President (Assumed office on March 1, 2022)	Republic of China	Wen-Kang, Fan	Male	March 1, 2022	20,000	0.02	–	–	–	–	Bachelor degree in Electrical Engineering, National Taiwan University Master degree in Electrical Engineering, National Taiwan University Deputy Section Head, R&D Dept., ASUSTeK Computer Inc.	None	–	–	–	–
Vice President (Assumed office on March 1, 2022)	Republic of China	An-Lun, Sun	Male	March 1, 2022	–	–	8,000	0.01	–	–	Department of Electrical Engineering, St. John's University	None	–	–	–	–
Vice President (Assumed office on March 1, 2022)	Republic of China	En-Li, Chen	Male	March 1, 2022	1,000	–	–	–	–	–	Bachelor degree in Electrical Engineering, National Taiwan University Master in Animal Science and Technology, National Taiwan University Ablerex Electronics Co., Ltd R&D Section Head	None	–	–	–	–

Title	Nationality	Name	Gender	On-board date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Vice President (Assumed office on March 1, 2022)	Republic of China	Hsu-Hung, Hsiao	Male	March 1, 2022	–	–	2,000	–	–	–	Taipei Tech Electronic Engineering (5-year program) Department of Biomedical Engineering, Chung Yuan Christian University Senior Engineer, Power System Department, Lite-On Technology Senior Engineer, Consumer Electronics Department, MSI	None	–	–	–	–
Vice President & CFO	Republic of China	Chien-Hung, Chen	Male	May 4, 2017	46,000	0.04	–	–	–	–	Department of Finance, National Sun Yat-sen University Deputy Manager, Pegatron Corporation	Supervisor, ASRock Rack Incorporation Supervisor, ASRock Industrial Computer Corporation Supervisor, ASJade Technology Incorporation	–	–	–	–
Accounting Manager	Republic of China	Hui-Ju, Li	Female	September 2, 2016	15,000	0.01	–	–	–	–	Department of Accounting, Chung Yuan Christian University Audit Department Supervisor, Ernst & Young, Taiwan	None	–	–	–	–

Note 1: Due to position adjustment, Mr. Chun-Ying, Li was discharged on February 25, 2022. The number and ratio of shares held by him and his positions in other companies are the information as of February 25, 2022.

Note 2: Due to position adjustment, Mr. Wer-Hsu, Sha was discharged on February 25, 2022. The number and ratio of shares held by him and his positions in other companies are the information as of February 25, 2022.

Note 3: Where the general manager or person of an equivalent post (the highest level manager) of a company and the chairperson of the board of directors are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increase the number of independent directors and no more than half of the directors are employees or managers).

(III) Remuneration payment to Directors, the President, and Vice President in the latest year

1. Remuneration for Directors (including independent directors)

December 31, 2021; Unit: NTD thousand

December 31, 2021, Unit: NT\$ thousand

Title	Name (Note 1)	Remuneration to Directors								The sum of A, B, C and D as a percentage of after-tax profit		Remuneration as an employee								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit		Remuneration received from the invested companies other than the subsidiaries and the parent company
		Remuneration (A)		Pension (B)		Remuneration to directors (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc. (E)		Pension (F)		Remuneration to employees (G)						
		The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company		All companies shown in the financial report		The Company	All companies shown in the financial report	
Cash dividends	Stock dividends															Cash dividends	Stock dividends					
Chairman	Hsu-Tien, Tung	-	-	-	-	14,872	15,149	-	-	0.62%	0.64%	6,332	6,332	108	108	6,395	-	6,395	-	1.16%	1.18%	None
Director	Asus Investment Inc Representative: Tzu-Hsien, Tung																					
Director	Asus Investment Inc Representative: Kuang-Chin, Cheng																					
Director and President	Asus Investment Inc Representative: Lung-Lun, Hsu	-	-	-	-	8,923	8,923	-	-	0.37%	0.37%	-	-	-	-	-	-	-	-	0.37%	0.37%	None
Independent Director	Ai, Wei																					
Independent Director	Chin-Jung, Wu																					
Independent Director	Ming, Ouhyoung																					
1. Please describe the remuneration policy, system, standard and structure of independent directors, and describe the linkage to the remuneration amount according to the responsibilities, risks, time, and other factors: the Company's remuneration policy, standards and packages for payment of remuneration are in accordance with the provisions of the Company's Articles of Association. In addition, the Company's Articles of Association stipulate that no more than 1% of the annual profit should be provided as the director's remuneration, and the payment of the director's remuneration will be submitted to the audit committee and the board for resolution after remuneration committee review. 2. Other than those disposed in the Table above, remuneration received by directors in the recent year for services provided to a company as mentioned in the financial statement (e.g. serving as a consultant to all non-employees of the parent company/companies in the financial report/reinvested enterprises, etc.): 0.																						

* The amount is based on the proposed amount, not the actual amount issued.

Note 1: Tzu-Hsien, Tung, Kuang-Chin, Cheng and Lung-Lun, Hsu are the legal representatives of Asus Investment Inc.

Table of salaries scale

Remunerations to individual directors in respective brackets along the salaries scale	Name of director			
	Total of the aforementioned 4 items (A+B+C+D)		Total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report
> NTD1,000,000	—	—	—	—
NTD1,000,000 - NTD2,000,000 (exclusive)	—	—	—	—
NTD2,000,000 - NTD3,500,000 (exclusive)	Representative of Asus Investment Inc.: Tzu-Hsien, Tung Representative of Asus Investment Inc.: Kuang-Chin, Cheng Representative of Asus Investment Inc.: Lung-Lun, Hsu Ai, Wei Chin-Jung, Wu Ming, Ouhyoung	Representative of Asus Investment Inc.: Tzu-Hsien, Tung Representative of Asus Investment Inc.: Kuang-Chin, Cheng Representative of Asus Investment Inc.: Lung-Lun, Hsu Ai, Wei Chin-Jung, Wu Ming, Ouhyoung	Representative of Asus Investment Inc.: Tzu-Hsien, Tung Representative of Asus Investment Inc.: Kuang-Chin, Cheng Representative of Asus Investment Inc.: Lung-Lun, Hsu Ai, Wei Chin-Jung, Wu Ming, Ouhyoung	Representative of Asus Investment Inc.: Tzu-Hsien, Tung Representative of Asus Investment Inc.: Kuang-Chin, Cheng Representative of Asus Investment Inc.: Lung-Lun, Hsu Ai, Wei Chin-Jung, Wu Ming, Ouhyoung
NTD3,500,000 - NTD5,000,000 (exclusive)	—	—	—	—
NTD5,000,000 - NTD10,000,000 (exclusive)	Hsu-Tien, Tung (Chairman)	Hsu-Tien, Tung (Chairman)	Hsu-Tien, Tung (Chairman)	Hsu-Tien, Tung (Chairman)
NTD10,000,000 - NTD15,000,000 (exclusive)	—	—	—	—
NTD15,000,000 - NTD30,000,000 (exclusive)	—	—	—	—
NTD30,000,000 - NTD50,000,000 (exclusive)	—	—	—	—
NTD50,000,000 - NTD100,000,000 (exclusive)	—	—	—	—
> NTD100,000,000	—	—	—	—
Total	7 persons	7 persons	7 persons	7 persons

Note: The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

2. President's and Vice Presidents' remuneration

December 31, 2021; Unit: NTD thousand

Title	Name	Salary (A)		Pension (B)		Bonuses and allowances(C)		Remuneration to employees (D)				The sum of A, B, C and D as a percentage of after-tax profit (%)		Remuneration received from the invested companies other than the subsidiaries and the parent company
		The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company		All companies shown in the financial report		The Company	All companies shown in the financial report	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
President	Lung-Lun, Hsu	17,603	17,603	503	503	19,466	19,466	57,802	-	57,802	-	4.01%	4.01%	None
CEO	Chien-Hsin, Chou													
Senior Vice President	Chun-Ying, Li													
Senior Vice President	Yu-Huang, Chen													
Senior Vice President	Wei-Hsu, Sha													
Senior Vice President	Sung-Chien, Chen													
Vice President (Assumed office on October 25, 2021)	Cheng-Yang, Li (Note 1)													

* The amount is based on the proposed amount, not the actual amount issued.

Note 1: Cheng-Yang, Li assumed office on October 25, 2021, and the remuneration is calculated from the job commencement date.

Table of salaries scale

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Names of the Presidents and the Vice Presidents	
	The Company	All companies shown in the financial report (E)
> NTD1,000,000	Cheng-Yang, Li (Assumed office on October 25, 2021)	Cheng-Yang, Li (Assumed office on October 25, 2021)
NTD1,000,000 - NTD2,000,000 (exclusive)	-	
NTD2,000,000 - NTD3,500,000 (exclusive)	-	-
NTD3,500,000 - NTD5,000,000 (exclusive)	-	-
NTD5,000,000 - NTD10,000,000 (exclusive)	-	-
NTD10,000,000 - NTD15,000,000 (exclusive)	Lung-Lun, Hsu	Lung-Lun, Hsu
NTD15,000,000 - NTD30,000,000 (exclusive)	Chun-Ying, Li; Yu-Kuang, Chen; Wei-Hsu, Sha; Chien-Hsin, Chou; Sung-Chien, Chen	Chun-Ying, Li; Yu-Kuang, Chen; Wei-Hsu, Sha; Chien-Hsin, Chou; Sung-Chien, Chen
NTD30,000,000 - NTD50,000,000 (exclusive)	-	-
NTD50,000,000 - NTD100,000,000 (exclusive)	-	-
Over 100,000,000 thousand (inclusive)	-	-
Total	6 persons	6 persons

* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

3. Name of the managers received remuneration and the distribution of remuneration

December 31, 2021; Unit: NTD thousand

	Title	Name	Stock dividends amount	Cash dividends amount	Total	As a percentage of net profit after tax (%)
Manager	President	Lung-Lun, Hsu	-	63,121	63,121	2.65%
	CEO	Chien-Hsin, Chou				
	Senior Vice President	Chun-Ying, Li				
	Senior Vice President	Yu-Huang, Chen				
	Senior Vice President	Wei-Hsu, Sha				
	Senior Vice President	Sung-Chien, Chen				
	Vice President	Cheng-Yang, Li (Assumed office on October 25, 2021)				
	Vice President & CFO	Chien-Hung, Chen				
	Accounting manager	Hui-Ju, Li				

Note: The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

4. If any of the following applies to the Company, it shall disclose the remuneration paid to each individual director and supervisor:

- (1) A Company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the three most recent fiscal years shall disclose the remuneration paid to individual directors and supervisors. This requirement, however, shall not apply if the company has posted net income after tax in the parent company only financial report or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits: None.
- (2) A Company that has had an insufficient director shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors: None.
- (3) A Company that has had an average ratio of share pledging by director supervisors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director supervisor having a ratio of pledged shares in excess of 50 percent for each such month: None.

- (4) If the total amount of remuneration received by all of the directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NT\$15 million, the Company shall disclose the remuneration paid to that individual director or supervisor: None.
 - (5) TWSE/TPEX listed financial holding companies that ranked in the worst tier of the most recent corporate governance evaluation, or were denied evaluation by the Corporate Governance Evaluation Committee for reasons such as change of trading method, trade suspension or delisting in the most recent year up till the publication of annual report, shall disclose director and supervisor remuneration on an individual basis: None.
 - (6) TWSE/TPEX listed financial holding companies where annual salary of full time, non managerial staff average less NT\$500,000 in the most recent year shall disclose director and supervisor remuneration on an individual basis: None.
5. If any of the following applies to the Company, it shall disclose the remuneration paid to its top five management personnel:
- (1) A Company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the three most recent fiscal years shall disclose the remuneration paid to its top five management personnel. This requirement, however, shall not apply if the company has posted net income after tax in the parent company only financial report or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits: None.
 - (2) TWSE/TPEX listed financial holding companies that ranked in the worst tier of the most recent corporate governance evaluation, or were denied evaluation by the Corporate Governance Evaluation Committee for reasons such as change of trading method, trade suspension or delisting in the most recent year up till the publication of annual report, shall disclose director and supervisor remuneration on an individual basis: None.

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Total remuneration, as a percentage of net income paid by this company during the past 2 fiscal years to directors, general managers, and assistant general managers:

Year (Note 1)	Total remuneration, as a percentage of net income paid by this company to directors, supervisors, general managers, and assistant general managers	
	The Company	All companies shown in the financial report
2020	7.14%	6.50%
2021	5.00%	5.02%

Note 1: Refers to annual earning

2. Policies, standards, and packages for payment of remuneration, the procedures for determining remuneration and its linkage to business performance:

Article 24 of the Company's Articles of Association stipulates that when there is profit in the annual closing, the employee's remuneration shall not be less than 5%, and the director's remuneration shall not be higher than 1%. The remuneration of directors and managers is determined based on their performance evaluation. The director assessment items include understanding of the company's goals and missions, recognition of the role and responsibility of directors, involvement in corporate operations, internal relationship maintenance and communication, director expertise and continuing education and internal control; Managerial officers performance assessment items include financial indicators (such as the company's revenue/net profit growth and achievement rate), and non-financial indicators (such as new product/ patent development, new business development, major deficiencies/improvements).

III. Corporate governance

(I) Facts about performance by the Board of Directors:

In the most recent year (2021), the board of directors convened eight meetings (A). The participation facts of the directors are enumerated below:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) [B/A]	Remark	
Chairman	Hsu-Tien, Tung	8	0	100.00%	Reappointed	Election for the 7th board of directors was held during the annual general meeting dated August 20, 2021, and the term of office is from August 20, 2021 to August 19, 2024.
Director	Asus Investment Co., Ltd. Representative: Tzu-Hsien, Tung	4	4	50.00%	Reappointed	
Director	Asus Investment Co., Ltd. Representative: Kuang-Chin, Cheng	8	0	100.00%	Reappointed	
Director	Asus Investment Co., Ltd. Representative: Lung-Lun, Hsu	8	0	100.00%	Reappointed	
Independent Director	Ai, Wei	8	0	100.00%	Reappointed	
Independent Director	Chin-Jung, Wu	8	0	100.00%	Reappointed	
Independent Director	Ming, Ouhyoung	8	0	100.00%	Reappointed	

Other remarks:

- I. For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:
 - (I) Issues required under Article 14-3 of the Securities and Exchange Act, please refer to pages 59 to 61 of the Annual Report for important resolutions of the Board of Directors.
 - (II) Other than the aforementioned issues, the issue objected by an independent director or where an independent director maintain a qualified opinion with record or documented declaration in a decision resolved by the Board of Directors: None.
- II. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: None.

III. TWSE/TPEX listed companies are required to disclose the cycle, duration, scope, method and content of board self-evaluations performed:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Evaluation performed once a year	2021.01.01-2021.12.31	Evaluation on the board's and each functional committee's performance.	Board member internal self-evaluation	1. Level of participation in the Company's operations 2. Improvement of the quality of the Board of Director ' decision-making. 3. Composition and structure of the Board of Directors. 4. Election and ongoing education of directors 5. Internal Control
Evaluation performed once a year	2021.01.01-2021.12.31	Evaluation on the board's and each functional committee's performance.	Board member self-evaluation	1. Director's awareness toward the Company's goals and missions 2. Director's awareness to duties 3. Level of participation in the Company's operations 4. Management and communication of internal relations 5. Professionalism and ongoing education of directors 6. Internal Control
Evaluation performed once a year	2021.01.01-2021.12.31	Functional committees	Board member internal self-evaluation	1. Level of participation in the Company's operations 2. Responsibilities and duties of Functional Committee 3. Improvement of the quality of decisions made by functional committees 4. Composition of functional committees and selection of members 5. Internal Control

The relevant evaluation has been carried out at the beginning of 2022, and the results were reported to the board of directors on February 23, 2022.

IV. Evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years: The Company has formulated the rules for the Board of Directors in accordance with the regulations, and the relevant functions and operations of the board are carried out in accordance with these rules and relevant laws and regulations where the internal audit/financial executive attends the regular board meeting to report on the internal audit/financial status, and issues relevant reports to the directors.

(II) The operation of the Auditing Committee

In the most recent year (2021), the Company's Audit Committee convened a total of six meetings (A) where the facts of participation by the independent directors are enumerated below:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A)	Remark	
Independent Director	Ai, Wei	6	0	100.00%	Reappointed	The Company elected the directors of the 4th term of the Company at the general meeting of shareholders held on August 20, 2021, and the audit committee is composed of new independent directors
Independent Director	Chin-Jung, Wu	6	0	100.00%	Reappointed	
Independent Director	Ming, Ouhyoung	6	0	100.00%	Reappointed	

Other remarks:

I. The audit committee's review matters and key annual work focal points

(I) The audit committee's review matters primarily include:

1. The institution or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act (hereinafter referred to as the "Act").
2. Internal control system's effectiveness evaluation.
3. The institution or amendment to the procedures for the acquisition or disposal of assets, derivative trade, loaning of funds, guarantee and endorsement in favor of a third party, and other aspects of materiality with significant financial and business effect pursuant of in accordance to Article 36-1 of the Securities and Exchange Act.
4. Matters involving the directors' own stake relation.
5. Critical asset or derivative product trading.
6. Critical capital lending, endorsement, or guarantee.
7. Offering, issuance or acquiring equity securities through private placement.
8. The Auditing CPA's appointment, dismissal or remuneration.
9. The appointment and dismissal of a chief financial officer, chief accounting officer, or chief internal auditor.
10. The annual financial report signed or stamped by the Chairman, President and accounting supervisor and the second quarter financial report which must be reviewed and certified by CPA.
11. Other major matters stipulated by the Company or the competent authority.

(II) The audit committee's key annual work focal points:

1. Audit the Company's financial statements

Where the Board of Directors works out and submits the Company's business report,

financial statements for 2021; those financial statements have been duly audited and certified by Certified Public Accountants of Ernst & Young Taiwan who, in turn, duly issued audit report. We have reviewed the aforementioned reports have been audited by the audit committee to ensure that they do not contain any discrepancies.

2. Evaluation on internal control system's effectiveness

The audit committee evaluates the effectiveness of the design and implementation of the company's internal control system, and reviews the company's audit department and CPA. The audit committee believes that the company's internal control system is effective and the Company has adopted necessary control mechanisms to monitor and correct any violations.

3. The appointed auditing CPAs

The Audit Committee regularly evaluates the professionalism, independence, and reasonableness of the remuneration of the CPA at the end of each fiscal year.

To ensure the auditing CPA office's independence, the audit committee references the Accountants Act Article 47 and Accountants Occupational Ethics Guideline Journal article 10's "righteous, fair objectivity and independent" content to formulate the independent evaluation sheet, by which to evaluate the CPAs' independence, professionalism and competency, and to evaluate whether or not they are related mutually to the company as related parties, or with business or financial gain relations and other related items.

The audit results of the 2021 CPA were approved by the Audit Committee and the Board of Directors on February 23, 2022. Accountants Chih-Hui, Yang and Chien-Ju, Yu of Ernst & Young met the Company's independence and suitability assessment standards.

II. Where any one among those enumerated below exists as the performance by the Audit Committee, the convention date, term, contents of agenda, outcome of the decision resolved in the Audit Committee as well as the Company's opinions toward the Audit Committee's opinions should be expressly remarked:

(I) Issues required under Article 14-5 of the Securities and Exchange Act. (Note)

(II) Except the aforementioned issue, other issue not yet resolved in the Audit Committee but has been duly resolved by two-thirds majority of the total number of director seats: None.

III. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: None.

IV. Facts of communications by and between independent directors and Internal Audit Head as well as Certified Public Accountant(s) (should include issues regarding the Company's finance, financial conditions, facts in business operation and such key issues, the method of communications and the outcome thereof):

(I) The Company's internal audit head regularly report the audit results with the audit committee, and report to the audit committee immediately in case of special circumstances. In 2021, there was no such situation. The audit committee of the Company has good communication with the Internal Auditor Head. Summary of communication sessions between independent directors and the chief internal auditors:

Meeting date	Communication matter with chief internal auditors
February 24, 2021	2020 Declaration of Internal Control System
April 28, 2021	Internal audit report
July 29, 2021	Internal audit report
November 4, 2021	Internal audit report

- (II) The CPA of the company attends the Audit Committee meeting to report the annual financial statement audit or review results and other communication matters required by relevant laws and regulations every year. If there are special circumstances, they will also report to the Audit Committee immediately. In 2021, there was no such situation. The Audit Committee of the company communicated well with the CPA. Summary of the communication frequencies between independent directors and CPAs:

Meeting date	Communicate with the CPA
February 24, 2021	2020 Consolidated and parent company only financial report review results and internal control review report

Note: Issues required under Article 14-5 of the Securities and Exchange Act

Date	Significant decisions resolved	Independent directors' opinions	Acts taken by the Company in response to Independent directors' opinions	Resolution:
January 27, 2021 (First shareholders' meeting in 2021)	1. Approved ASRock's manager bonus review proposal. 2. Approved the endorsements/guarantees to 100% owned subsidiary ASIAROCK TECHNOLOGY LIMITED.	None	None	The issue was resolved exactly as proposed by all present independent directors in full
February 24, 2021 (Second shareholders' meeting in 2021)	1. Approved the 2020 business report and financial statements. 2. Approved the evaluation report for the independence of external Auditor. 3. Approved the compensation for ASRock's external auditor of year 2021. 4. Approved ASRock's Internal Control System of year 2020. 5. Approved the appropriated remuneration of employees and directors of year 2021. 6. Approved earnings distribution of year 2020. 7. Approved the issuance of Restricted Stock Awards of year 2021.	None	None	The issue was resolved exactly as proposed by all present independent directors in full
April 28, 2021 (Third shareholders' meeting in 2021)	1. Approved 2021Q1 Consolidated financial Report. 2. Approved ASRock's manager bonus review proposal. 3. Approved the amendment to the subsidiary's procedures for lending funds and endorsement & guarantee. 4. Approved the endorsement for credit line with Taipei Fubon Bank. 5. Approved the amendment to ASRock's "Inventory Valuation Policy".	None	None	The issue was resolved exactly as proposed by all present independent directors in full
July 29, 2021 (Fourth shareholders' meeting in 2021)	1. Approved 2021Q2 Consolidated financial Report. 2. Approved the proposal on the remuneration of directors and employee bonus. 3. Approved the amendment to ASRock's "Accounting System.	None	None	The issue was resolved exactly as proposed by all present independent directors in full

Date	Significant decisions resolved	Independent directors' opinions	Acts taken by the Company in response to Independent directors' opinions	Resolution:
August 20, 2021 (Fifth shareholders' meeting in 2021)	1. Approved the election of the convener and chairman of the audit committee.	None	None	The issue was resolved exactly as proposed by all present independent directors in full
November 4, 2021 (Sixth shareholders' meeting in 2021)	1. Approved 2021Q3 Consolidated financial Report. 2. Approved ASRock's manager bonus review proposal. 3. Approved the plan of internal auditing in year 2022. 4. Approved the amendment to ASRock's "Internal Control System" 5. Approved the budget of year 2022. 6. Approved the endorsements guarantees to 100% owned subsidiary ASIAROCK TECHNOLOGY LIMITED (hereinafter referred to as ASIAROCK)	None	None	The issue was resolved exactly as proposed by all present independent directors in full

(III) The operation of the Remuneration Committee

1. Responsibility and authority of the Remuneration Committee:

(1) Composition of the committee:

The members of the Remuneration Committee shall be appointed by the board by resolution of those who meet the qualifications stipulated by laws and regulations with the number no less than three. At least one independent director shall participate, and one of them shall be the convener.

(2) Duties of the Remuneration Committee:

The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the Board of Directors. However, recommendations in connection with remuneration for supervisors may be submitted for deliberation by the Board of Directors only to the extent that the Board of Directors is authorized expressly by the company's articles of incorporation or by a resolution of the Shareholder's Meeting to handle supervisor

remuneration:

- A. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
- B. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

The Committee shall perform the abovementioned duties based on the following principles:

- A. With respect to the performance assessment and remuneration of directors, supervisors and managerial personnel of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.
- B. No suggestions are made to guide directors and officers to engage in acts that may exceed the Company's risk appetite to pursue own salary and remuneration.
- C. The specificity of the industry and the nature of the Company's business shall be considered when determining the proportion of profit sharing for short-term performance and the changes in the payment time of part of the salary and remuneration of directors and executives.

2. Information on the members of the Remuneration Committee

March 27, 2022

Identity	Quali- fication Name	Professional qualification and experience Compliance of independence	Number of other public companies where the members are also the members of the remuneration committee of these companies.
Independent Director (Convener)	Ai, Wei	Please refer to pages 10 to 12 of the Disclosure of professional qualification of the directors and independence of directors.	—
Independent Director	Chin-Jung, Wu		—
Independent Director	Ming, Ouhyoung		—

3. Information on the operation of the Remuneration Committee

(1) The Company's Remuneration Committee has three Committee members in total.

(2) Tenure of Committee members in the current session: August 20, 2021 ~ August 19, 2024.

In 2021, the Remuneration Committee convened 7 meetings (A). The qualifications and participation facts of the Committee members are enumerated below:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A)	Remark	
Convener	Ai, Wei	7	0	100.00%	Reappointed	The Company elected the directors of the 4th term of the Company at the general meeting of shareholders held on August 20, 2021, and the audit committee is composed of new independent directors
Independent Director	Chin-Jung, Wu	7	0	100.00%	Reappointed	
Independent Director	Ming, Ouhyoung	7	0	100.00%	Reappointed	

Other remarks:

- I. Where the Board of Directors does not adopt or amend the proposal(s) posed by the Remuneration Committee: The Company shall expressly elaborate on the date, term while the Board of Directors meeting was convened, contents of the issues, outcome of decisions resolved in the Board of Directors and the Company's response to the opinions posed by the Remuneration Committee (For instance, if the salary pay resolved by the Board of Directors is higher than that proposed by the Remuneration Committee, the Company should elaborate on the fact of differential gap and the cause thereof): None.
- II. Where a decision resolved in the Remuneration Committee is found in contravention of rules or in qualified opinion as verified with records or documented declaration, the Company shall expressly elaborate on the date, terms of the meeting convened by the Remuneration Committee, contents of agenda, opinions of all members and acts taken in response to such opinions: None.

Note: Important matters of the Remuneration Committee in the most recent year are as follows

Date	Significant decisions resolved	Remuneration Committee Opinion	The company's response to opinions of the members	Resolution:
January 27, 2021 (First shareholders' meeting in 2021)	1. Approved ASRock's manager bonus review proposal.	None	None	The issue has been approved with the entire committee members present voting in favor.
February 24, 2021 (Second shareholders' meeting in 2021)	1. Approved the appropriated remuneration of employees and directors of year 2020.	None	None	The issue has been approved with the entire committee members present voting in favor.
April 28, 2021 (Third shareholders' meeting in 2021)	1. Approved ASRock's manager bonus review proposal.	None	None	The issue has been approved with the entire committee members present voting in favor.
July 29, 2021 (Fourth shareholders' meeting in 2021)	1. Approved the proposal on the remuneration of directors and employee bonus. 2. Approved ASRock's managerial officers salary adjustment proposal of year 2021.	None	None	The issue has been approved with the entire committee members present voting in favor.
August 20, 2021 (Fifth shareholders' meeting in 2021)	1. Approved the election the convener and meeting chairman of the ASRock's Remuneration Committee.	None	None	The issue has been approved with the entire committee members present voting in favor.
September 14, 2021 (Sixth shareholders' meeting in 2021)	1. Approved the program to issue 2,300,000 shares as Restricted Stock Awards of year 2021.	None	None	The issue has been approved with the entire committee members present voting in favor.
November 4, 2021 (Seventh shareholders' meeting in 2021)	1. Approved ASRock's manager bonus review proposal.	None	None	The issue has been approved with the entire committee members present voting in favor.

(IV) Performance in corporate governance and the differential gap between corporate governance and Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and the cause thereof:

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
I. Has the Company based on the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” set up and disclose the Company’s corporate governance best-practice principles?	V		The Company has formulated the Corporate Governance Best-Practice Principles and disclosed it on the Market Observation Post System (MOPS) and the Company's website.	None
II. Shareholding structure and shareholders’ equity				
(I) Has the Company established the internal procedures to handle shareholders’ suggestions, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	V		(I) The Company has established the internal procedures regulated to handle shareholders’ suggestions, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly.	None
(II) Has the Company possessed of a list of major shareholders and a list of ultimate owners of these major shareholders?	V		(II) At present, most of the major shareholders of the Company are owned by the management team or their relatives. The Company keeps track of the list of major shareholders at any time to ensure the stability of managerial control.	None
(III) Has the Company established and implemented the risk control and firewall mechanisms with the related parties?	V		(III) Management rights and responsibilities are clearly separated. In addition to having a subsidiary for supervisory operations, auditors also regularly supervise the implementation.	None

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
(IV) Has the Company established internal policies that forbid insiders from trading based on non-disclosed information?	V		(IV) The Company has established the "Rules for Prevention of Insider Trading" to prohibit insider trading, which is disclosed on the Company's website. The education and promotion of the course "Prevention of Insider Trading" was arranged for directors on November 4, 2021, and new employees were given education and training on March 9, September 23 and December 7, 2021. The content of the course include the confidentiality of important information, the cause for the insider trading, the identification process and case sharing.	None
III. The constitution and obligations of the Board of Directors				
(I) Does the Board of Directors formulated and implemented diversity policies, specific management objectives?	V		(I) In accordance with Article 20 of the Corporate Governance Best-Practice Principles, the Company has formulated a diversity policy where the directors of the Company have professional backgrounds and skills. For the implementation of diversity of board members by individual directors, please refer to "Diversity and Independence of the Board of Directors" in this report.	None
(II) Does the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?		V	(II) The Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, will have other functional committee set up in accordance to future demand.	It will be formulated according to future needs.

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
(III) Has the Company established a method to evaluate board performance and evaluate board performance every year? Are the performance evaluation results reported to the board and used as a reference for the remuneration and nomination for re-election of directors?	V		(III) The Company has established a “Self-Evaluation or Peer Evaluation of the Board of Directors” to evaluate board performance every year and the results will reported to the board.	None
(IV) Has the Company assessed the independence of CPA periodically?	V		(IV) The audit committee of the company evaluates the independence of the CPA at least once a year (the latest evaluation result was on February 23, 2022) through the following matters, and reports the evaluation results to the board of directors: 1. Accountant's Independence Statement. 2. The Company has assessed the independence of CPA in terms of financial interests, financing and guarantees, business relationships, family and personal relationships, employment relationships, gifts and special offers, rotation of CPA and non-audit engagements.	None

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
IV. Does a public company equip an appropriate number of governance personnel and assign the governance officer to take charge of company's governance affairs (including, without limitation, providing directors and supervisors with the data required for business operations, assistance for the legal compliance of directors and supervisors, handling affairs related to holding a board meeting or a general meeting of shareholders and producing minutes for board meetings and general meetings of shareholders)?	V		With respect to the resolution made by the board on April 29, 2020, Chien-Hung, Chen was appointed the concurrent government officer of this Company to protect the rights and interests of shareholders and optimize board competence. Current Vice President & CFO, Chien-Hung, Chen, commands public listed companies in finance and related management work experience for over three years. The duty of the governance officer is to handle the affairs related to holding the board meeting or the general meeting of shareholders, producing the minutes for board meetings and general meetings of shareholders, providing directors and independent directors with the data required for business operations, assisting directors and independent directors in maintaining legal compliance. The governance officer will take continuous training in accordance with the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers". Please refer to Note 1 for the 2021 training continuous training status.	None
V. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	V		The Company has established a stakeholders page on the Company's website with a Honest2_Box@asrock.com.tw mailbox, a contact window and contact information provided to stakeholders in case of complaints where dedicated personnel will respond to issues and concerns from stakeholders. For issues or concerns from relevant stakeholders and communication channels, please refer to the Company's CSR and website.	None

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
VI. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		Currently, this Company commissioned a professional stock service agent to handle shareholders affairs.	None
VII. Disclosure of information				
(I) Has the Company setup a website to disclose information regarding the Company's finance, business and corporate governance?	V		(I) The Company's website has an investor service page to disclose information related to financial business and corporate governance.	None
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		(II) There is a dedicated person to collect the disclosure information, implements the spokesperson system, and place the content Earnings Conference on the Company's website.	None
(III) Has the Company announced its annual financial report within two months after the end of a fiscal year, and announced in advance the financial statements of Q1, Q2 and Q3 as well as status of monthly operations?	V		(III) The Company has announced the first, second, third quarter and annual financial reports before the required time period and announced the operation status of each month within the required time period in accordance to the regulations.	None

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
VIII. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		1. Employees' rights, warm concern toward employees please see "Employee Relations" of this annual report. 2. The Company's website has an Investor Service link where both Shareholders' Meeting information and financial information are provided in both Chinese and English to improve operational transparency. 3. In 2021, the directors have completed the training in accordance with the hours specified in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies." 4. The Company maintains good relationships and smooth communication channels with investors, suppliers, customers and other stakeholders. 5. The Company has stipulated rules in the Articles of Association to purchase liability insurance for the directors where the important content such as the amount of insurance and the scope of insurance will be submitted to the board and announced on MOPS.	None
IX. Please describe the improvement performed according to the corporate governance evaluation results published by the Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures and Corporate: The Company has strengthened the disclosure of relevant information on the company's website and the annual report, and actively planned the information upload and reporting schedule; other matters that the company has not improved will be gradually improved according to the company's plan to comply with the corporate governance.				

