

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT THEREON
DECEMBER 31, 2023 AND 2022

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, 2023 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 27, 2024

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheets of ADVANTECH CO., LTD. and its subsidiaries (the “Group”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of 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 2023 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 2023 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 inventories. The balances of the Group's inventories and allowance for inventory valuation as at December 31, 2023 are \$10,863,248 thousand and \$1,059,452 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, environment and industrial characteristics, inventories of the Group are available in different sizes and types. Since the valuation 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 affirm 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 from the Embedded-IoT and the Applied Computing Business Group

Description

Refer to Note 4(33) for the related accounting policies on sales revenue and Note 6(22) for the details of revenues.

The Group operates in a highly competitive industrial computer industry. Moreover, the overall industry was impacted by the global economic environment in 2023, increasing the risk associated with recognizing revenue. Therefore, we considered the recognition of sales revenue from the Embedded-IoT and the Applied Computing Business Group, which showed an increasing trend in sales revenue, 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 the internal controls in relation to sales revenue, and validated its operating effectiveness.
2. Tested the details of sales revenue of the Embedded-IoT and Applied Computing Business Group for the entire year, and selected samples of sales revenue transactions and related documents to confirm the appropriateness of revenue recognition.
3. Inspected significant abnormal sales returns and allowances after the balance sheet date.
4. Performed accounts receivable confirmation procedure to significant customers.

Other matter

We have audited and expressed an unqualified opinion on the parent company only financial statements of ADVANTECH CO., LTD. as at and for the years ended December 31, 2023 and 2022.

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 that came into effect 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and 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 27, 2024

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 11,011,580	16	\$ 12,029,785	18
1110	Financial assets at fair value through profit or loss - current	6(2)	8,619,027	13	3,211,182	5
1136	Financial assets at amortised cost - current	6(4) and 8	1,569,168	2	139,910	-
1150	Notes receivable	6(5)	1,293,317	2	1,434,823	2
1170	Accounts receivable	6(5)	7,961,226	12	9,641,564	15
1180	Accounts receivable - related parties	7	16,734	-	32,400	-
1200	Other receivables		73,265	-	80,598	-
1210	Other receivables - related parties	7	922	-	890	-
130X	Inventories	6(6)	9,803,796	14	14,007,765	21
1460	Non-current assets held for sale	6(11)	238,341	-	-	-
1470	Other current assets	7	798,361	1	1,168,431	2
11XX	Total current assets		41,385,737	60	41,747,348	63
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	2,906,420	4	2,703,431	4
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	2,951,234	4	2,199,556	3
1535	Financial assets at amortised cost - non-current	6(4)	61,410	-	-	-
1550	Investments accounted for under equity method	6(7)	4,704,633	7	4,383,238	7
1600	Property, plant and equipment	6(8) and 8	11,326,045	17	11,039,395	17
1755	Right-of-use assets	6(9)	1,965,522	3	614,655	1
1780	Intangible assets	6(10)	2,750,414	4	2,789,279	4
1840	Deferred income tax assets	6(27)	830,790	1	700,239	1
1915	Prepayments for business facilities		92,705	-	127,024	-
1990	Other non-current assets	8	81,362	-	80,773	-
15XX	Total non-current assets		27,670,535	40	24,637,590	37
1XXX	Total assets		\$ 69,056,272	100	\$ 66,384,938	100

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ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12)	\$ 237,730	-	\$ 531,330	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	635	-	21,634	-
2130	Contract liabilities - current	6(22)	1,088,750	2	1,313,695	2
2170	Notes and accounts payable	7	6,088,794	9	7,126,418	11
2200	Other payables	6(13) and 7	4,395,090	6	5,146,661	8
2230	Current income tax liabilities		3,440,853	5	3,588,177	5
2250	Provision for liabilities - current		212,893	-	252,434	-
2280	Lease liabilities - current	6(9)	106,391	-	168,012	-
2320	Long-term liabilities, current portion	6(14) and 8	118,500	-	-	-
2399	Other current liabilities		337,171	1	332,445	1
21XX	Total current liabilities		<u>16,026,807</u>	<u>23</u>	<u>18,480,816</u>	<u>28</u>
	Non-current liabilities					
2540	Long-term borrowings	6(14) and 8	-	-	121,500	-
2560	Current income tax liabilities - non-current		219,989	-	659,969	1
2570	Deferred income tax liabilities	6(27)	1,936,142	3	2,137,306	3
2580	Lease liabilities - non-current	6(9)	1,610,905	2	175,846	-
2600	Other non-current liabilities		452,851	1	525,487	1
25XX	Total non-current liabilities		<u>4,219,887</u>	<u>6</u>	<u>3,620,108</u>	<u>5</u>
2XXX	Total liabilities		<u>20,246,694</u>	<u>29</u>	<u>22,100,924</u>	<u>33</u>
	Equity attributable to shareholders of the parent					
	Share capital	6(17)				
3110	Common shares		8,577,795	12	7,778,434	11
3140	Advance receipts for share capital		6,699	-	1,335	-
	Capital surplus	6(18)				
3200	Capital surplus		9,753,806	14	9,110,280	14
	Retained earnings	6(19)				
3310	Legal reserve		9,630,127	14	8,552,226	13
3320	Special reserve		-	-	555,794	1
3350	Unappropriated retained earnings		19,599,420	28	17,750,074	27
	Other equity	6(20)				
3400	Other equity		893,350	2	66,559	-
31XX	Equity attributable to shareholders of the parent		<u>48,461,152</u>	<u>70</u>	<u>43,814,702</u>	<u>66</u>
36XX	Non-controlling interest	6(21)	348,426	1	469,312	1
3XXX	Total equity		<u>48,809,578</u>	<u>71</u>	<u>44,284,014</u>	<u>67</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 69,056,272</u>	<u>100</u>	<u>\$ 66,384,938</u>	<u>100</u>

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	For the years ended December 31,			
		2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(22) and 7	\$ 64,567,697	100	\$ 68,744,701	100
5000 Operating costs	6(6)(8)(9)(10)(15)				
	(16)(26) and 7	(38,405,883)	(59)	(42,631,598)	(62)
5950 Gross profit		26,161,814	41	26,113,103	38
Operating expenses	6(8)(9)(10)(15)(16)				
	(26) and 7				
6100 Selling expenses		(6,007,370)	(9)	(5,766,048)	(9)
6200 General and administrative expenses		(3,164,280)	(5)	(2,996,431)	(4)
6300 Research and development expenses		(4,829,783)	(8)	(4,767,745)	(7)
6450 Expected credit impairment loss		(32,131)	-	(50,702)	-
6000 Total operating expenses		(14,033,564)	(22)	(13,580,926)	(20)
6900 Operating profit		12,128,250	19	12,532,177	18
Non-operating income and expenses					
7100 Interest income	7	275,279	-	43,487	-
7010 Other income	6(23) and 7	394,731	1	413,475	1
7020 Other gains and losses	6(2)(24)	125,480	-	33,308	-
7050 Finance costs	6(9)(12)(14)(25)	(45,554)	-	(26,991)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(7)	388,513	1	447,404	1
7000 Total non-operating income and expenses		1,138,449	2	910,683	2
7900 Profit before income tax		13,266,699	21	13,442,860	20
7950 Income tax expense	6(27)	(2,477,366)	(4)	(2,700,301)	(4)
8200 Profit for the year		\$ 10,789,333	17	\$ 10,742,559	16

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ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

				For the years ended December 31,			
				2023		2022	
Items	Notes	AMOUNT	%	AMOUNT	%		
Other comprehensive income							
Components of other comprehensive income that will not be reclassified to profit or loss							
8311	Gains on remeasurements of defined benefit plans	6(15)		\$ 3,103	-	\$ 34,507	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)		1,136,167	1	(310,640)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss	6(7)(20)		31,184	-	83,446	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)		(1,352)	-	(7,472)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss			1,169,102	1	(200,159)	-
Components of other comprehensive income that will be reclassified to profit or loss							
8361	Financial statements translation differences of foreign operations	6(20)		(138,186)	-	1,009,139	1
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss	6(7)(20)		(5,580)	-	65,703	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(27)		28,012	-	(215,244)	-
8360	Other comprehensive income (loss) that will be reclassified to profit or loss			(115,754)	-	859,598	1
8300	Total other comprehensive income for the year			\$ 1,053,348	1	\$ 659,439	1
8500	Total comprehensive income for the year			\$ 11,842,681	18	\$ 11,401,998	17
Profit (loss) attributable to:							
8610	Shareholders of the parent			\$ 10,837,530	17	\$ 10,757,077	16
8620	Non-controlling interest			(48,197)	-	(14,518)	-
				\$ 10,789,333	17	\$ 10,742,559	16
Total comprehensive income (loss) attributable to:							
8710	Shareholders of the parent			\$ 11,894,582	18	\$ 11,417,894	17
8720	Non-controlling interest			(51,901)	-	(15,896)	-
				\$ 11,842,681	18	\$ 11,401,998	17
Basic earnings per share							
9750	Profit for the year	6(28)		\$ 12.65		\$ 12.60	
Diluted earnings per share							
9850	Profit for the year	6(28)		\$ 12.52		\$ 12.46	

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Equity attributable to shareholders of the parent												
	Share Capital			Retained Earnings			Other Equity Interest					

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31,	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		\$ 13,266,699	\$ 13,442,860
Adjustment items			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(26)	912,251	873,114
Amortisation	6(10)(26)	173,962	183,966
Expected credit impairment loss	12(2)	32,131	50,702
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(2)(24)	(87,813)	189,415
Finance costs	6(25)	45,554	26,991
Interest income	(	275,279)	(43,487)
Dividend income	6(23)	(224,421)	(249,959)
Compensation costs of employee share options	6(16)(26)	255,971	233,443
Share of profit of associates accounted for under equity method	6(7)	(388,513)	(447,404)
Loss on disposal of property, plant and equipment	6(24)	6,045	987
Loss on disposal of intangible assets	6(10)	10	-
Gain on disposal of investment	6(24)	(22,480)	(8,367)
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss	(	5,372,732)	(1,432,673)
Notes receivable		141,486	604,159
Accounts receivable		1,660,905	(1,477,223)
Accounts receivable – related parties		15,666	5,520
Other receivables (including related parties)		15,777	(26,991)
Inventories		4,229,364	(1,490,349)
Other current assets		320,517	(328,004)
Changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss	(	20,999)	18,947
Contract liabilities - current	(	224,945)	363,003
Notes and accounts payable	(	1,041,159)	(369,329)
Other payables	(	755,473)	559,101
Provision for liabilities - current	(	39,541)	55,936
Other current liabilities		4,716	44,819
Other non-current liabilities	(	77,908)	(59,057)
Cash inflow generated from operations		12,549,791	10,720,120
Dividends received		224,421	249,959
Interest received		249,730	43,487
Interest paid	(	44,023)	(26,923)
Income taxes paid	(	3,315,259)	(1,255,369)
Net cash flows provided by operating activities		9,664,660	9,731,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost - current	(	3,234,190)	(78,075)
Proceeds from disposal of financial assets at amortised cost - current		1,807,993	62,024
Acquisition of financial assets at amortised cost - non-current	(	61,410)	-
Acquisition of financial assets at fair value through profit or loss	(	476,879)	(885,907)
Proceeds from disposal of financial assets at fair value through profit or loss		316,689	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		360,552	-
Cash returned from capital reduction of financial assets at fair value through other comprehensive income		22,364	-
Acquisition of investments accounted for under equity method	6(7)	(168,432)	(53,050)
Proceeds from disposal of investment accounted for under equity method	6(7)	51,201	14,232
Net cash flow from acquisition of subsidiaries	6(30)	(103,233)	-
Dividends received from associates		198,179	184,112
Acquisition of property, plant and equipment	6(8)	(1,197,587)	(1,320,449)
Proceeds from disposal of property, plant and equipment		2,245	9,494
Decrease (increase) in refundable deposits		63	(12,722)
Acquisition of intangible assets	6(10)	(52,069)	(124,429)
Increase in prepayments for business facilities	(	38,082)	(32,587)
Increase in other non-current assets	(	150)	(2,245)
Net cash flows used in investing activities	(	2,572,746)	(2,239,602)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	6(31)	(275,840)	279,530
Increase in long-term borrowings	6(31)	-	121,500
Increase (decrease) in guarantee deposits received		8,375	(120)
Payments of lease liabilities	6(9)(31)	(256,284)	(251,492)
Payments of cash dividends	6(19)	(7,779,770)	(6,195,710)
Employee share options exercised		439,577	436,270
Dividends paid to non-controlling interests	6(21)	(19,989)	(40,607)
Change in non-controlling interests	6(29)	(180,166)	2,004
Net cash flows used in financing activities	(	8,064,097)	(5,648,625)
Effect of exchange rate changes	(	46,022)	885,586
Net (decrease) increase in cash and cash equivalents	(	1,018,205)	2,728,633
Cash and cash equivalents at beginning of year		12,029,785	9,301,152
Cash and cash equivalents at end of year		\$ 11,011,580	\$ 12,029,785

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, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

- (1) Advantech Co., Ltd. (the “Company”) was incorporated in September 1981, and its operational headquarters is located in the Neihu Science Park of Taipei, Taiwan. The Company is primarily engaged in the research and development, design, manufacturing and marketing of embedded computing boards, industrial automation products, applied computers and industrial computers.
- (2) The Company’s shares have been listed and traded on the Taiwan Stock Exchange since December 1999.
- (3) The Company is a global leader in the IoT intelligent system and embedded platform industry, and takes the ‘smart driver of sustainable earth’ as its corporate brand vision. In accordance with the customers’ needs, the Company is divided into three major business groups: the Industrial IoT Group, the Embedded IoT Group and the Service IoT Group. To meet the broad trends of the Internet of Things, Big Data, and artificial intelligence, the Company proposes IoT software and hardware solutions plan centered on the industrial IoT cloud platform to assist partners and customers connect the industrial chain.

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 27, 2024.

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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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Amendments to IAS 12, 'International tax reform - pillar two model rules'

May 23, 2023

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

Amendments to IAS 12, 'International tax reform - Pillar Two model rules'

The amendments give companies temporary relief from accounting for deferred income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD). An entity shall neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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 MATERIAL 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 that came into effect 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 recognized 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 recognized 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 recognized in profit or loss. All amounts previously recognized 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 recognized 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, 2023	December 31, 2022	
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	

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	Advanixs Corporation	Manufacturing, marketing and trade of industrial use computers	100.00	100.00	
	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	Note 3
	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	
	Advantech Brasil Ltd. (ABR)	Marketing and trade of industrial use computers	100.00	100.00	
	Advantech Industrial Computing India Private Limited (AIN)	Marketing and trade of industrial use computers	99.99	99.99	
	LNC Technology Co., Ltd. (LNC)	Manufacturing and trade of controllers	44.60	44.60	Note 2
	Advantech Electronics, S.A.P.I DE C. V. (AMX)	Marketing and trade of industrial use computers	99.90	99.90	Note 8

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	Advantech Intelligent Services Co., Ltd. (AiCS)	Design, research and development and sales of intelligent services	100.00	100.00	
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Manufacturing of computer products	51.00	51.00	
	PT. Advantech International (AID)	Manufacturing, marketing and trade of industrial use computers	1.00	1.00	
	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 Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	80.10	60.00	Note 16
	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	90.00	
	Advantech Technology DMCC (ADB)	Trading of industrial network communication systems	100.00	100.00	Note 12
	Advantech Autornation Corp. (HK) Limited [ACC (HK)]	Oversea investment in manufacturing and services industries	100.00	-	Note 17

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	Advantech Corporate Investment Ltd. (ACI KY)	Design, research and development and trade of IoT intelligent system services	100.00	-	Note 18
	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic components, computers, and peripheral devices	45.00	-	Note 19
Advantech Corporate Investment (ACI)	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic components, computers, and peripheral devices	55.00	55.00	Note 19
	Advantech Intellingent Health Co., Ltd. (AIH)	Servicing of information software and data processing	100.00	100.00	
	Yan Xu Green Electricity Co., Ltd.	Green energy power plant development	82.50	82.50	Note 6
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	
	Advantech Automation Corp. (HK) Limited [AAC (HK)]	Overseas investment in manufacturing and services industries	-	100.00	Note 17
	Advantech Electronics, S.A.P.I. DE C.V. (AMX)	Marketing and trade of industrial use computers	-	0.10	Notes 8 and 21

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
Advantech Automation Corp. (BVI) [AAC (BVI)]	Advantech Corporate Investment Ltd. (ACI KY)	Design, research and development and trade of IoT intelligent system services	-	100.00	Note 18
Advantech Corp. (ANA)	Advantech Technology Limited (AIE)	Trading of industrial network communication systems	100.00	100.00	
	BitFlow, Inc. (ABO)	High-speed image capture core technology in the advanced fields of image and AI machine vision technology	100.00	-	Note 22
Advantech Automation Corp. (HK) Limited [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. (ACI CN)	Manufacturing, marketing and trade of industrial use computers	82.00	82.00	Note 4
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 Service Co., Ltd. (ACI CN)	Manufacturing, marketing and trade of industrial use computers	18.00	18.00	Note 4
Shanghai Advantech Intelligent Services Co., Ltd. (ACI CN)	Advantech Service-IoT (Shanghai) Co., Ltd. [SIoT (China)]	Technology development, consulting and services in the field of intelligent technology	100.00	100.00	Note 9
	Shanghai Yanle Co., Ltd. (AYL)	Application and retail of intelligent technology	100.00	100.00	

