

Action Electronics Co., LTD.

Handbook for the 2022 General Shareholders' Meeting

Meeting convening method:physical shareholder' meeting

Meeting Time: 9:00 am June 24(Friday), 2022

Place: No. 198, Zhongyuan Rd., Zhongli Dist., Taoyuan City .

(Where any discrepancy arises between the English translation and Chinese version,the Chinese version prevail)

Table of Contents

1. Meeting Procedure	
2. Meeting Agenda	P1
(1).Company Reports	P2
(2).Proposals	P9
(3).Discussion	P11
(4) Questions and Motions	P15
(5) Adjournment	P15
3. Appendices	
(1) 2021 CPA Audit Report and financial statements	P16
(2) Rules of Procedure for Shareholder Meetings	P45
(3) Articles of Incorporation	P50
(4) Current Shareholding of Directors and Independent Directors	P56

Action Electronics Co., LTD.

Procedure for the 2022 Annual Meeting of Shareholders

- 1. Report of Number of Shares Represented by Attendees**
- 2. Call the Meeting to Order**
- 3. Chairperson Remarks**
- 4. Company Reports**
- 5. Proposals**
- 6. Discussion**
- 7. Questions and Motions**
- 8. Adjournment**

Action Electronics Co., LTD.

Agenda of 2022 General Shareholder' Meeting

Meeting convening method: physical shareholder' Meeting

Meeting Time : 9:00 am on June 24(Friday) ,2022

Please: No. 198, Zhongyuan Rd., Zhongli Dist., Taoyuan City ..

I、 Company reports:

- (1) The 2021 Business Report.
- (2) 2021 Audit Committees' Review Report
- (3) 2021 distributable compensation to employees and directors.
- (4) Total endorsements/guarantees provided by the Company.

2、 Proposals

- (1) 2021 Company's business reports and financial statements.
- (2) 2021 Earning Distribution Proposal.

3、 Discussion

- (1) Amendment to the Company's "Procedure for Acquisition Or Disposal of Assets"

4、 Questions and Motions

5、 Adjournment

I、 Report Items:

(1) Reports for Business status in 2021 and Business Plan in 2022

2021 Business Report

To all shareholders who may concern:

Review for 2021, despite the adverse factors such as covid-19 epidemic and port congestion, the Company's revenue in 2021 still increased by 20% compared with that in 2020. Among them, the domestic demand market for home appliances is slightly declining due to the impact of climate and port congestion. In addition, in terms of automotive electronics, although there are adverse factors such as lack of materials and labors on the production side, with the gradual opening of the European and American market and the unremitting efforts of the team, the orders of major customers have gradually picked up. In terms of asset activation, Shanghai logistics warehousing continued to grow steadily, with a rental rate of more than 90%. Action Intelligent Science and Technology Park is also carried out according to the goal, combined with wisdom and green buildings, and towards to establish the benchmark building of Chongli Industrial Park.

Smart home appliances, ESG and digital transformation are the most important trends in future development. Building energy-efficient, intelligent, and healthier products to provide consumers with more convenient products and experiences is the direction of our continuous efforts. In order to enhance its competitive advantage, Action Electric has invested a lot of resources to "upgraded" home appliances. Users can easily remotely control them through APPs such as mobile phones and tablets, and strive to provide consumers with a more convenient life. In addition, the research and development of automotive audio-visual systems and the activation of land assets have been strengthened, so that the Company can still grow steadily and positively in the face of the changeable external environment, with a view to returning the support of shareholders. The management results of 2020, and prospects of 2021 are reported, as follows:

I、 2021 Group Business Report

1. Operating income and expenditure and the implementation results of business plan:

The consolidated net operating revenues of the company in 2021 was NT\$1,535,992 thousand, higher than that NT\$1,280,877 thousand in 2020. The consolidated operating net profit was NT\$15,342 thousand,, and net profit after tax was NT\$209,601 thousand.

Consolidated P&L Statement for 2021

Unit: In NTD Thousand

Item	2021	2020
Operating revenues	1,535,992	1,280,877
Operating costs	1,191,520	980,541
Gross profit	344,472	300,336
Operating expenses	329,130	256,275
Net operating income (loss)	15,342	44,061
Income before tax	59,217	73,981
Income after tax	209,601	43,498
Net income attributable to shareholders of the parent	208,540	46,096

2. Financial Structure Ratio Analysis

項 目		2021	2020
Capital Structure Analysis(%)	Debt Ratio (%)	34.98%	29.53%
	Long-term funds to Fixed Assets(%)	2,073.77%	1,593.65%
Liquidity Analysis	Current Ratio (%)	224.11%	157.33%
	Quick Ratio (%)	145.01%	116.22%
	Interest Coverage (times)	7.80	8.06
Return on Investment Analysis (%)	Return on Total Assets (%)	5.37%	1.39%
	Return on Total Equity (%)	7.69%	1.65%
	Operating profit to capital (%)	0.51%	1.59%
	Net profit before tax to capital (%)	2.14%	2.67%
	Net Profit to Sales (%)	13.65%	3.40%
	Earnings per share(NT\$)	0.75	0.17

II、 2021 Business Plan

1. Strategic guidelines and business strategies:

- (1) Profitability: improve and create. Evaluate nine index of operating performance on a monthly assessed at achieved the target of return on capital and the four-satisfying missions.
- (2) Structure adjustment: emphasis on “professional, simple, and profitable” and build up core competitiveness. Integrate group resources and provide priority to those with SMART strategy.
- (3) Activation of assets: the integration of existing tangible (intangible) assets, Cooperative development, creating value, and sharing benefits.

(4) Stock price rationalization: starting from the fundamentals, make the stock price at least reach the net value per share, and benefit the interests of shareholders.

2. Products and business: The main business of the Company and its subsidiaries are the sales, maintenance, installation and service of electrical home appliances, warehousing, logistic services, manufacturing, processing, and trading of automotive electronic products.

The operation is divided into three business systems:

(1) Automotive electronics manufacturing business system: R & D, production, manufacturing and sales of automotive audio-visual entertainment products (such as on-board combined central control instrument and on-board central control multimedia combined instrument). In addition to continuously improving our R&D capabilities and new product development, we are also working to deepen long-term relationships with existing customers to increase orders.

(2) Brand management and service business system: continue to take " Discover the beauty of Taiwan with your heart " as the main theme, improve brand marketing power and trust, and continue to develop AI intelligent home appliances, such as voice controlled home appliances. Strengthen the satisfaction of after-sales service and logistics distribution to provide consumers with better consumption experience in quality and service.

(3) Asset activation business system: dispose of the equity of Jiangxi Ji'an Action Technology Co. Ltd. in 2021 to inject certain profits into the parent company.

In addition, in order to provide international storage equipment and high-quality environment, the Shanghai subsidiary can create stable profits for the group every year with a high rental rate. It is expected that overseas Taiwanese businessmen will continue to return. The former site of Action Group headquarters plans to build two new factory-office buildings. Currently, they are all carried out as planned, which can be expected for the growth momentum of operation in the future.

IV、 The influence of external competition, regulatory environment and overall business environment

1. For the rapid changes in the external environment, despite the impact of the Sino-US trade war and Covid-19 epidemic, the Company still adheres to the business strategy of "professional, simple, and profitable", concentrates on the core business development, strives to flatten the organization to quickly respond the market change and close to market demand. The Company will use "specialized" and "simplified" to concentrate resources in a favorable market, create values, and pursue profits.

2. Regulatory environment: In view of the continuous development of the Sino-US trade war, the demand for investment from returned Taiwanese business has increased dramatically. In line with government's industrial policy of renewal industrial zone toward three-dimensional development, the Company sets up the Action Intelligent Science and Technology Park, which will become a demonstration for the transformation and landmark of the Zhongli Industrial Zone?

It will also strengthen the deepening of environmental protection, social responsibility and corporate governance.

3. Overall business environment:

- (1) Despite the impact of the epidemic and inflation, the Company has decentralized its production base and is actively improving its domestic demand channels. Despite the unfavorable factors, the Company will continue to promote digital transformation and deepen customer relationships in order to create good results.
- (2) Home appliance industry under the brand Kolin, automotive electronics, and activated assets have become the three major operating focuses for the Company. For the home appliance, we continue to provide consumers with a simple, easy-to-use products and happy life. For automotive electronics, the Company has built up extensive OEM experience with major international factories and already set up a production base in Malaysia. Moreover, the Company's products have niche of a long product cycle. Under the Sino-US trade war, it has become a competitive advantage.
- (3) For the asset activation, the Company has established modern warehousing services in Shanghai. In Shenzhen, the Company owned land located in the Greater Bay Area where the airport located. For the Zhongli area where headquarters located, it will be developed into the Action Intelligent Science and Technology Park.