Note 1: Continuous training for corporate governance officer in 2021

Training date	Organizer	Course name	Training hours
September 1, 2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	6
November 19, 2021	Greater China Financial and Economic Development Association	Tax planning for operation and shareholding structure	3
December 10, 2021	Greater China Financial and Economic Development Association	Discussion on the use of reward and remuneration strategies and tools for employees	3

(V) Implementation of the promotion of sustainable development and the deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Promotion items	Performance			Non-implementation and its reason(s)
	Yes	No	Summary description	
I. If the Company set up a full time (or part-time) unit to promote the sustainable development governance framework with the Board of Directors authorizing the top management to handle and supervising?		V	The Company has established a dedicated unit to promote corporate social responsibility. In 2021, we have not found any major economic, environmental and social issues arising from operating activities that require the senior management to handle and report to under the authorization of the Board of Directors.	Under discussion
II. If the Company assessed the risk of environmental, social, and governance (ESG) issues in relation to corporate operations based on the materiality principles and established risk management policies or strategies? (Note 1)		V	The Company has not yet formulated policies or strategies relevant risk management.	Under discussion
III. Environmental issues (I) If the Company had an appropriate environmental management system established in accordance with its industrial characteristics?	V		(I) The Company focuses on the design of motherboards, which is indoor office operation, and takes the implementation of green product design as the main focus. The main internal environmental policy is to continuously reduce greenhouse gas emissions, improve energy efficiency, avoid wasting water resource, and reduce the output of waste. At present, all wastes are recycled and reused by licensed waste removal vendors.	None

Promotion items	Performance			Non-implementation and its reason(s)
	Yes	No	Summary description	
(II) If the company committed to enhancing the power efficiency and using renewable materials with lower impact on the environmental?	V		(II) The Company promotes various energy saving measures, selects equipment with energy-saving design, and takes 2017 as the base year and 2020 as the target year where the power consumption intensity (mWh/ NT\$1 million in revenue) will be reduced by 3% ; however, in 2020, the annual electricity intensity still increased by 0.6% compared with that in 2017 . In the future, ASRock will continue to promote energy conservation policies to all employees and improve energy efficiency. The products designed by the Company are all green designs with non-toxic raw materials. The Company will emphasize green procurement and green management in the design stage, so that both product services and outsourcing manufacturers can comply with the international green trends and achieve environmental protection commitments. The Company's design products comply with regulations such as RoHS, WEEE directives, and REACH.	None
(III) If the Company assessed the present and future potential risks and opportunities of climate change on the Company and take measures?	V		(III) The Company conducts business and risk analysis on climate change, formulates relevant strategies based on the analysis results, and evaluates the financial impact to reduce the impact on climate change and locate new business opportunities. The detailed description of the Company's climate change risk and opportunity analysis has been disclosed in the Company's CSR Report. (https://www.asrock.com/general/CSR.tw.asp?cat=CSRReport)	None

Promotion items	Performance				Non-implementation and its reason(s)			
	Yes	No	Summary description					
(IV) If the Company monitored the amount of the GHG emissions, water consumption, and total waste in the last two years? If the Company established policies for GHG reduction, water conservation, and waste management?	V		(IV)		None			
			1. GHG emission					
			Item	Unit		2017	2019	2020
			Scope No. II (electric power)	Ton CO ₂ e		745.71	1,196.28	1,101.65
				Revenue (NT\$1 million)		7,878	9,171	12,578
				Ton CO ₂ e/NT\$ 1 million		0.095	0.130	0.088
				Difference		Base year	37.8%	-7.4%
			The Company focuses on the business related to motherboard design, which is indoor office operation. The sources of greenhouse gas emission mostly come from Scope 2 (indirect greenhouse gas emissions from electricity, heat or steam), Scope 2 is quantitative calculation. Scope 1 (directly from emission sources owned or controlled by the Company) and Scope 3 (emissions from company activities, which are not indirect energy emissions, but from emission sources owned or controlled by other companies) are currently only subject to qualitative inspections and no GHG emissions calculations have been carried out. In 2018, the Company established a 3-year carbon reduction target with 2017 as the base year and 2020 as the target year to reduce the Scope 2 emission intensity by 3% in 3 years. In 2020, the greenhouse gas emission intensity of indirect energy emissions is 0.088 metric tons/ (revenue) million NT, a decrease of 7.4% compared with 2017, and the					

Promotion items	Performance			Non-implementation and its reason(s)																
	Yes	No	Summary description																	
			achievement rate of greenhouse gas reduction target in 2020 was 105%. The Company's power-saving plan is the control of office air-conditioning equipment and lighting equipment. It improves energy efficiency by using power-saving equipment (such as high-power LED power-saving lamps), and actively promotes the importance of energy saving to employees. 2. Water consumption <table><tr><td>Item</td><td>Unit</td><td>2019</td><td>2020</td></tr><tr><td>Water consumption</td><td>M³</td><td>5,051</td><td>3,669</td></tr><tr><td>Number of employees</td><td>person</td><td>295</td><td>310</td></tr><tr><td>Water consumption intensity</td><td>M³/person</td><td>17.1</td><td>11.8</td></tr></table> The Company does not use a large amount of water in production, and the water resources are mainly used as general domestic water such as drinking and sanitary. Since the use of water resources is directly related to the number of employees, the indicator is "water consumption per capita". In 2020, the water consumption per capita was 11.8 M3/person, a decrease of 30.8% compared to the consumption in 2019. In addition, the water saving target on 2020 with 2019 as the base year and 2022 as the target year where the water consumption per capita will be reduced by 3% in 3 years. The achieved rate of water-saving in 2020 is 140.1%.	Item	Unit	2019	2020	Water consumption	M ³	5,051	3,669	Number of employees	person	295	310	Water consumption intensity	M ³ /person	17.1	11.8	
Item	Unit	2019	2020																	
Water consumption	M ³	5,051	3,669																	
Number of employees	person	295	310																	
Water consumption intensity	M ³ /person	17.1	11.8																	

Promotion items	Performance			Non-implementation and its reason(s)								
	Yes	No	Summary description									
			The main focus on the water-saving plan is to reduce the general domestic water consumption where water-saving slogans are posted in various facilities in the office building, and website announcements or emails are adopted to promote employees to participate in the water-saving measures. 3. Waste output <table><tr><th>Item</th><th>Unit</th><th>2019</th><th>2020</th></tr><tr><td>Recycled waste weight</td><td>KG</td><td>2,604.43</td><td>8,404.01</td></tr></table> The Company's major waste sources are general household waste and waste generated from research and development. General domestic waste is commissioned to the office management for disposal with ensured legal disposal method. The waste generated by research and development includes components such as motherboards, computer screens, and hard drives, which are outsourced to professional vendor so the resources can be recycled and reused.	Item	Unit	2019	2020	Recycled waste weight	KG	2,604.43	8,404.01	
Item	Unit	2019	2020									
Recycled waste weight	KG	2,604.43	8,404.01									

Promotion items	Performance			Non-implementation and its reason(s)
	Yes	No	Summary description	
IV. Social issues (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		(I) The Company supports and follows UN's "Universal Declaration of Human Rights," the "UN Global Compact," and the International Labour Organization's "Declaration on Fundamental Principles and Rights at Work" and other basic human rights principles and the local regulations of global operations to formulate human rights policies to protect employees, contracts and temporary staff, interns, etc. The Company's relevant regulations on human rights, such as prevention of a potential sexual harassment, promotion practices are incorporated into rules and regulations or guidelines, and a specialized unit is responsible for implementation with regularly review and evaluation on the appropriateness of relevant systems. In 2021, human rights protection training was implemented for employees with a total of 28 employees completed the training. The human rights management policies and specific methods are summarized as follows:	None

Promotion items	Performance			Non-implementation and its reason(s)								
	Yes	No	Summary description									
			<table><tr><th>Item</th><th>Methods</th></tr><tr><td>Provide a safe and healthy work environment</td><td>Formulate sexual harassment prevention and measures and establish employee complaint procedures: sexual harassment complaint hot line and e-mail to protect employees' rights and interests and ensure workplace safety.</td></tr><tr><td>Eliminate illegal discrimination to ensure equal job opportunities</td><td>The employee promotion, assessment, training, reward, and punishment systems are clearly established to ensure fair treatment.</td></tr><tr><td>Assist employees to maintain physical and mental health and work-life balance</td><td>Provide a variety of recreational activities, such as mountaineering, company trip, and promote interpersonal interaction of colleagues through clubs to achieve a "work-life balance."</td></tr></table>	Item	Methods	Provide a safe and healthy work environment	Formulate sexual harassment prevention and measures and establish employee complaint procedures: sexual harassment complaint hot line and e-mail to protect employees' rights and interests and ensure workplace safety.	Eliminate illegal discrimination to ensure equal job opportunities	The employee promotion, assessment, training, reward, and punishment systems are clearly established to ensure fair treatment.	Assist employees to maintain physical and mental health and work-life balance	Provide a variety of recreational activities, such as mountaineering, company trip, and promote interpersonal interaction of colleagues through clubs to achieve a "work-life balance."	
Item	Methods											
Provide a safe and healthy work environment	Formulate sexual harassment prevention and measures and establish employee complaint procedures: sexual harassment complaint hot line and e-mail to protect employees' rights and interests and ensure workplace safety.											
Eliminate illegal discrimination to ensure equal job opportunities	The employee promotion, assessment, training, reward, and punishment systems are clearly established to ensure fair treatment.											
Assist employees to maintain physical and mental health and work-life balance	Provide a variety of recreational activities, such as mountaineering, company trip, and promote interpersonal interaction of colleagues through clubs to achieve a "work-life balance."											
(II) Has the company established and implemented reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflected business performance and achievements in the remuneration for employees?	V		(II) The Company has established employee-employer meetings, employee welfare committees, and employee complaint mailboxes according to laws and regulations. The Employee Welfare Committee plans and provides various benefits for employees, such as: travel subsidies, department meal subsidies, club subsidies, marriage subsidies, etc. In the vacation system, those who have worked in the Company for a certain period of time will be given	None								

Promotion items	Performance			Non-implementation and its reason(s)
	Yes	No	Summary description	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		annual leave (for example, employees who have been employed for one year will be given annual leave of 7 days a year). Employees may apply for unpaid leave in case of raising child(en), serious injury or illness, etc., to ensure the needs of personal and family care are met. Ensure that men and women have equal pay for equal work and equal opportunities for promotion and maintain 20% and above female executive positions to promote sustainable and inclusive economic growth. At the end of 2021, female staff accounted for 38% of total staff, and female supervisors (above the deputy manager level) accounted for 33% of total supervisors. The Company's Articles of Incorporation stipulate that no less than 5% of the annual profit should be allocated as employee compensation, and there is a bonus and other reward system to share the operating results with all employees. (III) The Company provides a safe and healthy working environment with necessary health and first aid measures to eliminate hazards that may affect the health and safety of employees and reduce the risk of occupational accident. There was no major occupational accident in 2021. Specific implementation measures include hiring professional nursing personnel and conducting occupational safety and health education and training for new employees every year. Health inspections for all	None

Promotion items	Performance			Non-implementation and its reason(s)
	Yes	No	Summary description	
(IV) Does the Company have an effective career capacity development training program established for the employees?	V		employees are carried out every two years, and individualized health management measures are provided for high-risk cases based on the inspection results. Inspection of working environment is outsourced and performed every six months to ensure the safety of the working environment. In addition, the office management committee regularly audits and inspects fire-fighting equipment every year. (IV) To improve the quality and skills of employees, the Company conducts orientation training when new employees arrive on the job, and conducts unscheduled general and professional training depending on the needs.	None
(V) Does the company comply with the related laws and regulations and international standards regarding the customer health and safety, customer privacy, marking communication, and labeling of its products and services and establish policies to protect the rights and interests of customers and procedures for grievances?		V	(V) The Company has not yet formulated relevant consumer protection policies and complaint procedures. However, the Company's technical support department is responsible for the product technical consulting and services.	Under discussion

Promotion items	Performance			Non-implementation and its reason(s)
	Yes	No	Summary description	
(VI) Has the company established policies for management to request suppliers to comply with the relevant laws and regulations of environmental protection, occupational safety and health, and labor human rights? Does the company keep track on the implementation of such policies?	V		(VI) The Company will assess whether the supplier has a history of environmental and social impact before doing business with the suppliers. To protect the earth and reduce the damage to the ecosystem, the Company requires the raw materials suppliers to comply with ROHS and REACH specifications, and provide relevant inspection reports, which will be archived after inspection on the correctness of the documents by dedicated personnel. This is to ensure the supply chain complies with international environmental regulations.	None
V. Did the company, following internationally recognized guidelines, prepare and publish reports such as its sustainable environment report to disclose non-financial information of the company? Did the company apply for assurance or guarantee of such reports to a third-party certification body?	V		The Company has prepared the "2020 Corporate Social Responsibility Report" in accordance with the internationally recognized guidelines (GRI Standards). This report has been verified by BSI according to the AA1000 Assurance Standard, the type 1 moderate assurance level, and is published on the Company's website and Market Observation Post System (MOPS) website.	None
VI. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancy between the principles and their implementation: None.				
VII. Other important information to facilitate better understanding of the company's corporate social responsibility practices: The Company has established a "corporate social responsibility" section on the company's website to disclose the company's corporate social responsibility policies, goals and other related information, website: https://www.asrock.com/general/CSR.tw.asp .				

Note 1: The principle of materiality refers to those who have a significant impact on the company's investors and other stakeholders in relation to environmental, social and corporate governance issues.

(VI) Performance in ethical corporate management inconsistency with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
I. Business Integrity Policy and action plans				
(I) Has the Company established policies for ethical corporate management approved by the board of directors and stated such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies?	V		(I) The Company's "Ethical Corporate Management Best Practice Principles" was approved by the Board of Directors, which clearly stipulates that directors, managers and employees must implement the ethical corporate management policy and actively prevent unethical behavior.	None
(II) Has the Company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures stated in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies?”	V		(II) The Company has assessed the business activities with high unethical risk within the business scope and strengthened relevant preventive measures.	None
(III) Has the Company established in the preventive programs the operating procedures for unethical behavior prevention, penalties and grievance systems of breaching the guidelines for conduct, and implemented and periodically review them?	V		(III) The Company's "Procedures for Ethical Management and Guidelines for Conduct" regulates various operating procedures, behavior guidelines, and disciplinary and complaint systems for violations. The Company's dedicated unit reviews every year whether these requirements can effectively control business activities with a higher risk of unethical conduct.	None

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
II. Proper enforcement of business integrity				
(I) Does the Company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	V		(I) The Company requires suppliers and other contractors to abide by the same ethical standards as all employees in the company. The Company commit not to engage in any illegal business activities or accept bribes.	None
(II) Has the Company established a dedicated (concurrent) unit to implement ethical corporate management under BOD and report regularly(at least once a year) to BOD the status of implementation and supervision of ethical management policy and preventive programs of unethical behavior?	V		(II) The Company implements the Ethical Corporate Management Best Practice Policies, and the implementation status in 2021: 1. Formulation method The Company has approved the resolution of the board of directors to formulate the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct" and "Codes of Ethical Conduct", it is agreed that the corporate governance unit under the board of directors is responsible for the formulation and implementation of Ethical Corporate Management Best Practice Policies and prevention plan, and the unit will report its implementation to the board of directors on November 4, 2021. 2. Orientation training: The content of the training includes measures to prevent unethical behavior, recusal due to conflicts of interest and other related courses. A total of 28 new employees participated in the course for a total of 1.5 hours.	None

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		3. Periodic inspection The Company has the corresponding internal control to effectively control the operation activities of all operating offices and is independently audited by the auditing unit to ensure the overall operation, joint management, and prevent unethical behavior. In 2021, no deficiency discovered in an audit related to ethical corporate management best practice was found. 4. Whistle-blowing system The Company has a reporting mailbox and a hotline. If anyone inside or outside the company finds any unethical behavior, they can report anonymously or not to the company at any time. In 2021, no report was received.	None
			(III) The Company has developed policies to prevent conflicts of interest and provided adequate channel for communication, and substantiated the policies.	
(IV) Has the Company established an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical behavior to audit and prevent the compliance with the preventive programs of unethical behavior or hire a CPA to perform the audit?	V		(IV) The Company has established an effective accounting system and an internal control system for high risk unethical behavior to inspect at any time where internal auditors should check the compliance of the internal control system from time to time, and prepare an audit report to the Board of Directors.	None

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
(V) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		(V) The Company trains new employees with courses related to ethical corporate management which includes measures to prevent unethical behavior, and recusal due to conflicts of interest.	None
III. The operations of the Company's Report System				
(I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?	V		(I) The Company has formulated the "Procedures for Handling Reported Cases" to be handled by designated personnel.	None
(II) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms?	V		(II) The "Procedures for Handling Reported Cases" defines the relevant procedures and follow-up measures to be taken after the investigation is completed, as well as the confidentiality mechanism.	None
(III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		(III) The Company will provide protection from unfair treatment or retaliation for those who report violations of ethical corporate management regulations and participate in investigations.	None
IV. Enhanced information disclosure				
(I) Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	V		(I) The Company has the contents of Ethical Corporate Management Guiding Principles and its implementation disclosed on the website and MOPS	None
V. Where a Company has worked Ethical Corporate Management Guiding Principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please expressly elaborate on the differential gap between the substantial performance and the Practice Principle: None.				

Assessment items	Actual governance			Non-implementation and its reason(s)
	Yes	No	Summary description	
VI. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity).				

(VII) Other significant information that helpful to better awareness of performance in corporate governance: The Company's website and Market Observation Post System (MOPS).

(VIII) Other significant information that helpful to better awareness of performance in corporate governance: None.

(IX) Hands-on performance in the internal control system:

1. Declaration of Internal Control System: please refer to page 114.
2. Review report issued by the commissioned Certified Public Accountant(s) in the review of the internal control system: None.

(X) In the latest year until the date as of Annual Report issuance, the Company and inside personnel having been penalized for violation of the requirements in the internal control system, the major defects and corrective action completed: None.

(XI) In the latest year until the date as of Annual Report issuance, the Board and Shareholders' Meeting had resolved significant decisions

1. Major resolutions and its implementation status of the 2021 Annual General Shareholders Meeting (August 20, 2021):

(1) The issue to acknowledge the business report and financial statements in 2020.

Implementation status: Approved by the voting of shareholders present.

(2) The issue to acknowledge the 2020 Proposal for Distribution of Earnings. (Dividends per share: NT\$8)

Implementation status: June 30, 2021 is set as the ex-dividend day, July 6, 2021 is the base date for dividend distribution, and July 30, 2021 is the date of cash dividend distribution.

(3) The amendment to the "Regulations Governing the Election of Directors" was approved.

Implementation: The Company has announced on the MOPS.

(4) The issuance of restricted employee shares in 2021 was approved.

Implementation status: The Company has declared and registered to the SFB on September 7, 2021, and the record date of cash capital increase is October 28, 2021. The total number of new shares issued for the capital increase was 2,283,000 shares. The procedural provisions for registering were completed on December 2, 2021.

(5) The Company Election of Directors was approved.

Implementation status: The Company has made an announcement on the shareholders' meeting and was approved by the Ministry of Economic Affairs for registration on August 23, 2021.

(6) Proposal for Termination of Non-Competition Restriction on New Directors (Proposed by the Board) was approved.

Implementation status: The Company has made an announcement on the Shareholders' Meeting.

2. In the latest year until the date as of Annual Report issuance, the Board had resolved significant decisions:

Date	Significant decisions resolved	Independent Directors' opinions	Response to Independent Directors' opinions
January 27, 2021 (First shareholders' meeting in 2021)	1. Approved the Company's manager bonus proposal. 2. Approved the endorsement & guarantee to 100% owned subsidiary ASIAROCK TECHNOLOGY LIMITED.	None	None

Date	Significant decisions resolved	Independent Directors' opinions	Response to Independent Directors' opinions
February 24, 2021 (Second shareholders' meeting in 2021)	1. Approved 2020 business report and financial statements. 2. Approved the evaluation report for the independence of external Auditor. 3. Approved the compensation for ASRock's external auditor of year 2021. 4. Approved ASRock's Internal Control System Statement of year 2020. 5. Approved the appropriated remuneration of employees and directors of year 2020. 6. Approved earnings distribution of year 2020. 7. Approved the issuance of Restricted Stock Awards of year 2021. 8. Approved the amendment to ASRock 's "Rules of Procedure of the Board of Directors Meetings". 9. Approved the Election of Directors. 10. Approved the list of nominated candidates for Board of Directors. 11. Approved the proposal of release the prohibition on directors from participation in competitive business. 12. Approved the scheduling of 2021 Annual Shareholders' Meeting and acceptance of resolutions from shareholders holding 1% or more shares may submit proposals and nomination.	None	None
April 28, 2021 (Third shareholders' meeting in 2021)	1. Approved 2021Q1 Consolidated Financial Report. 2. Approved the Company's manager bonus proposal. 3. Approved the amendment to the subsidiary's procedures for lending funds and endorsement & guarantee. 4. Approved the endorsement for credit line with Taipei Fubon Bank. 5. Approved the amendment to ASRock's "Inventory Evaluation Policy".	None	None
June 10, 2021 (Fourth shareholders' meeting in 2021)	1. Approved the record date of cash dividend distribution. 2. Approved the postponement of the Annual Shareholders' Meeting of year 2021.	None	None
July 29, 2021 (Fifth shareholders' meeting in 2021)	1. Approved 2021Q2 Consolidated Financial Report. 2. Approved the appropriated remuneration of employees and directors. 3. Approved the Company's 2021 manager' salary adjustment proposal. 4. Approved the amendment to ASRock's "Accounting System".	None	None
August 20, 2021 (Sixth shareholders' meeting in 2021)	1. Approved the appointment of the Chairman. 2. Approved the appointment of the audit committee. 3. Approved the appointment of the compensation committee.	None	None

Date	Significant decisions resolved	Independent Directors' opinions	Response to Independent Directors' opinions
September 14, 2021 (Seventh shareholders' meeting in 2021)	1. Approved the amendment to ASRock's " Restricted Stock Awards of year 2021". 2. Approved the program to issue 2,300,000 shares as Restricted Stock Awards of year 2021	None	None
November 4, 2021 (Eighth shareholders' meeting in 2021)	1. Approved 2021Q3 Consolidated Financial Report. 2. Approved the Company's manager bonus proposal. 3. Approved the plan of internal auditing in year 2022. 4. Approved the amendment to the ASRock's Internal Control System. 5. Approved the budget of year 2022. 6. Approved to set up a new company focusing on vehicle interconnection platform development. 7. Approved the endorsement & guarantee to 100% owned subsidiary ASIAROCK TECHNOLOGY LTD.	None	None
January 26, 2022 (First shareholders' meeting in 2022)	1. Approved the Company's manager bonus proposal.	None	None
February 23, 2022 (Second shareholders' meeting in 2022)	1. Approved 2021 business report and financial statements. 2. Approved the evaluation report for the independence of external Auditor. 3. Approved the compensation for ASRock's external auditor of year 2022. 4. Approved ASRock's Internal Control System Statement of year 2021. 5. Approved the appropriated remuneration of employees and directors of year 2021. 6. Approved earnings distribution of year 2021. 7. Approved the amendment to ASRock 's "Article of Incorporation ". 8. Approved the amendment to ASRock 's "Corporate Governance Best Practice Principles". 9. Approved the amendment to ASRock 's "Procedures for Acquisition and Disposal of Assets". 10. Approved the promotion of Chien-Hsin, Chou, the senior Vice President of MB R&D Department, to the COO of the Company. 11. Approved the scheduling of 2022 Annual Shareholders' Meeting and related matters.	None	None

(XII) In the latest year until the date as of Annual Report issuance, Audit Committee or Directors passed significant decisions with different opinions as backed with records or declarations, the major contents: None.

(XIII) In the latest year until the date as of Annual Report issuance, the assembled information of discharge or resignation by the Company for the Company's Chairman, general manager,

accounting officer, financial officer, internal audit officer, governance officer and research & development officer: Such fact is nonexistent in the Company.

Title	Name	Arrival date	Dismissal date	Reasons for resignation or dismissal
R&D supervisor	Wei-Hsu, Sha	May 10, 2002	February 25, 2022	Job adjustment

IV. Information in public fees of the Certified Public Accountant Association

Unit: NTD thousand

Auditor's firm	Name of CPA	CPA auditing period	Audit remuneration	Non-audit remuneration	Total	Remark
Ernst & Young, Taiwan	Chih-Hui, Yang	2021	2,800	406	3,206	Non-audit public expense: tax compliance audit and issuance of new restricted employee shares
	Chien-Ju, Yu					

V. Changes in CPA

(I) Former CPA: None.

(II) Current CPA: None.

(III) The reply letters on Item 1 and 2-3, Subparagraph 6, Article 10 of Regulations Governing the Preparation of Financial Reports from the previous CPA: None.

VI. Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

VII. In the latest year until the date as of annual report issuance, the fact regarding transfer or pledge stock equity by the Company's directors and managerial officers and key shareholders holding over 10% in shareholding

(I) Information on Net Change in Shareholding and Net Change in Share Pledged by Directors, Supervisors, Department Heads, and Shareholders of 10% Shareholding or More

Unit: shares

Title	Name	2021		2022/01/01-2022/03/27	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Director (shareholders over 10% in shareholding)	Asus Investment Co., Ltd.	-	-	-	-
President	Lung-Lun, Hsu	-	-	-	-
CEO	Chien-Hsin, Chou	(24,000)	-	(6,000)	-
Senior Vice President	Yu-Huang, Chen	-	-	-	-
Senior Vice President	Sung-Chien, Chen	-	-	-	-
Senior Vice President	Chun-Ying, Li (Note 1)	(28,000)	-	-	-
Senior Vice President	Wei-Hsu, Sha (Note 1)	-	-	-	-
Vice President	Cheng-Yang, Li (Note 2)	-	-	-	-
Vice President	Wen- Kang, Fan (Note 3)	-	-	-	-
Vice President	An-Lun, Sun (Note 3)	-	-	-	-
Vice President	En-Li, Chen (Note 3)	-	-	-	-
Vice President	Hsu-Hung, Hsiao (Note 3)	-	-	-	-
Vice President & CFO	Chien-Hung, Chen	-	-	-	-
Accounting manager	Hui-Ju, Li	(5,000)	-	-	-

Note 1: Chun-Ying, Li and Wei-Hsu, Sha were discharged on February 25, 2022. The increase (decrease) in the number of shares held by them is up to the date of discharge.

Note 2: Cheng-Yang, Li assumed office on October 25, 2021. The increase (decrease) in the number of shares he holds is calculated from the job commencement date.

Note 3: Wen- Kang, Fan, An-Lun, Sun, En-Li, Chen and Hsu-Hung, Hsiao assumed office on March 1, 2022. The increase (decrease) in the number of shares held by them is calculated from the job commencement date.

(II) Stock trade or pledge and with related party: None.

VIII. The interrelationship among the key shareholders holding over 10% in shareholding

March 27, 2022

Name	Shares held in own name		Shareholdings of spouse and underage children		Shares held in the names of others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2nd tier under the Civil Code, and the name and affiliation.		Remark
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Name	Relation	
Asus Investment Co., Ltd. Representative: Tzu-Hsien, Tung	57,217,754	46.55%	-	-	-	-	-	-	
Huaxu Investment Co., Ltd. Representative: Tzu-Hsien, Tung	7,453,405	6.06%	-	-	-	-	-	-	
Honghong Investment Co., Ltd. Representative: Feng-Chang, Kang	6,526,897	5.31%	-	-	-	-	-	-	
Huayu Investment Co., Ltd. Representative: Tzu-Hsien, Tung	2,791,000	2.27%	-	-	-	-	-	-	
CTBC Bank in Custody of ASRock Inc.	2,283,000	1.86%	-	-	-	-	-	-	
HSBC Managed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.—Equity Trading Division (Proprietary Trading Desk)	1,941,000	1.58%	-	-	-	-	-	-	
Tsai-Teng, Wu	1,678,880	1.37%	-	-	-	-	-	-	
HSBC Managed Polymers Asia Fund Limited Partnership with Merrill Lynch	1,655,000	1.35%	-	-	-	-	-	-	
Lung-Lun, Hsu	1,653,750	1.35%	320,621	0.26%	-	-	-	-	
HSBC Managed Small-cap Capital Stock Fund of Jaketti Emerging Market	1,439,000	1.17%	-	-	-	-	-	-	

IX. Investments jointly held by the Company, the Company's directors, managers, and enterprises directly or indirectly controlled by the Company. calculate shareholding in aggregate of the above parties:

December 31, 2021; Unit: shares

Investees (Note)	Ownership by the Company		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding
ASIAROCK TECHNOLOGY LTD.	40,000,000	100%	-	-	40,000,000	100%
LEADER INSIGHT HOLDINGS LTD.	2,100,000	100%	-	-	2,100,000	100%
ASRock Europe B.V.	-	-	200,000	100%	200,000	100%
FIRSTPLACE INTERNATIONAL LTD.	-	-	2,050,000	100%	2,050,000	100%
Calrock Holdings, LLC	-	-	2,000,000	100%	2,000,000	100%
ASRock America, Inc.	-	-	2,000,000	100%	2,000,000	100%
ASRock Rack Incorporation	27,296,220	59.67%	-	-	27,296,220	59.67%
ASRock Industrial Computer Corporation	23,895,700	65.83%	-	-	23,895,700	65.83%
ASJade Technology Incorporation	8,250,000	78.57%	-	-	8,250,000	78.57%
Soaring Asia Limited	150,000	100%	-	-	150,000	100%

Note: Investment in equity method by the Company.

Chapter IV. Funding Status

I. Share capital and shares

(I) Sources of share capital

1. Share category

March 27, 2022; Unit: thousand shares

Share category	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	122,925	27,075	150,000	Note

Note: The Company stock is listed in the TWSE.

2. Sources of share capital

March 27, 2022; Unit: thousand shares; NT\$ thousand

Year / month	Price of issue	Authorized capital		Paid-up capital		Remark		
		Quantity	Amount	Quantity	Amount	Sources of share capital	Paid in properties other than cash	Other
September 2017	10	150,000	1,500,000	120,746	1,207,456	Capital increase from the new restricted employee shares 57,040	None	Note 1
April 2019	10	150,000	1,500,000	120,698	1,206,976	Capital decrease from the new restricted employee share 480	None	Note 2
September 2019	10	150,000	1,500,000	120,679	1,206,790	Capital decrease from the new restricted employee share 186	None	Note 3
December 2019	10	150,000	1,500,000	120,647	1,206,472	Capital decrease from the new restricted employee share 318	None	Note 4
July 2020	10	150,000	1,500,000	120,642	1,206,424	Capital decrease from the new restricted employee share 48	None	Note 5
October 2021	10	150,000	1,500,000	122,925	1,229,254	Capital increase from the new restricted employee shares 22,830	None	Note 6

Note 1: Official Letter Ching-Shou-Shang-Tzu No. 10601143840 was approved on October 18, 2017.

Note 2: Official Letter Ching-Shou-Shang-Tzu No. 10801035360 was approved on April 1, 2019.

Note 3: Official Letter Ching-Shou-Shang-Tzu No. 10801123470 was approved on September 11, 2019.

Note 4: Official Letter Ching-Shou-Shang-Tzu No. 10801183250 was approved on December 30, 2019.

Note 5: Official Letter Ching-Shou-Shang-Tzu No. 10901102300 was approved on July 1, 2020.

Note 6: Official Letter Ching-Shou-Shang-Tzu No. 11001209770 was approved on November 26, 2021.

3. Information on self-registration system: None.

(II) Shareholders structure

March 27, 2022

Shareholders structure Quantities	Government institutions	Financial institutions	Other juridical person	Domestic natural persons	Foreign institutions & natural persons	Total
Number of Shareholders (person)	-	3	54	7,430	116	7,603
Number of Shareholding (share)	-	1,518,593	79,407,925	27,587,164	14,411,747	122,925,429
Ratio of Shareholding (%)	-	1.24	64.59	22.44	11.73	100.00

(III) Shareholding distribution status

March 27, 2022

Class of Shareholding	Number of Shareholders (person)	Number of Shareholding (share)	Ratio of Shareholding (%)
1 to 999	2,275	289,555	0.24%
1,000 to 5,000	4,640	7,749,810	6.30%
5,001 to 10,000	360	2,758,986	2.24%
10,001 to 15,000	90	1,112,694	0.91%
15,001 to 20,000	51	936,021	0.76%
20,001 to 30,000	45	1,139,685	0.93%
30,001 to 40,000	22	792,005	0.64%
40,001 to 50,000	18	814,298	0.66%
50,001 to 100,000	40	3,086,128	2.51%
100,001 to 200,000	17	2,358,750	1.92%
200,001 to 400,000	21	5,656,219	4.60%
400,001 to 600,000	3	1,528,810	1.24%
600,001 to 800,000	4	2,802,931	2.28%
800,001 to 1,000,000	5	4,686,851	3.81%
> 1,000,001	12	87,212,686	70.96%
Total	7,603	122,925,429	100.00%

(IV) List of major shareholders:

March 27, 2022

Name	Shares held in own name	
	Quantity	Ratio of Shareholding
Asus Investment Co., Ltd.	57,217,754	46.55%
Huaxu Investment Co., Ltd.	7,453,405	6.06%
Honghong Investment Co., Ltd.	6,526,897	5.31%
Huayu Investment Co., Ltd.	2,791,000	2.27%
CTBC Bank in Custody of ASRock Inc.	2,283,000	1.86%
HSBC Managed Mitsubishi UFJ Morgan	1,941,000	1.58%
Tsai-Teng, Wu	1,678,880	1.37%
HSBC Managed Polymers Asia Fund	1,655,000	1.35%
Lung-Lun, Hsu	1,653,750	1.35%
HSBC Managed Small-cap Capital Stock	1,439,000	1.17%

(V) Market price per share, net worth, dividend and relevant data over the past two years

Unit: NT\$

Item \ Year		2020 (2021 Distribution)	2021 (2022 Distribution)	2022/01/01- 2022/03/27
Market price per share	Highest	205.50	291.00	289.50
	Lowest	76.00	125.00	192.50
	Average	144.60	175.96	231.15
Net worth per share	Before dividend distribution	57.20	67.29	-
	After dividend distribution	49.20	54.29	-
Earnings per share	Weighted average outstanding shares (thousand shares)	120,642	121,049	-
	Earnings per share	11.30	19.67	-
Dividends per share	Cash dividends	8.00	13.00	-
	Stock dividends	From earnings	Note 1	-
		From capital reserves	Note 1	-
	Cumulative undistributed dividends (NT\$ thousand)	-	1,598,031	-
Analysis of investment returns	P/E ratio (Note 2)	12.80	8.95	-
	Price to dividends ratio (Note 3)	18.08	13.54	-
	Cash dividend yield (Note 4)	5.53%	7.39%	-

Note 1: For Year 2021, the data of distribution of the annual earning had not yet passed the shareholders' regular meeting.

Note 2: P/E ratio = Average closing price per share for the year / earnings per share.

Note 3: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.

Note 4: Cash dividend yield = Cash dividend per share / average closing price per share for the current year.

(VI) The Company's dividend policy and fact of implementation thereof.

1. The dividend policy as covered under the Company's Articles of Incorporation

The dividend policy as covered under the Company's Articles of Incorporation clauses:

Article 24-1: If the Company has a net income of the year after account settlement, appropriate for the covering of loss carried forward (including the adjustment of the amount in undistributed earnings), and 10% for legal reserve as required by law. If the amount of legal reserve is equivalent to the total paid-in capital, no further appropriation for legal reserve will be necessary. It will be followed by the appropriation or reversal of special reserve. If there is still a balance, it will be pooled up the undistributed earnings at the beginning of the period (including the adjustment of the amount in undistributed earnings). The Board shall plan for the distribution of earnings. If the stock dividend and bonus are paid in cash in whole or in part, the Board shall be authorized to make a decision in a session attended by more than 2/3 of the Directors and a simple majority of the Directors in session and reported to the General Meeting of Shareholders. If a dividend is paid in stock in part, it will be necessary to present to the General Meeting of Shareholders for resolution.

Article 24-2: The Company runs its operation in an unpredictable environment and is at the stage of growth of its life span. In consideration of long-term financial planning and meeting the needs of cash inflows of the shareholders, cash dividend paid for each year shall not fall below 10% of the total dividend in cash and in stock.

2. The Company shall pay a stock dividend with reference to the profit status of the year for dividend stability as the principle. The Company adopts a balanced dividend policy. The stock dividend payable to shareholders shall not fall below 10% of the distributable income of the year.

3. Dividend Distribution Proposed by the Board of Directors

- (1) The 2021 earning distribution proposal was approved by the board of directors on February 23, 2022, as shown in the table below:

Unit: NT\$	
Summary	Amount
Undistributed earnings at the beginning of the period	\$249,955,512
Less: Changes in the remeasurement of the defined benefit plan	(2,629,606)
Net income in 2021	2,381,060,393
Retained earnings	2,628,386,299
Less: Appropriation of legal reserve	(237,843,079)
Less: Appropriation of special reserve	(109,101,343)
Items for distribution:	
Less: Shareholder dividend - cash (NT\$13/share)	(1,598,030,577)
Undistributed earnings at the ending of the period (Carry forward to next year)	683,411,300

Note: The 2021 earning distribution proposal has not yet been approved by the shareholders' meeting. The distribution of cash dividends has been approved by the board of directors and has yet to be paid.

- (VII) Impact of stock dividend distribution on the Company's business performance and earning per share: None.

(VIII) Remuneration to the employees and Directors

1. If the Company has earnings of the year after account closing, appropriate for the remuneration to the employees and the Directors specified as follows. If there is loss carried forward, the Company shall appropriate its earnings for covering loss carried forward.

- (1) Numeration to the employees in cash or stock shall not be less than 5%. If payment is made in stock, employees of subsidiaries meeting specific conditions shall also be entitled to the payment. The Board shall set forth the condition for entitlement.

- (2) No more than 1% as remuneration to the Directors.

Earnings as previously mentioned, shall be the earnings before taxation and deduction of remuneration to the employees and the Directors.

The remuneration to the employees and the Directors shall be reported to the General Meeting of Shareholders.

2. The grounds to estimate the remuneration to employees and directors: In case of a differential gap between remuneration to employees in amount of actual distribution to be distributed in stocks and the previously estimated amount: None.
3. Remuneration to be distributed as resolved in the board of directors in 2021:

(1) The amount of remuneration to employee and Directors distributed in cash or stock: employees' cash remuneration is NT\$237,954,352 and Directors' remuneration is NT\$23,795,435.

(2) The percentage of amount of remuneration to employees to be distributed in stocks to the aggregate total of the net profit after tax as shown through the individual financial statements or respective financial statements and the aggregate total of remuneration to employees: The Company does not propose to distribute bonus to employees in stocks.

4. Report on remuneration to employees and Directors in 2021:

(1) Report on remuneration to employees and Directors in 2020:

Remuneration to employees: NT\$129,435,135

Remuneration to Directors: NT\$12,943,513

(2) If there is a discrepancy between the above amount and the recognized employee remuneration and Director's remuneration, the amount of discrepancy, reasons and handling shall be stated: No discrepancy.

(IX) Repurchase of Company stock: In the most recent year and as of the publication date of the annual report, the Company has not repurchased the company's shares.

II. Issuance of corporate bond (including foreign bond): None.

III. Preferred stock: None.

IV. Issuance of global depositary receipts: None.

V. Employee stock option: None.

VI. Employee restricted stocks:

(I) The processing of employee restricted stocks have not fully met the vesting conditions as of the date of publication of the annual report and the impact on shareholders' rights and interests:

March 27, 2022

Type of employee restricted stocks	2021 employee restricted stocks
Declaration effective date	September 7, 2021
Issuance date	October 28, 2021
The number of employee restricted stocks issued	2,283,000 shares
Price of issuance	NT\$10
Ratio of employee restricted stocks to total issued shares	1.86%

Vesting condition for employee restricted stocks	(I) The Company's overall performance: (1) The Company's EPS was more than NT\$10, i.e. overall weight by 100%, in the previous year. (2) The Company's EPS ranged from NT\$7.5 to NT\$10, i.e. overall weight by 50%, in the previous year. (3) The Company's EPS was less than NT\$7.5, i.e. overall weight by 0%, in the previous year. (II) Personal performance: (1) The interim performance appraisal ranking more than A (inclusive of A), i.e. personal weight by 100%. (2) The interim performance appraisal ranking B+ to A (exclusive of A), i.e. personal weight by 80%. (3) The interim performance appraisal ranking B- to B+ (exclusive of B+), i.e. personal weight by 60%. (4) The interim performance appraisal ranking C, i.e. personal weight by 0%. (III) Where any employee, upon expiration of one year after the employee has been hired at the time of subscription for the Restricted Stock Awards (hereinafter referred to as the "RSA"), is free from any violation of laws, the Company's work rules and ethical management best-practice principles in the first year, 40% shares will be vested in the employee, multiplying by the overall weight and then by personal weight. (IV) Where any employee, upon expiration of two years after the employee has been hired at the time of subscription for the RSA, is free from any violation of laws, the Company's work rules and ethical management best-practice principles in the second year, 30% shares will be vested in the employee, multiplying by the overall weight and then by personal weight. (V) Where any employee, upon expiration of three years after the employee has been hired at the time of subscription for the RSA, is free from any violation of laws, the Company's work rules and ethical management best-practice principles in the first year, 30% shares will be vested in the employee, and multiplying by the overall weight and then by personal weight.
Limitations to the rights of employee restricted stocks	(I) Before fulfilling the vesting conditions, the restricted shares under the custody shall not be sold, pledged, transferred, and gave as gifts to others or any other means of disposal. (II) Voting rights: To be conducted by the Trust in accordance with the relevant laws and regulations.
Custody of employee restricted stocks	A total of 2,283,000 shares were delivered to the Trust.
Procedures for non-compliance of the conditions	The Company can buy back and cancel all restricted stocks from any employee whom received restricted stocks but fail to comply with the conditions.
Number of employee restricted stocks bought back or canceled	0 shares
Number of employee restricted stocks free from custody	0 shares
Number of employee restricted stocks under custody	2,283,000 shares

Ratio of the number of employee restricted stocks under custody to total issued shares	100 %
Impact on shareholders' equity	1. Potential expense: With the resolution of 2021 Annual General Meeting of Shareholders, the maximum number of employee restricted stocks issued by the Company's is 2,300,000 shares where each share is issued at NT\$10. The Company measures the fair value of the stock on the issue date and recognizes the related expenses by years during the vested period. The expensed amount is NT\$194,010 thousands. According to the vested conditions, the expensed amounts from 2021 to 2024 are NT\$39,176 thousands, NT\$105,616 thousands, NT\$37,096 thousands and NT\$12,122 thousands, respectively. 2. The dilution of EPS, and any other impact on shareholders' equity: Based on the number of 122,925,429 shares issued and outstanding by the Company as of the end of February, the possible reductions in earnings per share after expensed from 2021 to 2024 are approximately NT\$0.32, NT\$0.86, NT\$0.30 and NT\$0.10, respectively. Dilution of EPS is not significant, so there is no significant impact on shareholders' equity.

