

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT THEREON
DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the independent 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 independent auditors' report and financial statements shall prevail.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

In connection with the Consolidated Financial Statements of Affiliated Enterprises of ADVANTECH CO., LTD. (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2021 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of ADVANTECH CO., LTD. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, ADVANTECH CO., LTD. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,
ADVANTECH CO., LTD.
By

K.C. Liu , Chairman
February 25, 2022

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheet of ADVANTECH CO., LTD. and its 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 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 audit 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 *Independent 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 in 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 judgements, 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.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Valuation of inventories

Description

Refer to Note 4(14) for the accounting policies on the valuation of inventories, Note 5 for the uncertainty of accounting estimations and assumptions for the valuation of inventories, and Note 6(6) for the details of inventory valuation. The Group's inventory and allowance for inventory valuation as at December 31, 2021 are \$13,516,930 thousand and \$999,514 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of embedded computer boards, industrial automation products, applied computers and industrial computers. Due to the rapid changes in technology and environment and industrial characteristics, inventories of the Group are available in different sizes and types. Since the evaluation of inventories is subject to management's judgment and the accounting estimations will have significant influence on the inventory values, we considered the valuation of inventories as one of the key audit matters.

How our audit addressed the matter

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

1. Obtained an understanding of the policy on allowance for inventory valuation loss to assess the reasonableness of application.
2. Validated the accuracy of the system logic in calculating the ageing of inventories.
3. Tested the basis of market value used in calculating the net realizable value of inventory and validated the accuracy of net realizable value calculation of selected samples.

Recognition of sales revenue

Description

Refer to Note 4(32) for the accounting policies on the recognition of sales revenue.

Due to the changes in technology and environment, the development of new energy-related industries as well as digital transformation have been accelerated. As a result of the rapid development in the industrial computers industry, the Group had a significant growth in its revenue for the year ended December 31, 2021, particularly from revenues generated through its channels/distributors. Thus, we considered the recognition of revenues from channels/distributors as one of the key audit matters.

How our audit addressed the matter

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

1. Obtained an understanding of and assessed internal controls in relation to sales revenue, and validated the operating effectiveness.
2. Obtained a detailed listing of sales revenue from channels/distributors for the current year, and assessed supporting documents to ensure the appropriateness of recognition.
3. Inspected contents and relevant evidences to confirm whether there were any significant or unusual sales returns and discounts occurring subsequent to the reporting period.
4. Performed accounts receivable confirmation procedure to significant customers.

Other matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 were audited by other auditors, whose report dated March 5, 2021 expressed an unqualified opinion on those statements.

We have audited and expressed an unqualified opinion with an *other matter* section on the parent company only financial statements of ADVANTECH CO., LTD. as at and for the year ended December 31, 2021.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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 Audit Committee, are responsible for overseeing the Group's financial reporting process.

Independent auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liang, Hua-Ling

Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 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. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED 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) | \$ 9,301,152 | 16 | \$ 7,497,442 | 15 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 3,576,089 | 6 | 5,493,150 | 11 |
| 1136 | Financial assets at amortised cost - current | 6(4) and 8 | 113,548 | - | 162,602 | - |
| 1150 | Notes receivable, net | 6(5) | 2,038,948 | 4 | 1,893,043 | 4 |
| 1170 | Accounts receivable, net | 6(5) | 8,215,075 | 14 | 6,858,742 | 14 |
| 1180 | Accounts receivable - related parties | 7 | 37,920 | - | 28,750 | - |
| 1200 | Other receivables | | 54,497 | - | 51,885 | - |
| 1210 | Other receivables - related parties | 7 | - | - | 4,633 | - |
| 130X | Inventory | 6(6) | 12,517,416 | 22 | 7,813,550 | 15 |
| 1470 | Other current assets | 7 | 831,655 | 1 | 483,739 | 1 |
| 11XX | Total current assets | | 36,686,300 | 63 | 30,287,536 | 60 |
| Non-current assets | | | | | | |
| 1510 | Financial assets at fair value through profit or loss - non-current | 6(2) | 94,310 | - | 77,950 | - |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(3) | 2,516,420 | 4 | 1,814,233 | 4 |
| 1550 | Investments accounted for under equity method | 6(7) | 3,856,835 | 7 | 3,404,345 | 7 |
| 1600 | Property, plant and equipment | 6(8) | 10,246,751 | 18 | 9,916,896 | 20 |
| 1755 | Right-of-use assets | 6(9) | 594,368 | 1 | 599,005 | 1 |
| 1780 | Intangible assets | 6(10) | 2,665,425 | 5 | 3,147,346 | 6 |
| 1840 | Deferred income tax assets | 6(25) | 985,675 | 2 | 723,627 | 2 |
| 1915 | Prepayments for business facilities | | 116,347 | - | 167,579 | - |
| 1990 | Other non-current assets | 8 | 65,806 | - | 60,868 | - |
| 15XX | Total non-current assets | | 21,141,937 | 37 | 19,911,849 | 40 |
| 1XXX | Total assets | | \$ 57,828,237 | 100 | \$ 50,199,385 | 100 |

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED 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 | Short-term borrowings | 6(11) | \$ 255,700 | 1 | \$ 184,078 | - |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) | 2,687 | - | 21,044 | - |
| 2130 | Contract liabilities - current | 6(20) | 950,692 | 2 | 757,052 | 2 |
| 2170 | Notes and accounts payable | 7 | 7,486,975 | 13 | 4,326,447 | 9 |
| 2200 | Other payables | 6(12) and 7 | 4,587,492 | 8 | 3,928,365 | 8 |
| 2230 | Current income tax liabilities | | 2,485,660 | 4 | 2,315,461 | 5 |
| 2250 | Provision for liabilities - current | | 196,498 | - | 164,086 | - |
| 2280 | Lease liabilities - current | 6(9) | 250,338 | - | 221,250 | - |
| 2300 | Other current liabilities | | 287,636 | 1 | 178,425 | - |
| 21XX | Total current liabilities | | 16,503,678 | 29 | 12,096,208 | 24 |
| Non-current liabilities | | | | | | |
| 2560 | Current income tax liabilities - non-current | | 97,320 | - | 291,961 | 1 |
| 2570 | Deferred income tax liabilities | 6(25) | 2,178,209 | 4 | 2,142,428 | 4 |
| 2580 | Lease liabilities - non-current | 6(9) | 67,068 | - | 87,781 | - |
| 2600 | Other non-current liabilities | 6(13) | 619,171 | 1 | 534,584 | 1 |
| 25XX | Total non-current liabilities | | 2,961,768 | 5 | 3,056,754 | 6 |
| 2XXX | Total liabilities | | 19,465,446 | 34 | 15,152,962 | 30 |
| Equity attributable to shareholders of the parent | | | | | | |
| | Share capital | 6(15) | | | | |
| 3110 | Common shares | | 7,738,228 | 13 | 7,719,455 | 16 |
| 3140 | Advance receipts for share capital | | 6,410 | - | 3,090 | - |
| | Capital surplus | 6(16) | | | | |
| 3200 | Capital surplus | | 8,388,886 | 15 | 7,913,754 | 16 |
| | Retained earnings | 6(17) | | | | |
| 3310 | Legal reserve | | 7,737,236 | 13 | 7,020,201 | 14 |
| 3320 | Special reserve | | 831,850 | 1 | 845,993 | 2 |
| 3350 | Unappropriated retained earnings | | 13,705,710 | 24 | 11,739,513 | 23 |
| | Other equity | 6(18) | | | | |
| 3400 | Other equity | | (555,793) | (1) | (831,850) | (2) |
| 31XX | Equity attributable to shareholders of the parent | | 37,852,527 | 65 | 34,410,156 | 69 |
| 36XX | Non-controlling interest | 6(19) | 510,264 | 1 | 636,267 | 1 |
| 3XXX | Total equity | | 38,362,791 | 66 | 35,046,423 | 70 |
| | Significant contingent liabilities and unrecognized contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 11 | | | | |
| 3X2X | Total liabilities and equity | | \$ 57,828,237 | 100 | \$ 50,199,385 | 100 |

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

| Items | Notes | For the years ended December 31, | | | |
|--|---------------------|----------------------------------|-------|---------------|-------|
| | | 2021 | | 2020 | |
| | | Amount | % | Amount | % |
| 4000 Operating revenue | 6(20) and 7 | \$ 58,622,050 | 100 | \$ 51,119,408 | 100 |
| 5000 Operating costs | 6(6)(8)(9)(10)(13) | | | | |
| | (14)(24) and 7 | (36,490,474) | (62) | (30,723,147) | (60) |
| 5950 Gross profit | | 22,131,576 | 38 | 20,396,261 | 40 |
| Operating expenses | 6(8)(9)(10)(13)(14) | | | | |
| | (24) and 7 | | | | |
| 6100 Selling expenses | | (5,180,175) | (9) | (4,762,890) | (9) |
| 6200 General and administrative expenses | | (2,877,312) | (5) | (2,551,504) | (5) |
| 6300 Research and development expenses | | (4,269,809) | (7) | (4,055,922) | (8) |
| 6450 Expected credit impairment (loss) | | | | | |
| gain | | (3,857) | - | 10,608 | - |
| 6000 Total operating expenses | | (12,331,153) | (21) | (11,359,708) | (22) |
| 6900 Operating profit | | 9,800,423 | 17 | 9,036,553 | 18 |
| Non-operating income and expenses | | | | | |
| 7100 Interest income | | 27,467 | - | 39,632 | - |
| 7010 Other income | 6(21) and 7 | 373,993 | - | 212,830 | 1 |
| 7020 Other gains and losses | 6(2)(10)(22) | (194,813) | - | (306,514) | (1) |
| 7050 Finance costs | 6(9)(23) | (15,668) | - | (20,176) | - |
| 7060 Share of profit of associates and | 6(7) | | | | |
| joint ventures accounted for under | | | | | |
| equity method | | 263,940 | - | 166,036 | - |
| 7000 Total non-operating income and | | | | | |
| expenses | | 454,919 | - | 91,808 | - |
| 7900 Profit before income tax | | 10,255,342 | 17 | 9,128,361 | 18 |
| 7950 Income tax expense | 6(25) | (1,947,979) | (3) | (1,825,374) | (4) |
| 8200 Profit for the year | | \$ 8,307,363 | 14 | \$ 7,302,987 | 14 |

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

| | | For the years ended December 31, | | | |
|---|---|----------------------------------|---------------------|------------------------|-----------|
| | | 2021 | | 2020 | |
| Items | Notes | Amount | % | Amount | % |
| Other comprehensive income | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 6(13) | (\$ 3,577) | - (\$ 21,879) | - |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(3)(18) | 766,066 | 2 132,470 | - |
| 8320 | Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss | 6(7)(18) | 66,515 | - (2,733) | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(25) | 790 | - 4,385 | - |
| 8310 | Other comprehensive income that will not be reclassified to profit or loss | | 829,794 | 2 112,243 | - |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(18) | (685,783) | (1) (151,818) | - |
| 8370 | Share of other comprehensive loss of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss | 6(7)(18) | (57,855) | - (21,431) | - |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | 6(25) | 142,326 | - 32,093 | - |
| 8360 | Other comprehensive loss that will be reclassified to profit or loss | | (601,312) | (1) (141,156) | - |
| 8300 | Total other comprehensive income (loss) for the year | | <u>\$ 228,482</u> | <u>1 (\$ 28,913)</u> | <u>-</u> |
| 8500 | Total comprehensive income for the year | | <u>\$ 8,535,845</u> | <u>15 \$ 7,274,074</u> | <u>14</u> |
| Profit attributable to: | | | | | |
| 8610 | Shareholders of the parent | | \$ 8,250,224 | 14 \$ 7,247,955 | 14 |
| 8620 | Non-controlling interest | | 57,139 | - 55,032 | - |
| | | | <u>\$ 8,307,363</u> | <u>14 \$ 7,302,987</u> | <u>14</u> |
| Total comprehensive income attributable to: | | | | | |
| 8710 | Shareholders of the parent | | \$ 8,510,806 | 15 \$ 7,231,759 | 14 |
| 8720 | Non-controlling interest | | 25,039 | - 42,315 | - |
| | | | <u>\$ 8,535,845</u> | <u>15 \$ 7,274,074</u> | <u>14</u> |
| Basic earnings per share | | | | | |
| 9750 | Profit for the year | 6(26) | <u>\$ 10.67</u> | <u>\$ 9.40</u> | |
| Diluted earnings per share | | | | | |
| 9850 | Profit for the year | 6(26) | \$ 10.51 | \$ 9.27 | |

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

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

| | | Equity attributable to owners of the parent | | | | | | | | | | |
|--|--|---|--|--|-------------------|--|--|-----------------------|--|--|--|--|
| | | Share Capital | | | Retained Earnings | | | Other Equity Interest | | | | |
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The accompanying notes are an integral part of these consolidated financial statements.

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

| | | For the years ended December 31, | |
|---|-------------|----------------------------------|---------------|
| | Notes | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before income tax | | \$ 10,255,342 | \$ 9,128,361 |
| Adjustments items | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(8)(9)(24) | 828,168 | 792,808 |
| Amortisation | 6(10)(24) | 268,703 | 175,394 |
| Expected credit impairment loss (reversal of impairment loss) | | 3,857 | (10,608) |
| Net gain on financial assets or liabilities at fair value through profit or loss | 6(2)(22) | (131,863) | (8,571) |
| Finance costs | 6(23) | 15,668 | 20,176 |
| Interest income | (| 27,467 | (39,632) |
| Dividend income | 6(21) | 185,473 | (99,326) |
| Compensation costs of employee share options | 6(14) | 291,468 | 365,248 |
| Share of profit of associates accounted for under equity method | 6(7) | 263,940 | (166,036) |
| (Gain) loss on disposal of property, plant and equipment | 6(22) | (58,183) | 25,293 |
| (Gain) loss on disposal of investments | 6(22) | (1,426) | 574 |
| Others | (| 22,469 | - |
| Impairment loss | 6(10)(22) | 292,574 | 245,917 |
| Changes in assets and liabilities to operating activities | | | |
| Changes in assets to operating activities | | | |
| Financial assets at fair value through profit or loss | | 2,032,564 | (1,792,887) |
| Notes receivable | (| 146,689 | (346,703) |
| Accounts receivable | (| 1,362,058 | 416,710 |
| Accounts receivable - related parties | (| 9,170 | (8,576) |
| Other receivables (including related parties) | | 2,021 | 44,889 |
| Inventories | (| 4,703,866 | (29,767) |
| Other current assets | (| 347,916 | 204,660 |
| Changes in liabilities to operating activities | | | |
| Financial liabilities at fair value through profit or loss | (| 18,357 | - |
| Contract liabilities - current | | 193,640 | (62,666) |
| Notes and accounts payable | | 3,160,528 | (559,582) |
| Other payables | | 658,097 | 284,784 |
| Provision for liabilities | | 32,412 | (44,525) |
| Other current liabilities | | 109,211 | (24,764) |
| Other non-current liabilities | | 81,724 | (6,905) |
| Cash inflow generated from operations | | 10,947,100 | 8,504,266 |
| Interest received | | 27,467 | 39,632 |
| Dividends received | | 185,473 | 99,326 |
| Interest paid | (| 1,024 | (3,957) |
| Income tax paid | (| 2,027,449 | (560,701) |
| Net cash flows provided by operating activities | | 9,131,567 | 8,078,566 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortised cost | (| 13,808 | (651,249) |
| Proceeds from disposal of financial assets at amortised cost | | 50,194 | 790,975 |
| Acquisition of financial assets at fair value through other comprehensive income | | - | (44,719) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | 16 | - |
| Cash returned from capital reduction of financial assets at fair value through other comprehensive income | | 17,980 | - |
| Acquisition of investments accounted for under equity method | 6(7) | (398,868) | (383,086) |
| Proceeds from disposal of investments accounted for under equity method | 6(7) | 8,676 | 7,656 |
| Net cash flow from acquisition of subsidiaries | 6(28) | - | (2,724) |
| Acquisition of property, plant and equipment | 6(8) | (1,022,442) | (619,025) |
| Proceeds from disposal of property, plant and equipment | | 135,209 | 46,086 |
| Acquisition of intangible assets | 6(10) | (186,074) | (136,448) |
| Increase in refundable deposits | (| 8,365 | (2,641) |
| Decrease in other non-current assets | | 3,427 | - |
| Dividends received from associates | | 151,729 | 163,216 |
| (Increase) decrease in prepayments for business facilities | (| 13,450 | 23,075 |
| Net cash flows used in investing activities | (| 1,275,776 | (808,884) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in short-term borrowings | 6(29) | 90,830 | (65,200) |
| Repayments of long-term borrowings | 6(29) | - | (42,393) |
| (Decrease) increase in guarantee deposits received | (| 714 | 28 |
| Payment of lease liabilities | 6(9)(29) | (248,716) | (239,314) |
| Payment of cash dividends | 6(17) | (5,480,813) | (5,463,198) |
| Employee share options exercised | | 199,865 | 139,687 |
| Dividends paid to non-controlling interests | (| 25,675 | (11,443) |
| Liquidation of subsidiary and refund of shares to non-controlling interests | (| 73,125 | - |
| Change in non-controlling interest | 6(27) | (25,262) | (32,724) |
| Net cash flows used in financing activities | (| 5,563,610 | (5,714,557) |
| Effect of exchange rate changes | (| 488,471 | (61,619) |
| Net increase in cash and cash equivalents | | 1,803,710 | 1,493,506 |
| Cash and cash equivalents at beginning of year | | 7,497,442 | 6,003,936 |
| Cash and cash equivalents at end of year | | \$ 9,301,152 | \$ 7,497,442 |

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) Advantech Co., Ltd. (the “Company”) was incorporated in September 1981. The Company is primarily engaged in the manufacture and sales of embedded computing boards, industrial automation products, applied computers and industrial computers.
- (2) The Company’s shares have been listed on the Taiwan Stock Exchange since December 1999.
- (3) To improve the entire operating efficiency of the Company and its subsidiaries (collectively referred herein as the “Group”), the Company’s Board of Directors during its meeting on June 30, 2009 resolved to have a short-form merger with its wholly-owned subsidiary, Advantech Investment and Management Service (“AIMS”). The effective date was set on July 30, 2009. As the surviving entity, the Company assumed all assets and liabilities of AIMS. On June 26, 2014, the Company’s Board of Directors resolved to have a whale-minnow merger with Netstar Technology Co., Ltd. (“Netstar”), an indirectly 95.51%-owned subsidiary through a wholly-owned subsidiary, Advantech Corporate Investment. The effective date for the merger was set on July 27, 2014. As the surviving entity, the Company assumed all assets and liabilities of Netstar.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 25, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|--|---|
| Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’ | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform - Phase 2’ | January 1, 2021 |

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|--|--|
| Amendment to IFRS 16, 'Covid-19-related rent concessions beyond June 30, 2021' | April 1, 2021 (Note) |

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018 - 2020 | January 1, 2022 |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|--|--|
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets minus present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation

of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. Total comprehensive income is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Business activities | Ownership (%) | | Description |
|------------------|--|--|-------------------|-------------------|-------------|
| | | | December 31, 2021 | December 31, 2020 | |
| The Company | Advantech Automation Corp. (BVI) [AAC (BVI)] | Overseas investment in manufacturing and services industries | 100.00 | 100.00 | |
| | Advantech Technology Co., Ltd. (ATC) | Overseas investment in manufacturing and services industries | 100.00 | 100.00 | |
| | Advanixs Corporation | Manufacturing, marketing and trade of industrial use computers | 100.00 | 100.00 | |

| Name of investor | Name of subsidiary | Business activities | Ownership (%) | | Description |
|------------------|--|--|----------------------|----------------------|-------------|
| | | | December 31, 2021 | December 31, 2020 | |
| The Company | Advantech Corporate Investment (ACI) | Investment in marketable securities | 100.00 | 100.00 | |
| | Advantech Europe Holding B.V. (AEUH) | Overseas investment in manufacturing and services industries | 100.00 | 100.00 | |
| | Advantech Co., Singapore Pte, Ltd. (ASG) | Marketing and trade of industrial use computers | 100.00 | 100.00 | |
| | Advantech Australia Pty Ltd. (AAU) | Marketing and trade of industrial use computers | 100.00 | 100.00 | |
| | Advantech Japan Co., Ltd. (AJP) | Marketing and trade of industrial use computers | 100.00 | 100.00 | |
| | Advantech Co., Malaysia Sdn. Bhd (AMY) | Marketing and trade of industrial use computers | 100.00 | 100.00 | |
| | Advantech KR Co., Ltd. (AKR) | Marketing and trade of industrial use computers | 100.00 | 100.00 | Note 7 |
| | Advantech Brasil Ltd (ABR) | Marketing and trade of industrial use computers | 100.00 | 100.00 | Note 6 |
| | Advantech Industrial Computing India Private Limited (AIN) | Marketing and trade of industrial use computers | 99.99 | 99.99 | |
| | AdvanPOS Technology Co., Ltd. (AdvanPOS) | Manufacturing and trade of endpoint sales system | 100.00 | 100.00 | Note 19 |
| | LNC Technology Co., Ltd. (LNC) | Manufacturing and trade of controllers | 48.10 | 59.10 | Note 2 |
| | Advantech Electronics, S. De R.L. De C. V. (AMX) | Marketing and trade of industrial use computers | 60.00 | 60.00 | Note 4 |
| | Advantech Innovative Design Co., Ltd. | Product design | - | 100.00 | Note 15 |
| | B+B Smartworx Inc. (B+B) | Trading of industrial network communication systems | - | - | Note 8 |

| Name of investor | Name of subsidiary | Business activities | Ownership (%) | | Description |
|--------------------------------------|---|--|----------------------|----------------------|-------------|
| | | | December 31, 2021 | December 31, 2020 | |
| The Company | Advantech Intelligent Services Co., Ltd. (AiCS) (former AiST) | Design, research and develop and sale of intelligent services | 100.00 | 100.00 | |
| | Advantech Corporation (Thailand) Co., Ltd. (ATH) | Manufacturing of computer products | 51.00 | 51.00 | |
| | Advantech Vietnam Technology Company Limited (AVN) | Marketing and trade of industrial use computers | 60.00 | 60.00 | |
| | Advantech Technology Limited Liability Company (ARU) | Manufacturing, marketing and trade of industrial use computers | 100.00 | 100.00 | |
| | Advantech Technologies Japan Corp. (ATJ) | Production and sale of electronic and mechanical devices | 71.39 | 50.00 | Note 12 |
| | Advantech Turkey Teknoloji A.S. (ATR) | Wholesale of computers and peripheral devices | 60.00 | 60.00 | |
| | ADVANTECH IOT ISRAEL LTD. (AIL) | Trading of industrial network communications systems | 100.00 | 100.00 | |
| | Huan Yan Water Solution Co., Ltd. | Service plan for combination of related technologies of water treatment and applications of Internet of Things | 90.00 | 100.00 | Note 9 |
| Advantech Japan Co., Ltd. (AJP) | Advantech Technologies Japan Corp. (ATJ) | Production and sale of electronic and mechanical devices | 28.61 | 28.61 | |
| Advantech Corporate Investment (ACI) | Cermate Technologies Inc. (Cermate Taiwan) | Manufacturing of electronic components, computers, and peripheral devices | 55.00 | 55.00 | |