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
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 Co., Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Manufacturing of computer products	49.00	49.00	
	PT. Advantech International (AID)	Marketing and trade of industrial use computers	99.00	99.00	
	Advantech Electronics, S.A.P.I. DE C.V. (AMX)	Marketing and trade of industrial use computers	0.10	-	Notes 8 and 21
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	
	Cermate software Inc. (CSI)	Software development	100.00	100.00	Note 5
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	Holding company	100.00	100.00	
	LNCMac Technology Corp. (LNCMac)	System integration and application, system furniture intelligent design, manufacturing and sales	66.32	87.27	Note 7

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
LNC Technology Co., Ltd. (LNC)	BEST PLC LTD. (BEST PLC)	Holding company	100.00	100.00	Note 10
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	Holding company	100.00	100.00	
BEST PLC LTD. (BEST PLC)	BEST SERVO LTD. (BEST SERVO)	Holding company	100.00	100.00	Note 11
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd. (LNC Dong Guan)	Manufacturing and trade of controllers	100.00	100.00	
LNCMac Technology Corp. (LNCMac)	BEST MACHINE LTD. (BEST MACHINE)	Holding company	100.00	100.00	Note 13
	BEST AUTOMATION LTD. (BEST AUTOMATION)	Holding company	100.00	100.00	Note 14
BEST MACHINE LTD. (BEST MACHINE)	LNCMac DONG GUAN Technology Co Ltd. (LNCMac DONG GUAN)	System intergration	100.00	-	Note 15
Advantech Technology Limited (AIE)	Advantech Czech, s.r.o. (ACZ)	Manufacturing of automation control	100.00	100.00	
Advantech Industrial Computer India Private Limited (AIN)	Advantech Raiser India Private Limited (ARI)	Marketing and trade of industrial use computers	55.00	55.00	
LNCMac DONG GUAN Technology Co., Ltd. (LNCMac DONG GUAN)	LNCMac Furniture Co., Ltd. (LNCMac Furniture)	System furniture intelligent design, manufacturing and sales	100.00	-	Note 20

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

Note 2: In the third quarter of 2022, the Group sold its 3.5% equity interest in LNC, which resulted to a decrease in ownership to 44.60%. After the disposal, the Group is still the

single largest shareholder of LNC. Given 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 2022, Advantech Technologies Japan Corp. (ATJ) merged with AJP, with AJP as the surviving company and ATJ as the dissolved company.
- Note 4: In the first quarter of 2022, ACN acquired 18% equity interest in ACI CN, which resulted to a decrease in AAC (HK)'s equity interest in ACI CN to 82%.
- Note 5: In the first quarter of 2022, the Group established a wholly-owned subsidiary, Cermate Software Inc.
- Note 6: In the first quarter of 2022, the Group established Yan Xu Green Electricity Co., Ltd., and the Group held 82.5% equity interest in Yan Xu Green Electricity Co., Ltd.
- Note 7: In the first quarter of 2022, the Group established a wholly-owned subsidiary, LNCMac Technology Corp., and in the third quarter of 2022, the first, second and fourth quarter of 2023, the Group did not participate in the capital increase proportionally to its interest, which resulted to a decrease in ownership from 100% to 66.32%.
- Note 8: In the first quarter of 2022, the Group acquired 40% equity interest in AMX, which resulted to an increase in ownership from 60% to 100%.
- Note 9: In the second quarter of 2022, the Group adjusted its investment structure. Accordingly, ACI CN held 100% equity interest in SIoT (China).
- Note 10: In the second quarter of 2022, the Group established a wholly-owned subsidiary, BEST PLC.
- Note 11: In the second quarter of 2022, the Group established a wholly-owned subsidiary, BEST SERVO.
- Note 12: In the fourth quarter of 2022, the Group adjusted its investment structure, and accordingly, the Company held 100% equity interest in ADB.
- Note 13: In the fourth quarter of 2022, the Group established a wholly-owned subsidiary, BEST MACHINE.
- Note 14: In the fourth quarter of 2022, the Group established a wholly-owned subsidiary, BEST AUTOMATION.
- Note 15: In the first quarter of 2023, the Group established a wholly-owned subsidiary, LNCMac DONG GUAN Technology Co., Ltd.
- Note 16: In the second quarter of 2023, the Group made additional investments in ATR, which resulted to an increase in ownership from 60% to 62.4%, and in the fourth quarter of 2023, the Group acquired equity interest in ATR from non-controlling interest, which resulted to an increase in ownership from 62.4% to 80.1%.
- Note 17: In the third quarter of 2023, the Group adjusted its investment structure, and accordingly, the Company held equity interest in AAC (HK).

Note 18: In the third quarter of 2023, the Group adjusted its investment structure, and accordingly, the Company held equity interest in ACI KY.

Note 19: In the third quarter of 2023, the Group acquired 45% equity interest in Cermate Taiwan from non-controlling interest, which resulted to an increase in ownership from 55% to 100%.

Note 20: In the third quarter of 2023, the Group established a wholly-owned subsidiary, LNCMac Furniture Co., Ltd.

Note 21: In the third quarter of 2023, the Group adjusted its investment structure, and accordingly, ASG held 0.1% equity interest in AMX.

Note 22: In the fourth quarter of 2023, the Group acquired 100% equity interest in ABO.

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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes 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 recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized 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 recognized 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 recognized 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

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 recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes 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 recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes 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 recognized 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 costs of completion and the estimated costs necessary to make the sale.

(15) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(16) 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 recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized 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 recognize 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 recognizes 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 recognized 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 recognized in profit or loss.

- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized 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 recognized 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 recognized 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 recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(17) 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 recognized 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 derecognized. 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

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

- A. Leases are recognized 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 recognized 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 recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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 recognized 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 recognize the difference in profit or loss.

(19) 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 recognized 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 1 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

(20) 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 recognized 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 recognizing 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 recognized.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized 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.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized 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 recognized in profit or loss over the period of the borrowings using the effective interest method.

(22) 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.

(23) 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 recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(24) Derecognition of financial liabilities

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

(25) 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 recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Non-hedging derivatives

Non-hedging derivatives are initially recognized 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 recognized in profit or loss.

(27) Provisions for liabilities

Provisions are recognized 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 recognized as interest expense. Provisions are not recognized for future operating losses.

(28) 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 recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized 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 recognized 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 recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized 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 recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes 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 recognized 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.

(29) 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 recognized 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 recognized 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.

(30) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, 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 and does not give rise to equal taxable and deductible temporary differences. 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 recognized 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, unrecognized and recognized 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 recognized 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 recognized 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.

(31) 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.

(32) 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.

(33) 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 recognized 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 recognize 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 recognized as a provision.
- (c) A receivable is recognized 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 recognized when services are provided.

(34) Government grants

Government grants are recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(35) 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 recognized 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 recognized 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 recognized directly in profit or loss on the acquisition date.

(36) 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, 2023, the carrying amount of inventories was \$9,803,796.

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, 2023, the Group recognized goodwill, net of impairment loss, amounting to \$2,288,276.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 608	\$ 1,212
Checking accounts and demand deposits	9,134,599	10,578,869
Cash equivalents (time deposits with original maturities less than three months)	1,876,373	1,449,704
	<u>\$ 11,011,580</u>	<u>\$ 12,029,785</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, 2023</u>	<u>December 31, 2022</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	\$ 17,160	\$ 936
Non-derivative financial assets		
Beneficiary certificates	8,566,902	3,181,146
Convertible corporate bonds	34,965	29,100
	<u>\$ 8,619,027</u>	<u>\$ 3,211,182</u>
<u>Financial assets - non-current</u>		
Mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
Listed and OTC stocks	\$ 186,017	\$ 187,708
Unlisted and non-OTC stocks	139,496	143,264
Beneficiary certificates	2,213,735	2,271,409
Ordinary corporate bonds	257,988	101,050
Convertible corporate bonds	109,184	-
	<u>\$ 2,906,420</u>	<u>\$ 2,703,431</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities - current</u>		
Mandatorily measured at fair value through profit or loss		
Derivative instruments (not under hedge accounting)		
Forward foreign exchange contracts	\$ <u>635</u>	\$ <u>21,634</u>

A. Amounts recognized 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>2023</u>	<u>2022</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Non-derivative instruments	\$ 127,473	(\$ 156,952)
Derivative instruments	(39,660)	(32,463)
	<u>\$ 87,813</u>	<u>(\$ 189,415)</u>

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

Derivative financial assets:

<u>December 31, 2023</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	CNY/NTD	2024.01~2024.02	CNY 50,000/NTD 219,452
foreign exchange	EUR/NTD	2024.01~2024.02	EUR 5,500/NTD 188,828
	JPY/NTD	2024.02	JPY 10,000/NTD 2,206
	USD/NTD	2024.01~2024.02	USD 15,500/NTD 488,012
<u>December 31, 2022</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	CNY/NTD	2023.01~2023.02	CNY 37,000/NTD 164,020
foreign exchange	JPY/NTD	2023.01	JPY 20,000/NTD 4,652

Derivative financial liabilities:

<u>December 31, 2023</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	EUR/NTD	2024.02	EUR 1,500/NTD 50,744
foreign exchange	JPY/NTD	2024.01~2024.02	JPY 50,000/NTD 10,646
	USD/NTD	2024.02	USD 1,000/NTD 30,500
<u>December 31, 2022</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	USD/NTD	2023.01~2023.03	USD 6,000/NTD 183,082
foreign exchange	EUR/NTD	2023.01~2023.05	EUR 16,700/NTD 529,476
	CNY/NTD	2023.03~2023.04	CNY 27,000/NTD 118,081
	JPY/NTD	2023.01~2023.06	JPY 260,000/NTD 57,747

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

	December 31, 2023	December 31, 2022
Listed and OTC stocks	\$ 2,465,721	\$ 1,648,197
Unlisted and non-OTC stocks	485,513	551,359
	<u>\$ 2,951,234</u>	<u>\$ 2,199,556</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 recognizing 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 recognized 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,	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 1,136,167	(\$ 310,640)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	\$ 112,115	\$ -
Dividend income recognized in profit or loss		
Held at end of year	\$ 199,584	\$ 234,879
Derecognized during the year	12,496	-
	<u>\$ 212,080</u>	<u>\$ 234,879</u>

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

Items	December 31, 2023	December 31, 2022
Current items:		
Time deposits	\$ 1,569,168	\$ 139,910
Non-current items:		
Time deposits	\$ 61,410	\$ -

- A. As of December 31, 2023 and 2022, 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 were \$1,630,578 and \$139,910, 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). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that probability of counterparty default is remote.

(5) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 1,294,115	\$ 1,435,641
Less: Allowance for uncollectible accounts	(798)	(818)
	<u>\$ 1,293,317</u>	<u>\$ 1,434,823</u>
Accounts receivable	\$ 8,114,254	\$ 9,764,037
Less: Allowance for uncollectible accounts	(153,028)	(122,473)
	<u>\$ 7,961,226</u>	<u>\$ 9,641,564</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 8,220,242	\$ 10,067,584
Less than 90 days past due	978,515	986,491
Between 91 to 180 days past due	55,847	55,963
Over 181 days past due	153,765	89,640
	<u>\$ 9,408,369</u>	<u>\$ 11,199,678</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 \$10,328,870 at January 1, 2022.
- C. The Group does not hold collateral as security for accounts receivable.
- D. As of December 31, 2023 and 2022, 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 \$1,293,317 and \$1,434,823, respectively. The maximum exposures to credit risk in respect of the amount that best represents the Group's accounts receivable were \$7,961,226 and \$9,641,564, respectively.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,526,797	(\$ 776,460)	\$ 4,750,337
Work in progress	637,874	(8,294)	629,580
Finished goods	3,534,808	(274,698)	3,260,110
Inventory in transit	1,163,769	-	1,163,769
	<u>\$ 10,863,248</u>	<u>(\$ 1,059,452)</u>	<u>\$ 9,803,796</u>
December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 7,407,878	(\$ 687,919)	\$ 6,719,959
Work in progress	1,210,965	(27,894)	1,183,071
Finished goods	5,176,003	(282,156)	4,893,847
Inventory in transit	1,210,888	-	1,210,888
	<u>\$ 15,005,734</u>	<u>(\$ 997,969)</u>	<u>\$ 14,007,765</u>

The cost of inventories recognized as expense for the year:

For the years ended December 31,		
	2023	2022
Cost of goods sold	\$ 37,655,565	\$ 42,208,532
Loss on decline in market value (gain from price recovery)	76,546 (	13,408)
Others	673,772	436,474
	<u>\$ 38,405,883</u>	<u>\$ 42,631,598</u>

The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because some inventories which were previously provided with allowance for valuation loss were subsequently sold during the year ended December 31, 2022.

(7) Investments accounted for under equity method

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Associates that are not individually material</u>		
<u>Listed and OTC companies</u>		
Axiomtek Co., Ltd. (Axiomtek)	\$ 1,077,036	\$ 1,004,985
Winmate Inc. (Winmate)	663,771	610,406
AzureWave Technologies, Inc. (AzureWave)	775,429	697,753
Nippon RAD Inc. (Nippon RAD)	252,609	257,187
Mildex Optical Inc. (Mildex)	178,362	164,948
Hwacom Systems Inc. (Hwacom)	458,363	456,377
Information Technology Total Services Co., Ltd. (ITTS)	140,237	160,480
<u>Unlisted and non-OTC companies</u>		
International Integrated Systems, Inc. (IISI)	278,221	286,522
CDIB Innovation Accelerator Co., Ltd. (CDIB)	286,793	286,711
VSO Electronics Co., Ltd. (VSO)	177,684	185,187
Feng Sang Enterprise Co., Ltd. (Feng Sang)	124,293	115,820
Others	291,835	156,862
	<u>\$ 4,704,633</u>	<u>\$ 4,383,238</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 fourth quarter of 2022, Foshan Technology made a cash capital increase. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased to 25.36%. In the third quarter of 2023, Foshan Technology made a cash capital increase. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 25.36% to 21.88%.
- (b) In the first quarter of 2022, the Group invested in Spingence Technology Co., Ltd. ("Smasoft") for a cash consideration of \$13,050, which resulted to an increase in its equity interest from 24.07% to 25.63%.
- (c) In the fourth quarter of 2022, Dotzero Co., Ltd. ("Dotzero") made a cash capital increase. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 25.71% to 10.38%. However, the Group continues to hold significant influence over Dotzero as the Group remains as one of its directors.
- (d) In the first quarter of 2022, the Group disposed 4.71% equity interest in I-Link Co., Ltd. ("i-Link") for a cash consideration of \$940, which resulted to a decrease in its equity interest from 20.13% to 15.42%. As the Group lost significant influence, the investment in i-Link accounted for under equity method was reclassified as financial assets at fair value through other comprehensive income - non-current.

- (e) In the second quarter of 2022, the Group acquired 43.01% equity interest in Expetech Co., Ltd. for a cash consideration of \$40,000.
- (f) During the first to the third quarter in 2022, VSO made a capital increase. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 14.29% to 12.94%. In addition, the Group disposed 0.39% equity interest in VSO for a cash consideration of \$13,292, which resulted to a decrease in its equity interest from 12.94% to 12.55%. In the third quarter of 2023, VSO converted employee share options into common shares, which resulted to a decrease in its equity interest from 12.55% to 12.51%. However, the Group continues to hold significant influence over VSO as the Group remains as one of its directors.
- (g) During 2022 and 2023, Hwacom converted the corporate bonds into common shares, and accordingly, the Group's equity interest decreased to 17.54%. However, the Group continues to hold significant influence over Hwacom as the Group remains as one of its directors.
- (h) In the first quarter of 2023, the Group disposed its equity interest in Tianjin Anjie IoT Science and Technology Co., Ltd. (Anjie) for a cash consideration of \$2,656.
- (i) In the first quarter of 2023, the Group acquired 30.00% equity interest in Encore Med Sdn Bhd (Encore Med) for a cash consideration of \$54,274.
- (j) In the second quarter of 2023, the Group acquired 30.56% equity interest in Eli Co., Ltd. (Eli) for a cash consideration of \$5,500. In the third quarter of 2023, the Group acquired equity interest in Eli for a cash consideration of \$500. However, as the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 30.56% to 30.00%. In the fourth quarter of 2023, the Group did not subscribe to the capital increase in proportion to its shareholding percentage, and accordingly, its equity interest decreased from 30.00% to 20.00%.
- (k) In the second quarter of 2023, the Group disposed part of its equity interest in Information Technology Total Services Co., Ltd. (ITTS) for a cash consideration of \$14,853. In the third quarter of 2023, the Group disposed part of its equity interest in ITTS for a cash consideration of \$19,706. In the fourth quarter of 2023, the Group disposed part of its equity interest in ITTS for a cash consideration of \$12,541, which resulted to a decrease in its equity interest to 15.63%. However, the Group continues to hold significant influence over ITTS as the Group remains as one of its directors.
- (l) In the third quarter of 2023, AzureWave repurchased employee restricted shares for capital reduction through cancellation, which resulted to an increase in its equity interest from 19.38% to 19.39%. In addition, the Group disposed part of its equity interest in AzureWave for a cash consideration of \$1,445, which resulted to a decrease in its equity interest from 19.39% to 19.37%.
- (m) In the fourth quarter of 2023, the Group acquired 20.00% equity interest in Suzhou AIIST Intelligent Technology Co., Ltd. (AAY) for a cash consideration of \$108,158.