(II) Names of managers who have acquired new restricted employee shares and the names of the top ten employees who have acquired shares up to the date of publication of the annual report:

March 27, 2022; Unit: shares;%; NTD

	Title	Name	Number of new restricted employee shares	Ratio of new restricted employee shares to total issued shares	Lifted restricted rights				Restricted rights not lifted			
					Number of shares released	Price of issue	Issuance amount	Ratio of lifted restricted shares to total issued shares	Number of restricted shares not lifted	Price of issue	Issuance amount	Ratio of restricted shares not lifted to total issued shares
Manager	President	Lung-Lun, Hsu	257,000	0.21%	0	10	0	0	257,000	10	2,570,000	0.21%
	CEO	Chien-Hsin, Chou										
	Senior Vice President	Yu-Huang, Chen										
	Senior Vice President	Sung-Chien, Chen										
	Vice President	Cheng-Yang, Li										
	Vice President	Wen- Kang, Fan										
	Vice President	An-Lun, Sun										
	Vice President	En-Li, Chen										
	Vice President	Hsu-Hung, Hsiao										
	Vice President & CFO	Chien-Hung, Chen										
	Accounting manager	Hui-Ju, Li										
Employee	Executive Assistant to President	Chung-Kai, Liao	217,000	0.18%	0	10	0	0	217,000	10	2,170,000	0.18%
	Section head	Ju-Ting, Li										
	Section head	Chia-Yu, Hsiao										
	Deputy section head	Li-Chi, Kuo										
	Senior manager	Fan-Chieh, Hsu										
	Senior manager	Yao-Ching, Wang										
	Senior manager	Ko-Chih, Tsui										
	Senior manager	Jen-Chien, Wang										
	Senior manager	Yen-Yeh, Chen										
	Senior manager	Cheng-Wei, Chen										

VII. Status of new shares issuance in connection with mergers and acquisitions: None.

VIII. Financing Plans and Implementation: None.

Chapter V. Business performance

I. Content of business

(I) Scope of business operation

1. Major contents of the business operation undertaken:

- (1) CC01110 Computer and Peripheral Equipment Manufacturing
- (2) F113050 Wholesale of Computers and Clerical Machinery Equipment
- (3) F118010 Wholesale of Computer Software
- (4) F213030 Retail Sale of Computers and Clerical Machinery Equipment
- (5) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- (6) I301010 Information Software Services
- (7) ZZ99999 All business items that are not prohibited or restricted law, except those that are subject to special approval

2. Proportion of sales of key products

Unit: NTD thousand

Key products \ Year	2021	
	Revenue	Ratio (%)
Computer peripheral products	19,216,327	97.24%
Other	546,345	2.76%
Total	19,762,672	100.00%

3. Current products:

- (1) Sales of PC motherboards.
- (2) Sales of spare parts for PC motherboards.
- (3) Sales of 3D graphics accelerator and gaming graphics cards.
- (4) Sales of multi-display card system supporting blockchain and deep learning applications.
- (5) Sales of Barebone and commercial mini PC and mini home theater system.
- (6) Sales of industrial PC motherboards and barebones.
- (7) Sales of Robust Edge AIoT platforms and IoT controllers.
- (8) Sales of server equipment motherboards and assembled computers.

4. New products under development

- (1) Develop a full range of high and mid-range motherboards for Intel's new processor platforms and chipsets supporting PCIE Gen5 and DDR5.
- (2) Develop motherboards for AMD's next-generation AM5 processor chipsets that support DDR5.
- (3) Develop 7nm process technology gaming graphics card based on AMD RDNA2 architecture.
- (4) Develop low-profile gaming graphics card that can fit into a small ITX case.
- (5) Develop a motherboard that complies with the California Energy Commission (CEC) Tier 2.
- (6) Develop a new generation of Thunderbolt4 / USB4.0 expansion cards and related applications.
- (7) Develop Intel workstation platform Sapphire Rapids related motherboards.
- (8) Develop server platforms or motherboards with the latest 2nd/3rd Gen Intel Xeon Scalable processors or the latest AMD EPYC processor technology.

(II) Industrial overview:

1. Progress and Development of the industry

Due to the increase in the vaccination rate of European and American countries causing lockdown to be gradually lifted and normal life to be resumed, the demand for desktop computers has also gradually increased. However, the overall PC motherboard sales have not been able to meet the expectation due to factors such as shortage of CPU/memory/graphics cards in the market and the rising cost. With the high value of cryptocurrency and the sizable mining profits, various motherboard and graphics card manufacturers have experienced substantial growth in revenue and profit due to the booming sales of graphics cards. It is expected that the components shortage will gradually ease in 2022. However, due to the consistent limiting wafer packaging capacity, the prolonged preparation time of upstream components, and the substantial increase in freight costs, price increases are inevitable.

Intel has launched a 10nm process technology at the end of 2021, a new generation of processors code-named Alder Lake which is the first to adopt a new generation of DDR5 memory technology and PCIE Gen5 support and was praised unanimously in the market. AMD will also release a new generation of TSMC 5nm process technology in mid-2022, and provide new AM5 architecture processors with PCIE Gen5 and DDR5 to increase the market share.

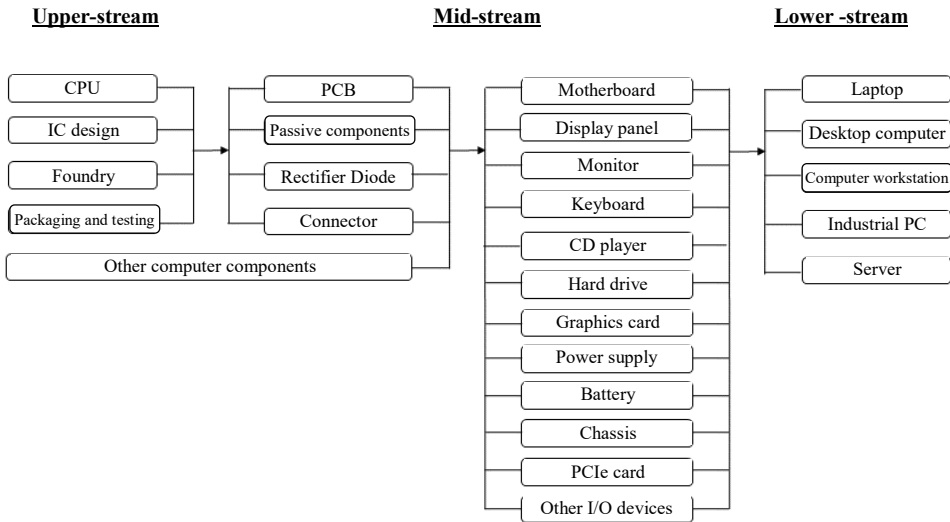
The rise of edge computing and AIoT applications drives the growth of IPC. Data Bridge Market Research expects the CAGR of the edge AI hardware market to reach 20.15% from

2021 to 2028, where the market value will rise to 2.768 billion dollars by 2028.

Booming cloud applications, strong data center demand including cloud computing, edge computing, and AI have driven the digital transformation of the industry, maintaining steady long-term growth in the server industry. With the recent The Third Wave of the Metaverse, comes with the 5G-based hardware business opportunities. Among them, AI servers and cloud servers are indispensable key hardware.

2. Association among the upper-, mid- and lower streams

Industrial linkage table



3. Product development trends

- (1) As the performance of processors has improved, the demand for better power supply and heat dissipation have continued to increase. Manufacturers are prompted by Youtubers' subjective opinions and exaggerated language in product introduction instead of professional magazines or evaluation websites to design power supplies and various of thermal modules that exceed requirements, seeking the favor of high-end buyers through product differentiation. As a result, the price of high-end motherboard products has been pushed up.
- (2) Intel has launched the Alder Lake platform that supports DDR4 or DDR5 in 2021 prompting motherboard manufacturers to launch both DDR4 and DDR5 designs. Due to the tight production capacity of the power supply IC used in DDR5 under the new specification, the output of DDR5 modules is seriously insufficient which cause its price to be much higher than that of DDR4. The AMD AM5 platform launched in mid-2022 with only DDR5 support, which is expected to give incentive to memory manufacturers to transfer production capacity to DDR5 memory as soon as possible.
- (3) As AMD and Intel have improved the processor packaging technology, and higher-speed signals are achieved with better PCB glass fiber, both make the cost of the lowest-end

motherboards on the new platform greatly increased.

- (4) Develop a robust Edge AIoT platform for workload integration and IoT controllers for IIoT vertical markets. Equipped with Intel's next-generation Alder Lake platform, it provides efficient and reliable computing, supports a variety of industrial-grade I/O and expansion cards, and operates stably in harsh environments from -40°C to +75°C. At the same time, it provides new Intel/AMD platform embedded IPC motherboards and barebones to meet AIoT vertical market applications.
- (5) For the 5G applications, edge computing, AI and virtualization, it meets the needs of high data rate and ultra-low latency and takes into account the cost of upgrading the infrastructure to provide cost-effective solutions.
- (6) Various rack mount servers provide I/O optimization, support PCIE Gen4/Gen5 and NVMe with powerful performance and flexible configuration and expansion capabilities to meet customers' different workloads.

4. Product competition

- (1) Although AMD's new generation 7nm 5000 series processors were well-received by the market, it has faced a shortage of CPU supply from entry to high-end processors, resulting in a significant drop in market share starting from the second half of the year.
- (2) In the fourth quarter of 2021, Intel released the latest 12th-generation processors and the corresponding Z690 series motherboards. The performance of the 12th Gen processors has grown significantly, and the motherboards are equipped with the latest PCIE Gen5 and DDR5 and other next-generation specifications. Both specifications and performance are ahead of AMD, which has led to a high demand.
- (3) The value of cryptocurrency rises in 2021, and the demand in the mining market is strong, resulting in a tight supply of graphics cards in the PC DIY market.
- (4) In response to the changes in work and lifestyle brought about by the epidemic, the deployment and application of 5G hardware have gradually matured, prompting continuous data center upgrades. Equipped with the latest Intel/AMD processors and in line with OCP specifications, it provides ultra-high-speed computing, ultra-fast communication, AI computing, high-performance computing, and storage servers, and provides customers with the most flexible customization to stand out in the competitive market.

(III) Technological research and development:

1. R&D expenses invested in each of the last five years

Unit: NTD thousand

Item \ Year	2017	2018	2019	2020	2021
R&D expenses	784,743	845,449	821,495	1,039,961	1,263,855
Operating revenue - net	9, 211,647	10,193,155	13,415,090	17,911,584	19,762,672
R&D expenditure ratio (%)	8.52	8.29	6.12	5.81	6.40

2. Successfully developed technologies or products

ASRock Group is a professional motherboard manufacturer, dedicated to the development of high added value motherboards with reasonable price. Since the launch to the market, it has been continuously praised by consumers all over the world and has successfully established the brand awareness of ASRock, ASRock Rack and ASRock Industrial. The following are the technologies or products successfully developed by ASRock in recent years:

Year	Successfully developed technology or product
2017	Achieve the impossible possible. ASRock launched X299E-ITX that supports 18-core processor in a 6.7-inch square ITX form factor, and it fully supports 4-channel memory and M.2 SSD/WiFi, which together created a hype in the DIY market, and successfully continuing the name of ASRock's beast board.
	ASRock launched the X399 Micro-ATX motherboard, industry's first board that supports Threadripper 16-core processor, 3 sets of PCIe Gen3 x4 M.2, and 3 PCIe x16 graphics cards, it is expected to create a high-end market demand for small but high-performance workstation.
	Following the on-board 5G network card, ASRock also launched the industry's first on-board 10G LAN high-speed network. It supports each other with the existing 10G switches and NAS on the market, so that the price of 10G networks is no longer unattainable by homes and small businesses.
	In response to the needs of automation control, the military grade SBC (Single Board Computer) motherboards that support extended operating temperature and wide input voltage range have been developed.
	In view of the booming development of IoT-related industries, NUC & PICO motherboards applied in AIoT BOX are launched.
	ASRock launched the COM Express series modules.
2018	Leading the industry, ASRock launched the next-generation 2.5G LAN Onboard series motherboards that replace the network standard of Gigabit LAN.
	Created a Phantom Gaming e-sports brands, launched a series of motherboards and graphics card products from the Intel Z390 Chipset, and teamed up with other alliance peripheral products to jointly create the Phantom Gaming Alliance Series PC.

Year	Successfully developed technology or product
	Launched ASRock's AMD VGA graphics cards worldwide, from Radeon 500 series to Vega series.
	The Steel Legend steel series motherboards built for the Japanese and Korean markets are focusing on high military-grade materials, emphasizing on durability and practicality.
	ASRock launched the industry's first series of industrial motherboards supporting Intel's 8th generation Socket1151 CPU (codenamed Coffee Lake), providing customers with the best choice for platform upgrades.
	As Intel Bay trail platform does not support PCI function, a motherboard that supports PCI function on the Bay trail platform is developed to allow customers to enjoy platform upgrades and continue to use all industrial control cards with PCI interface.
	ASRock provides MXM graphic Module & Carrier MB to meet the needs of customers pursuing multiple displays and performance.
2019	ASRock launched a new generation of Z390 Refresh series motherboards to appeal to the high-end consumers with its powerful one-piece large heat sink and stunning RGB lighting effects.
	ASRock launched the new series of Steel Legend motherboards, with durable materials and affordable prices for the mid-level consumer market.
	ASRock launched the world's first AMD water-cooled motherboard "X570 AQUA" with a global limited edition of 999 boards at a price of \$999.
2020	ASRock collaborated with the well-known keyboard and mouse manufacturer "Razer" to launch the co-branded X570/B550 Taichi Razer Edition motherboard, which is the first motherboard to support the perfect lighting effects of Razer Synapse.
	ASRock reorganized and resized the existing products and launched the "PG Velocita" gaming product line for the high-end gaming motherboard market with exceptional network speed, immersive sound experience, creative RGB appearance, overclocking performance, and many other features.
	The "ASRock Graphics Card Holder" can be securely connected to the motherboard and the chassis to provide support to heavy high-end graphics cards and prevent displacement and deformation.
	"High-speed gaming USB port" can prevent users from suffering low performance and increased latency due to low bandwidth when operating a keyboard and mouse with a high polling rate, and fully utilize the performance of the high-end keyboard and mouse.
	By letting the "NIC directly controlled by the processor", it allows the network signals to be directly connected to the CPU, reducing latency, and improving transmission performance.
	ASRock introduced the industry's smallest Intel 11th Gen and AMD RYZEN 4000 series mini-PC with dual storage support.
	It is the first in the industry to launch a full series of industrial motherboards supporting Intel's 10th generation Comet Lake, providing customers with the best choice for platform upgrades.

Year	Successfully developed technology or product
2021	ASRock launched a new "PG Riptide" product line for the e-sports sub-brand "Phantom Gaming", with the essential specifications such as keyboard and mouse, network, sound effects, etc., to appeal to player with affordable prices, focusing on entry-level and mid-level gaming market.
	The overclocking product line "OC Formula" was re-introduced to the market, and the launch of the Z590 OC Formula has attracted the attention of overclocking players around the world and won several overclocking competitions.
	The M.2 SSD heatsink with anti-drop screw design is developed for the motherboard, which can effectively prevent users from losing the heatsink screws due to careless installation.
	The DDR5 socket and the PCIE Gen5 x16 socket with steel armor are developed with additional designed metal pins to firmly connect to the PCB, strengthen the rigidity of the socket, and prevent the SMT parts with lower strength from falling off due to collision.
	ASRock introduced the robust Edge AIoT platform for workload consolidation and the industry's smallest Intel Elkhart Lake series mini PC.

Year	Award for successfully developed technology or product
2017	Z370 Taichi has won 6 international awards, including TechPowerUp and ProClockers Highly Recommended Award in the US, TweakTown Best Feature Award in Australia, The SSD Review Editors' Choice Award in Canada, Goldfries.com Silver Award in Malaysia, and Recommended Award by HD Technologia in Bahamas.
	X299 Taichi and X299 Taichi XE series has won 20 international awards, including Tom's Hardware Editor's Choice Award in the US, TweakTown Editor Approved Award in Australia, Funky Kit Editors' Choice Award in the UK, Hardware Ready Five Stars/Best Overclocking Award in Italy, OverclockingInside Overclocking Dream Motherboard Award in Germany, etc.
	X399 Professional Gaming has won 9 international awards, including the Hardware Canucks Damn Good Award in Canada, TweakTown Best Feature Award in Australia, ChipHell Highly Recommended Award in China, and Tech Testers Recommended Award in Netherland.
	DeskMini GTX/RX has won 2 international awards - Hong Kong HKEPC Innovative Design Award and Taiwan PCDIY Editor's Choice Award.
2018	<BC Award 2018> X299E-ITX/ac retains the four-channel memory support capability of the X299 chipset, and won the annual category award with the most luxurious 10-layer board and military grade products.
	Z390 Taichi Ultimate has won 13 international awards, including TweakTown's Recommendation Award in Australia and Guru3D Top Pick in the US.
	The DeskMini has won 15 international awards, including HKEPC Best Buy in Hong Kong and TechPowerUp Editor's Choice Award in the US.

Year	Award for successfully developed technology or product
	<COMPUTEX d&i 2018> X299E-ITX/ac won the annual category award with its overall comprehensive design and the largest expansion space reserved for users.
2019	With its excellent specifications and well-designed appearance, Z390 Phantom Gaming X has won a total of 10 international awards from many media around the world, including TechPowerUP Innovation and Editor's Choice Award.
	The X570 AQUA has won international awards such as the TOM's HARDWARE Editor's Choice Award, Chiphell's Recommendation Award in China, and HKEPC's Editor's Choice in Hong Kong.
	The X570 Taichi has won 14 international awards, including the Recommended Award from TweakTown in Australia and the TechPowerUP Editor's Choice and Highly Recommended Awards.
	athena A1 has won the COMPUTEX d&i 2019 Award.
2020	Products including X570/B550/Z490 PG Velocita have won 15 international media awards, including the international media TechPowerUP Recommendation Award, TOM's HARDWARE Editor's Choice Award and the 2020 Best Product.
	The X570 Taichi Razer Edition has won the well-known Australian media TweakTown Editors' Choice Award.
	The 4X4 BOX-4000 series mini PC has won TechPowerUP's Editors' Choice Award.
2021	Z590 OC Formula has won 4 international media awards including TechPowerUP's Innovation Award and TweakTown's Editor's Choice Award.
	The high-end Z590 series motherboards have won a total of 20 awards from world-renowned media such as HKEPC Editor's Choice Award, Guru3D Recommended Award, and Funky Kit Editor's Choice Award.
	The NUC 1100 BOX series mini PC has won the TechPowerUP Highly Recommended Award.

(IV) Long- and short-term business development programs

1. Short-term business development programs:

- (1) Market insight & active development: Through forum interaction, sales feedback, internal opinions, industry exchanges, offline player exchange meetings, distribution meetings, a fundamental understanding of users' preferences for PC assembly specifications can be obtained and used for developing best well-balanced PC products that suit market needs.
- (2) Maintain a strong and robust supply chain: oversee supply trends for individual components for optimal procurement decisions.

- (3) The core team of sales and business management cooperates from the development end to the sales end, from the Taipei headquarters to the local sales team, to accurately oversee the global distribution and customer demands.
- (4) Co-existing distribution marketing and product marketing. Incorporate product development to overall distribution strategy with media publicity and B2C activities to increase brand awareness and product visibility.
- (5) Launch product information to the main target audience, publish content on social networks such as Instagram, Facebook, Twitter, YouTube, Youku, Weibo, etc., and interact with customers in real time to build strong fan base.
- (6) Continue to invest and market to global IPC customers to lead the industry with the fastest product development (time-to-market), provide a robust Edge AIoT platform for industrial automation and solutions for different vertical market applications to meet the customer demand for the new generation platform.
- (7) Continue to market to server customers, take ODM/JDM as a cooperation strategy, and provide the best purchase solutions in response to the growing customer demand and the introduction of Intel/AMD dual platforms into the market.
- (8) Provide regional business support in response to changes in China-US trade.
- (9) Build data centers for cloud customers to increase demand for infrastructure. Provide customers with the best solutions in response to the needs of remote office and 5G transformation.

2. Long-term business development programs

- (1) Diversify and market product brands, such as the "Steel Legend" series that emphasizes durability; the "Phantom Gaming" series for e-sports; the high-end all-round "Taichi" series; and the "AQUA" series for gamers looking for water-cooling. Subdivide different product lines for different consumer groups, increase brand dependence from product segmentation to penetrate into the various global consumer markets.
- (2) Collaborate with peripheral hardware manufacturers to create and market co-branding products, and provide consumers with a full range of professional e-sports brand products.
- (3) Pay attention to the other consumer electronic product trends in the PC industry, transfer the experience of the graphics card product line to extend the brand effect of the original stable sales distribution and marketing. Market the global supplier and customer base, strengthen the relationships, increase the mutual trust and mutual dependence of the supply chain, and oversee the real-time and credible market information.
- (4) Work closely with SI Customer to develop the most suitable product. Expand to vast B2B market with the support of speedy technical support and RMA resources.

- (5) Develop global partners for a robust Edge AIoT system platform and Industry 4.0 business opportunities, provide an open and secure platform to meet vertical market application solutions, create a smart world with the partners, and meet customer demands in fields of business, smart retail, factory automation, self-driving cars, smart cities, robots, gaming entertainment, security monitoring, etc.
- (6) The popularization of 5G and the continuous development of cloud application have also pushed up the overall expansion demand of servers. Be ready and stay ahead with the development of virtualization platform and cloud storage technology, as well as the powerful data center equipment requirements for various special effects, voice, virtual-real integration and other experiences in the Metaverse.

II. Markets, production and marketing in summary

(I) Market analyses

1. Sales (distribution) regions of key products (services)

Unit: NTD thousand

Year Region		2020		2021	
		Amount	Ratio (%)	Amount	Ratio (%)
Domestic sales		61,249	0.34	137,940	0.70
Export	North America	8,062,856	45.01	7,093,066	35.89
	Europe	4,707,446	26.28	5,384,483	27.24
	Asia	4,910,050	27.42	6,866,859	34.75
	Others	169,983	0.95	280,324	1.42
	Subtotal	17,850,335	99.66	19,624,732	99.30
Total		17,911,584	100.00	19,762,672	100.00

2. Market share

The Company's motherboards are sold in the assembled computer market and have always had a certain market share and excellent reputation in the global market. In Japan, South Korea, Europe and the US and other regions, Taichi, Phantom Gaming, Steel Legend and other series have been well received, and have become the best-selling products on the leading online PC store Newegg.com. In addition, for the System Integration, in-depth collaboration is used to meet the needs of customers and expand the market demand for B2B motherboards.

3. Future market supply, demand and growth

In 2021, the demand for home office and distance learning due to the epidemic remained strong. With the changes in lifestyles under the epidemic, it is expected that the market demand for computer peripherals such as motherboards and graphics cards will continue in 2022. The 5G network has entered the growth stage of rapid development including development of artificial intelligence, deep learning, cloud computing, big data analysis and other technologies which has resulted in the continuous creation and accumulation of various data which has made the expansion and upgrade of data centers as a top priority. A powerful data center is the fundamental equipment of the "Metaverse". The Company continues to pay close attention to the market trend and launches the most suitable product for the different user demands in various fields of industrial computers and servers.

4. Competitive advantage

(1) Excellent management team

The management team has rich experience and focuses on the field of motherboards with streamlined organization, short and flexible decision-making time to accurately foresee the market trend and make the best response.

(2) Economies of scale

Economies of scale has given the Company a cost advantage in the products with better bargaining power for raw materials, as well as a advantage in procurement abilities by maintaining good and close cooperative relations with various suppliers. The key components have substitute materials with flexible stocking to reduce the risk of material shortage on production.

(3) Strong and fast R&D capability

The R&D team has decades of experience in motherboards, leading the industry in enhancing value-added design and reducing costs while maintaining high quality. In addition, young and new members brought new perspectives and R&D ideas to the company.

(4) Well recognized product quality

The Company's products have been well-received with great sales and market share result since they were introduced in the market in many countries. The brand identity is strong, and the repair rate is low, which is deeply trusted by global distributors.

(5) Significant brand recognition

With the increase in the global market share, the brand awareness of the products has also grown significantly. Therefore, products other than motherboards (such as graphics cards and mini PCs) can be more easily marketed and developed.

(6) Complete outsourced production

The Company adopts a complete outsourced manufacturing method and there are factories locally and globally to maintain flexibility.

5. Advantages and disadvantages of development and countermeasures

(1) Advantages

- A. Second-tier manufacturer/competitors are facing higher production costs and have gradually withdrawn from the market.
- B. Low-cost assembled computers are still growing in developing countries.
- C. The brand value has been established, and the price and performance are recognized by customers, which is advantageous for expanding to other markets in the future.
- D. Instead of adopting price cuts with competitors, adopting high-end niche product strategies strengthens profit structures.
- E. Complete outsourced production has no capital expenditure.
- F. Respond quickly to market demands to seize market opportunities.

(2) Disadvantages

- A. Compared with its competitors, the Company lacks its own brand of peripherals such as keyboards and mice.
- B. Difficulties in growth are faced in the Chinese market due to the tax system in favor of local brands.
- C. Motherboard product development has more “non-functional features” , such as: RGB and heat dissipation design, resulting in higher design costs and longer development time.

(3) Countermeasures

- A. Collaborate with world-renowned peripheral manufacturers to create a complete product line.
- B. Create exclusive products for the Chinese market, meet consumer demands, and continue to build brand identity.
- C. Emphasizes the Industrial Design (ID) aspects, readjusts, and optimizes the product development schedule.
- D. Improve the distribution, inventory and working capital to reduce operational risks.

(II) Manufacturing process and key purposes of our principal products

1. Key purposes of our principal products

Key products	Key purposes
PC motherboard Mini PC Graphics card	The main components of the motherboard are PCB, CHIPSETS, IC chips with different functions, power supply lines, passive components (resistors, capacitors, inductors, and connectors, etc.) where corresponding softwares are developed to provide support for various components in the DIY market such as CPU, memory, graphics cards, and peripherals such as printers, external hard drives, and monitors. It is the core components of the PC system as the basic architecture for various PC components. The Mini PC is composed of a customized motherboard and a chassis developed by ASRock with a size less than 2 liters. It is used by commercial customers who require moderate performance and simple applications without taking too much space and expansion requirement. The main components of the graphics card are similar to the motherboard, but the core processor of the graphics card, GPU, is different from the CPU. It uses many parallel processing units and powerful floating-point operations to provide the computer with real-time rendering of 3D animations which can be used to accelerate operations in image and video editing, CAD/CAM and other engineering design software. It has now been applied to AI and deep learning which is the key component for medium and high-end computers.
Industrial motherboard Robust Edge AIoT Platform	The main components of the IPC motherboard are PCBs, CHIPSETS, IC chips with different functions, passive components (resistors, capacitors, inductors, and connectors, etc.), etc. It cooperates with the development of corresponding firmware programs to provide applications in automation control, POS, medical, gaming, military, monitoring, gambling, digital signage, security related fields in the industrial computer market.
Server motherboard Assembled Computer	The system is used as high-performance computing server, cloud server, edge server, 5G MCE (Multi-access Edge Computing) server, distributed server for media streaming, etc., including 5G, edge computing, AI and virtualization. It provides the best hardware architecture construction solutions for the rise of cloud streaming games and the demand of 5G telecom in recent years, as well as the basic hardware infrastructure of the future Metaverse.

2. The manufacturing process of key products

The products designed and developed by the Company are currently all outsourced to professional foundries to manufacture.

(III) Supply status of major raw materials

The Company focuses on the design, development, and sales of PC motherboards where all products are manufactured by professional foundries, and the main raw materials are procured by subsidiaries.

(IV) List of major purchase and sale customers

- Suppliers accounting for at least 10% of annual consolidated net procurement in any of the last two years, the procurement amounts, percentage of total net revenue, and the reasons for increase or decrease.

Unit: NTD thousand

Item	2020				2021			
	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer
1	Company X	3,186,900	21.31	None	Company X	2,946,679	16.52	None
2	Company Y	1,896,059	12.68	None	Company Y	6,568,679	36.82	None
3	Other	9,872,004	66.01	—	Other	8,324,695	46.66	—
	Net purchase	14,954,963	100.00		Net purchase	17,840,053	100.00	
Reasons for increase or decrease: Due to business demands.								

- Customers accounting for at least 10% of annual consolidated net revenue in any of the most recent two years, the net revenue, percentage of total net revenue, and the reason for increase or decrease: None.

(V) Production value in the last two years: Not applicable.

(VI) Sales in the last two years

Unit: PCS, NT\$ thousand

Sales volume and value Key Products	Year	2020				2021			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Computer peripheral products		16,545	38,228	6,199,092	17,498,353	15,965	42,603	5,763,525	19,173,724
Other		-	23,021	-	351,982	-	95,337	-	451,008
Total		16,545	61,249	6,199,092	17,850,335	15,965	137,940	5,763,525	19,624,732

III. Profile of employees in the last two years and as of the date of publication of the annual report

Year		2020	2021	2022/01/01-2022/03/31
Number of employees	Indirect employee	678	725	755
	Direct employee	20	16	16
	Total	698	741	771
Average age		35.70	36.89	36.33
Average years of service		5.33	5.21	5.32
Academic qualification	Ph.D.	-	-	-
	Master	39.68%	40.22%	40.21%
	Bachelor's Degree	56.02%	56.00%	56.29%
	High school	4.30%	3.78%	3.50%
	Below high school	-	-	-

Note: The above information is the personnel information of ASRock Inc., including the information of subsidiaries and branches.

IV. Environmental Spending

For the last two years and up to the date of publication of the annual report, the total amount of losses (including compensation), penalties incurred by the Company due to environmental pollution, disclosure of future countermeasures (including improvement measures) and possible expenditures (Including the estimated amount of possible losses, penalties and compensation if no countermeasures are taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.):

As of the publication date of the annual report, the Company has not incurred any major punishment or loss due to environmental pollution. With the direction of future product development, it is expected that there will be no major environmental pollution in the future.

V. Employee relation:

- (I) List the Company's fringe benefits for employees for higher education, training programs, retirement system and the enforcement the condition, accords reached by and between the labor and management sides, facts regarding the efforts and measures to safeguard employees' interests

1. Employee Welfare Measures and Implementation Status

The Company's welfare measures can be divided into the welfare measures provided by the Company and the welfare measures provided by the employee welfare committee. The employee welfare is beneficial and has been approved by the employees:

- (1) Welfare measures provided by the Company: labor and national health insurance, group insurance, travel insurance, employee health exam, meal allowance, year-end bonus, employee stock options, etc.

- (2) Welfare measures provided by the Employee Welfare Committee: domestic travel, department meal subsidies, birthday gifts, holiday bonuses, year-end dinner lottery, and various subsidies (in the event of a marriage or celebration, or monetary condolences in the event of funeral services).

2. Employee continuous education and training

To improve the quality and skills of employees, the Company conducts orientation training when new employees arrive on the job, and conducts unscheduled general and professional training depending on the needs.

3. Retirement system and implementation

The Company have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units.

The Company contributes monthly based on employees' monthly salaries and wages at a percentage regulated by law to the retirement fund deposited with Bank of Taiwan. All regular employees who have served a certain number of years can apply for retirement in accordance with the regulations. The Company pays pensions in one lump sum (Old Plan) based their years of service.

The company has implemented the new labor retirement system since July 1, 1994, in accordance with the Labor Pension Act. Under the New Scheme, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Employees can voluntarily contribute within 6% of their salaries. Under the New Scheme, workers aged 60 or over whose seniority exceeds fifteen years may choose to receive either monthly pension payments or a lump-sum pension payment. Workers whose seniority is less than fifteen years shall claim for a lump-sum pension payment. Seniority referred to in preceding paragraph shall be calculated based upon the period in which the contributions to the pension have been made. If the seniority of an employee is interrupted, both his/her seniority before and after the interruption shall be combined in calculation, and seniority before the Labor Pension Act shall be retained. If employees continue to work until they meet the retirement qualifications of the Labor Standards Act, they can apply for retirement in accordance with the regulations, and the Company will calculate the retirement benefits for the retained seniority according to their seniority unit (the provisions of the Labor Standards Act).

4. Employee agreement: The Company has a harmonious employee-employer relationship

without labor disputes and losses.

5. Implementation of various employee rights protection measures

In addition to formulating work rules according to laws and regulations to regulate various working conditions and protect the rights and interests of employees, the Company has also established employee-employer meetings, employee welfare committees, and employee complaint mailboxes, etc. according to laws and regulations. All rights and interests of employees can be dealt with fairly and reasonably through the above channels; so far, the Company has never had any incidents that harm the rights and interests of employees.

- (II) Describing any losses suffered by the company in the most recent 2 fiscal years and up to the prospectus publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VI. ICT security management

- (I) Describe the ICT security risk management framework, the ICT security policy, specific management plan and the resources invested in the ICT security management, etc.:

1. ICT security risk management framework

- (1) The IT unit is responsible for the research, establishment and evaluation of ICT security plans and technical specifications.
- (2) The relevant units are responsible for the use, management and protection of data.
- (3) ICT security operations are audited by the Auditing Department.
- (4) All employees and third-party suppliers must comply with the Company's ICT security requirements.

2. ICT security policy

The Company continues to implement ICT security management and improve ICT security standards to ensure the security of company information, systems and equipment and protect the Company rights and sustainable operations. ICT security policies including organizations, asset management, personnel security, equipment security, network security, application security, disaster recovery management, etc. are formulated with key points of management and control as the guiding principle of ICT security management.

3. ICT security management plan

- (1) Establish a firewall system to prevent illegal intrusion, destruction, or theft of information to ensure information security.
- (2) Establish spam filtering systems to prevent phishing or unusual email attacks.

- (3) Antivirus software is installed on all computers with regular updates and scanning to provide a safe working environment for employees.
- (4) Regularly deploy and install vulnerability patches to update the operating system to prevent hacker or virus attacks.
- (5) Regularly perform backup and store backup data offsite.
- (6) The data access authorization shall be set by the IT unit only after the approval of the responsible supervisor.
- (7) Perform HR system recovery drill to ensure the correctness and effectiveness of backup data.
- (8) Perform disaster recovery drills to ensure that IT personnel are capable to deal with emergencies.
- (9) The access authorization will be adjusted according to the job requirements when an employee arrives, transfers, or leaves,
- (10) Perform regular computer software inspection according to the operation requirements.

(II) List the losses, possible impacts, and countermeasures from major ICT security incidents in the most recent year and up to the date of publication of the annual report. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

In the most recent year and up to the date of publication of the annual report, the Company has not had any major ICT security incidents, which adversely affected the business and operations of the Company.

VII. Important contract

Supply/sales contracts, technologies cooperation contracts, construction contracts, long-term loan agreements, and all other important contracts which are likely to impact the investors' rights, whether they are currently effective or have expired in the most recent fiscal year:

Contract nature	Company Name	Participants	Contract start and end dates	Main contents	Restrictive clauses
Comprehensive credit	ASRock Incorporation	Taipei Fubon Bank	July 25, 2021~ October 25, 2022	Short-term loan and pre-settlement risk limit	None
Comprehensive credit	ASRock Rack Incorporation	Mega International Commercial Bank Co., Ltd.	July 3, 2021~ July 2, 2022	Short-term loan and authorized guarantee	None
Comprehensive credit	ASRock Rack Incorporation	Taipei Fubon Bank	July 25, 2021~ October 25, 2022	Short-term loan and pre-settlement risk limit	None

Chapter VI. Financial status

I. Information of condensed balance sheet and consolidated profit & loss statement for the latest 5 years

(I) Consolidated condensed balance sheet

Unit: NTD thousand

Year		Financial information for the latest 5 years				
		2017	2018	2019	2020	2021
Current assets		8,605,071	8,664,042	9,706,137	11,226,039	15,422,807
Property, plant and equipment		251,036	262,669	251,843	240,208	241,976
Right-of-use assets		Note	Note	56,717	78,416	90,600
Intangible assets		8,059	4,844	2,992	6,775	5,775
Other assets		103,037	432,638	248,483	164,373	132,792
Total assets		8,967,203	9,364,193	10,266,172	11,715,811	15,893,950
Current liabilities	Before dividend distribution	3,252,207	3,225,809	3,747,151	4,325,667	7,013,600
	After dividend distribution	3,735,190	3,708,600	4,229,721	5,290,806	8,611,631
Non-current liabilities		23,003	26,896	64,554	81,708	91,506
Total liabilities	Before dividend distribution	3,275,210	3,252,705	3,811,705	4,407,375	7,105,106
	After dividend distribution	3,758,193	3,735,496	4,294,275	5,372,514	8,703,137
Equity attributable to owners of the parent company		5,721,994	6,115,316	6,197,344	6,901,308	8,271,140
Share capital		1,207,456	1,207,456	1,206,472	1,206,424	1,229,254
Capital surplus		3,057,130	3,131,054	3,129,659	3,134,705	3,332,351
Retained earnings	Before dividend distribution	1,937,129	2,046,187	2,158,751	3,032,836	4,446,127
	After dividend distribution	1,454,146	1,563,396	1,676,181	2,067,697	2,848,096
Other equity interest		(479,721)	(268,901)	(297,538)	(472,657)	(736,592)
Treasury stock		-	(480)	-	-	-
Non-controlling interests		(30,001)	(3,828)	257,123	407,128	517,704
Total equity	Before dividend distribution	5,691,993	6,111,488	6,454,467	7,308,436	8,788,844
	After dividend distribution	5,209,010	5,628,697	5,971,897	6,343,297	7,190,813

Note: The IFRS No. 16 has been adopted since January 1, 2019, and the comparative period has not been restated according to the transitional provisions of the standard.

(II) Consolidated statement of comprehensive income

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years				
	2017	2018	2019	2020	2021
Operating revenues	9,211,647	10,193,155	13,415,090	17,911,584	19,762,672
Gross profit	1,958,550	2,267,763	2,439,333	3,852,021	5,564,025
Operating income (loss)	504,802	666,051	766,812	1,858,076	3,058,193
Non-operating income and expenses	57,125	28,391	18,105	(2,293)	1,773
Profit from continuing operations before tax	561,927	694,442	784,917	1,855,783	3,059,966
Profit from continuing operations	442,487	592,796	650,059	1,508,583	2,459,938
Profit (loss) from discontinued operations	-	-	-	-	-
Profit (loss)	442,487	592,796	650,059	1,508,583	2,459,938
Other comprehensive income (after tax)	(315,501)	117,068	(95,416)	(199,212)	(111,731)
Total comprehensive income	126,986	709,864	554,643	1,309,371	2,348,207
Profit (loss) attributable to owners of the parent company	468,980	592,924	597,477	1,363,092	2,381,060
Profit (loss) attributable to non-controlling interests	(26,493)	(128)	52,582	145,491	78,878
Total comprehensive income attributable to owners of the parent company	153,479	709,992	502,061	1,163,880	2,269,329
Total comprehensive income attributable to non-controlling interests	(26,493)	(128)	52,582	145,491	78,878
Earnings per share - basic (Note)	4.02	4.91	4.95	11.30	19.67
Earnings per share - diluted (Note)	4.00	4.87	4.92	11.22	19.53

Note: Calculated based on the weighted average number of shares outstanding in each year.