President:

Manager:

Chief Accountant:

(2) 2021 Audit Report of Audit committee

Audit Committees' Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statement, and proposal for allocation of earnings. The Financial Statements has been duly reviewed and approved PricewaterhouseCooper Taiwan. Lin Yahui and Wu Hanqi with the issuance of auditor's Report. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee. Per the regulation in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To:

2021 General Shareholders' Meeting of Action Electronics CO., LTD

Audit Committee

Independent Director: Tang Peng Chin

Independent Director: Min Kuei Ling

Independent Director: Yen Tzong Ming

Date: March 29,2022

(3) Report of Distribution on Employee Bonus and Remuneration to Directors in 2020

Explanation:

1. According to Article 29 of the Company's Articles of Incorporation, where the Company has profit at the end of any fiscal year, it shall allocate no less than 5% of the profit as bonus to employees and no more than 4% of the profit as the remuneration to directors.

(1) Employees bonus is NT\$12,564,838.

(2) Remuneration to directors is NT\$10,051,871.

2. Employees Bonus and Remuneration to directors will be distributed by cash.

(4) Report on the endorsements/Guarantees

In NT\$ thousand

Endorsement s/ Guarantees	Party being endorsed/guaranteed		Limit on endorse ment amount provided to each guarante ed party	Maximum balance for the period	Percentage of accumulated guarantee amount to net assets value per latest financial statements
	Company name	Relations hip with the endorsor/ Guaranto r			
Action Electronics CO.,LTD	Year Construction CO., LTD	Subsidiary	1,00,000	1,00,000	35.27
Action Electronics CO.,LTD	Action Asia (SZ) Co., Ltd		45,000	45,000	1.59
Action ASIA Limited.	Action Industries (M) SDN. BHD.	Subsidiary reinvestme nt company	77,804	75,245	2.65
Action Asia (SZ) Co., Ltd	Dede Technology (SHENZHEN) CO., LTD.	Associate	315,648	312,768	11.03

II、 Proposals:

Proposal 1 : 2021 Business Report and Financial Statements

Explanation:

- (1) Action Company's Financial Statements, including the balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, were audited by independent auditors, Lin Yahui and Wu Hanqi of PricewaterhouseCoopers Taiwan Also Business Report and FinaouseCoopersncial Statements have been approved by the Board and examined by the supervisors of Action Company.
- (2) The 2021 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached in the Meeting Agenda, pp. [12-34].

Resolution:

Proposal 2 : 2021 Earning Distribution Proposal (Proposed by Board of Directors)

Explanation:

- (1)The Board has adopted a Proposal for Distribution of 2021 Profits in accordance with the Company Act and Articles of Incorporation. Please refer to the 2021 Profit Distribution Table below.

Action Electronics CO., LTD

Profit Distribution Table

Year 2021

(Unit: In NT dollars)

Items	Amount	Remarks
Beginning retained earnings	\$ 2,563,087	
Add: Other comprehensive gains and losses(Determine the actuarial profit and loss of the benefit plan)	2,156,944	
Disposal of financial assets at fair value through other comprehensive profit or loss	1,517,907	
Net profit after tax	208,540,350	
Earnings available for distribution	212,215,201	
Less: 10% legal reserve	-21,221,520	
Special reserves	-2,563,087	
Distributable net profit	190,993,681	
Distributable items:		
Dividend to shareholders	-83,147,248	
Unappropriated retained earnings	\$ 107,846,433	

- (2)The Company proposed to distribute Cash dividends of NT\$0.3 Per share for 2021 which amounted to NT\$ 83,846,433 in total
- (3)1.After approval of the Annual Shareholders' Meeting, it is proposed that Chairman will be authorized to resolve the ex-dividend date and handle distribution affairs for cash dividend
- 2,Cash dividends paid to each individual shareholder will be rounded down to the nearest dollar. Fractional shares with a value less than one dollar are recognized as the Company's other income.
3. If the company repurchase stocks of the Company or convert or retire treasury stocks that give impacts on the outstanding shares number to make distribution rate /per stock change, the Company authorizes the chairman to adjust the distribution yield of shareholders according to the resolution for distribution amount and of actual outstanding share number in shareholders' meeting.

Resolution:

III、 Discussions:

Cause of action: Amended some of the provisions of the” Procedures for Acquisition or Disposal of Assets”.

Description:

1. The Company's amendments are proposed in accordance with the Financial Supervisory Commission's publication of amendments to certain provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
2. A comparison table of the amended provisions is available for examination.

Article No.	Amended Articles	Current Articles	Amendment Explanation
Article 4	<p>If the Company obtains an appraisal report or an opinion from an accountant, attorney or securities underwriter, the professional appraiser and its appraisers, accountants, attorneys or securities underwriters shall comply with the following requirements: (omitted)</p> <p>When issuing appraisal reports or opinions, the aforementioned personnel shall follow the self-regulatory rules of their respective trade associations and the following matters:</p> <ol style="list-style-type: none"> 1. Before undertaking a case, one should carefully evaluate one’s professional ability, practical experience, and independence. 2. When executing a case, we shall properly plan and execute the appropriate workflow to form a conclusion and issue a report or opinion based on it, and record the procedures, information collected and conclusion in detail in the working draft of the case. 3. The appropriateness and rationality of the data sources, parameters and information used shall be evaluated item by item as the basis for issuing the valuation report or opinion. 4. The declaration shall include the professionalism and independence of relevant personnel, the appropriateness 	<p>If the Company obtains an appraisal report or an opinion from an accountant, attorney or securities underwriter, the professional appraiser and its appraisers, accountants, attorneys or securities underwriters shall comply with the following requirements:: (omitted)</p> <p>When issuing an appraisal report or opinion, the preceding officer shall comply with the following matters::</p> <ol style="list-style-type: none"> 1. Before undertaking a case, one should carefully evaluate one’s professional ability, practical experience, and independence. 2. When executing a case, we shall properly plan and execute the appropriate workflow to form a conclusion and issue a report or opinion based on it, and record the procedures, information collected and conclusion in detail in the working draft of the case.. 3. The integrity, correctness and rationality of the data sources, parameters and information used shall be evaluated item by item as the basis for issuing the valuation report or opinion. 4. The declaration shall include the 	<p>According to Article 5 of the Financial Supervisory Commission "regulations governing the acquisition and disposal of assets by public companies". Some texts are added and amended.</p>

Article No.	Amended Articles	Current Articles	Amendment Explanation
	and reasonableness of the information used in the evaluation, and compliance with relevant laws and regulations.	professionalism and independence of relevant personnel, the reasonableness and correctness of the information used in the evaluation, and compliance with relevant laws and regulations.	
Article 6	<p>Evaluation procedures for acquisition or disposal of securities, authorization level and execution unit: (omitted)</p> <p>4. Obtain the opinion of the accountant: When acquiring or disposing of securities, this corporation shall take the latest financial statements of the target company audited, certified or reviewed by a CPA as a reference for evaluating the transaction price before the fact occurs. In addition, if the transaction amount reaches 20% of the Company's paid in capital or more than NT \$300 million, this corporation shall contact a CPA to express its opinion on the rationality of the transaction price before the date of occurrence. However, this restriction shall not apply if the securities have a public quotation in a flexible market or otherwise stipulated by the Financial Supervision Commission (the Commission).</p>	<p>Evaluation procedures for acquisition or disposal of securities, authorization level and execution unit: (omitted)</p> <p>4. Obtain the opinion of the accountant: When acquiring or disposing of securities, this corporation shall take the latest financial statements of the target company audited, certified or reviewed by a CPA as a reference for evaluating the transaction price before the fact occurs. In addition, if the transaction amount reaches 20% of the Company's paid in capital or more than NT \$300 million, this corporation shall contact a CPA to express an opinion on the rationality of the transaction price before the date of occurs. If the CPA needs to use an expert report, it shall be handled in accordance with statement on Auditing Standards No. 20 issued by accounting research and development foundation. However, this restriction shall not apply if the securities have a public quotation in a flexible market or otherwise stipulated by the Financial Supervision Commission (the Commission).</p>	<p>According to Article 10 of the Financial Supervisory Commission "regulations governing the acquisition and disposal of assets by public companies". Part of the text is deleted.</p>
Article 7	<p>Asset appraisal procedures for obtaining or disposing of real estate, equipment or their use right, authorization level and execution unit: (omitted)</p> <p>(3) Under any of the following circumstances, except that the valuation results of the assets obtained are higher than the transaction amount, or the</p>	<p>Asset appraisal procedures for obtaining or disposing of real estate, equipment or their use right, authorization level and execution unit: (omitted)</p> <p>(3) Under any of the following circumstances, except that the appraisal results of assets</p>	<p>According to Article 9 of the Financing Supervisory Commission Regulations Governing the Acquisition</p>