| Name of investor | Name of subsidiary | Business activities | Ownership (%) | | Description |
|--|---|--|----------------------|----------------------|-------------|
| | | | December 31, 2021 | December 31, 2020 | |
| Advantech Corporate Investment (ACI) | Huan Yan, Jhih-Lian Co., Ltd. | Service plan for combination of related technologies of water treatment and applications of Internet of Things | - | - | Note 10 |
| | Yun Yan, Wu-Lian Co., Ltd. | Industrial equipment networking in Greater China | - | 50.00 | Note 17 |
| | Advantech Corporate Investment Ltd. (ACISM) | Holding company | - | 100.00 | Note 18 |
| | ACI IOT Investment Fund-I Corporation | Investment in marketable securities | - | 79.33 | Note 13 |
| | Adveln Tech Intellingent Heath Co., Ltd. (AIH) | Servicing of information software and data processing | 100.00 | - | Note 3 |
| Advantech Technology Co., Ltd. (ATC) | HK Advantech Technology Co., Ltd. [ATC (HK)] | Overseas investment in manufacturing and services industries | 100.00 | 100.00 | |
| HK Advantech Technology Co., Ltd. [ATC (HK)] | Advantech Technology (China) Company Ltd. (AKMC) | Manufacturing and trade of interface cards and PC cases, plastic cases and accessories | 100.00 | 100.00 | |
| Advantech Automation Corp. (BVI) [AAC (BVI)] | Advantech Corp. (ANA) | Marketing, trade and assembly of industrial use computers | 100.00 | 100.00 | Note 8 |
| | Advantech Automation Corp. (HK) [AAC (HK)] | Overseas investment in manufacturing and services industries | 100.00 | 100.00 | |
| | Advantech Service - IoT Co., Ltd. [SIoT (Cayman)] | Design, research and development and trade of IoT intelligent system services | 100.00 | 100.00 | |
| | Advantech Technology DMCC (ADB) | Trading of industrial network communication systems | 100.00 | 100.00 | |

| Name of investor | Name of subsidiary | Business activities | Ownership (%) | | Description |
|---|---|--|----------------------|----------------------|-------------|
| | | | December 31, 2021 | December 31, 2020 | |
| Advantech Corp. (ANA) | B+B Smartworx Inc. (B+B) | Trading of industrial network communication systems | - | - | Note 8 |
| | Advantech Technology Limited (AIE) (former BBIE) | Trading of industrial network communication systems | 100.00 | 100.00 | Note 11 |
| Advantech Automation Corp. (HK) [AAC (HK)] | Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) | Marketing and trade of industrial use computers | 100.00 | 100.00 | |
| | Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) | Manufacturing, marketing and trade of industrial use computers | 100.00 | 100.00 | |
| Advantech Service - IoT Co., Ltd. [SIoT (Cayman)] | Advantech Service-IoT (Shanghai) Co., Ltd. [SIoT (China)] | Technology development, consulting and services in the field of intelligent technology | 99.00 | 99.00 | |
| | Advantech Service-IoT GmbH (A-SIoT) | Design, research and develop and trade of industrial on-board computer products | - | 100.00 | Note 16 |
| | Advantech Intelligent Health Co., Ltd. (AIH) | Servicing of information software and data processing | - | 100.00 | Note 3 |
| Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) | Xi'an Advantech Software Ltd. (AXA) | Development and manufacturing of software products | 100.00 | 100.00 | |
| Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) | Advantech Service-IoT (Shanghai) Co., Ltd. [SIoT (China)] | Technology development, consulting and services in the field of intelligent technology | 1.00 | 1.00 | |

| Name of investor | Name of subsidiary | Business activities | Ownership (%) | | Description |
|--|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2021 | December 31, 2020 | |
| Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) | Shanghai Yanle Co., Ltd. (AYL) | Application and retail of intelligent technology | 100.00 | 100.00 | Note 5 |
| Advantech Europe Holding B.V. (AEUH) | Advantech Europe B.V. (AEU) | Marketing and trade of industrial use computers | 100.00 | 100.00 | |
| | Advantech Poland Sp z o.o. (APL) | Marketing and trade of industrial use computers | 100.00 | 100.00 | |
| Advantech Europe B.V. (AEU) | Advantech Service-IoT GmbH (A-SIoT) | Design, research and development and trade of industrial on-board computer products | 100.00 | - | Note 16 |
| Advantech Co., Singapore Pte, Ltd. (ASG) | Advantech Corporation (Thailand) Co., Ltd. (ATH) | Manufacturing of computer products | 49.00 | 49.00 | |
| | Advantech International PT. (AID) | Marketing and trade of industrial use computers | 100.00 | 100.00 | |
| Cermate Technologies Inc. (Cermate Taiwan) | LandMark Co., Ltd. (LandMark) | General investment | 100.00 | 100.00 | |
| LandMark Co., Ltd. (LandMark) | Cermate Technologies (Shanghai) Inc. (Cermate Shanghai) | Networking electronic equipment for industrial use | 100.00 | 100.00 | |
| | Shenzhen Cermate Technologies Inc. (Cermate Shenzhen) | Production of LCD touch screen, USB data cables, and industrial use computers | 90.00 | 90.00 | |
| LNC Technology Co., Ltd. (LNC) | Better Auto Holdings Limited (Better Auto) | Holding company | 100.00 | 100.00 | |
| Better Auto Holdings Limited (Better Auto) | Famous Now Limited (Famous Now) | Holding company | 100.00 | 100.00 | |
| Famous Now Limited (Famous Now) | LNC Dong Guan Co., Ltd. (LNC Dong Guan) | Manufacturing and trade of controllers | 100.00 | 100.00 | |

| Name of investor | Name of subsidiary | Business activities | Ownership (%) | | Description |
|---|--|---|----------------------|----------------------|-------------|
| | | | December 31, 2021 | December 31, 2020 | |
| B+B Smartworx Inc. (B+B) | Advantech Technology Limited (AIE) (former BBIE) | Trading of industrial network communication systems | - | - | Note 11 |
| Advantech Technology Limited (AIE) (former BBIE) | Advantech CZech, s.r.o. (ACZ) | Manufacturing of automation control | 100.00 | 100.00 | |
| Advantech Industrtal Computer India Private Limited (AIN) | Advantech Raiser India Private Limited (ARI) | Marketing and trade of industrial use computers | 55.00 | - | Note 14 |

Note 1: The Group collectively holds more than 50% of the voting shares or has control over the above subsidiaries.

Note 2: In the first and second quarter of 2020, the Group sold its 3.42% and 1.58% equity in LNC, respectively, which decreased the Group's equity investment in LNC from 64.10% to 59.10%. In the fourth quarter of 2021, the Group sold its 11% equity interest in LNC, which resulted to a decrease in ownership from 59.10% to 48.10%. After the disposal, the Group is still the single largest shareholder of LNC. Given that the degree of other shareholders involvement in prior shareholders' meeting and record of voting rights for major proposals, which indicates that the Group still has substantial ability to direct the relevant activities, the Group has control over LNC.

Note 3: In the first quarter of 2020, SIoT (Cayman) acquired 30% equity interest in AIH, which resulted to an increase in ownership from 70% to 100%. In addition, in the first quarter of 2021, the Group adjusted its investment structure whereby ACI held 100% equity interest in AIH.

Note 4: In the second quarter of 2020, the Group did not participate in the capital increase raised by AMX proportionally to its interest, which resulted to a decrease in ownership from 100% to 60%.

Note 5: In the second quarter of 2020, the Group acquired 55% equity interest in AYL, which resulted to an increase in ownership from 45% to 100%.

Note 6: In the third quarter of 2020, the Group acquired 20% equity interest in ABR, which resulted to an increase in ownership from 80% to 100%.

Note 7: In the third quarter of 2020, the Group adjusted its investment structure. Following the capital reduction of AKST to offset against its deficit, AKR directly held 100% equity interest in AKST. AKR and AKST then merged, with AKR as the surviving entity.

Note 8: In the fourth quarter of 2020, after the Group sold its 60% equity interest in B+B to AAC (BVI), AAC (BVI) then sold its equity interest to ANA. ANA directly held 100% equity interest in B+B. ANA and B+B then merged, with ANA as the surviving entity.

Note 9: In the fourth quarter of 2020, the Group founded Huan Yan Water Solution Co., Ltd. In the second quarter of 2021, Huan Yan Water Solution Co., Ltd. increased capital. Industrial Technology Research Institute acquired 10% equity interest.

Note 10: In the fourth quarter of 2020, Huan Yan, Jih-Lian Co., Ltd. filed for liquidation.

Note 11: In the fourth quarter of 2020, the Group adjusted its investment structure. Accordingly, ANA held 100% equity interest in AIE.

Note 12: In the first quarter of 2021, the Company acquired 20% equity interest in ATJ, which resulted to an increase in ownership from 50% to 70%. In the third quarter of 2021, the Company acquired 1.39% equity interest in ATJ, which resulted to an increase in ownership from 70% to 71.39%.

Note 13: In the third quarter of 2021, ACI IoT Investment Fund-I Corporation filed for liquidation.

Note 14: In the second quarter of 2021, the Group founded ARI.

Note 15: In the third quarter of 2021, Advantech Innovative Design Co., Ltd. filed for liquidation.

Note 16: In the fourth quarter of 2021, the Group adjusted its investment structure. Accordingly, AEU held 100% equity interest in A-SIoT.

Note 17: In the third quarter of 2021, Yun Yan, Wu-Lian Co., Ltd. got approval of dissolution registration from competent authority.

Note 18: In the fourth quarter of 2021, ACISM filed for liquidation.

Note 19: In the fourth quarter of 2021, AdvanPOS filed for liquidation.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities

which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost including accounts and notes receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if

such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for under equity method - associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are

depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings

| | |
|-------------------------|---------------|
| Main buildings | 20 ~ 60 years |
| Electronic equipment | 5 years |
| Engineering systems | 5 years |
| Machinery and equipment | 2 ~ 10 years |
| Office equipment | 1 ~ 8 years |
| Other equipment | 1 ~ 10 years |

(17) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the

commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(18) Intangible assets

A. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Customer relationship and trademarks

Customer relationship and trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and customer relationship have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 2 to 3 years and 2 to 15 years, respectively.

- C. Intangible assets, except for goodwill, customer relationship and trademarks are mainly software and technology licencing, etc. and are amortised on a straight-line basis as follows:

| | |
|---------------------|-------------|
| Technology licenses | 5 ~ 8 years |
| Others | 1 ~ 5 years |

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised

initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(28) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. The share-based payment grant date is the date that the Group and employees reached a consensus on the terms and provisions of share-based payment arrangements.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance

sheet date, unrecognised and recognised deferred income tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred income tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(32) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells embedded computing boards, industrial automation products, applied computers and industrial computers. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. The Group does not recognise revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.
- (b) The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Revenue from rendering services

Revenue from rendering services comes from developing products and extended warranty services. Such revenue is recognised when services are provided.

(33) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(34) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(35) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates

concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$12,517,416.

B. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

As of December 31, 2021, the Group recognised goodwill, net of impairment loss, amounting to \$2,092,610.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 1,098 | \$ 5,054 |
| Checking accounts and demand deposits | 8,674,989 | 5,718,855 |
| Cash equivalents (time deposits with original maturities less than three months) | 625,065 | 1,773,533 |
| | <u>\$ 9,301,152</u> | <u>\$ 7,497,442</u> |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group had no cash and cash equivalents pledged to others.

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets - current</u> | | |
| Mandatorily measured at fair value through profit or loss | | |
| Derivative instruments (not under hedge accounting) | | |
| Forward foreign exchange contracts | \$ 11,966 | \$ 90 |
| Non-derivative financial assets | | |
| Listed and OTC stocks | 170,417 | 391,032 |
| Unlisted and non-OTC stocks | 56,000 | - |
| Beneficiary certificates | 3,300,731 | 5,102,028 |
| Convertible corporate bonds | 36,975 | - |
| | <u>\$ 3,576,089</u> | <u>\$ 5,493,150</u> |

Financial assets - non-current

| | | |
|---|------------------|------------------|
| Mandatorily measured at fair value through profit or loss | | |
| Non-derivative financial assets | | |
| Unlisted and non-OTC stocks | <u>\$ 94,310</u> | <u>\$ 77,950</u> |

Financial liabilities - current

| | | |
|---|-----------------|------------------|
| Mandatorily measured at fair value through profit or loss | | |
| Derivative instruments (not under hedge accounting) | | |
| Forward foreign exchange contracts | <u>\$ 2,687</u> | <u>\$ 21,044</u> |

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

| | <u>For the years ended December 31,</u> | |
|--|---|-----------------|
| | <u>2021</u> | <u>2020</u> |
| Financial assets and liabilities mandatorily measured at fair value through profit or loss | | |
| Non-derivative instruments | \$ 78,870 | \$ 43,373 |
| Derivative instruments | 52,993 | (34,802) |
| | <u>\$ 131,863</u> | <u>\$ 8,571</u> |

B. At the balance sheet date, outstanding forward foreign exchange contracts not accounted for under hedge accounting were as follows:

Derivative financial assets:

| <u>December 31, 2021</u> | <u>Currency</u> | <u>Maturity date</u> | <u>Contract amount (in thousands)</u> |
|--------------------------|-----------------|----------------------|---------------------------------------|
| Sell forward | EUR/NTD | 2022.01.2022.05 | EUR 12,300/NTD 395,896 |
| foreign exchange | JPY/NTD | 2022.01~2022.03 | JPY 240,000/NTD 59,071 |
| | USD/NTD | 2022.01 | USD 800/NTD 22,219 |

| <u>December 31, 2020</u> | <u>Currency</u> | <u>Maturity date</u> | <u>Contract amount (in thousands)</u> |
|--------------------------|-----------------|----------------------|---------------------------------------|
| Sell forward | EUR/NTD | 2021.01~2021.05 | EUR 13,500/NTD 461,970 |
| foreign exchange | USD/NTD | 2021.01 | USD 1,500/NTD 42,758 |
| | JPY/NTD | 2021.02 | JPY 10,000/NTD 2,761 |

Derivative financial liability:

| <u>December 31, 2021</u> | <u>Currency</u> | <u>Maturity date</u> | <u>Contract amount (in thousands)</u> |
|--------------------------|-----------------|----------------------|---------------------------------------|
| Sell forward | CNY/NTD | 2022.01~2022.04 | CNY 68,000/NTD 292,705 |
| foreign exchange | | | |

| <u>December 31, 2020</u> | <u>Currency</u> | <u>Maturity date</u> | <u>Contract amount (in thousands)</u> |
|--------------------------|-----------------|----------------------|---------------------------------------|
| Sell forward | EUR/NTD | 2021.01~2021.05 | EUR 500/NTD 17,561 |
| foreign exchange | USD/NTD | 2021.01~2021.02 | USD 4,500/NTD 126,724 |
| | JPY/NTD | 2021.01~2021.05 | JPY 270,000/NTD 73,633 |
| | CNY/NTD | 2021.01~2021.04 | CNY 76,000/NTD 324,732 |

- C. The Group entered into forward foreign exchange contracts to manage exposure to exchange rate fluctuations of foreign-currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for under hedge accounting.
- D. The Group had no financial assets at fair value through profit or loss pledged to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------|--------------------------|--------------------------|
| Listed, OTC and emerging stocks | \$ 2,396,403 | \$ 1,635,056 |
| Unlisted and non-OTC stocks | 120,017 | 179,177 |
| | <u>\$ 2,516,420</u> | <u>\$ 1,814,233</u> |

- A. These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at fair value through other comprehensive income as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

| | For the years ended December 31, | |
|--|----------------------------------|------------|
| | 2021 | 2020 |
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | \$ 766,066 | \$ 132,470 |
| Cumulative gains (losses) reclassified to retained earnings due to derecognition | (\$ 11,435) | \$ - |

- C. The Group had no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost - current

| | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Time deposits with original maturity period of more than three months | \$ 113,548 | \$ 162,602 |

- A. As of December 31, 2021, and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$113,548 and \$162,602, respectively.
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

| | December 31, 2021 | December 31, 2020 |
|--|---------------------|---------------------|
| Notes receivable | \$ 2,039,732 | \$ 1,893,043 |
| Less: Allowance for uncollectible accounts | (784) | - |
| | <u>\$ 2,038,948</u> | <u>\$ 1,893,043</u> |
| Accounts receivable | \$ 8,289,138 | \$ 6,933,252 |
| Less: Allowance for uncollectible accounts | (74,063) | (74,510) |
| | <u>\$ 8,215,075</u> | <u>\$ 6,858,742</u> |

- A. The ageing analysis of notes and accounts receivable is as follows:

| | December 31, 2021 | December 31, 2020 |
|---------------------------------|----------------------|---------------------|
| Not past due | \$ 9,547,123 | \$ 8,023,754 |
| Less than 90 days past due | 687,824 | 707,623 |
| Between 91 to 180 days past due | 26,973 | 43,446 |
| Over 181 days past due | 66,950 | 51,472 |
| | <u>\$ 10,328,870</u> | <u>\$ 8,826,295</u> |

The above aging analysis was based on past due date.

- B. Except for the balances shown above, the balance of notes and accounts receivable from contracts with customers was \$8,898,747 at January 1, 2020.
- C. The Group does not hold collateral as security for accounts receivable.
- D. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposures to credit risk in respect of the amounts that best represent the Group's notes receivable were \$2,038,948 and \$1,893,043, respectively. The maximum exposures to credit risk in respect of the amount that best represents the Group's accounts receivable were \$8,215,075 and \$6,858,742, respectively.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

| December 31, 2021 | | | |
|----------------------|----------------------|---------------------------------|----------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 6,594,778 | (\$ 607,288) | \$ 5,987,490 |
| Work in progress | 1,261,383 | (47,714) | 1,213,669 |
| Finished goods | 4,605,226 | (344,512) | 4,260,714 |
| Inventory in transit | 1,055,543 | - | 1,055,543 |
| | <u>\$ 13,516,930</u> | <u>(\$ 999,514)</u> | <u>\$ 12,517,416</u> |

| December 31, 2020 | | | |
|----------------------|---------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 3,873,109 | (\$ 466,861) | \$ 3,406,248 |
| Work in progress | 542,060 | (4,038) | 538,022 |
| Finished goods | 3,177,669 | (362,896) | 2,814,773 |
| Inventory in transit | 1,054,507 | - | 1,054,507 |
| | <u>\$ 8,647,345</u> | <u>(\$ 833,795)</u> | <u>\$ 7,813,550</u> |

The cost of inventories recognised as expense for the year:

| | For the years ended December 31, | |
|---------------------------------|----------------------------------|----------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 35,716,722 | \$ 30,135,227 |
| Loss on decline in market value | 197,367 | 7,980 |
| Others | 576,385 | 579,940 |
| | <u>\$ 36,490,474</u> | <u>\$ 30,723,147</u> |

(7) Investments accounted for under equity method

A. Information on the investments in associates are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| <u>Associates that are not individually material</u> | | |
| <u>Listed and OTC companies</u> | | |
| Axiomtek Co., Ltd. (Axiomtek) | \$ 830,007 | \$ 647,383 |
| Winmate Inc. (Winmate) | 572,568 | 557,027 |
| AzureWave Technologies, Inc. (AzureWave) | 601,310 | 551,457 |
| Nippon RAD Inc. (Nippon RAD) | 261,523 | 293,440 |
| Mildex Optical Inc. (Mildex) | 142,658 | 164,589 |
| Hwacom Systems Inc. (Hwacom) | 439,839 | 376,666 |
| Information Technology Total Services Co., Ltd. (ITTS) | 159,489 | 156,544 |
| <u>Unlisted companies</u> | | |
| International Integrated Systems, Inc. (IISI) | 271,364 | 263,747 |
| CDIB Innovation Accelerator Co., Ltd. (CDIB) | 181,132 | 151,529 |
| VSO Electronics Co., Ltd. (VSO) | 144,865 | 130,940 |
| Feng Sang Enterprise Co., Ltd. (Feng Sang) | 110,496 | - |
| Others | 141,584 | 111,023 |
| | <u>\$ 3,856,835</u> | <u>\$ 3,404,345</u> |

The changes in the Group's shareholding ratio or having significant influence due to capital increase of its investments are as follows:

- (a) In the first quarter of 2020, the Group acquired 20% equity interest in Impelex for a cash consideration of \$10,000.
- (b) In the first quarter of 2020, the Group acquired 14.29% equity interest in VSO for a cash consideration of \$120,000, and holds one seat in the Board of Directors composed of five directors.
- (c) In the second quarter of 2020, the Group acquired 20% equity interest in IISI for a cash consideration of \$243,086.
- (d) In the fourth quarter of 2020, the Group acquired 34.83% equity interest in iSAP for a cash consideration of \$10,000.
- (e) In the first quarter of 2021, the Group participated in the capital increase of Feng Sang for a cash consideration \$64,500 which resulted to an increase in its equity interest from 15% to 36.24%.
- (f) In the first quarter of 2021, the Group acquired 21.67% equity interest in Foshan Technology for a cash consideration of \$2,824. In the third quarter of 2021, the Group participated in the capital increase of Foshan Technology for a cash consideration of \$23,683 which resulted to an increase in its equity interest from 21.67% to 29.66%.

- (g) In 2021, the Group invested in Axiomtek for a cash consideration of \$262,313, which resulted to an increase in its equity interest from 24.17% to 26.61%.
- (h) In the second quarter of 2021, the Group invested in Smasoft for a cash consideration of \$5,220, which resulted to an increase in its equity interest from 20% to 24.07%.
- (i) In the second quarter of 2021, the Group acquired 20% equity interest in Freedom System for a cash consideration of \$37,500.
- (j) In the fourth quarter of 2021, the Group participated in the capital increase of DotZero for a cash consideration \$2,828. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 27.00% to 25.71%.
- (k) In the fourth quarter of 2021, the Group disposed all its equity interest in GSD for a cash consideration \$8,676.
- B. The summary of financial information of share attributable to the Group on the associates that are not individually material to the Group is as follows:

| | For the years ended December 31, | |
|--|----------------------------------|-------------------|
| | 2021 | 2020 |
| Profit for the year from continuing operations | \$ 263,940 | \$ 166,036 |
| Other comprehensive income (loss) after tax | 20,231 | (19,878) |
| Total comprehensive income | <u>\$ 284,171</u> | <u>\$ 146,158</u> |

- C. The fair value of the Group's associates which have quoted market price is as follows:

| | December 31, 2021 | December 31, 2020 |
|--------------------------|---------------------|---------------------|
| Fair value of associates | <u>\$ 4,199,439</u> | <u>\$ 3,797,958</u> |

- D. The Group is the single largest shareholder of Axiomtek, Winmate, Hwacom, VSO, iSAP, and Feng Sang. Given that the degree of other shareholders involvement in prior stockholders' meeting and record of voting rights for major proposals, which indicates that the Group has no substantial ability to direct the relevant activities, the Group has no control, but only has significant influence, over the companies.