(III) Individual condensed balance sheet

Unit: NTD thousand

Year Item		Financial information for the latest 5 years				
		2017	2018	2019	2020	2021
Current assets		5,077,115	3,412,330	3,921,460	5,475,329	5,872,496
Property, plant and equipment		32,001	30,762	26,757	21,405	32,300
Right-of-use assets		Note	Note	23,537	30,671	30,010
Intangible assets		5,603	1,444	646	570	1,544
Other assets		3,635,039	4,239,873	4,224,128	4,390,593	4,683,124
Total assets		8,749,758	7,684,409	8,196,528	9,918,568	10,619,474
Current liabilities	Before dividend distribution	2,947,265	1,473,642	1,937,410	2,961,947	2,291,483
	After dividend distribution	3,430,248	1,956,433	2,419,980	3,927,086	3,889,514
Non-current liabilities		80,499	95,451	61,774	55,313	56,851
Total liabilities	Before dividend distribution	3,027,764	1,569,093	1,999,184	3,017,260	2,348,334
	After dividend distribution	3,510,747	2,051,884	2,481,754	3,982,399	3,946,365
Share capital		1,207,456	1,207,456	1,206,472	1,206,424	1,229,254
Capital surplus		3,057,130	3,131,054	3,129,659	3,134,705	3,332,351
Retained earnings	Before dividend distribution	1,937,129	2,046,187	2,158,751	3,032,836	4,446,127
	After dividend distribution	1,454,146	1,563,396	1,676,181	2,067,697	2,848,096
Other equity interest		(479,721)	(268,901)	(297,538)	(472,657)	(736,592)
Treasury stock		-	(480)	-	-	-
Total equity	Before dividend distribution	5,721,994	6,115,316	6,197,344	6,901,308	8,271,140
	After dividend distribution	5,239,011	5,632,525	5,714,774	5,936,169	6,673,109

Note: The IFRS No. 16 has been adopted since January 1, 2019, and the comparative period has not been restated according to the transitional provisions of the standard.

(IV) Individual condensed statement of comprehensive income

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years				
	2017	2018	2019	2020	2021
Operating revenue	7,878,314	8,381,096	9,171,372	12,577,723	14,535,253
Gross profit (Note 1)	1,428,941	1,542,820	1,293,076	2,052,978	3,739,055
Operating income (loss)	602,005	620,763	506,293	1,099,038	2,457,599
Non-operating income and expenses	(26,915)	53,623	178,862	459,439	407,515
Profit from continuing operations before tax	575,090	674,386	685,155	1,558,477	2,865,114
Profit from continuing operations	468,980	592,924	597,477	1,363,092	2,381,060
Profit (loss) from discontinued operations	-	-	-	-	-
Profit (loss)	468,980	592,924	597,477	1,363,092	2,381,060
Other comprehensive income (after tax)	(315,501)	117,068	(95,416)	(199,212)	(111,731)
Total comprehensive income	153,479	709,992	502,061	1,163,880	2,269,329
Earnings per share - basic (Note 2)	4.02	4.91	4.95	11.30	19.67
Earnings per share - diluted (Note 2)	4.00	4.87	4.92	11.22	19.53

Note 1: The amount of operating gross profit includes the subsidiary company's (un)realized operating gross profit.

Note 2: Calculated based on the weighted average number of shares outstanding in each year.

(V) CPA auditing status

Names of CPA in the latest 5 years and their audit opinions

Year	CPA firm	Name of CPA	Auditing opinion
2017	Ernst & Young, Taiwan	Chih-Hui, Yang; Tsui-Hui, Hsiao	Unqualified opinion
2018	Ernst & Young, Taiwan	Chih-Hui, Yang; Tsui-Hui, Hsiao	Unqualified - with emphasis of matters
2019	Ernst & Young, Taiwan	Chih-Hui, Yang; Chien-Ju, Yu	Unqualified - with emphasis of matters
2020	Ernst & Young, Taiwan	Chih-Hui, Yang; Chien-Ju, Yu	Unqualified opinion
2021	Ernst & Young, Taiwan	Chih-Hui, Yang; Chien-Ju, Yu	Unqualified opinion

Note : The financial data of the latest 5 years having been duly testified and audited by the Certified Public Accountants.

II. Financial analysis for the latest 5 years

(I) Financial analysis (consolidated)

Item	Year	2017	2018	2019	2020	2021
Financial structure	Debt to assets ratio (%)	36.52	34.74	37.13	37.62	44.70
	Ratio of long-term capital to property, plant and equipment (%)	2,288.52	2,338.38	2,486.43	2,907.07	3,455.98
Solvency	Current ratio	264.59	268.59	259.03	259.52	219.90
	Quick ratio	161.80	111.97	123.10	121.91	78.33
	Interest coverage ratio	1,199.41	488.42	302.25	1,909.81	3,718.07
Operating ability	Accounts receivable turnover (times)	6.94	6.68	8.21	10.96	11.15
	Average collection days	53	55	44	33	33
	Inventory turnover (times)	2.45	1.93	2.21	2.60	1.83
	Accounts payable turnover (times)	3.52	3.58	4.68	5.34	3.95
	Average days in sales	149	189	165	140	200
	Property, plant and equipment turnover (times)	38.39	39.68	52.15	72.80	81.97
	Total assets turnover (times)	1.08	1.11	1.37	1.63	1.43
Profitability	Return on assets (%)	5.51	6.48	6.11	12.41	17.25
	Return on shareholders' equity (%)	8.24	10.02	9.71	20.81	31.39
	Percentage of net profit before tax to the paid-in capital (%)	46.54	57.51	65.06	153.83	248.93
	Net profit rate	5.09	5.82	4.45	7.61	12.05
	Earnings per share (NT\$)	4.02	4.91	4.95	11.30	19.67
Cash flow	Cash flow ratio (%)	12.44	-41.52	35.93	31.26	14.60
	Cash flow adequacy ratio (%)	65.68	1.32	50.80	43.36	28.12
	Cash reinvestment ratio (%)	3.06	-31.30	13.58	11.90	0.67
Leverage	Business operation leverage	3.88	3.40	3.18	2.07	1.82
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for the changes in the financial ratios over the latest two years: (Only those with a change above 20% shall be described)

1. Solvency: An increase in inventories and current liabilities resulted in a decrease in the quick ratio. An increase in net profit before interest and tax resulted in an increase in the interest coverage ratio for the current period.
2. Operating ability: An increase in average inventory resulted in a decrease in inventory turnover and an increase in average days in sales. An increase in the average accounts payable resulted in a decrease in the accounts payable turnover in the current period.
3. Profitability: An increase in operating profit, pre-tax and after-tax net profit resulted in an increase in relevant profitability ratios in the current period.
4. Cash flow: A decrease in net cash flow from operating activities and an increase in current liabilities resulted in a decrease in the cash flow ratio. An increase in inventories and cash dividends resulted in a decrease in the cash flow adequacy ratio. A decrease in net cash flow from operating activities and an increase in cash dividends and working capital resulted in a lower cash reinvestment ratio.

Note 1: The calculation method of the above ratio is listed on page 100.

(II) financial analysis (individual)

Item	Year	2017	2018	2019	2020	2021
Financial structure	Debt to assets ratio (%)	34.60	20.42	24.39	30.42	22.11
	Ratio of long-term capital to property, plant and equipment (%)	18,132.22	20,189.74	23,392.45	32,499.98	25,783.25
Solvency	Current ratio	172.27	231.56	202.41	184.86	256.27
	Quick ratio	140.47	163.47	160.00	136.88	159.05
	Interest coverage ratio	-	3,441.74	757.24	4,996.12	12,192.97
Operating ability	Accounts receivable turnover (times)	6.34	5.92	5.62	6.58	7.79
	Average collection days	58	62	65	55	47
	Inventory turnover (times)	8.80	7.48	9.29	9.87	7.85
	Accounts payable turnover (times)	2.40	3.97	6.79	5.88	7.71
	Average days in sales	41	49	39	37	46
	Property, plant and equipment turnover (times)	373.82	267.07	318.90	522.31	541.30
	Total assets turnover (times)	0.89	1.02	1.16	1.39	1.42
Profitability	Return on assets (%)	5.32	7.22	7.53	15.05	23.19
	Return on shareholders' equity (%)	8.24	10.02	9.71	20.81	31.39
	Percentage of net profit before tax to the paid-in capital (%)	47.63	55.85	56.79	129.18	233.08
	Net profit rate	5.95	7.07	6.51	10.84	16.38
	Earnings per share (NT\$):	4.02	4.91	4.95	11.30	19.67
Cash flow	Cash flow ratio (%)	-4.34	-65.93	46.41	40.62	39.88
	Cash flow adequacy ratio (%)	75.21	30.74	104.92	51.45	51.42
	Cash reinvestment ratio (%)	-6.18	-24.77	6.68	10.45	-0.62
Leverage	Business operation leverage	2.43	2.47	2.53	1.92	1.51
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for the changes in the financial ratios over the latest two years: (Only those with a change above 20% shall be described)

1. Financial structure: A decrease in accounts payable and an increase in total assets resulted in a decrease in the debt ratio. The increase in total shareholders' equity resulted in a decline in the long-term fund to fixed assets ratio.
2. Solvency: A decrease in accounts payable and an increase in total assets resulted in an increase in the current ratio. An increase in net profit before interest and tax resulted in an increase in the interest coverage ratio for the current period.
3. Operating ability: An increase in average inventory resulted in a decrease in inventory turnover and an increase in average days in sales. A decrease in the average accounts payable resulted in an increase in the accounts payable turnover.
4. Profitability: An increase in operating profit, pre-tax and after-tax net profit resulted in an increase in relevant profitability ratios in the current period.
5. Cash flow: A decrease in net cash flow from operating activities and an increase in cash dividends and working capital resulted in a lower cash reinvestment ratio.
6. Leverage: An increase in operating profit reduces the operating leverage.

Note 1: The calculation method of the above ratio is listed on page 100.

1. Financial structure

- (1) Debt to assets ratio = total liabilities / total assets
- (2) Ratio of long-term capital to property, plant and equipment = (Total equities + non-current liabilities) / net property, plant and equipment

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventories - prepaid expense) / current liabilities
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period

3. Operating ability

- (1) Accounts receivable turnover (including account receivable and notes receivable incurred as a result of business operation) = net sales / average accounts receivable (Including account receivable and notes receivable incurred as a result of business operation)
- (2) Average collection days = 365 / accounts receivable turnover
- (3) Inventory turnover = cost of goods sold / average inventory amount
- (4) Accounts payable turnover (including accounts payable and the notes payable incurred by business operation) = cost of goods sold / average accounts payable (including accounts payable and the notes payable incurred by business operation)
- (5) Average days in sales = 365 / inventory turnover
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment
- (7) Total assets turnover = net sales / average total assets

4. Profitability

- (1) Return on assets = (after tax net profit + interest expenses x (1 - tax rate)) / average total assets
- (2) Return on shareholders' equity = after tax net profit / average total equity
- (3) Profit ratio = net income / net sales
- (4) Earnings per share = (profit or loss attributable to owners of the parent company-preferred stock dividend) / weighted average stock shares issued

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities
- (2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years
- (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital)

6. Leverage

- (1) Operation leverage = (net operating revenues - variable operating costs and expenses) / operating profit.
- (2) Financial leverage = operating profit / (operating profit - interest expenses)

III. The Audit Committee's audit report as shown through the financial statements in the latest year

Audit Committee's Audit Report

This is to approve

The Board has prepared the Business Report, Financial Statements (including separate and consolidated financial statements), and the proposal for earning distribution for 2021. The financial statements have been audited by Chih-Hui, Yang and Chien-Ju, Yu, CPAs of Ernst & Young, with the issuance of Auditor's Report. We have reviewed the aforementioned Business Report, Financial Statements, and Earning Distribution Proposal, confirming the requirements. We hereby present this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

ASRock General Meeting of Shareholders

Convener of Auditing Committee: Ai, Wei

February 23, 2022

IV. Financial statements for the latest year

Please see page 115-210

V. Auditor's responsibilities for the audit of the consolidated financial statements in the latest year

Please see page 211-293

VI. In the Company and its affiliated enterprises, in the latest year until the date as of Annual Report issuance, developed an insolvency and the impact upon the Company's financial conditions: None.

Chapter VII. Financial status and performance review analysis and risks

I. Financial status

Financial status comparative analyses – Consolidated Report

Unit: NTD thousand

Item	2020	2021	Difference	
	Amount	Amount	Increase (decrease)	%
Current assets	\$11,226,039	\$15,422,807	\$4,196,768	37.38%
Investments accounted for using equity method	-	-	-	-
Property, plant and equipment	240,208	241,976	1,768	0.74%
Right-of-use assets	78,416	90,600	12,184	15.54%
Other assets	171,148	138,567	(32,581)	(19.04%)
Total assets	11,715,811	15,893,950	4,178,139	35.66%
Current liabilities	4,325,667	7,013,600	2,687,933	62.14%
Non-current liabilities	81,708	91,506	9,798	11.99%
Total liabilities	4,407,375	7,105,106	2,697,731	61.21%
Share capital	1,206,424	1,229,254	22,830	1.89%
Capital surplus	3,134,705	3,332,351	197,646	6.31%
Retained earnings	3,032,836	4,446,127	1,413,291	46.60%
Other equity interest	(472,657)	(736,592)	(263,935)	55.84%
Treasury stock	-	-	-	-
Non-controlling interests	407,128	517,704	110,576	27.16%
Total equity	7,308,436	8,788,844	1,480,408	20.26%
Analysis of changes in assets, liabilities and equity over 20% and NT\$10,000,000:				
(1) Current assets: due to the increase in inventories in the current period.				
(2) Current liabilities: an increase in accounts payable due to the increase in purchases in the current period.				
(3) Retained earnings: due to the increase in operating profit for the year.				
(4) Other equity interest: due to exchange rate fluctuations.				
(5) Non-controlling interests: due to the increase in operating profit of subsidiaries that are not 100% controlled for the year.				

II. Financial performance

Financial performance comparative analysis – Consolidated Report

Unit: NTD thousand

Item	2020	2021	Difference	
	Amount	Amount	Increase (decrease)	%
Operating revenue - net	\$17,911,584	\$19,762,672	\$1,851,088	10.33%
Operating costs	14,059,563	14,198,647	139,084	0.99%
Gross profit	3,852,021	5,564,025	1,712,004	44.44%
Operating expenses	1,993,945	2,505,832	511,887	25.67%
Operating income	1,858,076	3,058,193	1,200,117	64.59%
Non-operating income and expenses	(2,293)	1,773	4,066	(177.32%)
Profit from continuing operations before tax	1,855,783	3,059,966	1,204,183	64.89%
Income tax expenses (profit)	347,200	600,028	252,828	72.82%
Profit	1,508,583	2,459,938	951,355	63.06%
Other comprehensive income in the current period (Net profit after taxation)	(199,212)	(111,731)	(87,481)	43.91%
Total comprehensive income	1,309,371	2,348,207	1,038,836	79.34%
Analysis of changes in the increase or decrease ratio: (changes over 20% and NT\$10,000,000)				
(1) Gross profit: due to the increase in the gross profit of product combination and individual products.				
(2) Operating expenses: an increase in related expenses this year due to the growth of operations.				
(3) Income tax expenses (profit): an increase in income tax expenses due to an increase in net profit before tax.				
(4) Other comprehensive income in the current period: a decrease in exchange rate fluctuation resulted in loss in the translation of financial statements of foreign operating agencies.				

III. Cash flow

(I) Liquidity analysis for the recent 2 years - Consolidated Report

Year Item	2020	2021	Increase (decrease) ratio (%)
Cash flow ratio (%)	31.26	14.60	-16.66
Cash flow adequacy ratio (%)	43.36	28.12	-15.24
Cash reinvestment ratio (%)	11.9	0.67	-11.23
Analysis of the change in the increase or decrease ratio: As current liabilities increase resulting in a decrease in the cash flow ratio; an increase in inventories results in a decline in the cash flow adequacy ratio. The increase in working capital resulted in a decrease in the cash reinvestment ratio.			

(II) Improvement plan for insufficient liquidity: There is no cash shortage.

(III) Analysis on the cash liquidity for the coming year

Unit: NTD thousand					
Opening cash balance①	Net cash flow anticipated from operating activities year-round②	Anticipated year-round cash outflow③	Expected cash surplus (deficit) ①+②-③	Strategies of cash deficits	
				Investment plans	Wealth management plans
2,213,989	1,024,292	1,880,856	1,357,425	-	-
1. Analysis on the cash flow change in the current year: (1) Operating activities: The profit is expected to be stable so operating activities are net cash inflows. (2) Investment activities: There are no predetermined investment plans. (3) Estimated annual cash outflow: distribution of cash dividends, employee remuneration and remuneration of directors and supervisors are to be performed so financing activities are net cash outflow. 2. Financing of cash deficits: Not applicable.					

IV. The impact of the significant capital expenditure over the past year upon the financial performance:
None.

V. The outward investment policies over the past year, the key reasons leading to the profit or loss, the corrective plans, and the investment plan in one year ahead: None.

(I) Reinvestment policy

In line with core capabilities to strengthen the vertical integration.

(II) The outward investment policies over the past year or the key reasons leading to the profit or loss and the improvement plan

Investee	Ratio of Shareholding	Recognition of investment gains and losses of the investee in the recent year	Main reason for profit or loss	Improvement plan
ASIAROCK TECHNOLOGY LTD.	100.00 %	118,768	Increase in gains on overseas investment	-
LEADER INSIGHT HOLDINGS LTD.	100.00 %	68,350	Increase in gains on overseas investment	-
ASRock Rack Incorporation	59.67 %	40,001	Lower profits due to decrease in sales	-
ASRock Industrial Computer Incorporation	65.83 %	103,708	Increased profit due to increase in sales	-
ASJade Technology Incorporation	78.57 %	(1,831)	The Company was still in the development stage at the beginning of its establishment that resulted in a loss in the current period.	-
Soaring Asia Limited	100.00%	-	-	-

(III) Investment plans in the coming fiscal year

There are no major investment plans for the coming fiscal year.

VI. Risk assessment

(I) The impact incurred by change in interest rate, exchange rate, inflation upon the Company's profit or loss and the future countermeasures

1. The impact of changes in interest rates in the latest year and up to the date of publication of the annual report on the Company's profit or loss and future countermeasures

The company's operating turnover is based on its own capital so changes in interest rates have no significant impact on its operations, in addition, the company's short-term investments are mostly time deposits and repurchase agreements, the investment income accounts for a low proportion of the company's net profit after tax and has no significant impact on the company's operations. Thus, from the above, changes in interest rates have no significant impact on the Company's profit or loss.

2. The impact of changes in exchange rates in the latest year and up to the date of publication of the annual report on the Company's profit or loss and future countermeasures

The Company's products are mostly exported with the payment and purchase of goods mostly denominated in US dollars. Thus, exchange rate fluctuations will have an impact on the company's overall profit. To reduce the impact of change in exchange rate on the

overall profit, the Company opens foreign currency deposit accounts to manage the buy and sell of foreign currency and repay the foreign purchases from the foreign sales income to reduce the impact of change in exchange rate on profit or loss with additional natural hedging.

The consolidated exchange loss of the Company in 2021 was NT\$49,039,000, accounting for 0.25% of the current net operating income, indicating that the Company's strategy in response to exchange rate changes is appropriate.

3. The impact on inflation of the company's profit or loss in the latest year and as of the publication date of the annual report and future countermeasures

The Company's products are mostly exported that regional inflation has no significant material impact on the profit or loss unless there are global raw material price adjustments. If there is an global raw material price adjustment, it will be reflected in the production cost or product selling price.

- (II) The major causes for engaging in high-risk, high-leverage investment, lending of funds to others, endorsements/guarantees and derivative financial instruments, the profits or losses and the future countermeasures

1. The Company did not engage in high-risk, high-leveraging, and derivatives transactions.
2. The Company has established the "Procedures for Acquisition and Disposal of Assets" and "Procedures for Loans and Making of Endorsements/Guarantees" for transactions such as investment, capital lending, endorsement/guarantees and derivative financial products, which have been approved by the shareholders' meeting. All transactions are handled in accordance with relevant regulations.

- (III) The future research & development plans and the expenses anticipated to be invested into research & development

1. Future research & development programs
 - (1) Develop a full range of high and mid-range motherboards for Intel's new processor platforms and chipsets supporting PCIE Gen5 and DDR5.
 - (2) Develop motherboards for AMD's next-generation AM5 processor chipsets that support DDR5.
 - (3) Develop 7nm process technology gaming graphics card based on AMD RDNA2 architecture.
 - (4) Develop low-profile gaming graphics card that can fit into a small ITX case.
 - (5) Develop a motherboard that complies with the California Energy Commission (CEC) Tier 2.

- (6) Develop a new generation of Thunderbolt4 / USB4.0 expansion cards and related applications.
- (7) Develop Intel workstation platform Sapphire Rapids related motherboards.
- (8) Develop server platforms or motherboards with the latest 2nd/3rd Gen Intel Xeon Scalable processors or the latest AMD EPYC processor technology.

2. Expenses anticipated to be invested into research & development

The company will continue to invest in the R&D of various motherboards and improve the performance to meet the market demand. It is estimated that the R&D expenditures invested in 2022 will be approximately NT\$1.2 billion.

- (IV) The possible impacts by government policies and laws at home and abroad upon the Company's financial conditions and the Company's countermeasures

In addition to the day-to-day operations, which are handled in accordance with relevant domestic and international laws and regulations, the Company pays attention to the development trends of domestic and foreign policies and changes in laws and regulations to understand and respond to market changes. As a result, changes in domestic and foreign policies and laws in recent years have not significantly affected the finance of the Company.

- (V) The impacts generated by change in science and technology (including ICT security risk) and change in industries upon the Company's financial conditions and the Company's countermeasures

The Company is a professional motherboard R&D and design firm, dedicated to the development of practical, high value-added, low-priced motherboards. In addition to a number of patent rights, the products have won high praise from media and consumers around the world which shows the Company's R&D technology and its ability to respond to market changes. The Company will keep closely eye on the trends of the IT market to respond to the changes of related industries. Thus, technological changes and industrial changes will not have a significant impact on the Company's finance.

In response to the risk of information security threats, the Company formulates information security and reporting procedures, establishes a complete network and computer security protection system, protects information equipment and data security and ensures smooth operation of the Company to enhances its operational efficiency and competitiveness. In addition, to establish the information security awareness of all employees, information security is promoted from time to time every year to establish employees' information security awareness and reduce the Company's information security risks.

- (VI) The impacts created by a change in corporate image upon the management over crisis, and the Company's countermeasures

The Company's philosophy is based on the principle of stability and integrity to build a good corporate image; it plans to enter the capital market to attract more outstanding talents, strengthen the management team, and then return the business results to the shareholders and fulfill the social responsibility. Thus, there was no incident that would jeopardize the corporate image. The Company will fulfill its corporate social responsibilities while pursuing the maximum shareholder interests.

- (VII) The benefits anticipated from the merger/acquisition (M&A) efforts, the potential risks and the Company's countermeasures

The Company has no plans to acquire other companies in the recent years and as of the date of publication of the annual report. If there were plans to conduct mergers and acquisitions in the future, it will uphold a prudent evaluation to ensure the rights and interests of the company's shareholders and employees are protected.

- (VIII) The risks anticipated from the expansion of the plant buildings and the Company's countermeasures

No incident has been reported in the previous fiscal year and by the date of report publication and there is no plans to expand the factory

- (IX) The risks anticipated from the centralized input or output undertakings and the Company's countermeasures

The purchased finished motherboard by the Company are from the subsidiary ASIAROCK presenting a vendor concentration risk, but the subsidiary is 100% owned by the Company without the risk of supply interruption. The company also maintains good relations with other suppliers to reduce the vendor concentration risk. As in customer concentration risk, the overseas subsidiaries of the Company's major customers and their sales targets are well-known international distributors located in countries around the world presenting no customer concentration risk.

- (X) The impacts and risks anticipated from the massive transfer of shareholding by directors or key shareholders who hold more than 10% in shareholding and the Company's countermeasures

In the recent years and as of the publication date of the annual report, the Company has no directors or substantial shareholders holding more than 10% of the shares, whose shareholdings are transferred or otherwise changes hands with more than half of the shares held resulting in changes in the managerial control.

- (XI) The impacts and risks anticipated from the change in the managerial powers and the Company's countermeasures

The Company's equity is largely concentrated in the directors and employees. As of the publication date of this annual report, all directors hold 46.55% of the total issued shares of the

Company. In addition, the directors and employees have a strong sense of responsibility to the company, and have been dedicated to the company. The employees believe in the Company's development direction, resulting a steady good operating performance in recent years. In the future, the management team will uphold the stable business philosophy and good management ethics to create growth in the operations and profits to win the recognition from all shareholders. Thus, the Company will not have a major quantity of shares transferred or otherwise changes hands, resulting in changes in the managerial control, which will impact the company and create risks.

(XII) Litigious and non-litigious matters

1. Any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the prospectus publication date: None.
2. Any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the prospectus publication date: None.
3. Any event set forth under Article 157 of the Securities and Exchange Act that involves a company director, supervisor, its general manager, or any major shareholder with a stake of more than 10 percent, provided the event occurred in the most recent 2 fiscal years or during the current fiscal year up to the prospectus publication date: None.

(XIII) Other critical risks and response measures: None.

VII. Other important disclosures: None.

Chapter VIII. Special disclosure

I. Relevant information of affiliated enterprises

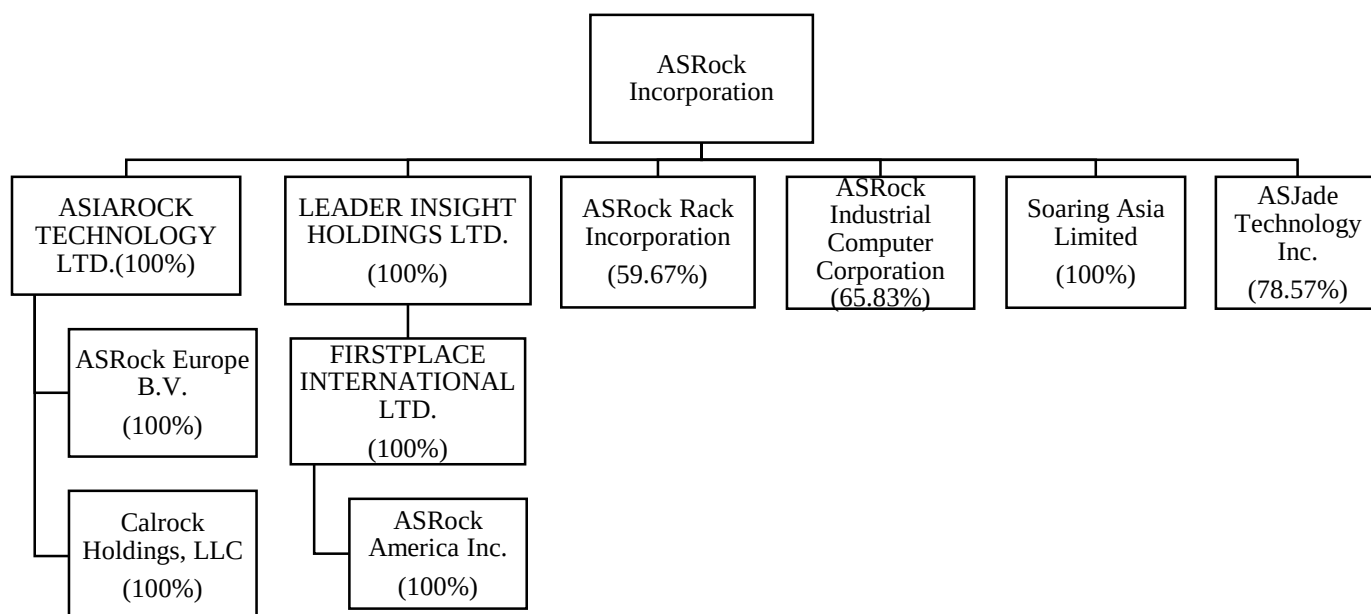
(I) Consolidated business reports teaming up with affiliated enterprises

1. Summary of affiliated enterprises

(1) Affiliates enterprises organization chart:

Organization chart of ASRock Incorporation

December 31, 2021



(2) Fundamental particulars of affiliated enterprises

December 31, 2021; Unit: NTD thousand

Name	Establishment Date	Location	Paid-in shares Capital	Business scope
ASIAROCK TECHNOLOGY LTD.	July 25, 2002	British Virgin Islands	1,107,320	Investment holding.
LEADER INSIGHT HOLDINGS LTD.	September 6, 2002	British Virgin Islands	58,134	Investment holding.
ASRock Europe B.V.	September 6, 2002	The Netherlands	7,165	Data storage and electronic material sales, international trade, etc.
ASRock America Inc.	November 14, 2002	U.S.A.	55,366	Data storage and electronic material sales, international trade, etc.
FIRSTPLACE INTERNATIONAL LTD.	January 2, 2003	British Virgin Islands	56,750	Investment holding.
Calrock Holdings, LLC	January 29, 2003	U.S.A.	55,366	Renting office building.
ASRock Rack Incorporation	January 29, 2013	Taiwan	457,447	Manufacture and sales of computers and peripheral equipment.
ASRock Industrial Computer Corporation	July 4, 2018	Taiwan	362,980	Manufacture and sales of computers and peripheral equipment.
Soaring Asia Limited	November 5, 2018	Hong Kong	592	International trade.
ASJade Technology Inc.	November 15, 2021	Taiwan	105,000	Service of computer software.

- (3) A controlling and hierarchical relationship according to Article 369-3 of Company Act: None.
- (4) The business scope covered by the overall affiliated enterprise are: manufacture and sale of computers and peripheral equipment, data storage, processing equipment, and electronic materials.
- (5) Information and to data of directors and supervisors, general managers of affiliated enterprises:

December 31, 2021

Name of enterprise	Title	Name or the representative person	Shareholding	
			Quantity	Ratio of Shareholding
ASIAROCK TECHNOLOGY LTD.	Director	ASRock Incorporation (Representative: Lung-Lun, Hsu)	40,000,000	100%
LEADER INSIGHT HOLDINGS LTD.	Director	ASRock Incorporation (Representative: Lung-Lun, Hsu)	2,100,000	100%
ASRock Europe B.V.	Director & President	ASIAROCK TECHNOLOGY LTD. (Representative: Ko-Chih, Tsui)	200,000	100%
ASRock America Inc.	Director	FIRSTPLACE INTERNATIONAL LTD. (Representative: Lung-Lun, Hsu)	2,000,000	100%
FIRSTPLACE INTERNATIONAL LTD.	Director	LEADER INSIGHT HOLDINGS LTD. (Representative: Lung-Lun, Hsu)	2,050,000	100%
Calrock Holdings, LLC	Director	ASIAROCK TECHNOLOGY LTD. (Representative: Lung-Lun, Hsu)	2,000,000	100%
ASRock Rack Incorporation	Director & Chairman	ASRock Incorporation (Representative: Lung-Lun, Hsu)	27,296,220	59.67%
	Director & President	ASRock Incorporation (Representative: Wei-Hsu, Sha)		
	Director	ASRock Incorporation (Representative: Shih-Jen, Chen)		
	Supervisor	Chien-Hung, Chen	195,747	0.43%
ASRock Industrial Computer Corporation	Director & Chairman	ASRock Incorporation (Representative: Chun-Ying, Li)	23,895,700	65.83%
	Director	ASRock Incorporation (Representative: Yu-Kuang, Chen)		
	Director	ASRock Incorporation (Representative: Chien-Hsin, Chou)		
	Supervisor	Chien-Hung, Chen	30,000	0.08%
Soaring Asia Limited	Director	ASRock Incorporation (Representative: Lung-Lun, Hsu)	150,000	100%
ASJade Technology Inc.	Director & Chairman	ASRock Incorporation (Representative: Lung-Lun, Hsu)	8,250,000	78.57%
	Director	ASRock Incorporation (Representative of A: Chien-Hsin, Chou)		
	Director	ASRock Incorporation (Representative of A: Sung-Chien, Chen)		
	Supervisor	Chien-Hung, Chen	-	-

2. Business performances of affiliated enterprises:

December 31, 2021; Unit: NTD thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net value	Revenue	Net operating income	Profit and/or loss this term (After tax net)	Earnings per share (NTD) (After tax)
ASIAROCK TECHNOLOGY LTD.	1,107,320	9,200,011	5,483,749	3,716,262	14,819,588	5,260	107,324	-
LEADER INSIGHT HOLDINGS LTD.	58,134	102,306	-	102,306	-	-	68,350	-
ASRock Europe B.V.	7,165	830,087	162,650	667,437	4,324,424	144,894	108,030	-
ASRock America, Inc.	55,366	977,617	876,282	101,335	4,999,444	87,992	68,350	-
FIRSTPLACE INTERNATIONAL LTD.	56,750	102,263	-	102,263	-	-	68,350	-
CALROCK HOLDINGS, LLC	55,366	60,294	683	59,611	-	-	(1,132)	-
ASRock Rack	457,447	1,597,443	896,641	700,802	3,164,662	78,680	66,691	1.49
ASRock Industrial.	362,980	1,190,276	583,129	607,147	1,242,140	185,409	156,396	4.34
Yah Boo Trading Co., Ltd.	592	533	-	533	-	-	-	-
ASJade Technology Inc.	105,000	144,460	15,541	128,919	-	(2,907)	(2,331)	(0.22)

(II) The Affiliate's Consolidated Financial Statements: None.

(III) Affiliated Enterprises Report: None.

II. Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose the date on which the placement was approved by the board of directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary: None.

III. Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.

IV. Other supplementary information: None.

V. Occurrences of events defined under Subparagraph 2, Paragraph 2, Article 36 of the Securities Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

Statement of Internal Control System

Date: February 23, 2022

Based on the findings of self-assessment, the Company states the following with regard to its internal control system in 2021:

- I. The Company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of financial reporting and compliance with of applicable laws, regulations and bylaws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanism and the Company takes corrective actions whenever a deficiency is identified.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
- IV. The Company has adopted the aforementioned judgment items for the internal control system to evaluate the effectiveness of the Company's internal control system in both design and implementation.
- V. Based on the findings of the self-assessment mentioned in the preceding paragraph, the Company believes that, as of December 31, 2021, its internal control system (including its supervision and management of subsidiaries), as well as understanding the degree of achievement of its objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of financial reporting, and compliance with the applicable laws, regulations and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
- VI. This Statement is an integral part of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
- VII. This Statement has been passed by the Board of Directors in their meeting held on February 23, 2022 with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

ASRock Incorporation

Chairman: Hsu-Tien, Tung

President : Lung-Lun, Hsu

Independent Auditors' Report Translated from Chinese

To ASROCK INC.

Opinion

We have audited the accompanying balance sheets of ASROCK INC.(the “Company”) as of December 31, 2021 and 2020, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the parent company only financial statements, including the summary of significant accounting policies(collectively “the parent company only financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments accounted for using equity method - Inventory of Subsidiary

The net carrying value of inventory as of December 31, 2021 for the Company's investments accounted for using equity method - Inventory of Subsidiary was significant to the parent company only financial statements. ASROCK INC. and subsidiaries' main business, the sale of motherboard products, are affected by market demand and changes. The management measured allowance for inventory obsolescence valuation losses based on market demands. The valuation involved management's significant judgement, we have therefore determined valuation on inventory a key audit matter. The audit procedures we performed regarding inventories valuation included, but not limited to, understanding the program of estimating the allowance for inventory valuation, testing the effectiveness of relevant control. For the raw material and products, we selected samples and checked related certificates, to confirm the correctness of net realizable value that management used. In addition, we obtained and reviewed the full-year purchase and sales details of raw materials and products. For raw materials that are not frequently used and products with low sales volume, we referred to industry information and management to discuss the reasonableness of allowance for inventory valuation and obsolescence losses. We also considered the appropriateness of disclosure of inventories in Notes 5 and 6 of the Company's consolidated financial statements.

Revenue recognition

The main source of revenue was from the sales of motherboard. Due to diversified pricing strategy, the orders and implied items in contracts usually included quantity discount and warranty, therefore the Company should determine the performance obligation and the timing of revenue recognition. Consequently, we considered that revenue recognition from contracts with customers is key audit matter. For revenue recognition, we have conducted audit procedures including but not limited to evaluating the design and operating effectiveness of internal controls with respect to the revenue cycle, selecting representative samples to conduct test of transactions by inspecting contracts approved by both parties, identifying the performance obligation, evaluating whether the transaction prices were appropriately allocated to all the performance obligations in the contract in proportion to the stand-alone selling prices of each performance obligation, and confirming the correctness of timing when a performance obligation is satisfied. We also considered the appropriation of operating revenue disclosure in Notes 4, 5 and 6 of the parent company only financial statements.

Other Matter - Making Reference to the Audits of Component Auditors

We did not audit the parent company only financial statements of certain investments accounted for using equity method whose statements are based solely on the reports of other auditors. These investments accounted for using equity method amounted to \$829,353 thousand and \$675,353 thousand, representing 7.81% and 6.81% of the parent company only total assets as of December 31, 2021 and 2020, respectively. The related share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method amounted to \$175,248 thousand and \$155,464 thousand, representing 6.12% and 9.98% of the profit before tax for the years ended December 31, 2021 and 2020.

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 accordance with the requirements of the Regulations Governing the Preparation 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 ability to continue as a going concern of the Company, 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 financial reporting process of the Company.

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 accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 internal control of the Company.
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 ability to continue as a going concern of the Company. 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 accompanying notes, 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 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 2021 parent company only financial statements 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.