Article No.	Amended Articles	Current Articles	Amendment Explanation
	<p>valuation results of the assets disposed of are lower than the transaction amount, the professional appraiser shall contact a CPA to express a specific opinion on the reason for the difference and the fairness of the transaction price: (omitted below)</p>	<p>acquired are higher than the transaction amount, or the appraisal results of assets disposed of are lower than the transaction amount, the professional appraiser shall contact a CPA to handle it in accordance with the provisions of statements on Auditing Standards No. 20 issued by the accounting research and development foundation of the Republic of China (hereinafter referred to as the accounting research and Development Foundation), and express specific opinions on the reasons for the differences and the appropriateness of the transaction price: (omitted below)</p>	<p>and Disposal of Assets by Public Companies. Delete some of the text.</p>
Article 8	<p>Procedures for acquiring or disposing of intangible assets or their right to use assets or membership cards: (omitted) 3. Expert evaluation opinion report on intangible assets or their use right assets or membership card Where the transaction amount of the intangible assets acquired or disposed of by this corporation or its right to use assets or membership cards reaches 20% of the Company's paid in capital or NT\$300 million or more. Except for the transactions with domestic government agencies, this corporation shall, prior to the date of occurrence of the facts, contact a CPA to express an opinion on the rationality of the transaction price.</p>	<p>Procedures for acquiring or disposing of intangible assets or their right to use assets or membership cards: (omitted) 3. Expert evaluation opinion report on intangible assets or their use right assets or membership card Except for the transactions with domestic government agencies, where the transaction amount of intangible assets or their right to use assets or membership certificates acquired or disposed of by the Company reaches 20% of the Company's paid in capital or more than NT\$300 million, the Company shall, before the date of occurrence of the fact, contact a CPA to express an opinion on the rationality of the transaction price, CPAs shall also comply with the provisions of statements on Auditing Standards No. 20 issued by the Accounting Research and Development Foundation.</p>	<p>According to Article 11 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies of the Financial Supervisory Commission.</p>

Article No.	Amended Articles	Current Articles	Amendment Explanation
	<p>Related party transaction processing procedures: (omitted)</p> <p>2. Evaluation and operation procedures: (omitted)</p> <p>(2) If the Company acquires or disposes of equipment or assets for use in operations, or acquires or disposes of real estate assets for use in operations, between the Company and its parent company, subsidiaries, or subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or capital, the Chairman is authorized to approve the decision within a certain amount and submit it to the most recent Board of Directors for further approval; if the amount exceeds NT\$30 million, the decision shall be submitted to the Board of Directors for approval. If the amount exceeds NT\$30 million, the decision shall be submitted to the board of directors for approval before implementation.</p> <p>(3) Where this corporation or its subsidiary which is not a domestic public company has a transaction referred to in paragraph 1 and the transaction amount reaches more than 10% of the total assets of this Corporation, this corporation shall submit the information listed in paragraph 1 to the shareholders' meeting for approval before signing the transaction contract and making payment. However, this restriction does not apply to transactions between the Company and its parent company, subsidiaries or their subsidiaries.</p> <p>The calculation of the amount of the first and preceding transactions shall be in accordance with Article 13, and the reference to within one year is based on the date of occurrence of the transaction and extrapolated forward one year, and the part that has been approved by the Audit Committee and submitted to the</p>	<p>Related party transaction processing procedures: (omitted)</p> <p>2. Evaluation and operation procedures: (omitted)</p> <p>(2) The calculation of the transaction amount referred to in the preceding paragraph shall be conducted in accordance with Article 13, and the said one-year period is calculated retroactively for one year based on the date of the occurrence of the current transaction. The part that has been approved by the audit committee and submitted to the board of directors for approval in accordance with these standards shall be exempted from recounting.</p> <p>(3) If the Company acquires or disposes of equipment or assets for use in operations, or acquires or disposes of real estate assets for use in operations, between the Company and its parent company, subsidiaries, or subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or capital, the Chairman is authorized to approve the decision within a certain amount and submit it to the most recent Board of Directors for further approval; if the amount exceeds NT\$30 million, the decision shall be submitted to the Board of Directors for approval. If the amount exceeds NT\$30 million, the decision shall be submitted to the board of directors for approval before implementation.</p>	<p>According to Article 15 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies. Former subparagraph 3 was moved to the second subparagraph of the amended provision. The former item 2 was moved to item 3, and provisions were added to include the requirements and exemptions requiring the consent of the shareholders' meeting for transactions.</p>

Article No.	Amended Articles	Current Articles	Amendment Explanation
	shareholders' meeting and the Board of Directors' meeting for approval in accordance with the provisions of this Standard shall be exempted from further calculation.		

Resolution:

IV、 Questions and Motions

V、 Adjournment

**ACTION ELECTRONICS CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

ACTION ELECTRONICS CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entities that are required to be included in the consolidated financial statements of affiliates are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

ACTION ELECTRONICS CO., LTD.

Representative: Peng Ting-Yu

March 29, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Action Electronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Action Electronics Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards 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 Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 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, we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment and investment properties

Description

Refer to Note 4(20) for accounting policy on impairment of non-financial assets, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of non-financial assets and Notes 6(9) and 6(12) for details of property, plant and equipment and investment properties.

The Group's valuation on some overseas property, plant and equipment and investment properties is subjected to the overall industry environment and its operating conditions. The management estimated recoverable amount using value in use. Since the calculations of recoverable amount involved multiple assumptions and estimates and contained a high degree of uncertainty, and the estimated outcome had a significant effect on the valuation of value-in-use, we consider the impairment assessment of property, plant and equipment and investment properties a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Obtained an understanding on the Group's policies and procedures in relation to impairment assessment, assessed cash-generating units that have been identified by management as potentially impaired, and assessed whether there was any indication of impairment.
- B. Assessed the competence and independence of the external appraiser engaged by the management. Discussed with the management on the appraiser's scope of work and the process of engagement acceptance to ensure that no conditions existed that would affect its independence or limit its scope of work.
- C. Assessed and verified the accuracy and completeness of information used in the external appraiser's valuation and then provided for use by the management. Assessed the relevant assumptions and uncertainties involved during asset impairment testing, and considered the sufficiency of the Group's related disclosures.

Intangible assets - impairment of trademark right

Description

Refer to Note 4(20) for accounting policy on impairment of non-financial assets, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to intangible assets - impairment of trademark right and Note 6(13) for details of intangible assets - trademark right.

The Group's intangible assets are mainly the Kolin trademark. The impairment was tested based on the recoverable amount which was measured using the present value of expected future cash flows discounted at an appropriate discount rate. Since the expected future cash flow involves a financial forecast for the next 5 years, and the assumptions applied in the preparation of the forecast are dependent upon subjective judgements and contain a high degree of uncertainties, which have a significant impact on the measurement of recoverable amount, and further affect the estimates of impairment of trademark, we consider the impairment assessment of intangible assets a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Obtained an understanding and assessed the process in which the management estimated future cash flows of such cash-generating unit, and reconciled the future cash flows used with the future annual budget provided by operating segments.
- B. Obtained an understanding on the procedure and basis for determining assumptions used by the management to forecast future cash flows.
- C. Assessed the key assumptions used by the external appraiser engaged by management in the estimation of future cash flows, including assessing the reasonableness of expected operating revenue, gross profit and changes in expenses by comparing to historical results.
- D. Reviewed the parameters of discount rates, including the reasonableness of risk-free rate of cost of equity, market risk premium, securities risk premium and size risk premium.

Other matter – Issuance of an auditors' report on the parent company only financial reports

We have audited and expressed an unqualified opinion with an other matter section on the parent company only financial statements of Action Electronics Co., Ltd. as at and for the year ended December 31, 2021.

Other matter – Prior period financial statements audited by another auditor

The financial statements of the Group for the year ended December 31, 2020 were audited by another auditor who expressed an unqualified opinion with an other matter section on those statements on March 29, 2021.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. 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.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

For and on behalf of PricewaterhouseCoopers, Taiwan
March 29, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report 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.