(8) Property, plant and equipment

| | Freehold land | Buildings | Machinery and equipment | Office equipment | Other equipment | Construction in progress | Total |
|--|---------------------|---------------------|-------------------------------|---------------------|--------------------|-----------------------------|----------------------|
| Balance at January 1, 2021 | | | | | | | |
| Cost | \$ 3,032,384 | \$ 8,052,436 | \$ 1,929,938 | \$ 906,329 | \$ 1,901,434 | \$ 380,653 | \$ 16,203,174 |
| Accumulated depreciation and impairment | - | (2,824,136) | (1,408,668) | (712,689) | (1,340,785) | - | (6,286,278) |
| | <u>\$ 3,032,384</u> | <u>\$ 5,228,300</u> | <u>\$ 521,270</u> | <u>\$ 193,640</u> | <u>\$ 560,649</u> | <u>\$ 380,653</u> | <u>\$ 9,916,896</u> |
| Balance at January 1, 2021 | \$ 3,032,384 | \$ 5,228,300 | \$ 521,270 | \$ 193,640 | \$ 560,649 | \$ 380,653 | \$ 9,916,896 |
| Additions | - | 38,033 | 299,963 | 81,932 | 250,957 | 408,918 | 1,079,803 |
| Disposals | (31,543) | (24,981) | (14,388) | (1,986) | (4,128) | - | (77,026) |
| Depreciation | - | (222,202) | (116,854) | (81,128) | (162,450) | - | (582,634) |
| Reclassifications | - | 354,441 | 41,011 | (199) | (51,216) | (339,069) | 4,968 |
| Net exchange differences | (32,873) | (43,697) | (2,623) | (2,155) | (11,110) | (2,798) | (95,256) |
| Balance at December 31, 2021 | <u>\$ 2,967,968</u> | <u>\$ 5,329,894</u> | <u>\$ 728,379</u> | <u>\$ 190,104</u> | <u>\$ 582,702</u> | <u>\$ 447,704</u> | <u>\$ 10,246,751</u> |
| Balance at December 31, 2021 | | | | | | | |
| Cost | \$ 2,967,968 | \$ 8,242,253 | \$ 2,143,173 | \$ 924,897 | \$ 1,977,872 | \$ 447,704 | \$ 16,703,867 |
| Accumulated depreciation and impairment | - | (2,912,359) | (1,414,794) | (734,793) | (1,395,170) | - | (6,457,116) |
| | <u>\$ 2,967,968</u> | <u>\$ 5,329,894</u> | <u>\$ 728,379</u> | <u>\$ 190,104</u> | <u>\$ 582,702</u> | <u>\$ 447,704</u> | <u>\$ 10,246,751</u> |
| | Freehold land | Buildings | Machinery and equipment | Office equipment | Other equipment | Construction in progress | Total |
| Balance at January 1, 2020 | | | | | | | |
| Cost | \$ 3,067,589 | \$ 8,049,532 | \$ 1,866,463 | \$ 877,799 | \$ 1,874,078 | \$ 8,792 | \$ 15,744,253 |
| Accumulated depreciation and impairment | - | (2,597,296) | (1,378,129) | (685,252) | (1,351,086) | - | (6,011,763) |
| | <u>\$ 3,067,589</u> | <u>\$ 5,452,236</u> | <u>\$ 488,334</u> | <u>\$ 192,547</u> | <u>\$ 522,992</u> | <u>\$ 8,792</u> | <u>\$ 9,732,490</u> |
| Balance at January 1, 2020 | \$ 3,067,589 | \$ 5,452,236 | \$ 488,334 | \$ 192,547 | \$ 522,992 | \$ 8,792 | \$ 9,732,490 |
| Additions | 77 | 1,799 | 148,879 | 92,879 | 195,725 | 179,666 | 619,025 |
| Disposals | (28,417) | (38,329) | 5,696 | (5,607) | (4,722) | - | (71,379) |
| Depreciation | - | (199,820) | (132,035) | (80,707) | (162,987) | - | (575,549) |
| Acquired from business combinations | - | - | - | 93 | - | - | 93 |
| Reclassifications | - | (2,569) | 5,356 | (5,335) | 8,813 | 186,608 | 192,873 |
| Net exchange differences | (6,865) | 14,983 | 5,040 | (230) | 828 | 5,587 | 19,343 |
| Balance at December 31, 2020 | <u>\$ 3,032,384</u> | <u>\$ 5,228,300</u> | <u>\$ 521,270</u> | <u>\$ 193,640</u> | <u>\$ 560,649</u> | <u>\$ 380,653</u> | <u>\$ 9,916,896</u> |
| Balance at December 31, 2020 | | | | | | | |
| Cost | \$ 3,032,384 | \$ 8,052,436 | \$ 1,929,938 | \$ 906,329 | \$ 1,901,434 | \$ 380,653 | \$ 16,203,174 |
| Accumulated depreciation and impairment | - | (2,824,136) | (1,408,668) | (712,689) | (1,340,785) | - | (6,286,278) |
| | <u>\$ 3,032,384</u> | <u>\$ 5,228,300</u> | <u>\$ 521,270</u> | <u>\$ 193,640</u> | <u>\$ 560,649</u> | <u>\$ 380,653</u> | <u>\$ 9,916,896</u> |

The Group has no property, plant and equipment pledged to others.

(9) Lease agreements - lessee

A. The Group's lease subjects include building, transportation equipment, machinery and equipment,

office equipment and land use right. Rental contracts are typically made for periods of 1 to 15 years, except for the land use rights which cover periods of 38 to 50 years. The lease contract is negotiated individually and contains various terms and conditions. Except that the leased assets cannot be used as security for borrowing purposes, there are no other restrictions on the lease.

B. Right-of-use assets

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|---|--------------------------|
| Carrying amount | | |
| Land | \$ 272,232 | \$ 282,854 |
| Buildings | 273,832 | 283,248 |
| Machinery and equipment | 1,871 | 2,619 |
| Office equipment | 5,181 | 6,032 |
| Transportation equipment | 40,991 | 24,232 |
| Other equipment | 261 | 20 |
| | <u>\$ 594,368</u> | <u>\$ 599,005</u> |
| | <u>For the years ended December 31,</u> | |
| | <u>2021</u> | <u>2020</u> |
| Depreciation expenses | | |
| Land | \$ 8,420 | \$ 8,305 |
| Buildings | 190,889 | 168,858 |
| Machinery and equipment | 759 | 885 |
| Office equipment | 8,659 | 10,629 |
| Transportation equipment | 36,657 | 28,562 |
| Other equipment | 150 | 20 |
| | <u>\$ 245,534</u> | <u>\$ 217,259</u> |

C. The additions to right-of-use assets for the years ended December 31, 2021 and 2020 were \$149,628 and \$39,556, respectively.

D. Lease liabilities

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------|--------------------------|--------------------------|
| Carrying amount | | |
| Current | \$ 250,338 | \$ 221,250 |
| Non-current | 67,068 | 87,781 |
| | <u>\$ 317,406</u> | <u>\$ 309,031</u> |

E. Other lease information

| | <u>For the years ended December 31,</u> | |
|---------------------------------------|---|-------------------|
| | <u>2021</u> | <u>2020</u> |
| Expense on lease interest | \$ 13,614 | \$ 14,508 |
| Expense on short-term lease contracts | \$ 389 | \$ 13,960 |
| Expense on leases of low-value assets | \$ 1,434 | \$ 12,180 |
| Total cash outflow for leases | <u>\$ 250,539</u> | <u>\$ 279,962</u> |

(10) Intangible assets

| | <u>Trademarks</u> | <u>Customer relationships</u> | <u>Technology licenses</u> | <u>Goodwill</u> | <u>Others</u> | <u>Total</u> |
|---|-------------------|-----------------------------------|--------------------------------|---------------------|-------------------|---------------------|
| Balance at January 1, 2021 | | | | | | |
| Cost | \$ 475,390 | \$ 572,805 | \$ 402,751 | \$ 2,837,680 | \$ 548,524 | \$ 4,837,150 |
| Accumulated amortization and impairment | (330,368) | (283,883) | (332,924) | (373,365) | (369,264) | (1,689,804) |
| | <u>\$ 145,022</u> | <u>\$ 288,922</u> | <u>\$ 69,827</u> | <u>\$ 2,464,315</u> | <u>\$ 179,260</u> | <u>\$ 3,147,346</u> |
| Balance at January 1, 2021 | \$ 145,022 | \$ 288,922 | \$ 69,827 | \$ 2,464,315 | \$ 179,260 | \$ 3,147,346 |
| Acquired separately | - | - | - | - | 193,395 | 193,395 |
| Amortization | (66,851) | (34,540) | (22,989) | - | (144,323) | (268,703) |
| Reclassifications | - | - | - | - | 54 | 54 |
| Impairment loss | - | - | - | (292,574) | - | (292,574) |
| Net exchange differences | (9,265) | (16,396) | (1,694) | (79,131) | (7,607) | (114,093) |
| Balance at December 31, 2021 | <u>\$ 68,906</u> | <u>\$ 237,986</u> | <u>\$ 45,144</u> | <u>\$ 2,092,610</u> | <u>\$ 220,779</u> | <u>\$ 2,665,425</u> |
| Balance at December 31, 2021 | | | | | | |
| Cost | \$ 456,060 | \$ 530,820 | \$ 383,119 | \$ 2,758,549 | \$ 557,405 | \$ 4,685,953 |
| Accumulated amortization and impairment | (387,154) | (292,834) | (337,975) | (665,939) | (336,626) | (2,020,528) |
| | <u>\$ 68,906</u> | <u>\$ 237,986</u> | <u>\$ 45,144</u> | <u>\$ 2,092,610</u> | <u>\$ 220,779</u> | <u>\$ 2,665,425</u> |
| | <u>Trademarks</u> | <u>Customer relationships</u> | <u>Technology licenses</u> | <u>Goodwill</u> | <u>Others</u> | <u>Total</u> |
| Balance at January 1, 2020 | | | | | | |
| Cost | \$ 493,225 | \$ 593,770 | \$ 413,853 | \$ 2,892,879 | \$ 625,449 | \$ 5,019,176 |
| Accumulated amortization and impairment | (98,934) | (239,688) | (315,238) | (373,365) | (492,376) | (1,519,601) |
| | <u>\$ 394,291</u> | <u>\$ 354,082</u> | <u>\$ 98,615</u> | <u>\$ 2,519,514</u> | <u>\$ 133,073</u> | <u>\$ 3,499,575</u> |
| Balance at January 1, 2020 | \$ 394,291 | \$ 354,082 | \$ 98,615 | \$ 2,519,514 | \$ 133,073 | \$ 3,499,575 |
| Acquired separately | - | - | - | - | 137,619 | 137,619 |
| Disposals | - | - | - | - | (1,171) | (1,171) |
| Amortization | - | (46,739) | (24,743) | - | (103,912) | (175,394) |
| Acquired from business combinations | - | - | - | 3,081 | - | 3,081 |
| Reclassifications | - | - | - | - | 5,694 | 5,694 |
| Impairment loss | (245,917) | - | - | - | - | (245,917) |
| Net exchange differences | (3,352) | (18,421) | (4,045) | (58,280) | 7,957 | (76,141) |
| Balance at December 31, 2020 | <u>\$ 145,022</u> | <u>\$ 288,922</u> | <u>\$ 69,827</u> | <u>\$ 2,464,315</u> | <u>\$ 179,260</u> | <u>\$ 3,147,346</u> |
| Balance at December 31, 2020 | | | | | | |
| Cost | \$ 475,390 | \$ 572,805 | \$ 402,751 | \$ 2,837,680 | \$ 548,524 | \$ 4,837,150 |
| Accumulated amortization and impairment | (330,368) | (283,883) | (332,924) | (373,365) | (369,264) | (1,689,804) |
| | <u>\$ 145,022</u> | <u>\$ 288,922</u> | <u>\$ 69,827</u> | <u>\$ 2,464,315</u> | <u>\$ 179,260</u> | <u>\$ 3,147,346</u> |

A. The details of goodwill are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------|--------------------------|--------------------------|
| B+B | \$ 1,239,060 | \$ 1,274,871 |
| LNC | 227,127 | 227,127 |
| AdvanPOS | - | 215,068 |
| A-SIoT | 153,603 | 171,800 |
| AEU | 124,960 | 140,514 |
| Others | 347,860 | 434,935 |
| | <u>\$ 2,092,610</u> | <u>\$ 2,464,315</u> |

B. Goodwill impairment assessment

- (a) The impairment assessment of goodwill relies on the subjective judgment of the management, including identifying the cash-generating unit and determining its recoverable amount.
- (b) The Group assesses the recoverable amounts of goodwill for impairment at the end of the financial reporting period, and the recoverable amount is assessed based on the value-in-use.
- (c) The value-in-use calculations use cash flow projections based on financial budgets approved by the management. Management determined the budgeted gross margin and growth rate based on past performance and the expectations of market development. The market valuation used is consistent with the similar industries. The discount rates used reflect specific risks relating to the relevant operating segments and the time value of currency in real market.
- (d) Due to business considerations, the Group decided to liquidate the subsidiary- AdvanPOS. Further, as there has been a significant reduction in the operations of merged subsidiaries, the Group's operating revenue after the merger did not turn out as expected. Based on the Group's assessment, the recoverable amount was less than the carrying amount. Accordingly, an impairment loss of \$292,574 was recognised for the goodwill for the year ended December 31, 2021.

(11) Short-term borrowings

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------------|--------------------------|--------------------------|
| <u>Unsecured borrowings</u> | | |
| Credit borrowings | \$ 255,700 | \$ 184,078 |

The range of interest rates on bank loans was 0.23% ~ 1.09% and 0.22% ~ 3.05% per annum as of December 31, 2021 and 2020, respectively.

(12) Other payables

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Wages and salaries and bonuses payable | \$ 3,287,752 | \$ 2,742,495 |
| Employee benefits payable | 181,782 | 185,523 |
| Others (Note) | 1,117,958 | 1,000,347 |
| | <u>\$ 4,587,492</u> | <u>\$ 3,928,365</u> |

Note: Including marketing expenses and freight expenses, etc.

(13) Pension

A. Defined benefit pension plans

- (a) The Company and Cermate Taiwan have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

The subsidiaries, ATJ and AIN, calculate pension benefits on the basis of the length of service and the hourly wages at the time of resignation or retirement date when employees under the defined benefit plans meet the requirements such as reaching the pension age, loss of capability to work, etc. in accordance with the local regulations.

- (b) The amounts recognised in the balance sheets are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 505,362 | \$ 534,734 |
| Fair value of plan assets | (124,613) | (131,246) |
| Net defined benefit liability ("recognised as other non-current liabilities") | <u>\$ 380,749</u> | <u>\$ 403,488</u> |

(c) Movements in net defined benefit liabilities are as follows:

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|--|------------------------------|----------------------------------|
| 2021 | | | |
| Balance at January 1 | \$ 534,734 | (\$ 131,246) | \$ 403,488 |
| Current service cost | 8,275 | - | 8,275 |
| Interest expense (income) | 2,353 | (704) | 1,649 |
| | <u>545,362</u> | <u>(131,950)</u> | <u>413,412</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | (1,664) | (1,664) |
| Change in demographic assumptions | 10,854 | - | 10,854 |
| Change in financial assumptions | (6,267) | - | (6,267) |
| Experience adjustments | <u>654</u> | <u>-</u> | <u>654</u> |
| | <u>5,241</u> | <u>(1,664)</u> | <u>3,577</u> |
| Pension payment | (30,048) | 18,866 | (11,182) |
| Pension fund contribution | - | (9,865) | (9,865) |
| Net exchange differences | (15,193) | - | (15,193) |
| | <u>(45,241)</u> | <u>9,001</u> | <u>(36,240)</u> |
| Balance at December 31 | <u>\$ 505,362</u> | <u>(\$ 124,613)</u> | <u>\$ 380,749</u> |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|--|------------------------------|----------------------------------|
| 2020 | | | |
| Balance at January 1 | \$ 517,092 | (\$ 132,178) | \$ 384,914 |
| Current service cost | 7,221 | - | 7,221 |
| Interest expense (income) | 3,161 | (1,033) | 2,128 |
| | <u>527,474</u> | <u>(133,211)</u> | <u>394,263</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | (4,540) | (4,540) |
| Change in demographic assumptions | 893 | - | 893 |
| Change in financial assumptions | 10,833 | - | 10,833 |
| Experience adjustments | 14,693 | - | 14,693 |
| | <u>26,419</u> | <u>(4,540)</u> | <u>21,879</u> |
| Pension payment | (19,159) | 15,543 | (3,616) |
| Pension fund contribution | - | (9,038) | (9,038) |
| | <u>(19,159)</u> | <u>6,505</u> | <u>(12,654)</u> |
| Balance at December 31 | <u>\$ 534,734</u> | <u>(\$ 131,246)</u> | <u>\$ 403,488</u> |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and Cermate Taiwan's defined benefit pension plans in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authonised by the Regulator. The Company and Cermate Taiwan have no right to participate in managing and operating that fund and hence the Company and Cermate Taiwan are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used are as follows:

| | For the years ended December 31, | |
|------------------------------|----------------------------------|----------------|
| | 2021 | 2020 |
| Discount rate | 0.625%~7.310% | 0.220%~7.280% |
| Future salary increases rate | 3.000%~10.000% | 3.000%~10.000% |

Future mortality rate was estimated based on actuarial advice in accordance with published statistics and experiences from 6th Taiwan standard, Japan abridged of 2020, and Indian Assured Lives Mortality.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

| | Discount rate | | Future salary increases rate | |
|---|-------------------|-------------------|------------------------------|-------------------|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2021 | | | | |
| Effect on present value of defined benefit obligation | (\$ 13,955) | \$ 14,511 | \$ 11,050 | (\$ 10,696) |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | (\$ 15,370) | \$ 16,004 | \$ 11,784 | (\$ 11,392) |

The sensitivity analysis above was determined based on the change of one assumption while the other conditions remain unchanged. In practice, the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheets are the same.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$16,379.
- (g) As of December 31, 2021, the weighted average duration of the retirement plans is 11.70~20.96 years.

B. Defined contribution pension plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Overseas subsidiaries contribute pension in accordance with local government regulations, and recognise pension expenses at the time of contribution.

- (c) The pension costs under the defined contribution pension plans of the Group were \$376,970 and \$261,640 for the years ended December 31, 2021 and 2020, respectively.

(14) Share-based payment

A. Employee share options granted by the Company

- (a) Qualified employees of the Company were granted 7,500 options in 2020, 8,000 options in 2018 and 6,500 options in 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The holders of these shares include employees who meet certain criteria set by the Company from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in 2020, 2018 and 2016 are all valid for six years. All options are exercisable at certain percentages after the second anniversary year from the grant date. The exercise price of options granted in 2020 was \$200 (in dollars) per share. The options issued in 2018 were granted at an exercise price equal to the share price at the grant date. The exercise price of options granted in 2016 was \$100 (in dollars) per share. For any subsequent changes in the Company's common shares, the exercise price and the number of options will be adjusted accordingly.

- (b) Information on employee share options is as follows:

| | For the years ended December 31, | | | |
|---|----------------------------------|--|--------------------|--|
| | 2021 | | 2020 | |
| | Unit of options | Weighted- average exercise price (in dollars) | Unit of options | Weighted- average exercise price (in dollars) |
| Options outstanding at the beginning of the year | 19,404 | \$ 175.66 | 14,250 | \$ 149.88 |
| Options granted | - | - | 7,500 | 200.00 |
| Options exercised | (2,209) | 90.47 | (1,803) | 77.45 |
| Options expired | (173) | 142.34 | (543) | 70.50 |
| Options outstanding at the end of the year | <u>17,022</u> | 172.74 | <u>19,404</u> | 175.66 |
| Options exercisable at the end of the year | <u>9,521</u> | 151.26 | <u>7,904</u> | 138.98 |
| Weighted-average fair value of options granted (in dollars) | <u>-</u> | | <u>\$ 125.77</u> | |

- (c) The weighted-average stock price of share options at exercise dates for the years ended December 31, 2021 and 2020 was \$329 ~ \$387 (in dollars) and \$258 ~ \$328 (in dollars), respectively.

(d) Information on outstanding options on balance sheet date is as follows:

| | December 31, 2021 | | December 31, 2020 | |
|------------------|--------------------------------|---|--------------------------------|---|
| | Exercise price (in dollars) | Weighted-average remaining contractual life (in years) | Exercise price (in dollars) | Weighted-average remaining contractual life (in years) |
| Issuance in 2020 | \$ 200.00 | 4.58 | \$ 200.00 | 5.58 |
| Issuance in 2018 | 171.20 | 2.58 | 202.50 | 3.58 |
| Issuance in 2016 | 72.3~73.9 | 0.45 | 73.90 | 1.45 |

(e) The fair value of share options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| | Issuance in 2020 | Issuance in 2018 | Issuance in 2016 |
|-------------------------------------|------------------|------------------|------------------|
| Grant-date stock price (in dollars) | \$ 309 | \$ 202.5 | \$ 235 |
| Exercise price (in dollars) | \$ 200 | \$ 202.5 | \$ 100 |
| Expected price volatility | 23.28~26.55% | 28.42~28.73% | 31.42~32.48% |
| Expected option life (in years) | 4 ~ 5.5 | 4 ~ 4.5 | 4 ~ 5.5 |
| Expected dividends yield | 0% | 0% | 0% |
| Risk-free interest rate | 0.31~0.35% | 0.67~0.69% | 0.52~0.65% |
| Fair value per unit | \$ 121.61~133.07 | \$ 47.91~50.38 | \$ 140.97~144.36 |

Expected price volatility was based on the annualized standard deviation of historical return on the stocks over the expected option life period.

(f) The Group recognised compensation cost of \$291,441 and \$365,248 for the years ended December 31, 2021 and 2020, respectively.

B. Employee share options granted by the subsidiary - LNC

(a) Qualified employees of LNC, a subsidiary of the Company, were granted 108 options in May 2018 and 1,092 options in June 2017. Each option entitles the holder to subscribe for one thousand common shares of LNC. The options were granted to employees of LNC, who meet specific conditions. These options are valid for five years. All are exercisable at certain percentages after the first anniversary year from the grant date.