Yang, Chih-Huei

Yu, Chien-Ju

Ernst & Young, Taiwan

February 23, 2022

Notice to Readers

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

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the parent company only financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
ASROCK INC.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			
		December 31, 2021	%	December 31, 2020	%
Current assets					
Cash and cash equivalents	4,6(1)	\$1,031,300	10	\$1,508,440	15
Financial assets measured at amortized cost - current	4,6(2),6(12)	860,000	8	486,206	5
Accounts receivable, net	4,5,6(3),6(12)	820,626	8	441,609	4
Accounts receivable - related parties, net	4,5,6(3),6(12),7	879,133	8	1,592,011	16
Inventories, net	4,5,6(4)	1,387,863	13	1,367,370	14
Prepayments	7	839,921	8	53,511	1
Other current assets	7	53,653	1	26,182	-
Total current assets		<u>5,872,496</u>	<u>56</u>	<u>5,475,329</u>	<u>55</u>
Non-current assets					
Investments accounted for using equity method	4,6(5)	4,621,442	44	4,332,169	44
Property, plant and equipment	4,6(6),7	32,300	-	21,405	-
Right-of-use assets	4,6(13)	30,010	-	30,671	-
Intangible assets	4,6(7)	1,544	-	570	-
Deferred tax assets	4,5,6(17)	47,685	-	43,274	1
Guarantee deposits paid		13,997	-	11,326	-
Other non-current assets		-	-	3,824	-
Total non-current assets		<u>4,746,978</u>	<u>44</u>	<u>4,443,239</u>	<u>45</u>
Total assets		<u>\$10,619,474</u>	<u>100</u>	<u>\$9,918,568</u>	<u>100</u>

(Continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
ASROCK INC.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Liability and Equity	Notes	As of			
		December 31, 2021	%	December 31, 2020	%
Current liabilities					
Accounts payable		\$72,387	1	\$17,835	-
Accounts payable - related parties	7	527,970	5	2,188,109	22
Other payables	7	691,173	7	410,447	4
Current tax liabilities	4,5,6(17)	453,144	4	198,539	2
Lease liabilities - current	4,6(13)	15,322	-	13,674	-
Other current liabilities	4,7	531,487	5	133,343	1
Total current liabilities		<u>2,291,483</u>	<u>22</u>	<u>2,961,947</u>	<u>29</u>
Non-current liabilities					
Deferred tax liabilities	4,5,6(17)	-	-	228	-
Lease liabilities - non-current	4,6(13)	14,823	-	17,231	-
Net defined benefit liabilities	4,5,6(8)	42,028	-	37,854	1
Total non-current liabilities		<u>56,851</u>	<u>-</u>	<u>55,313</u>	<u>1</u>
Total liabilities		<u>2,348,334</u>	<u>22</u>	<u>3,017,260</u>	<u>30</u>
Equity					
Capital					
Common stock	6(9)	1,229,254	12	1,206,424	12
Capital surplus	6(5),6(9),6(10)	3,332,351	31	3,134,705	32
Retained earnings					
Legal reserve	6(9)	1,345,085	13	1,209,419	12
Special reserve	6(9)	472,656	4	279,336	3
Unappropriated retained earnings	6(5),6(9),6(10)	2,628,386	25	1,544,081	16
Total retained earnings		4,446,127	42	3,032,836	31
Other components of equity	4,6(10)	(736,592)	(7)	(472,657)	(5)
Total equity		<u>8,271,140</u>	<u>78</u>	<u>6,901,308</u>	<u>70</u>
Total liabilities and equity		<u>\$10,619,474</u>	<u>100</u>	<u>\$9,918,568</u>	<u>100</u>

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

ASROCK INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

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

Accounting Items	Notes	For the years ended December 31,			
		2021	%	2020	%
Operating revenues	4,5,6(11),7	\$14,535,253	100	\$12,577,723	100
Operating costs	6(4),6(14),7	(10,820,676)	(74)	(10,472,888)	(83)
Gross profit		3,714,577	26	2,104,835	17
Unrealized intercompany profit		(108,835)	(1)	(133,313)	(1)
Realized intercompany profit		133,313	1	81,456	-
Net gross profit		3,739,055	26	2,052,978	16
Operating expenses	4,6(7),6(8),6(10) 6(13),6(14),7				
Sales and marketing expenses		(370,005)	(3)	(293,649)	(2)
General and administrative expenses		(243,937)	(2)	(175,545)	(1)
Research and development expenses		(663,826)	(5)	(484,401)	(4)
Expected credit losses	6(12)	(3,688)	-	(345)	-
Total operating expenses		(1,281,456)	(10)	(953,940)	(7)
Net operating income		2,457,599	16	1,099,038	9
Non-operating income and expenses	6(15)				
Interest income		8,503	-	12,009	-
Other income	7	111,510	1	84,963	1
Other gains and losses		(41,259)	-	(48,913)	-
Finance costs		(235)	-	(312)	-
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	4,6(5)	328,996	2	411,692	3
Total non-operating income and expenses		407,515	3	459,439	4
Profit from continuing operations before tax		2,865,114	19	1,558,477	13
Income tax expenses	4,5,6(17)	(484,054)	(3)	(195,385)	(2)
Profit from continuing operations		2,381,060	16	1,363,092	11
Profit		2,381,060	16	1,363,092	11
Other comprehensive income	4,6(8),6(16)				
Items that will not be reclassified subsequently to profit or loss					
Losses on remeasurements of defined benefit plans		(3,287)	-	(7,364)	-
Income tax related to items that will not be reclassified to profit or loss		657	-	1,473	-
Items that may be reclassified subsequently to profit or loss					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(109,101)	(1)	(193,321)	(2)
Other comprehensive income, net of tax		(111,731)	(1)	(199,212)	(2)
Total comprehensive income		\$2,269,329	15	\$1,163,880	9
Earnings per share(NT\$):	6(18)				
Earnings per share - basic					
Profit from continuing operations		\$19.67		\$11.30	
Earnings per share - diluted	6(18)				
Profit from continuing operations		\$19.53		\$11.22	

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
ASROCK INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other components of equity			
	Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Deferred compensation cost	Treasury stock	Total equity
Balance as of January 1, 2020	\$1,206,472	\$3,129,659	\$1,149,884	\$186,407	\$822,460	\$(279,336)	\$(18,202)	\$-	\$6,197,344
Appropriation and distribution of 2019 retained earnings									
Legal reserve appropriated	-	-	59,535	-	(59,535)	-	-	-	-
Special reserve appropriated	-	-	-	92,929	(92,929)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(482,570)	-	-	-	(482,570)
Profit in 2020	-	-	-	-	1,363,092	-	-	-	1,363,092
Other comprehensive income, net of tax in 2020	-	-	-	-	(5,891)	(193,321)	-	-	(199,212)
Total comprehensive income	-	-	-	-	1,357,201	(193,321)	-	-	1,163,880
Treasury stock acquired	-	-	-	-	-	-	-	(48)	(48)
Treasury stock cancelled	(48)	-	-	-	-	-	-	48	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	335	-	-	(27)	-	-	-	308
Changes in subsidiaries' ownership	-	(261)	-	-	-	-	-	-	(261)
Share-based payment transaction	-	4,972	-	-	(519)	-	18,202	-	22,655
Balance as of December 31, 2020	<u>\$1,206,424</u>	<u>\$3,134,705</u>	<u>\$1,209,419</u>	<u>\$279,336</u>	<u>\$1,544,081</u>	<u>\$(472,657)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,901,308</u>
Balance as of January 1, 2021	\$1,206,424	\$3,134,705	\$1,209,419	\$279,336	\$1,544,081	\$(472,657)	\$-	\$-	\$6,901,308
Appropriation and distribution of 2020 retained earnings									
Legal reserve appropriated	-	-	135,666	-	(135,666)	-	-	-	-
Special reserve appropriated	-	-	-	193,320	(193,320)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(965,139)	-	-	-	(965,139)
Profit in 2021	-	-	-	-	2,381,060	-	-	-	2,381,060
Other comprehensive income, net of tax in 2021	-	-	-	-	(2,630)	(109,101)	-	-	(111,731)
Total comprehensive income	-	-	-	-	2,378,430	(109,101)	-	-	2,269,329
Changes in subsidiaries' ownership	-	3,581	-	-	-	-	-	-	3,581
Share-based payment transaction	22,830	194,065	-	-	-	-	(154,834)	-	62,061
Balance as of December 31, 2021	<u>\$1,229,254</u>	<u>\$3,332,351</u>	<u>\$1,345,085</u>	<u>\$472,656</u>	<u>\$2,628,386</u>	<u>\$(581,758)</u>	<u>\$(154,834)</u>	<u>\$-</u>	<u>\$8,271,140</u>

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
ASROCK INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$2,865,114	\$1,558,477
Adjustments:		
Adjustments to reconcile (profit) loss:		
Depreciation expense	24,325	21,917
Amortization expense	2,461	1,198
Expected credit losses	3,688	345
Interest expenses	235	312
Interest income	(8,503)	(12,009)
Compensation cost arising from employee stock options	39,231	22,655
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(328,996)	(411,692)
Gain on disposal of property, plant and equipment	(20)	-
Unrealized intercompany profit from sale	108,835	133,313
Realized intercompany profit from sale	(133,313)	(81,456)
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable, net	(382,705)	86,723
Decrease (Increase) in account receivable-related parties	712,878	(334,065)
Increase in inventories, net	(18,768)	(611,562)
(Increase) Decrease in prepayments	(786,410)	12,290
Increase in other current assets	(24,979)	(2,835)
Increase in accounts payable	54,552	3,274
(Decrease) Increase in accounts payables-related parties	(1,660,139)	844,363
Increase in other payables	280,726	113,796
Increase (Decrease) in other current liabilities	398,144	(12,944)
Increase in net defined benefit liabilities	887	909
Cash generated from operations	1,147,243	1,333,009
Income taxes paid	(233,431)	(129,720)
Net cash provided by operating activities	913,812	1,203,289
Cash flows from investing activities:		
(Acquisition) Disposal of financial assets measured at amortized cost	(373,794)	115,794
Acquisition of investments accounted for using equity method	(103,125)	(4,073)
Acquisition of property, plant and equipment	(17,727)	(13,704)
Proceed from disposal of property, plant and equipment	20	11,196
Increase in guarantee deposits paid	(2,671)	(2,009)
Acquisition of intangible assets	(3,435)	(1,122)
Increase in other non-current assets	-	(3,824)
Interest received	6,011	12,601
Dividends received	61,800	-
Net cash (used in) provided by investing activities	(432,921)	114,859
Cash flows from financing activities:		
Cash payments for the principal portion of the lease liability	(15,722)	(14,379)
Cash dividends paid	(965,139)	(482,570)
Issuance of common stock for cash	22,830	-
Treasury stock acquired	-	(48)
Net cash used in financing activities	(958,031)	(496,997)
Net (decrease) increase in cash and cash equivalents	(477,140)	821,151
Cash and cash equivalents, beginning of the year	1,508,440	687,289
Cash and cash equivalents, end of the year	\$1,031,300	\$1,508,440

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
ASROCK INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

ASROCK INC. (the Company) was approved to establish on May 10, 2002, and began its main business activities. The current main business is the sales of motherboards and related product development and design. The Company's first public offering was approved by the Securities and Futures Bureau in May, 2006 and its common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in November, 2007. The Company's registered office and the main business location are at 2F., No. 37, Sec. 2, Jhongyang S. Rd., Beitou Dist., Taipei City 11270, Taiwan (R.O.C.). Pegatron Corporation is the ultimate controller of the Company to which the company belongs.

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 were authorized for issue by the Company's board of directors on February 23, 2022.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2021. The adoption of these new standards and amendments had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

- (a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. The standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (a), it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in its functional currency, NT\$. Items included in the parent company only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) When the partial disposal involves the loss of control of a subsidiary that includes a foreign operation.
- (b) When the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint arrangement control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the Accounts date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, account receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

- ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For Accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on a weighted average cost basis.

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Machinery and equipment	5 years
Office equipment	3 years
Lease improvement	Shorter of the lease period or the useful life
Other equipment	2~5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- i) The technical feasibility of completing the intangible asset so that it will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 2 years).

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or companies of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (company of units), then to the other assets of the unit (company of units) pro rata on the basis of the carrying amount of each asset in the unit (company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(16) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is high-end machinery and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Company estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Company's sale of goods is from 30 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as Accounts receivables. These accounts receivable usually have a short period and do not have a significant financial component.

Rendering of services

The Company provides services of product development. These services are separately priced or negotiated, and are recognized as revenue when the performance obligations are met.

(17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(19) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for more details.

(c) Revenue recognition – sales returns and allowance

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

(d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2021, please refer to Note 6 for the explanation of the Company's unrecognized deferred income tax assets.

(e) Accounts receivables—estimation of impairment loss

The Company estimates the impairment loss of Accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(f) Inventories

Due to the rapid changes in technology and product demand, the Company assessed the inventory at the end of the reporting period due to normal wear and tear, obsolescence, or changes in market sales prices, and reduced inventory costs to net realizable value. The Company estimates the loss of obsolete inventories based on the product life cycle, historical experience, and subsequent inventory removal. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand	\$480	\$513
Cash in banks	920,088	549,514
Time deposits	110,732	815,930
Cash equivalents—Bonds with repurchase agreements	-	142,483
Total	<u>\$1,031,300</u>	<u>\$1,508,440</u>

Cash and cash equivalents were not pledged.

(2) Financial assets measured at amortized cost

	As of December 31,	
	2021	2020
Time deposit—Current	<u>\$860,000</u>	<u>\$486,206</u>

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6(12) for more details on loss allowance and Note 12 for more details on credit risk.

(3) Accounts receivable and Accounts receivable - related parties

	As of December 31,	
	2021	2020
Accounts receivable (total carrying amount)	\$829,315	\$446,610
Less: loss allowance	(8,689)	(5,001)
Subtotal	820,626	441,609
Accounts receivable-related parties (total carrying amount)	879,133	1,592,011
Less: loss allowance	-	-
Subtotal	879,133	1,592,011
Total	<u>\$1,699,759</u>	<u>\$2,033,620</u>

Accounts receivables were not pledged.

Accounts receivables are generally on 30-90 day terms. The total carrying amount as of December 31, 2021 and 2020 were \$1,708,448 thousand and \$2,038,621 thousand, respectively. Please refer to Note 6(12) for more details on loss allowance of accounts receivable for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(4) Inventories

	As of December 31,	
	2021	2020
Raw materials	\$153,524	\$13,043
Work in progress	406,048	23,882
Finished goods	5,501	4,175
Merchandise	822,790	1,326,270
Total	<u>\$1,387,863</u>	<u>\$1,367,370</u>

For the years ended December 31, 2021 and 2020, the Company recognized \$10,820,676 thousand and \$10,472,888 thousand, respectively, in operating cost, including the write-down of inventories of \$34,173 thousand and \$5,134 thousand, respectively.

No inventories were pledged.

(5) Investments accounted for using equity method

Investees	As of December 31,			
	2021		2020	
	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
Investments in subsidiaries:				
ASIAROCK TECHNOLOGY LIMITED	\$3,599,438	100.00%	\$3,563,486	100.00%
LEADER INSIGHT HOLDINGS LTD.	102,306	100.00%	35,743	100.00%
ASROCK RACK INCORPORATION	418,174	59.67%	387,739	62.05%
ASRock Industrial Computer Corporation	399,697	65.83%	344,649	66.96%
SOARING ASIA LIMITED	533	100.00%	552	100.00%
ASJade Technology Inc.	101,294	78.57%	-	-
Total	<u>\$4,621,442</u>		<u>\$4,332,169</u>	

The share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method as of December 31, 2021 and 2020 were \$328,996 thousand and \$411,692 thousand, respectively, based on the financial statements of the investee company audited by accountants during the same period.

Investments in subsidiaries

Investments in subsidiaries are expressed in parent company only financial statements as "Investments accounted for using equity method", and necessary evaluation adjustments are made.

The Company paid \$300 thousand, \$246 thousand and \$266 thousand, respectively on January 13, March 23, and May 7, 2020. The purchase of 30 thousand shares, 20 thousand shares and 21 thousand shares of ASRock Industrial Computer Corporation from non-related parties increased the Company's original shareholding ratio from 67.38% to 67.46%, and then to 67.52% and 67.58%, respectively, and increased capital shares, which then increased capital surplus in the amount of \$69 thousand, \$5 thousand and \$3 thousand, respectively. Later, the employee stock option was processed on July 31, 2020, and the board of directors resolved to issue new shares, increasing the capital by \$6,848 thousand. Because the company did not subscribe according to the shareholding ratio, the original shareholding ratio of the Company after the capital increase was 67.58% reduced to 66.28%, and recognized capital reserve decreased by \$1,384 thousand. In addition, the Company paid \$1,295 thousand, \$1,302 thousand and \$452 thousand, respectively on September 30, December 7, and December 21, 2020. The purchase of 105 thousand shares, 103 thousand shares and 36 thousand shares of ASRock Industrial Computer Corporation from non-related parties increased the Company's original shareholding ratio from 66.28% to 66.58%, and then to 66.86% and 66.96%, respectively, and increased capital shares, which then increased capital surplus in the amount of \$124 thousand, \$155 thousand and \$53 thousand, respectively. Furthermore, the employee stock option plan was adopted on June 11, 2021, and the board of directors resolved to issue new shares, increasing the capital by \$6,132 thousand. Because the Company did not subscribe the shares according to the shareholding ratio, the shareholding ratio of the Company was reduced from 66.96% to 65.83% after the capital increase and the capital reserve decreased in the amount of \$6,644 thousand.

The Company purchased 2 thousand shares and 9 thousand shares of ASROCK RACK INCORPORATION from non-related parties at \$40 thousand and \$172 thousand on March 25, 2020 and April 15, 2020, respectively. Shares, resulting in the Company's original shareholding ratio increased from 62.02% to 62.03%, and then increased to 62.05%, and the capital reserve was reduced by \$20 thousand and \$54 thousand, and the recognized retained earnings due to insufficient capital reserve decreased by \$27 thousand. In addition, the board of directors resolved to cancel 191 thousand shares of the Company's treasury shares on April 22, 2021, which increased the Company's shareholding ratio from 62.05% to 62.43%, and the capital reserve was increased by \$2,383 thousand. Later the board of directors resolved to issue employee stock option to raise capital on July 14, 2021. Because the Company did not subscribe the shares according to the shareholding ratio, the Company's ownership was reduced from 62.43% to 59.66%, and the capital reserve increased by \$1,461 thousand. Furthermore, stock dividends were issued on August 24, 2021, which increased the capital. The shareholding ratio of the Company increased from 59.66% to 59.67%, and the capital reserve increased by \$67 thousand.

The Company purchased 8,250 thousand shares of ASJade Technology Inc. at \$103,125 thousand on November 10, 2021. The Company's shareholding ratio was 78.57%.

(6) Property, plant and equipment

	Machinery equipment	Office equipment	Leasehold improvement	Other	Total
Cost:					
As of January 1, 2021	\$15,493	\$210	\$12,792	\$8,354	\$36,849
Additional	8,530	1,048	1,124	7,025	17,727
Disposals	(2,057)	(210)	(1,185)	(1,571)	(5,023)
Reclassification	3,824	-	-	(2,761)	1,063
As of December 31, 2021	<u>\$25,790</u>	<u>\$1,048</u>	<u>\$12,731</u>	<u>\$11,047</u>	<u>\$50,616</u>
As of January 1, 2020	\$44,801	\$366	\$8,407	\$3,285	\$56,859
Additional	1,883	-	5,668	6,153	13,704
Disposals	(31,191)	(156)	(1,283)	(1,084)	(33,714)
As of December 31, 2020	<u>\$15,493</u>	<u>\$210</u>	<u>\$12,792</u>	<u>\$8,354</u>	<u>\$36,849</u>
Depreciation and impairment loss:					
As of January 1, 2021	\$8,143	\$210	\$3,711	\$3,380	\$15,444
Depreciation	4,031	25	2,351	2,523	8,930
Disposals	(2,057)	(210)	(1,185)	(1,571)	(5,023)
Reclassification	-	-	-	(1,035)	(1,035)
As of December 31, 2021	<u>\$10,117</u>	<u>\$25</u>	<u>\$4,877</u>	<u>\$3,297</u>	<u>\$18,316</u>
As of January 1, 2020	\$24,035	\$338	\$3,339	\$2,390	\$30,102
Depreciation	4,103	28	1,655	2,074	7,860
Disposals	(19,995)	(156)	(1,283)	(1,084)	(22,518)
As of December 31, 2020	<u>\$8,143</u>	<u>\$210</u>	<u>\$3,711</u>	<u>\$3,380</u>	<u>\$15,444</u>
Net carrying amount as of:					
December 31, 2021	<u>\$15,673</u>	<u>\$1,023</u>	<u>\$7,854</u>	<u>\$7,750</u>	<u>\$32,300</u>
December 31, 2020	<u>\$7,350</u>	<u>\$-</u>	<u>\$9,081</u>	<u>\$4,974</u>	<u>\$21,405</u>

No Property, plant and equipment were pledged.

(7) Intangible assets

	Other
Cost:	
As of January 1, 2021	\$19,448
Addition-acquired separately	3,435
As of December 31, 2021	<u>\$22,883</u>
As of January 1, 2020	\$18,326
Addition-acquired separately	1,122
As of December 31, 2020	<u>\$19,448</u>
Amortization and impairment:	
As of January 1, 2021	\$18,878
Amortization	2,461
As of December 31, 2021	<u>\$21,339</u>
As of January 1, 2020	\$17,680
Amortization	1,198
As of December 31, 2020	<u>\$18,878</u>
Net carrying amount as of:	
December 31, 2021	<u>\$1,544</u>
December 31, 2020	<u>\$570</u>

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December 31,	
	2021	2020
Sales and marketing expenses	<u>\$34</u>	<u>\$-</u>
General and administrative expenses	<u>\$317</u>	<u>\$320</u>
Research and development expenses	<u>\$2,110</u>	<u>\$878</u>

(8) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were \$14,050 thousand and \$13,565 thousand, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$165 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

As of December 31, 2021 and 2020, the Company's definite benefit plans are expected to expire in 2037 and 2038.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	For the years ended December 31,	
	2021	2020
Current period service costs	\$934	\$812
Net interest of defined benefit liability (asset)	117	251
Total	<u>\$1,051</u>	<u>\$1,063</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Defined benefit obligation	\$67,812	\$63,017	\$53,593
Plan assets at fair value	(25,784)	(25,163)	(24,012)
Other non-current liabilities – Accrued net defined benefit liabilities recognized on the parent company only balance sheets	\$42,028	\$37,854	\$29,581

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Net benefit liability (asset)
As of January 1, 2020	\$53,593	\$(24,012)	\$29,581
Current period service costs	812	-	812
Net interest expense (income)	456	(205)	251
Subtotal	54,861	(24,217)	30,644
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	2,512	-	2,512
Actuarial gains and losses arising from changes in financial assumptions	5,492	-	5,492
Experience adjustments	152	-	152
Return on plan assets	-	(792)	(792)
Subtotal	8,156	(792)	7,364
Contributions by employer	-	(154)	(154)
As of December 31, 2020	63,017	(25,163)	37,854
Current period service costs	934	-	934
Net interest expense (income)	195	(78)	117
Subtotal	64,146	(25,241)	38,905
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(1,603)	-	(1,603)
Actuarial gains and losses arising from changes in financial assumptions	(3,833)	-	(3,833)
Experience adjustments	9,102	-	9,102
Return on plan assets	-	(379)	(379)
Subtotal	3,666	(379)	3,287
Contributions by employer	-	(164)	(164)
As of December 31, 2021	\$67,812	\$(25,784)	\$42,028

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	Pension plan (%)	
	As of December 31,	
	2021	2020
Cash	15.25%	16.61%
Equity instrument	49.91%	52.93%
Debt instrument	23.11%	15.80%
Others	11.73%	14.66%
Total	100.00%	100.00%

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2021	2020
Discount rate	0.64%	0.31%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption as at December 31, 2021 and 2020 is, as shown below:

	For the years ended December 31,			
	2021		2020	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$-	\$5,295	\$-	\$5,256
Discount rate decrease by 0.5%	5,797	-	5,787	-
Expected salary level increase by 0.5%	5,629	-	5,600	-
Expected salary level decrease by 0.5%	-	5,203	-	5,149

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or expected salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(9) Equities

A. Common stock

The Company's authorized capital were both \$1,500,000 thousand as of December 31, 2021 and 2020 (Both reserve \$40,000 thousand of shares for employee stock options). The Company's issued capital were \$1,229,254 thousand and \$1,206,424 thousand as of December 31, 2021 and 2020, respectively, each at a par value of \$10. The Company issued 122,925,429 and 120,642,429 common shares as of December 31, 2021 and 2020, respectively. Each share has one voting right and a right to receive dividends.

The Company issued 2,300 thousand shares of restricted stock awards, which was resolved at the shareholders' meeting held on August 20, 2021. The total number of new shares issued on October 28, 2021 was 2,283 thousand shares at a per value of \$10, totaling \$22,830 thousand.

B. Capital surplus

	As of December 31,	
	2021	2020
Additional paid-in capital	\$3,127,994	\$3,127,994
Difference between consideration given/received and carrying amount of interests in subsidiaries acquired disposed of	335	335
Increase (decrease) through changes in ownership interests in subsidiaries	10,012	6,376
Retired stock to employees	194,010	-
Total	<u>\$3,332,351</u>	<u>\$3,134,705</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury stock

On January 3, 2020, the treasury stocks in the amount of \$48 thousand in 5 thousand shares were repurchased due to the expiration of restricted employee awards by the resolution of the board of directors on April 29, 2020. The base date for a capital reduction was set on May 29, 2020. The statutory change of registration procedure has been completed.

D. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, dividend appropriateness and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and the Company held a general meeting of shareholders on June 12, 2019 and passed a resolution to amend the company's articles of association, stating that if all or part of the dividends and bonuses are distributed in cash, the Board of Directors is authorized to make two-thirds The above-mentioned directors attend, and after more than half of the attending directors agree, and report to the shareholders' meeting; the share dividends must be submitted to the shareholders' meeting for resolution of distribution. The Company's Articles of Incorporation further provide that at least 10% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved by the board of directors’ meeting and shareholders’ meeting on February 23, 2022 and August 20, 2021, respectively, are as follows:

	Appropriation of earnings		Dividend per share (\$)	
	2021	2020	2021	2020
Legal reserve	\$237,843	\$135,666		
Special reserve	109,101	193,320		
Common stock - cash dividend	1,598,031	965,139	\$13.00	\$8.00

Please refer to Note 6(14) for details on employees’ compensation and remuneration to directors and supervisors.

(10) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(a) Restricted stock plan for employee of the Company

The Company issued 2,300 thousand shares of restricted stock awards, which was resolved at the shareholders' meeting held on August 20, 2021. The grantees are limited to full-time employees of the Company who meet specific requirements. The Company has already filed with the Securities and Futures Bureau of the FSC for approval of the issuance and was approved. The total number of new shares issued on October 28, 2021 was 2,238 thousand shares. The stock price on the grant date was \$145 per share.

Employees who have been granted the above-mentioned restricted stock awards can subscribe to the shares for \$10 with vesting conditions as follows:

- I. The company's performance
 1. If EPS in the previous year is better than \$10, the overall weight will be 100%.
 2. If EPS in the previous year is between \$7.5 and \$10, the overall weight will be 50%.
 3. If EPS in the previous year is below \$7.5, the overall weight will be 0%.
- II. Personal performance
 1. If the mid-year assessment is better than A (include A), the personal weight will be 100%.
 2. If the mid-year assessment is between B+ to A (excluding A), the personal will be weight 80%.
 3. If the mid-year assessment is between B to B+ (excluding B+), the personal will be weight 60%
 4. If the mid-year assessment is C, the personal weight will be 0%
- III. Employees who have been granted the above-mentioned restricted stock awards and have continued to serve in the company for one year from the grant date, and have not violated any laws, articles of incorporation, business ethics and code of conduct and other relevant regulations and agreements during their employment, can receive 40% of the vested shares multiplied by overall weight and personal weight.
- IV. Employees who have been granted the above-mentioned restricted stock awards and have continued to serve in the company for two years from the grant date, and have not violated any laws, articles of incorporation, business ethics and code of conduct and other relevant regulations and agreements during their employment, can receive 30% of the vested shares multiplied by overall weight and personal weight.

- V. Employees who have been granted the above-mentioned restricted stock awards and have continued to serve in the company for three years from the grant date, and have not violated any laws, articles of incorporation, business ethics and code of conduct and other relevant regulations and agreements during their employment, can receive 30% of the vested shares multiplied by overall weight and personal weight.

The vested new restricted stock awards shall be entrusted and may not be sold, pledged, transferred, gifted to others, created lien or otherwise disposed of in any other manner before the vested conditions are met. According to the parent company's new share issuance measures for restricted stock awards, after the new shares with restricted stock awards are issued, except for the restricted stock awards that are delivered to a trust and those that do not meet the vested conditions under the parent company's issuance measures, the rights of the other restricted stock are the same as the common shares issued by the company.

The detailed information of the above restricted stock awards are as follows:

Vested period	Restricted stock to employee			
	1 years	2 years	3 years	Total
Original number of shares	913,200	684,900	684,900	2,283,000
Operating performance				
issue ratio	99.72%	94.92%	90.86%	
Estimated turnover rate	9.45%	16.03%	20.00%	
Qualified rate of performance	76.92%	76.92%	76.92%	
Vested shares	634,273	419,902	382,939	1,437,114
Embedded value	\$145	\$145	\$145	
Labor cost	\$85,627	\$56,687	\$51,696	\$194,010

The new shares issued by the Company that restrict the rights of employees cannot be transferred within three years of the vesting period, but they still have the right to vote and distribute dividends. If an employee who has been allocated the restricted employee rights new shares resigns during the vesting period, he must return the restricted employee rights stock and the dividends already obtained.

(b) Modification or cancellation of the share-based payment plan for employees

No modification or cancellation of share-based payment plan has occurred in the year ended December 31, 2021.

- (c) The expense recognized for employee services received during the years ended December 31, 2021 and 2020, is shown in the following table:

	For the years ended December 31,	
	2021	2020
Expense arising from share-based payment transaction (All of arising from equity-settled share-based payment transaction)(Note)	\$39,231	\$22,655

Note: The board of directors of the subsidiary company -ASROCK RACK INCORPORATION resolved to issue shares of restricted stock awards on May 29, 2020. The grantees are limited to full-time employees of The Company and ASROCK RACK INCORPORATION. The Company recognized an expense of \$55 and \$82 thousand for the above-mentioned share basic payment transaction in 2021 and 2020.

(11) Operating revenue

The Company's revenue from contracts with customers in 2021 and 2020:

A. Disaggregation of revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sale of goods	\$14,510,756	\$12,565,660
Revenue arising from rendering services	24,497	12,063
Total	\$14,535,253	\$12,577,723

B. The Company's revenue from contracts with customers is recognized at certain points in time.

(12) Expected credit losses

	For the years ended December 31,	
	2021	2020
Operating expenses – expected credit losses		
Accounts receivables	\$3,688	\$345

Please refer to Note 12 for more details on credit risk.

The credit risk for the Company's financial assets measured at amortized cost are assessed as low as of December 31, 2021 and 2020 (The same as the assessment result of January 1, 2020). Since the transaction counterparties of the Company are all financial institutions such as banks with good credit, all of them are calculated based on the expected credit loss rate of 0% and the allowance loss amount is \$0.

The Company measures the loss allowance of its trade receivables (including accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2021 and 2020 are as follows:

The Company considers the Companying of Trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

As of December 31, 2021

	Not yet due	Overdue					Total
		Under 30 days	31~ 60days	61~ 90days	91~ 120days	Over 121 days	
Gross carrying amount	\$1,563,820	\$34,892	\$10,221	\$7,855	\$7,254	\$84,406	\$1,708,448
Loss ratio	0.44%	0.69%	0.10%	0.00%	0.00%	1.86%	
Lifetime expected credit losses	6,871	242	10	-	-	1,566	8,689
Net carrying amount	<u>\$1,556,949</u>	<u>\$34,650</u>	<u>\$10,211</u>	<u>\$7,855</u>	<u>\$7,254</u>	<u>\$82,840</u>	<u>\$1,699,759</u>

As of December 31, 2020

	Not yet due	Overdue					Total
		Under 30 days	31~ 60days	61~ 90days	91~ 120days	Over 121 days	
Gross carrying amount	\$1,957,503	\$38,231	\$9,311	\$31,920	\$44	\$1,612	\$2,038,621
Loss ratio	0.16%	0.69%	0.00%	0.00%	0.00%	100.00%	
Lifetime expected credit losses	3,125	264	-	-	-	1,612	5,001
Net carrying amount	<u>\$1,954,378</u>	<u>\$37,967</u>	<u>\$9,311</u>	<u>\$31,920</u>	<u>\$44</u>	<u>\$-</u>	<u>\$2,033,620</u>

The movement in the provision for impairment of trade receivables during the years ended December 31, 2021 and 2020 is as follows:

	Accounts receivables
As of January 1, 2021	\$5,001
Addition/(reversal) for the current period	3,688
Write off	-
As of December 31, 2021	<u>\$8,689</u>

	Accounts receivables
As of January 1, 2020	\$4,656
Addition/(reversal) for the current period	345
Write off	-
As of December 31, 2020	<u>\$5,001</u>

(13) Leases

Company as a lessee

The Company leases various properties, including real estate such as land and buildings, and parking space. The lease terms range from 1 to 5 years. The Company is not subject to any special restrictions.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2021	2020
Buildings	<u>\$30,010</u>	<u>\$30,671</u>

During the years ended December 31, 2021 and 2020, the Company's additions to right-of-use assets amounting to \$14,734 thousand and \$21,191, respectively.

(b) Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	\$30,145	\$30,905
Current	\$15,322	\$13,674
Non-current	\$14,823	\$17,231

Please refer to Note 6(15)D. for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2021	2020
Buildings	\$15,395	\$14,057

C. Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expenses relating to variable lease payments not included in the measurement of lease liabilities	\$11,248	\$7,833

D. Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounting to \$26,970 thousand and \$22,212 thousand, respectively.

(14) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$848,590	\$848,590	\$-	\$604,098	\$604,098
Labor and health insurance	-	33,538	33,538	-	26,675	26,675
Pension	-	15,101	15,101	-	14,628	14,628
Remuneration to directors	-	23,795	23,795	-	13,338	13,338
Other employee benefits expense	-	22,075	22,075	-	20,899	20,899
Depreciation expense	-	24,325	24,325	-	21,917	21,917
Amortization expense	-	2,461	2,461	-	1,198	1,198

- i. The Company's average number of employees on December 31, 2021 and 2020, were 320 and 331 people, respectively, of which 6 people were directors, who were not concurrently employees.
- ii. The Cost of average employee benefits on December 31, 2021 and 2020, amounting to \$2,928 thousand and \$2,050 thousand, respectively. The Cost of average employee salaries on December 31, 2021 and 2020, amounting to \$2,703 thousand and \$1,859 thousand, respectively. The average of employee salaries raises to 45.37%.
- iii. In accordance with the Securities and Exchange Act, the Company established the Audit Committee to replace the supervisors. Therefore the supervisors' remuneration were \$0 on December 31, 2021 and 2020.
- iv. The Company has set up a remuneration committee to determine the performance evaluation and remuneration of directors, supervisors and managers, and regularly evaluate the remuneration of directors, supervisors and managers based on principles such as peer standards and company operating performance. Directors' remuneration is mainly based on the company's articles of association, based on the net profit before tax deducting director's remuneration and employee remuneration, and no more than 1% is allocated as directors' remuneration. The company's overall operating results and the degree of participation by each director in the company's operations are considered Reasonable remuneration. The remuneration of managers and employees includes a regular monthly salary (including principal salary and food allowance, etc.) based on personal academic experience, professional technical ability, and professional years of experience. In addition, it is based on company operating performance, personal seniority and performance. After consideration, relevant year-end bonuses, cash bonuses and performance bonuses will be issued.

According to the Articles of Incorporation, 5% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a board meeting attended by two-thirds of the total number of directors, have the profit distributed as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. If the Board of Directors subsequently modifies the estimates significantly, the Company will recognize the change as an adjustment in the profit or loss in the subsequent period. Estimated employee remuneration and directors' remuneration are recognized as expenses in the current year. If there is a significant change in the amount determined by the board meeting resolution in the following year, it will be treated according to the changes in accounting estimates and the profit and loss of the following year will be adjusted. Information on the board meeting resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 to be 7.610% of profit of the current year and 0.761% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to \$237,954 thousand and \$23,795 thousand, respectively and recognized as salaries expense. A resolution was passed at the board meeting held on February 23, 2022 to distribute \$237,954 thousand and \$23,795 thousand in cash as employees' compensation and remuneration to directors of 2021, respectively.

A resolution was passed at the board meeting held on February 24, 2021 to distribute \$129,435 thousand and \$12,944 thousand in cash as employees' compensation and remuneration to directors of 2020, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2020.

A resolution was passed at the board meeting held on March 12, 2019 to distribute \$49,731 thousand and \$4,973 thousand in cash as employees' compensation and remuneration to directors of 2019, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2019.