ACTION ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 666,267	15	\$ 520,648	14
1110	Current financial assets at fair value	6(2)				
	through profit or loss		12,002	-	2,893	-
1120	Current financial assets at fair value	6(3)				
	through other comprehensive income		166,166	4	87,312	2
1136	Current financial assets at amortised cost	6(1) and 8	145,090	4	125,924	3
1170	Accounts receivable, net	6(4)	142,137	3	123,090	3
1200	Other receivables	6(5)	12,588	-	14,142	-
1210	Other receivables due from related parties	6(7) and 7	144,860	3	24,136	1
130X	Inventory	6(6)	744,308	17	313,192	9
1460	Non-current assets or disposal groups	6(7)				
	classified as held for sale, net		-	-	99,679	3
1476	Other current financial assets	6(1)	93,010	2	-	-
1479	Other current assets, others	8	72,079	2	92,466	3
11XX	Total current Assets		<u>2,198,507</u>	<u>50</u>	<u>1,403,482</u>	<u>38</u>
Non-current assets						
1550	Investments accounted for using equity	6(8) and 8				
	method		558,287	13	540,091	14
1600	Property, plant and equipment	6(9) and 8	162,982	4	176,803	5
1755	Right-of-use assets	6(10) and 8	45,679	1	42,553	1
1760	Investment property, net	6(12) and 8	1,009,075	23	1,135,512	31
1780	Intangible assets	6(13)	219,380	5	225,771	6
1840	Deferred income tax assets	6(29)	155,800	4	170,242	5
1900	Other non-current assets	8	11,144	-	15,250	-
15XX	Total non-current assets		<u>2,162,347</u>	<u>50</u>	<u>2,306,222</u>	<u>62</u>
1XXX	Total assets		<u>\$ 4,360,854</u>	<u>100</u>	<u>\$ 3,709,704</u>	<u>100</u>

(Continued)

ACTION ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(14)	\$ 394,910	9	\$ 531,049	14
2130	Current contract liabilities	6(23)	252,153	6	23,694	1
2170	Accounts payable		99,760	2	113,532	3
2200	Other payables	6(16)	158,900	4	135,598	4
2230	Current income tax liabilities		15,861	-	3,892	-
2250	Current provisions	6(17)	26,168	1	21,193	1
2260	Liabilities related to non-current assets or disposal groups classified as held for sale	6(7)	-	-	6,497	-
2280	Current lease liabilities		15,416	-	19,405	-
2300	Other current liabilities		17,815	1	37,219	1
21XX	Total current Liabilities		<u>980,983</u>	<u>23</u>	<u>892,079</u>	<u>24</u>
Non-current liabilities						
2540	Non-current portion of non-current borrowings	6(15)	352,821	8	-	-
2550	Non-current provisions	6(17)	8,540	-	6,241	-
2570	Deferred tax liabilities	6(29)	116,191	3	124,047	3
2580	Non-current lease liabilities		25,949	-	18,333	1
2600	Other non-current liabilities	6(18)	40,938	1	54,780	2
25XX	Total non-current liabilities		<u>544,439</u>	<u>12</u>	<u>203,401</u>	<u>6</u>
2XXX	Total liabilities		<u>1,525,422</u>	<u>35</u>	<u>1,095,480</u>	<u>30</u>
Equity						
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(19)	2,771,575	64	2,771,575	75
Capital surplus						
3200	Capital surplus	6(20)	1,602	-	1,602	-
Retained earnings						
3310	Legal reserve	6(21)	24,671	1	20,301	-
3320	Special reserve		239,553	5	204,418	5
3350	Total unappropriated retained earnings		214,778	5	69,785	2
Other equity interest						
3400	Other equity interest	6(3)(22)	(416,747)	(10)	(448,971)	(12)
31XX	Equity attributable to owners of the parent		<u>2,835,432</u>	<u>65</u>	<u>2,618,710</u>	<u>70</u>
36XX	Non-controlling interest		-	-	(4,486)	-
3XXX	Total equity		<u>2,835,432</u>	<u>65</u>	<u>2,614,224</u>	<u>70</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 4,360,854</u>	<u>100</u>	<u>\$ 3,709,704</u>	<u>100</u>

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

ACTION ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Items	Notes	Year ended December 31				
		2021		2020		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(23)	\$ 1,535,992	100	\$ 1,280,877	100
5000	Operating costs	6(6)(28)	(1,191,520)	(78)	(980,541)	(76)
5900	Net operating margin		344,472	22	300,336	24
	Operating expenses	6(28)				
6100	Selling expenses		(108,704)	(7)	(82,352)	(6)
6200	General & administrative expenses		(183,237)	(12)	(154,238)	(12)
6300	Research and development expenses		(34,438)	(2)	(31,584)	(3)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS					
	9		(2,751)	-	11,899	1
6000	Total operating expenses		(329,130)	(21)	(256,275)	(20)
6900	Operating profit		15,342	1	44,061	4
	Non-operating income and expenses					
7100	Interest income	6(24)	2,128	-	3,267	-
7010	Other income	6(25)	23,934	2	51,753	4
7020	Other gains and losses	6(26)	1,862	-	(16,917)	(1)
7050	Finance costs	6(27)	(8,712)	-	(10,486)	(1)
7055	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS					
	9		4,320	-	7,248	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	6(8)	20,343	1	(4,945)	-
7000	Total non-operating revenue and expenses		43,875	3	29,920	2
7900	Profit before income tax		59,217	4	73,981	6
7950	Income tax expense	6(29)	(48,373)	(3)	(37,194)	(3)
8000	Profit for the year from continuing operations		10,844	1	36,787	3
8100	Profit from discontinued operations	6(7)	198,757	13	6,711	1
8200	Profit for the year		\$ 209,601	14	\$ 43,498	4

(Continued)

ACTION ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(Expressed in thousands of New Taiwan dollars)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(18)			
		\$	2,697	-	(\$ 2,992) -
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	82,428	5	(28,305) (2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(540)	-	598 -
8310	Components of other comprehensive income that will not be reclassified to profit or loss		84,585	5	(30,699) (2)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		(57,435)	(4)	23,977 2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		12,173	1	(4,813) (1)
8360	Components of other comprehensive income that will be reclassified to profit or loss		(45,262)	(3)	19,164 1
8300	Other comprehensive income for the year		\$ 39,323	2	(\$ 11,535) (1)
8500	Total comprehensive income for the year		\$ 248,924	16	\$ 31,963 3
Profit (loss), attributable to:					
8610	Owners of the parent		\$ 208,540	14	\$ 46,096 4
8620	Non-controlling interest		1,061	-	(2,598) -
			\$ 209,601	14	\$ 43,498 4
Comprehensive income attributable to:					
8710	Owners of the parent		\$ 244,438	16	\$ 34,649 3
8720	Non-controlling interest		4,486	-	(2,686) -
			\$ 248,924	16	\$ 31,963 3
Earnings per share					
9710	Basic earnings per share from continuing operations	6(29)	\$	0.03	\$ 0.15
9720	Basic earnings per share from discontinued operations			0.72	0.02
9750	Basic and diluted earnings per share		\$	0.75	\$ 0.17

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

ACTION ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Retained earnings					Other equity interest				
Notes	Ordinary share	Capital surplus	Legal surplus	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity	
<u>2020</u>											
	\$	\$	\$	\$	\$	(\$	\$	\$	(\$	\$	
	2,771,575	259	14,828	204,418	92,531	489,535)	49,617	2,643,693	457)	2,643,236	
	-	-	-	-	46,096	-	-	46,096	(2,598)	43,498	
	-	-	-	-	(2,394)	19,252	(28,305)	(11,447)	(88)	(11,535)	
	-	-	-	-	43,702	19,252	(28,305)	34,649	(2,686)	31,963	
Appropriation and distribution of 2019 retained earnings:	6(21)										
Legal reserve appropriated		-	-	5,473	-	(5,473)	-	-	-	-	
Cash dividends of ordinary share		-	-	-	-	(60,975)	-	(60,975)	-	(60,975)	
Changes in ownership interests in subsidiaries		-	1,343	-	-	-	-	1,343	(1,343)	-	
Balance at December 31	\$	\$	\$	\$	\$	(\$	\$	\$	(\$	\$	
	2,771,575	1,602	20,301	204,418	69,785	470,283)	21,312	2,618,710	4,486)	2,614,224	
<u>2021</u>											
	\$	\$	\$	\$	\$	(\$	\$	\$	(\$	\$	
	2,771,575	1,602	20,301	204,418	69,785	470,283)	21,312	2,618,710	4,486)	2,614,224	
	-	-	-	-	208,540	-	-	208,540	1,061	209,601	
	-	-	-	-	2,157	(48,687)	82,428	35,898	3,425	39,323	
	-	-	-	-	210,697	(48,687)	82,428	244,438	4,486	248,924	
Appropriation and distribution of 2020 retained earnings:	6(21)										
Legal reserve appropriated		-	-	4,370	-	(4,370)	-	-	-	-	
Special reserve appropriated		-	-	-	35,135	(35,135)	-	-	-	-	
Cash dividends of ordinary share		-	-	-	-	(27,716)	-	(27,716)	-	(27,716)	
Proceeds from disposal of financial assets at fair value through other comprehensive income transferred to retained earnings	6(3)	-	-	-	-	1,517	(1,517)	-	-	-	
Balance at December 31	\$	\$	\$	\$	\$	(\$	\$	\$	\$	\$	
	2,771,575	1,602	24,671	239,553	214,778	518,970)	102,223	2,835,432	-	2,835,432	