(b) Information on employee share options is as follows:

| For the years ended December 31, | | | | |
|--|-----------------|--|-----------------|--|
| 2021 | | | 2020 | |
| | Unit of options | Weighted-average exercise price (in dollars) | Unit of options | Weighted-average exercise price (in dollars) |
| Options outstanding at the beginning of the year | 676 | \$ 20 | 740 | \$ 20 |
| Options expired | (40) | 20 | (64) | 20 |
| Options outstanding at the end of the year | 636 | 20 | 676 | 20 |
| Options exercisable at the end of the year | 631 | 20 | 502 | 20 |

(c) Information on outstanding options on balance sheet date is as follows:

| December 31, 2021 | | | December 31, 2020 | |
|-------------------|-----------------------------|--|-----------------------------|--|
| | Exercise price (in dollars) | Weighted-average remaining contractual life (in years) | Exercise price (in dollars) | Weighted-average remaining contractual life (in years) |
| Issuance in 2018 | \$ 20 | 1.33 | \$ 20 | 2.33 |
| Issuance in 2017 | 20 | 0.42 | 20 | 1.42 |

(d) The fair value of share options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| | Issuance in 2018 | Issuance in 2017 |
|---|------------------|------------------|
| Grant-date valuation price (in dollars) | \$ 17.29 | \$ 16.11 |
| Exercise price (in dollars) | \$ 20 | \$ 20 |
| Expected price volatility | 21.36~25.43% | 25.6~29.45% |
| Expected option life (in years) | 2.5~4 | 2.5~4 |
| Expected dividends yield | 1.04% | 0% |
| Risk-free interest rate | 0.60~0.67% | 0.64~0.74% |
| Fair value per unit (in dollars) | \$1.28~2.35 | \$1.42~2.66 |

Expected price volatility was based on the annualized standard deviation of historical return on similar industries' stock over the expected option life period.

(e) In August 2018, the subsidiary - LNC modified the terms of its outstanding options. The validity was adjusted from 4 to 5 years. The average incremental fair value of \$0.38 (in dollars) in June 2017 and \$0.34 (in dollars) in May 2018 will be recognised as expense over the

remaining vesting period of 2.42 and 3.33 years, respectively. LNC used the inputs noted above to measure the fair value of the old and new options.

Issuance in 2018

| | Before modification | After modification |
|---|---------------------|--------------------|
| Grant-date valuation price (in dollars) | \$ 17.86 | \$ 17.86 |
| Exercise price (in dollars) | \$ 20 | \$ 20 |
| Expected price volatility | 20.04~23.67% | 21.57~24.70% |
| Expected option life (in years) | 2.17~3.67 | 2.67~4.17 |
| Expected dividends yield | 1.01% | 1.01% |
| Risk-free interest rate | 0.57~0.65% | 0.61~0.67% |
| Fair value per unit (in dollars) | \$1.23~2.26 | \$1.60~2.59 |

Issuance in 2017

| | Before modification | After modification |
|---|---------------------|--------------------|
| Grant-date valuation price (in dollars) | \$ 17.86 | \$ 17.86 |
| Exercise price (in dollars) | \$ 20 | \$ 20 |
| Expected price volatility | 19.35~21.61% | 19.89~23.34% |
| Expected option life (in years) | 1.38~2.76 | 1.88~3.26 |
| Expected dividends yield | - | - |
| Risk-free interest rate | 0.49~0.61% | 0.54~0.64% |
| Fair value per unit (in dollars) | \$0.89~1.86 | \$1.22~2.33 |

(f) Compensation cost recognised by the subsidiary, LNC, for the years ended December 31, 2021 and 2020 was \$27 and \$153, respectively.

(15) Share capital

As of December 31, 2021, the Company's authorised capital was \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock (including 50,000 thousand shares reserved for employee shares options and corporate bonds with warrant), and the paid-in capital was \$7,744,638 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The change in the number of the Company's common shares outstanding at the beginning and ending for the years ended December 31, 2021 and 2020 are as follows: (in thousand shares)

| | 2021 | 2020 |
|--------------------------------|----------------|----------------|
| At January 1 | 772,255 | 700,410 |
| Employee share options expired | 2,209 | 1,804 |
| Shareholders' stock dividends | - | 70,041 |
| At December 31 | <u>774,464</u> | <u>772,255</u> |

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to

issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u> | | |
| Premium on issuance of ordinary shares | \$ 2,692,238 | \$ 2,692,238 |
| Premium on conversion of bonds | 1,636,499 | 1,636,499 |
| Premium on issuance of ordinary shares for employee share options | 2,714,285 | 2,297,403 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | 23,128 | - |
| Changes in equity of associates accounted for under equity method | 674 | 674 |
| Employees' share compensation | 78,614 | 78,614 |
| <u>May be used to offset a deficit only</u> | | |
| Changes in ownership interests in subsidiaries | 215 | - |
| Changes in equity of associates accounted for under equity method | 29,408 | 54,882 |
| Employee share options forfeited | 96,258 | 87,266 |
| <u>Not to be used for any purpose</u> | | |
| Employee share options | 1,117,567 | 1,066,178 |
| | <u>\$ 8,388,886</u> | <u>\$ 7,913,754</u> |

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital. However, the amount that can be transferred to share capital is limited to a certain percentage of paid-in capital every year.

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside or reversed from the legal reserve. The remainder, if any, shall be distributed as dividends to be proposed by the Board of Directors. The distribution of cash dividends shall be resolved by the Board of Directors while stock dividends shall be resolved by the shareholders during their meeting.
- B. The Company's dividend policy which takes into consideration the Company's future funding requirements and long-term financial planning as well as the interest of shareholders is to

distribute at least 30% of the available profits as dividends to shareholders annually. The distribution of cash dividends shall not be less than 20% of the total dividends distributed.

The Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividends policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interests, and the sustainability of the Company's growth. The policy also requires that share dividends shall be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

- C. An appropriation of earnings for legal reserve should be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset against deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.
- D. Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.
- E. The appropriations of earnings for 2020 and 2019 have been approved by the shareholders on August 19, 2021 and May 28, 2020, respectively.

| | For the years ended December 31, | |
|---|----------------------------------|--------------|
| | 2020 | 2019 |
| Legal reserve | \$ 717,035 | \$ 735,122 |
| (Reversal of) provision for special reserve | (\$ 14,143) | \$ 47,230 |
| Cash dividends | \$ 5,480,813 | \$ 5,463,198 |
| Stock dividends | \$ - | \$ 700,410 |
| Cash dividends per share (in dollars) | \$ 7.1 | \$ 7.8 |
| Stock dividends per share (in dollars) | \$ - | \$ 1.0 |

- F. The appropriations of 2021 earnings had been proposed by the Board of Directors on February 25, 2022. Details are summarized as follows:

| | For the year ended December 31, 2021 |
|---|---|
| Legal reserve | \$ 814,990 |
| Reversal of provision for special reserve | (\$ 276,056) |
| Cash dividends | \$ 6,195,710 |
| Cash dividends per share (in dollars) | \$ 8.0 |

As of February 25, 2022, the appropriation of 2021 earnings stated above has not yet been resolved by the shareholders.

(18) Other equity items

A. Exchange differences on translation of the financial statements of foreign operations

| | For the years ended December 31, | |
|---|----------------------------------|----------------|
| | 2021 | 2020 |
| Balance at January 1 | (\$ 1,006,635) | (\$ 878,261) |
| Recognised for the year | | |
| Exchange differences on translation of the financial statements of foreign operations | (523,018) | (111,229) |
| Share of profit (loss) of associates accounted for under equity method | (46,284) | (17,145) |
| Other comprehensive loss recognised for the year | (569,302) | (128,374) |
| Balance at December 31 | (\$ 1,575,937) | (\$ 1,006,635) |

B. Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income

| | For the years ended December 31, | |
|--|----------------------------------|------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 173,308 | \$ 30,970 |
| Recognised for the year | | |
| Unrealised gain or loss | | |
| Equity instruments | 766,066 | 132,470 |
| Share of profit (loss) of associates accounted for under equity method | 67,858 | 40 |
| Other comprehensive income | 833,924 | 132,510 |
| Realized gain or loss | | |
| Transfer of valuation adjustments to retained earnings | 11,435 | - |
| Transfer of valuation adjustments to retained earnings - share of profit of associates accounted for under equity method | - | 9,828 |
| Other comprehensive income | 11,435 | 9,828 |
| Balance at December 31 | \$ 1,018,667 | \$ 173,308 |

C. Unearned employee benefits compensation

| | For the years ended December 31, | |
|---|----------------------------------|----------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 1,477 | \$ 1,298 |
| Share of profit of associates accounted for under equity method | - | 179 |
| Balance at December 31 | \$ 1,477 | \$ 1,477 |

(19) Non-controlling interest

| | For the years ended December 31, | |
|--|----------------------------------|-------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 636,267 | \$ 577,361 |
| Profit for the year | 57,139 | 55,032 |
| Exchange differences on translation of the financial statements of foreign operations | (32,010) | (12,782) |
| Remeasurement of defined benefit plans | (90) | 65 |
| Increase in non-controlling interests arising from decrease in investment in subsidiaries | 71,780 | 53,634 |
| Decrease in non-controlling interests arising from increase in investment in subsidiaries | (121,483) | (20,708) |
| Increase in non-controlling interests arising from acquisition of subsidiaries | 3,774 | - |
| Cash dividends distributed by subsidiaries | (25,675) | (11,443) |
| Employees' holding outstanding vesting share options related to non-controlling interests issued by subsidiaries | - | 93 |
| Liquidation of subsidiaries | (79,438) | (4,985) |
| Balance at December 31 | <u>\$ 510,264</u> | <u>\$ 636,267</u> |

(20) Operating revenue

| | For the years ended December 31, | |
|---------------------------------------|----------------------------------|----------------------|
| | 2021 | 2020 |
| Revenue from contracts with customers | <u>\$ 58,622,050</u> | <u>\$ 51,119,408</u> |

A. Disaggregation of revenue from contracts with customers

The Group derives revenue mainly from the transfer of goods and services at a point in time in the following major product lines:

For the year ended December 31, 2021

| | Industrial Interest of Things Services (IIoT) | Boards and Design-in Services (EIoT) | Allied Design Manufacture Services (ACG & CIoT) | Intelligent Services (SIoT) | Advantech Service Plus (AS+) | Others | Total |
|--------------------|--|---|--|-----------------------------------|------------------------------------|------------------|----------------------|
| Department revenue | <u>\$ 19,766,523</u> | <u>\$ 14,186,762</u> | <u>\$ 12,452,817</u> | <u>\$ 5,198,146</u> | <u>\$ 6,967,843</u> | <u>\$ 49,959</u> | <u>\$ 58,622,050</u> |

For the year ended December 31, 2020

| | Industrial Interest of Things Services (IIoT) | Boards and Design-in Services (EIoT) | Allied Design Manufacture Services (ACG & CIoT) | Intelligent Services (SIoT) | Advantech Service Plus (AS+) | Others | Total |
|--------------------|--|---|--|-----------------------------------|------------------------------------|-------------------|----------------------|
| Department revenue | <u>\$ 16,191,623</u> | <u>\$ 12,203,098</u> | <u>\$ 12,317,394</u> | <u>\$ 4,326,132</u> | <u>\$ 5,807,735</u> | <u>\$ 273,426</u> | <u>\$ 51,119,408</u> |

B. Contract liabilities

The Group recognised contract liabilities related to the contract revenue from sales and warranty amounting to \$950,692, \$757,052 and \$819,718 as of December 31, 2021, December 31, 2020 and January 1, 2020, respectively.

(21) Other income

| | For the years ended December 31, | |
|-----------------|----------------------------------|-------------------|
| | 2021 | 2020 |
| Rental income | \$ 28,956 | \$ 16,695 |
| Dividend income | 185,473 | 99,326 |
| Others (Note) | 159,564 | 96,809 |
| | <u>\$ 373,993</u> | <u>\$ 212,830</u> |

Note: For the years ended December 31, 2021 and 2020, the Group received government grants of \$23,613 and \$26,699 for its engagement in a government's project, respectively. In addition, the expenses or losses incurred which were covered by government grants amounted to \$1,990 and \$128,549 for the years ended December 31, 2021 and 2020, respectively, and were deducted from the recorded expenses.

(22) Other gains and losses

| | For the years ended December 31, | |
|--|----------------------------------|---------------------|
| | 2021 | 2020 |
| Gains (losses) on disposal of property, plant and equipment | \$ 58,183 | (\$ 25,293) |
| Gains (losses) on disposals of investments | 1,426 | (574) |
| Currency exchange losses | (81,965) | (37,298) |
| Gains on financial assets / liabilities at fair value through profit or loss | 131,863 | 8,571 |
| Impairment loss | (292,574) | (245,917) |
| Others | (11,746) | (6,003) |
| | <u>(\$ 194,813)</u> | <u>(\$ 306,514)</u> |

(23) Finance costs

| | For the years ended December 31, | |
|---------------------------------------|----------------------------------|------------------|
| | 2021 | 2020 |
| Interest expense on bank borrowings | \$ 1,135 | \$ 3,102 |
| Interest expense on lease liabilities | 13,614 | 14,508 |
| Others | 919 | 2,566 |
| | <u>\$ 15,668</u> | <u>\$ 20,176</u> |

(24) Expenses by nature

A. Depreciation and amortization expenses

| | For the years ended December 31, | |
|---|----------------------------------|-------------------|
| | 2021 | 2020 |
| Depreciation categorised by function | | |
| Operating costs | \$ 203,602 | \$ 163,859 |
| Operating expenses | 624,566 | 628,949 |
| | <u>\$ 828,168</u> | <u>\$ 792,808</u> |
| Amortization of intangible assets categorised by function | | |
| Operating costs | \$ 1,683 | \$ 2,173 |
| Operating expenses | 267,020 | 173,221 |
| | <u>\$ 268,703</u> | <u>\$ 175,394</u> |

B. Employee benefit expense

| | For the years ended December 31, | |
|--|----------------------------------|----------------------|
| | 2021 | 2020 |
| Short-term employee benefits | \$ 10,633,970 | \$ 9,623,485 |
| Post-employment benefits | | |
| Defined contribution plan | 376,970 | 261,640 |
| Defined benefit plan | 9,924 | 9,349 |
| | <u>386,894</u> | <u>270,989</u> |
| Share-based payment | | |
| Equity-settled | 291,468 | 365,418 |
| Other employee benefits | 662,645 | 583,428 |
| Total employee benefit expense | <u>\$ 11,974,977</u> | <u>\$ 10,843,320</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 2,637,048 | \$ 2,324,796 |
| Operating expenses | 9,337,929 | 8,518,524 |
| | <u>\$ 11,974,977</u> | <u>\$ 10,843,320</u> |

- (a) In accordance with the Articles of Incorporation of the Company, the Company accrues employees' compensation at the rate of no less than 5% and directors' remuneration at the rate of no higher than 1%, of net profit before income tax. For the years ended December 31, 2021 and 2020, employees' compensation and the directors' remuneration were accrued based on a certain percentage of net profit after income tax. The aforementioned amounts were recognised in salary expense.

| | For the years ended December 31, | |
|-------------------------|----------------------------------|-------------------|
| | 2021 | 2020 |
| Employees' compensation | <u>\$ 600,000</u> | <u>\$ 570,000</u> |
| Directors' remuneration | <u>\$ 13,600</u> | <u>\$ 11,700</u> |

- (b) Employees' compensation and directors' remuneration for 2020 as resolved by the Board of Directors on March 5, 2021 were in agreement with those amounts recognised in the 2020 financial statements.
- (c) Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income taxes

A. Income tax expense

- (a) Components of income tax expense were as follows:

| | For the years ended December 31, | |
|--|----------------------------------|---------------------|
| | 2021 | 2020 |
| Current income tax: | | |
| Current tax on profits for the year | \$ 1,963,510 | \$ 1,667,102 |
| Additional tax on unappropriated earnings | 50,133 | 18,219 |
| Difference between prior years' income tax estimation and assessed results | 17,487 | (63,249) |
| Total current tax | 2,031,130 | 1,622,072 |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | (83,151) | 203,302 |
| Income tax expense | <u>\$ 1,947,979</u> | <u>\$ 1,825,374</u> |

- (b) Income tax recognised in other comprehensive income

| | For the years ended December 31, | |
|--|----------------------------------|--------------------|
| | 2021 | 2020 |
| Translation of foreign operations | (\$ 142,326) | (\$ 32,093) |
| Remeasurement of defined benefit plans | (790) | (4,385) |
| | <u>(\$ 143,116)</u> | <u>(\$ 36,478)</u> |

B. Reconciliation between income tax expenses and accounting profit:

| | For the years ended December 31, | |
|--|----------------------------------|--------------|
| | 2021 | 2020 |
| Profit before tax from continuing operations | \$ 10,255,342 | \$ 9,128,361 |
| Income tax calculated based on profit before tax and statutory tax rate | 2,562,853 | 2,148,955 |
| Expenses disallowed by tax regulation | 1,650 | 709 |
| Tax exempt income by tax regulation | (155,121) | (91,759) |
| Additional tax on unappropriated earnings | 50,133 | 18,219 |
| Land value increment tax | 157 | - |
| Investment tax credits in the current year | (241,263) | (182,882) |
| Loss carryforwards which were not recognised as deferred tax assets previously and were used in the current year | (7,471) | - |
| Temporary differences not recognised as deferred tax assets | 842 | 517 |
| Taxable loss not recognised as deferred tax assets | - | 1,704 |
| Difference between prior year's income tax estimation and assessed results | 17,487 | (63,249) |
| Taxable temporary differences associated with investment in foreign subsidiaries not recognised as deferred tax assets | (270,454) | - |
| Others | (10,834) | (6,840) |
| Income tax expense | \$ 1,947,979 | \$ 1,825,374 |

C. Amounts of deferred income tax assets or liabilities as a result of temporary differences and loss carryforwards are as follows:

| | 2021 | | | |
|---|---------------------|------------------------------|--|---------------------|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Unrealized profit from sales | \$ 122,445 | \$ 18,564 | \$ - | \$ 141,009 |
| Unrealized decline in value of inventories | 84,639 | 50,180 | - | 134,819 |
| Exchange differences on translation of the financial statements of foreign operations | 251,810 | 1,106 | 142,326 | 395,242 |
| Loss carryforwards | 28,521 | (28,521) | - | - |
| Defined benefit pension plans | 29,756 | 990 | - | 30,746 |
| Unrealized foreign exchange losses | 297 | 387 | - | 684 |
| Unrealized provisions for warranty | 31,036 | 1,994 | - | 33,030 |
| Remeasurement of defined benefit obligations | 52,680 | (7,176) | 790 | 46,294 |
| Allowance for uncollectible accounts in excess of allowable limit | 441 | 864 | - | 1,305 |
| Impairment loss | - | 43,013 | - | 43,013 |
| Others | 122,002 | 37,531 | - | 159,533 |
| | <u>\$ 723,627</u> | <u>\$ 118,932</u> | <u>\$ 143,116</u> | <u>\$ 985,675</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Undistributed earnings of subsidiaries | \$ 2,046,029 | \$ 84,188 | \$ - | \$ 2,130,217 |
| Remeasurement of defined benefit obligations | 3,990 | - | - | 3,990 |
| Exchange differences on translation of the financial statements of foreign operations | 3,697 | (91) | - | 3,606 |
| Unrealized exchange gains | 3,181 | (2,771) | - | 410 |
| Property, plant and equipment depreciation difference between tax and financial report | 4,154 | (1,021) | - | 3,133 |
| Intangible assets and goodwill amortization difference between tax and financial report | 73,562 | (40,900) | - | 32,662 |
| Others | 7,815 | (3,624) | - | 4,191 |
| | <u>\$ 2,142,428</u> | <u>\$ 35,781</u> | <u>\$ -</u> | <u>\$ 2,178,209</u> |

| 2020 | | | | |
|---|---------------------|------------------------------|--|---------------------|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Unrealized profit from sales | \$ 139,085 | (\$ 16,640) | \$ - | \$ 122,445 |
| Unrealized decline in value of inventories | 89,225 | (4,586) | - | 84,639 |
| Exchange differences on translation of the financial statements of foreign operations | 219,717 | - | 32,093 | 251,810 |
| Loss carryforwards | 35,130 | (6,609) | - | 28,521 |
| Defined benefit pension plans | 17,026 | 12,730 | - | 29,756 |
| Unrealized foreign exchange losses | 3,533 | (3,236) | - | 297 |
| Unrealized provisions for warranty | 35,018 | (3,982) | - | 31,036 |
| Remeasurement of defined benefit obligations | 48,295 | - | 4,385 | 52,680 |
| Allowance for uncollectible accounts in excess of allowable limit | 291 | 150 | - | 441 |
| Financial assets at fair value through profit or loss | 420 | (420) | - | - |
| Others | 102,472 | 19,530 | - | 122,002 |
| | <u>\$ 690,212</u> | <u>(\$ 3,063)</u> | <u>\$ 36,478</u> | <u>\$ 723,627</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Undistributed earnings of subsidiaries | \$ 1,788,569 | \$ 257,460 | \$ - | \$ 2,046,029 |
| Remeasurement of defined benefit obligations | 3,990 | - | - | 3,990 |
| Exchange differences on translation of the financial statements of foreign operations | 3,865 | (168) | - | 3,697 |
| Unrealized exchange gains | 2 | 3,179 | - | 3,181 |
| Property, plant and equipment depreciation difference between tax and financial report | 4,077 | 77 | - | 4,154 |
| Intangible assets and goodwill amortization difference between tax and financial report | 141,095 | (67,533) | - | 73,562 |
| Others | 591 | 7,224 | - | 7,815 |
| | <u>\$ 1,942,189</u> | <u>\$ 200,239</u> | <u>\$ -</u> | <u>\$ 2,142,428</u> |

D. Unused carryforwards for which no deferred income tax assets have been recognised in the consolidated balance sheets:

| | December 31, 2021 | December 31, 2020 |
|---------------------|-------------------|-------------------|
| Expiry in 2021 | \$ - | \$ 11,377 |
| Expiry in 2030 | 8,043 | 8,521 |
| Expiry in 2033-2039 | - | 21,098 |
| | <u>\$ 8,043</u> | <u>\$ 40,996</u> |

- E. Information about unused investment tax credits and amounts of unrecognised deferred income tax assets are as follows:

| December 31, 2021 | | | |
|---------------------------------------|-------------------------|---|-------------|
| Tax credit source | Remaining credit amount | Unrecognised deferred income tax assets | Expiry year |
| Research and development expenditures | \$ 11,085 | \$ 11,085 | Note |
| December 31, 2020 | | | |
| Tax credit source | Remaining credit amount | Unrecognised deferred income tax assets | Expiry year |
| Research and development expenditures | \$ 8,405 | \$ 8,405 | Note |

Note: May select to get the amount of tax credit up to 15% of the research and development expenses, applied to the current year profit-seeking enterprise income tax payable or tax credit up to 10% of the research and development expenses, applied to the annual profit-seeking enterprise income tax payable for three years, starting from the current year.

- F. The Group did not recognise taxable temporary differences associated with investments in subsidiaries as deferred income tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences unrecognised as deferred income tax liabilities were \$332,188 and \$61,734, respectively.

- G. The Company's income tax returns through 2019 have been assessed and approved by the tax authority.