- (n) In the fourth quarter of 2023, Impelex Data Transfer Co., Ltd. (Impelex) made a capital increase. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 20.00% to 16.67%. However, the Group continues to hold significant influence over Impelex as the Group remains as one of its directors.
- (o) During 2023, Axiomtek converted employee share options into common shares, which resulted to a decrease in its equity interest from 27.97% to 27.63%.
- (p) During 2023, Winmate converted employee share options into common shares, which resulted to a decrease in its equity interest from 16.39% to 15.32%.
- 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,	
	2023	2022
Profit for the year from continuing operations	\$ 388,513	\$ 447,404
Other comprehensive income after tax	26,602	136,008
Total comprehensive income	<u>\$ 415,115</u>	<u>\$ 583,412</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value of associates	<u>\$ 6,371,479</u>	<u>\$ 3,911,446</u>

- D. The Group is the single largest shareholder of Axiomtek, Winmate, Hwacom, VSO, iSAP and Feng Sang. Given that other shareholders hold more shares than the Group and the degree of other shareholders involvement in prior shareholders' meeting and record of voting rights for major proposals, which indicates that the Group has no substantial ability to direct the relevant operating and financial 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 and equipment pending acceptance	Total
Balance at January 1, 2023							
Cost	\$ 3,078,714	\$ 8,444,047	\$ 2,283,830	\$ 954,826	\$ 2,190,489	\$ 991,827	\$ 17,943,733
Accumulated depreciation and impairment	-	(3,153,349)	(1,445,966)	(769,670)	(1,535,353)	-	(6,904,338)
	<u>\$ 3,078,714</u>	<u>\$ 5,290,698</u>	<u>\$ 837,864</u>	<u>\$ 185,156</u>	<u>\$ 655,136</u>	<u>\$ 991,827</u>	<u>\$ 11,039,395</u>
Balance at January 1, 2023	\$ 3,078,714	\$ 5,290,698	\$ 837,864	\$ 185,156	\$ 655,136	\$ 991,827	\$ 11,039,395
Additions	-	452,221	205,765	76,897	176,560	286,144	1,197,587
Acquired from business combinations	-	-	-	315	424	-	739
Disposals	-	(2,117)	(485)	(4,698)	(990)	-	(8,290)
Depreciation	-	(226,532)	(153,687)	(76,774)	(209,311)	-	(666,304)
Reclassifications	(144,820)	863,507	41,392	951	28,457	(955,427)	(165,940)
Net exchange differences	(12,670)	(34,622)	(10,427)	(790)	(11,393)	(1,240)	(71,142)
Balance at December 31, 2023	<u>\$ 2,921,224</u>	<u>\$ 6,343,155</u>	<u>\$ 920,422</u>	<u>\$ 181,057</u>	<u>\$ 638,883</u>	<u>\$ 321,304</u>	<u>\$ 11,326,045</u>
Balance at December 31, 2023							
Cost	\$ 2,921,224	\$ 9,569,679	\$ 2,397,115	\$ 871,739	\$ 2,228,038	\$ 321,304	\$ 18,309,099
Accumulated depreciation and impairment	-	(3,226,524)	(1,476,693)	(690,682)	(1,589,155)	-	(6,983,054)
	<u>\$ 2,921,224</u>	<u>\$ 6,343,155</u>	<u>\$ 920,422</u>	<u>\$ 181,057</u>	<u>\$ 638,883</u>	<u>\$ 321,304</u>	<u>\$ 11,326,045</u>

	Freehold land	Buildings	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment pending acceptance	Total
Balance at January 1, 2022							
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>
Balance at January 1, 2022	\$ 2,967,968	\$ 5,329,894	\$ 728,379	\$ 190,104	\$ 582,702	\$ 447,704	\$ 10,246,751
Additions	73,465	144,342	198,013	71,875	207,419	625,335	1,320,449
Disposals	-	-	(3,764)	(3,339)	(3,378)	-	(10,481)
Depreciation	-	(216,245)	(138,619)	(78,783)	(193,575)	-	(627,222)
Reclassifications	20,133	(15,214)	47,593	938	49,670	(81,211)	21,909
Net exchange differences	17,148	47,921	6,262	4,361	12,298	(1)	87,989
Balance at December 31, 2022	<u>\$ 3,078,714</u>	<u>\$ 5,290,698</u>	<u>\$ 837,864</u>	<u>\$ 185,156</u>	<u>\$ 655,136</u>	<u>\$ 991,827</u>	<u>\$ 11,039,395</u>
Balance at December 31, 2022							
Cost	\$ 3,078,714	\$ 8,444,047	\$ 2,283,830	\$ 954,826	\$ 2,190,489	\$ 991,827	\$ 17,943,733
Accumulated depreciation and impairment	-	(3,153,349)	(1,445,966)	(769,670)	(1,535,353)	-	(6,904,338)
	<u>\$ 3,078,714</u>	<u>\$ 5,290,698</u>	<u>\$ 837,864</u>	<u>\$ 185,156</u>	<u>\$ 655,136</u>	<u>\$ 991,827</u>	<u>\$ 11,039,395</u>

Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(9) Lease agreements - lessee

A. The Group's lease subjects include buildings, transportation equipment, machinery and equipment, office equipment and land use rights. Rental contracts are typically made for periods of 1 to 15 years, except for the land use rights which cover periods of 38 to 77 years. The lease contract is negotiated individually and contains various terms and conditions. Except for the leased assets which cannot be used as security for borrowing purposes, there are no other restrictions on the lease.

B. Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount		
Land	\$ 1,372,871	\$ 267,691
Buildings	518,555	291,785
Machinery and equipment	1,582	1,210
Office equipment	8,347	3,447
Transportation equipment	57,357	50,053
Other equipment	6,810	469
	<u>\$ 1,965,522</u>	<u>\$ 614,655</u>
	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Depreciation expenses		
Land	\$ 8,526	\$ 8,578
Buildings	193,256	189,996
Machinery and equipment	736	762
Office equipment	6,459	5,340
Transportation equipment	35,345	40,331
Other equipment	1,625	885
	<u>\$ 245,947</u>	<u>\$ 245,892</u>

C. The additions to right-of-use assets for the years ended December 31, 2023 and 2022 were \$1,596,141 and \$251,305, respectively.

D. Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount		
Current	\$ 106,391	\$ 168,012
Non-current	1,610,905	175,846
	<u>\$ 1,717,296</u>	<u>\$ 343,858</u>

E. Other lease information

	For the years ended December 31,	
	2023	2022
Expense on lease interest	\$ 32,908	\$ 15,136
Expense on short-term lease contracts	\$ 180	\$ 285
Expense on leases of low-value assets	\$ 1,720	\$ 1,300
Total cash outflow for leases	\$ 258,184	\$ 253,077

F. During 2023, ANA acquired the land use right with a lease term of 77 years starting from the date of construction. Under the contract, ANA is entitled to execute the land purchase option in 2034.

(10) Intangible assets

	Trademarks	Customer relationships	Technology licenses	Goodwill	Others	Total
Balance at January 1, 2023						
Cost	\$ 501,520	\$ 569,759	\$ 418,813	\$ 2,913,175	\$ 682,508	\$ 5,085,775
Accumulated amortization and impairment	(429,534)	(346,051)	(393,770)	(665,939)	(461,202)	(2,296,496)
	<u>\$ 71,986</u>	<u>\$ 223,708</u>	<u>\$ 25,043</u>	<u>\$ 2,247,236</u>	<u>\$ 221,306</u>	<u>\$ 2,789,279</u>
Balance at January 1, 2023	\$ 71,986	\$ 223,708	\$ 25,043	\$ 2,247,236	\$ 221,306	\$ 2,789,279
Acquired separately	-	-	-	-	52,069	52,069
Acquired through business combinations	4,289	6,192	-	30,816	19,866	61,163
Disposals	-	-	-	-	(10)	(10)
Amortization	(829)	(34,526)	(25,405)	-	(113,202)	(173,962)
Reclassifications	-	-	-	-	(467)	(467)
Net exchange differences	2,579	(1,709)	362	10,224	10,886	22,342
Balance at December 31, 2023	<u>\$ 78,025</u>	<u>\$ 193,665</u>	<u>\$ -</u>	<u>\$ 2,288,276</u>	<u>\$ 190,448</u>	<u>\$ 2,750,414</u>
Balance at December 31, 2023						
Cost	\$ 508,306	\$ 572,904	\$ 422,615	\$ 2,954,215	\$ 693,325	\$ 5,151,365
Accumulated amortization and impairment	(430,281)	(379,239)	(422,615)	(665,939)	(502,877)	(2,400,951)
	<u>\$ 78,025</u>	<u>\$ 193,665</u>	<u>\$ -</u>	<u>\$ 2,288,276</u>	<u>\$ 190,448</u>	<u>\$ 2,750,414</u>
	Trademarks	Customer relationships	Technology licenses	Goodwill	Others	Total
Balance at January 1, 2022						
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>
Balance at January 1, 2022	\$ 68,906	\$ 237,986	\$ 45,144	\$ 2,092,610	\$ 220,779	\$ 2,665,425
Acquired separately	-	-	-	-	124,429	124,429
Amortization	-	(33,402)	(24,304)	-	(126,260)	(183,966)
Net exchange differences	3,080	19,124	4,203	154,626	2,358	183,391
Balance at December 31, 2022	<u>\$ 71,986</u>	<u>\$ 223,708</u>	<u>\$ 25,043</u>	<u>\$ 2,247,236</u>	<u>\$ 221,306</u>	<u>\$ 2,789,279</u>
Balance at December 31, 2022						
Cost	\$ 501,520	\$ 569,759	\$ 418,813	\$ 2,913,175	\$ 682,508	\$ 5,085,775
Accumulated amortization and impairment	(429,534)	(346,051)	(393,770)	(665,939)	(461,202)	(2,296,496)
	<u>\$ 71,986</u>	<u>\$ 223,708</u>	<u>\$ 25,043</u>	<u>\$ 2,247,236</u>	<u>\$ 221,306</u>	<u>\$ 2,789,279</u>

A. The details of goodwill are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
B+B	\$ 1,374,470	\$ 1,374,694
LNC	227,127	227,127
A-SIoT	166,648	160,469
AEU	135,616	130,530
Others	384,415	354,416
	<u>\$ 2,288,276</u>	<u>\$ 2,247,236</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.

(11) Non-current assets held for sale

To optimize the utilization of assets, the Board of Directors during its meeting on October 30, 2023 adopted a resolution to dispose the Donghu factory's land and buildings, and the Group reclassified the related assets as assets held for sale.

A. Assets of disposal group held for sale:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	\$ 144,820	\$ -
Buildings	93,446	-
Other equipments	75	-
	<u>\$ 238,341</u>	<u>\$ -</u>

B. The fair value less costs to sell of the disposal group held for sale exceeds its carrying amount. Accordingly, there was no impairment. Information relating to fair value is provided in Note 12(3).

(12) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured borrowings</u>		
Credit borrowings	<u>\$ 237,730</u>	<u>\$ 531,330</u>

- A. The range of interest rates on bank loans were 0.23%~4.20% and 0.23%~5.43% per annum as of December 31, 2023 and 2022, respectively.
- B. The interest expense recognized in profit and loss amounted to \$8,042 and \$8,085 for the years ended December 31, 2023 and 2022, respectively.

(13) Other payables

	December 31, 2023	December 31, 2022
Wages and salaries and bonuses payable	\$ 3,219,427	\$ 3,779,290
Employee benefits payable	225,619	217,486
Others	950,044	1,149,885
	<u>\$ 4,395,090</u>	<u>\$ 5,146,661</u>

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2023
Long-term bank borrowings				
Secured borrowings	Borrowing period is from January 27, 2022 to January 27, 2024, interest is payable monthly; principal is payable in full upon maturity	2.94%	Land and building	\$ 118,500
Less: Current portion				(118,500)
				<u>\$ -</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2022
Long-term bank borrowings				
Secured borrowings	Borrowing period is from January 27, 2022 to January 27, 2024, interest is payable monthly; principal is payable in full upon maturity	2.94%	Land and building	\$ 121,500
Less: Current portion				-
				<u>\$ 121,500</u>

- A. The interest expense recognized for the years ended December 31, 2023 and 2022 were \$3,484 and \$3,000, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(15) 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, AJP, AIN and ARI, 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 recognized in the balance sheets are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 459,822	\$ 467,637
Fair value of plan assets	(221,700)	(214,346)
Net defined benefit liability ("recognized as other non-current liabilities")	<u>\$ 238,122</u>	<u>\$ 253,291</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
2023			
Balance at January 1	\$ 467,637	(\$ 214,346)	\$ 253,291
Current service cost	4,855	-	4,855
Interest expense (income)	6,145	(3,269)	2,876
	<u>478,637</u>	<u>(217,615)</u>	<u>261,022</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(980)	(980)
Change in demographic assumptions	(52)	-	(52)
Change in financial assumptions	4,609	-	4,609
Experience adjustments	(6,680)	-	(6,680)
	<u>(2,123)</u>	<u>(980)</u>	<u>(3,103)</u>
Pension payment	(10,754)	5,509	(5,245)
Pension fund contribution	-	(8,619)	(8,619)
Net exchange differences	(5,938)	5	(5,933)
	<u>(16,692)</u>	<u>(3,105)</u>	<u>(19,797)</u>
Balance at December 31	<u>\$ 459,822</u>	<u>(\$ 221,700)</u>	<u>\$ 238,122</u>
2022			
Balance at January 1	\$ 505,362	(\$ 124,613)	\$ 380,749
Current service cost	6,463	-	6,463
Interest expense (income)	2,857	(810)	2,047
	<u>514,682</u>	<u>(125,423)</u>	<u>389,259</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(10,035)	(10,035)
Change in demographic assumptions	249	-	249
Change in financial assumptions	(19,472)	-	(19,472)
Experience adjustments	(5,249)	-	(5,249)
	<u>(24,472)</u>	<u>(10,035)</u>	<u>(34,507)</u>
Pension payment	(18,965)	18,642	(323)
Pension fund contribution	-	(97,533)	(97,533)
Net exchange differences	(3,608)	3	(3,605)
	<u>(22,573)</u>	<u>(78,888)</u>	<u>(101,461)</u>
Balance at December 31	<u>\$ 467,637</u>	<u>(\$ 214,346)</u>	<u>\$ 253,291</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 authorised 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, 2023 and 2022 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,	
	2023	2022
Discount rate	1.11%~1.25%	0.64%~7.56%
Future salary increases rate	3.75%~10.00%	3.75%~7.31%

Future mortality rate was estimated based on actuarial advice in accordance with published statistics and experiences from 6th Taiwan Standard Ordinary Experience Mortality Table, Abridged Life Tables for Japan (2022) 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, 2023				
Effect on present value of defined benefit obligation	(\$ 11,256)	\$ 11,690	\$ 9,022	(\$ 8,761)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 12,101)	\$ 12,581	\$ 9,536	(\$ 9,126)

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, 2024 amount to \$16,292.
- (g) As of December 31, 2023, the weighted average duration of the retirement plans is 9.5~25.53 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 recognize pension expenses at the time of contribution.
- (c) The pension costs under the defined contribution pension plans of the Group were \$439,382 and \$411,324 for the years ended December 31, 2023 and 2022, respectively.

(16) Share-based payment

A. Employee share options granted by the Company

- (a) Qualified employees of the Company were granted 8,000,000 options in 2023, 7,500 options in 2020 and 8,000 options in 2018. Each option entitles the holder to subscribe for one, one thousand and one thousand ordinary shares of the Company, respectively. 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 2023, 2020 and 2018 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 2023 and 2020 were \$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. 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,			
	2023		2022	
	Unit of options (in thousand shares)	Weighted- average exercise price (in dollars)	Unit of options (in thousand shares)	Weighted- average exercise price (in dollars)
Options outstanding at the beginning of the year	13,379	\$ 179.19	17,022	\$ 172.74
Options granted	8,000	200.00	-	-
Options exercised	(2,675)	164.35	(3,513)	124.18
Options forfeited	-	-	(130)	-
Options outstanding at the end of the year	<u>18,704</u>	176.71	<u>13,379</u>	179.19
Options exercisable at the end of the year	<u>9,204</u>	157.68	<u>10,378</u>	175.77

(c) The weighted-average stock price of share options at exercise dates for the years ended December 31, 2023 and 2022 were \$321.5 ~ \$430 (in dollars) and \$269 ~ \$407 (in dollars), respectively.