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

ACTION ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit from continuing operations before tax		\$	59,217	\$	73,981
Profit before tax of discontinued operations			198,757		6,711
Profit before tax			<u>257,974</u>		<u>80,692</u>
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation	6(28)		56,955		61,574
Amortisation	6(28)		7,649		8,567
Expected credit gain		(	1,569 )	(	19,147)
Gains (losses) on financial assets at fair value through profit or loss	6(26)		(109)		5
Interest expense	6(27)		8,712		10,486
Interest income	6(24)	(	2,128 )	(	3,383)
Dividend income	6(25)	(	5,929 )	(	7,650)
Share of (profit) loss of associates accounted for using the equity method	6(8)		(20,343)		4,945
Gain on disposal of non-current assets classified as held for sale	6(26)	(	204,940)		-
Loss (gain) on disposal of property, plant and equipment	6(26)		249	(	526)
Gains on disposals of investment property			-	(	2,683)
Gains on disposals of investments			-	(	78)
Impairment loss on intangible assets			-		7,714
Changes in operating assets and liabilities					
Changes in operating assets					
Financial assets mandatorily measured at fair value through profit or loss		(	9,000)		78
Accounts receivable		(	26,298)		32,664
Other receivables			7,145		47,581
Inventories		(	279,762)		11,189
Prepayments			21,240	(	5,987)
Other financial assets - current		(	93,010)		-
Other current assets		(	2,331 )	(	9,311)
Changes in operating liabilities					
Contract liabilities			230,751		8,148

ACTION ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Accounts payable	(12,173)	8,407
Other payables	27,941 (	5,561)
Provisions	8,891 (	1,775)
Other current liabilities	(19,566)	14,791
Net defined benefit liability	(11,291)	(3,620)
Cash (outflow) inflow generated from operations	(60,942)	237,120
Interest received	2,128	3,383
Dividends received	5,929	7,650
Interest paid	(8,712 ) (	9,439)
Income taxes paid	(13,550)	(32,272)
Net cash flows (used in) from operating activities	(75,147)	206,442

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ACTION ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	\$	3,574	\$	-
Decrease in financial assets at amortised cost		(	19,166	)	4,334
Acquisition of property, plant and equipment	6(31)	(	6,573	)	(5,758)
Acquisition of investment property	6(12)	(	60,144	)	(117,776)
Acquisition of intangible assets	6(13)	(	642	)	(705)
Proceeds from disposal of non-current assets classified as held for sale	6(31)		114,289		-
Proceeds from disposal of property, plant and equipment			39		571
Proceeds from disposal of investment properties			-		3,682
Increase in other non-current assets		(	1,715	)	(1,407)
Increase in refundable deposits		(	773	)	(1,842)
Increase in other financial assets			-	)	(15,670)
Net cash provided by (used in) investing activities			<u>28,889</u>	(	<u>134,571</u>)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in long-term borrowings	6(32)		352,821		-
Decrease in short-term borrowings	6(32)	(	132,359	)	(19,536)
Increase in guarantee deposits received	6(32)		161		1,654
Payments of lease liabilities	6(32)	(	18,772	)	(19,872)
Cash dividends paid	6(21)	(	27,716	)	(60,975)
Net cash provided by (used in) financing activities			<u>174,135</u>	(	<u>98,729</u>)
Effect of exchange rate changes			<u>3,220</u>	(	<u>6,361</u>)
Increase (decrease) in cash and cash equivalents			<u>131,097</u>	(	<u>33,219</u>)
Cash and cash equivalents, beginning of year			<u>535,170</u>		<u>568,389</u>
Cash and cash equivalents, end of year		\$	<u>666,267</u>	\$	<u>535,170</u>
Components of cash and cash equivalents:					
Cash and cash equivalents reported in the statement of financial position		\$	666,267	\$	520,648
(Non-current) assets (or disposal groups) classified as held for sale, net			-		14,522
Cash and cash equivalents, end of year		\$	<u>666,267</u>	\$	<u>535,170</u>

ACTION ELECTRONICS CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Action Electronics Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Action Electronics Co., Ltd. (the "Company") as at December 31, 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2021, and its parent company only financial performance and its parent company only cash flows for the year then ended in accordance with 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 generally accepted auditing standards 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 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, we do not provide a separate opinion on these

matters.

Key audit matters for the Company's 2021 parent company only financial statements are stated as follows:

Investments accounted for using the equity method - impairment assessment of property, plant and equipment and investment properties

Description

Refer to Note 4(18) for accounting policy on impairment of non-financial assets, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of non-financial assets and Note 6(7) for details of investments accounted for using the equity method.

The Company's valuation on property, plant and equipment and investment properties held by the subsidiary accounted for using the equity method, SHANGHAI ACTION TECHNOLOGY CO., LTD., is subjected to the overall industry environment and its operating conditions. The management estimated recoverable amount using value in use. Since the calculations of recoverable amount involved multiple assumptions and estimates and contained a high degree of uncertainty, and the estimated outcome had a significant effect on the valuation of value-in-use, we consider the investments accounted for using the equity method - impairment assessment of property, plant and equipment and investment properties a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- D. Obtained an understanding on the policies and procedures in relation to impairment assessment, assessed cash-generating units that have been identified by management as potentially impaired, and assessed whether there was any indication of impairment.
- E. Assessed the competence and independence of the external appraiser engaged by the management. Discussed with the management on the appraiser's scope of work and the process of engagement acceptance to ensure that no conditions existed that would affect its independence or limit its scope of work.
- F. Assessed and verified the accuracy and completeness of information used in the external appraiser's valuation and then provided for use by the management. Assessed the relevant assumptions and uncertainties involved during asset impairment testing, and considered the

sufficiency of related disclosures.

Intangible assets - impairment of trademark right

Description

Refer to Note 4(18) for accounting policy on impairment of non-financial assets, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to intangible assets - impairment of trademark right and Note 6(12) for details of intangible assets - trademark right.

The Company's intangible assets are mainly the Kolin trademark. For the Company, the impairment was tested based on the recoverable amount which was measured using the present value of expected future cash flows discounted at an appropriate discount rate. Since the expected future cash flow involves a financial forecast for the next 5 years, and the assumptions applied in the preparation of the forecast are dependent upon subjective judgements and contain a high degree of uncertainties, which have a significant impact on the measurement of recoverable amount, and further affect the estimates of impairment of trademark, we consider the impairment assessment of intangible assets a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- E. Obtained an understanding and assessed the process in which the management estimated future cash flows of such cash-generating unit, and reconciled the future cash flows used with the future annual budget provided by operating segments.
- F. Obtained an understanding on the procedure and basis for determining assumptions used by the management to forecast future cash flows.
- G. Assessed the key assumptions used by the external appraiser engaged by management in the estimation of future cash flows, including assessing the reasonableness of expected operating revenue, gross profit and changes in expenses by comparing to historical results.
- H. Reviewed the parameters of discount rates, including the reasonableness of risk-free rate of cost of equity, market risk premium, securities risk premium and size risk premium.

Other matter – Prior period financial statements audited by another auditor

The parent company only financial statements of the Company for the year ended December 31,

2020 were audited by another auditor who expressed an unqualified opinion on those statements on March 29, 2021.

Responsibilities of management and those charged with governance for the financial statements

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout

the audit. We also:

- G. 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.
- H. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- I. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- J. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- K. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- L. 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 audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

For and on behalf of PricewaterhouseCoopers, Taiwan
March 29, 2022

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report 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.