(26) Earnings per share

Unit: expressed in dollars per share

| | For the years ended December 31, | |
|----------------------------|----------------------------------|---------|
| | 2021 | 2020 |
| Basic earnings per share | \$ 10.67 | \$ 9.40 |
| Diluted earnings per share | \$ 10.51 | \$ 9.27 |

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

| | For the years ended December 31, | |
|--|----------------------------------|--------------|
| | 2021 | 2020 |
| Earnings used in the computation of basic earnings per share | \$ 8,250,224 | \$ 7,247,955 |
| Earnings used in the computation of diluted earnings per share | \$ 8,250,224 | \$ 7,247,955 |

Weighted average number of ordinary shares outstanding (in thousand shares)

| | For the years ended December 31, | |
|--|----------------------------------|---------|
| | 2021 | 2020 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 773,018 | 771,264 |
| Assumed conversion of all dilutive potential ordinary shares | | |
| Employee share options | 9,833 | 8,268 |
| Employees' compensation | 1,791 | 2,003 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 784,642 | 781,535 |

(27) Transactions with non-controlling interest

A. The following transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

- (a) In the first quarter of 2020, the Group acquired 30% equity interest in AIH, which increased the Group's equity investment in AIH from 70% to 100%.
- (b) In the first and second quarter of 2020 and the fourth quarter of 2021, the Group sold 3.42%, 1.58% and 11% of its equity interest in LNC, which decreased the Group's equity investment in LNC from 64.10% to 48.10%.
- (c) In the second quarter of 2020, the Group did not participate in the cash capital increase of AMX proportionately, which decreased the Group's equity investment in AMX from 100% to 60%.
- (d) In the third quarter of 2020, the Group acquired 20% equity of ABR, which increased the Group's equity investment in ABR from 80% to 100%.
- (e) In the first quarter of 2021, the Group acquired 20% equity interest in ATJ, which increased the Group's equity investment in ATJ from 78.61% to 98.61%. And in the third quarter of 2021, the Group acquired another 1.39% equity interest in ATJ, which increased the Group's equity investment in ATJ from 98.61% to 100%.
- (f) In the second quarter of 2021, the Group did not participate in the cash capital increase of Huan Yan Water Solution Co., Ltd. proportionately, which decreased the Group's equity investment in Huan Yan Water Solution Co., Ltd. from 100% to 90%.

B. The effect of changes in the equity attributable to shareholders of the parent is shown below:

| | For the year ended December 31, 2021 | | | | |
|--|--------------------------------------|------------|---|-------------|-------------|
| | | | Huan Yan Water Solution Co., Ltd. | Total | |
| | ATJ | LNC | | | |
| Cash consideration received (paid) | (\$ 128,435) | \$ 92,123 | \$ 3,000 | (\$ 33,312) | |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests | 121,483 | (68,995) | (2,785) | 49,703 | |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | (\$ 6,952) | \$ 23,128 | \$ 215 | \$ 16,391 | |
| <u>Line items adjusted for equity transactions</u> | | | | | |
| Capital surplus - changes in ownership interests of subsidiaries | \$ - | \$ - | \$ 215 | \$ 215 | |
| Capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed | \$ - | \$ 23,128 | \$ - | \$ 23,128 | |
| Unappropriated retained earnings | (\$ 3,401) | \$ - | \$ - | (\$ 3,401) | |
| Exchange differences on translation of foreign financial statements | (\$ 3,551) | \$ - | \$ - | (\$ 3,551) | |
| For the year ended December 31, 2020 | | | | | |
| | LNC | AIH | AMX | ABR | Total |
| Cash consideration received (paid) | \$ 26,919 | (\$ 4,554) | \$ 9,816 | (\$ 59,930) | (\$ 27,749) |
| The proportionate share of the carrying amount of the net assets of the subsidiaries transferred to (from) non - controlling interests | (26,583) | 2,481 | (27,051) | 18,227 | (32,926) |
| Differences recognised from equity transactions | \$ 336 | (\$ 2,073) | (\$ 17,235) | (\$ 41,703) | (\$ 60,675) |
| <u>Line items adjusted for equity transactions</u> | | | | | |
| Capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed | \$ 336 | \$ - | \$ - | (\$ 9,014) | (\$ 8,678) |
| Capital surplus - changes in ownership interests of subsidiaries | - | - | (4,554) | - | (4,554) |
| Unappropriated retained earnings | - | (2,073) | (12,681) | (32,689) | (47,443) |
| | \$ 336 | (\$ 2,073) | (\$ 17,235) | (\$ 41,703) | (\$ 60,675) |

(28) Business combinations

A. The Group plans to expand the smart retail market in mainland China and decided to acquire AYL on May 31, 2020. The Group originally held AYL 45%, and increased its ownership to 100%.

B. Consideration of acquisition

| | AYL |
|---|-----------------|
| Cash | \$ 5,071 |
| Equity interest in AYL before acquisition | 1,627 |
| | <u>\$ 6,698</u> |

C. Assets acquired and liabilities assumed at the acquisition date

| | AYL |
|-------------------------------------|-----------------|
| Current assets | |
| Cash and cash equivalents | \$ 2,347 |
| Inventories | 959 |
| Other current assets | 232 |
| Non-current assets | |
| Property, plant and equipment | 93 |
| Current liabilities | |
| Accounts payable and other payables | (11) |
| Other current liability | (3) |
| | <u>\$ 3,617</u> |

D. Goodwill arising from acquisition

| | AYL |
|--|-----------------|
| Consideration of acquisition | \$ 6,698 |
| Less: Fair value of the identifiable net assets acquired | (3,617) |
| Goodwill arising from acquisition | <u>\$ 3,081</u> |

E. Net cash outflows due to acquisition of subsidiary

| | AYL |
|--|-----------------|
| Consideration paid in cash | \$ 5,071 |
| Less: Cash and cash equivalents acquired | (2,347) |
| | <u>\$ 2,724</u> |

F. Effects on operating results due to business combination

Operating results of the acquired subsidiary starting from the acquisition date is as follows:

| | For the year ended December 31, 2020 |
|-------------------|---|
| | AYL |
| Operating revenue | \$ 1 |
| Loss for the year | <u>(\$ 1,832)</u> |

(29) Changes in liabilities from financing activities

| | 2021 | | | |
|--|-----------------------|-------------------|-------------------|--|
| | Short-term borrowings | Lease liabilities | Total | |
| At January 1 | \$ 184,078 | \$ 309,031 | \$ 493,109 | |
| Changes in cash flow from financing activities | 90,830 (| 248,716) (| 157,886) | |
| Others (Note) | (19,208) | 257,091 | 237,883 | |
| At December 31 | <u>\$ 255,700</u> | <u>\$ 317,406</u> | <u>\$ 573,106</u> | |

| | 2020 | | | |
|--|-----------------------|----------------------|-------------------|-------------------|
| | Short-term borrowings | Long-term borrowings | Lease liabilities | Total |
| At January 1 | \$ 250,678 | \$ 44,089 | \$ 441,756 | \$ 736,523 |
| Changes in cash flow from financing activities | (65,200) | (42,393) | (239,314) | (346,907) |
| Others (Note) | (1,400) | (1,696) | 106,589 | 103,493 |
| At December 31 | <u>\$ 184,078</u> | <u>\$ -</u> | <u>\$ 309,031</u> | <u>\$ 493,109</u> |

Note: Including exchange differences, lease modification and new addition of lease contracts.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company has no ultimate parent company and ultimate controlling party.

(2) Names of related parties and relationship

Transactions, balances, revenue and expenses between the Company and its subsidiaries (which are the Company's related parties) have been eliminated on consolidation and are not disclosed in this footnote. Details of transactions between the Group and other related parties are disclosed below.

| Names of related parties | Relationship with the Group |
|---|---|
| Axiomtek Co., Ltd. | Associate |
| AIMobile Co., Ltd. | Associate |
| Deneng Scientific Research Co., Ltd. | Associate |
| Winmate Inc. | Associate |
| AzureWave Technologies, Inc. | Associate |
| Nippon RAD Inc. | Associate |
| Shanghai Yanle Co., Ltd. | Associate (the subsidiary of the Group starting from June 2020) |
| i-Link Co., Ltd. | Associate |
| DotZero Co., Ltd. | Associate |
| Mildex Optical Inc. | Associate |
| CDIB Capital Innovation Accelerator Co., Ltd. | Associate |

| Names of related parties | Relationship with the Group |
|---|-----------------------------|
| Information Technology Total Services Co., Ltd. | Associate |
| Hwacom Systems Inc. | Associate |
| Smasoft Technology Co., Ltd. | Associate |
| Impelex Data Transfer Co., Ltd. | Associate |
| VSO Electronics Co., Ltd. | Associate |
| VSO Electronics (Suzhou) Co., Ltd. | Associate |
| International Integrated System, Inc. | Associate |
| VSO Electronics (Jian) Co., Ltd. | Associate |
| Freedom System Inc. | Associate |
| iSAP Solution Corp. | Associate |
| K&M Investment Co., Ltd. | Other related party |
| AIDC Investment Corp. | Other related party |
| Advantech Foundation | Other related party |
| Tran-Fei Development Co., Ltd. | Other related party |

(3) Significant related party transactions

A. Operating revenue

| | For the years ended December 31, | |
|-----------------------|----------------------------------|-------------------|
| | 2021 | 2020 |
| Associates | \$ 129,483 | \$ 116,275 |
| Other related parties | 5,467 | 4,527 |
| | <u>\$ 134,950</u> | <u>\$ 120,802</u> |

The terms of sales to associates and other related parties are mainly processed and collected according to the general sales prices and conditions, and partial transactions are based on mutual agreement.

B. Purchases

| | For the years ended December 31, | |
|------------|----------------------------------|-------------------|
| | 2021 | 2020 |
| Associates | <u>\$ 383,235</u> | <u>\$ 288,228</u> |

The terms of purchases from associates are based on product type, market competition conditions and other transaction conditions, and are payable according to the general purchase price and conditions or based on mutual agreement.

C. Receivables due from related parties (excluding loans to related parties)

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------------|--------------------------|--------------------------|
| Accounts receivable - related parties | | |
| Associates | \$ 37,920 | \$ 28,750 |
| Other related parties | - | - |
| | <u>37,920</u> | <u>28,750</u> |
| Other receivables - related parties | | |
| Associates | - | 3,018 |
| Other related parties | - | 1,615 |
| | <u>-</u> | <u>4,633</u> |
| | <u>\$ 37,920</u> | <u>\$ 33,383</u> |

The outstanding receivables due from related parties are unsecured and there were no allowances for uncollectible accounts recognised.

D. Payables to related parties (excluding loans from related parties)

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Notes and accounts payable - related parties | | |
| Associates | \$ 95,481 | \$ 46,360 |
| Other payables - related parties | | |
| Associates | \$ 3,808 | - |

The outstanding payables to related parties are unsecured.

E. Prepayments to related parties

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------|--------------------------|--------------------------|
| Other current assets | | |
| Associates | \$ 34,370 | \$ 36,286 |

F. Property transactions

| | <u>For the years ended December 31,</u> | |
|--|---|-------------|
| | <u>2021</u> | <u>2020</u> |
| Acquisition of property, plant and equipment | | |
| Associates | \$ 182 | - |

G. Other related party transactions

(a) Operating expenses

| | <u>For the years ended December 31,</u> | |
|------------------------------------|---|-------------|
| | <u>2021</u> | <u>2020</u> |
| Selling expense | | |
| Associates | \$ 65 | \$ 185 |
| General and administration expense | | |
| Associates | \$ 3,288 | - |

| | For the years ended December 31, | |
|----------------------------------|----------------------------------|----------|
| | 2021 | 2020 |
| Research and development expense | | |
| Associates | \$ 6,669 | \$ 9,805 |

Main expense transactions between the Group and related parties include research and development expenses, cloud storage access fee and information security consulting fee, etc. Except for charges based on agreed remuneration and payment terms under the contracts, the other payment terms were based on mutual agreement when normal payment terms with related parties were not stipulated.

(b) Other income

| | For the years ended December 31, | |
|-----------------------|----------------------------------|-----------------|
| | 2021 | 2020 |
| Rental income | | |
| Associates | \$ - | \$ 244 |
| Other related parties | 1,431 | 289 |
| | <u>\$ 1,431</u> | <u>\$ 533</u> |
| Other income | | |
| Associates | \$ 600 | \$ - |
| Other related parties | 4,952 | 3,452 |
| | <u>\$ 5,552</u> | <u>\$ 3,452</u> |

Lease contracts between the Group and its associates were based on market rental prices and had normal payment terms. Revenue contracts for technical services between the Group and its associates were based on market prices and had payment terms as stipulated in the contracts. For other transactions with related parties, since normal payment terms with related parties were not stipulated, the payment terms were based on mutual agreement.

(4) Key management compensation

| | For the years ended December 31, | |
|------------------------------|----------------------------------|------------------|
| | 2021 | 2020 |
| Short-term employee benefits | \$ 37,320 | \$ 44,078 |
| Post-employment benefits | 466 | 162 |
| Share-based payment | 32,045 | 26,123 |
| | <u>\$ 69,831</u> | <u>\$ 70,363</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Pledged deposits (classified as financial assets at amortised cost) | \$ 9,810 | \$ 2,307 |
| Demand deposits (classified as other non-current assets) | 2,067 | - |
| | <u>\$ 11,877</u> | <u>\$ 2,307</u> |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

The Group has signed a contract amounting to \$978,340 for the construction of Linkou Smart Campus Phase III, but has not recognised capital expenditures as of December 31, 2021.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(17). 6.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or borrow debt to balance the overall capital structure. The Group monitors capital structure based on the calculation of net debt (borrowings offset by cash and cash equivalents) divided by total equity (comprising issued capital, reserves, retained earnings, other equity, and non-controlling interests).

During 2021, the Group's strategy was to maintain the ratio within reasonable range, which was unchanged from 2020.

(2) Financial instruments

A. Financial instruments by category

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at | | |
| fair value through profit or loss | \$ 3,670,399 | \$ 5,571,100 |
| Financial assets at amortised cost (Note 1) | 19,829,494 | 16,497,097 |
| Financial assets at fair value through other | | |
| comprehensive income | | |
| Equity instruments | 2,516,420 | 1,814,233 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at fair value through profit or | | |
| loss | | |
| Financial liabilities held for trading | 2,687 | 21,044 |
| Financial assets at amortised cost (Note 2) | 12,330,167 | 8,438,890 |
| Lease liabilities | 317,406 | 309,031 |

Note 1: The balances included cash and cash equivalents, financial assets at amortised cost - current, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, other receivables - related parties and refundable deposits, etc.

Note 2: The balances included short-term borrowings, notes payable, accounts payable and other payables, etc.

B. Financial risk management policies

- (a) The Group's major financial instruments included equity investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Group's Corporate treasury provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.
- (b) The Group aims to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

- (c) The Corporate Treasury reports quarterly to the Board of Directors on the Group's current derivative instrument management.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Group is primarily exposed to financial risks due to changes in foreign currency exchange rates (refer to exchange rate risk section) and interest rates (refer to interest rate risk section) arising from its operating activities.

The Group entered into forward foreign exchange contracts to manage its foreign exchange risk.

There had been no change to the Group's financial instruments exposure to market risks and the manner in which these risks were managed and measured.

Exchange rate risk

- i. The Group undertook operating activities and investments in foreign operations denominated in foreign currencies, which exposed the Group to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by entering into forward foreign exchange contracts, which allow the Group to mitigate but not fully eliminate the effect.
- ii. The maturities of the Group's forward foreign exchange contracts were less than six months. These forward foreign exchange contracts did not meet the criteria for hedge accounting and were recognised in financial assets or liabilities at fair value through profit or loss. Please refer to Note 6(2).
- iii. The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

| December 31, 2021 | | | | |
|--|------------------|---------------|--------|---------------------|
| (Foreign currency: functional currency) | Foreign currency | | | Book value (NTD) |
| | amount | Exchange rate | | |
| | (in thousands) | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 232,844 | 27.680 | \$ 6,445,113 |
| CNY:NTD | | 474,777 | 4.344 | 2,062,431 |
| EUR:NTD | | 46,597 | 31.320 | 1,459,425 |
| USD:CNY | | 61,784 | 6.3720 | 1,710,185 |
| USD:EUR | | 32,969 | 0.8838 | 912,581 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | | 142,040 | 27.680 | 3,931,655 |
| CNY:NTD | | 246,929 | 4.344 | 1,072,659 |
| USD:CNY | | 28,249 | 6.3720 | 781,942 |
| USD:EUR | | 17,922 | 0.8838 | 496,073 |
| December 31, 2020 | | | | |
| (Foreign currency: functional currency) | Foreign currency | | | Book value (NTD) |
| | amount | Exchange rate | | |
| | (in thousands) | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 168,258 | 28.48 | \$ 4,791,975 |
| CNY:NTD | | 582,773 | 4.377 | 2,550,799 |
| EUR:NTD | | 18,622 | 35.02 | 652,155 |
| USD:CNY | | 29,288 | 6.51 | 834,116 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | | 88,499 | 28.48 | 2,520,439 |
| CNY:NTD | | 220,322 | 4.377 | 964,347 |
| USD:CNY | | 23,588 | 6.507 | 671,786 |

For the years ended December 31, 2021 and 2020, realised and unrealised net foreign exchange gains (losses) were (\$81,965) and (\$37,298), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

- iv. The Group was mainly exposed to the exchange rate fluctuation of USD, EUR and CNY.
- v. The following table details the Group's sensitivity to a 5% increase in New Taiwan dollars (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in exchange rates. The range of the sensitivity analysis included cash and cash equivalents, accounts receivable and accounts payable. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

| | USD Impact (Note) | |
|----------------|----------------------------------|------------|
| | For the years ended December 31, | |
| | 2021 | 2020 |
| Profit or loss | \$ 194,031 | \$ 117,418 |
| | EUR Impact (Note) | |
| | For the years ended December 31, | |
| | 2021 | 2020 |
| Profit or loss | \$ 91,522 | \$ 8,864 |
| | CNY Impact (Note) | |
| | For the years ended December 31, | |
| | 2021 | 2020 |
| Profit or loss | \$ 35,022 | \$ 421,604 |

Note: This was mainly attributable to the exposure outstanding on USD, EUR and CNY denominated cash, receivables and payables, which were not hedged at the balance sheet date.

Interest rate risk

- i. The Group is exposed to interest rate risk because entities in the Group maintain both floating and fixed interest rates of bank deposits and borrowings. The Group does not operate hedging instruments for interest rates. The Group's management monitors the market interest rates regularly. If it is needed, the management might perform necessary procedures for significant interest rate risks to control the risks from fluctuations in market interest rates.

- ii. The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the balance sheet date were as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------------------|--------------------------|--------------------------|
| Fair value interest rate risk | | |
| - Financial assets | \$ 738,613 | \$ 1,936,135 |
| - Financial liabilities | 493,106 | 467,031 |
| Cash flow interest rate risk | | |
| - Financial assets | 8,121,227 | 4,648,178 |
| - Financial liabilities | 80,000 | 26,078 |

- iii. The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole period. A 50-basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.
- iv. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have increased by \$40,206 and \$23,111, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have decreased for the same amounts. The source of the negative effects would have been mainly the floating-interest rates on bank deposits and borrowings.

Other price risk

- i. The Group was exposed to equity price risk through its investments in listed and OTC equity securities. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on equity instruments trading in Taiwan.
- ii. If equity prices had been 1% higher, pre-tax profit for the years ended December 31, 2021 and 2020 would have increased by \$3,207 and \$4,690, respectively, as a result of the changes in fair value of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased by \$25,164 and \$18,142, respectively, as a result of the changes in fair value of financial assets at fair value through other comprehensive income. Had equity prices been 1% lower for the same year, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.
- iii. The Group's sensitivity to equity prices increased or decreased because of volatility of stock.

(b) Credit risk

- i. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation provided by the Group could arise from the carrying amount of the respective recognised financial assets, as stated in the balance sheets.
- ii. Accounts receivable consisted of a large number of customers, spread across diverse industries and geographical areas and, thus, no concentration of credit risk was observed. According to the Group's credit policy, each entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risks limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.
- iii. The average credit period of the sales of goods was 30-90 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.
- iv. The Group measures the loss allowance for accounts receivable at an amount that equals to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, expected economic growth rate and industry trends at the same time. According to the Group's historical experience of credit loss, there is no significant loss difference between customer types, thus the provision matrix did not based on classification of customer types, but based on the past due days to estimate expected credit loss.
- v. If there is evidence to prove that counterparties have a material financial difficulty and the recoverable amount cannot be estimated reliably, for example, the default occurs when counterparties are processing the liquidation or the debt has been past due over 1 year, the Group will provide impairment loss in full. However, the Group will continue executing the recourse procedures to secure their rights, the recovered amount arising

from the recourse procedures will be recognised in profit or loss.

- vi. The Group refers to the forecast ability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of notes and accounts receivable from general credit conditions customers. The provision matrix as of December 31, 2021 and 2020 is as follows:

| | Not past due | 1 ~ 90 days past due | 91 ~ 180 days past due | 181 ~ 360 days past due | Over 360 days past due | Total |
|--|---------------------|----------------------------|------------------------------|-------------------------------|------------------------------|---------------------|
| <u>December 31, 2021</u> | | | | | | |
| Expected credit loss rate | - | 0%~30% | 10%~40% | 20%~60% | 100% | |
| Total book value | \$ 9,547,123 | \$ 687,824 | \$ 26,973 | \$ 22,423 | \$ 43,743 | \$10,328,086 |
| Loss allowance (lifetime expected credit losses) | - | (10,470) | (9,269) | (10,581) | (43,743) | (74,063) |
| Amortised cost | <u>\$ 9,547,123</u> | <u>\$ 677,354</u> | <u>\$ 17,704</u> | <u>\$ 11,842</u> | <u>\$ -</u> | <u>\$10,254,023</u> |
| | Not past due | 1 ~ 90 days past due | 91 ~ 180 days past due | 181 ~ 360 days past due | Over 360 days past due | Total |
| <u>December 31, 2020</u> | | | | | | |
| Expected credit loss rate | - | 2.79% | 15.53% | 49.91% | 100% | |
| Total book value | \$ 8,023,754 | \$ 707,623 | \$ 43,446 | \$ 6,961 | \$ 44,511 | \$ 8,826,295 |
| Loss allowance (lifetime expected credit losses) | - | (19,776) | (6,749) | (3,474) | (44,511) | (74,510) |
| Amortised cost | <u>\$ 8,023,754</u> | <u>\$ 687,847</u> | <u>\$ 36,697</u> | <u>\$ 3,487</u> | <u>\$ -</u> | <u>\$ 8,751,785</u> |

- vii. The Group individually assesses the customers that have low credit rating and default. As of December 31, 2021 and 2020, the carrying amount of notes and accounts receivable amounted to \$784 and \$0, respectively, and the expected credit loss rate is 100%, the Group has provided loss allowance amounting to \$784 and \$0, respectively.