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

	December 31, 2023		December 31, 2022	
	Exercise price (in dollars)	Weighted-average remaining contractual life (in years)	Exercise price (in dollars)	Weighted-average remaining contractual life (in years)
Issuance in 2023	\$ 200.00	5.71	\$ -	-
Issuance in 2020	169.30	2.58	191.00	3.58
Issuance in 2018	148.20	0.58	167.10	1.58

(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 2023	Issuance in 2020	Issuance in 2018
Grant-date stock price (in dollars)	\$ 342.5	\$ 309	\$ 202.5
Exercise price (in dollars)	\$ 200	\$ 200	\$ 202.5
Expected price volatility	26.82~28.77%	23.28~26.55%	28.42~28.73%
Expected option life (in years)	4 ~ 5.5	4 ~ 5.5	4 ~ 4.5
Expected dividends yield	0%	0%	0%
Risk-free interest rate	1.12~1.15%	0.31~0.35%	0.67~0.69%
Fair value per unit (in dollars)	\$162.92~168.77	\$121.61~133.07	\$47.91~50.38

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

- (f) Compensation cost recognized for the years ended December 31, 2023 and 2022 were \$255,971 and \$233,442, 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,			
	2023		2022	
	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	20	\$ 20	636	\$ 20
Options expired	(20)	20	(616)	20
Options outstanding at the end of the year	<u>-</u>	-	<u>20</u>	20
Options exercisable at the end of the year	<u>-</u>	-	<u>20</u>	20

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

	December 31, 2023		December 31, 2022	
	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	0.33

- (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 volatility was based on the annualized standard deviation of historical rate of investment with the similar industries' stock over the expected option life periods.

- (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 recognized 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

Expected volatility was based on the annualized standard deviation of historical rate of investment with the similar industries' stock over the expected option life periods.

- (f) Compensation cost recognized by the subsidiary, LNC, for the years ended December 31, 2023 and 2022 were \$0 and \$1, respectively.

(17) Share capital

As of December 31, 2023, 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 share options and corporate bonds with warrant), and the paid-in capital was \$8,584,494 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 end of the year are as follows (in thousand shares):

	2023	2022
At January 1	777,977	774,464
Stock dividends	77,797	-
Employee share options exercised	2,675	3,513
At December 31	858,449	777,977

(18) 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.

	December 31, 2023	December 31, 2022
<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	4,172,821	3,580,335
Difference between consideration and carrying amount of subsidiaries acquired or disposed	31,556	31,556
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	11,666	529
Changes in equity of associates accounted for under equity method	71,068	107,479
Employee share options forfeited	96,258	96,258
<u>Not to be used for any purpose</u>		
Employee share options	962,412	886,098
	<u>\$ 9,753,806</u>	<u>\$ 9,110,280</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.

(19) Retained earnings

- A. Under the earnings distribution policy of 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. Where such legal reserve amounts has reached the company's paid-in capital, it may no longer be appropriated. 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. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- 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 2022 and 2021 earnings had been approved by the shareholders on May 25, 2023 and May 26, 2022, respectively.

	For the years ended December 31,	
	2022	2021
Legal reserve	\$ 1,077,901	\$ 814,990
Reversal of special reserve	(\$ 555,794)	(\$ 276,056)
Cash dividends	\$ 7,779,770	\$ 6,195,710
Stock dividends	\$ 777,977	\$ -
Cash dividends per share (in dollars)	\$ 10.0	\$ 8.0
Stock dividends per share (in dollars)	\$ 1.0	\$ -

F. The appropriations of 2023 earnings had been proposed by the Board of Directors on February 27, 2024. Details are summarized as follows:

	For the year ended December 31, 2023
Legal reserve	\$ 1,092,920
Cash dividends	\$ 8,155,269
Cash dividends per share (in dollars)	\$ 9.5

As of February 27, 2024, the appropriation of 2023 earnings stated above has not yet been resolved by the shareholders.

(20) Other equity items

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

	For the years ended December 31,	
	2023	2022
Balance at January 1	(\$ 714,961)	(\$ 1,575,937)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(107,586)	808,414
Share of (loss) profit of associates accounted for under equity method	(4,464)	52,562
Other comprehensive (loss) income recognized for the year	(112,050)	860,976
Balance at December 31	(\$ 827,011)	(\$ 714,961)

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

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ 785,560	\$ 1,018,667
Recognized for the year		
Unrealized gain or loss		
Equity instrument	1,136,167 (	310,640)
Share of (loss) profit of associates accounted for under equity method	(79,627)	78,491
Other comprehensive income (loss)	1,056,540 (	232,149)
Transfer of valuation adjustments to retained earnings		
Equity instrument	(112,115)	-
Share of loss of associates accounted for under equity method	(9,300)	(958)
Balance at December 31	\$ 1,720,685	\$ 785,560

C. Unearned employee benefits compensation

	For the years ended December 31,	
	2023	2022
Balance at January 1	(\$ 4,040)	\$ 1,477
Share of profit (loss) of associates accounted for under equity method	3,671 (	5,517)
Balance at December 31	(\$ 369)	(\$ 4,040)

(21) Non-controlling interest

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ 469,312	\$ 510,264
Loss for the year	(48,197)	(14,518)
Exchange differences on translation of the financial statements of foreign operations	(3,704)	(1,378)
Increase in non-controlling interests arising from decrease in investment in subsidiaries	44,823	24,770
Decrease in non-controlling interests arising from increase in investment in subsidiaries	(93,819)	(26,894)
Increase in non-controlling interests arising from establishment of subsidiaries	-	17,675
Cash dividends distributed by subsidiaries	(19,989)	(40,607)
Balance at December 31	\$ 348,426	\$ 469,312

(22) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 64,567,697	\$ 68,744,701

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, 2023

	Industrial-IoT Group (IIoT)	Embedded- IoT Group (EIoT)	Applied Computing Group (ACG)	Industrial Cloud & Video Group (ICVG)	Service-IoT Group (SIoT)	Advantech Service Plus and Others (AS+ and Others)	Total
Department revenue	\$ 16,750,728	\$ 17,248,687	\$ 9,865,845	\$ 7,583,616	\$ 6,173,074	\$ 6,945,747	\$ 64,567,697

For the year ended December 31, 2022

	Industrial-IoT Group (IIoT)	Embedded- IoT Group (EIoT)	Applied Computing Group (ACG)	Industrial Cloud & Video Group (ICVG)	Service-IoT Group (SIoT)	Advantech Service Plus and Others (AS+ and Others)	Total
Department revenue	\$ 19,322,382	\$ 16,867,967	\$ 9,452,904	\$ 8,653,266	\$ 6,604,165	\$ 7,844,017	\$ 68,744,701

B. Contract liabilities

The Group recognized contract liabilities related to the contract revenue from sales and warranty amounting to \$1,088,750, \$1,313,695 and \$950,692 as of December 31, 2023, December 31, 2022 and January 1, 2022, respectively.

(23) Other income

	For the years ended December 31,	
	2023	2022
Rental income	\$ 30,748	\$ 32,181
Dividend income	224,421	249,959
Others (Note)	139,562	131,335
	\$ 394,731	\$ 413,475

Note: For the years ended December 31, 2023 and 2022, the Group received government grants of \$30,969 and \$17,618 for its engagement in a government's project, respectively. In addition, the expenses or losses incurred which were covered by government grants amounted to \$519 and \$1,708 for the years ended December 31, 2023 and 2022, respectively, and were deducted from the recorded expenses.

(24) Other gains and losses

	For the years ended December 31,	
	2023	2022
Losses on disposal of property, plant and equipment	(\$ 6,045)	(\$ 987)
Gains on disposals of investments	22,480	8,367
Currency exchange gains	28,832	222,576
Gains (losses) on financial assets/liabilities at fair value through profit or loss	87,813	(189,415)
Others	(7,600)	(7,233)
	<u>\$ 125,480</u>	<u>\$ 33,308</u>

(25) Finance costs

	For the years ended December 31,	
	2023	2022
Bank loan interest	\$ 11,526	\$ 11,085
Interest expense on lease liabilities	32,908	15,136
Others	1,120	770
	<u>\$ 45,554</u>	<u>\$ 26,991</u>

(26) Expenses by nature

A. Depreciation and amortisation expenses

	For the years ended December 31,	
	2023	2022
Depreciation categorised by function		
Operating costs	\$ 256,509	\$ 245,486
Operating expenses	655,742	627,628
	<u>\$ 912,251</u>	<u>\$ 873,114</u>
Amortisation of intangible assets categorised by function		
Operating costs	\$ 911	\$ 2,744
Operating expenses	173,051	181,222
	<u>\$ 173,962</u>	<u>\$ 183,966</u>

B. Employee benefit expense

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 11,625,729	\$ 11,991,934
Post-employment benefits		
Defined contribution plan	439,382	411,324
Defined benefit plan	7,731	8,510
	447,113	419,834
Share-based payment		
Equity-settled	255,971	233,443
Other employee benefits	1,144,912	878,595
Total employee benefit expense	<u>\$ 13,473,725</u>	<u>\$ 13,523,806</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 3,026,838	\$ 3,162,445
Operating expenses	10,446,887	10,361,361
	<u>\$ 13,473,725</u>	<u>\$ 13,523,806</u>

- (a) 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, 2023 and 2022, employees' compensation and directors' remuneration were accrued based on a certain percentage of net profit after income tax. The aforementioned amounts were recognized in salary expense.

	For the years ended December 31,	
	2023	2022
Employees' compensation	<u>\$ 740,000</u>	<u>\$ 740,000</u>
Directors' remuneration	<u>\$ 18,625</u>	<u>\$ 14,100</u>

- (b) Employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors on February 24, 2023 were in agreement with those amounts recognized in the 2022 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.

(27) Income taxes

A. Income tax expense:

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

	For the years ended December 31,	
	2023	2022
Current income tax:		
Current tax on profits for the year	\$ 3,031,008	\$ 2,800,861
Difference between prior years' income tax estimation and assessed results	(333,755)	(193,457)
Tax on undistributed earnings	85,168	71,080
Total current tax	2,782,421	2,678,484
Deferred income tax:		
Origination and reversal of temporary differences	(305,055)	21,817
Income tax expense	<u>\$ 2,477,366</u>	<u>\$ 2,700,301</u>

(b) Income tax recognized in other comprehensive income

	For the years ended December 31,	
	2023	2022
Translation of foreign operations	(\$ 28,012)	\$ 215,244
Remeasurement of defined benefit obligations	1,352	7,472
Total	<u>(\$ 26,660)</u>	<u>\$ 222,716</u>

B. Reconciliation between income tax expenses and accounting profit:

	For the years ended December 31,	
	2023	2022
Profit before tax from continuing operations	\$ 13,266,699	\$ 13,442,860
Income tax calculated based on profit before tax and statutory tax rate	3,222,354	3,484,890
Tax exempt income by tax regulation	(189,499)	(168,299)
Tax on undistributed earnings	85,168	71,080
Land value increment tax	-	1,516
Investment tax credits in the current year	(328,172)	(295,630)
Loss carryforwards which were not recognized as deferred tax assets previously and were used in the current year	(207)	(3,719)
Temporary differences not recognized as deferred tax assets	19,022	17,974
Difference between prior year's income tax estimation and assessed results	(333,755)	(193,457)
Taxable loss not recognized as deferred tax assets	206,347	-
Taxable temporary differences associated with investment in foreign subsidiaries not recognized as deferred tax liabilities	(209,445)	(224,583)
Others	5,553	10,529
Income tax expense	<u>\$ 2,477,366</u>	<u>\$ 2,700,301</u>

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

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized profit from sales	\$ 189,766	(\$ 8,392)	\$ -	\$ 181,374
Unrealized decline in value of inventories	137,612	426	-	138,038
Exchange differences on translation of the financial statements of foreign operations	179,335	521	28,012	207,868
Loss carryforwards	16,365	425	-	16,790
Defined benefit pension plans	32,090	(4,257)	-	27,833
Unrealized provisions for warranty	40,953	(4,302)	-	36,651
Remeasurement of defined benefit obligations	24,540	1,515	(1,352)	24,703
Allowance for uncollectible accounts in excess of allowable limit	3,737	2,182	-	5,919
Bonus payable	15,937	32,952	-	48,889
Research and development expense	-	44,430	-	44,430
Others	59,904	38,391	-	98,295
	<u>\$ 700,239</u>	<u>\$ 103,891</u>	<u>\$ 26,660</u>	<u>\$ 830,790</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Investment income from foreign investees accounted for under equity method	\$ 2,122,002	(\$ 225,170)	\$ -	\$ 1,896,832
Defined benefit pension plans	3,362	1,003	-	4,365
Remeasurement of defined benefit obligations	3,990	-	-	3,990
Exchange differences on translation of the financial statements of foreign operations	3,921	(293)	-	3,628
Unrealized exchange gains	320	6,432	-	6,752
Property, plant and equipment depreciation difference between tax and financial report	192	891	-	1,083
Financial assets at fair value through profit or loss	1,611	7,884	-	9,495
Others	1,908	8,089	-	9,997
	<u>\$ 2,137,306</u>	<u>(\$ 201,164)</u>	<u>\$ -</u>	<u>\$ 1,936,142</u>

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized profit from sales	\$ 141,009	\$ 48,757	\$ -	\$ 189,766
Unrealized decline in value of inventories	134,819	2,793	-	137,612
Exchange differences on translation of the financial statements of foreign operations	395,242 (	663) (	215,244)	179,335
Loss carryforwards	-	16,365	-	16,365
Defined benefit pension plans	30,746	1,344	-	32,090
Unrealized foreign exchange losses	684 (	684)	-	-
Unrealized provisions for warranty	33,030	7,923	-	40,953
Remeasurement of defined benefit obligations	46,294 (	14,282) (	7,472)	24,540
Allowance for uncollectible accounts in excess of allowable limit	1,305	2,432	-	3,737
Impairment loss	43,013 (	43,013)	-	-
Others	159,533	83,692)	-	75,841
	<u>\$ 985,675</u>	<u>(\$ 62,720)</u>	<u>(\$ 222,716)</u>	<u>\$ 700,239</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Investment income from foreign investees accounted for under equity method	\$ 2,130,217	(\$ 8,215)	\$ -	\$ 2,122,002
Defined benefit pension plans	-	3,362	-	3,362
Remeasurement of defined benefit obligations	3,990	-	-	3,990
Exchange differences on translation of the financial statements of foreign operations	3,606	315	-	3,921
Unrealized exchange gains	410 (	90)	-	320
Property, plant and equipment depreciation difference between tax and financial report	3,133 (	2,941)	-	192
Intangible assets and goodwill amortization difference between tax and financial report	32,662 (	32,662)	-	-
Others	4,191	672)	-	3,519
	<u>\$ 2,178,209</u>	<u>(\$ 40,903)</u>	<u>\$ -</u>	<u>\$ 2,137,306</u>

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

December 31, 2023			
Tax credit source	Remaining credit amount	Unrecognized deferred income tax assets	Expiry year
Research and development expenditures	\$ 8,993	\$ 8,993	Note

December 31, 2022			
Tax credit source	Remaining credit amount	Unrecognized deferred income tax assets	Expiry year
Research and development expenditures	\$ 7,030	\$ 7,030	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.

- E. Unused tax losses and amounts of unrecognized deferred tax assets in the consolidated balance sheets:

	December 31, 2023	December 31, 2022
Expiry in 2027	\$ 71,664	\$ -
Expiry in 2028	740,044	-
Expiry in 2031 to 2033	12,854	-
	<u>\$ 824,562</u>	<u>\$ -</u>

- F. The Group did not recognize taxable temporary differences associated with investments in subsidiaries as deferred income tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary differences unrecognized as deferred income tax liabilities were \$3,885,555 and \$2,838,330, respectively.
- G. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.
- H. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.
- I. The Group's exposure to Pillar Two income taxes arising from the Pillar Two legislation is as follows:

The Group is within the scope of the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD). Since Pillar Two legislation was enacted in European Union and England, and will come into effect from January 1, 2024, the Group has no

related current tax exposure as of December 31, 2023. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

(28) Earnings per share

	Unit: expressed in dollars per share	
	For the years ended December 31,	
	2023	2022
Basic earnings per share	\$ 12.65	\$ 12.60
Diluted earnings per share	\$ 12.52	\$ 12.46

The weighted average number of shares outstanding used for the computation of earnings per share was adjusted retroactively for the issuance of bonus shares or share splits on July 10, 2023.

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,	
	2023	2022
Earnings used in the computation of basic earnings per share	\$ 10,837,530	\$ 10,757,077
Earnings used in the computation of diluted earnings per share	\$ 10,837,530	\$ 10,757,077

	Unit: expressed in thousand shares	
	For the years ended December 31,	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	856,843	854,049
Assumed conversion of all dilutive potential ordinary shares		
Employee share options	6,263	6,667
Employees' compensation	2,308	2,773
Weighted average number of ordinary shares used in the computation of diluted earnings per share	865,414	863,489

(29) Transactions with non-controlling interest

A. Acquisition of additional interests in subsidiaries:

- In the first quarter of 2022, the Group acquired 40% equity interest in AMX, resulting to an increase in the Group's equity investment in AMX from 60% to 100%.
- In the second quarter of 2023, the Group made additional investments in ATR, which resulted to an increase in ownership from 60% to 62.40%, and in the fourth quarter of 2023, the Group

acquired equity interest in ATR from non-controlling interest, which resulted to an increase in ownership from 62.40% to 80.10%.

- (c) In the third quarter of 2023, the Group acquired 45% equity interest in Cermate Taiwan from non-controlling interest, resulting to an increase in the Group's equity investment in Cermate Taiwan from 55% to 100%.