ACTION ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 46,716	1	\$ 57,243	2
1110	Current financial assets at fair value	6(2)				
	through profit or loss		4,004	-	-	-
1120	Current financial assets at fair value	6(3)				
	through other comprehensive income		166,166	5	87,312	2
1136	Current financial assets at amortised	6(1) and 8				
	cost		77,504	2	71,200	2
1180	Accounts receivable, net	6(4) and 7	87,530	2	67,759	2
1200	Other receivables	6(5) and 7	30,326	1	89,912	3
130X	Current inventories	6(6) and 8	274,967	8	155,812	4
1470	Other current assets		18,603	1	24,255	1
11XX	Total current assets		<u>705,816</u>	<u>20</u>	<u>553,493</u>	<u>16</u>
Non-current assets						
1550	Investments accounted for using	6(7)				
	equity method		2,339,465	65	2,143,344	64
1600	Property, plant and equipment	6(8) and 8	56,884	2	57,992	2
1755	Right-of-use assets	6(9)	18,632	-	11,260	-
1760	Investment property, net	6(11) and 8	115,086	3	210,016	6
1780	Intangible assets	6(12)	218,778	6	223,874	7
1840	Deferred tax assets	6(28)	136,380	4	151,643	5
1900	Other non-current assets		6,229	-	5,720	-
15XX	Total non-current assets		<u>2,891,454</u>	<u>80</u>	<u>2,803,849</u>	<u>84</u>
1XXX	Total assets		<u>\$ 3,597,270</u>	<u>100</u>	<u>\$ 3,357,342</u>	<u>100</u>

(Continued)

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

ACTION ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Current borrowings	6(13)	\$ 312,963	9	\$ 474,027	14
2130	Current contract liabilities	6(22)	3,843	-	2,972	-
2180	Accounts payable	7	50,495	1	34,163	1
2200	Other payables	6(15) and 7	87,700	2	67,795	2
2280	Current lease liabilities		6,678	-	3,831	-
2300	Other current liabilities		<u>16,107</u>	<u>1</u>	<u>28,096</u>	<u>1</u>
21XX	Total current liabilities		<u>477,786</u>	<u>13</u>	<u>610,884</u>	<u>18</u>
Non-current liabilities						
2540	Non-current portion of non-current borrowings	6(14)	160,000	5	-	-
2550	Non-current provisions	6(16)	176	-	913	-
2570	Deferred tax liabilities	6(28)	106,081	3	113,393	4
2580	Non-current lease liabilities		12,168	-	7,576	-
2600	Other non-current liabilities	6(17)	<u>5,627</u>	<u>-</u>	<u>5,866</u>	<u>-</u>
25XX	Total non-current liabilities		<u>284,052</u>	<u>8</u>	<u>127,748</u>	<u>4</u>
2XXX	Total liabilities		<u>761,838</u>	<u>21</u>	<u>738,632</u>	<u>22</u>
Equity						
Share capital						
3110	Common stock	6(18)	2,771,575	77	2,771,575	82
Capital surplus						
3200	Capital surplus	6(19)	1,602	-	1,602	-
Retained earnings						
3310	Legal reserve	6(20)	24,671	1	20,301	1
3320	Special reserve		239,553	7	204,418	6
3350	Unappropriated retained earnings		214,778	6	69,785	2
Other equity interest						
3400	Other equity interest	6(3)	(416,747)	(12)	(448,971)	(13)
3XXX	Total equity		<u>2,835,432</u>	<u>79</u>	<u>2,618,710</u>	<u>78</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 3,597,270</u>	<u>100</u>	<u>\$ 3,357,342</u>	<u>100</u>

(Continued)

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

ACTION ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22) and 7	\$ 571,538	100	\$ 595,328	100
5000	Operating costs	6(6)(27) and 7	(470,461)	(82)	(475,928)	(80)
5900	Gross profit from operations		<u>101,077</u>	<u>18</u>	<u>119,400</u>	<u>20</u>
	Operating expenses	6(27) and 7				
6100	Selling expenses		(88,542)	(16)	(72,692)	(12)
6200	Administrative expenses		(86,894)	(15)	(58,268)	(10)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		<u>1</u>	<u>-</u>	(1,115)	-
6000	Total operating expenses		(175,435)	(31)	(132,075)	(22)
6900	Net operating loss		(74,358)	(13)	(12,675)	(2)
	Non-operating income and expenses					
7100	Interest income	6(23)	154	-	97	-
7010	Other income	6(24)	19,319	3	20,739	3
7020	Other gains and losses	6(25)	(2,056)	-	(8,812)	(1)
7050	Finance costs	6(26)	(6,972)	(1)	(8,063)	(1)
7055	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		-	-	(11,367)	(2)
7070	Share of profit of associates and joint ventures accounted for using equity method	6(7)	<u>292,593</u>	<u>51</u>	<u>67,247</u>	<u>11</u>
7000	Total non-operating income and expenses		<u>303,038</u>	<u>53</u>	<u>59,841</u>	<u>10</u>
7900	Profit before income tax		<u>228,680</u>	<u>40</u>	<u>47,166</u>	<u>8</u>
7950	Income tax expense	6(28)	(20,140)	(3)	(1,070)	-
8200	Profit for the year		<u>\$ 208,540</u>	<u>37</u>	<u>\$ 46,096</u>	<u>8</u>
	Other comprehensive income					
8311	Gains (losses) on remeasurements of defined benefit plans		\$ 378	-	(\$ 1,668)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	82,428	15	(28,305)	(5)
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		1,855	-	(1,060)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(76)	-	334	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>84,585</u>	<u>15</u>	(30,699)	(5)
8361	Exchange differences on translation		(60,860)	(11)	24,065	4
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		<u>12,173</u>	<u>2</u>	(4,813)	(1)
8360	Components of other comprehensive income that will be reclassified to profit or loss		(48,687)	(9)	19,252	3
8300	Other comprehensive income		<u>\$ 35,898</u>	<u>6</u>	(\$ 11,447)	(2)
8500	Total comprehensive income		<u>\$ 244,438</u>	<u>43</u>	<u>\$ 34,649</u>	<u>6</u>
	Earnings per share	6(29)				
9750	Basic earnings per share		<u>\$ 0.75</u>		<u>\$ 0.17</u>	
9850	Diluted earnings per share		<u>\$ 0.75</u>		<u>\$ 0.17</u>	

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

ACTION ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings				Other equity interest		Total equity	
		Ordinary share	Capital surplus	Legal surplus	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income
<u>2020</u>									
Balance at January 1		\$ 2,771,575	\$ 259	\$ 14,828	\$ 204,418	\$ 92,531	(\$ 489,535)	\$ 49,617	\$ 2,643,693
Profit for the year		-	-	-	-	46,096	-	-	46,096
Other comprehensive (loss) income for the year		-	-	-	-	(2,394)	19,252	(28,305)	(11,447)
Total comprehensive income (loss) for the year		-	-	-	-	43,702	19,252	(28,305)	34,649
Appropriation and distribution of 2019 retained earnings:	6(20)								
Legal reserve appropriated		-	-	5,473	-	(5,473)	-	-	-
Cash dividends of ordinary share		-	-	-	-	(60,975)	-	-	(60,975)
Changes in ownership interests in subsidiaries		-	1,343	-	-	-	-	-	1,343
Balance at December 31		\$ 2,771,575	\$ 1,602	\$ 20,301	\$ 204,418	\$ 69,785	(\$ 470,283)	\$ 21,312	\$ 2,618,710
<u>2021</u>									
Balance at January 1		\$ 2,771,575	\$ 1,602	\$ 20,301	\$ 204,418	\$ 69,785	(\$ 470,283)	\$ 21,312	\$ 2,618,710
Profit for the year		-	-	-	-	208,540	-	-	208,540
Other comprehensive income (loss) for the year		-	-	-	-	2,157	(48,687)	82,428	35,898
Total comprehensive income (loss) for the year		-	-	-	-	210,697	(48,687)	82,428	244,438
Appropriation and distribution of 2020 retained earnings:	6(20)								
Legal reserve appropriated		-	-	4,370	-	(4,370)	-	-	-
Special reserve appropriated		-	-	-	35,135	(35,135)	-	-	-
Cash dividends of ordinary share		-	-	-	-	(27,716)	-	-	(27,716)
Proceeds from disposal of financial assets at fair value through other comprehensive income transferred to retained earnings	6(3)	-	-	-	-	1,517	-	(1,517)	-
Balance at December 31		\$ 2,771,575	\$ 1,602	\$ 24,671	\$ 239,553	\$ 214,778	(\$ 518,970)	\$ 102,223	\$ 2,835,432

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

ACTION ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 228,680	\$ 47,166
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(27)	10,486	9,106
Amortisation	6(27)	6,595	6,211
Expected credit (gain) loss		(1)	12,482
Gains on financial assets at fair value through profit or loss	6(25)	(4)	-
Interest income	6(23)	(155)	(97)
Dividend income	6(24)	(5,929)	(7,650)
Interest expense	6(26)	6,972	8,063
Share of profit of subsidiaries and associates accounted for using the equity method	6(7)	(292,593)	(67,247)
Loss (gain) on disposal of property, plant and equipment	6(25)	-	(571)
Unrealised foreign exchange gain		-	(2,708)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(4,000)	-
Accounts receivable		(19,770)	16,590
Other receivables		59,586	15,916
Inventories		(25,370)	38,064
Other current assets		5,661	(7,148)
Other non-current assets		-	(1,928)
Changes in operating liabilities			
Contract liabilities		871	(835)
Accounts payable		16,332	(5,288)
Other payables		20,192	3,338
Provisions		(737)	(1,320)
Other current liabilities		(11,989)	13,967
Net defined benefit liability		(378)	-
Cash (outflow) inflow generated from operations		(5,551)	76,111
Interest received		155	97
Dividends received		43,395	135,408
Interest paid		(6,972)	(8,185)
Income taxes paid		(9)	(1,717)
Net cash flows from operating activities		<u>31,018</u>	<u>201,714</u>