- viii. The movements of the loss allowance of accounts receivable is as follows:

| | For the years ended December 31, | |
|----------------------------|----------------------------------|------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 74,510 | \$ 87,301 |
| Impairment loss | 3,857 | (10,608) |
| Amounts written off (Note) | (44) | (2,445) |
| Net exchange differences | (3,476) | 262 |
| Balance at December 31 | <u>\$ 74,847</u> | <u>\$ 74,510</u> |

Note: The Group wrote off accounts receivable and related loss allowance for the years ended December 31, 2021 and 2020 amounting to \$44 and \$2,445, respectively,

as the customers' accounts receivable have been aged more than 2 years and the legal attest letters were served without receivables collected.

- ix. For investments in debt instruments at amortised cost and at fair value through profit or loss, the credit rating levels are presented below:

| December 31, 2021 | | | | |
|---|------------|-------------------------------------|----------------------|------------|
| | 12 months | Lifetime | | Total |
| | | Significant increase in credit risk | Impairment of credit | |
| Financial assets at amortized cost | \$ 113,548 | \$ - | \$ - | \$ 113,548 |
| Financial assets at fair value through profit or loss | \$ 36,975 | \$ - | \$ - | \$ 36,975 |
| December 31, 2020 | | | | |
| | 12 months | Lifetime | | Total |
| | | Significant increase in credit risk | Impairment of credit | |
| Financial assets at amortized cost | \$ 162,602 | \$ - | \$ - | \$ 162,602 |

The financial assets at amortised cost held by the Group are all time deposits in banks with original maturity period of more than three months. The financial asset at fair value through profit or loss held by Group is convertible corporate bond issued by OTC company. The credit risk rating has no significant abnormal situation.

(c) Liquidity risk

- The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.
- The Group relies on bank borrowings as one of the significant source of liquidity. As of December 31, 2021 and 2020, the Group's undrawn bank borrowing facilities are as follows:

| | December 31, 2021 | December 31, 2020 |
|-----------------------------------|---------------------|---------------------|
| Unsecured borrowing facilities | | |
| - Amount used (Note) | \$ 262,148 | \$ 191,288 |
| - Amount unused | 5,340,662 | 6,666,617 |
| | <u>\$ 5,602,810</u> | <u>\$ 6,857,905</u> |
| Secured bank overdraft facilities | | |
| - Amount used | <u>\$ -</u> | <u>\$ -</u> |

Note: As of December 31, 2021 and 2020, the amounts used or drawn by the Group from the unsecured bank overdraft facilities were recorded as borrowings amounting to \$255,700 and \$184,078, respectively, and lease guarantees amounting to \$6,448 and \$7,210, respectively.

- iii. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves of bank borrowings facilities and continuously monitoring forecast and actual cash flows.
- iv. Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at balance sheet date.

December 31, 2021

| | On demand or less than 1 month | 1-3 months | Over 3 months to 1 year | Over 1 year |
|---|--------------------------------------|---------------------|----------------------------|------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | \$ 8,532,804 | \$ 2,198,103 | \$ 1,343,560 | \$ - |
| Lease liability | 20,670 | 56,438 | 188,425 | 94,685 |
| Floating rate instruments | 30,065 | 50,073 | - | - |
| Fixed rate instruments | 7,033 | 58 | 168,956 | - |
| | <u>\$ 8,590,572</u> | <u>\$ 2,304,672</u> | <u>\$ 1,700,941</u> | <u>\$ 94,685</u> |

Additional information about the maturity analysis for lease liabilities is as follows:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | Over 20 years |
|-----------------|---------------------|------------------|------------------|-------------|-------------|------------------|
| Lease liability | <u>\$ 265,533</u> | <u>\$ 76,331</u> | <u>\$ 18,354</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2020

| | On demand or less than 1 month | 1-3 months | Over 3 months to 1 year | Over 1 year |
|---|--------------------------------------|---------------------|----------------------------|------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | \$ 5,025,633 | \$ 2,078,394 | \$ 1,150,785 | \$ - |
| Lease liability | 66,367 | 41,515 | 110,795 | 94,839 |
| Floating rate instruments | 56 | 112 | 26,426 | - |
| Fixed rate instruments | 47,632 | 110,441 | - | - |
| | <u>\$ 5,139,688</u> | <u>\$ 2,230,462</u> | <u>\$ 1,288,006</u> | <u>\$ 94,839</u> |

Additional information about the maturity analysis for lease liabilities is as follows:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | Over 20 years |
|-----------------|---------------------|------------------|------------------|-------------|-------------|------------------|
| Lease liability | <u>\$ 218,677</u> | <u>\$ 80,571</u> | <u>\$ 14,268</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at balance sheet date.

v. Liquidity tables for derivative financial liabilities

The following tables detailed the Group's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted contractual gross cash inflows and outflows on derivative instruments that require gross settlement.

December 31, 2021

| | On demand or less than 1 month | 1-3 months | Over 3 months to 1 year | Total |
|------------------------------------|--------------------------------------|-----------------|----------------------------|-----------------|
| <u>Gross settled</u> | | | | |
| Forward exchange forward contracts | | | | |
| - Inflows | \$ 230,726 | \$ 392,111 | \$ 147,054 | \$ 769,891 |
| - Outflows | (226,608) | (387,208) | (146,796) | (760,612) |
| | <u>\$ 4,118</u> | <u>\$ 4,903</u> | <u>\$ 258</u> | <u>\$ 9,279</u> |

December 31, 2020

| | On demand or less than 1 month | 1-3 months | Over 3 months to 1 year | Total |
|---------------------------------------|--------------------------------------|--------------------|----------------------------|--------------------|
| <u>Gross settled</u> | | | | |
| Forward exchange forward contracts | | | | |
| - Inflows | \$ 352,690 | \$ 432,246 | \$ 265,203 | \$ 1,050,139 |
| - Outflows | (357,623) | (443,024) | (270,446) | (1,071,093) |
| | <u>(\$ 4,933)</u> | <u>(\$ 10,778)</u> | <u>(\$ 5,243)</u> | <u>(\$ 20,954)</u> |

- vi. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, accounts payable, other payables, other current liabilities, guarantee deposits received and lease liabilities are approximate to their fair values.

- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information about the nature of the assets and liabilities is as follows:

December 31, 2021

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|------------------|---------------------|---------------------|
| Assets - recurring fair value measurements | | | | |
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Derivative instruments | \$ - | \$ 11,966 | \$ - | \$ 11,966 |
| Listed, OTC and emerging stocks | 170,417 | - | - | 170,417 |
| Unlisted stocks | - | - | 150,310 | 150,310 |
| Convertible corporate bonds | 36,975 | - | - | 36,975 |
| Fund beneficiary certificates | 2,072,521 | - | 1,228,210 | 3,300,731 |
| | <u>2,279,913</u> | <u>11,966</u> | <u>1,378,520</u> | <u>3,670,399</u> |
| <u>Financial assets at fair value through other comprehensive income</u> | | | | |
| Listed, OTC and emerging stocks | \$ 2,396,403 | \$ - | \$ - | \$ 2,396,403 |
| Unlisted stocks | - | - | 120,017 | 120,017 |
| | <u>2,396,403</u> | <u>-</u> | <u>120,017</u> | <u>2,516,420</u> |
| | <u>\$ 4,676,316</u> | <u>\$ 11,966</u> | <u>\$ 1,498,537</u> | <u>\$ 6,186,819</u> |
| Liabilities - recurring fair value measurements | | | | |
| <u>Financial liabilities at fair value through profit or loss</u> | | | | |
| Derivative instruments | \$ - | \$ 2,687 | \$ - | \$ 2,687 |

December 31, 2020

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|----------------|-------------------|---------------------|
| Assets - recurring fair value measurements | | | | |
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Derivative instruments | \$ - | \$ 90 | \$ - | \$ 90 |
| Listed, OTC and emerging stocks | 391,032 | - | - | 391,032 |
| Unlisted stocks | - | - | 77,950 | 77,950 |
| Fund beneficiary certificates | <u>5,102,028</u> | <u>-</u> | <u>-</u> | <u>5,102,028</u> |
| | <u>5,493,060</u> | <u>90</u> | <u>77,950</u> | <u>5,571,100</u> |
| <u>Financial assets at fair value through other comprehensive income</u> | | | | |
| Listed, OTC and emerging stocks | \$ 1,635,056 | \$ - | \$ - | \$ 1,635,056 |
| Unlisted stocks | - | - | 179,177 | 179,177 |
| | <u>1,635,056</u> | <u>-</u> | <u>179,177</u> | <u>1,814,233</u> |
| | <u>\$ 7,128,116</u> | <u>\$ 90</u> | <u>\$ 257,127</u> | <u>\$ 7,385,333</u> |
| Liabilities - recurring fair value measurements | | | | |
| <u>Financial liabilities at fair value through profit or loss</u> | | | | |
| Derivative instruments | \$ - | \$ 21,044 | \$ - | \$ 21,044 |

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

| | <u>Listed and OTC stocks</u> | <u>Open-end fund</u> | <u>Convertible corporate bonds</u> |
|---------------------|----------------------------------|----------------------|--|
| Market quoted price | Closing price | Net asset value | Closing price |

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.
- iii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt

instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.

- vi. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. herefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- D. There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.
- E. Reconciliation of Level 3 fair value measurements of financial instruments:

For the year ended December 31, 2021

| | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | |
|---|---|---|---------------------|
| <u>Financial assets</u> | <u>Investments in equity instruments</u> | <u>Investments in equity instruments</u> | <u>Total</u> |
| Balance at January 1 | \$ 77,950 | \$ 179,177 | \$ 257,127 |
| Purchase | 1,298,623 | - | 1,298,623 |
| Disposal/transfer | - (| 44,719) (| 44,719) |
| Cash returned from capital reduction | - (| 17,980) (| 17,980) |
| Recognised in profit or loss | 1,947 | - | 1,947 |
| Recognised in other comprehensive income | - | 3,539 | 3,539 |
| Balance at December 31 | <u>\$ 1,378,520</u> | <u>\$ 120,017</u> | <u>\$ 1,498,537</u> |

For the year ended December 31, 2020

| | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | |
|---|---|---|-------------------|
| <u>Financial assets</u> | Investments in equity instruments | Investments in equity instruments | Total |
| Balance at January 1 | \$ 101,156 | \$ 149,830 | \$ 250,986 |
| Purchase | 3,679 | 44,719 | 48,398 |
| Disposal/transfer | (6,782) | (4,597) | (11,379) |
| Recognised in profit or loss | (20,103) | - | (20,103) |
| Recognised in other comprehensive income | - | (10,775) | (10,775) |
| Balance at December 31 | <u>\$ 77,950</u> | <u>\$ 179,177</u> | <u>\$ 257,127</u> |

F. Valuation techniques and inputs applied for Level 2 fair value measurement

Derivatives held by the Group were forward foreign exchange contracts, whose fair values were calculated using discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

G. Valuation techniques and inputs applied for Level 3 fair value measurement fund

The domestic and foreign unlisted stocks and funds beneficiary certificates acquired by the subsidiary use the net asset method, which calculates the present value of the investment expected to be held with fair value.

(4) Others

A. Information on the impact of the Covid-19

The Group had implemented various response measures to handle the impact of the Covid-19, whereby all sites adopted high standards for epidemic prevention, and the main production sites maintained normal operations. In addition, the logistics units responded in different ways according to local government regulations, such as taking turns to work, reduction in attendance days, etc., holding meetings online as much as possible, minimizing visits and visitors in order to lessen physical contact and avoid the possibility of cross-contamination. So far, the Covid-19 did not have a significant impact on the Group's operations and financial condition.

B. Description of overall operating conditions

The Group's consolidated operating revenue reached NT\$15.744 billion for the three-month period ended December 31, 2021, a single quarter growth of 2% QoQ and 23% YoY. The operating profit was NT\$6 billion (gross profit margin was 38.1%), the consolidated net profit after tax was NT\$2.273 billion (increased 33% YoY), and the basic earnings per share was \$2.93 (in dollars) for the three-month period ended December 31, 2021. The cumulative consolidated operating revenue of the Group for the three-month period ended December 31, 2021 reached its record high. The consolidated net profit after tax for the three-month period ended December 31,

2021 also reached its second highest record.

The cumulative consolidated operating revenue of the Group for the year ended December 31, 2021 reached NT\$58.622 billion, an increase of 15% over the same period last year. The operating profit was NT\$22.132 billion (gross profit margin was 37.8%), the consolidated net profit after tax was NT\$8.25 billion (increased 14% YoY) and the basic earnings per share was \$10.67 (in dollars) for the year ended December 31, 2021. The cumulative consolidated operating revenue and the consolidated net profit after tax of the Group for the year ended December 31, 2021 both reached its record high.

Regarding the operating results of the Group for the year ended December 31, 2021 in US dollar, the Group achieved an overall revenue of US\$2,091 million, increased 21% YoY, beating previous estimates. The best performing business groups for the year ended December 31, 2021 were the Industrial-IoT Group (IIoT), the Service-IoT Group (SIoT) and Advantech Service Plus (AS+), which reported YoY growth of 29%, 27%, and 27%, respectively. However, the Applied Computing Group's (ACG) annual performance is slightly decline compare to year 2020. In terms of a geographic overview, most markets have reported YoY revenue growth for the year ended December 31, 2021. The best performing market for the year ended December 31, 2021 was China and Emerging market with 32% and 47% YoY growth, respectively. North America, Europe, Taiwan and South Korea markets were also reported double-digit YoY growth.

Benefitting from the strong demand for new energy and new-infrastructure upgrade in major markets, the Group delivered outstanding financial results for the year ended December 31, 2021. The Orders to Shipments ratio (BB ratio) reached 1.72 for the three-month period ended December 31, 2021, while BB ratio for the year ended December 31, 2021 was 1.56. Meanwhile, the Group devoted in optimization in organization and procurement process.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-

in capital or more: Please refer to table 6.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12.

J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas:

Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Please refer to tables 6, 7 and 8.

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

14. SEGMENT INFORMATION

(1) General information

Information reported to the chief operating decision maker and for the assessment of segment performance, business analysis, and the resource deployment judgment. Reportable segments are as follows:

- A. Industrial internet of thing services (IIoT): Focus on the market of industrial internet-of-things;
- B. Embedded board and design-in services (EIoT): Provide services involving embedded boards, systems and peripheral hardware and software;
- C. Allied design manufacture services (Allied DMS): Including Networks and Communications, data acquisition and control, and provide the customized collaboration designs and services;
- D. Intelligent services (SIoT): Provide services involving digital logistic, digital healthcare and intelligent retail;
- E. Advantech Service Plus (AS+): Global repair, technical support and warranty services, etc.

(2) Measurement of segment information

The chief operating decision maker considers each service as separate operating segment. But for financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- A. These operating segments have similar long-term gross profit margins; and
- B. The nature of the products and production processes are similar.

The following is an analysis about reportable segment provided to the chief operating decision maker.

For the year ended December 31, 2021

| | Industrial internet of things services (IIoT) | Embedded boards and design-in services (EIOT) | Allied design manufacture services (ACG & CIoT) | Intelligent Services (SIOT) | Advantech Service Plus (AS+) | Others | Total |
|--|---|--|--|-----------------------------------|------------------------------------|------------------|----------------------|
| Revenue | | | | | | | |
| Revenue from external customers | \$ 19,766,523 | \$ 14,186,762 | \$ 12,452,817 | \$ 5,198,146 | \$ 6,967,843 | \$ 49,959 | \$ 58,622,050 |
| Inter-segment revenue | - | - | - | - | - | - | - |
| Segment revenue | <u>\$ 19,766,523</u> | <u>\$ 14,186,762</u> | <u>\$ 12,452,817</u> | <u>\$ 5,198,146</u> | <u>\$ 6,967,843</u> | <u>\$ 49,959</u> | <u>58,622,050</u> |
| Eliminations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Consolidated revenue | - | - | - | - | - | - | <u>58,622,050</u> |
| Segment income (loss) | <u>\$ 6,092,518</u> | <u>\$ 2,506,751</u> | <u>\$ 1,497,522</u> | <u>\$ 428,391</u> | <u>\$ 924,375</u> | <u>\$ 1,297</u> | <u>11,450,854</u> |
| Interest and other income | | | | | | | 401,460 |
| Other unamortized expenses | | | | | | | (1,650,431) |
| Other gains and losses | | | | | | | (194,813) |
| Finance costs | | | | | | | (15,668) |
| Share of profit (loss) of associates accounted for under equity method | | | | | | | <u>263,940</u> |
| Profit from continuing operations before tax | | | | | | | <u>\$ 10,255,342</u> |

For the year ended December 31, 2020

| | Industrial internet of things services (IIoT) | Embedded boards and design-in services (EIOT) | Allied design manufacture services (ACG & CIoT) | Intelligent Services (SIOT) | Advantech Service Plus (AS+) | Others | Total |
|--|---|--|--|-----------------------------------|------------------------------------|-------------------|---------------------|
| Revenue | | | | | | | |
| Revenue from external customers | \$ 16,191,623 | \$ 12,203,098 | \$ 12,317,394 | \$ 4,326,132 | \$ 5,807,735 | \$ 273,426 | \$ 51,119,408 |
| Inter-segment revenue | - | - | - | - | - | - | - |
| Segment revenue | <u>\$ 16,191,623</u> | <u>\$ 12,203,098</u> | <u>\$ 12,317,394</u> | <u>\$ 4,326,132</u> | <u>\$ 5,807,735</u> | <u>\$ 273,426</u> | <u>51,119,408</u> |
| Eliminations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Consolidated revenue | - | - | - | - | - | - | <u>51,119,408</u> |
| Segment income (loss) | <u>\$ 4,856,163</u> | <u>\$ 1,879,664</u> | <u>\$ 2,700,299</u> | <u>\$ 438,797</u> | <u>\$ 773,883</u> | <u>\$ 1,801</u> | <u>10,650,607</u> |
| Interest and other income | | | | | | | 252,462 |
| Other unamortized expenses | | | | | | | (1,614,054) |
| Other gains and losses | | | | | | | (306,514) |
| Finance costs | | | | | | | (20,176) |
| Share of profit (loss) of associates accounted for under equity method | | | | | | | <u>166,036</u> |
| Profit from continuing operations before tax | | | | | | | <u>\$ 9,128,361</u> |

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates accounted for under equity method, gain or loss recognized on the disposal of associates, rental income, interest income, gain or loss on disposal of property, plant and equipment, gains or losses on disposal of financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(3) Revenue from major products and services

The following is an analysis of the Group's major products and services:

| | For the years ended December 31, | |
|--|----------------------------------|----------------------|
| | 2021 | 2020 |
| Embedded boards and chassis | \$ 25,410,695 | \$ 23,887,240 |
| Industrial computer and industrial control | 26,238,637 | 21,424,703 |
| After-sales service and others | 6,972,718 | 5,807,465 |
| | <u>\$ 58,622,050</u> | <u>\$ 51,119,408</u> |

(4) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

| | Revenue from external customers | | Non-current assets | |
|--------|----------------------------------|----------------------|----------------------|----------------------|
| | For the years ended December 31, | | December 31, 2021 | December 31, 2020 |
| | 2021 | 2020 | | |
| Taiwan | \$ 4,017,739 | \$ 3,382,825 | \$ 7,716,419 | \$ 7,617,422 |
| Asia | 27,108,229 | 23,445,228 | 3,321,346 | 3,331,160 |
| USA | 14,735,098 | 13,210,673 | 1,955,931 | 2,150,279 |
| Europe | 9,136,963 | 8,466,292 | 684,504 | 779,631 |
| Others | 3,624,021 | 2,614,390 | 10,497 | 13,202 |
| | <u>\$ 58,622,050</u> | <u>\$ 51,119,408</u> | <u>\$ 13,688,697</u> | <u>\$ 13,891,694</u> |

Non-current assets exclude investments accounted for under equity method, financial instruments and deferred income tax assets.

(5) Major customer information

No single customer contributed 10% or more to the Group's revenue for the years ended December 31, 2021 and 2020.

| No. | Creditor | Borrower | Financial Statement Account | Related Parties | Maximum Balance for the Period (Note C) | Ending Balance (Note C) | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short- term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party | Ceiling on total loans granted (Note B) |
|-----|----------|------------------|--|--------------------|--|----------------------------|-----------------------------|------------------|-------------------------|---|-------------------------------------|------------------------------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | LNC | LNC Dong Guan | Accounts receivable - related parties | Yes | \$ 70,000 | \$ 30,000 | \$ - | - | Short-term financing | \$ - | Operating need | \$ - | None | None | \$ 39,978 (Note B) | \$ 159,911 (Note B) |

Note A: Investee companies are numbered sequentially from 1.

Note B: The financing limit for each borrower and for the aggregate financing were 10% and 40%, respectively, of LNC’s net worth based on the latest audited or reviewed report.

Note C: The maximum balance for the period and ending balance are approved by the board of directors of financiers.