	For the year ended December 31, 2023		
		Cermate	
	ATR	Taiwan	Total
Consideration paid	(\$ 47,126)	(\$ 189,000)	(\$ 236,126)
Proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	6,242	87,577	93,819
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(\$ 40,884)	(\$ 101,423)	(\$ 142,307)
<u>Line items adjusted for equity transactions</u>			
Unappropriated retained earnings	(\$ 40,884)	(\$ 101,423)	(\$ 142,307)

	For the year ended December 31, 2022	
	AMX	
Consideration paid	(\$	31,508)
Proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests		26,894
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(\$	4,614)
<u>Line items adjusted for equity transactions</u>		
Unappropriated retained earnings	(\$	4,614)

B. Disposal of equity interest in a subsidiary (that did not result in a loss of control)

In the third quarter of 2022, the Group disposed 3.50% equity interest in LNC Technology Co., Ltd., resulting to a decrease in the Group's equity investment in LNC from 48.10% to 44.60%.

	For the year ended December 31, 2022	
Consideration received	\$	29,312
Proportionate share of the carrying amount of the net assets of the subsidiary transferred into non-controlling interests	(	20,884)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	\$	8,428
<u>Line items adjusted for equity transactions</u>		
Capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed	\$	8,428

C. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary:

In the third quarter of 2022, the Group did not participate in the capital increase proportionally to its interest, resulting to a decrease in the Group's equity investment in LNCMac Technology Corp. from 100% to 87.27%. In the first, second and fourth quarter of 2023, the Group did not participate in the capital increase proportionally to its interest continually, resulting to a decrease in the Group's equity investment in LNCMac Technology Corp. from 87.27% to 66.32%.

	For the years ended December 31,	
	2023	2022
	LNCMac	LNCMac
Cash	\$ 55,960	\$ 4,200
Proportionate share of the carrying amount of the net assets of the subsidiary transferred in non-controlling interests	(44,823)	(3,886)
Capital surplus - changes in ownership interest in subsidiaries	\$ 11,137	\$ 314

(30) Business combinations

A. On October 2, 2023, the Group acquired 100% of the share capital of ABO for a cash consideration of \$108,360 and obtained the control over ABO.

B. The following table summarises the consideration paid for ABO and the fair values of the assets acquired and liabilities assumed at the acquisition date at the acquisition date:

	<u>October 2, 2023</u>
Purchase consideration	
Cash paid	\$ 108,360
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	5,127
Accounts receivable	12,626
Inventories	25,395
Other current assets	78
Property, plant and equipment	739
Intangible assets	30,347
Deferred income tax assets	8,636
Other non-current assets	502
Accounts payable	(3,535)
Other payables	(2,371)
Total identifiable net assets	<u>77,544</u>
Goodwill	<u>\$ 30,816</u>

C. The operating revenue included in the consolidated statement of comprehensive income since October 2, 2023 contributed by ABO was \$11,312. ABO also contributed loss before income tax of (\$8,453) over the same period. Had ABO been consolidated from January 1, 2023, the consolidated statement of comprehensive income would show operating revenue of \$76,267 and profit before income tax of \$1,053.

(31) Changes in liabilities from financing activities

	<u>2023</u>			
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total
At January 1	\$ 531,330	\$ 121,500	\$ 343,858	\$ 996,688
Changes in cash flow from financing activities	(275,840)	-	(256,284)	(532,124)
Increase	-	-	1,596,141	1,596,141
Others (Note)	(17,760)	(3,000)	33,581	12,821
At December 31	<u>\$ 237,730</u>	<u>\$ 118,500</u>	<u>\$ 1,717,296</u>	<u>\$ 2,073,526</u>

	2022			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Total
At January 1	\$ 255,700	\$ -	\$ 317,406	\$ 573,106
Changes in cash flow from financing activities	279,530	121,500	(251,492)	149,538
Others (Note)	(3,900)	-	277,944	274,044
At December 31	<u>\$ 531,330</u>	<u>\$ 121,500</u>	<u>\$ 343,858</u>	<u>\$ 996,688</u>

Note: Including exchange differences and lease modification.

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
i-Link Co., Ltd.	Associate (Note)
DotZero Co., Ltd.	Associate
Mildex Optical Inc.	Associate
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 (Jian) Co., Ltd.	Associate
VSO Electronics (Suzhou) Co., Ltd.	Associate
International Integrated System, Inc.	Associate
Freedom System Inc.	Associate
Expotech Co., Ltd.	Associate
Honghua Electronic Technology (Shanghai) Co., Ltd.	Associate

Names of related parties	Relationship with the Group
Feng Sang Enterprise Co., Ltd.	Associate
RFD Micro Electricity Co., Ltd.	Associate
Suzhou AIIST Intelligent Technology Co., Ltd.	Associate
LNC Rich investment Co., Ltd.	Other related party
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
OYALIN Co., Ltd.	Other related party
Oya System Furniture Design Ltd.	Other related party

Note: In March 2022, the Group disposed certain part of the investment and lost significant influence. Accordingly, the entity was not anymore considered an associate after the disposal.

(3) Significant related party transactions

A. Operating revenue

	For the years ended December 31,	
	2023	2022
Associates	\$ 79,773	\$ 149,526
Other related parties	6,416	3,896
	<u>\$ 86,189</u>	<u>\$ 153,422</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 and other operating costs

	For the years ended December 31,	
	2023	2022
Purchases of goods:		
Associates	\$ 314,294	\$ 458,963
Purchases of services:		
Associates	1	2,169
Other related parties	-	30
	<u>\$ 314,295</u>	<u>\$ 461,162</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, 2023</u>	<u>December 31, 2022</u>
Accounts receivable - related parties		
Associates	\$ 15,551	\$ 32,300
Other related parties	1,183	100
	<u>\$ 16,734</u>	<u>\$ 32,400</u>
Other receivables - related parties		
Associates	\$ 922	\$ -
Other related parties	-	890
	<u>\$ 922</u>	<u>\$ 890</u>

The outstanding receivables due from related parties mainly pertain to sales transactions and are unsecured and no allowance for uncollectible accounts was recognized. Other receivables are dividends receivable and payments on behalf of related parties.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes and accounts payable - related parties		
Associates	\$ 57,089	\$ 82,002
Other payables - related parties		
Associates	\$ 3,537	\$ 2,733

The outstanding payables due from related parties pertain to purchase transactions and are unsecured.

E. Prepayments to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other current assets		
Associates	\$ 20,778	\$ 18,693

Prepayments to related parties mainly pertain to prepaid software usage fee.

F. Property transactions

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Acquisition of property, plant and equipment		
Associates	\$ 1,285	\$ 484
Other related parties		
AIDC Investment Corp. (Note)	200,000	-
	<u>\$ 201,285</u>	<u>\$ 484</u>

Note: The Board of Directors during its meeting on October 30, 2023 adopted a resolution to purchase the land located at the Hwa Ya Technology Park from AIDC Investment Corp. for the purpose of plant construction. The land purchase agreement was signed on November 27, 2023, for a total price of \$1,873,080. The Company has already paid the first installment of \$200,000 on December 12, 2023, with the remaining amount expected to be made within thirty days after the transfer of ownership of the land to the Company.

G. Other related party transactions

(a) Operating expenses

	For the years ended December 31,	
	2023	2022
Selling expenses		
Associates	\$ 196	\$ 43
General and administrative expense		
Associates	\$ 44,146	\$ 8,422
Research and development expense		
Associates	\$ 7,910	\$ 9,050

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) Interest income

	For the years ended December 31,	
	2023	2022
Interest income		
Associates	\$ 2	\$ 124

(c) Other income

	For the years ended December 31,	
	2023	2022
Rental income		
Other related parties	\$ 1,431	\$ 1,431
Other income		
Associates	\$ 96	\$ 64
Other related parties	10,426	10,434
	\$ 10,522	\$ 10,498

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.

(d) Dividend income

	For the years ended December 31,	
	2023	2022
Associates (classified as a deduction of investment accounted for under equity method)	\$ 199,101	\$ 184,112

(4) Key management compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 47,969	\$ 37,130
Post-employment benefits	564	423
Share-based payment	16,388	18,474
	\$ 64,921	\$ 56,027

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Pledged deposits (classified as financial assets at amortised cost - current)	\$ 14,176	\$ 10,832	Lease mortgage
Demand deposits (classified as other non-current assets - other)	4,343	1,322	Performance guarantee
Property, plant and equipment			
Land	99,594	102,116	Long-term borrowings
Buildings	127,812	134,565	Long-term borrowings
	\$ 245,925	\$ 248,835	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Refer to Note 7(3) 6.

B. As of December 31, 2023, the Group has signed a contract for the construction of Linkou Smart Campus Phase III, but which has not yet been incurred amounting to \$132,092.

C. As of December 31, 2023, the Group has signed a contract for the acquisition of land at the Hwa Ya Technology Park from AIDC Investment Corp., but which has not yet been incurred amounting

to \$1,673,080.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. Refer to Note 6(19) 6.

B. On February 23, 2024, Advantech Corporate Investment (ACI) was approved to participate in Apacer Technology Inc.'s private placement of common shares. ACI is expected to subscribe to 6,041,000 shares at a unit price of \$48, for a total amount of \$289,968.

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 2023, the Group's strategy was to maintain the ratio within reasonable range, which was unchanged from 2022.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</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	\$ 11,525,447	\$ 5,914,613
Financial assets at amortised cost (Note 1)	22,070,911	23,440,301
Financial assets at fair value through other comprehensive income		
Equity instruments	2,951,234	2,199,556
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	635	21,634
Financial liabilities at amortised cost (Note 2)	10,840,114	12,925,909
Lease liabilities	1,717,296	343,858

Note 1: The balances included cash and cash equivalents, financial assets at amortised cost, 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 and long-term borrowings (including current portion), etc.

B. Financial risk management policies

- (a) The Group's major financial instruments included equity investments, accounts receivable, notes and 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 recognized in financial assets or liabilities at fair value through profit or loss. Refer to Note 6(2).
- iii. The group entities' 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, 2023			
	Foreign currency		Book value
	amount	Exchange rate	
(Foreign currency: functional currency)	(in thousands)		(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 213,207	30.705	\$ 6,546,507
CNY:NTD	998,274	4.327	4,319,531
EUR:NTD	22,004	33.980	747,699
USD:CNY	85,547	7.0961	2,626,731
USD:EUR	30,701	0.9036	942,688
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	115,131	30.705	3,535,111
CNY:NTD	475,588	4.327	2,057,868
USD:CNY	29,198	7.0961	896,537
USD:EUR	11,776	0.9036	361,592

	December 31, 2022		
(Foreign currency: functional currency)	Foreign currency		Book value
	amount (in thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 265,547	30.71	\$ 8,154,957
CNY:NTD	647,850	4.408	2,855,721
EUR:NTD	51,930	32.72	1,699,136
USD:CNY	63,014	6.9669	1,935,147
USD:EUR	37,343	0.9386	1,146,815
CNY:USD	3,087	0.1435	13,605
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	113,611	30.71	3,489,007
CNY:NTD	349,233	4.408	1,539,418
USD:CNY	37,743	6.9669	1,159,079
USD:EUR	15,805	0.9386	485,377
EUR:NTD	126	32.72	4,132

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains were \$28,832 and \$222,576, 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 is mainly exposed to the exchange rate fluctuation of USD, EUR and CNY.

- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2023				
Sensitivity Analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 65,465	\$	-
CNY:NTD	1%	43,195		-
EUR:NTD	1%	7,477		-
USD:CNY	1%	26,267		-
USD:EUR	1%	9,427		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	35,351		-
CNY:NTD	1%	20,579		-
USD:CNY	1%	8,965		-
USD:EUR	1%	3,616		-

For the year ended December 31, 2022				
Sensitivity Analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 81,550	\$	-
CNY:NTD	1%	28,557		-
EUR:NTD	1%	16,991		-
USD:CNY	1%	19,351		-
USD:EUR	1%	11,468		-
CNY:USD	1%	136		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	34,890		-
CNY:NTD	1%	15,394		-
USD:CNY	1%	11,591		-
USD:EUR	1%	4,854		-
EUR:NTD	1%	41		-

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, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
- Financial assets	\$ 3,506,951	\$ 1,589,614
- Financial liabilities	1,913,786	674,158
Cash flow interest rate risk		
- Financial assets	9,135,027	10,580,081
- Financial liabilities	159,740	322,530

- 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, 2023 and 2022 would have increased by \$44,877 and \$51,288, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. 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 is 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 is 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, 2023 and 2022 would have increased by \$3,255 and \$3,310, 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, 2023 and 2022 would

have increased by \$29,512 and \$21,996, 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 price.

(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 the 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 recognized 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. As there were various loss patterns for different customer geographical segments, the Group adopts respective approaches to prepare the provision matrix for loss allowance based on past due status of the Group's different geographical customer base, and sets out the expected credit loss rate for accounts receivable that are

overdue and based on geographical economic conditions.

- 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 recognized 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, 2023 and 2022 is as follows:

		1~ 90 days	91~ 180 days	181~ 360 days	Over 360 days	
	<u>Not past due</u>	<u>past due</u>	<u>past due</u>	<u>past due</u>	<u>past due</u>	<u>Total</u>
<u>December 31, 2023</u>						
Expected credit loss rate	-	0%~30%	10%~40%	20%~60%	100%	
Total book value	\$ 8,220,242	\$ 978,515	\$ 55,847	\$ 82,768	\$ 70,199	\$ 9,407,571
Loss allowance (lifetime expected credit losses)	-	(30,719)	(15,872)	(36,238)	(70,199)	(153,028)
Amortised cost	<u>\$ 8,220,242</u>	<u>\$ 947,796</u>	<u>\$ 39,975</u>	<u>\$ 46,530</u>	<u>\$ -</u>	<u>\$ 9,254,543</u>
		1~ 90 days	91~ 180 days	181~ 360 days	Over 360 days	
	<u>Not past due</u>	<u>past due</u>	<u>past due</u>	<u>past due</u>	<u>past due</u>	<u>Total</u>
<u>December 31, 2022</u>						
Expected credit loss rate	-	0%~30%	10%~40%	20%~60%	100%	
Total book value	\$10,067,584	\$ 986,491	\$ 55,963	\$ 28,961	\$ 51,980	\$11,190,979
Loss allowance (lifetime expected credit losses)	-	(34,414)	(16,280)	(11,918)	(51,980)	(114,592)
Amortised cost	<u>\$10,067,584</u>	<u>\$ 952,077</u>	<u>\$ 39,683</u>	<u>\$ 17,043</u>	<u>\$ -</u>	<u>\$11,076,387</u>

- vii. The Group individually assesses the customers that have low credit rating and default. As of December 31, 2023 and 2022, the carrying amount of notes and accounts receivable amounted to \$798 and \$8,699, respectively, the expected credit loss rate is 100%, and the Group has provided loss allowance amounting to \$798 and \$8,699, respectively.

viii. The movements of the loss allowance of notes and accounts receivable are as follows:

	2023	2022
Balance at January 1	\$ 123,291	\$ 74,847
Impairment loss	32,131	50,702
Amounts written off (Note)	(1,648)	(2,260)
Net exchange differences	52	2
Balance at December 31	<u>\$ 153,826</u>	<u>\$ 123,291</u>

Note: The Group wrote off accounts receivable and related loss allowance for the years ended December 31, 2023 and 2022 amounting to \$1,648 and \$2,260, respectively, as the customers' accounts receivable have 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 fair value through profit or loss, the credit rating levels are presented below:

	December 31, 2023			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 1,630,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,630,578</u>
Financial assets at fair value through profit or loss	<u>\$ 402,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,137</u>
	December 31, 2022			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 139,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,910</u>
Financial assets at fair value through profit or loss	<u>\$ 130,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,150</u>

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 assets at fair value through profit or loss held by Group are convertible corporate bonds issued by listed and OTC companies and ordinary corporate bonds issued by public company. The credit risk rating has no significant abnormal situation.

(c) Liquidity risk

- i. 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.
- ii. The Group relies on bank borrowings as one of the significant source of liquidity. As of December 31, 2023 and 2022, the Group's undrawn bank borrowing facilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured borrowing facilities		
- Amount used (Note)	\$ 253,096	\$ 538,067
- Amount unused	<u>6,893,319</u>	<u>5,983,003</u>
	<u>\$ 7,146,415</u>	<u>\$ 6,521,070</u>
Secured bank overdraft facilities		
- Amount used (Note)	<u>\$ 118,500</u>	<u>\$ 121,500</u>

Note: As of December 31, 2023 and 2022, the amounts used or drawn by the Group from the unsecured bank overdraft facilities were recorded as borrowings amounting to \$356,230 and \$652,830, respectively, and lease and salary guarantees amounting to \$15,366 and \$6,737, 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 borrowing 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.

For non-derivative financial liabilities subject to floating interest rates, the undiscounted amounts were derived from the interest rate curve at the balance sheet date.