(Continued)

ACTION ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	\$ 3,574	\$ -
Increase in financial assets at amortised cost		(6,304)	(72,475)
Acquisition of property, plant and equipment	6(8)	(3,112)	(99)
Acquisition of intangible assets	6(12)	(642)	(475)
Acquisition of investments accounted for using the equity method	6(7)	-	(100,000)
Disposal of property, plant and equipment		-	570
Acquisition of investment property		-	(28,648)
Decrease in other receivables - related parties		-	33,598
Increase in other non-current assets		(906)	-
Increase in refundable deposits		(460)	-
Increase in prepayments for business facilities		-	(477)
Net cash used in investing activities		(7,850)	(168,006)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in long-term borrowings	6(30)	160,000	-
Decrease in short-term borrowings	6(30)	(161,064)	(17,733)
Increase in other payables - related parties		-	30,146
Increase in guarantee deposits received	6(30)	139	69
Payments of lease liabilities	6(30)	(5,054)	(3,668)
Cash dividends paid		(27,716)	(60,975)
Net cash used in financing activities		(33,695)	(52,161)
Decrease in cash and cash equivalents		(10,527)	(18,453)
Cash and cash equivalents, beginning of year		57,243	75,696
Cash and cash equivalents, end of year		\$ 46,716	\$ 57,243

ACTION ELECTRONICS CO., LTD

Rules of Procedure for Shareholders Meetings

Approved by the shareholders meeting June 15th 2020

Article 1 The Company's shareholders' meetings shall be executed according to this "Rules of Procedure for Shareholders Meetings", except as otherwise provided by laws, regulations, or the articles of incorporation,

Article 2 The shareholders referred to in these rules refer to the shareholders themselves and the proxy entrusted by the shareholders to attend the shareholders' meeting.

If the proxy authorized by the shareholders to attend is a legal person, the legal person may only designate one person to attend the shareholders meeting.

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

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

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

Article 3 Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.

Where re-election of all directors is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

Provided a shareholder proposal for urging the corporation to promote public interests or fulfill its social responsibilities may still be included in the agenda by the board of directors. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Article 4 Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

If the proxy authorized by the shareholders to attend is a legal person, the legal person may only designate one person to attend the shareholders meeting.

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

Article 5 The venue for a shareholders meeting shall be the premises or factory of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 6 If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select one person to serve as chair among themselves.

Article 7 The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. If the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 8 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal

in the agenda. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting.

If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

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

Article 9 (Deleted)

Article 10 If a shareholder proposes to count the number of people, the chairman may not accept it. When vote on the proposal, if a quorum has been reached, the proposal is still passed.

Article 11 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her attendance card number, and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
Shareholders may put limitation of power in the power of attorney or other measures to the proxy, which the Company will not aware of. As a result, the speech or vote made by the proxy shall prevail.

Article 12 Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

Article 13 After an attending shareholder has spoken, the chair may respond in person or direct

relevant personnel to respond.

Article 14 (Deleted)

Article 15 If it is not a motion, it will not be discussed or voted on. When discussing a proposal, the chairman may announce the cessation of the discussion at an appropriate time and put it to vote. At the time of voting, if there is no objection after consultation by the chairman, the effect is the same as the voting.

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

Article 16 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under the Company Act.

Article 17 The voting of the proposal shall be passed with the approval of a majority of the voting rights of the shareholders present, unless otherwise stipulated in the Company Act and the Articles of Association.

Article 18 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The results of the voting shall be reported on the spot and recorded.

Article 19 The Company may appoint its attorneys, certified public accountants, or related persons to attend a shareholders meeting. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

Article 20 The company shall record the entire process of the shareholders' meeting by audio and/or video and keep it for at least one year.

Article 21 The chair may direct the picketers or security personnel to help maintain order at the meeting place. When picketers or security personnel help maintain order at the meeting place, they shall wear an identification card or arm band with the word "Security"

Article 22 The resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting. A copy of the meeting minutes shall be distributed to each shareholder within 20 days after the conclusion of the meeting. The distribution of meeting minutes mentioned above can be done by means of a public announcement. The meeting minutes shall accurately

record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted. , and a summary of the deliberations and their voting results. The minutes shall be retained for the duration of the existence of the Company. The sign-in book or sign-in card of the attending shareholders and the proxy's power of attorney shall be kept for one year.

Article 23 When a meeting is in progress, the chair may announce a break based on time considerations.

Article 24 Matters not stipulated in this rule shall be handled in accordance with the Company Act and the company's articles of association.

Article 25 These rules will be implemented after approval by the shareholders' meeting, and the same applies when they are amended.

ACTION ELECTRONICS CO., LTD

Articles of Incorporation

Chapter 1 General Provisions

Article 1 : The Company is incorporated as company limited under the Company Act of the Republic of China. The company name is ACTION ELECTRONICS CO., LTD.

Article 2 : The Company have its head office in Taoyuan City, the Republic of China, and may, pursuant to a resolution adopted at the meeting of the Board of Directors, set up branch offices within or outside the territory of the Republic of China when deemed necessary.

Article 3 : The company's operations are as follows:

(1) Manufacturing, processing, trading, repair services, technology transfer and consulting services of the following products.

1. C399990 Other textile and product manufacturing
2. C802100 Cosmetics manufacturing
3. CB01020 Business Machine Manufacturing
4. CCO1030 Electrical and audio-visual electronic products manufacturing
5. CC01060 Wired Communication Machinery Equipment Manufacturing
6. CC01070 Wireless Communication Machinery Equipment Manufacturing
7. CC01080 Electronic Components Manufacturing
8. CC01101 Telecom Control Radio Frequency Equipment Manufacturing
9. CC01110 Computer and Peripheral Equipment Manufacturing
10. CE01030 Optical Instrument Manufacturing
11. CH01030 Stationery Manufacturing
12. E601010 Electrical Appliances Assembling
13. E604010 Machinery Installation
14. E701010 Communication Engineering
15. EZ05010 Instrument and Meter Installation Engineering
16. EZ14010 Sports Field Equipment Engineering
17. F104110 Wholesale of cloth, clothing, shoes, hats, umbrellas and apparel products
18. F105050 Wholesale of furniture, bedding, kitchen appliances, and furnishings
19. F107030 Wholesale of cleaning products
20. F108031 Wholesale of medical equipment
21. F108040 Wholesale of cosmetics
22. F109070 Wholesale of culture, education, musical instruments, and educational products
23. F113010 Wholesale of machinery
24. F113020 Wholesale of electrical Appliance
25. F113030 Wholesale of precision instruments
26. F113050 Wholesale of computer and business machinery and equipment
27. F113070 Wholesale of telecommunications Equipment
28. F116010 Wholesale of photographic equipment

29. F119010 Wholesale of electronic materials
30. F207030 Retail cleaning product
31. F208031 Retail of medical equipment
32. F209060 Retail of cultural, educational, musical instruments, and educational products
33. F213010 Retail of electrical appliance
34. F213030 Retail of computer and business machinery and equipment
35. F213040 Retail of Precision Instruments
36. F213060 Retail of telecommunications equipment
37. F213080 Retail of mechanical appliances
38. F216010 Retail of photographic equipment
39. F219010 Retail of electronic materials
40. F401010 International Trade
41. F401021 Import of telecom control radio frequency equipment
42. I103060 Management Consulting
43. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 4 : The company may consider providing external guarantees based on the business required

Article 5 : The ratio of the company's total reinvestment to the paid-in share capital may not be restricted, but each reinvestment proposal must be submitted to the board of directors for resolution.

Article 6 : The company's public announcement should be published in the primary part of the daily newspaper of the municipality or county (city) where the company is located, except where the securities regulatory authority has other regulations.

Chapter 2 Capital and Stock

Article 7 : The total capital of the company is set at four billion and fifty million New Taiwan dollars, divided into four hundred and fifty million shares at ten dollars per share. The Company authorizes the board of directors to issue the share in installments. Eight million shares are reserved for the issuance of employee stock options.

Article 8 : The company's stocks are all registered. All share certificates shall be affixed with the signatures or personal seals of three or more directors, and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority.

The shares issued by the company may be exempted from printing and shall be registered under the custody of a centralized securities custody enterprise.

Article 9 : The company's stock affairs are handled in accordance with "Regulations Governing the Administration of Shareholder Services of Public Companies" and relevant government laws and regulations.。

Article 10 : The transfer of shares shall be closed within 60 days before the regular shareholders' meeting, or 30 days before the extraordinary shareholders' meeting or 5 days before the base date of the company's decision to distribute dividends and bonuses or other benefits.

