

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Advantech Co., Ltd.

Introduction

We have reviewed the accompanying consolidated financial statements of Advantech Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2021 and 2020, the combined total assets of these non-significant subsidiaries were NT\$8,563,536 thousand and NT\$7,827,426 thousand, respectively, representing 15.89% and 15.97%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$1,614,351 thousand and NT\$1,927,332 thousand, respectively, representing 7.34% and 9.46%, respectively, of the consolidated total liabilities; for the three months periods ended March 31, 2021 and 2020, the amounts of combined comprehensive income of these subsidiaries were NT\$(9,309) thousand and NT\$5,625 thousand, respectively, representing (0.40%) and 0.46%, respectively, of the consolidated total comprehensive income. Also, as stated in Note 13 to the consolidated financial statements, the investments accounted for using the equity method were NT\$3,616,221 thousand and NT\$3,157,270 thousand as of March 31, 2021 and 2020, respectively. The equities in profit and loss of the associates were NT\$20,116 thousand and NT\$(17,907) thousand of the consolidated net income for the three months ended March 31, 2021 and 2020, respectively, and these investment amounts as well as additional disclosures in Note 31 "Information on Investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investees that are accounted for using equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Jr-Shian Ke and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 29, 2021

Notice to Readers

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

For the convenience of readers, the independent auditors’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ review report and consolidated financial statements shall prevail.

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 7,786,154	15	\$ 7,497,442	15	\$ 4,966,278	10
Financial assets at fair value through profit or loss - current (Notes 7 and 27)	6,571,257	12	5,493,150	11	5,303,514	11
Financial assets at amortized cost - current (Note 9)	159,174	-	162,602	-	751,170	2
Notes receivable (Note 10)	1,882,662	4	1,893,043	4	1,175,068	2
Trade receivables (Note 10)	7,070,897	13	6,858,742	14	6,815,902	14
Trade receivables from related parties (Note 28)	23,790	-	28,750	-	21,273	-
Other receivables	52,666	-	51,885	-	155,228	-
Other receivables from related parties (Note 28)	95	-	4,633	-	83	-
Inventories (Note 11)	8,846,048	16	7,813,550	15	9,092,958	19
Other current assets (Note 28)	603,787	1	483,739	1	721,527	1
Total current assets	32,996,530	61	30,287,536	60	29,003,001	59
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 7 and 27)	77,553	-	77,950	-	100,959	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 27)	2,366,683	5	1,814,233	4	1,679,268	3
Investments accounted for using the equity method (Note 13)	3,616,221	7	3,404,345	7	3,157,270	7
Property, plant and equipment (Notes 14 and 29)	9,864,712	18	9,916,896	20	9,649,619	20
Right-of-use assets (Note 15)	796,393	2	599,005	1	754,359	2
Goodwill (Note 16)	2,448,782	5	2,464,315	5	2,525,244	5
Other intangible assets	724,214	1	683,031	1	948,506	2
Deferred tax assets (Note 4)	694,688	1	723,627	2	698,831	1
Prepayments for business facilities	207,070	-	167,579	-	435,022	1
Other non-current assets (Note 29)	83,082	-	60,868	-	54,875	-
Total non-current assets	20,879,398	39	19,911,849	40	20,003,953	41
TOTAL	\$ 53,875,928	100	\$ 50,199,385	100	\$ 49,006,954	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 163,356	-	\$ 184,078	-	\$ 266,025	1
Financial liabilities at fair value through profit or loss - current (Notes 7 and 27)	8,256	-	21,044	-	1,390	-
Notes payable and trade payables (Note 28)	5,731,057	11	4,326,447	9	5,515,661	11
Dividends payable	5,480,813	10	-	-	5,463,198	11
Other payables (Notes 18 and 28)	3,473,409	6	3,928,365	8	3,071,308	6
Current tax liabilities (Notes 4 and 22)	2,456,949	5	2,315,461	5	1,766,367	4
Short-term warranty provisions	166,911	-	164,086	-	192,469	-
Lease liabilities - current (Note 15)	265,604	1	221,250	-	221,250	1
Current portion of long-term borrowings (Notes 17 and 29)	-	-	-	-	5,422	-
Other current liabilities	952,651	2	935,477	2	1,112,868	2
Total current liabilities	18,699,006	35	12,096,208	24	17,615,958	36
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 17 and 29)	-	-	-	-	34,742	-
Current tax liabilities - non-current (Notes 4 and 22)	243,301	1	291,961	1	-	-
Deferred tax liabilities (Note 4)	2,171,209	4	2,142,428	4	1,945,138	4
Lease liabilities - non-current (Note 15)	241,115	-	87,781	-	255,096	1
Net defined benefit liabilities (Notes 4 and 19)	393,719	1	403,488	1	389,415	1
Other non-current liabilities	231,790	-	131,096	-	126,754	-
Total non-current liabilities	3,281,134	6	3,056,754	6	2,751,145	6
Total liabilities	21,980,140	41	15,152,962	30	20,367,103	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)						
Share capital						
Ordinary shares	7,722,545	14	7,719,455	16	7,004,100	14
Advance receipts for share capital	3,860	-	3,090	-	4,600	-
Total share capital	7,726,405	14	7,722,545	16	7,008,700	14
Capital surplus	8,011,260	15	7,913,754	16	7,616,628	16
Retained earnings						
Legal reserve	7,020,201	13	7,020,201	14	6,285,079	13
Special reserve	845,993	2	845,993	2	798,763	1
Unappropriated earnings	8,166,204	15	11,739,513	23	7,342,955	15
Total retained earnings	16,032,398	30	19,605,707	39	14,426,797	29
Other equity						
Exchange differences on translation of the financial statements of foreign operations	(1,197,954)	(2)	(1,006,635)	(2)	(969,806)	(2)
Unrealized gain on financial assets at fair value through other comprehensive income	801,563	1	173,308	-	73,929	-
Other equity - employees' unearned shares	1,477	-	1,477	-	1,372	-
Total other equity	(394,914)	(1)	(831,850)	(2)	(894,505)	(2)
Total equity attributable to owners of the Company	31,375,149	58	34,410,156	69	28,157,620	57
NON-CONTROLLING INTERESTS	520,639	1	636,267	1	482,231	1
Total equity	31,895,788	59	35,046,423	70	28,639,851	58
TOTAL	\$ 53,875,928	100	\$ 50,199,385	100	\$ 49,006,954	100