December 31, 2023

	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	\$ 7,395,636	\$ 1,766,642	\$ 1,321,606	\$ -
Lease liability	22,603	44,935	181,001	1,916,489
Floating rate instruments	60,015	50,350	50,969	-
Fixed rate instruments	118,815	65,197	12,930	-
	<u>\$ 7,597,069</u>	<u>\$ 1,927,124</u>	<u>\$ 1,566,506</u>	<u>\$ 1,916,489</u>

December 31, 2022

	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	\$ 7,440,717	\$ 3,297,444	\$ 1,534,918	\$ -
Lease liability	22,229	36,220	172,830	186,837
Floating rate instruments	165,178	95,639	63,276	-
Fixed rate instruments	46,734	163,017	2,679	121,764
	<u>\$ 7,674,858</u>	<u>\$ 3,592,320</u>	<u>\$ 1,773,703</u>	<u>\$ 308,601</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 the balance sheet date.

v. Liquidity tables for derivative financial liabilities

The following tables detail 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, 2023

	On demand or less than 1 month	1-3 months	Over 3 months to 1 year	Total
<u>Gross settled</u>				
Forward foreign exchange contracts				
- Inflows	\$ 609,957	\$ 380,431	\$ -	\$ 990,388
- Outflows	(596,280)	(377,583)	-	(973,863)
	<u>\$ 13,677</u>	<u>\$ 2,848</u>	<u>\$ -</u>	<u>\$ 16,525</u>

December 31, 2022

	On demand or less than 1 month	1-3 months	Over 3 months to 1 year	Total
<u>Gross settled</u>				
Forward foreign exchange contracts				
- Inflows	\$ 292,245	\$ 552,494	\$ 212,319	\$ 1,057,058
- Outflows	(298,977)	(563,211)	(215,568)	(1,077,756)
	<u>(\$ 6,732)</u>	<u>(\$ 10,717)</u>	<u>(\$ 3,249)</u>	<u>(\$ 20,698)</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 (including related parties), other receivables (including related parties), financial assets at amortised cost (current and non-current), refundable deposits, short-term borrowings, notes and accounts payable, other payables (including related parties), other current liabilities, guarantee deposits received, lease liabilities and long-term borrowings (including current portion) 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:

<u>December 31, 2023</u>	<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	\$ -	\$ 17,160	\$ -	\$ 17,160
Listed and OTC stocks	186,017	-	-	186,017
Unlisted and non-OTC stocks	-	-	139,496	139,496
Convertible corporate bonds	34,965	109,184	-	144,149
Ordinary corporate bonds	257,988	-	-	257,988
Fund beneficiary certificates	8,566,902	-	2,213,735	10,780,637
	<u>9,045,872</u>	<u>126,344</u>	<u>2,353,231</u>	<u>11,525,447</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Listed and OTC stocks	2,465,721	-	-	2,465,721
Unlisted and non-OTC stocks	-	-	485,513	485,513
	<u>2,465,721</u>	<u>-</u>	<u>485,513</u>	<u>2,951,234</u>
Assets - non-recurring fair value measurements				
Non-current assets held for sale (Note)	-	-	495,124	495,124
	<u>\$ 11,511,593</u>	<u>\$ 126,344</u>	<u>\$ 3,333,868</u>	<u>\$ 14,971,805</u>
Liabilities - recurring fair value measurements				
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 635	\$ -	\$ 635

<u>December 31, 2022</u>	<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	\$ -	\$ 936	\$ -	\$ 936
Listed and OTC stocks	187,708	-	-	187,708
Unlisted and non-OTC stocks	-	-	143,264	143,264
Convertible corporate bonds	29,100	-	-	29,100
Ordinary corporate bonds	101,050	-	-	101,050
Fund beneficiary certificates	3,413,646	-	2,038,909	5,452,555
	<u>3,731,504</u>	<u>936</u>	<u>2,182,173</u>	<u>5,914,613</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Listed and OTC stocks	1,648,197	-	-	1,648,197
Unlisted and non-OTC stocks	-	-	551,359	551,359
	<u>1,648,197</u>	<u>-</u>	<u>551,359</u>	<u>2,199,556</u>
	<u>\$ 5,379,701</u>	<u>\$ 936</u>	<u>\$ 2,733,532</u>	<u>\$ 8,114,169</u>
Liabilities - recurring fair value measurements				
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 21,634	\$ -	\$ 21,634

Note: Under IFRS 5, assets held for sale must be measured at fair value less costs to sell when the fair value less the cost to sell is lower than the carrying amount.

(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>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.
 - iv. 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. Therefore, 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, 2023 and 2022.
- E. Reconciliation of Level 3 fair value measurements of financial instruments:

For the year ended December 31, 2023

<u>Financial assets</u>	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1	\$ 2,182,173	\$ 551,359	\$ 2,733,532
Purchase	211,949	-	211,949
Recognized in profit or loss	(40,891)	-	(40,891)
Recognized in other comprehensive income	-	(65,846)	(65,846)
Balance at December 31	<u>\$ 2,353,231</u>	<u>\$ 485,513</u>	<u>\$ 2,838,744</u>

For the year ended December 31, 2022

<u>Financial assets</u>	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1	\$ 1,378,520	\$ 120,017	\$ 1,498,537
Purchase	716,583	-	716,583
Disposal / transfer	-	327	327
Recognized in profit or loss	87,070	-	87,070
Recognized in other comprehensive income	-	431,015	431,015
Balance at December 31	<u>\$ 2,182,173</u>	<u>\$ 551,359</u>	<u>\$ 2,733,532</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; Convertible bonds are evaluated using a binomial tree model. Parameters utilized in the calculation include: stock price, conversion price, stock price volatility, remaining term, risk-free interest rate, and number of periods to maturity. Discounting is performed based on the time of maturity and risk discount rate.

G. The following is the qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted and non-OTC stocks	<u>\$ 625,009</u>	Net asset value	Not applicable	Not applicable	Not applicable
Beneficiary certificates	<u>\$ 2,213,735</u>	Net asset value	Not applicable	Not applicable	Not applicable
Non-financial instrument:					
Non-current assets held for sale (Note)	<u>\$ 495,124</u>	Sales comparison approach and income approach	Not applicable	Not applicable	Not applicable

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted and non-OTC stocks	\$ 694,623	Net asset value	Not applicable	Not applicable	Not applicable
Beneficiary certificates	\$ 2,038,909	Net asset value	Not applicable	Not applicable	Not applicable

(4) Others

Description of overall operating conditions

The Group's consolidated operating revenue reached NT\$64.568 billion for the year ended December 31, 2023, a decrease of 6% over the same period last year. The gross profit was NT\$26.162 billion (gross profit margin was 40.5%), the consolidated net profit after tax was NT\$10.838 billion (increased 1% YoY) and the basic earnings per share was \$12.65 (in dollars) for the year ended December 31, 2023. The consolidated operating revenue of the Group slightly decreased. However, the profitability is still effectively maintained, and the profit continues to reach its record high.

The Group's consolidated operating revenue reached NT\$15.138 billion for the three-month period ended December 31, 2023, with YoY decline at 12%. The gross profit was NT\$6.22 billion (gross profit margin was 41.1%), the consolidated net profit after tax was NT\$2.291 billion (net profit after tax margin was 15%), and the basic earnings per share was \$2.67 (in dollars) for the three-month period ended December 31, 2023.

Regarding the operating results of the Group for the year ended December 31, 2023, in US dollar, the Group achieved an overall revenue of US\$2,074 million, a decline of 10% YoY. In terms of a geographic overview, only North Asia market's revenue had slightly increased YoY, while North America and Europe underperformed with a single-digit decline YoY; China, Taiwan, and Emerging markets resulted in a double-digit decline YoY due to weaker market demand. By business units, only Embedded-IoT Group (EIoT) remained flat YoY, while the other business units experienced decline YoY, partially affected by high inflation and demand slowdown.

For the year ended December 31, 2023, the Group's operating revenue declined by 6% due to global high inflation, geopolitical conflicts, and uncertainty in China's economy. However, the profitability structure remained stable through operational efficiency optimization and effective inventory management, resulting to a new record high in net income.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Refer to table 1.

B. Provision of endorsements and guarantees to others: Refer to table 2.

- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): 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: Refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: 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: Refer to table 6.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Notes 6(2) and 12.
- J. Significant inter-company transactions during the reporting periods: Refer to table 8.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: 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: Refer to tables 6, 7 and 8.

(4) Major shareholders information

Major shareholders information: Refer to table 11.

14. SEGMENT INFORMATION

(1) General information

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

- A. Industrial-IoT Group (IIoT): Focus on the market of industrial internet-of-things;
- B. Embedded-IoT Group (EIoT): Provide services involving embedded boards, systems and peripheral hardware and software;
- C. Applied Computing Group (ACG): Includes Networks and Communications, data acquisition and control, and provide the customized collaboration designs and services;
- D. Industrial Cloud & Video Group (ICVG): Responsible for the Industrial cloud related market, specializing in video streaming, enterprise network, communication and cloud platform application products.
- E. Service-IoT Group (SIoT): Provide services involving digital logistics, digital healthcare and intelligent retail, etc;
- F. Advantech Service Plus and Others (AS+ and Others): 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, 2023

	Industrial-IoT Group (IIoT)	Embedded-IoT Group (EIoT)	Applied Computing Group (ACG)	Industrial Could & Video Group (ICVG)	Service-IoT Group (SIoT)	Advantech Service Plus and Others (AS+ and Others)	Total
Revenue							
Revenue from external customers	\$ 16,750,728	\$ 17,248,687	\$ 9,865,845	\$ 7,583,616	\$ 6,173,074	\$ 6,945,747	\$ 64,567,697
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 16,750,728</u>	<u>\$ 17,248,687</u>	<u>\$ 9,865,845</u>	<u>\$ 7,583,616</u>	<u>\$ 6,173,074</u>	<u>\$ 6,945,747</u>	64,567,697
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	64,567,697
Segment income (loss)	<u>\$ 5,384,727</u>	<u>\$ 3,957,299</u>	<u>\$ 2,279,025</u>	<u>\$ 1,286,113</u>	<u>\$ 809,282</u>	<u>\$ 443,458</u>	14,159,904
Interest and other income							670,010
Other unamortised expenses							(2,031,654)
Other gains and losses							125,480
Finance costs							(45,554)
Share of profit (loss) of associates accounted for under equity method							388,513
Profit from continuing operations before tax							<u>\$ 13,266,699</u>

For the year ended December 31, 2022

	Industrial-IoT Group (IIoT)	Embedded-IoT Group (EIoT)	Applied Computing Group (ACG)	Industrial Could & Video Group (ICVG)	Service-IoT Group (SIoT)	Advantech Service Plus and Others (AS+ and Others)	Total
Revenue							
Revenue from external customers	\$ 19,322,382	\$ 16,867,967	\$ 9,452,904	\$ 8,653,266	\$ 6,604,165	\$ 7,844,017	\$ 68,744,701
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 19,322,382</u>	<u>\$ 16,867,967</u>	<u>\$ 9,452,904</u>	<u>\$ 8,653,266</u>	<u>\$ 6,604,165</u>	<u>\$ 7,844,017</u>	68,744,701
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	68,744,701
Segment income (loss)	<u>\$ 6,381,586</u>	<u>\$ 3,927,795</u>	<u>\$ 1,830,415</u>	<u>\$ 1,725,097</u>	<u>\$ 880,409</u>	<u>\$ 566,200</u>	15,311,502
Interest and other income							456,962
Other unamortised expenses							(2,779,325)
Other gains and losses							33,308
Finance costs							(26,991)
Share of profit (loss) of associates accounted for under equity method							447,404
Profit from continuing operations before tax							<u>\$ 13,442,860</u>

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' remuneration, 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 investments, 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,	
	2023	2022
Embedded boards and chassis	\$ 34,679,628	\$ 34,387,678
Industrial computer and industrial control	22,911,585	26,699,417
After-sales service and others	6,976,484	7,657,606
	<u>\$ 64,567,697</u>	<u>\$ 68,744,701</u>

(4) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Revenue from external customers		Non-current assets	
	For the years ended December 31,			
	2023	2022	December 31, 2023	December 31, 2022
Taiwan	\$ 3,209,762	\$ 3,936,188	\$ 9,250,312	\$ 8,716,912
Asia	22,146,470	24,246,360	3,091,860	3,302,663
USA	21,150,806	21,386,216	3,307,654	2,101,246
Europe	12,068,545	12,010,439	560,594	525,435
Others	5,992,114	7,165,498	5,628	4,870
	<u>\$ 64,567,697</u>	<u>\$ 68,744,701</u>	<u>\$ 16,216,048</u>	<u>\$ 14,651,126</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, 2023 and 2022.

Table 1

ADVANTECH CO., LTD. AND SUBSIDIARIES
Loans to others
For the year ended December 31, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	Financial Statement Account	Related Parties	Maximum Balance for the period (Note D)	Ending Balance (Note D)	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		
0	ADVANTECH CO., LTD.	AKR	Other receivable - related parties	Yes	\$ 162,125	\$ 153,525	\$ 107,468	3%~4%	Short-term financing	\$ -	Operating need	\$ -	None	-	\$ 4,846,115 (Note B)	\$ 9,692,230 (Note B)
1	LNC	LNC Dong Guan	Other receivable - related parties	Yes	30,000	30,000	-	-	Short-term financing	-	Operating need	-	None	-	95,328 (Note C)	95,328 (Note C)
1	LNC	LNCMac	Other receivable - related parties	Yes	60,000	60,000	60,000	Note E	Short-term financing	-	Operating need	-	None	-	95,328 (Note C)	95,328 (Note C)

Note A: Investee companies are numbered sequentially from 0.

Note B: The financing limit for each borrower and for the aggregate financing were 10% and 20%, respectively of ADVANTECH CO., LTD.’s net worth based on the latest audited report.

Note C: The financing limit for each borrower and for the aggregate financing were both 40% of LNC’s net worth based on the latest audited report.

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

Note E: The interest rate is calculated according to the actual bank borrowing rate based on mutual agreement.

Table 2

ADVANTECH CO., LTD. AND SUBSIDIARIES Provision of endorsements and guarantees to others For the year ended December 31, 2023														
Expressed in thousands of NTD (Except as otherwise indicated)														
Party being endorsed/guaranteed				Limit on	Maximum outstanding	Outstanding	Amount of		Ratio of accumulated	Ceiling on total amount of	Provision of	Provision of	Provision of	
Endorser/ guarantor		Relationship with the endorser/guarantor		endorsements/ guarantees provided for a single party (Note A)	endorsement/guarantee amount as of December 31, 2023	endorsement/ guarantee amount at December 31, 2023	endorsements/ guarantees secured with collateral		endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	endorsements/ guarantees provided (Note B)	endorsements/ guarantees by parent company to subsidiary	endorsements/ guarantees by subsidiary to parent company	endorsements/ guarantees to the party in Mainland China	
No.		Company name					Actual amount drawn down							
0	ADVANTECH CO., LTD.	ACI CN	Subsidiary	\$ 4,846,115	\$ 648,500	\$ 614,100	\$ -	\$ -	1.27	\$ 14,538,346	Y	N	Y	
					USD 20,000	USD 20,000								
0	ADVANTECH CO., LTD.	ACI KY	Subsidiary	4,846,115	648,500	614,100	-	-	1.27	14,538,346	Y	N	N	
					USD 20,000	USD 20,000								
0	ADVANTECH CO., LTD.	AJP	Subsidiary	4,846,115	346,500	325,500	65,100	-	0.67	14,538,346	Y	N	N	
					JPY 1,500,000	JPY 1,500,000	JPY 300,000							
0	ADVANTECH CO., LTD.	AEU	Subsidiary	4,846,115	324,250	307,050	-	-	0.63	14,538,346	Y	N	N	
					USD 10,000	USD 10,000								
0	ADVANTECH CO., LTD.	ANA	Subsidiary	4,846,115	324,250	307,050	-	-	0.63	14,538,346	Y	N	N	
					USD 10,000	USD 10,000								
0	ADVANTECH CO., LTD.	AAC (BVI)	Subsidiary	4,846,115	324,250	307,050	-	-	0.63	14,538,346	Y	N	N	
					USD 10,000	USD 10,000								
0	ADVANTECH CO., LTD.	ACI	Subsidiary	4,846,115	324,250	307,050	-	-	0.63	14,538,346	Y	N	N	
					USD 10,000	USD 10,000								
0	ADVANTECH CO., LTD.	AKMC	Subsidiary	4,846,115	194,550	184,230	-	-	0.38	14,538,346	Y	N	Y	
					USD 6,000	USD 6,000								
0	ADVANTECH CO., LTD.	AKR	Subsidiary	4,846,115	194,550	184,230	1,535	-	0.38	14,538,346	Y	N	N	
					USD 6,000	USD 6,000	USD 50							
0	ADVANTECH CO., LTD.	AiCS	Subsidiary	4,846,115	97,275	92,115	-	-	0.19	14,538,346	Y	N	N	
					USD 3,000	USD 3,000								
0	ADVANTECH CO., LTD.	AIH	Subsidiary	4,846,115	97,275	92,115	-	-	0.19	14,538,346	Y	N	N	
					USD 3,000	USD 3,000								
0	ADVANTECH CO., LTD.	ABR	Subsidiary	4,846,115	48,638	46,058	-	-	0.10	14,538,346	Y	N	N	
					USD 1,500	USD 1,500								
0	ADVANTECH CO., LTD.	AVN	Subsidiary	4,846,115	32,425	30,705	-	-	0.06	14,538,346	Y	N	N	
					USD 1,000	USD 1,000								
0	ADVANTECH CO., LTD.	ARU	Subsidiary	4,846,115	32,425	30,705	-	-	0.06	14,538,346	Y	N	N	
					USD 1,000	USD 1,000								
0	ADVANTECH CO., LTD.	Cermate (Taiwan)	Subsidiary	4,846,115	32,425	30,705	1,500	-	0.06	14,538,346	Y	N	N	
					USD 1,000	USD 1,000								
0	ADVANTECH CO., LTD.	Cermate (Shenzhen)	Subsidiary	4,846,115	32,425	30,705	-	-	0.06	14,538,346	Y	N	Y	
					USD 1,000	USD 1,000								
0	ADVANTECH CO., LTD.	ATR	Subsidiary	4,846,115	16,213	15,353	-	-	0.03	14,538,346	Y	N	N	
					USD 500	USD 500								
0	ADVANTECH CO., LTD.	ACZ	Subsidiary	4,846,115	16,213	15,353	-	-	0.03	14,538,346	Y	N	N	
					USD 500	USD 500								
0	ADVANTECH CO., LTD.	Advanixs Corporation	Subsidiary	4,846,115	16,213	15,353	500	-	0.03	14,538,346	Y	N	N	
					USD 500	USD 500								
0	ADVANTECH CO., LTD.	AAU	Subsidiary	4,846,115	6,485	6,141	4,835	-	0.01	14,538,346	Y	N	N	
					USD 200	USD 200	AUD 230							
0	ADVANTECH CO., LTD.	AMY	Subsidiary	4,846,115	3,243	3,071	-	-	0.01	14,538,346	Y	N	N	
					USD 100	USD 100								
0	ADVANTECH CO., LTD.	ASG	Subsidiary	4,846,115	3,243	3,071	-	-	0.01	14,538,346	Y	N	N	
					USD 100	USD 100								
0	ADVANTECH CO., LTD.	ATH	Subsidiary	4,846,115	3,243	3,071	-	-	0.01	14,538,346	Y	N	N	
					USD 100	USD 100								
0	ADVANTECH CO., LTD.	AID	Subsidiary	4,846,115	1,621	1,535	-	-	0.00	14,538,346	Y	N	N	
					USD 50	USD 50								
0	ADVANTECH CO., LTD.	Yan Xu Green Electricity Co., Ltd.	Subsidiary	4,846,115	526,680	526,680	-	-	1.09	14,538,346	Y	N	N	
1	LNC	LNCMac	Subsidiary	23,832	30,000	-	-	-	0.00	71,496	Y	N	N	

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, 2023 were USD\$1= NT\$30.705, EUR\$1= NT\$33.98, and JPY\$1=NT\$0.217.