Chapter 3 Shareholders' Meeting

Article 11 : The shareholders' meeting shall be convened by the board of directors unless otherwise provided by the Company Act.◦

There are two types of shareholders' meetings:

1. Regular shareholders' meeting: convened at least once a year.
2. Temporary shareholders' meeting: convened when necessary.

The regular shareholders' meeting mentioned in the preceding paragraph shall be held within six months after the end of each fiscal year. If it exceeds six months, it shall also be submitted to the competent authority stipulated in the Company Act for approval.

Article 12 : Each shareholder of the company has one vote per share, except in the case where the shares do not have the right to vote as stipulated in Article 179 of the Company Act.

Article 13 : When shareholders are unable to attend the shareholders' meeting, they shall issue a power of attorney issued by the company stating the scope of authorization to entrust a proxy to attend the meeting. Measures for shareholders' entrusted attendance should be in accordance with Article 177 of the Company Act“ and the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies' Meetings” issued by the competent authority.

Article 14 : Unless otherwise stipulated by the Company Act and the Securities Exchange Law, the resolutions of the shareholders meeting shall be approved when attended shareholders representing more than half of the total number of issued shares, and more than half of the presented shareholders agree.

Chapter 4 Directors

Article 15 : The company has eleven directors with a term of three years and eligible for re-selection. The Directors are appointed by the shareholders meeting among capable persons. The equity held by all directors in the preceding paragraph shall not be less than the percentage specified by the securities regulatory authority.

For the directors mentioned in the first paragraph, the number of independent directors shall not be less than three, and shall not be less than one-fifth of the total number of directors. The professional qualifications of independent directors, shareholding, restrictions on part-time jobs, nomination and selection methods, and other matters shall be handled in accordance with the relevant regulations of the securities authority.

For the election of directors, the Company adopts a candidate nomination system in accordance with the provisions of Article 192-1 of the Company Act. The shareholders shall elect the directors and independent directors from among the nominees listed in the roster of the candidates.

Article 16 : The board of directors shall be attended by more than two-thirds of the directors and agreed by more than half of the directors present. One person shall be elected as the chairman of the board, and one person may be elected as the vice chairman in the same manner according to business needs.

The chairman of the board of directors serves as the chairman of the shareholders' meeting and the board of directors' meeting internally, and represents the company externally. When the chairman asks for leave or

cannot exercise his functions and powers for some reason and if there is vice chairman appointed, vice chairman should be act as the deputy chairman. If there is no vice chairman, or when the vice chairman also asks for leave or cannot exercise his functions and powers for some reason, the chairman shall appoint one director act as deputy chairman. If the chairman of the board of directors does not appoint any deputy chairman, the deputy chairman shall be elected from among the directors. If the meeting is convened by a convening person other than the board of directors, the chairman shall be the convening person. If there are two or more convening persons, the chairman should be elected from among the convening persons.

Article 17 : The convening of the board of directors' meeting shall notify the directors seven days in advance specifying the reasons for meeting. When there is an emergency, the meeting can be called at any time. The notification for convening on the preceding paragraph may be done in writing, fax or e-mail. The resolutions of the board of directors should be agreed by more than half of the present directors with the meeting attended by more than half of the directors, unless otherwise provided by laws and regulations.

Article 18 : The board of directors' meeting is convened by the chairman of the board every three months, and the chairman will act as the meeting chairman.

Article 19 : When a director is unable to attend the board of directors' meeting for some reason, he shall issue a power of attorney to authorize other directors to attend as a proxy. The proxy mentioned in the preceding paragraph shall be authorized by one person only.

Article 20 : The board of directors' meeting shall be conducted with more than half of the directors present, unless otherwise stipulated by the Company Act and related laws and regulations, and its resolution shall be made with more than half of the presented directors' agree.

Article 21 : The scope of duty and power of the board of directors are as follows:

- (1) The formulation of business policies and plans.
- (2) Drafting of capital increase or decrease.
- (3) The drafting of surplus distribution.
- (4) Other statutory powers and power authorized by shareholders

Article 22 : A by-election will be made when directors are vacant, but it may be exempted when the statutory quota of directors is sufficient. The succeeding directors' tenure after by-election shall be until the expiration of the original director's term.

Article 23 : The Company has established an audit committee in accordance with Article 14-4 of the "Securities and Exchange Act", which is composed of all independent directors.

The original legal powers exercised by the supervisors in accordance with the Company Act, Securities and Exchange Act and other legal provisions should be acted by the audit committee.

The composition, functions and powers, rules of procedure and other matters to be followed by the audit committee shall be handled in accordance with the regulations of the securities authority.

Article 24 : (Deleted)

Article 25 : The remuneration of the chairman, vice-chairmen and directors shall be determined in accordance with the degree of involvement and contribution to the operation of the Company. The remuneration shall consider domestic and foreign industry standards and authorize board of directors' meetings to be determined. The traveling/transportation allowance for board of directors shall be decided by the board meeting.

Chapter 5 Managerial Officials

Article 26 : The Company may appoint a manager (including the general manager), whose appointment, dismissal and remuneration shall be determined by the board of directors' meeting with more than half of the directors present and a resolution approved by more than half of the presented directors. The manager should have a domicile or residence in the country.

Chapter 6 Accounting

Article 27 : The Company's board of directors shall prepare business reports, financial statements, surplus distribution or loss compensation proposals and other relative reports at the end of each fiscal year and submit them to the regular shareholders' meeting for recognition in accordance with the law.

Article 28 : Based on the company's operational needs and the consideration of maximizing shareholders' equity, the Company's dividend policy will be based on the company's future capital expenditure and capital needs. The proportion of cash dividends will be not less than 30% of the total dividends.

Article 29 : If the Company makes a profit during the year (the so-called profit refers to the pre-tax profits deduct the distribution of employee and directors' remuneration), no less than 5% of the profits should be allocated for employee remuneration and no more than 4% of the profits should be allocated for directors' remuneration. Independent directors do not participate in the profit distribution. However, when the company still has accumulated losses, it shall reserve the recovery amount in advance.

The employee remuneration mentioned in the preceding paragraph may be paid in stocks or cash and the payment objects may include employees of affiliated companies who meet the conditions set by the board of directors. The remuneration of the directors mentioned in the preceding paragraph can only be paid in cash.

The items mentioned in preceding paragraph shall be implemented by the resolution of the board of directors' meeting and reported to the shareholders meeting.

If the Company's annual final accounts have net profit after tax for the current period, the accumulated losses shall be made up first, and 10% shall be allocated according to the law as the legal reserve. When the legal reserve amounts to the authorized capital, this shall not apply.

After the special surplus reserve is allocated or converted in accordance with the laws or regulations of the competent authority, together with the undistributed surplus at the beginning of the period, the board of directors shall draft a surplus distribution proposal and submit it to the shareholders'

meeting to resolve shareholder dividends distribution.

Chapter 7 Supplementary Provisions

Article 30 : The company may transfer to employees at a price lower than the average price of the company's shares upon the agreement at a shareholders' meeting representing more than half of the total number of issued shares and with the consent of more than two-thirds of the voting rights of the shareholders present.

Article 31 : The Company's organizational regulations and working rules will be determined separately.

Article 32 : Matters not covered in this Articles of Incorporation shall be handled in accordance with the Company Act and other relevant laws and regulations

Article 33 : This Article of Incorporation was established on July 10th, 1976.
The first revision was made on December 17th 1976
The thirty-ninth revision was made on June 17th, 2016

Shareholding of Directors and Supervisors

Action Electronics CO.,LTD

1. The paid-in capital of the Company amounts to NT\$2,771,574,960, and the number of shares is 277,157,496 shares.
2. In accordance with Article 26 of the Securities Exchange Law and Article 2 of the "Share Ratio and Verification Rules for Directors and Supervisors of Public Offering Companies", all directors of the company shall hold no less than 12,000,000 shares.

Data base date :April 26,2022

Position	Name	Current shareholding (Shars)	Shareholding ratio
chairman	PENG TING-YU	4,331,983	1.56%
Director	PENG CHIUN-PING	20,683,303	7.46%
Director	CHAO TENG PANG	1,442,820	0.52%
Director	HSU WEN TANG	1,003,000	0.36%
Director	Liu Chiu Chi	3,136,000	1.13%
Director	Wen Yumei	2,261,000	0.82%
Director	Peng Hsiuyun	1,120,000	0.40%
Director	New Spring Garden Investment Co., Ltd. Chin -Wan Tsai	1,000,000	0.36%
Independent Director	Tang Peng Chin	0	0.00%
Independent Director	Min Kuei Ling	0	0.00%
Independent Director	Yen Tzong Ming	0	0.00%
Total		34,987,106	12.62%