(15) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	<u>\$8,503</u>	<u>\$12,009</u>

B. Other income

	For the years ended December 31,	
	2021	2020
Other income - others	<u>\$111,510</u>	<u>\$84,963</u>

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Gains on disposal of property, plant and equipment	\$20	\$-
Foreign exchange losses, net	<u>(41,279)</u>	<u>(48,913)</u>
Total	<u>\$(41,259)</u>	<u>\$(48,913)</u>

D. Finance costs

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	<u>\$235</u>	<u>\$312</u>

(16) Components of other comprehensive income

For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Losses on remeasurements of defined benefit plans	\$(3,287)	\$-	\$(3,287)	\$657	\$(2,630)
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(109,101)	-	(109,101)	-	(109,101)
Total	<u>\$(112,388)</u>	<u>\$-</u>	<u>\$(112,388)</u>	<u>\$657</u>	<u>\$(111,731)</u>

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Losses on remeasurements of defined benefit plans	\$(7,364)	\$-	\$(7,364)	\$1,473	\$(5,891)
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(193,321)	-	(193,321)	-	(193,321)
Total	<u>\$(200,685)</u>	<u>\$-</u>	<u>\$(200,685)</u>	<u>\$1,473</u>	<u>\$(199,212)</u>

(17) Income tax

The major components of income tax expense for the years ended December 31, 2021 and 2020 are as follows:

Income tax expense recognized in profit or loss

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax expense (income):		
Current income tax charge	\$488,138	\$215,202
Adjustments in respect of current income tax of prior periods	(102)	(10,918)
Deferred tax expense:		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(3,982)	(8,899)
Total income tax expense	<u>\$484,054</u>	<u>\$195,385</u>

Income tax relating to components of other comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Deferred tax expense:		
Profit or losses of defined benefits plan	\$(657)	\$(1,473)
Income tax relating to components of other comprehensive income	<u>\$(657)</u>	<u>\$(1,473)</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Accounting profit before tax from continuing operations	<u>\$2,856,114</u>	<u>\$1,558,477</u>
Tax at the domestic rates applicable to profits in the country concerned	\$573,023	\$311,695
Tax effect of revenues exempt from taxation	(65,799)	(82,338)
Income tax impact of research and development deduction	(26,745)	(23,581)
Corporate income surtax on undistributed retained earnings	3,126	-
Adjustments in respect of current income tax of prior periods	(102)	(10,918)
Other	551	527
Total income tax expense recognized in profit or loss	<u>\$484,054</u>	<u>\$195,385</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized gains (losses) on foreign exchange	\$(228)	\$1,866	\$-	\$-	\$1,638
Unrealized intracompany profits and losses	26,662	(4,896)	-	-	21,766
Inventory valuation and obsolescence loss	8,174	6,835	-	-	15,009
Net defined benefit liabilities-non current	7,571	177	657	-	8,405
Other payables (non-leave bonus, etc.)	867	-	-	-	867
Deferred tax income(expense)		<u>\$3,982</u>	<u>\$657</u>	<u>\$-</u>	
Net deferred tax assets(liabilities)	<u>\$43,046</u>				<u>\$47,685</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$43,274</u>				<u>\$47,685</u>
Deferred tax liabilities	<u>\$(228)</u>				<u>\$-</u>

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized gains (losses) on foreign exchange	\$2,453	\$(2,681)	\$-	\$-	\$(228)
Unrealized intracompany profits and losses	16,291	10,371	-	-	26,662
Inventory valuation and obsolescence loss	7,147	1,027	-	-	8,174
Net defined benefit liabilities-non current	5,916	182	1,473	-	7,571
Other payables (non-leave bonus, etc.)	867	-	-	-	867
Deferred tax income(expense)		<u>\$8,899</u>	<u>\$1,473</u>	<u>\$-</u>	
Net deferred tax assets(liabilities)	<u>\$32,674</u>				<u>\$43,046</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$32,674</u>				<u>\$43,274</u>
Deferred tax liabilities	<u>\$-</u>				<u>\$(228)</u>

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2021 and 2020, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to \$2,970,228 thousand and \$2,862,904 thousand, respectively.

The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns	Notes
The Company	Assessed and approved up to 2019	None

(18) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2021	2020
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand \$)	\$2,381,060	\$1,363,092
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	121,049	120,642
Basic earnings per share (\$)	\$19.67	\$11.30
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand \$)	\$2,381,060	\$1,363,092
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	121,049	120,642
Effect of dilution:		
Employee compensation — stock (in thousands)	846	830
Weighted average number of ordinary shares outstanding after dilution (in thousands)	121,895	121,472
Diluted earnings per share (\$)	\$19.53	\$11.22

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
PEGATRON Corporation	The parent company
ASIAROCK TECHNOLOGY LIMITED	The Company's subsidiary
ASRock Europe B.V.	The Company's subsidiary
ASRock America, Inc.	The Company's subsidiary
ASROCK RACK INCORPORATION	The Company's subsidiary
ASRock Industrial Computer Corporation	The Company's subsidiary
ASJade Technology Inc.	The Company's subsidiary
AS FLY TRAVEL SERVICE CO.	Substantive related party

Significant transactions with the related parties

(a) Sales

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries		
ASRock America, Inc.	\$3,731,808	\$4,066,728
ASRock Europe B.V.	3,896,085	3,388,098
Others	161,971	27,219
Total	<u>\$7,789,864</u>	<u>\$7,482,045</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for related parties sales was O/A 45~90 days. The collection period for non-related parties sales were TT or 30~90 days. The outstanding balance at December 31, 2021 and 2020 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) Purchases

	For the years ended December 31,	
	2021	2020
Parent Company	\$8	\$-
Subsidiaries		
ASIAROCK TECHNOLOGY LIMITED	10,335,480	10,838,232
Others	41,891	3,829
Total	<u>\$10,377,379</u>	<u>\$10,842,061</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are TT or 30~90 days.

(c) Accounts receivable - related parties

	As of December 31,	
	2021	2020
Subsidiaries		
ASRock America, Inc.	\$767,816	\$1,442,790
Others	111,317	149,221
Total	<u>\$879,133</u>	<u>\$1,592,011</u>

(d) Prepayments

	As of December 31,	
	2021	2020
Parent Company	\$1,520	\$2,149
Subsidiaries		
ASIAROCK TECHNOLOGY LIMITED	733,600	-
Total	<u>\$735,120</u>	<u>\$2,149</u>

(e) Other current assets

	As of December 31,	
	2021	2020
Subsidiaries		
ASIAROCK TECHNOLOGY LIMITED	\$8,439	\$-
ASROCK RACK INCORPORATION	14,882	14,744
ASRock Industrial Computer Corporation	7,211	4,884
Others	2,487	617
Total	<u>\$33,019</u>	<u>\$20,245</u>

(f) Accounts payable - related parties

	As of December 31,	
	2021	2020
Subsidiaries		
ASIAROCK TECHNOLOGY LIMITED	\$490,723	\$2,188,109
Others	37,247	-
Total	<u>\$527,970</u>	<u>\$2,188,109</u>

(g) Other payables

	As of December 31,	
	2021	2020
Parent Company		
PEGATRON Corporation	\$26,888	\$1,952
Subsidiaries	3,973	906
Total	<u>\$30,861</u>	<u>\$2,858</u>

(h) Other current liabilities

	As of December 31,	
	2021	2020
Parent Company	\$3	\$3
Subsidiaries		
ASIAROCK TECHNOLOGY LIMITED	37,875	-
ASRock America, Inc.	81,727	48,233
Total	<u>\$119,605</u>	<u>\$48,236</u>

(i) Operating expenses

	For the years ended December 31,	
	2021	2020
Parent Company	\$3,770	\$1,111
Subsidiaries		
ASRock Europe B.V.	490	1,287
Others	354	481
Other related parties	3	1,320
Total	<u>\$4,617</u>	<u>\$4,199</u>

(j) Manufacturing overhead

	For the years ended December 31,	
	2021	2020
Parent Company		
PEGATRON Corporation	<u>\$32,714</u>	<u>\$-</u>

(k) Other revenue

	For the years ended December 31,	
	2021	2020
Subsidiaries		
ASROCK RACK INCORPORATION	\$48,000	\$54,254
ASRock Industrial Computer Corporation	18,171	14,506
Others	16,916	12,018
Total	<u>\$83,087</u>	<u>\$80,778</u>

(l) Property transaction

Acquisition of intangible assets:

	Asset Name	For the years ended December 31,	
		2021	2020
Parent Company	Computer software	<u>\$743</u>	<u>\$749</u>

The Company's purchase price of computer software from the parent company was negotiated by both parties referencing the market price.

Sale of fixed assets:

For the year ended December 31, 2021:

None.

For the year ended December 31, 2020:

Related Parties	Asset Name	Sale Price	Gain(Loss) of Disposal
Subsidiaries	Machinery equipment	<u>\$11,196</u>	<u>\$-</u>

(m) Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$107,084	\$61,013
Post-employment benefits	676	620
Share-based payment	6,775	3,913
Total	<u>\$114,535</u>	<u>\$65,546</u>

8. Assets pledged as security

None.

9. Significant contingencies and unrecognized contractual commitments

(1) Reversible Connections Inc. ("Reversible") filed a patent infringement lawsuit against ASRock America, Inc., a subsidiary of the Company, in 2017, claiming that ASRock America, Inc. infringed its '825 patent on several products sold in the United States. The Company denied these allegations and defended the case strongly. A lawyer has been appointed to cooperate with the court in the trial. The Company's operations, finances, and business remained normal and were not affected by the case.

(2) As of December 31, 2021, the Company recorded customs duties of \$10,000 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2021	2020
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	\$1,030,820	\$1,507,927
Financial assets measured at amortized cost	860,000	486,206
Trade receivables	1,699,759	2,033,620
Other receivables	39,976	20,119
Total	<u>\$3,630,555</u>	<u>\$4,047,872</u>

Financial liabilities

	As of December 31,	
	2021	2020
Financial liabilities measured at amortized cost:		
Accounts payables	\$600,357	\$2,205,944
Lease liabilities	30,145	30,905
Other payables	691,173	410,447
Total	<u>\$1,321,675</u>	<u>\$2,647,296</u>

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by \$16,222 thousand and \$13,182 thousand, respectively, the equity is decreased/increased by \$38,186 thousand and \$37,520 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash in banks and time deposit at variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period. At the reporting date, a change of 25 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2021 and 2020 to increase /decrease by \$4,449 thousand and \$2,311 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss.

The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2021 and 2020, trade receivables from top ten customers represent 79.53% and 93.18% of the total trade receivables of the Company, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

The Company adopted IFRS 9 to assess the expected credit losses. The Company measures the loss allowance of its trade receivables at an amount equal to life time expected credit losses, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery. (the issuer or the debtor is in financial difficulties or bankruptcy)

When the credit risk on debt instrument investment has increased, the Company will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2021					
Accounts payables	\$600,357	\$-	\$-	\$-	\$600,357
Lease liabilities	15,505	8,813	6,229	-	30,547
Other payables	691,173	-	-	-	691,173
As of December 31, 2020					
Accounts payables	\$2,205,944	\$-	\$-	\$-	\$2,205,944
Lease liabilities	13,894	7,958	6,795	2,831	31,478
Other payables	410,447	-	-	-	410,447

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2021:

	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	\$30,905	\$30,905
Cash flows	(15,722)	(15,722)
Non-cash change	14,962	14,962
As of December 31, 2021	<u>\$30,145</u>	<u>\$30,145</u>

Reconciliation of liabilities for the year ended December 31, 2020:

	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$23,781	\$23,781
Cash flows	(14,379)	(14,379)
Non-cash change	21,503	21,503
As of December 31, 2020	<u>\$30,905</u>	<u>\$30,905</u>

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2021		
	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$81,086	27.6830	\$2,244,704
<u>Financial liabilities</u>			
Monetary items:			
USD	22,488	27.6830	622,535
	As of December 31, 2020		
	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$124,213	28.4965	\$3,539,649
<u>Financial liabilities</u>			
Monetary items:			
USD	77,955	28.4965	2,221,454

Since there were various functional currencies used within the subsidiaries of the Company, the Company was unable to disclose foreign exchange gains or losses towards each foreign currency with significant impact. The realized and unrealized foreign exchange losses was \$41,279 thousand and \$48,913 thousand for the years ended December 31, 2021 and 2020, respectively.

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.

C. Securities held at the end of the period: None.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20 percent of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20 percent of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20 percent of the capital stock: None.

G. Related party transactions for purchases and sales amounts exceeding the lower of \$100 million or 20 percent of the capital stock: Please refer to Attachment 2.

H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20 percent of capital stock: Please refer to Attachment 3.

I. Financial instruments and derivative transactions: None.

J. Others: Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between term: Please refer to Attachment 4.

(2) Information on investees

Of the investee company directly or indirectly has significant influence or control over, their investee companies' information: Please refer to Attachment 5.

(3) Investment in Mainland China:

None.

(4) Information of major shareholder:

Name of major shareholder	Shares	Number of shares held (shares)	Shareholding ratio (%)
ASUS INVESTMENT CO., LTD.		57,217,754	46.54%
ASUSTEK INVESTMENT CO., LTD.		7,453,405	6.06%
HONGHUNG INVESTMENT LIMITED		6,526,897	5.30%

ATTACHMENT 1 Endorsement/Guarantee provided to others

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(Unit : thousands of NTD)

No (Note1)	Endorsements/Guarantees Provider	Guaranteed Party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (Note3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amounts of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed(Note4)	Endorsement Provided by Parent Company to Subsidiaries	Endorsement Provided by Subsidiaries to parent company	Endorsement Provided to entities in China
		Name	Nature of Relationship (Note2)										
0	ASROCK INC.	ASIAROCK TECHNOLOGY LIMITED	(2)	\$5,789,798	\$2,224,360	\$2,214,640	\$1,660,980	-	26.78%	\$5,789,798	Y	N	N

Note 1 : The numbers filled in for the endorsements/guarantees provided by the group or subsidiaries are as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note 2 : The following code represents the relationship with the company:

(1) A company with which it does business.

(2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3 : The amount of endorsements/guarantees for any single entity 100% holding company of shall not exceed 70% of net worth of endorser/guarantor.

Note 4 : The amount of endorsements/guarantees collateralized by properties shall not exceed 70% of net worth of endorser/guarantor.

Note 5 : If the original currency amount in the above is foreign currency, it is converted into New Taiwan Dollars in December 31, 2021 financial report exchange rate, and the spot exchange rate of December 31, 2021 is USD/NTD 27.6830.

ATTACHMENT 2 Related Party Transactions for Purchases and Sales amounts exceeding the lower of \$100 million or 20 percent of the Capital Stock
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(Unit : thousands of NTD)

Purchases/Sales Company Name	Counter-Party	Relationship (Note4)	Transactions Details				Details of Non-arm's Length Transactions(Note1)		Notes and Accounts Receivable (Payable)		Remark (Note2)
			Purchases (Sales)	Amount	Percentage of Total Purchases(Sales)	Terms	Unit Price	Terms	Balance	Percentage of Total Receivable (Payable)	
ASROCK INC.	ASRock Europe B.V.	1	(Sales)	\$(3,896,085)	(26.80%)	45 days	Same as other clients	Same as other clients	\$59,480	3.48%	
"	ASRock America, Inc	1	(Sales)	\$(3,731,808)	(25.67%)	90 days	Same as other clients	Same as other clients	767,816	44.94%	
ASIAROCK TECHNOLOGT LIMITED	ASROCK INC.	2	(Sales)	(10,345,855)	(73.30%)	60 days	Same as other clients	Same as other clients	543,189	61.29%	
"	ASROCK RACK INCORPORATION	3	(Sales)	(2,032,823)	(14.40%)	60 days	Same as other clients	Same as other clients	102,159	11.53%	
"	ASRock Industrial Computer Corporation	3	(Sales)	(337,206)	(2.39%)	60 days	Same as other clients	Same as other clients	99,914	11.27%	
ASROCK RACK INCORPORATION	ASRock Europe B.V.	3	(Sales)	(159,217)	(5.03%)	60 days	Same as other clients	Same as other clients	28,321	5.77%	
"	ASRock America, Inc	3	(Sales)	(352,551)	(11.14%)	90 days	Same as other clients	Same as other clients	121,325	24.73%	
ASRock Industrial Computer Corporation	ASRock Europe B.V.	3	(Sales)	(168,933)	(13.60%)	60 days	Same as other clients	Same as other clients	9,435	8.33%	

Note 1: If the related party's transaction terms are different from the general transaction terms, the unit price and credit period column should state the difference and the reason.

Note 2: If there is any receipt (payment) in advance, the reason, contractual terms, amount, and differences from the general transaction type should be stated in the remarks column.

Note 3: The paid-in capital shall refer to the paid-in capital of the parent company. If securities issuers issued no-par value stocks or stocks with par value that are not TWD10 per share, the criteria shall be 10% of the amount attributable to parent company's equity.

Note 4: The following lists the three types of intercompany transactions (any transaction between parent company and subsidiary or between subsidiaries is disclosed as one transaction by either transaction counterparty.)

- (1) Transactions from parent company to subsidiary is "1".
- (2) Transactions from subsidiary to parent company is "2".
- (3) Transactions between subsidiaries is "3".

ATTACHMENT 3 Receivables from Related Parties with amounts exceeding the lower of \$100 million or 20 percent of Capital Stock

(Unit : thousands of NTD)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Company	Counter-party	Relationship (Note3)	Ending Balance(Note1)	Turnover	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Collection		
ASROCK INC.	ASRock America, Inc.	1	\$767,816	3.38	\$-	-	\$100,904	-
ASIAROCK TECHNOLOGY LIMITED	ASROCK INC.	2	543,189	7.11	-	-	378,577	-
"	ASROCK RACK INCORPORATION	3	102,159	6.43	-	-	367	-
ASROCK RACK INCORPORATION	ASRock America, Inc	3	121,325	3.40	-	-	-	-

Note 1: Please fill in separately according to accounts receivable, bills, other receivables... etc.

Note 2: The paid-in capital shall refer to the paid-in capital of the parent company. If securities issuers issued no-par value stocks or stocks with par value that are not TWD10 per share, the criteria shall be 10% of the amount attributable to parent company's equity.

Note 3: The following lists the three types of intercompany transactions (any transaction between parent company and subsidiary or between subsidiaries is disclosed as one transaction by either transaction counterparty)

(1) Transactions from parent company to subsidiary is "1".

(2) Transactions from subsidiary to parent company is "2".

(3) Transactions between subsidiaries is "3".

ATTACHMENT 4 Business Relationship between the Parent and the Subsidiaries and between each Subsidiary, and the circumstances and accounts of any significant transactions between term
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(Unit : thousands of NTD)

No. (Note1)	Company	Counter-Party	Relationship (Note2)	Transaction Details			
				Account	Amount (Note4)	Terms	Percentage of consolidated total operating revenues or total assets(Note3)
0	ASROCK INC.	ASRock Europe B.V.	1	Sales Accounts receivable	\$3,896,085 59,480	Same as other clients 45 days	19.71% 0.37%
"	"	ASRock America, Inc	1	Sales Accounts receivable	3,731,808 767,816	Same as other clients 90 days	18.88% 4.83%
1	ASIAROCK TECHNOLOGY LIMITED	ASROCK INC.	2	Sales Accounts receivable	10,345,855 543,189	Same as other clients 60 days	52.35% 3.42%
"	"	ASROCK RACK INCORPORATION	3	Sales Accounts receivable	2,032,823 102,159	Same as other clients 60 days	10.29% 0.64%
"	"	ASRock Industrial Computer Corporation	3	Sales Accounts receivable	337,206 99,914	Same as other clients 60 days	1.71% 0.63%
2	ASROCK RACK INCORPORATION	ASRock Europe B.V.	3	Sales Accounts receivable	159,217 28,321	Same as other clients 60 days	0.81% 0.18%
"	"	ASRock America, Inc	3	Sales Accounts receivable	325,551 121,325	Same as other clients 90 days	1.78% 0.76%
3	ASRock Industrial Computer Corporation	ASRock Europe B.V.	3	Sales Accounts receivable	168,933 9,435	Same as other clients 60 days	0.85% 0.06%

Note 1: The Company and its subsidiaries are coded as follows:

- 1.The Company is coded "0".
- 2.Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: The following lists the three types of intercompany transactions (any transaction between parent company and subsidiary or between subsidiaries is disclosed as one transaction by either transaction counterparty.)

- (1) Transactions from parent company to subsidiary is "1".
- (2) Transactions from subsidiary to parent company is "2".
- (3) Transactions between subsidiaries is "3".

Note 3: The percentage is determined by the ratio of the transaction amount to the consolidated revenues or the total assets. Items on the balance sheet are calculated by the ending balance to total consolidated assets; items on the income statement are calculated by their midterm cumulative balance to the total consolidated income.

Note 4: The disclosure of significant intercompany transactions in this attachment is determined by the company based on the materiality.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor company (Note 2(1))	Investee company (Note1,2(1))	Location (Note 2(1))	Main business item (Note 2(1))	Initial Investment (Note 2(1))		Investment as of December 31, 2021 (Note 2(1))			Investee company	Net	Remark
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value	Net income(loss) of investee company(Note2(2))	Investment income (loss) recognized(Note2(3))	
ASROCK INC.	ASROCK RACK INCORPORATION	Taiwan	Manufacture and sale of computers and peripheral	\$291,278	\$291,278	27,296,220 (Note4)	59.67% (Note4)	\$418,174	\$66,691	\$40,001	
"	ASIAROCK TECHNOLOGY LIMITED	British Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,599,438 (Note3)	107,324	118,768	
"	LEADER INSIGHT HOLDINGS LTD.	British Virgin Islands	Investment holding	71,559	71,559	2,100,000	100.00%	102,306	68,350	68,350	
"	ASRock Industrial Computer Corporation	Taiwan	Manufacture and sale of computers and peripheral	239,683	239,683	23,895,700	65.83% (Note5)	399,697	156,396	103,708	
"	ASJade Technology Inc.	Taiwan	Service of computer software	103,125	-	8,250,000	78.57%	101,294	(2,331)	(1,831)	
"	SOARING ASIA LIMITED	Hong Kong	International trade	HKD 150,000	HKD 150,000	150,000	100.00%	533	-	-	
	Total									<u>\$328,996</u>	
ASIAROCK TECHNOLOGY LIMITED	ASRock Europe B.V.	Netherlands	Data storage and sales of electronic materials and international trade	USD 194,000	USD 194,000	200,000	100.00%	USD 24,109,980	USD 3,858,554	USD 3,858,554	
"	CALROCK HOLDINGS, LLC	USA	Rent office building	USD 2,000,000	USD 2,000,000	2,000,000	100.00%	USD 2,153,327	(USD 40,439)	(USD 40,439)	
"	Orbweb Inc. (BVI)	British Virgin Islands	Computer equipment installation and peripheral equipment wholesale and service	USD 1,000,000	USD 1,000,000	4,000,000	27.59%	-	(USD 95,788)	-	
LEADER INSIGHT HOLDINGS LTD.	FIRSTPLACE INTERNATIONAL LTD.	British Virgin Islands	Investment holding	USD 2,050,000	USD 2,050,000	2,050,000	100.00%	USD 3,694,081	USD 2,441,303	USD 2,441,303	
FIRSTPLACE INTERNATIONAL LTD.	ASRock America, Inc.	USA	Data storage and sales of electronic materials and international trade	USD 2,000,000	USD 2,000,000	2,000,000	100.00%	USD 3,660,536	USD 2,441,292	USD 2,441,292	

Note 1: If a public offering company has a foreign holding company and uses consolidation as the main financial statement in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only disclose relevant information to the holding company.

Note 2: If it is not in the case described in Note 1, fill in according to the following regulations:

- (1) The "name of the investee company", "location", "main business item", "original investment amount" and "end-of-term shareholding situation" should be based on the company's reinvestment status and fill in the reinvestment situation of each invested company directly or indirectly controlled in order, and indicate the relationship between each invested company and the (public offering) company (if it is a subsidiary or a grandson company) in the remarks column.
- (2) In column B of "Invested Company Current Profit and Loss", the amount of current profit and loss of each invested company should be filled in.
- (3) In column B of "Investment Profits and Losses Recognized in the Current Period", only the amount of profit and loss of the subsidiaries recognized by the (public offering) company for direct reinvestment and each invested company evaluated by the equity method is required. When filling in the "recognition of the current profit and loss amount of each subsidiary for direct reinvestment", it should be confirmed that the current profit and loss amount of each subsidiary has included the investment profit and loss that should be recognized for its reinvestment in accordance with the regulations.

Note 3: Book value = net equity \$3,708,273 thousand + deferred credit \$(108,835) thousand.

Note 4: The employee stock option was offered by ASROCK RACK INCORPORATION on July 14, 2021. Because the Company did not subscribe the shares according to the shareholding ratio, the ownership interest in the company was reduced from 62.05% to 59.67%. In addition, stock dividends were issued on August 24, 2021, which was resolved by the board of directors' meeting on August 18, 2021. The shares of the Company increased from 19,479,035 to 27,296,220.

Note 5: The employee stock option was offered by ASRock Industrial Computer Corporation on June 11, 2021. Because the Company did not subscribe the shares according to the shareholding ratio, the ownership interest in the company was reduced from 66.96% to 65.83%.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
ASROCK INC.

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For the year ended December 31, 2021

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ASROCK INC.

1. Statement of Cash and Cash Equivalents

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

(In dollars of Foreign Currency)

Item	Description	Amount	Note
Cash on hand	Petty cash	\$480	
Cash in banks			
Current deposits		477,967	
Foreign currency current deposit	USD 15,927,014	440,907	Exchange rate : 27.6830
	CNY 161,148	700	Exchange rate : 4.3420
Check deposit		514	
Total		920,088	
Time deposits			
Taipeifubon Commercial Bank			
USD 1,000,000	(110.12.22-111.01.06 , Rate 0.20% , Fixed Rate)	27,683	Exchange rate : 27.6830
Mega Bank			
USD 3,000,000	(110.12.30-111.01.13 , Rate 0.14% , Fixed rate)	83,049	
Subtotal		110,732	
Total		\$1,031,300	

ASROCK INC.

2. Statement of Financial Assets Measured at Amortized Cost-Current

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

(In dollars of Foreign Currency)

Item	Description	Quantity	Par Value	Amount	Interest Rate	Accumulated Impairment Loss	Note
Time deposit-Current							
Land Bank of Taiwan							
	110.07.15-111.07.14	20	\$2,500	\$50,000	Rate 0.700% , Floating rate	\$-	
	110.07.29-111.07.14	12	2,500	30,000	Rate 0.700% , Floating rate	-	
	110.08.05-111.07.14	28	2,500	70,000	Rate 0.700% , Floating rate	-	
	110.08.19-111.07.14	24	2,500	60,000	Rate 0.700% , Floating rate	-	
	110.08.26-111.07.14	36	2,500	90,000	Rate 0.700% , Floating rate	-	
	110.09.02-111.07.14	8	2,500	20,000	Rate 0.700% , Floating rate	-	
	110.09.23-111.07.14	8	2,500	20,000	Rate 0.700% , Floating rate	-	
	110.09.30-111.07.14	8	2,500	20,000	Rate 0.700% , Floating rate	-	
	110.04.08-111.04.14	12	2,500	30,000	Rate 0.815% , Floating rate	-	
	110.04.15-111.04.21	12	2,500	30,000	Rate 0.815% , Floating rate	-	
	110.04.22-111.04.28	16	2,500	40,000	Rate 0.815% , Floating rate	-	
	110.04.29-111.05.05	16	2,500	40,000	Rate 0.815% , Floating rate	-	
	110.05.20-111.07.14	16	2,500	40,000	Rate 0.815% , Floating rate	-	
	110.05.27-111.07.14	16	2,500	40,000	Rate 0.815% , Floating rate	-	
	110.06.03-111.07.14	16	2,500	40,000	Rate 0.815% , Floating rate	-	
	110.06.10-111.07.14	16	2,500	40,000	Rate 0.815% , Floating rate	-	
	110.06.17-111.07.14	16	2,500	40,000	Rate 0.815% , Floating rate	-	
	110.06.24-111.07.14	28	2,500	70,000	Rate 0.815% , Floating rate	-	
	110.07.01-111.07.14	16	2,500	40,000	Rate 0.815% , Floating rate	-	
	110.07.08-111.07.14	20	2,500	50,000	Rate 0.815% , Floating rate	-	
Total				<u>\$860,000</u>			

ASROCK INC.

3. Statetment of Accounts Receivable, net

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
<u>Non-related parties</u>			
Client A	Payments for Sellings Goods	\$162,975	
Client B	"	120,161	
Client C	"	53,826	
Others	The amount of individual client included in others does not exceed 5% of the account balance.	492,353	
Subtotal		829,315	
Less: loss allowance		(8,689)	
Net		820,626	
<u>Related parties</u>			
ASRock America Inc.	Payments for Sellings Goods	767,816	
ASRock Europe B.V.	"	59,480	
ASIAROCK TECHNOLOGY LIMITED	"	47,497	
ASROCK RACK INCORPORATION	"	4,133	
ASRock Industrial Computer Corporation	"	207	
Subtotal		879,133	
Less: loss allowance		-	
Net		879,133	
Total		<u>\$1,699,759</u>	

ASROCK INC.

4. Statement of Inventories, net

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Merchandise		\$888,944	\$1,132,792	1. Inventories were not pledged.
Work in progress		410,203	411,656	2. Inventories are valued at lower
Raw materials	Replace of components	158,255	324,317	of cost or net realizable value
	after-sales service			item by item.
Finished goods		5,501	5,501	
Subtotal		1,462,903	\$1,874,266	
Less: allowance for inventory		(75,040)		
obsolescence valuation losses				
Net		\$1,387,863		

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

5. Statement of Prepayments

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Overpaid sales tax		\$95,085	
Other prepaid expense	Prepaid insurance etc.	8,903	
Supplies inventory		1,642	
Prepayments to suppliers	Prepaid for purchase of materials etc.	734,291	
Total		<u>\$839,921</u>	

ASROCK INC.

6. Statement of Other Current Assets

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other receivables	Interest income and other income in receivable	\$39,976	
Temporary payments	Prepaid for association fee and meal expense etc.	12,322	
Payment on behalf of others	Prepaid for rents, expense for administration and utilities etc.	1,355	
Total		<u>\$53,653</u>	

ASROCK INC.

7. Statement of Changes in Investments Accounted for Using Equity Method

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2021		Additions		Decrease		As of December 31, 2021			Fair Value/Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price \$	Total amount		
<u>Investments Accounted for Using Equity Method</u>													
ASROCK RACK INCORPORATION	19,479,035	\$387,739	7,817,185	\$45,251 (Note 1)	-	\$(14,816) (Note 2)	27,296,220	59.67%	\$418,174	\$15.32	\$418,174	None	
ASIA ROCK TECHNOLOGY LIMITED	40,000,000	3,563,486	-	143,246 (Note 3)	-	(107,294) (Note 4)	40,000,000	100.00%	3,599,438	89.99	3,599,438	None	
LEADER INSIGHT HOLDINGS LIMITED	2,100,000	35,743	-	68,350 (Note 5)	-	(1,787) (Note 6)	2,100,000	100.00%	102,306	48.72	102,306	None	
ASRock Industrial Computer Corporation	23,875,700	344,649	-	103,708 (Note 7)	-	(48,660) (Note 8)	23,875,700	65.83%	399,697	16.74	399,697	None	
ASJade Technology Inc.	-	-	8,250,000	103,125 (Note 9)	-	(1,831) (Note 10)	8,250,000	78.57%	101,294	12.28	101,294	None	
SOARING ASIA LIMITED	150,000	552	-	-	-	(19) (Note 11)	150,000	100.00%	533	35.53	533	None	
Total		<u>\$4,332,169</u>		<u>\$463,680</u>		<u>\$(174,407)</u>			<u>\$4,621,442</u>				

Note 1: Recognize in investment gain according to the equity method by \$40,001. Recognize in capital surplus according to the equity method by \$5,250 .

Note 2: Recognize the distribution of cash dividends by \$14,816.

Note 3: Recognize in investment gains according to the equity method by \$118,767 and unrealized intercompany profit is \$24,479.

Note 4: The cumulative translation adjustment is \$107,294.

Note 5: Recognize in investment gains according to the equity method by \$68,350.

Note 6: The cumulative translation adjustment is \$1,787.

Note 7: Recognize in investment gain according to the equity method by \$103,708.

Note 8: Recognize the distribution of cash dividends by \$46,984. Recognize in capital surplus according to the equity method by \$1,676.

Note 9: Recognize in investment of subsidiaries by \$103,125.

Note 10: Recognize in investment loss according to the equity method by \$1,831.

Note 11: The cumulative translation adjustment is \$19.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

8. Statement of Changes in Right-of-Use Assets

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2021	Additions	Decrease	As of December 31, 2021	Note
Item A	\$9,027	\$-	\$-	\$9,027	
Item B	22,314	-	-	22,314	
Item C	4,056	-	399	3,657	
Item D	21,191	-	-	21,191	
Item E	-	15,133	-	15,133	
Total	<u>\$56,588</u>	<u>\$15,133</u>	<u>\$399</u>	<u>\$71,322</u>	

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ASROCK INC.

9. Statement of Changes in Accumulated Depreciation of Right-of-Use Assets

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2021	Additions	Decrease	As of December 31, 2021	Note
Item A	\$9,027	\$-	\$-	\$9,027	The increase in the current period is all depreciation expense and the straight - line method is used.
Item B	13,017	9,298	-	22,315	
Item C	1,947	903	-	2,850	
Item D	1,926	3,302	-	5,228	
Item E	-	1,892	-	1,892	
Total	<u>\$25,917</u>	<u>\$15,395</u>	<u>\$-</u>	<u>\$41,312</u>	

ASROCK INC.

10. Statement of Other Non-Current Assets

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
<u>Guarantee deposits paid</u>			
Item A	Rents deposit for vehicle	\$5,220	
Item B	Rents deposit for office	4,701	
Item C	Rents deposit for vehicle	1,380	
Item D	Rents deposit for vehicle	880	
Item E	Rents deposit for vehicle	860	
Others	The amount of individual item does not exceed 5% of the account balance.	956	
Total		<u>\$13,997</u>	

ASROCK INC.

11. Statement of Accounts Payable

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Note
<u>Non-related parties</u>			
Vendor A	Payments for buying goods	\$30,141	
Vendor B	"	11,336	
Vendor C	"	5,594	
Vendor D	"	5,431	
Vendor E	"	5,233	
Others	The amount of individual vendor does not exceed 5% of the account balance.	14,652	
Subtotal		72,387	
<u>Related parties</u>			
ASIAROCK TECHNOLOGY LIMITED	Payments for buying goods	490,723	
ASROCK RACK INCORPORATION	"	35,109	
Others	The amount of individual vendor does not exceed 5% of the account balance.	2,138	
Subtotal		527,970	
Total		\$600,357	

ASROCK INC.

12. Statement of Other Payables

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued payroll		\$269,848	
Accrued employees' compensation and compensation payable to directors		261,749	
Freight payable		55,034	
Others	The amount of individual item does not exceed 5% of the account balance.	104,542	
Total		<u>\$691,173</u>	

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ASROCK INC.

13. Statement of Lease Liabilities

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Period	Discount rate	As of December 31, 2021	Note
<u>Lease Liabilities - Current</u>					
Item C	Buildings	107.05.01-112.02.28	1.20%	\$703	
Item D	Buildings	109.06.01-115.10.31	0.90%	3,269	
Item E	Buildings	110.11.01-112.02.28	0.69%	11,350	
Subtotal				15,322	
<u>Lease Liabilities - Non-current</u>					
Item C	Buildings	107.05.01-112.02.28	1.20%	118	
Item D	Buildings	109.06.01-115.10.31	0.90%	12,806	
Item E	Buildings	110.11.01-112.02.28	0.69%	1,899	
Subtotal				14,823	
Total				\$30,145	

ASROCK INC.

14. Statement of Other Current Liabilities

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Contract liabilities		\$347,268	
Refund liability		181,791	
Others	The amount of individual item does not exceed 5% of the account balance.	2,428	
Total		<u>\$531,487</u>	

ASROCK INC.

15. Statement of Other Non-Current Liabilities

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Net defined benefit liabilities	According to IAS19 provision for net defined benefit liability	\$42,028	
Total		<u>\$42,028</u>	

For the Year Ended December 31, 2021

[illegible]

ASROCK INC.

17. Statement of Operating Costs

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Raw materials, beginning of year	\$18,345	
Add: Raw materials purchased	1,342,340	
Less: Ending balance	(158,255)	
Transferred to sales	(1,201,933)	
Others	(497)	
Raw materials used	-	
Add: Merchandise, beginning of year	1,389,892	
Merchandise purchased	9,452,433	
Raw materials transferred to sales	1,201,932	
Other	505	
Less: Merchandise, ending of year	(1,304,648)	
Inventories transferred to expense	(20,439)	
Other	(109)	
Cost of merchandise sold	10,719,566	
Add: Others	66,937	
Add: Loss from inventory obsolescence valuation loss	34,173	
	<u>\$10,820,676</u>	
Total		

ASROCK INC.

18. Statement of Sales and marketing Expenses

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries		\$163,087	The amount of individual item included in others does not exceed 5% of the sales and marketing expenses.
Advertisement		96,940	
Shipping		45,972	
Others		64,006	
Total		<u>\$370,005</u>	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

19. Statement of General and Administrative Expenses

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries		\$171,431	The amount of individual item included in others does not exceed 5% of the general and administrative expenses.
Board Compensation		23,795	
Others		48,711	
Total		<u>\$243,937</u>	

ASROCK INC.

20. Statement of Research and Development Expenses

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries		\$514,072	The amount of individual item included in others does not exceed 5% of the research and development expenses.
Material Consumption		37,595	
Others		112,159	
Total		<u>\$663,826</u>	

Declaration

Since the companies to be included in the consolidated financial statements 2021 (from January 1 to December 31, 2021) under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical with the companies for inclusion in the consolidated financial statements of parent company and subsidiaries under IFRS 10. The information presented in the consolidated financial statements of affiliates has also been disclosed in the aforementioned consolidated financial statements of parent company and subsidiaries, the Company, therefore, will not prepare the consolidated financial statements of affiliates separately.

Your attention is appreciated

Company Name: ASRock Incorporation

Legal Representative: Hsu-Tien, Tung

Feb. 23, 2022

Independent Auditors' Report Translated from Chinese

To ASROCK INC.

Opinion

We have audited the accompanying consolidated balance sheets of ASROCK INC.(the “Company”) and its subsidiaries (collectively the “Group”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory valuation

The net carrying value of inventory as of December 31, 2021 for ASROCK INC. and its subsidiaries amounted to \$9,719,405 thousand, which accounted for 61% of total assets and was significant to the consolidated financial statements. The Group's main business, the sale of motherboard products, are affected by market demand and changes. The management measured allowance for inventory obsolescence valuation losses based on market demands. The valuation involved management's significant judgement, we have therefore determined valuation on inventory a key audit matter. The audit procedures we performed regarding inventories valuation included but not limited to, understanding the program of estimating the allowance for inventory valuation, testing the effectiveness of relevant control. For the raw material and products, we selected samples and checked related certificates, to confirm the correctness of net realizable value that management used. In addition, we obtained and reviewed the full-year purchase and sales details of raw materials and products. For raw materials that are not frequently used and products with low sales volume, we referred to industry information and management to discuss the reasonableness of allowance for inventory valuation and obsolescence losses. We also considered the appropriateness of disclosure of inventories in Notes 5 and 6 of the Company's consolidated financial statements.

Revenue recognition

The main source of revenue was from the sales of motherboard. Due to diversified pricing strategy, the orders and implied item in contracts usually included quantity discount and warranty, therefore the Company and its subsidiaries should determine the performance obligation and the timing of revenue recognition. Consequently, we considered that revenue recognition from contracts with customers is key audit matter. For revenue recognition, we have conducted audit procedures including but not limited to evaluating the design and operating effectiveness of internal controls with respect to the revenue cycle, selecting representative samples to conduct test of transactions by inspecting contracts approved by both parties, identifying the performance obligation, evaluating whether the transaction price were appropriately allocated to all the performance obligations in the contract in proportion to the stand-alone selling prices of each performance obligation, and confirming the correctness of timing when a performance obligation is satisfied. We also considered the appropriation of operating revenue disclosure in Notes 4, 5 and 6 of consolidated financial statements.