Note D: The net equity is from the latest audited report.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2023

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, 2023				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	4,039,461	\$ 1,977,316	0.54	\$ 1,977,316	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	186,000	2.34	186,000	Note A
ADVANTECH CO., LTD.	Bond	PHISON Electronics Corp.	None	Financial assets at fair value through profit or loss - current	300,000	34,965	-	34,965	Note A
ADVANTECH CO., LTD.	Bond	Taiwan Power Company	None	Financial assets at fair value through profit or loss - non-current	1,000,000	100,959	-	100,959	Note A
ADVANTECH CO., LTD.	Bond	AURES TECHNOLOGIES Convertible Bonds	None	Financial assets at fair value through profit or loss - non-current	800,000	109,184	-	109,184	Note A
ADVANTECH CO., LTD.	Bond	NVIDIA Corporation	None	Financial assets at fair value through profit or loss - non-current	-	157,029	-	157,029	Note A
ADVANTECH CO., LTD.	Beneficiary certificates	FSITC Taiwan Money Market	None	Financial assets at fair value through profit or loss - current	127,399,045	2,005,070	-	2,005,070	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss - current	42,642,722	550,070	-	550,070	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Capital Money Market Fund	None	Financial assets at fair value through profit or loss - current	142,874,321	2,369,842	-	2,369,842	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Fubon Chi-Hsiang Money Market Fund	None	Financial assets at fair value through profit or loss - current	46,707,871	752,155	-	752,155	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	CTBC Hua Win Money Market Fund	None	Financial assets at fair value through profit or loss - current	177,439,819	2,007,767	-	2,007,767	Note B
ACI	Stock	GSD Technologies Co., Ltd.	None	Financial assets at fair value through profit or loss - non-current	2,568,358	112,237	6.94	112,237	Note A
ACI	Stock	RFD Micro Electricity Co., Ltd.	None	Financial assets at fair value through profit or loss - non-current	464,695	56,000	0.65	56,000	Note C
ACI	Stock	TXC CORPORATION	None	Financial assets at fair value through profit or loss - non-current	300,000	29,580	0.10	29,580	Note A
ACI	Stock	PHISON Electronics Corp.	None	Financial assets at fair value through profit or loss - non-current	85,000	44,200	0.04	44,200	Note A
ACI	Stock	Allied Circuit Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	1,951,000	302,405	3.81	302,405	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	-	1.50	-	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	Stock	i-Link	None	Financial assets at fair value through other comprehensive income or loss - non-current	616,938	-	15.42	-	Note C
ACI	Beneficiary certificates	Taishin 1699 Money Market	None	Financial assets at fair value through profit or loss - current	50,071,292	698,119	-	698,119	Note B
ACI	Mutual Fund	CBC Capital	None	Financial assets at fair value through profit or loss - non-current	-	83,496	4.38	83,496	Note B
Advanixs Corporation	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	7,446,420	113,591	-	113,591	Note B
AiCS	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	614,183	9,369	-	9,369	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	1,569,353	23,940	-	23,940	Note B
AIH	Beneficiary certificates	Capital Money Market	None	Financial assets at fair value through profit or loss - current	367,047	6,088	-	6,088	Note B
Cermate	Beneficiary certificates	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	1,683,528	21,717	-	21,717	Note B
Yan Xu Green Electricity Co., Ltd.	Beneficiary certificates	Taishin 1699 Money Market	None	Financial assets at fair value through profit or loss - current	657,980	9,174	-	9,174	Note B
ACI KY	Beneficiary certificates	Momenta DIF III L.P.	None	Financial assets at fair value through profit or loss - non-current	-	848,924	-	848,924	Note B
ACI KY	Beneficiary certificates	Esquarre IoT Landing Fund L.P.	None	Financial assets at fair value through profit or loss - non-current	-	678,807	-	678,807	Note B
ACI CN	Stock	Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	-	473,246	8.33	473,246	Note C
ACI CN	Beneficiary certificates	Tianying Heyan (Hengqin) Investment Management Partnership (Limited Partnership)	None	Financial assets at fair value through profit or loss - non-current	-	471,852	-	471,852	Note B
ACI CN	Beneficiary certificates	Tianying Hehua (Ningbo) Venture Investment Partnership (Limited Partnership)	None	Financial assets at fair value through profit or loss - non-current	-	214,152	-	214,152	Note B

Note A: Market value was based on the closing price on December 31, 2023.

Note B: Market value was based on the net asset values of the open-ended funds on December 31, 2023.

Note C: The fair values are estimated from the net worth from the latest financial statements.

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, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Marketable Securities						Balance as at January 1, 2023		Acquisition		Disposal				Balance as at December 31, 2023			
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 (Note B)		Shares/Units	Amount
ADVANTECH CO., LTD.	Beneficiary certificates	FSITC Taiwan Money Market	Note A	None	None	51,489,673	\$ 800,680	165,728,274	\$ 2,600,010	89,818,902	\$ 1,406,393	\$ 1,400,007	\$ 6,386	\$ 4,387		127,399,045	\$ 2,005,070
ADVANTECH CO., LTD.	Beneficiary certificates	Mega Diamond Money Market	Note A	None	None	145,321,670	1,852,241	144,394,240	1,850,008	247,073,188	3,168,670	3,152,248	16,422	69		42,642,722	550,070
ADVANTECH CO., LTD.	Beneficiary certificates	Capital Money Market Fund	Note A	None	None	-	-	227,711,494	3,750,019	84,837,173	1,400,000	1,393,235	6,765	13,058		142,874,321	2,369,842
ADVANTECH CO., LTD.	Beneficiary certificates	Fubon Chi-Hsiang Money Market Fund	Note A	None	None	-	-	181,324,102	2,900,013	134,616,231	2,156,983	2,150,011	6,972	2,153		46,707,871	752,155
ADVANTECH CO., LTD.	Beneficiary certificates	CTBC Hua Win Money Market Fund	Note A	None	None	-	-	177,439,819	2,000,006	-	-	-	-	7,761		177,439,819	2,007,767
ACI	Beneficiary certificates	Taishin 1699 Money Market	Note A	None	None	19,044,347	262,149	41,530,986	576,000	10,504,042	145,000	144,590	410	4,560		50,071,291	698,119
ACI	Beneficiary certificates	Fuh Hwa Global IoT and Tech	Note A	None	None	30,000,000	305,700	-	-	30,000,000	305,700	305,700	-	-		-	-

Note A: It is recorded as financial assets at fair value through profit or loss - current.
Note B: Includes gain (loss) on valuation and effect of exchange rate changes.

Table 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more

December 31, 2023

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	Amount			
ADVANTECH CO., LTD.	Real estate	2020.10.30	\$ 1,410,000	Based on percentage of construction completed; as of December 31, 2023, a total of \$1,277,908 had been paid.	Chung-Lin General Contractors, Ltd.	None	-	-	-	\$ -	-	Contract price	For the Company's expansion	None
ADVANTECH CO., LTD.	Real estate	2023.10.30	\$ 1,873,080	As of December 31, 2023, a total of \$200,000 had been paid.	AIDC Investment Corp.	Other related party	-	-	-	\$ -	-	Market conditions and valuation reports	For operational use	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, 2023

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)	
Purchaser/seller	Counterparty	Relationship	Sales/(purchases)	Amount	Percentage of total sales/(purchases)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
ADVANTECH CO., LTD.	ANA	Subsidiary	Sales	\$ 13,916,598	31.20%	60 days after month-end	Contract price	No significant difference	\$ 2,364,350	24.79%
ADVANTECH CO., LTD.	ACN	Subsidiary	Sales	8,688,311	19.48%	90 days after month-end	Contract price	No significant difference	3,588,179	37.62%
ADVANTECH CO., LTD.	AEU	Subsidiary	Sales	7,998,103	17.93%	45 days after month-end	Contract price	No significant difference	928,943	9.74%
ADVANTECH CO., LTD.	AKR	Subsidiary	Sales	1,393,401	3.12%	90 days after month-end	Contract price	No significant difference	345,230	3.62%
ADVANTECH CO., LTD.	AJP	Subsidiary	Sales	1,226,360	2.75%	30 days after month-end	Contract price	No significant difference	98,192	1.03%
ADVANTECH CO., LTD.	Advanixs Corporation	Subsidiary	Sales	553,493	1.24%	30 days after month-end	Contract price	No significant difference	71,461	0.75%
ADVANTECH CO., LTD.	ASG	Subsidiary	Sales	282,245	0.63%	45 days after month-end	Contract price	No significant difference	48,142	0.50%
ADVANTECH CO., LTD.	AAU	Subsidiary	Sales	271,303	0.61%	45 days after month-end	Contract price	No significant difference	23,678	0.25%
ADVANTECH CO., LTD.	AMY	Subsidiary	Sales	199,960	0.45%	45 days after month-end	Contract price	No significant difference	25,831	0.27%
ADVANTECH CO., LTD.	AMX	Subsidiary	Sales	156,350	0.35%	30 days after month-end	Contract price	No significant difference	33,959	0.36%
ADVANTECH CO., LTD.	AIN	Subsidiary	Sales	140,008	0.31%	45 days after month-end	Contract price	No significant difference	39,123	0.41%
ADVANTECH CO., LTD.	ABR	Subsidiary	Sales	122,983	0.28%	30 days from the invoice date	Contract price	No significant difference	6,262	0.07%
ADVANTECH CO., LTD.	ARI	Subsidiary	Sales	108,327	0.24%	30 days after month-end	Contract price	No significant difference	76,033	0.80%
ADVANTECH CO., LTD.	ATH	Subsidiary	Sales	105,204	0.24%	45 days after month-end	Contract price	No significant difference	20,173	0.21%
ADVANTECH CO., LTD.	AVN	Subsidiary	Sales	101,034	0.23%	45 days after month-end	Contract price	No significant difference	17,003	0.18%
AKMC	ADVANTECH CO., LTD.	Parent company	Sales	13,135,470	95.74%	90 days after month-end	Contract price	No significant difference	3,055,694	98.07%
AKMC	ACN	Fellow subsidiary	Sales	457,106	3.33%	60 days after month-end	Contract price	No significant difference	56,167	1.80%
ANA	ADVANTECH CO., LTD.	Parent company	Sales	309,859	1.51%	30 days from the invoice date	Contract price	No significant difference	112,302	4.42%
ACZ	AEU	Fellow subsidiary	Sales	198,704	66.85%	60 days from the invoice date	Contract price	No significant difference	28,826	57.16%
APL	AEU	Fellow subsidiary	Sales	139,394	105.06%	30 days from the invoice date	Contract price	No significant difference	34,168	99.91%
LNC	LNC Dong Guan	Sub-subsidiary	Sales	333,889	79.91%	150 days after month-end	Contract price	No significant difference	170,124	90.78%

Note: All intercompany transactions have been eliminated during consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2023

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	\$ 3,588,179	3.48	\$ 1,433,639	Monthly reconciliation and collection	\$ 843,765	\$ -
ADVANTECH CO., LTD.	ANA	Subsidiary	2,371,849	6.36	-	-	1,133,313	-
ADVANTECH CO., LTD.	AEU	Subsidiary	936,611	5.52	23,411	Monthly reconciliation and collection	667,279	-
ADVANTECH CO., LTD.	AKR	Subsidiary	455,082	4.43	-	-	82,593	-
ADVANTECH CO., LTD.	AKMC	Subsidiary	427,718	Note	137,394	Monthly reconciliation and collection	287,349	-
AKMC	ADVANTECH CO., LTD.	Parent company	3,055,694	5.37	1,071,469	Monthly reconciliation and collection	1,328,406	-
ANA	ADVANTECH CO., LTD.	Parent company	112,302	4.84	77,990	Monthly reconciliation and collection	15,980	-
LNC	LNC Dong Guan	Sub-subsidiary	170,124	1.89	5,859	Received after the reporting period	21,505	-

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

Table 8

ADVANTECH CO., LTD. AND SUBSIDIARIES							
Significant inter-company transactions during the reporting period							
For the year ended December 31, 2023							
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	\$ 271,303	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ABR	1	Sales revenue	122,983	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ACN	1	Receivables from related parties	3,588,179	90 days after month-end	5%
0	ADVANTECH CO., LTD.	ACN	1	Sales revenue	8,688,311	Usual trade terms	13%
0	ADVANTECH CO., LTD.	AEU	1	Receivables from related parties	928,943	45 days after month-end	1%
0	ADVANTECH CO., LTD.	AEU	1	Sales revenue	7,998,103	Usual trade terms	12%
0	ADVANTECH CO., LTD.	AIN	1	Sales revenue	140,008	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ARI	1	Sales revenue	108,327	Usual trade terms	0%
0	ADVANTECH CO., LTD.	AJP	1	Sales revenue	1,226,360	Usual trade terms	2%
0	ADVANTECH CO., LTD.	AKMC	1	Receivables from related parties	427,718	45 days after month-end	1%
0	ADVANTECH CO., LTD.	AKR	1	Receivables from related parties	345,230	90 days after month-end	0%
0	ADVANTECH CO., LTD.	AKR	1	Sales revenue	1,393,401	Usual trade terms	2%
0	ADVANTECH CO., LTD.	AKR	1	Other receivables from related parties	109,852	90 days after month-end	0%
0	ADVANTECH CO., LTD.	AMX	1	Sales revenue	156,350	Usual trade terms	0%
0	ADVANTECH CO., LTD.	AMY	1	Sales revenue	199,960	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ANA	1	Receivables from related parties	2,364,350	60 days after month-end	3%
0	ADVANTECH CO., LTD.	ANA	1	Sales revenue	13,916,598	Usual trade terms	22%
0	ADVANTECH CO., LTD.	ASG	1	Sales revenue	282,245	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ATH	1	Sales revenue	105,204	Usual trade terms	0%
0	ADVANTECH CO., LTD.	AVN	1	Sales revenue	101,034	Usual trade terms	0%
0	ADVANTECH CO., LTD.	Advanixs Corporation	1	Sales revenue	553,493	Usual trade terms	1%
1	AKMC	ADVANTECH CO., LTD.	2	Receivables from related parties	3,055,694	90 days after month-end	4%
1	AKMC	ADVANTECH CO., LTD.	2	Sales revenue	13,135,470	Usual trade terms	20%
2	ANA	ADVANTECH CO., LTD.	2	Receivables from related parties	112,302	30 days from the invoice date	0%
2	ANA	ADVANTECH CO., LTD.	2	Sales revenue	309,859	Usual trade terms	0%
3	ACZ	AEU	3	Sales revenue	198,704	Usual trade terms	0%
4	APL	AEU	3	Sales revenue	139,394	Usual trade terms	0%
1	AKMC	ACN	3	Sales revenue	457,106	Usual trade terms	1%
5	LNC	LNC Dong Guan	3	Receivables from related parties	170,124	150 days after month-end	0%
5	LNC	LNC Dong Guan	3	Sales revenue	333,889	Usual trade terms	1%

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, 2023, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2023.