Table 2

ADVANTECH CO., LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
FOR THE YEAR ENDED DECEMBER 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

| No. | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsements/ guarantees provided for a single party (Note A) | Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 | Outstanding endorsement/ guarantee amount at December 31, 2021 | Actual amount drawn down | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided (Note B) | Provision of endorsements/ guarantees by parent company to subsidiary | Provision of endorsements/ guarantees by subsidiary to parent company | Provision of endorsements/ guarantees to the party in Mainland China |
|-----|------------------------|--|---|--|--|--|-----------------------------|--|--|--|--|---|---|
| | | Company name | Relationship with the endorser/guarantor | | | | | | | | | | |
| 0 | ADVANTECH CO., LTD. | AiSC | Subsidiary | \$ 3,785,253 | \$ 570,700 | \$ 553,600 | \$ - | \$ - | 1.46 | \$ 11,355,758 | Y | N | Y |
| | ADVANTECH CO., LTD. | AEU | Subsidiary | 3,785,253 | USD 20,000 | USD 20,000 | - | - | 0.73 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | ANA | Subsidiary | 3,785,253 | USD 10,000 | USD 10,000 | - | - | 0.73 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | AAC(BVI) | Subsidiary | 3,785,253 | USD 30,000 | USD 10,000 | - | - | 0.73 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | ACI | Subsidiary | 3,785,253 | USD 285,350 | USD 276,800 | - | - | 0.73 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | ATJ | Subsidiary | 3,785,253 | USD 10,000 | USD 10,000 | - | - | 0.73 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | AKMC | Subsidiary | 3,785,253 | USD 272,000 | USD 241,000 | 168,700 | - | 0.64 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | SiOT(Cayman) | Subsidiary | 3,785,253 | JPY 1,000,000 | JPY 1,000,000 | JPY 700,000 | - | 0.44 | 11,355,758 | Y | N | Y |
| | ADVANTECH CO., LTD. | AJP | Subsidiary | 3,785,253 | USD 171,210 | USD 166,080 | - | - | 0.37 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | AiCS | Subsidiary | 3,785,253 | USD 6,000 | USD 6,000 | - | - | 0.96 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | AIH | Subsidiary | 3,785,253 | USD 142,675 | USD 138,400 | - | - | 0.22 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | ABR | Subsidiary | 3,785,253 | USD 5,000 | USD 5,000 | - | - | 0.22 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | A-SiOT | Subsidiary | 3,785,253 | USD 369,000 | USD 361,500 | - | - | 0.11 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | AVN | Subsidiary | 3,785,253 | JPY 1,500,000 | JPY 1,500,000 | - | - | 0.08 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | ARU | Subsidiary | 3,785,253 | EUR 85,605 | EUR 83,040 | - | - | 0.07 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | Cermate (Taiwan) | Subsidiary | 3,785,253 | USD 3,000 | USD 3,000 | - | - | 0.07 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | Cermate (Shenzhen) | Subsidiary | 3,785,253 | USD 42,803 | USD 41,520 | - | - | 0.07 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | ACZ | Subsidiary | 3,785,253 | USD 1,500 | USD 1,500 | - | - | 0.04 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | ATR | Subsidiary | 3,785,253 | USD 34,370 | USD 31,320 | - | - | 0.04 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | Advanixs Corporation | Subsidiary | 3,785,253 | EUR 1,000 | EUR 1,000 | - | - | 0.04 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | SiOT (Cayman) | Subsidiary | 3,785,253 | USD 28,535 | USD 27,680 | - | - | 0.04 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | ACI IOT Investment Fund-I Corporation (Note E) | Subsidiary | 3,785,253 | USD 1,000 | USD 1,000 | - | - | 0.01 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | AAU | Subsidiary | 3,785,253 | USD 28,535 | USD 27,680 | - | - | 0.01 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | AMY | Subsidiary | 3,785,253 | USD 1,000 | USD 1,000 | - | - | 0.01 | 11,355,758 | Y | N | N |
| | ADVANTECH CO., LTD. | AKR | Subsidiary | 3,785,253 | USD 14,268 | USD 13,840 | - | - | 0.00 | 11,355,758 | Y | N | N |
| | | | | | USD 500 | USD 500 | - | - | | | | | |
| | | | | | USD 14,268 | USD 13,840 | - | - | | | | | |
| | | | | | USD 500 | USD 500 | - | - | | | | | |
| | | | | | USD 141,950 | USD 13,840 | - | - | | | | | |
| | | | | | USD 5,000 | USD 500 | - | - | | | | | |
| | | | | | USD 5,707 | USD 5,536 | - | - | | | | | |
| | | | | | USD 200 | USD 200 | - | - | | | | | |
| | | | | | USD 200 | USD 200 | - | - | | | | | |
| | | | | | USD 2,854 | USD 2,768 | - | - | | | | | |
| | | | | | USD 100 | USD 100 | - | - | | | | | |
| | | | | | USD 171,760 | USD 1,384 | - | - | | | | | |
| | | | | | USD 6,050 | USD 50 | - | - | | | | | |

Note A: The limit on endorsements or guarantees provided on behalf of the respective party is 10% of the Company's net worth.
Note B: The maximum collateral or guarantee amount allowable is 30% of the Company's net worth.
Note C: The exchange rates as of December 31, 2021 were USD\$1= NT\$27.68, EUR\$1= NT\$31.32, and JPY1=NT\$0.241.
Note D: The latest net equity is from the financial statements for the year ended December 31, 2021.
Note E: On July 12, 2021, ACI IOT Investment Fund-I Corporation filed for liquidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| Holding Company Name | Marketable Securities | | Relationship with the securities issuer | General ledger account | As of December 31, 2021 | | | | Footnote |
|-----------------------------------|--------------------------|--|---|---|-------------------------|--------------|---------------|--------------|----------|
| | Type | Name | | | Number of shares | Book value | Ownership (%) | Fair value | |
| ADVANTECH CO., LTD. | Stock | ASUSTek Computer Inc. | None | Financial assets at fair value through other comprehensive income or loss - non-current | 4,739,461 | \$ 1,782,037 | 0.64 | \$ 1,782,037 | Note A |
| ADVANTECH CO., LTD. | Stock | Allied Circuit Co., Ltd. | None | Financial assets at fair value through other comprehensive income or loss - non-current | 1,200,000 | 199,200 | 2.41 | 199,200 | Note A |
| ADVANTECH CO., LTD. | Bond | PHISON Electronics Corp. | None | Financial assets at fair value through profit or loss - current | 300,000 | 36,975 | - | 36,975 | Note A |
| ADVANTECH CO., LTD. | Beneficiary certificates | FSITC Taiwan Money Market | None | Financial assets at fair value through profit or loss - current | 56,818,161 | 879,050 | - | 879,050 | Note B |
| ADVANTECH CO., LTD. | Beneficiary certificates | Mega Diamond Money Market | None | Financial assets at fair value through profit or loss - current | 12,074,507 | 153,076 | - | 153,076 | Note B |
| ACI | Stock | Contec | None | Financial assets at fair value through profit or loss - current | 26,500 | 11,949 | 0.41 | 11,949 | Note A |
| ACI | Stock | GSD Technologies Co., Ltd. | None | Financial assets at fair value through profit or loss - current | 2,518,358 | 158,468 | 6.91 | 158,468 | Note A |
| ACI | Stock | RFD Micro Electricity Co., Ltd. | None | Financial assets at fair value through profit or loss - current | 464,695 | 56,000 | 0.65 | 56,000 | Note C |
| ACI | Stock | Allied Circuit Co., Ltd. | None | Financial assets at fair value through other comprehensive income or loss - non-current | 2,501,000 | 415,166 | 5.03 | 415,166 | Note A |
| ACI | Stock | BroadTec System Inc. | None | Financial assets at fair value through other comprehensive income or loss - non-current | 225,000 | 3,758 | 7.50 | 3,758 | Note C |
| ACI | Stock | BiosenseTek Corp. | None | Financial assets at fair value through other comprehensive income or loss - non-current | 37,500 | - | 1.79 | - | Note C |
| ACI | Stock | Juguar Technology | None | Financial assets at fair value through other comprehensive income or loss - non-current | 500,000 | 8,509 | 10.33 | 8,509 | Note C |
| ACI | Beneficiary certificates | Taishin 1699 Money Market | None | Financial assets at fair value through profit or loss - current | 19,053,819 | 260,630 | - | 260,629 | Note B |
| ACI | Beneficiary certificates | FSITC Taiwan Money Market | None | Financial assets at fair value through profit or loss - current | 18,767,576 | 290,359 | - | 290,359 | Note B |
| ACI | Beneficiary certificates | Fuh Hwa Global IoT and Tech | None | Financial assets at fair value through profit or loss - current | 30,000,000 | 336,600 | - | 336,600 | Note B |
| ACI | Mutual Fund | CBC Capital | None | Financial assets at fair value through profit or loss - non-current | - | 94,310 | 4.38 | 94,310 | Note B |
| Advanixs Corporation | Beneficiary certificates | Jih Sun Money Market | None | Financial assets at fair value through profit or loss - current | 6,466,890 | 96,920 | - | 96,920 | Note B |
| Advanixs Corporation | Beneficiary certificates | Mega Diamond Money Market | None | Financial assets at fair value through profit or loss - current | 1,935,221 | 24,534 | - | 24,534 | Note B |
| AdvanPOS | Beneficiary certificates | Mega Diamond Money Market | None | Financial assets at fair value through profit or loss - current | 387,142 | 5,802 | - | 5,802 | Note B |
| Huan Yan Water Solution Co., Ltd. | Beneficiary certificates | Jih Sun Money Market | None | Financial assets at fair value through profit or loss - current | 1,371,115 | 20,549 | - | 20,549 | Note B |
| Cermate Taiwan | Beneficiary certificates | Mega Diamond Money Market | None | Financial assets at fair value through profit or loss - current | 394,521 | 5,002 | - | 5,002 | Note B |
| SIoT (Cayman) | Beneficiary certificates | Momenta DIF III L.P. | None | Financial assets at fair value through profit or loss - current | - | 544,551 | - | 544,551 | Note B |
| SIoT (Cayman) | Beneficiary certificates | Esquarre IoT Landing Fund L.P. | None | Financial assets at fair value through profit or loss - current | - | 468,681 | - | 468,681 | Note B |
| AiSC | Stock | Shanghai Shangchuang Xinwei Investment Management Co., Ltd. | None | Financial assets at fair value through other comprehensive income or loss - non-current | - | 107,750 | 8.43 | 107,750 | Note C |
| AiSC | Beneficiary certificates | Tianying Heyan (Hengqin) Investment Management Partnership (Limited Partnership) | None | Financial assets at fair value through profit or loss - current | - | 214,978 | - | 214,978 | Note B |

Note A: Market value was based on the closing price on December 31, 2021.
Note B: Market value was based on the net asset values of the open-ended mutual funds on December 31, 2021.
Note C: The fair values are estimated from the net worth from the latest financial statements.

Table 4

| ADVANTECH CO., LTD. AND SUBSIDIARIES | | | | | | | | | | | | | | | | | |
|--|--------------------------|--------------------------------|------------------------|--------------|------------------------------|-------------------------------|------------|--------------|------------|--------------|---------------|-----------------|-------------------------|---------------------------------|--------------|-----------|--|
| Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital | | | | | | | | | | | | | | | | | |
| FOR THE YEAR ENDED DECEMBER 31, 2021 | | | | | | | | | | | | | | | | | |
| Expressed in thousands of NTD (Except as otherwise indicated) | | | | | | | | | | | | | | | | | |
| Marketable Securities | | | | | | Balance as at January 1, 2021 | | Acquisition | | Disposal | | | | Balance as at December 31, 2021 | | | |
| Company Name | Type | Name | General ledger account | Counterparty | Relationship | Shares/Units | Amount | Shares/Units | Amount | Shares/Units | Selling price | Carrying Amount | Gain (Loss) on Disposal | Gain (Loss) on Valuation | Shares/Units | Amount | |
| ADVANTECH CO., LTD. | Beneficiary certificates | Capital Money Market | Note A | None | None | 9,225,566 | \$ 150,057 | 39,947,223 | \$ 650,003 | 49,172,789 | \$ 800,779 | \$ 800,060 | \$ 719 | \$ - | - | \$ - | |
| ADVANTECH CO., LTD. | Beneficiary certificates | FSITC Money Market | Note A | None | None | 2,508,127 | 451,087 | 3,972,385 | 715,004 | 6,480,512 | 1,167,049 | 1,166,091 | 958 | - | - | - | |
| ADVANTECH CO., LTD. | Beneficiary certificates | FSITC Taiwan Money Market | Note A | None | None | 103,735,038 | 1,600,995 | 56,592,747 | 875,003 | 103,509,624 | 1,600,000 | 1,596,921 | 3,079 | (27) | 56,818,161 | 879,050 | |
| ADVANTECH CO., LTD. | Beneficiary certificates | Mega Diamond Money Market | Note A | None | None | 114,671,962 | 1,450,589 | 39,493,475 | 500,003 | 142,090,930 | 1,800,000 | 1,797,282 | 2,718 | (234) | 12,074,507 | 153,076 | |
| ACI | Beneficiary certificates | Fuh Hwa Global IoT and Tech | Note A | None | None | - | - | 30,000,000 | 300,000 | - | - | - | - | 36,600 | 30,000,000 | 336,600 | |
| SIoT (Cayman) | Beneficiary certificates | Taishin 1699 Money Market | Note A | None | None | 32,246,377 | 440,031 | - | - | 32,246,377 | 440,559 | 440,031 | 528 | - | - | - | |
| SIoT (Cayman) | Beneficiary certificates | Momenta DIF III L.P. | Note A | None | None | - | - | - | 550,832 | - | - | - | - | (6,281) | - | 544,551 | |
| SIoT (Cayman) | Beneficiary certificates | Esquarre IoT Landing Fund L.P. | Note A | None | None | - | - | - | 476,813 | - | - | - | - | (8,132) | - | 468,681 | |
| ADVANTECH CO., LTD. | Stock | AEUH | Note B | AEUH | Same ultimate parent company | 25,961,250 | 1,219,124 | - | 436,259 | - | - | - | - | - | 25,961,250 | 1,655,383 | |
| AEUH | Stock | AEU | Note B | AEU | Same ultimate parent company | 32,315,215 | 431,963 | - | 436,259 | - | - | - | - | - | 32,315,215 | 868,222 | |
| AEU | Stock | A-SIoT | Note B | SIoT(Cayman) | Same ultimate parent company | - | - | 1 | 436,259 | - | - | - | - | - | 1 | 436,259 | |
| SIoT(Cayman) | Stock | A-SIoT | Note B | AEU | Same ultimate parent company | 1 | 522,719 | - | - | 1 | - | 522,719 | - | - | - | - | |

Note A: It is recorded as financial assets at fair value through profit or loss - current.
Note B: Investments accounted for under equity method

ADVANTECH CO., LTD. AND SUBSIDIARIES
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Payment Status | Counterparty | Relationship | Information on previous title transfer, if counterparty is a related party | | | | Pricing Reference | Purpose of Acquisition | Other Property Terms |
|-------------------------|----------------------|-------------------|--------------------|--|-------------------------------------|--------------|--|-------|--------------|---------------|-------------------|-----------------------------|----------------------|
| | | | | | | | Property Terms | Owner | Relationship | Transfer date | | | |
| ADVANTECH CO., LTD. | Real estate | 2020.10.30 | \$ 1,410,000 | Under the contract, based on percentage of construction completed; accumulated payments of \$431,660 should be made by December 31, 2021 and was paid. | Chung-Lin General Contractors, Ltd. | None | - | - | - | \$ - | Contract price | For the Company’s expansion | None |

ADVANTECH CO., LTD. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

| | | | Transaction Details | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | |
|---------------------|----------------------|-------------------|---------------------|---------------|---------------------|----------------------------|---|---------------------------|-------------------------------------|-------------------------------------|
| | | | Sales/(purchases) | Amount | Percentage of total | Credit term | Unit price | Credit term | Balance | Percentage of total |
| Purchaser/seller | Counterparty | Relationship | | | sales/(purchases) | | | | | notes/accounts receivable (payable) |
| ADVANTECH CO., LTD. | ANA | Subsidiary | Sales | \$ 11,423,878 | 27.73% | 30 days after month-end | Contract price | No significant difference | \$ 2,008,177 | 28.23% |
| ADVANTECH CO., LTD. | ACN | Subsidiary | Sales | 9,943,092 | 24.13% | 30 days after month-end | Contract price | No significant difference | 1,209,891 | 17.01% |
| ADVANTECH CO., LTD. | AEU | Subsidiary | Sales | 5,333,875 | 12.95% | 45 days after month-end | Contract price | No significant difference | 1,467,137 | 20.62% |
| ADVANTECH CO., LTD. | AKR | Subsidiary | Sales | 1,300,349 | 3.16% | 30 days after month-end | Contract price | No significant difference | 117,963 | 1.66% |
| ADVANTECH CO., LTD. | AJP | Subsidiary | Sales | 925,088 | 2.25% | 30 days after month-end | Contract price | No significant difference | 144,463 | 2.03% |
| ADVANTECH CO., LTD. | Advanixs Corporation | Subsidiary | Sales | 634,691 | 1.54% | 30 days after month-end | Contract price | No significant difference | 134,727 | 1.89% |
| ADVANTECH CO., LTD. | AAU | Subsidiary | Sales | 261,775 | 0.64% | 45 days after month-end | Contract price | No significant difference | 34,631 | 0.49% |
| ADVANTECH CO., LTD. | ASG | Subsidiary | Sales | 297,148 | 0.72% | 45 days after month-end | Contract price | No significant difference | 75,253 | 1.06% |
| ADVANTECH CO., LTD. | AMY | Subsidiary | Sales | 203,234 | 0.49% | 45 days after month-end | Contract price | No significant difference | 36,120 | 0.51% |
| ADVANTECH CO., LTD. | A-SIoT | Subsidiary | Sales | 1,034,692 | 2.51% | 30 days after month-end | Contract price | No significant difference | 166,815 | 2.34% |
| ADVANTECH CO., LTD. | ABR | Subsidiary | Sales | 124,932 | 0.30% | 30 days since invoice date | Contract price | No significant difference | 3,737 | 0.05% |
| ADVANTECH CO., LTD. | AIN | Subsidiary | Sales | 137,973 | 0.33% | 45 days after month-end | Contract price | No significant difference | 69,211 | 0.97% |
| ADVANTECH CO., LTD. | ATR | Subsidiary | Sales | 129,234 | 0.31% | 45 days after month-end | Contract price | No significant difference | 270 | 0.00% |
| ADVANTECH CO., LTD. | AVN | Subsidiary | Sales | 133,764 | 0.32% | 45 days after month-end | Contract price | No significant difference | 22,143 | 0.31% |
| ADVANTECH CO., LTD. | ATH | Subsidiary | Sales | 107,846 | 0.26% | 45 days after month-end | Contract price | No significant difference | 22,088 | 0.31% |
| ANA | ADVANTECH CO., LTD. | Parent company | Sales | 149,920 | 0.94% | 30 days since invoice date | Contract price | No significant difference | 27,238 | 1.12% |
| AKMC | ADVANTECH CO., LTD. | Parent company | Sales | 13,474,796 | 93.85% | 30 days after month-end | Contract price | No significant difference | 1,273,472 | 91.58% |
| AKMC | ACN | Fellow subsidiary | Sales | 518,811 | 3.61% | Usual trade terms | Contract price | No significant difference | 95,051 | 6.84% |
| AKMC | Cermate (Shenzhen) | Fellow subsidiary | Sales | 153,714 | 1.07% | Usual trade terms | Contract price | No significant difference | 19,333 | 1.39% |
| ACZ | AEU | Fellow subsidiary | Sales | 352,308 | 85.39% | 60 days since invoice date | Contract price | No significant difference | 56,695 | 91.56% |
| LNC | LNC Dong Guan | Fellow subsidiary | Sales | 567,064 | 81.33% | 150 days after month-end | Contract price | No significant difference | 207,532 | 88.31% |

Note: All intercompany transactions have been eliminated from consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

| Company Name | Counterparty | Relationship | Ending balance | Turnover rate | Overdue receivables | | Amounts received in subsequent period | Allowance for doubtful accounts |
|---------------------|----------------------|-------------------|----------------|---------------|---------------------|---------------|---------------------------------------|---------------------------------|
| | | | | | Amount | Actions taken | | |
| ADVANTECH CO., LTD. | ACN | Subsidiary | \$ 1,209,891 | 6.55 | \$ - | - | \$ 972,882 | \$ - |
| ADVANTECH CO., LTD. | ANA | Subsidiary | 2,013,514 | 6.54 | - | - | 1,107,200 | - |
| ADVANTECH CO., LTD. | AEU | Subsidiary | 1,469,464 | 4.78 | - | - | 610,667 | - |
| ADVANTECH CO., LTD. | A-SIoT | Subsidiary | 166,815 | 5.84 | - | - | 63,941 | - |
| ADVANTECH CO., LTD. | AJP | Subsidiary | 144,463 | 8.67 | - | - | 96,709 | - |
| ADVANTECH CO., LTD. | AKR | Subsidiary | 118,824 | 11.97 | - | - | 118,821 | - |
| ADVANTECH CO., LTD. | AKMC | Subsidiary | 439,361 | Note | - | - | 195,628 | - |
| ADVANTECH CO., LTD. | Advanixs Corporation | Subsidiary | 137,021 | 6.16 | - | - | 116,392 | - |
| AKMC | ADVANTECH CO., LTD. | Parent company | 1,273,472 | 8.95 | - | - | 1,090,705 | - |
| LNC | LNC Dong Guan | Fellow subsidiary | 207,532 | 2.58 | - | - | 38,611 | - |

Note: The Company's sales revenue on materials delivered to subcontractors - AKMC have been eliminated from consolidation.

Table 8

ADVANTECH CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
FOR THE YEAR ENDED DECEMBER 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

| No. (Note A) | Company Name | Counterparty | Relationship (Note B) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note C) |
|-----------------|---------------------|----------------------|--------------------------|----------------------------------|------------|----------------------------|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | ADVANTECH CO., LTD. | AAU | 1 | Sales revenue | \$ 261,775 | Usual trade terms | 0% |
| 0 | ADVANTECH CO., LTD. | ACN | 1 | Sales revenue | 9,943,092 | Usual trade terms | 17% |
| 0 | ADVANTECH CO., LTD. | ACN | 1 | Receivables from related parties | 1,209,891 | 30 days after month-end | 2% |
| 0 | ADVANTECH CO., LTD. | AEU | 1 | Sales revenue | 5,333,875 | Usual trade terms | 9% |
| 0 | ADVANTECH CO., LTD. | AEU | 1 | Receivables from related parties | 1,467,137 | 45 days after month-end | 3% |
| 0 | ADVANTECH CO., LTD. | AJP | 1 | Sales revenue | 925,088 | Usual trade terms | 2% |
| 0 | ADVANTECH CO., LTD. | AJP | 1 | Receivables from related parties | 144,463 | 30 days after month-end | 0% |
| 0 | ADVANTECH CO., LTD. | AKR | 1 | Sales revenue | 1,300,349 | Usual trade terms | 2% |
| 0 | ADVANTECH CO., LTD. | AKR | 1 | Receivables from related parties | 117,963 | 30 days after month-end | 0% |
| 0 | ADVANTECH CO., LTD. | ANA | 1 | Sales revenue | 11,423,878 | Usual trade terms | 19% |
| 0 | ADVANTECH CO., LTD. | ANA | 1 | Receivables from related parties | 2,008,177 | 30 days after month-end | 3% |
| 0 | ADVANTECH CO., LTD. | ASG | 1 | Sales revenue | 297,148 | Usual trade terms | 1% |
| 0 | ADVANTECH CO., LTD. | A-SIoT | 1 | Sales revenue | 1,034,692 | Usual trade terms | 2% |
| 0 | ADVANTECH CO., LTD. | A-SIoT | 1 | Receivables from related parties | 166,815 | 30 days after month-end | 0% |
| 0 | ADVANTECH CO., LTD. | AMY | 1 | Sales revenue | 203,234 | Usual trade terms | 0% |
| 0 | ADVANTECH CO., LTD. | ATH | 1 | Sales revenue | 107,846 | Usual trade terms | 0% |
| 0 | ADVANTECH CO., LTD. | ABR | 1 | Sales revenue | 124,932 | Usual trade terms | 0% |
| 0 | ADVANTECH CO., LTD. | ATR | 1 | Sales revenue | 129,234 | Usual trade terms | 0% |
| 0 | ADVANTECH CO., LTD. | AVN | 1 | Sales revenue | 133,764 | Usual trade terms | 0% |
| 0 | ADVANTECH CO., LTD. | AIN | 1 | Sales revenue | 137,973 | Usual trade terms | 0% |
| 0 | ADVANTECH CO., LTD. | Advanixs Corporation | 1 | Sales revenue | 634,691 | Usual trade terms | 1% |
| 0 | ADVANTECH CO., LTD. | Advanixs Corporation | 1 | Receivables from related parties | 134,727 | 30 days after month-end | 0% |
| 1 | AKMC | ADVANTECH CO., LTD. | 2 | Receivables from related parties | 1,273,472 | 30 days after month-end | 2% |
| 1 | AKMC | ADVANTECH CO., LTD. | 2 | Sales revenue | 13,474,796 | Usual trade terms | 23% |
| 1 | AKMC | ACN | 3 | Sales revenue | 518,811 | Usual trade terms | 1% |
| 1 | AKMC | Cermate (Shenzhen) | 3 | Sales revenue | 153,714 | Usual trade terms | 0% |
| 2 | ANA | ADVANTECH CO., LTD. | 2 | Sales revenue | 149,920 | 30 days since invoice date | 0% |
| 3 | ACZ | AEU | 3 | Sales revenue | 352,308 | Usual trade terms | 1% |
| 4 | LNC | LNC Dong Guan | 3 | Sales revenue | 567,064 | Usual trade terms | 1% |
| 4 | LNC | LNC Dong Guan | 3 | Receivables from related parties | 207,532 | 150 days after month-end | 0% |

Note A: The parent company and its subsidiaries are numbered as follows:

1. “0” for Advantech Co., Ltd.
2. Subsidiaries are numbered from “1”.