Other Matter - Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$1,612,326 thousand and \$2,106,436 thousand, constituting 10.14% and 17.98% of consolidated total assets as of December 31, 2021 and 2020, respectively, and total operating revenues of \$9,323,868 thousand and \$7,937,631 thousand, constituting 47.18% and 44.32 % of consolidated operating revenues for the years ended December 31, 2021 and 2020, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries 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 financial reporting process of the Company and its subsidiaries.

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 accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. 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 Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, 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 Company and its subsidiaries 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 2021 consolidated financial statements 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.

Other

We have audited and expressed an unqualified opinion including Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2021 and 2020.

Yang, Chih-Huei

Yu, Chien- Ju

Ernst & Young, Taiwan

February 23, 2022

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
ASROCK INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			
		December 31, 2021	%	December 31, 2020	%
Current assets					
Cash and cash equivalents	4,6(1)	\$2,213,989	14	\$2,763,147	23
Financial assets measured at amortized cost - current	4,6(2),6(11),8	1,276,355	8	778,959	6
Accounts receivable, net	4,6(3),6(11)	1,858,239	12	1,632,537	14
Accounts receivable - related parties, net	4,6(3),6(11),7	37,642	-	16,629	-
Inventories, net	4,6(4)	9,719,405	61	5,830,442	50
Other current assets	7	317,177	2	204,325	2
Total current assets		<u>15,422,807</u>	<u>97</u>	<u>11,226,039</u>	<u>95</u>
Non-current assets					
Financial assets measured at amortized cost - non-current	4,6(2),6(11),8	2,389	-	41,002	2
Property, plant and equipment	4,6(5)	241,976	2	240,208	2
Right-of-use assets	4,6(12)	90,600	-	78,416	-
Intangible assets	4,6(6),7	5,775	-	6,775	-
Deferred tax assets	4,5,6(16)	96,390	1	99,849	1
Guarantee deposits paid		22,594	-	18,652	-
Other non-current assets		11,419	-	4,870	-
Total non-current assets		<u>471,143</u>	<u>3</u>	<u>489,772</u>	<u>5</u>
Total assets		<u><u>\$15,893,950</u></u>	<u><u>100</u></u>	<u><u>\$11,715,811</u></u>	<u><u>100</u></u>

(Continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
ASROCK INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Liability and Equity	Notes	As of			
		December 31, 2021	%	December 31, 2020	%
Current liabilities					
Accounts payable		\$4,389,601	28	\$2,695,143	23
Accounts payable - related parties	7	67,237	-	34,447	1
Other payables	7	1,419,344	9	1,073,475	9
Current tax liabilities	4,5,6(16)	538,877	4	270,345	2
Lease liabilities - current	4,6(12),6(14)	42,713	-	38,123	-
Other current liabilities	7	555,828	4	214,134	2
Total current liabilities		<u>7,013,600</u>	<u>45</u>	<u>4,325,667</u>	<u>37</u>
Non-current liabilities					
Deferred tax liabilities	4,5,6(16)	1,169	-	2,222	-
Lease liabilities - non-current	4,6(12),6(14)	48,309	-	40,816	1
Net defined benefit liabilities	4,5,6(7)	42,028	-	37,854	-
Other non-current liabilities		-	-	816	-
Total non-current liabilities		<u>91,506</u>	<u>-</u>	<u>81,708</u>	<u>1</u>
Total liabilities		<u>7,105,106</u>	<u>45</u>	<u>4,407,375</u>	<u>38</u>
Equity attributable to owners of the parent company					
Capital					
Common stock	6(8)	1,229,254	8	1,206,424	10
Capital surplus	6(8),6(9),6(18)	3,332,351	21	3,134,705	27
Retained earnings					
Legal reserve	6(8)	1,345,085	8	1,209,419	10
Special reserve	6(8)	472,656	3	279,336	3
Unappropriated retained earnings	6(8),6(9),6(18)	2,628,386	17	1,544,081	13
Total retained earnings		4,446,127	28	3,032,836	26
Other components of equity	4	(736,592)	(5)	(472,657)	(4)
Non-controlling interests	6(8),6(18)	517,704	3	407,128	3
Total equity		<u>8,788,844</u>	<u>55</u>	<u>7,308,436</u>	<u>62</u>
Total liabilities and equity		<u>\$15,893,950</u>	<u>100</u>	<u>\$11,715,811</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
ASROCK INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Accounting Items	Notes	For the years ended December 31,			
		2021	%	2020	%
Operating revenues	4,5,6(10),7	\$19,762,672	100	\$17,911,584	100
Operating costs	6(4),6(6),6(7), 6(12),6(13),7	(14,198,647)	(72)	(14,059,563)	(78)
Gross profit		<u>5,564,025</u>	<u>28</u>	<u>3,852,021</u>	<u>22</u>
Operating expenses	6(6),6(7),6(9) 6(12),6(13),7				
Sales and marketing expenses		(814,882)	(4)	(634,699)	(4)
General and administrative expenses		(423,594)	(2)	(323,138)	(2)
Research and development expenses		(1,263,855)	(7)	(1,039,961)	(6)
Expected credit (losses) gains	6(11)	(3,501)	-	3,853	-
Total operating expenses		<u>(2,505,832)</u>	<u>(13)</u>	<u>(1,993,945)</u>	<u>(12)</u>
Net operating income		<u>3,058,193</u>	<u>15</u>	<u>1,858,076</u>	<u>10</u>
Non-operating income and expenses	6(14)				
Interest income		12,880	-	20,229	-
Other income		43,858	-	52,983	-
Other gains and losses		(54,163)	-	(74,609)	-
Finance costs		(802)	-	(896)	-
Total non-operating income and expenses		<u>1,773</u>	<u>-</u>	<u>(2,293)</u>	<u>-</u>
Profit from continuing operations before tax		3,059,966	15	1,855,783	10
Income tax expenses	4,5,6(16)	<u>(600,028)</u>	<u>(3)</u>	<u>(347,200)</u>	<u>(2)</u>
Profit from continuing operations		<u>2,459,938</u>	<u>12</u>	<u>1,508,583</u>	<u>8</u>
Other comprehensive income	4,6(15)				
Items that will not be reclassified subsequently to profit or loss					
Losses on remeasurements of defined benefit plans		(3,287)	-	(7,364)	-
Income tax related to items that will not be reclassified to profit or loss		657	-	1,473	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign financial statements		<u>(109,101)</u>	<u>-</u>	<u>(193,321)</u>	<u>(1)</u>
Other comprehensive income, net of tax		<u>(111,731)</u>	<u>-</u>	<u>(199,212)</u>	<u>(1)</u>
Total comprehensive income		<u><u>\$2,348,207</u></u>	<u><u>12</u></u>	<u><u>\$1,309,371</u></u>	<u><u>7</u></u>
Profit attributable to:					
Owners of the parent company		\$2,381,060		\$1,363,092	
Non-controlling interests		<u>78,878</u>		<u>145,491</u>	
		<u><u>\$2,459,938</u></u>		<u><u>\$1,508,583</u></u>	
Comprehensive income attributable to:					
Owners of the parent company		\$2,269,329		\$1,163,880	
Non-controlling interests		<u>78,878</u>		<u>145,491</u>	
		<u><u>\$2,348,207</u></u>		<u><u>\$1,309,371</u></u>	
Earnings per share(NT\$):	6(17)				
Earnings per share - basic					
Profit from continuing operations		<u>\$19.67</u>		<u>\$11.30</u>	
Earnings per share - diluted					
Profit from continuing operations		<u><u>\$19.53</u></u>		<u><u>\$11.22</u></u>	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
ASROCK INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANG IN STOCKHOLDERS' EQUITY
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent company										Non-controlling interests	Total equity
	Retained earnings					Other components of equity						
	Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Deferred compensation cost	Treasury stock	Total equity attributable to owners of the parent company			
Balance as of January 1, 2020	\$1,206,472	\$3,129,659	\$1,149,884	\$186,407	\$822,460	\$(279,336)	\$(18,202)	\$-	\$6,197,344	\$257,123	\$6,454,467	
Appropriation and distribution of 2019 retained earnings												
Legal reserve appropriated	-	-	59,535	-	(59,535)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	92,929	(92,929)	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(482,570)	-	-	-	(482,570)	-	(482,570)	
Profit in 2020	-	-	-	-	1,363,092	-	-	-	1,363,092	145,491	1,508,583	
Other comprehensive income, net of tax in 2020	-	-	-	-	(5,891)	(193,321)	-	-	(199,212)	-	(199,212)	
Total comprehensive income	-	-	-	-	1,357,201	(193,321)	-	-	1,163,880	145,491	1,309,371	
Treasury stock acquired	-	-	-	-	-	-	-	(48)	(48)	-	(48)	
Treasury stock cancelled	(48)	-	-	-	-	-	-	48	-	-	-	
Difference between consideration and carrying amount of subsidiaries acquired or disposed												
	-	335	-	-	(27)	-	-	-	308	(308)	-	
Changes in subsidiaries' ownership	-	(261)	-	-	-	-	-	-	(261)	261	-	
Share-based payment transaction	-	4,972	-	-	(519)	-	18,202	-	22,655	1,785	24,440	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,776	2,776	
Balance as of December 31, 2020	\$1,206,424	\$3,134,705	\$1,209,419	\$279,336	\$1,544,081	\$(472,657)	\$-	\$-	\$6,901,308	\$407,128	\$7,308,436	
Balance as of January 1, 2021	\$1,206,424	\$3,134,705	\$1,209,419	\$279,336	\$1,544,081	\$(472,657)	\$-	\$-	\$6,901,308	\$407,128	\$7,308,436	
Appropriation and distribution of 2020 retained earnings												
Legal reserve appropriated	-	-	135,666	-	(135,666)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	193,320	(193,320)	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(965,139)	-	-	-	(965,139)	-	(965,139)	
Profit in 2021	-	-	-	-	2,381,060	-	-	-	2,381,060	78,878	2,459,938	
Other comprehensive income, net of tax in 2021	-	-	-	-	(2,630)	(109,101)	-	-	(111,731)	-	(111,731)	
Total comprehensive income	-	-	-	-	2,378,430	(109,101)	-	-	2,269,329	78,878	2,348,207	
Changes in subsidiaries' ownership	-	3,581	-	-	-	-	-	-	3,581	(3,581)	-	
Share-based payment transaction	22,830	194,065	-	-	-	-	(154,834)	-	62,061	3,517	65,578	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	31,762	31,762	
Balance as of December 31, 2021	\$1,229,254	\$3,332,351	\$1,345,085	\$472,656	\$2,628,386	\$(581,758)	\$(154,834)	\$-	\$8,271,140	\$517,704	\$8,788,844	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
ASROCK INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$3,059,966	\$1,855,783
Adjustments:		
Adjustments to reconcile (profit) loss:		
Depreciation expense	84,062	72,865
Amortization expense	7,710	5,176
Expected credit losses and gains	3,501	(3,853)
Interest expenses	802	896
Interest income	(12,880)	(20,229)
Compensation cost arising from employee stock options	42,748	24,440
(Gain) Loss on disposal of property, plant and equipment	(20)	177
Property, plant and equipment charged to expenses	-	78
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(228,812)	(55,927)
(Increase) Decrease in account receivable-related parties	(21,013)	32,169
Increase in inventories, net	(3,887,237)	(838,731)
(Increase) Decrease in other current assets	(87,032)	62,313
Increase in accounts payable	1,694,458	247,171
Increase (Decrease) in accounts payable-related parties	32,790	(54,715)
Increase in other payables	345,869	230,180
Increase in other current liabilities	341,694	17,131
Increase in net defined benefit liabilities	887	909
(Decrease) Increase in other non-current liabilities	(816)	816
Cash generated from operations	1,376,677	1,576,649
Income taxes paid	(352,385)	(224,625)
Net cash provided by operating activities	1,024,292	1,352,024
Cash flows from investing activities:		
(Acquisition) Disposal of financial assets measured at amortized cost	(459,514)	100,323
Acquisition of property, plant and equipment	(46,392)	(34,884)
Proceed from disposal of property, plant and equipment	20	20
Increase in guarantee deposits paid	(3,942)	(5,902)
Acquisition of intangible assets	(6,710)	(8,959)
(Increase) Decrease in other non-current assets	(10,373)	1,565
Interest received	10,071	21,308
Net cash (used in) provided by investing activities	(516,840)	73,471
Cash flows from financing activities:		
Cash payments for the principal portion of the lease liability	(42,686)	(35,750)
Cash dividends paid	(965,139)	(482,570)
Issuance of common stock for cash	22,830	-
Treasury stock acquired	-	(48)
Changes in non-controlling interests	31,762	2,776
Net cash used in financing activities	(953,233)	(515,592)
Effect of exchange rate fluctuations on cash held	(103,377)	(182,907)
Net (decrease) increase in cash and cash equivalents	(549,158)	726,996
Cash and cash equivalents, beginning of the year	2,763,147	2,036,151
Cash and cash equivalents, end of the year	\$2,213,989	\$2,763,147

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
ASROCK INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

ASROCK INC. (the Company) was approved to establish on May 10, 2002, and began its main business activities. The current main business is the sales of motherboards and related product development and design. The Company's first public offering was approved by the Securities and Futures Bureau in May, 2006 and its common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in November, 2007. The Company's registered office and the main business location are at 2F., No. 37, Sec. 2, Jhongyang S. Rd., Beitou Dist., Taipei City 11270, Taiwan (R.O.C.). Pegatron Corporation is the ultimate controller of the group to which the company belongs.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2021 and 2020 were authorized for issue by the Company's board of directors on February 23, 2022.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2021. The adoption of these new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by the International Accounting Standards Board (IASB) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

- (a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2022. The standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (1), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%)		Note
			December 31, 2021	December 31, 2020	
ASROCK INC. (The Company)	ASIA ROCK TECHNOLOGY LIMITED	Investment holding	100%	100%	
The Company	LEADER INSIGHT HOLDINGS LIMITED	Investment holding	100%	100%	
The Company	ASROCK RACK INCORPORATION	Manufacture and sale of computer and peripheral	59.67%	62.05%	Note 2
The Company	ASRock Industrial Computer Corporation	Manufacture and sale of computer and peripheral	65.83%	66.96%	Note 1
The Company	SOARING ASIA LIMITED	International trade	100%	100%	
The Company	ASJade Technology Inc.	Software services	78.57%	-	Note 3
ASIA ROCK TECHNOLOGY LIMITED	ASRock Europe B.V.	Data storage and sale of electronic material and international trade	100%	100%	
ASIA ROCK TECHNOLOGY LIMITED	CALROCK HOLDINGS, LLC	Rent office building	100%	100%	
LEADER INSIGHT HOLDINGS LTD.	FIRSTPLACE INTERNATIONAL LTD.	Investment holding	100%	100%	
FIRSTPLACE INTERNATIONAL LTD.	ASRock America, Inc	Data storage and sale of electronic material and international trade	100%	100%	

Note1: The Company paid \$300 thousand, \$246 thousand and \$266 thousand, respectively on January 13, March 23, and May 7, 2020. The purchase of 30 thousand shares, 20 thousand shares and 21 thousand shares of ASRock Industrial Computer Corporation from non-related parties increased the Company's original shareholding ratio from 67.38% to 67.46%, and then to 67.52% and 67.58%, respectively, and increased capital shares, which then increased capital surplus in the amount of \$69 thousand, \$5 thousand and \$3 thousand, respectively. Later, the employee stock option was processed on July 31, 2020, and the board of directors resolved to issue new shares, increasing the capital by \$6,848 thousand. Because the company did not subscribe according to the shareholding ratio, the original shareholding ratio of the Company after the capital increase was 67.58% reduced to 66.28%, and recognized capital reserve decreased by \$1,384 thousand. In addition, the Company paid \$1,295 thousand, \$1,302 thousand and \$452 thousand, respectively on September 30, December 7, and December 21, 2020. The purchase of 105 thousand shares, 103 thousand shares and 36 thousand shares of ASRock Industrial Computer Corporation from non-related parties increased the Company's original shareholding ratio from 66.28% to 66.58%, and then to 66.86% and 66.96%, respectively, and increased capital shares, which then increased capital surplus in the amount of \$124 thousand, \$155 thousand and \$53 thousand, respectively. Furthermore, the employee stock option plan was adopted on June 11, 2021, and the board of directors resolved to issue new shares, increasing the capital by \$6,132 thousand. Because the Company did not subscribe the shares according to the shareholding ratio, the shareholding ratio of the Company was reduced from 66.96% to 65.83% after the capital increase and the capital reserve decreased in the amount of \$6,644 thousand.

Note2: The Company purchased 2 thousand shares and 9 thousand shares of ASROCK RACK INCORPORATION from non-related parties at \$40 thousand and \$172 thousand on March 25, 2020 and April 15, 2020, respectively. Shares, resulting in the Company's original shareholding ratio increased from 62.02% to 62.03%, and then increased to 62.05%, and the capital reserve was reduced by \$20 thousand and \$54 thousand, and the recognized retained earnings due to insufficient capital reserve decreased by \$27 thousand. In addition, the board of directors resolved to cancel 191 thousand shares of the Company's treasury shares on April 22, 2021, which increased the Company's shareholding ratio from 62.05% to 62.43%, and the capital reserve was increased by \$2,383 thousand. Later the board of directors resolved to issue employee stock option to raise capital on July 14, 2021. Because the Company did not subscribe the shares according to the shareholding ratio, the Company's ownership was reduced from 62.43% to 59.66%, and the capital reserve increased by \$1,461 thousand. Furthermore, stock dividends were issued on August 24, 2021, which increased the capital. The shareholding ratio of the Company increased from 59.66% to 59.67%, and the capital reserve increased by \$67 thousand.

Note3: The Company purchased 8,250 thousand shares of ASJade Technology Inc. at \$103,125 thousand on November 10, 2021. The Company's shareholding ratio was 78.57%.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint arrangement control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on a weighted average cost basis.

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

In addition, the company's great-grandson company-ASRock America, Inc.'s commodity inventory is calculated based on the actual purchase cost, using the first-in first-out method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~39 years
Machinery and equipment	2~5 years
Office equipment	3~5 years
Lease improvement	Shorter of the lease period or the useful life
Other equipment	2~7 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- i) The technical feasibility of completing the intangible asset so that it will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 3 years).

(14) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(16) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is high-end machinery and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. These accounts receivable usually have a short period and do not have a significant financial component.

Rendering of services

The Group provides services of product development. These services are separately priced or negotiated, and are recognized as revenue when the performance obligations are met.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc.

(c) Revenue recognition – sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

(d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2021, please refer to Note 6 for the explanation of the Group's unrecognized deferred income tax assets.

(e) Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(f) Inventories

Due to the rapid changes in technology and product demand, the Group assessed the inventory at the end of the reporting period due to normal wear and tear, obsolescence, or changes in market sales prices, and reduced inventory costs to net realizable value. The Group estimates the loss of obsolete inventories based on the product life cycle, historical experience, and subsequent inventory removal. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand	\$1,260	\$1,362
Cash in banks	1,589,202	965,042
Time deposits	582,003	1,654,620
Cash equivalents – Bonds with repurchase agreements	41,524	142,483
Total	<u>\$2,213,989</u>	<u>\$2,763,147</u>

Cash and cash equivalents were not pledged. The pledged time deposits have been transferred to financial assets measured at amortized cost.

(2) Financial assets measured at amortized cost

	As of December 31,	
	2021	2020
Time deposit - Current	\$1,276,355	\$778,959
Time deposit - Non-current	\$2,389	\$41,002

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6(11) for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(3) Accounts receivable and accounts receivable - related parties

	As of December 31,	
	2021	2020
Accounts receivable (total carrying amount)	\$1,883,310	\$1,654,500
Less: loss allowance	(25,071)	(21,963)
Subtotal	1,858,239	1,632,537
Accounts receivable - related parties (total carrying amount)	37,642	16,629
Less: loss allowance	-	-
Subtotal	37,642	16,629
Total	\$1,895,881	\$1,649,166

Accounts receivables were not pledged.

Accounts receivables are generally on 30-90 day terms. The total carrying amount as of December 31, 2021 and 2020 were \$1,920,952 thousand and \$1,671,129 thousand, respectively. Please refer to Note 6(11) for more details on loss allowance of accounts receivable for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(4) Inventories

	As of December 31,	
	2021	2020
Raw materials	\$6,669,833	\$2,750,488
Work in process	1,273,186	367,957
Finished goods	439,128	330,056
Merchandise	1,337,258	2,381,941
Total	\$9,719,405	\$5,830,442

For the years ended December 31, 2021 and 2020, the Group recognized \$14,198,647 thousand and \$14,059,563 thousand, respectively, in operating cost, including the reversal of inventories of \$10,211 thousand and the write-down of inventories of \$5,505 thousand, respectively. The benefit of falling prices is the sale of inventory commodities that have been listed as sluggish and falling prices.

No inventories were pledged.

(5) Property, plant and equipment

	Land	Buildings	Machinery equipment	Office equipment	Leasehold improvement	Other	Total
Cost:							
As of January 1, 2021	\$39,907	\$155,853	\$98,604	\$11,019	\$28,055	\$50,039	\$383,477
Addition	-	1,170	16,765	1,320	4,862	22,275	46,392
Disposals	-	-	(3,458)	(401)	(4,780)	(2,013)	(10,652)
Reclassifications	-	-	3,824	-	-	(2,761)	1,063
Effect of movement in exchange rate	(1,139)	(4,463)	(439)	(206)	(75)	(143)	(6,465)
As of December 31, 2021	<u>\$38,768</u>	<u>\$152,560</u>	<u>\$115,296</u>	<u>\$11,732</u>	<u>\$28,062</u>	<u>\$67,397</u>	<u>\$413,815</u>
As of January 1, 2020	\$41,985	\$163,487	\$134,545	\$12,657	\$23,308	\$8,511	\$384,493
Addition	-	473	17,924	-	6,400	10,087	34,884
Disposals	-	-	(3,294)	(1,240)	(1,516)	(1,085)	(7,135)
Reclassifications	-	-	(49,722)	(22)	-	32,718	(17,076)
Effect of movement in exchange rate	(2,078)	(8,107)	(799)	(376)	(137)	(192)	(11,689)
As of December 31, 2020	<u>\$39,907</u>	<u>\$155,853</u>	<u>\$98,604</u>	<u>\$11,019</u>	<u>\$28,055</u>	<u>\$50,039</u>	<u>\$383,477</u>
Depreciation and impairment loss:							
As of January 1, 2021	\$-	\$47,154	\$38,615	\$9,924	\$13,463	\$34,113	\$143,269
Depreciation	-	5,632	19,757	611	5,009	11,270	42,279
Disposals	-	-	(3,458)	(401)	(4,780)	(2,013)	(10,652)
Reclassifications	-	-	-	-	-	(1,035)	(1,035)
Effect of movement in exchange rate	-	(1,410)	(280)	(205)	(54)	(73)	(2,022)
As of December 31, 2021	<u>\$-</u>	<u>\$51,376</u>	<u>\$54,634</u>	<u>\$9,929</u>	<u>\$13,638</u>	<u>\$42,262</u>	<u>\$171,839</u>
As of January 1, 2020	\$-	\$43,610	\$63,072	\$10,727	\$10,558	\$4,683	\$132,650
Depreciation	-	5,925	17,512	818	4,505	9,185	37,945
Disposals	-	-	(3,098)	(1,240)	(1,516)	(1,084)	(6,938)
Reclassifications	-	-	(38,428)	(11)	-	21,441	(16,998)
Effect of movement in exchange rate	-	(2,381)	(443)	(370)	(84)	(112)	(3,390)
As of December 31, 2020	<u>\$-</u>	<u>\$47,154</u>	<u>\$38,615</u>	<u>\$9,924</u>	<u>\$13,463</u>	<u>\$34,113</u>	<u>\$143,269</u>
Net carrying amount as of:							
December 31, 2021	<u>\$38,768</u>	<u>\$101,184</u>	<u>\$60,662</u>	<u>\$1,803</u>	<u>\$14,424</u>	<u>\$25,135</u>	<u>\$241,976</u>
December 31, 2020	<u>\$39,907</u>	<u>\$108,699</u>	<u>\$59,989</u>	<u>\$1,095</u>	<u>\$14,592</u>	<u>\$15,926</u>	<u>\$240,208</u>

No Property, plant and equipment were pledged.

(6) Intangible assets

	For the years ended December 31,	
	2021	2020
Other		
Cost:		
As of January 1	\$36,125	\$35,562
Addition-acquired separately	6,710	8,959
Disposal	(331)	(8,205)
Effect of movement in exchange rate	(49)	(191)
As of December 31	<u>\$42,455</u>	<u>\$36,125</u>
Amortization and impairment:		
As of January 1	\$29,350	\$32,570
Amortization	7,710	5,176
Disposal	(331)	(8,205)
Effect of movement in exchange rate	(49)	(191)
As of December 31	<u>\$36,680</u>	<u>\$29,350</u>
	As of December 31,	
	2021	2020
Net carrying amount as at:	<u>\$5,775</u>	<u>\$6,775</u>

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December 31,	
	2021	2020
Manufacturing expense	\$-	\$19
Sales and marketing expenses	\$6,428	\$624
General and administrative expenses	\$711	\$690
Research and development expenses	\$571	\$3,843

(7) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were \$33,012 thousand and \$28,359 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute \$165 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

As of December 31, 2021 and December 31, 2020, the Group's definite benefit plans are expected to expire in the year of 2037 and 2038.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	For the years ended December 31,	
	2021	2020
Current period service costs	\$934	\$812
Net interest of defined benefit liability (asset)	117	251
Total	<u>\$1,051</u>	<u>\$1,063</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Defined benefit obligation	\$67,812	\$63,017	\$53,593
Plan assets at fair value	(25,784)	(25,163)	(24,012)
Other non-current liabilities – Accrued net defined benefit liabilities recognized on the consolidated balance sheets	\$42,028	\$37,854	\$29,581

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Net benefit liability (asset)
As of January 1, 2020	\$53,593	\$(24,012)	\$29,581
Current period service costs	812	-	812
Net interest expense (income)	456	(205)	251
Subtotal	54,861	(24,217)	30,644
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	2,512	-	2,512
Actuarial gains and losses arising from changes in financial assumptions	5,492	-	5,492
Experience adjustments	152	-	152
Return on plan assets	-	(792)	(792)
Subtotal	8,156	(792)	7,364
Contributions by employer	-	(154)	(154)
As of December 31, 2020	63,017	(25,163)	37,854
Current period service costs	934	-	934
Net interest expense (income)	195	(78)	117
Subtotal	64,146	(25,241)	38,905
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(1,603)	-	(1,603)
Actuarial gains and losses arising from changes in financial assumptions	(3,833)	-	(3,833)
Experience adjustments	9,102	-	9,102
Return on plan assets	-	(379)	(379)
Subtotal	3,666	(379)	3,287
Contributions by employer	-	(164)	(164)
As of December 31, 2021	\$67,812	\$(25,784)	\$42,028

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	Pension plan (%)	
	As of December 31,	
	2021	2020
Cash	15.25%	16.61%
Equity instrument	49.91%	52.93%
Debt instrument	23.11%	15.80%
Others	11.73%	14.66%
Total	100.00%	100.00%

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2021	2020
Discount rate	0.64%	0.31%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption as at December 31, 2021 and 2020 is, as shown below:

	For the years ended December 31,			
	2021		2020	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$-	\$5,295	\$-	\$5,256
Discount rate decrease by 0.5%	5,797	-	5,787	-
Expected salary level increase by 0.5%	5,629	-	5,600	-
Expected salary level decrease by 0.5%	-	5,203	-	5,149

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or expected salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(8) Equities

A. Common stock

The Company's authorized capital were both \$1,500,000 thousand as of December 31, 2021 and 2020 (Both reserve \$40,000 thousand of shares for employee stock options). The Company's issued capital were \$1,229,254 thousand and \$1,206,424 thousand as of December 31, 2021 and 2020, respectively, each at a par value of \$10. The Company issued 122,925,429 and 120,642,429 common shares as of December 31, 2021 and 2020, respectively. Each share has one voting right and a right to receive dividends.

The Company issued 2,300 thousand shares of restricted stock awards, which was resolved at the shareholders' meeting held on August 20, 2021. The total number of new shares issued on October 28, 2021 was 2,283 thousand shares at a per value of \$10, totaling \$22,830 thousand.

B. Capital surplus

	As of December 31,	
	2021	2020
Additional paid-in capital	\$3,127,994	\$3,127,994
Difference between consideration given/received and carrying amount of interests in subsidiaries acquired disposed of	335	335
Increase (decrease) through changes in ownership interests in subsidiaries	10,012	6,376
Restricted stock to employees	194,010	-
Total	<u>\$3,332,351</u>	<u>\$3,134,705</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury stock

On January 3, 2020, the treasury stocks in the amount of \$48 thousand in 5 thousand shares were repurchased due to the expiration of restricted employee awards by the resolution of the board of directors on April 29, 2020. The base date for a capital reduction was set on May 29, 2020. The statutory change of registration procedure has been completed.

D. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, dividend appropriateness and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and the Company held a general meeting of shareholders on June 12, 2019 and passed a resolution to amend the company's articles of association, stating that if all or part of the dividends and bonuses are distributed in cash, the Board of Directors is authorized to make two-thirds The above-mentioned directors attend, and after more than half of the attending directors agree, and report to the shareholders' meeting; the share dividends must be submitted to the shareholders' meeting for resolution of distribution. The Company's Articles of Incorporation further provide that at least 10% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved by the board of directors' meeting and shareholders' meeting on February 23, 2022 and August 20, 2021, respectively, are as follows:

	Appropriation of earnings		Dividend per share (\$)	
	2021	2020	2021	2020
Legal reserve	\$237,843	\$135,666		
Special reserve	109,101	193,320		
Common stock - cash dividend	1,598,031	965,139	\$13.00	\$8.00

Please refer to Note 6(13) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	For the years ended December 31,	
	2021	2020
Beginning balance	\$407,128	\$257,123
Profit attributable to non-controlling interests	78,878	145,491
Acquisition of additional interest in a subsidiary	-	(308)
Changes in subsidiaries' ownership	(3,581)	261
Changes in non-controlling interests (including share-based payment)	35,279	4,561
Ending balance	\$517,704	\$407,128

(9) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(a) Restricted stock plan for employee of the parent entity

The parent company issued 2,300 thousand shares of restricted stock awards, which was resolved at the shareholders' meeting held on August 20, 2021. The grantees are limited to full-time employees of the parent company who meet specific requirements. The Company has already filed with the Securities and Futures Bureau of the FSC for approval of the issuance and was approved. The total number of new shares issued on October 28, 2021 was 2,238 thousand shares. The stock price on the grant date was \$145 per share.

Employees who have been granted the above-mentioned restricted stock awards can subscribe to the shares for \$10 with vesting conditions as follows:

- I. The company's performance
 1. If EPS in the previous year is better than \$10, the overall weight will be 100%.
 2. If EPS in the previous year is between \$7.5 and \$10, the overall weight will be 50%.
 3. If EPS in the previous year is below \$7.5, the overall weight will be 0%.
- II. Personal performance
 1. If the mid-year assessment is better than A (include A), the personal weight will be 100%.
 2. If the mid-year assessment is between B+ to A (excluding A), the personal will be weight 80%.
 3. If the mid-year assessment is between B to B+ (excluding B+), the personal will be weight 60%
 4. If the mid-year assessment is C, the personal weight will be 0%
- III. Employees who have been granted the above-mentioned restricted stock awards and have continued to serve in the company for one year from the grant date, and have not violated any laws, articles of incorporation, business ethics and code of conduct and other relevant regulations and agreements during their employment, can receive 40% of the vested shares multiplied by overall weight and personal weight.
- IV. Employees who have been granted the above-mentioned restricted stock awards and have continued to serve in the company for two years from the grant date, and have not violated any laws, articles of incorporation, business ethics and code of conduct and other relevant regulations and agreements during their employment, can receive 30% of the vested shares multiplied by overall weight and personal weight.

- V. Employees who have been granted the above-mentioned restricted stock awards and have continued to serve in the company for three years from the grant date, and have not violated any laws, articles of incorporation, business ethics and code of conduct and other relevant regulations and agreements during their employment, can receive 30% of the vested shares multiplied by overall weight and personal weight.

The vested new restricted stock awards shall be entrusted and may not be sold, pledged, transferred, gifted to others, created lien or otherwise disposed of in any other manner before the vested conditions are met. According to the parent company's new share issuance measures for restricted stock awards, after the new shares with restricted stock awards are issued, except for the restricted stock awards that are delivered to a trust and those that do not meet the vested conditions under the parent company's issuance measures, the rights of the other restricted stock are the same as the common shares issued by the company.

The detailed information of the above restricted stock awards are as follows:

Vested period	Restricted stock to employee			
	1 years	2 years	3 years	Total
Original number of shares	913,200	684,900	684,900	2,283,000
Operating performance				
issue ratio	99.72%	94.92%	90.86%	
Estimated turnover rate	9.45%	16.03%	20.00%	
Qualified rate of performance	76.92%	76.92%	76.92%	
Vested shares	634,273	419,902	382,939	1,437,114
Embedded value	\$145	\$145	\$145	
Labor cost	\$85,627	\$56,687	\$51,696	\$194,010

The new shares issued by the parent company that restrict the rights of employees cannot be transferred within three years of the vesting period, but they still have the right to vote and distribute dividends. If an employee who has been allocated the restricted employee rights new shares resigns during the vesting period, he must return the restricted employee rights stock and the dividends already obtained.

(b) Share-based payment plan for employees of the subsidiary

(1) ASROCK RACK INCORPORATION

The board of directors of ASROCK RACK INCORPORATION resolved to issue 1,490 thousand shares of restricted stock awards on February 27, 2019. The grantees are limited to full-time employees of ASROCK RACK INCORPORATION who meet specific requirements. The company issued 1,490 thousand shares on March 4, 2019 to raise capital. The stock price on the grant date was \$5.53 per share.

Employees who have been granted the above-mentioned restricted stock awards and have continued to serve in the company for three years from the grant date, and have not violated any laws, articles of incorporation, business ethics and code of conduct and other relevant regulations and agreements during their employment, can receive 50% of the vested shares. Upon maturity of the fourth year, if the employee has not violated any laws, articles of incorporation, business ethics and code of conduct and other relevant regulations and agreements during the fourth year, such employee will be entitled to the remaining 50% of the vested shares. The employee shall deliver the restricted stock awards that have been subscribed to a trust, and such shares shall not be sold, pledged, transferred, gifted to others, created lien, or otherwise dispose of in any other manner before the vested conditions are met. According to the parent company's new share issuance measures for restricted stock awards, after the new shares with restricted stock awards are issued, except for the restricted stock awards that are delivered to a trust and those that do not meet the vested conditions under the parent company's issuance measures, the rights of the other restricted stock are the same as the common shares issued by the company.

The detailed information of the above restricted stock awards are as follows:

Vested period	Restricted stock to employee				
	1 years	2 years	3 years	4 years	Total
Original number of shares	-	-	745,000	745,000	1,490,000
Estimated turnover rate	-	-	15.00%	20.00%	
Vested shares after considering the turnover rate	-	-	633,250	596,000	1,229,250
Embedded value	\$-	\$-	\$5.53	\$5.53	
Labor cost	\$-	\$-	\$3,501	\$3,296	\$6,797

On May 29, 2020, ASROCK RACK INCORPORATION issued employee share options with a total number of 1,500 thousand units. Each unit entitles an optionee to subscribe for one share of the subsidiary's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares. The options will be granted to employees meeting certain conditions set by the company. The options will mature in 18 months. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 1 year from the grant date. The share option exercise price is \$22 per share. After the option is issued, if the total number of issued common shares of the company changes, the subscription price will not be adjusted.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (\$)
2020.05.29	1,500	22

The following table lists the inputs to the model used for the plan granted for the year ended December 31, 2020:

	For the year ended December 31, 2020
Expected volatility (%)	30.95
Risk-free interest rate (%)	0.2763
Expected option life (Years)	1.5
Weighted average share price (\$)	11.72
Option pricing model	Binomial option pricing model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the aforementioned share-based payment plan:

	For the years ended December 31,			
	2021		2020	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (\$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (\$)
Outstanding as of January 1	1,500	\$22	-	\$-
Granted	-	-	1,500	22
Forfeited	(50)	-	-	-
Exercised	(1,450)	22	-	-
Outstanding as of December 31	-	-	1,500	22
Exercisable as of December 31	-	-	-	-

For share options granted during the period, weighted average fair value of those options at the measurement date (\$)

	\$-	\$0.11
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The information on the outstanding share options as of December 31, 2021 and 2020, is as follows:

	Exercise price	Weighted average remaining contractual life (Years)
As of December 31, 2021		
Share options outstanding at the end of the period	\$-	-
As of December 31, 2020		
Share options outstanding at the end of the period	\$22	0.91

(2) ASRock Industrial Computer Corporation

On January 15, 2019 and April 20, 2021, ASRock Industrial Computer Corporation issued employee share options with a total number of 1,500 thousand and 2,200 thousand units, respectively. Each unit entitles an optionee to subscribe for one share of the subsidiary's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares. The options will be granted to employees meeting certain conditions set by the company. The options will mature in 30 months and 42 months. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 1 year from the grant date. The share option exercise price is \$10 and \$14.5 per share. After the option is issued, if the total number of issued common shares of the company changes, the subscription price will not be adjusted.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (\$)
2019.01.15	1,500	10
2021.04.20	2,200	12.5

The following table lists the inputs to the model used for the plan granted on January 15, 2019 and April 20, 2021:

	As of	
	January 15, 2019	April 20, 2021
Expected volatility (%)	31.74	29.61~31.19
Risk-free interest rate (%)	0.5741	0.1185~0.2523
Expected option life (Years)	2.5	1.5~3.5
Weighted average share price (\$)	8.1	12.49
Option pricing model	Binomial option pricing model	

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the aforementioned share-based payment plan:

As of January 15, 2019

	For the years ended December 31,			
	2021		2020	
	Number of	Weighted	Number of	Weighted
	share options	average	share options	average
	outstanding	exercise price	outstanding	exercise price
	of share	of share	of share	of share
	(in thousands)	options (\$)	(in thousands)	options (\$)
Outstanding as of January 1	750	\$10	1,500	\$10
Granted	-	-	-	-
Exercised	(613)	10	(685)	10
Forfeited	(137)	-	(65)	-
Outstanding as of December 31	-	10	750	10
Exercisable as of December 31	-	-	-	-

For share options granted during the period, weighted average fair value of those options at the measurement date (\$)

\$-	\$-
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The information on the outstanding share options as of December 31, 2021 and 2020, is as follows:

	Exercise price	Weighted average remaining contractual life (Years)
As of December 31, 2021		
Share options outstanding at the end of the period	\$-	-
As of December 31, 2020		
Share options outstanding at the end of the period	\$10	0.54

As of April 20, 2021

	For the year ended December 31,	
	2021	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (\$)
Outstanding as of January 1	-	\$-
Granted	2,200	12.5
Exercised	-	
Outstanding as of December 31	2,200	12.5
Exercisable as of December 31	-	
For share options granted during the period, weighted average fair value of those options at the measurement date (\$)		
		\$1.29

The information on the outstanding share options as of December 31, 2021, is as follows:

	Exercise price	Weighted average remaining contractual life (Years)
As of December 31, 2021		
Share options outstanding at the end of the period	\$12.5	2.8

(c) Modification or cancellation of the share-based payment plan for employees

No modification or cancellation of share-based payment plan has occurred in the year ended December 31, 2021.