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, 2023

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, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by the Company for the year ended December 31, 2023 (Note C)		Footnote
				Balance as at December 31, 2023	Balance as at January 1, 2023	Shares	Ownership (%)	Carrying Value				
ADVANTECH CO., LTD.	AAC (BVI)	British Virgin Islands	Overseas investment in manufacturing and services industries	\$ 247,275	\$ 3,875,214	11,126,887	100.00	\$ 7,552,379	\$ 969,357	\$ 971,088		Subsidiary
ADVANTECH CO., LTD.	ATC	British Virgin Islands	Overseas investment in manufacturing and services industries	998,788	998,788	40,850,000	100.00	5,296,267	434,730	452,660		Subsidiary
ADVANTECH CO., LTD.	Advanixs Corporation	Taiwan	Manufacturing, marketing and trade of industrial use computers	100,000	100,000	10,000,000	100.00	242,717	54,786	54,786		Subsidiary
ADVANTECH CO., LTD.	ACI	Taiwan	Investment in marketable securities	3,300,000	3,300,000	330,000,000	100.00	4,231,347	277,834	277,654		Subsidiary
ADVANTECH CO., LTD.	Axiomtek	Taiwan	Manufacturing, marketing and trade of industrial use computers	511,372	511,372	28,080,142	27.63	1,077,036	727,121	192,635		Investments accounted for under equity method
ADVANTECH CO., LTD.	LNC	Taiwan	Manufacturing and trade of controllers	188,826	188,826	13,380,000	44.60	205,818	(83,501)	(37,180)		Subsidiary
ADVANTECH CO., LTD.	AMX	Mexico	Marketing and trade of industrial use computers	93,338	93,338	16,650,003	99.90	106,699	12,796	12,523		Subsidiary
ADVANTECH CO., LTD.	AEUH	Netherlands	Overseas investment in manufacturing and services industries	1,655,383	1,655,383	25,961,250	100.00	1,496,793	137,579	133,714		Subsidiary
ADVANTECH CO., LTD.	ASG	Singapore	Marketing and trade of industrial use computers	27,134	27,134	1,450,000	100.00	220,706	55,928	55,666		Subsidiary
ADVANTECH CO., LTD.	ATH	Thailand	Manufacturing of computer products	47,701	47,701	51,000	51.00	55,232	10,821	5,446		Subsidiary
ADVANTECH CO., LTD.	AAU	Australia	Marketing and trade of industrial use computers	40,600	40,600	500,204	100.00	47,667	25,289	25,179		Subsidiary
ADVANTECH CO., LTD.	AJP	Japan	Marketing and trade of industrial use computers	651,685	651,685	1,200	100.00	1,158,037	234,585	229,308		Subsidiary
ADVANTECH CO., LTD.	AMY	Malaysia	Marketing and trade of industrial use computers	35,140	35,140	2,000,000	100.00	90,026	22,147	22,105		Subsidiary
ADVANTECH CO., LTD.	AKR	Korea	Marketing and trade of industrial use computers	156,668	156,668	600,000	100.00	587,874	83,343	82,844		Subsidiary
ADVANTECH CO., LTD.	ABR	Brazil	Marketing and trade of industrial use computers	89,846	103,146	15,373,031	100.00	114,713	16,994	16,691		Subsidiary
ADVANTECH CO., LTD.	AiCS	Taiwan	Design, research and develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	85,659	11,371	11,371		Subsidiary
ADVANTECH CO., LTD.	AIN	India	Marketing and trade of industrial use computers	39,747	39,747	4,999,999	99.99	15,183	(9,475)	(7,149)		Subsidiary
ADVANTECH CO., LTD.	AIMobile	Taiwan	Design, manufacturing, service and trade of industrial use wireless hand-held mobile systems	180,000	180,000	2,970,000	27.00	(4,296)	(77,893)	(21,031)		Investments accounted for under equity method
ADVANTECH CO., LTD.	Winmate	Taiwan	Embedded System Modules	540,000	540,000	12,000,000	15.32	663,771	507,322	79,404		Investments accounted for under equity method
ADVANTECH CO., LTD.	AVN	Vietnam	Marketing and trade of industrial use computers	76,092	76,092	81,000	60.00	64,718	12,957	7,522		Subsidiary
ADVANTECH CO., LTD.	Nippon RAD	Japan	Integration of IoT intelligent system	251,915	251,915	850,000	16.08	207,835	51,091	10,816		Investments accounted for under equity method
ADVANTECH CO., LTD.	ARU	Russia	Manufacturing, marketing and trade of industrial use computer	72,416	72,416	1	100.00	2,556	(5,237)	(5,237)		Subsidiary
ADVANTECH CO., LTD.	ATR	Turkey	Wholesale of computers and peripheral devices	105,608	58,482	370,335	80.10	22,704	21,739	13,280		Subsidiary
ADVANTECH CO., LTD.	AIL	Israel	Trading of industrial network communications systems	8,653	8,653	100	100.00	10,244	99	99		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	21,637	(1,778)	(1,601)		Subsidiary
ADVANTECH CO., LTD.	ADB	United Arab Emirates	Trading of industrial network communications systems	3,312	3,312	50	100.00	3,793	416	416		Subsidiary
ADVANTECH CO., LTD.	AID	Indonesia	Marketing and trade of industrial use computers	48	48	30	1.00	-	-	-		Subsidiary
ADVANTECH CO., LTD.	AAC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	1,471,031	-	15,230,001	100.00	1,173,945	(181,753)	(135,359)		Subsidiary
ADVANTECH CO., LTD.	ACI KY	Cayman Islands	Design, research and development and trade of IoT intelligent system services	2,156,908	-	100,000,000	100.00	2,083,045	(57,954)	(25,142)		Subsidiary
ADVANTECH CO., LTD.	Cermate (Taiwan)	Taiwan	Manufacturing of electronic components, computers, and peripheral devices	189,000	-	4,500,000	45.00	94,743	39,776	7,987		Subsidiary
ACI	Cermate (Taiwan)	Taiwan	Manufacturing of electronic components, computers, and peripheral devices	71,500	71,500	5,500,000	55.00	148,262	39,776	-		Subsidiary
ACI	Deneng	Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	13,354	(645)	-		Investments accounted for under equity method
ACI	CDIB	Taiwan	Investment in marketable securities	150,000	150,000	16,976,999	17.86	286,793	20,458	-		Investments accounted for under equity method
ACI	AzureWave	Taiwan	Wireless communication and digital image module manufacturing and trading	502,837	578,563	29,555,000	19.37	775,429	355,668	-		Investments accounted for under equity method
ACI	Nippon RAD	Japan	Integration of IoT intelligent system	49,733	49,733	154,310	2.92	44,774	51,091	-		Investments accounted for under equity method
ACI	DotZero	Taiwan	Intelligent metal processing integration	10,928	10,928	415,245	10.38	(14)	(20,662)	-		Investments accounted for under equity method
ACI	Mildex	Taiwan	Electronic component manufacturing	202,948	202,948	11,947,313	15.37	178,362	31,141	-		Investments accounted for under equity method
ACI	ITTS	Taiwan	Electronic Information Service	123,867	147,444	4,271,273	15.63	140,237	77,100	-		Investments accounted for under equity method
ACI	Smasoft	Taiwan	Manufacturing and trade of electronic and mechanical devices	33,270	33,270	561,955	25.63	16,123	(23,775)	-		Investments accounted for under equity method
ACI	Impelex	Taiwan	Manufacturing and trade of electronic and mechanical devices	10,000	10,000	500,000	16.67	7,789	(7,706)	-		Investments accounted for under equity method
ACI	VSO	Taiwan	Manufacturing and trade of electronic and mechanical devices	116,400	116,400	4,694,800	12.51	177,684	124,234	-		Investments accounted for under equity method
ACI	Hwacom	Taiwan	Computer system integration service	357,119	357,119	24,575,000	17.54	458,363	(14,004)	-		Investments accounted for under equity method
ACI	AIH	Taiwan	Servicing of information software and data processing	15,369	15,369	1,100,000	100.00	6,221	4,276	-		Subsidiary
ACI	Feng Sang	Taiwan	Computer system integration service	109,219	109,219	6,088,750	36.24	124,293	33,457	-		Investments accounted for under equity method
ACI	iSAP	Taiwan	Information software service	10,000	10,000	1,492,852	34.83	7,840	-	-		Investments accounted for under equity method
ACI	IISI	Taiwan	Computer system integration service	243,086	243,086	14,299,205	19.61	278,221	99,877	-		Investments accounted for under equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by the Company for the year ended December 31, 2023 (Note C)	Footnote
				Balance as at December 31, 2023	Balance as at January 1, 2023	Shares	Ownership (%)	Carrying Value			
ACI	Freedom Systems	Taiwan	Electronic information service	\$ 37,500	\$ 37,500	1,653,750	20.00	\$ 38,909	\$ 3,219	\$ -	Investments accounted for under equity method
ACI	Yan Xu Green Electricity Co., Ltd.	Taiwan	Green energy power plant development	83,325	83,325	8,332,500	82.50	80,812	(2,394)	-	Subsidiary
ACI	Expetech Co., Ltd.	Taiwan	Computer system integration service	40,000	40,000	4,000,000	43.01	34,970	(5,688)	-	Investments accounted for under equity method
ACI	Encore Med	Malaysia	Wise Information Technology of med cloud service	54,274	-	66,700	30.00	53,295	(3,446)	-	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	5,339,204	434,863	-	Subsidiary
AAC (BVI)	ANA	USA	Marketing, trade and assembly of industrial use computers	504,179	504,179	10,952,616	100.00	7,901,509	1,047,225	-	Subsidiary
AAC (BVI)	AAC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	-	539,146	-	-	431	(181,753)	-	Subsidiary
AAC (BVI)	ACI KY	Cayman Islands	Design, research and development and trade of IoT intelligent system services	-	1,535,500	-	-	-	(57,954)	-	Subsidiary
AAC (BVI)	AMX	Mexico	Marketing and trade of industrial use computers	-	85	-	-	-	12,796	-	Subsidiary
AEUH	AEU	Netherlands	Marketing and trade of industrial use computers	868,222	868,222	32,315,215	100.00	1,815,917	136,260	-	Subsidiary
AEUH	APL	Poland	Marketing and trade of industrial use computers	14,176	14,176	7,030	100.00	61,361	1,750	-	Subsidiary
ASG	ATH	Thailand	Manufacturing of computers products	7,537	7,537	49,000	49.00	54,365	10,821	-	Subsidiary
ASG	AID	Indonesia	Marketing and trade of industrial use computers	4,749	4,749	2,970	99.00	13,228	5,040	-	Subsidiary
ASG	AMX	Mexico	Marketing and trade of industrial use computers	98	-	16,667	0.10	96	12,796	-	Subsidiary
Cermate (Taiwan)	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	141,347	17,451	-	Subsidiary
LandMark	Cermate Software Inc.	Canada	Software development	229	229	-	100.00	2,817	(294)	-	Subsidiary
LNC	Better Auto	British Virgin Islands	Holding company	229,907	229,907	7,425,000	100.00	54,604	(6,940)	-	Subsidiary
LNC	LNCMac	Taiwan	System integration and application.system furniture intelligent design, production, and sales	72,090	28,800	7,208,965	66.32	33,784	(72,797)	-	Subsidiary
LNC	BEST PLC	British Virgin Islands	Holding company	-	-	1	100.00	-	-	-	Subsidiary
Better Auto	Famous Now	Hong Kong	Holding company	150,663	150,663	4,906,096	100.00	65,016	(6,941)	-	Subsidiary
BEST PLC	BEST SERVO	British Virgin Islands	Holding company	-	-	1	100.00	-	-	-	Subsidiary
LNCMac	BEST MACHINE	British Virgin Islands	Holding company	21,900	-	700,000	100.00	4,777	(16,864)	-	Subsidiary
LNCMac	BEST AUTOMATION	Samoa	Holding company	-	-	-	-	-	-	-	Subsidiary
LNCMac	Eli	Taiwan	Boutique furniture and decoration sales, interior design services	6,000	-	600,000	20.00	4,302	(11,749)	-	Investments accounted for under equity method
ANA	AIE	Ireland	Trading of industrial network communications systems	1,212,462	1,212,462	-	100.00	352,358	24,968	-	Subsidiary
ANA	ABO	USA	High-end image acquisition and AI machine vision technology, and core technologies in high speed image acquisition	108,360	-	210,000	100.00	95,016	(8,272)	-	Subsidiary
AIE	ACZ	Czech Republic	Manufacturing of automation control	-	-	-	100.00	304,567	14,315	-	Subsidiary
AIN	ARI	India	Marketing and trade of industrial use computers	4,651	4,651	1,237,500	55.00	(1,065)	(13,436)	-	Subsidiary

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

Table 10

ADVANTECH CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China
For the year ended December 31, 2023

Expressed in thousands of NTD and foreign currencies
(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net profit (loss) of the investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect) (%)	Investment net profit (loss)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	
					Outflow	Inflow							
Advantech Technology (China) Company Ltd. (AKMC) (Note D)	Manufacturing and trade of interface cards and PC cases, plastic cases and accessories	\$ 1,343,344 USD 43,750	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	\$ 1,145,297 USD 37,300	\$ -	\$ -	\$ 1,145,297 USD 37,300	\$ 434,863	100.00	\$ 439,626	\$ 5,325,997	\$ -	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Marketing and trade of industrial use computers	129,882 USD 4,230	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	163,719 USD 5,332	-	-	163,719 (USD 5,332	299,079)	100.00 (	300,136) (	46,452)	3,167,221 USD 103,150	
Shanghai Advantech Intelligent Services Co., Ltd. (ACI CN) (Note G)	Manufacturing, marketing and trade of industrial use computers	288,256 CNY 66,618	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	245,640 USD 8,000	-	-	245,640 USD 8,000	141,446	100.00	141,381	2,047,247	-	
Xi'an Advantech Software Ltd. (AXA)	Development and manufacturing of software products	30,705 USD 1,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	Note C	-	-	Note C	109	100.00	109	29,427	-	
LNC Dong Guan Co., Ltd. (LNC Dong Guan)	Manufacturing and trade of controllers	122,820 USD 4,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	98,072 USD 3,194	-	-	98,072 (USD 3,194	6,409)	100.00 (	6,940)	65,010	-	
Shenzhen Cermate Technologies Inc. (Cermate Shenzhen)	Production of LCD touch screen, USB data cables, and industrial use computers	8,654 CNY 2,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	9,457 USD 308	-	-	9,457 USD 308	12,110	90.00	10,798	108,964	79,794 CNY 18,441	
Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Networking electronic equipment for industrial use	15,967 USD 520	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	17,563 USD 572	-	-	17,563 USD 572	6,846	100.00	6,747	32,779	39,224 CNY 9,065	
Advantech Service-IoT (Shanghai) Co., Ltd. [SIoT (China)]	Technology development, consulting and services in the field of intelligent technology	64,905 CNY 15,000	Other	Note E	-	-	Note E	650	100.00	650	51,964	-	
Shanghai Yanle Co., Ltd.(AYL)	Application and retail of intelligent technology	9,519 CNY 2,200	Other	Note F	-	-	Note F (	6)	100.00 (	6)	5,092	-	
Tianjin Anjie IOT Science and Technology Co., Ltd. (Anjie)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	12,981 CNY 3,000	Other	Note F and L	-	-	Note F and L	-	-	-	-	-	
Foshan Technology Co., Ltd. (Foshan Technology)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	34,616 CNY 8,000	Other	Note F	-	-	Note F	33,862	21.88	7,139	14,639	-	
LNCMac DONG GUAN Technology Co., Ltd. (LNCMac DONG GUAN)	System integration	21,494 USD 700	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	- USD 21,494 700	21,494 USD 700	-	21,494 (USD 700	16,880)	100.00 (	16,864)	4,776	-	
LNCMac Furniture Co.,Ltd. (LNCMac Furniture)	System furniture intelligent design, production, and sales	6,058 CNY 1,400	Other	Note I	-	-	Note I (	7,548)	100.00 (	7,473) (	1,299)	-	
Suzhou AIIST Intelligent Technology Co., Ltd (AAY)	Smart operating room total solution.	42,789 CNY 9,889	Other	Note F			Note F (	16,433)	20.00 (	3,287)	104,924	-	

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
\$ 1,725,283 (USD 56,189 thousand) (Note H)	\$ 2,438,898 (USD 79,430 thousand)	\$ 29,076,691 (Note J)

Note A: All intercompany gains and losses from investment have been eliminated during consolidation.
Note B: 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 C: Remittance by ACN.
Note D: For AKMC, there was a capital increase of US\$6,450 thousand out of earnings.
Note E: Remittance by AAC (BVI) and ACI CN.
Note F: Remittance by ACI CN.
Note G: In the first quarter of 2022, ACN acquired 18% equity interest in ACI CN for a cash consideration of CNY\$50,000 thousand.
Note H: 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 I: Remittance by LNCMac DONG GUAN.
Note J: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company.
Note K: The exchange rate was US\$1=NT\$30.705 and CNY\$1=NT\$4.327.
Note L: All shares of Tianjin Anjie IoT Science and Technology Co., Ltd. (Anjie) have been disposed of in the first quarter of 2023.

ADVANTECH CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
ASUSTek Computer Inc.	113,483,106	13.21%
K&M Investment Co., Ltd.	100,494,794	11.70%
AIDC Investment Corp.	99,314,136	11.56%

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.