Note B: The flow of related-party transactions is as follows:(If it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need for repeated disclosure. For example, if the parent company has disclosed the transaction between the parent company and the subsidiary company, the subsidiary part does not need to be disclosed repeatedly ; Subsidiary-to-subsidiary transactions, if one of its subsidiaries has been disclosed, the other subsidiary does not need to disclose repeatedly) :

1. From the parent company to its subsidiary.
2. From the subsidiary to its parent company.
3. Between subsidiaries.

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of December 31, 2021, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2021.

Note D: All inter-company transactions have been eliminated from consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Information on investees (excluding information on investments in Mainland china)
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Balance as of December 31, 2021 | | | Net profit (loss) of the investee for the year ended December 31, 2021 | Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note C) | | Footnote |
|---------------------|---------------------------------------|------------------------|--|---------------------------------|---------------------------------|---------------------------------|---------------|----------------|--|--|---|----------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | Shares | Ownership (%) | Carrying Value | | | | |
| | | | | | | | | | | | | |
| ADVANTECH CO., LTD. | AAC (BVI) | British Virgin Islands | Overseas investment in manufacturing and services industries | \$ 3,875,214 | \$ 3,875,214 | 128,496,207 | 100.00 | \$ 10,058,205 | \$ 1,408,711 | \$ 1,416,533 | Subsidiary | |
| ADVANTECH CO., LTD. | ATC | British Virgin Islands | Overseas investment in manufacturing and services industries | 998,788 | 998,788 | 40,850,000 | 100.00 | 4,332,709 | 204,711 | 199,438 | Subsidiary | |
| ADVANTECH CO., LTD. | Advanixs Corporation | Taiwan | Manufacturing, marketing and trade of industrial use computers | 100,000 | 100,000 | 10,000,000 | 100.00 | 235,010 | 33,049 | 33,049 | Subsidiary | |
| ADVANTECH CO., LTD. | ACI | Taiwan | Investment in marketable securities | 3,300,000 | 2,900,000 | 330,000,000 | 100.00 | 4,003,595 | 232,350 | 232,876 | Subsidiary | |
| ADVANTECH CO., LTD. | Axiomtek | Taiwan | Manufacturing, marketing and trade of industrial use computers | 511,372 | 249,059 | 25,542,984 | 26.61 | 830,007 | 390,915 | 102,902 | Investments accounted for under equity method | |
| ADVANTECH CO., LTD. | AdvanPOS | Taiwan | Manufacturing and trade of endpoint sales system | 266,192 | 266,192 | 1,000,000 | 100.00 | 14,565 | (68,093) | (68,093) | Subsidiary | |
| ADVANTECH CO., LTD. | LNC | Taiwan | Manufacturing and trade of controllers | 209,191 | 277,946 | 14,430,000 | 48.10 | 299,709 | 63,001 | 37,202 | Subsidiary | |
| ADVANTECH CO., LTD. | AMX | Mexico | Marketing and trade of industrial use computers | 61,909 | 61,909 | 10,000,002 | 60.00 | 35,884 | 45 | 27 | Subsidiary | |
| ADVANTECH CO., LTD. | AEUH | Netherlands | Overseas investment in manufacturing and services industries | 1,655,383 | 1,219,124 | 25,961,250 | 100.00 | 1,202,407 | (34,365) | (35,382) | Subsidiary | |
| ADVANTECH CO., LTD. | ASG | Singapore | Marketing and trade of industrial use computers | 27,134 | 27,134 | 1,450,000 | 100.00 | 114,531 | 37,297 | 37,184 | Subsidiary | |
| ADVANTECH CO., LTD. | ATH | Thailand | Manufacturing of computer products | 47,701 | 47,701 | 51,000 | 51.00 | 47,868 | 4,797 | 2,366 | Subsidiary | |
| ADVANTECH CO., LTD. | AAU | Australia | Marketing and trade of industrial use computers | 40,600 | 40,600 | 500,204 | 100.00 | 31,963 | 16,920 | 17,641 | Subsidiary | |
| ADVANTECH CO., LTD. | AJP | Japan | Marketing and trade of industrial use computers | 15,472 | 15,472 | 1,200 | 100.00 | 411,417 | 49,521 | 47,310 | Subsidiary | |
| ADVANTECH CO., LTD. | AMY | Malaysia | Marketing and trade of industrial use computers | 35,140 | 35,140 | 2,000,000 | 100.00 | 59,311 | 22,788 | 22,765 | Subsidiary | |
| ADVANTECH CO., LTD. | AKR | Korea | Marketing and trade of industrial use computers | 156,668 | 156,668 | 600,000 | 100.00 | 445,256 | 133,246 | 133,033 | Subsidiary | |
| ADVANTECH CO., LTD. | ABR | Brazil | Marketing and trade of industrial use computers | 103,146 | 103,146 | 12,723,038 | 100.00 | 84,753 | 19,380 | 19,380 | Subsidiary | |
| ADVANTECH CO., LTD. | Advantech Innovative Design Co., Ltd. | Taiwan | Product design | 10,000 | 10,000 | - | - | - | 3 | 3 | Subsidiary | |
| ADVANTECH CO., LTD. | AiCS | Taiwan | Design, research and develop and sale of intelligent services | 81,837 | 81,837 | 1,000,000 | 100.00 | 81,415 | (13,284) | (13,284) | Subsidiary | |
| ADVANTECH CO., LTD. | AIN | India | Marketing and trade of industrial use computers | 39,747 | 19,754 | 4,999,999 | 99.99 | 38,896 | 8,896 | 8,723 | Subsidiary | |
| ADVANTECH CO., LTD. | AIMobile | Taiwan | Design, manufacturing, service and trade of industrial use mobile systems | 180,000 | 180,000 | 6,750,000 | 27.00 | 28,331 | (62,961) | (17,000) | Investments accounted for under equity method | |
| ADVANTECH CO., LTD. | Winmate | Taiwan | Embedded System Modules | 540,000 | 540,000 | 12,000,000 | 16.54 | 572,568 | 364,706 | 60,329 | Investments accounted for under equity method | |
| ADVANTECH CO., LTD. | AVN | Vietnam | Marketing and trade of industrial use computers | 76,092 | 76,092 | 8,100 | 60.00 | 59,040 | 13,930 | 8,312 | Subsidiary | |
| ADVANTECH CO., LTD. | Nippon RAD | Japan | Integration of IoT intelligent system | 251,915 | 251,915 | 850,000 | 16.08 | 216,414 | 937 | 178 | Investments accounted for under equity method | |
| ADVANTECH CO., LTD. | ARU | Russia | Manufacturing, marketing and trade of industrial use computer | 72,416 | 44,676 | 1 | 100.00 | 27,258 | (12,243) | (12,243) | Subsidiary | |
| ADVANTECH CO., LTD. | ATJ | Japan | Production and sale of electronic and mechanical devices | 451,564 | 323,130 | 713,900 | 71.39 | 467,000 | 16,308 | 6,594 | Subsidiary | |
| ADVANTECH CO., LTD. | ATR | Turkey | Wholesale of computers and peripheral devices | 58,482 | 58,482 | 260,870 | 60.00 | 12,530 | 6,798 | 1,734 | Subsidiary | |
| ADVANTECH CO., LTD. | AIL | Israel | Trading of industrial network communications systems | 8,653 | 8,653 | 100 | 100.00 | 9,950 | 1,051 | 1,051 | Subsidiary | |
| ADVANTECH CO., LTD. | Huan Yan Water Solution Co., Ltd. | Taiwan | Service plan for combination of related technologies of water treatment and applications of Internet of Things | 27,000 | 27,000 | 2,700,000 | 90.00 | 23,618 | (3,757) | (3,597) | Subsidiary | |
| AJP | ATJ | Japan | Production and sale of electronic and mechanical devices | 184,649 | 184,649 | 286,100 | 28.61 | 206,137 | 3,712 | - | Subsidiary | |
| ACI | Cermate (Taiwan) | Taiwan | Manufacturing of electronic components, computers, and peripheral devices | 71,500 | 71,500 | 5,500,000 | 55.00 | 139,107 | 40,568 | - | Subsidiary | |
| ACI | Deneng | Taiwan | Installment and sale of electronic components and software | 18,095 | 18,095 | 658,000 | 39.69 | 13,844 | 2,663 | - | Investments accounted for under equity method | |
| ACI | CDIB | Taiwan | Investment in marketable securities | 150,000 | 150,000 | 15,000,000 | 17.86 | 181,132 | (38,167) | - | Investments accounted for under equity method | |
| ACI | AzureWave | Taiwan | Wireless communication and digital image module manufacturing and trading | 578,563 | 578,563 | 29,599,000 | 19.67 | 601,310 | 309,209 | - | Investments accounted for under equity method | |
| ACI | Yun Yan, Wu-Lian Co., Ltd. | Taiwan | Industrial equipment networking in Greater China | 5,000 | 5,000 | 500,000 | 50.00 | - | 4 | - | Subsidiary | |
| ACI | Nippon RAD | Japan | Integration of IoT intelligent system | 49,733 | 49,733 | 154,310 | 2.92 | 45,109 | - | - | Investments accounted for under equity method | |
| ACI | i-Link | Taiwan | Integration of intelligent medical | 9,091 | 9,091 | 805,000 | 20.13 | 2,276 | (10,006) | - | Investments accounted for under equity method | |
| ACI | DotZero | Taiwan | Intelligent metal processing integration | 10,928 | 8,100 | 1,092,750 | 25.71 | 4,233 | (12,730) | - | Investments accounted for under equity method | |
| ACI | Mildex | Taiwan | Electronic component manufacturing | 202,948 | 202,948 | 15,710,000 | 15.37 | 142,658 | (129,955) | - | Investments accounted for under equity method | |
| ACI | ITTS | Taiwan | Electronic Information Service | 147,444 | 147,444 | 5,084,273 | 18.61 | 159,489 | 71,814 | - | Investments accounted for under equity method | |
| ACI | ACI IOT Investment Fund-I Corporation | Taiwan | Investment in marketable securities | - | 238,000 | - | - | - | 19,246 | - | Subsidiary | |
| ACI | ACISM | Samoa | Holding company | 0 | 18,214 | - | - | - | (120) | - | Subsidiary | |
| ACI | Samsoft | Taiwan | Manufacturing and trade of electronic and mechanical devices | 20,220 | 15,000 | 431,455 | 24.07 | 16,973 | 6,328 | - | Investments accounted for under equity method | |
| ACI | Impelex | Taiwan | Manufacturing and trade of electronic and mechanical devices | 10,000 | 10,000 | 500,000 | 20.00 | 9,284 | (6,877) | - | Investments accounted for under equity method | |
| ACI | VSO | Taiwan | Manufacturing and trade of electronic and mechanical devices | 120,000 | 120,000 | 4,000,000 | 14.29 | 144,865 | 137,472 | - | Investments accounted for under equity method | |
| ACI | Hwacom | Taiwan | Computer system integration service | 357,119 | 357,119 | 24,575,000 | 19.00 | 439,839 | 165,882 | - | Investments accounted for under equity method | |
| ACI | IISI | Taiwan | Computer system integration service | 243,086 | 243,086 | 14,299,205 | 19.61 | 271,364 | 152,482 | - | Investments accounted for under equity method | |
| ACI | iSAP | Taiwan | Information software service | 10,000 | 10,000 | 1,492,852 | 34.83 | 7,002 | (8,607) | - | Investments accounted for under equity method | |
| ACI | AIH | Taiwan | Servicing of information software and data processing | 15,369 | 12,254 | 1,100,000 | 100.00 | 3,214 | 99 | - | Subsidiary | |
| ACI | Feng Sang | Taiwan | Computer system integration service | 109,219 | - | 6,088,750 | 36.24 | 110,496 | 20,416 | - | Investments accounted for under equity method | |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Balance as of December 31, 2021 | | | Net profit (loss) of the investee for the year ended December 31, 2021 | Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note C) | | Footnote |
|------------------|-----------------|------------------------|---|---------------------------------|---------------------------------|---------------------------------|---------------|----------------|--|--|---|----------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | Shares | Ownership (%) | Carrying Value | | | | |
| | | | | | | | | | | | | |
| ACI | Freedom Systems | Taiwan | Electronic information service | \$ 37,500 | \$ - | 1,500,000 | 20.00 | \$ 37,523 | \$ 6,087 | \$ - | Investments accounted for under equity method | |
| ATC | ATC (HK) | Hong Kong | Overseas investment in manufacturing and services industries | 1,212,730 | 1,212,730 | 57,890,679 | 100.00 | 4,383,602 | 204,810 | - | Subsidiary | |
| AAC (BVI) | ANA | USA | Marketing, trade and assembly of industrial use computers | 504,179 | 504,179 | 10,952,606 | 100.00 | 5,219,760 | 661,602 | - | Subsidiary | |
| AAC (BVI) | AAC (HK) | Hong Kong | Overseas investment in manufacturing and services industries | 539,146 | 539,146 | 15,230,001 | 100.00 | 3,277,588 | 708,629 | - | Subsidiary | |
| AAC (BVI) | ADB | United Arab Emirates | Trading of industrial network communications systems | - | - | - | 100.00 | 2,619 | 386 | - | Subsidiary | |
| AAC (BVI) | SIoT(Cayman) | Cayman Islands | Design, research and development and trade of IoT intelligent system services | 1,384,000 | 1,384,000 | 30,000,000 | 100.00 | 1,956,780 | 40,771 | - | Subsidiary | |
| SIoT(Cayman) | A-SIoT | Germany | Design, research and develop and trade of industrial on-board computer products | - | 522,719 | - | - | - | (10,500) | - | Subsidiary | |
| AEUH | AEU | Netherlands | Marketing and trade of industrial use computers | 868,222 | 431,963 | 32,315,215 | 100.00 | 1,298,688 | (51,406) | - | Subsidiary | |
| AEUH | APL | Poland | Marketing and trade of industrial use computers | 14,176 | 14,176 | 7,030 | 100.00 | 40,778 | 5,795 | - | Subsidiary | |
| AEU | A-SIoT | Geamany | Design, research and develop and trade of industrial on-board computer products | 436,259 | - | 1 | 100.00 | 416,197 | (10,500) | - | Subsidiary | |
| ASG | ATH | Thailand | Manufacturing of computers products | 7,537 | 7,537 | 49,000 | 49.00 | 47,092 | 4,797 | - | Subsidiary | |
| ASG | AID | Indonesia | Marketing and trade of industrial use computers | 4,797 | 4,797 | 300,000 | 100.00 | 6,983 | (837) | - | Subsidiary | |
| Cermate (Taiwan) | LandMark | Samoa | General investment | 28,200 | 28,200 | 972,284 | 100.00 | 154,228 | 30,418 | - | Subsidiary | |
| LNC | Better Auto | British Virgin Islands | Holding company | 229,907 | 229,907 | 7,425,000 | 100.00 | 92,287 | 35,550 | - | Subsidiary | |
| Better Auto | Famous Now | Hong Kong | Holding company | 135,798 | 135,798 | 4,906,096 | 100.00 | 100,320 | 35,550 | - | Subsidiary | |
| ANA | AIE | Ireland | Trading of industrial network communications systems | 1,092,834 | 1,092,834 | - | 100.00 | 316,625 | 71,734 | - | Subsidiary | |
| AIE | ACZ | Czech Republic | Manufacturing of automation control | - | - | - | 100.00 | 292,265 | 69,104 | - | Subsidiary | |
| AIN | ARI | India | Marketing and trade of industrial use computers | 4,651 | - | 1,237,500 | 55.00 | 4,652 | 73 | - | Subsidiary | |

Note A: All intercompany gains and losses from investments have been eliminated from consolidation.

Note B: Refer to Table 10 for investments in mainland China

Note C: The investment gains and losses recognized in the current period only disclose the part recognized by Advantech Co., Ltd., and the rest are exempted according to regulations.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2021 | Net profit (loss) of the investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment net profit (loss) | Carrying Value as of December 31, 2021 | Accumulated Inward | |
|--|---|---|---|---|------------------|--------------------|---|---|--|---------------------------------|---|---|--|
| | | | | | Outflow | Inflow | | | | | | Remittance of Earnings as of December 31, 2021 | |
| Advantech Technology (China) Company Ltd. (AKMC) | Manufacturing and trade of interface cards and PC cases, plastic cases and accessories | \$ 1,211,000 USD 43,750 (Note C) | Through investing in an existing company in the third region, which then invested in the investee in Mainland China | \$ 1,032,464 USD 37,300 | \$ - | \$ - | \$ 1,032,464 USD 37,300 | \$ 204,810 | 100.00 | \$ 204,810 | \$ 4,311,559 | \$ - | |
| Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) | Marketing and trade of industrial use computers | 117,806 USD 4,230 | Through investing in an existing company in the third region, which then invested in the investee in Mainland China | 147,590 USD 5,332 | - | - | 147,590 USD 5,332 | 690,670 | 100.00 | 690,670 | 2,411,598 | 310,902 USD 11,232 | |
| Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) | Manufacturing, marketing and trade of industrial use computers | 221,440 USD 8,000 | Through investing in an existing company in the third region, which then invested in the investee in Mainland China | 221,440 USD 8,000 | - | - | 221,440 USD 8,000 | 19,540 | 100.00 | 19,540 | 621,200 | - | |
| Xi'an Advantech Software Ltd. (AXA) | Development and manufacturing of software products | 27,680 USD 1,000 | Through investing in an existing company in the third region, which then invested in the investee in Mainland China | Note B | - | - | Note B | 65 | 100.00 | 65 | 28,913 | - | |
| LNC Dong Guan Co., Ltd. (LNC Dong Guan) | Manufacturing and trade of controllers | 110,720 USD 4,000 | Through investing in an existing company in the third region, which then invested in the investee in Mainland China | 88,410 USD 3,194 | - | - | 88,410 USD 3,194 | 44,086 | 100.00 | 44,211 | 100,320 | - | |
| Shenzhen Cermate Technologies Inc. (Cermate Shenzhen) | Production of LCD touch screen, USB data cables, and industrial use computers | 8,688 CNY 2,000 | Through investing in an existing company in the third region, which then invested in the investee in Mainland China | 8,525 USD 308 | - | - | 8,525 USD 308 | 21,157 | 90.00 | 19,043 | 104,738 | 38,647 USD 717 | |
| Cermate Technologies (Shanghai) Inc. (Cermate Shanghai) | Networking electronic equipment for industrial use | 14,394 USD 520 | Through investing in an existing company in the third region, which then invested in the investee in Mainland China | 15,833 USD 572 | - | - | 15,833 USD 572 | 11,374 | 100.00 | 11,374 | 50,405 | 4,328 CNY - | |
| Advantech Service-IoT (Shanghai) Co., Ltd. [SIoT (China)] | Technology development, consulting and services in the field of intelligent technology | 65,160 CNY 15,000 | Through investing in an existing company in the third region, which then invested in the investee in Mainland China | Note D | - | - | Note D | 10,809 | 100.00 | 10,809 | 48,562 | - | |
| Shanghai Yanle Co., Ltd.(AYL) | Application and retail of intelligent technology | 9,557 CNY 2,200 | Other | Note E | - | - | Note E | (9) | 100.00 (9) | | 5,110 | - | |
| Tianjin Anjie IOT Science and Technology Co., Ltd. (Anjie) | Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues | 13,032 CNY 3,000 | Other | Note E | - | - | Note E | (1) | 20.00 (0) | | 2,604 | - | |
| GSD Environmental Technology Co., Ltd. (GSD) (Note H) | Development, consulting and services in environmental technology | 43,440 CNY 10,000 | Through investing in an existing company in the third region, which then invested in the investee in Mainland China | 16,137 USD 583 | - | 8,688 CNY 2,000 | - (| 8,413) | - (3,365) | | - | - | |
| Foshan Technology Co., Ltd. (Foshan Technology) | Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues | 14,770 CNY 3,400 | Other | Note E | - | - | Note E | (25,016) | 29.66 (7,420) | | 19,514 | - | |
| | | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA | | | | | | | | | | | |
| Accumulated Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | | | | | | | | | | | | |
| \$ 1,535,936 (USD 55,489 thousand) (Note F) | \$ 2,191,702 (USD 79,180 thousand) | \$ 22,711,516 (Note G) | | | | | | | | | | | |

Note A: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in Mainland China are described in Table 8.

Note B: Remittance by ACN.

Note C: For AKMC, there was a capital increase of US\$6,450 thousand out of earnings

Note D: Remittance by AAC (BVI) and AiSC.

Note E: Remittance by AiSC; AiSC's investments in associate accounted for under equity method.

Note F: Included is the outflow of US\$200 thousand on the investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. located in a free trade zone in Guang Zhou. When this investee was liquidated in September 2005, the outward investment remittance ceased upon the approval of the Ministry of Economic Affairs (MOEA). For each future capital return, the Company will apply to the MOEA for the approval of the return as well as reduce the accumulated investment amount by the return amount.

Note G: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company.

Note H: Due to the disposal of all the shares of GSD, the remaining investment amount of CNY 2,000,000 was recovered.

Note I: The exchange rate was US\$1=NT\$27.68 and CNY\$1=NT\$4.344.

Note J: All intercompany gains and losses from investment have been eliminated upon consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Major shareholders information
December 31, 2021

Table 11

| Name of major shareholders | Shares | |
|----------------------------|-----------------------|---------------|
| | Number of shares held | Ownership (%) |
| ASUSTek Computer Inc. | 103,177,983 | 13.32% |
| K&M Investment Co., Ltd. | 91,369,108 | 11.79% |
| AIDC Investment Corp. | 90,295,663 | 11.65% |

Note: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by the Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.