(d) The expense recognized for employee services received during the years ended December 31, 2021 and 2020, is shown in the following table:

	For the years ended December 31,	
	2021	2020
Expense arising from share-based payment transaction (All of arising from equity-settled share-based payment transaction)	\$42,748	\$24,440

(10) Operating revenues

A. Disaggregation of revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sale of goods	\$19,685,407	\$17,847,816
Revenue arising from rendering services	77,265	63,768
Total	<u>19,762,672</u>	<u>\$17,911,584</u>

B. The Group's revenue from contracts with customers is recognized at certain points in time.

(11) Expected credit (gains) losses

	For the years ended December 31,	
	2021	2020
Operating expenses – expected credit losses (gains)		
Accounts receivables	<u>\$3,501</u>	<u>\$(3,853)</u>

Please refer to Note 12 for more details on credit risk.

The credit risk for the Group's financial assets measured at amortized cost are assessed as low as of December 31, 2021 and 2020 (The same as the assessment result of January 1, 2020). Since the transaction counterparties of the Group are all financial institutions such as banks with good credit, all of them are calculated based on the expected credit loss rate of 0% and the allowance loss amount is \$0.

The Group measures the loss allowance of its trade receivables (including accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2021 and 2020 are as follows:

The Group considers the grouping of Trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

As of December 31, 2021

		Overdue					
	Not yet due	Under 30 days	31~60 days	61~90 days	91~120 days	Over 121 days	Total
Gross carrying amount	\$1,642,482	\$117,995	\$53,842	\$7,319	\$14,686	\$84,628	\$1,920,952
Loss ratio	1.25%	2.07%	0.46%	0.00%	1.44%	1.88%	
Lifetime expected credit losses	20,587	2,437	247	-	212	1,588	25,071
Net carrying amount	<u>\$1,621,895</u>	<u>\$115,558</u>	<u>\$53,595</u>	<u>\$7,319</u>	<u>\$14,474</u>	<u>\$83,040</u>	<u>\$1,895,881</u>

As of December 31, 2020

	Not yet due	Overdue					Total
		Under 30 days	31~60 days	61~90 days	91~120 days	Over 121 days	
Gross carrying amount	\$1,416,483	\$110,151	\$101,276	\$31,514	\$9,624	\$2,081	\$1,671,129
Loss ratio	1.32%	1.33%	0.00%	0.00%	2.55%	77.68%	
Lifetime expected credit losses	18,630	1,468	2	1	245	1,617	21,963
Net carrying amount	\$1,397,853	\$108,683	\$101,274	\$31,513	\$9,379	\$464	\$1,649,166

The movement in the provision for impairment of trade receivables during the years ended December 31, 2021 and 2020 is as follows:

	Accounts receivables
As of January 1, 2021	\$21,963
Addition/(reversal) for the current period	3,501
Write off	(2)
Effect of exchange rate	(391)
As of December 31, 2021	\$25,071
As of January 1, 2020	\$26,584
Addition/(reversal) for the current period	(3,853)
Effect of exchange rate	(768)
As of December 31, 2020	\$21,963

(12) Leases

Group as a lessee

The Group leases various properties, including real estate such as land and buildings, and parking space. The lease terms range from 1 to 5 years. The Group is not subject to any special restrictions.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2021	2020
Buildings	\$90,600	\$78,416

During the years ended December 31, 2021 and 2020, the Group's additions to right-of-use assets amounting to \$44,553 thousand and \$56,831 thousand, respectively.

(b) Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	\$91,022	\$78,939
Current	\$42,713	\$38,123
Non-current	\$48,309	\$40,816

Please refer to Note 6(14) D. for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2021	2020
Buildings	\$41,783	\$34,920

C. Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expenses relating to variable lease payments not included in the measurement of lease liabilities	\$15,478	\$11,362

D. Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Group's total cash outflows for leases amounting to \$58,164 thousand and \$47,112 thousand, respectively.

(13) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$1,402,022	\$1,402,022	\$-	\$1,091,553	\$1,091,553
Labor and health insurance	-	71,200	71,200	-	56,151	56,151
Pension	-	34,063	34,063	-	29,422	29,422
Other employee benefits expense	-	48,192	48,192	-	45,559	45,559
Depreciation expense	8,846	75,216	84,062	9,574	63,291	72,865
Amortization expense	-	7,710	7,710	19	5,157	5,176

According to the Articles of Incorporation, 5% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a board meeting attended by two-thirds of the total number of directors, have the profit distributed as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. If the Board of Directors subsequently modifies the estimates significantly, the Company will recognize the change as an adjustment in the profit or loss in the subsequent period. Estimated employee remuneration and directors' remuneration are recognized as expenses in the current year. If there is a significant change in the amount determined by the board meeting resolution in the following year, it will be treated according to the changes in accounting estimates and the profit and loss of the following year will be adjusted. Information on the board meeting resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 to be 7.610% of profit of the current year and 0.761% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to \$237,954 thousand and \$23,795 thousand, respectively and recognized as salaries expense. A resolution was passed at the board meeting held on February 23, 2022 to distribute \$237,954 thousand and \$23,795 thousand in cash as employees' compensation and remuneration to directors of 2021, respectively.

A resolution was passed at the board meeting held on February 24, 2021 to distribute \$129,435 thousand and \$12,944 thousand in cash as employees' compensation and remuneration to directors of 2020, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2020.

A resolution was passed at the board meeting held on March 12, 2020 to distribute \$49,731 thousand and \$4,973 thousand in cash as employees' compensation and remuneration to directors of 2019, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2019.

(14) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	\$12,880	\$20,229

B. Other income

	For the years ended December 31,	
	2021	2020
Other income - others	\$43,858	\$52,983

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Gains on disposal of property, plant and equipment	\$20	\$-
Foreign exchange losses, net	(49,039)	(69,177)
Other losses - others	(5,144)	(5,432)
Total	\$(54,163)	\$(74,609)

D. Finance costs

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	\$802	\$896

(15) Components of other comprehensive income

For the year ended December 31, 2021

		Reclassification	Other	Income tax relating to components of	Other
	Arising during	adjustments	comprehensive	other	comprehensive
	the period	during the	income, before	comprehensive	income, net of
		period	tax	income	tax
Items that will not be reclassified					
subsequently to profit or loss:					
Losses on remeasurements of defined					
benefit plans	\$(3,287)	\$-	\$(3,287)	\$657	\$(2,630)
Items that may be reclassified subsequently					
to profit or loss:					
Exchange differences on translation of					
foreign financial statements	(109,101)	-	(109,101)	-	(109,101)
Total	<u>\$(112,388)</u>	<u>\$-</u>	<u>\$(112,388)</u>	<u>\$657</u>	<u>\$(111,731)</u>

For the year ended December 31, 2020

		Reclassification	Other	Income tax relating to components of	Other
	Arising during	adjustments	comprehensive	other	comprehensive
	the period	during the	income, before	comprehensive	income, net of
		period	tax	income	tax
Items that will not be reclassified					
subsequently to profit or loss:					
Losses on remeasurements of defined					
benefit plans	\$(7,364)	\$-	\$(7,364)	\$1,473	\$(5,891)
Items that may be reclassified subsequently					
to profit or loss:					
Exchange differences on translation of					
foreign financial statements	(193,321)	-	(193,321)	-	(193,321)
Total	<u>\$(200,685)</u>	<u>\$-</u>	<u>\$(200,685)</u>	<u>\$1,473</u>	<u>\$(199,212)</u>

(16) Income tax

The major components of income tax expense for the years ended December 31, 2021 and 2020 are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current income tax expense:		
Current income tax charge	\$602,552	\$366,514
Adjustments in respect of current income tax of prior periods	(6,037)	(10,617)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	3,704	(29,021)
Deferred tax (income) expense relating to origination and reversal of tax loss and tax credit	(963)	17,180
Exchange differences	772	3,144
Total income tax expense	<u>\$600,028</u>	<u>\$347,200</u>

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2021	2020
Deferred tax expense (income):		
Profit or losses of defined benefits plan	<u>\$(657)</u>	<u>\$(1,473)</u>
Income tax relating to components of other comprehensive income	<u>\$(657)</u>	<u>\$(1,473)</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2021	2020
Accounting profit before tax from continuing operations	<u>\$3,059,966</u>	<u>\$1,855,783</u>
Tax at the domestic rates applicable to profits in the country concerned	\$694,929	\$487,075
Tax effect of revenues exempt from taxation	(65,799)	(82,338)
Tax effect of expenses not deductible for tax purposes	2	-
Tax effect of deferred tax assets/liabilities	-	(26,946)
Income tax impact of research and development deduction	(26,746)	(23,581)
Corporate income surtax on undistributed retained earnings	3,128	3,381
Adjustments in respect of current income tax of prior periods	(6,037)	(10,918)
Others	551	527
Total income tax expense recognized in profit or loss	<u>\$600,028</u>	<u>\$347,200</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized gains (losses) on foreign exchange	\$(1,730)	\$2,679	\$-	\$(1)	\$948
Unrealized intragroup profits and losses	36,026	(9,630)	-	-	26,396
Inventory valuation and obsolescence loss	48,026	3,502	-	(128)	51,400
Net defined benefit liabilities-non current	7,571	178	657	-	8,406
Other payables (non-leave bonus, etc.)	2,582	1,040	-	(61)	3,561
Bad debt losses	1,189	(249)	-	(31)	909
Other	1,967	(1,224)	-	(40)	703
Unused taxable loss	1,996	963	-	(61)	2,898
Deferred tax income/(expense)		<u>\$(2,741)</u>	<u>\$657</u>	<u>\$(322)</u>	
Net deferred tax assets/(liabilities)	<u>\$97,627</u>				<u>\$95,221</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$99,849</u>				<u>\$96,390</u>
Deferred tax liabilities	<u>\$(2,222)</u>				<u>\$(1,169)</u>

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized gains (losses) on foreign exchange	\$(1,469)	\$ (261)	\$-	\$-	\$ (1,730)
Unrealized intragroup profits and losses	19,983	16,043	-	-	36,026
Inventory valuation and obsolescence loss	33,464	14,772	-	(210)	48,026
Net defined benefit liabilities-non current	5,916	182	1,473	-	7,571
Other payables (non-leave bonus, etc.)	4,129	(1,440)	-	(107)	2,582
Bad debt losses	2,504	(1,238)	-	(77)	1,189
Other	1,086	964	-	(83)	1,967
Unused taxable loss	19,271	(17,181)	-	(94)	1,996
Deferred tax income/(expense)		<u>\$11,841</u>	<u>\$1,473</u>	<u>\$(571)</u>	
Net deferred tax assets/(liabilities)	<u>\$84,884</u>				<u>\$97,627</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$88,974</u>				<u>\$99,849</u>
Deferred tax liabilities	<u>\$(4,090)</u>				<u>\$(2,222)</u>

The following table contains information of the unused tax losses of the Group:

Unused taxable losses of overseas subsidiaries

(Expressed in US Dollars)

Year	Tax losses for the period	Unused tax losses as of December 31,		Expiration year
		2021	2020	
2016	\$230,001	\$132,491	\$132,491	2036
2017	73,164	73,164	73,164	2037
2019	88,520	88,520	88,520	2039
2020	173,814	173,814	173,814	2040
2021	92,869	92,869	-	2041
Total		<u>\$560,858</u>	<u>\$467,989</u>	

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to \$32,780 thousand and \$32,867 thousand, respectively, as the future taxable profit may not be available.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2021 and 2020, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to \$2,970,228 thousand and \$2,862,904 thousand, respectively.

The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns	Notes
The Company	Assessed and approved up to 2019	None
Subsidiary – ASIAROCK TECHNOLOGY LIMITED	None	Exempt from income tax accordance with local regulations
Subsidiary – LEADER INSIGHT HOLDINGDS LIMITED	None	Exempt from income tax accordance with local regulations
Subsidiary – ASROCK RACK INCORPORATION	Assessed and approved up to 2019	None
Subsidiary – ASRock Industrial Computer Corporation	Assessed and approved up to 2019	None
Subsidiary – SOARING ASIA LIMITED	None	Exemption from income tax accordance with local regulations
Sub-subsidiary – ASRock Europe B.V.	Assessed and approved up to 2020	None
Sub-subsidiary – CALROCK HOLDINGS, LLC	Assessed and approved up to 2020	None
Sub-subsidiary – FIRSTPLACE INTERNATIONAL LIMITED	None	Exempt from income tax accordance with local regulations
Great-subsidiary – ASRock America, Inc.	Assessed and approved up to 2020	None

(17) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2021	2020
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand \$)	\$2,381,060	\$1,363,092
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	121,049	120,642
Basic earnings per share (\$)	\$19.67	\$11.30

	For the years ended December 31,	
	2021	2020
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand \$)	\$2,381,060	\$1,363,092
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	121,049	120,642
Effect of dilution:		
Employee compensation — stock (in thousands)	846	830
Weighted average number of ordinary shares outstanding after dilution (in thousands)	121,895	121,472
Diluted earnings per share (\$)	\$19.53	\$11.22

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(18) Changes in parent's interest in subsidiaries

Acquisition of new shares in a subsidiary not in proportionate to ownership interest

ASRock Industrial Computer Corporation issued new shares on July 31, 2020 and June 11, 2021, however the Company did not purchase any of the new shares, consequently the ownership interest in ASRock Industrial Computer Corporation was reduced to 66.28% and 65.83%, respectively. The related interest in ASRock Industrial Computer Corporation reduced, including changes in non-controlling interests, is as follows:

	As of	
	July. 31, 2020	June. 11, 2021
Additional cash received from the issuance of new shares	\$-	\$-
Increase (decrease) to non-controlling interests	(1,384)	(6,644)
Difference recognized in capital surplus within equity	\$(1,384)	\$(6,644)

ASROCK RACK INCORPORATION issued new shares on July 14, 2021, however the Company did not purchase any of new shares, consequently its ownership interest in ASROCK RACK INCORPORATION was reduced to 59.66%. The related interest in ASROCK RACK INCORPORATION reduced, including changes in non-controlling interest, is as follows:

	As of
	July. 14, 2021
Additional cash received from the issuance of new shares	\$-
Increase (decrease) to non-controlling interests	1,461
Difference recognized in capital surplus within equity	\$1,461

Buying back treasury shares by the subsidiary

ASROCK RACK INCORPORATION recovered 191 thousand shares of treasury shares from non-controlling interests and cancelled them on April 22, 2021. As a result, the Company's ownership of ASROCK RACK INCORPORATION increased to 62.43%. The additional equity interest acquired including changes in non-controlling equity is as follows:

	As of
	Apr. 22, 2021
Cash consideration paid to non-controlling shareholders	\$-
Increase (decrease) to non-controlling interests	2,383
Difference recognized in capital surplus within equity	<u>\$2,383</u>

Acquisition of additional interest in a subsidiary

On March 25, and April 15, 2020, the Company acquired additional 2 thousand and 9 thousand voting shares of ASROCK RACK INCORPORATION, increasing its ownership to 62.03% and 62.05%, respectively. A cash consideration of \$40 thousand and \$172 thousand, respectively, was paid to the non-controlling interest shareholders. The following is a schedule of additional interest acquired in ASROCK RACK INCORPORATION including changes in non-controlling interests and adjustments to accumulated other comprehensive income:

	As of	
	Mar. 25, 2020	Apr. 15, 2020
Additional cash received from the issuance of new shares	\$(40)	\$(172)
Increase (decrease) to non-controlling interests	20	91
Difference recognized in capital surplus within equity	(20)	(54)
Difference recognized in retained earning within equity	-	(27)
Total	<u>\$(20)</u>	<u>\$(81)</u>

On January 13, March 23, May 7, September 30, December 7 and December 21, 2020, the Group acquired additional 30 thousand, 20 thousand, 21 thousand, 105 thousand, 103 thousand and 36 thousand voting shares of ASRock Industrial Computer Corporation, increasing its ownership to 67.46%, 67.52%, 67.58%, 66.58%, 66.86% and 66.96% respectively. A cash consideration of \$300 thousand, \$246 thousand, \$266 thousand, \$1,295 thousand, \$1,302 thousand and \$452 thousand, respectively, was paid to the non-controlling interest shareholders. The following is a schedule of additional interest acquired in ASRock Industrial Computer Corporation including changes in non-controlling interests and adjustments to accumulated other comprehensive income:

	As of		
	Jan. 13, 2020	Mar. 23, 2020	May. 7, 2020
Additional cash received from the issuance of new shares	\$(300)	\$(246)	\$(266)
Increase (decrease) to non-controlling interests	369	251	269
Difference recognized in capital surplus within equity	\$69	\$5	\$3

	As of		
	Sep. 30, 2020	Dec. 7, 2020	Dec. 21, 2020
Additional cash received from the issuance of new shares	\$(1,295)	\$(1,302)	\$(452)
Increase (decrease) to non-controlling interests	1,419	1,457	505
Difference recognized in capital surplus within equity	\$124	\$155	\$53

Subsidiary issued stock dividend

ASROCK RACK INCORPORATION issued stock dividends on August 24, 2021, increasing the Company's ownership to 59.67%. The additional equity interest acquired including changes in non-controlling equity is as follows:

	As of
	Aug. 24, 2021
Additional cash received from the issuance of new shares	\$-
Increase (decrease) to non-controlling interests	67
Difference recognized in capital surplus within equity	\$67

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
PEGATRON Corporation	Parent company of the group
AS FLY TRAVEL SERVICE CO.,	Substantive related party
Cotek Electronics (Suzhou) Co., Ltd.	Substantive related party
Piotek Computer (Suzhou) Corporation	Substantive related party

Significant transactions with the related parties

(a) Sales

	For the years ended December 31,	
	2021	2020
Parent company	\$31,688	\$65,958
Other related parties	314	880
Total	<u>\$32,002</u>	<u>\$66,838</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for related parties sales was O/A 90 days. The collection period for non-related parties sales were TT or 30~90 days from FOB shipping point. The outstanding balance at December 31, 2021 and 2020 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed. In addition, the amount of sales to related parties for the years ended December 31, 2021 and 2020, has eliminated amounts paid for outsourcing. The elimination amounted to \$76,519 thousand and \$68,346 thousand, respectively.

(b) Purchases

	For the years ended December 31,	
	2021	2020
Parent company	\$30,972	\$351
Other related parties	60,808	4,903
Total	<u>\$91,780</u>	<u>\$5,254</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are between 30~90 days. In addition, the amount of purchases to related parties for the years ended December 31, 2021 and 2020, has eliminated amounts paid for outsourcing. The elimination amounted to \$120,534 thousand and \$226,608 thousand, respectively.

(c) Accounts receivable - related parties

	As of December 31,	
	2021	2020
Parent company		
PEGATRON Corporation	\$37,642	\$16,044
Other related parties	-	585
Deducted: Allowance for bad debt	-	-
Net balance	<u>\$37,642</u>	<u>\$16,629</u>

(d) Prepayments (accounted for under “Other current assets”)

	As of December 31,	
	2021	2020
Parent company	\$1,520	\$2,149

(e) Other receivable (accounted for under “Other current assets”)

	As of December 31,	
	2021	2020
Parent company	\$211	\$-

(f) Accounts payable – related parties

	As of December 31,	
	2021	2020
Parent company		
PEGATRON Corporation	\$43,141	\$30,196
Other related parties	24,096	4,251
Total	\$67,237	\$34,447

(g) Other payables

	As of December 31,	
	2021	2020
Parent company	\$120,196	\$58,280

(h) Other current liabilities

	As of December 31,	
	2021	2020
Parent company	\$61	\$66

(i) Operating costs and expenses

	For the years ended December 31,	
	2021	2020
Parent company	\$212,145	\$231,864
Other related parties	6	2,819
Total	\$212,151	\$234,683

(j) Property transaction

Acquisition of intangible assets

	Asset Name	For the years ended December 31,	
		2021	2020
Parent company	Computer software	\$2,831	\$2,831

The price for the purchase of computer software by the Group from the parent company is negotiated by both parties with reference to market conditions.

(k) Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$109,338	\$63,662
Post-employment benefits	676	620
Share-based payment	6,775	3,913
Total	\$116,789	\$68,195

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

Items	Carrying amount As of December 31,		Secured liabilities
	2021	2020	
Financial assets measured at amortized cost- non current	\$2,389	\$402	Tariffs and lease guarantees

9. Significant contingencies and unrecognized contractual commitments

- (1) Reversible Connections Inc. ("Reversible") filed a patent infringement lawsuit against ASRock America, Inc., a subsidiary of the company, in 2017, claiming that ASRock America, Inc. infringed its '825 patent on several products sold in the United States. The company denied these allegations and defended the case strongly. A lawyer has been appointed to cooperate with the court in the trial. The company's operations, finances, and business remained normal and were not affected by the case.
- (2) As of December 31, 2021, the company and its subsidiaries recorded customs duties of \$11,300 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Financial instruments

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2021	2020
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	\$2,212,729	\$2,761,785
Financial assets measured at amortized cost	1,278,744	819,961
Trade receivables	1,895,881	1,649,166
Other receivables	44,207	52,035
Total	<u>\$5,431,561</u>	<u>\$5,282,947</u>

Financial liabilities

	As of December 31,	
	2021	2020
Financial liabilities measured at amortized cost:		
Accounts payables	\$4,456,838	\$2,729,590
Lease liabilities	91,022	78,939
Other payables	1,419,344	1,073,475
Total	<u>\$5,967,204</u>	<u>\$3,882,004</u>

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by \$(16,302) thousand and \$11,113 thousand, respectively, the equity is decreased/increased by \$38,186 thousand and \$37,520 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash in banks and time deposit at variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period. At the reporting date, a change of 25 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2021 and 2020 to increase /decrease by \$6,559 thousand and \$3,876 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss.

The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2021 and 2020, amounts receivables from top ten customers represent 45.04% and 44.84% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. The Group measures the loss allowance of its trade receivables at an amount equal to lifetime expected credit losses, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery. (the issuer or the debtor is in financial difficulties or bankruptcy)

When the credit risk on debt instrument investment has increased, the Group will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2021					
Accounts payables	\$4,456,838	\$-	\$-	\$-	\$4,456,838
Lease liabilities	43,276	32,890	15,991	-	92,157
Other payables	1,419,344	-	-	-	1,419,344
As of December 31, 2020					
Accounts payables	\$2,729,590	\$-	\$-	\$-	\$2,729,590
Lease liabilities	38,835	31,176	7,327	2,832	80,170
Other payables	1,073,475	-	-	-	1,073,475

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2021:

	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	\$78,939	\$78,939
Cash flows	(42,686)	(42,686)
Non-cash change	54,871	54,871
Foreign exchange movement	(102)	(102)
As of December 31, 2021	\$91,022	\$91,022

Reconciliation of liabilities for the year ended December 31, 2020:

	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$57,173	\$57,173
Cash flows	(35,750)	(35,750)
Non-cash change	57,727	57,727
Non-cash change	(211)	(211)
As of December 31, 2020	\$78,939	\$78,939

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

As of December 31, 2021			
	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$119,573	27.6830	\$3,310,139
<u>Financial liabilities</u>			
Monetary items			
USD	178,460	27.6830	4,940,308

As of December 31, 2020			
	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$150,597	28.4965	\$4,291,488
<u>Financial liabilities</u>			
Monetary items			
USD	111,598	28.4965	3,180,144

Since there were various functional currencies used within the subsidiaries of the Group, the Group was unable to disclose foreign exchange (losses) gains towards each foreign currency with significant impact. The realized and unrealized foreign exchange losses was \$(49,039) thousand and \$(69,177) thousand for the years ended December 31, 2021 and 2020, respectively.

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.

C. Securities held at the end of the period: None.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20 percent of the capital stock: None.

- E. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20 percent of the capital stock: None.
- F. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20 percent of the capital stock: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of \$100 million or 20 percent of the capital stock: Please refer to Attachment 2.
- H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20 percent of capital stock: Please refer to Attachment 3.
- I. Financial instruments and derivative transactions: None.
- J. Others - Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between term: Please refer to Attachment 4.

(2) Information on investees

Of the investee company directly or indirectly has significant influence or control over, their investee companies' information: Please refer to Attachment 5.

(3) Investment in Mainland China:

None.

(4) Information of major shareholder:

Name of major shareholder	Shares Number of shares held (shares)	Shareholding ratio (%)
ASUS INVESTMENT CO., LTD.	57,217,754	46.54%
ASUSTEK INVESTMENT CO., LTD.	7,453,405	6.06%
HONG HUNG INVESTMENT LIMITED	6,526,897	5.30%

14. Segment information

- (1) The main business of the Group is to research and development, design and sales of products such as motherboards. The main operating decision makers monitors the overall operation results of the group to formulate decisions on resources allocation and performance evaluate the overall performance, so the group is a single operating unit.

(2) Geographical information

	For the years ended December 31,	
	2021	2020
A. Revenue from external customers:		
Asia	\$7,004,799	\$4,971,299
Europe	5,384,483	4,707,446
America	7,093,066	8,062,856
Others	280,324	169,983
Total	<u>\$19,762,672</u>	<u>\$17,911,584</u>

Revenue is categorized based on the customer's country.

	As of December 31,	
	2021	2020
B. Non-current assets:		
Europe	\$108,866	\$115,532
Asia	217,010	192,087
America	46,488	41,302
Total	<u>\$372,364</u>	<u>\$348,921</u>

(3) Information about major customers

The net sales revenue of a single customer for the years ended December 31, 2021 and 2020 both did not exceed 10% of the consolidated net income.

	For the years ended December 31,	
	2021	2020
Client A	<u>\$-</u>	<u>\$2,163,682</u>

ATTACHMENT 1 Endorsement/Guarantee provided to others

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(Unit : thousands of NTD)

No (Note1)	Endorsements/Guarantees Provider	Guaranteed Party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (Note3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amounts of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed(Note4)	Endorsement Provided by Parent Company to Subsidiaries	Endorsement Provided by Subsidiaries to parent company	Endorsement Provided to entities in China
		Name	Nature of Relationship (Note2)										
0	ASROCK INC.	ASIAROCK TECHNOLOGY LIMITED	(2)	\$5,789,798	\$2,224,360	\$2,214,640	\$1,660,980	-	26.78%	\$5,789,798	Y	N	N

Note 1 : The numbers filled in for the endorsements/guarantees provided by the group or subsidiaries are as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note 2 : The following code represents the relationship with the company:

(1) A company with which it does business.

(2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3 : The amount of endorsements/guarantees for any single entity 100% holding company of shall not exceed 70% of net worth of endorser/guarantor.

Note 4 : The amount of endorsements/guarantees collateralized by properties shall not exceed 70% of net worth of endorser/guarantor.

Note 5 : If the original currency amount in the above is foreign currency, it is converted into New Taiwan Dollars in December 31, 2021 financial report exchange rate, and the spot exchange rate of December 31, 2021 is USD/NTD 27.6830.

ATTACHMENT 2 Related Party Transactions for Purchases and Sales amounts exceeding the lower of \$100 million or 20 percent of the Capital Stock
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(Unit : thousands of NTD)

Purchases/Sales Company Name	Counter-Party	Relationship (Note4)	Transactions Details				Details of Non-arm's Length Transactions(Note1)		Notes and Accounts Receivable (Payable)		Remark (Note2)
			Purchases (Sales)	Amount	Percentage of Total Purchases(Sales)	Terms	Unit Price	Terms	Balance	Percentage of Total Receivable (Payable)	
ASROCK INC.	ASRock Europe B.V.	1	(Sales)	\$(3,896,085)	(26.80%)	45 days	Same as other clients	Same as other clients	\$59,480	3.48%	
"	ASRock America, Inc	1	(Sales)	\$(3,731,808)	(25.67%)	90 days	Same as other clients	Same as other clients	767,816	44.94%	
ASIA ROCK TECHNOLOGT LIMITED	ASROCK INC.	2	(Sales)	(10,345,855)	(73.30%)	60 days	Same as other clients	Same as other clients	543,189	61.29%	
"	ASROCK RACK INCORPORATION	3	(Sales)	(2,032,823)	(14.40%)	60 days	Same as other clients	Same as other clients	102,159	11.53%	
"	ASRock Industrial Computer Corporation	3	(Sales)	(337,206)	(2.39%)	60 days	Same as other clients	Same as other clients	99,914	11.27%	
ASROCK RACK INCORPORATION	ASRock Europe B.V.	3	(Sales)	(159,217)	(5.03%)	60 days	Same as other clients	Same as other clients	28,321	5.77%	
"	ASRock America, Inc	3	(Sales)	(352,551)	(11.14%)	90 days	Same as other clients	Same as other clients	121,325	24.73%	
ASRock Industrial Computer Corporation	ASRock Europe B.V.	3	(Sales)	(168,933)	(13.60%)	60 days	Same as other clients	Same as other clients	9,435	8.33%	

Note 1: If the related party's transaction terms are different from the general transaction terms, the unit price and credit period column should state the difference and the reason.

Note 2: If there is any receipt (payment) in advance, the reason, contractual terms, amount, and differences from the general transaction type should be stated in the remarks column.

Note 3: The paid-in capital shall refer to the paid-in capital of the parent company. If securities issuers issued no-par value stocks or stocks with par value that are not TWD10 per share, the criteria shall be 10% of the amount attributable to parent company's equity.

Note 4: The following lists the three types of intercompany transactions (any transaction between parent company and subsidiary or between subsidiaries is disclosed as one transaction by either transaction counterparty.)

- (1) Transactions from parent company to subsidiary is "1".
- (2) Transactions from subsidiary to parent company is "2".
- (3) Transactions between subsidiaries is "3".

ATTACHMENT 3 Receivables from Related Parties with amounts exceeding the lower of \$100 million or 20 percent of Capital Stock

(Unit : thousands of NTD)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Company	Counter-party	Relationship (Note3)	Ending Balance(Note1)	Turnover	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Collection		
ASROCK INC.	ASRock America, Inc.	1	\$767,816	3.38	\$-	-	\$100,904	-
ASIAROCK TECHNOLOGY LIMITED	ASROCK INC.	2	543,189	7.11	-	-	378,577	-
"	ASROCK RACK INCORPORATION	3	102,159	6.43	-	-	367	-
ASROCK RACK INCORPORATION	ASRock America, Inc	3	121,325	3.40	-	-	-	-

Note 1: Please fill in separately according to accounts receivable, bills, other receivables... etc.

Note 2: The paid-in capital shall refer to the paid-in capital of the parent company. If securities issuers issued no-par value stocks or stocks with par value that are not TWD10 per share, the criteria shall be 10% of the amount attributable to parent company's equity.

Note 3: The following lists the three types of intercompany transactions (any transaction between parent company and subsidiary or between subsidiaries is disclosed as one transaction by either transaction counterparty)

(1) Transactions from parent company to subsidiary is "1".

(2) Transactions from subsidiary to parent company is "2".

(3) Transactions between subsidiaries is "3".

ATTACHMENT 4 Business Relationship between the Parent and the Subsidiaries and between each Subsidiary, and the circumstances and accounts of any significant transactions between term
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(Unit : thousands of NTD)

No. (Note1)	Company	Counter-Party	Relationship (Note2)	Transaction Details			
				Account	Amount (Note4)	Terms	Percentage of consolidated total operating revenues or total assets(Note3)
0	ASROCK INC.	ASRock Europe B.V.	1	Sales Accounts receivable	\$3,896,085 59,480	Same as other clients 45 days	19.71% 0.37%
"	"	ASRock America, Inc	1	Sales Accounts receivable	3,731,808 767,816	Same as other clients 90 days	18.88% 4.83%
1	ASIAROCK TECHNOLOGY LIMITED	ASROCK INC.	2	Sales Accounts receivable	10,345,855 543,189	Same as other clients 60 days	52.35% 3.42%
"	"	ASROCK RACK INCORPORATION	3	Sales Accounts receivable	2,032,823 102,159	Same as other clients 60 days	10.29% 0.64%
"	"	ASRock Industrial Computer Corporation	3	Sales Accounts receivable	337,206 99,914	Same as other clients 60 days	1.71% 0.63%
2	ASROCK RACK INCORPORATION	ASRock Europe B.V.	3	Sales Accounts receivable	159,217 28,321	Same as other clients 60 days	0.81% 0.18%
"	"	ASRock America, Inc	3	Sales Accounts receivable	325,551 121,325	Same as other clients 90 days	1.78% 0.76%
3	ASRock Industrial Computer Corporation	ASRock Europe B.V.	3	Sales Accounts receivable	168,933 9,435	Same as other clients 60 days	0.85% 0.06%

Note 1: The Company and its subsidiaries are coded as follows:

- 1.The Company is coded "0".
- 2.Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: The following lists the three types of intercompany transactions (any transaction between parent company and subsidiary or between subsidiaries is disclosed as one transaction by either transaction counterparty.)

- (1) Transactions from parent company to subsidiary is "1".
- (2) Transactions from subsidiary to parent company is "2".
- (3) Transactions between subsidiaries is "3".

Note 3: The percentage is determined by the ratio of the transaction amount to the consolidated revenues or the total assets. Items on the balance sheet are calculated by the ending balance to total consolidated assets; items on the income statement are calculated by their midterm cumulative balance to the total consolidated income.

Note 4: The disclosure of significant intercompany transactions in this attachment is determined by the company based on the materiality.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor company (Note 2(1))	Investee company (Note1,2(1))	Location (Note 2(1))	Main business item (Note 2(1))	Initial Investment (Note 2(1))		Investment as of December 31, 2021 (Note 2(1))			Investee company	Net	Remark
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value	Net income(loss) of investee company(Note2(2))	Investment income (loss) recognized(Note2(3))	
ASROCK INC.	ASROCK RACK INCORPORATION	Taiwan	Manufacture and sale of computers and peripheral	\$291,278	\$291,278	27,296,220 (Note4)	59.67% (Note4)	\$418,174	\$66,691	\$40,001	
"	ASIAROCK TECHNOLOGY LIMITED	British Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,599,438 (Note3)	107,324	118,768	
"	LEADER INSIGHT HOLDINGS LTD.	British Virgin Islands	Investment holding	71,559	71,559	2,100,000	100.00%	102,306	68,350	68,350	
"	ASRock Industrial Computer Corporation	Taiwan	Manufacture and sale of computers and peripheral	239,683	239,683	23,895,700	65.83% (Note5)	399,697	156,396	103,708	
"	ASJade Technology Inc.	Taiwan	Service of computer software	103,125	-	8,250,000	78.57%	101,294	(2,331)	(1,831)	
"	SOARING ASIA LIMITED	Hong Kong	International trade	HKD 150,000	HKD 150,000	150,000	100.00%	533	-	-	
	Total									<u>\$328,996</u>	
ASIAROCK TECHNOLOGY LIMITED	ASRock Europe B.V.	Netherlands	Data storage and sales of electronic materials and international trade	USD 194,000	USD 194,000	200,000	100.00%	USD 24,109,980	USD 3,858,554	USD 3,858,554	
"	CALROCK HOLDINGS, LLC	USA	Rent office building	USD 2,000,000	USD 2,000,000	2,000,000	100.00%	USD 2,153,327	(USD 40,439)	(USD 40,439)	
"	Orbweb Inc. (BVI)	British Virgin Islands	Computer equipment installation and peripheral equipment wholesale and service	USD 1,000,000	USD 1,000,000	4,000,000	27.59%	-	(USD 95,788)	-	
LEADER INSIGHT HOLDINGS LTD.	FIRSTPLACE INTERNATIONAL LTD.	British Virgin Islands	Investment holding	USD 2,050,000	USD 2,050,000	2,050,000	100.00%	USD 3,694,081	USD 2,441,303	USD 2,441,303	
FIRSTPLACE INTERNATIONAL LTD.	ASRock America, Inc.	USA	Data storage and sales of electronic materials and international trade	USD 2,000,000	USD 2,000,000	2,000,000	100.00%	USD 3,660,536	USD 2,441,292	USD 2,441,292	

Note 1: If a public offering company has a foreign holding company and uses consolidation as the main financial statement in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only disclose relevant information to the holding company.

Note 2: If it is not in the case described in Note 1, fill in according to the following regulations:

- (1) The "name of the investee company", "location", "main business item", "original investment amount" and "end-of-term shareholding situation" should be based on the company's reinvestment status and fill in the reinvestment situation of each invested company directly or indirectly controlled in order, and indicate the relationship between each invested company and the (public offering) company (if it is a subsidiary or a grandson company) in the remarks column.
- (2) In column B of "Invested Company Current Profit and Loss", the amount of current profit and loss of each invested company should be filled in.
- (3) In column B of "Investment Profits and Losses Recognized in the Current Period", only the amount of profit and loss of the subsidiaries recognized by the (public offering) company for direct reinvestment and each invested company evaluated by the equity method is required. When filling in the "recognition of the current profit and loss amount of each subsidiary for direct reinvestment", it should be confirmed that the current profit and loss amount of each subsidiary has included the investment profit and loss that should be recognized for its reinvestment in accordance with the regulations.

Note 3: Book value = net equity \$3,708,273 thousand + deferred credit \$(108,835) thousand.

Note 4: The employee stock option was offered by ASROCK RACK INCORPORATION on July 14, 2021. Because the Company did not subscribe the shares according to the shareholding ratio, the ownership interest in the company was reduced from 62.05% to 59.67%. In addition, stock dividends were issued on August 24, 2021, which was resolved by the board of directors' meeting on August 18, 2021. The shares of the Company increased from 19,479,035 to 27,296,220.

Note 5: The employee stock option was offered by ASRock Industrial Computer Corporation on June 11, 2021. Because the Company did not subscribe the shares according to the shareholding ratio, the ownership interest in the company was reduced from 66.96% to 65.83%.