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

(With Deloitte & Touche auditors' review report dated April 29, 2021)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales	\$ 12,825,539	97	\$ 10,963,830	97
Other operating revenue	<u>335,864</u>	<u>3</u>	<u>308,359</u>	<u>3</u>
Total operating revenue	13,161,403	100	11,272,189	100
OPERATING COSTS (Notes 11, 21 and 28)	<u>7,952,766</u>	<u>60</u>	<u>6,876,954</u>	<u>61</u>
GROSS PROFIT	<u>5,208,637</u>	<u>40</u>	<u>4,395,235</u>	<u>39</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing expenses	1,197,300	9	1,153,329	11
General and administrative expenses	669,818	5	656,930	6
Research and development expenses	1,046,693	8	925,097	8
Expected credit loss	<u>7,965</u>	<u>-</u>	<u>6,257</u>	<u>-</u>
Total operating expenses	<u>2,921,776</u>	<u>22</u>	<u>2,741,613</u>	<u>25</u>
OPERATING PROFIT	<u>2,286,861</u>	<u>18</u>	<u>1,653,622</u>	<u>14</u>
NONOPERATING INCOME				
Share of the profit (loss) of associates accounted for using the equity method (Note 13)	20,116	-	(17,907)	-
Interest income	10,124	-	7,935	-
Gains (losses) on disposal of property, plant and equipment	68,644	1	(6,197)	-
Losses on disposal of investments	-	-	(916)	-
Gains (losses) on financial instruments at fair value through profit or loss (Note 7)	53,909	-	(29,617)	-
Foreign exchange losses, net (Notes 21 and 30)	(45,142)	-	(2,291)	-
Dividend income	343	-	-	-
Other income (Notes 25 and 28)	26,597	-	22,840	-
Finance costs (Note 21)	(3,834)	-	(6,331)	-
Other losses	<u>(928)</u>	<u>-</u>	<u>(572)</u>	<u>-</u>
Total non-operating income (loss)	<u>129,829</u>	<u>1</u>	<u>(33,056)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,416,690	19	1,620,566	14
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(487,793)</u>	<u>(4)</u>	<u>(340,159)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>1,928,897</u>	<u>15</u>	<u>1,280,407</u>	<u>11</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gains on investments in debt instruments at fair value through other comprehensive income (Note 20)	\$ 598,213	5	\$ 41,557	1
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Notes 13 and 20)	27,900	-	(158)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 20)	(230,277)	(2)	(126,159)	(1)
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Notes 13 and 20)	(23,366)	-	8,210	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 20 and 22)	<u>47,830</u>	<u>-</u>	<u>22,886</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>420,300</u>	<u>3</u>	<u>(53,664)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 2,349,197</u>	<u>18</u>	<u>\$ 1,226,743</u>	<u>11</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,913,047	15	\$ 1,294,665	11
Non-controlling interests	<u>15,850</u>	<u>-</u>	<u>(14,258)</u>	<u>-</u>
	<u>\$ 1,928,897</u>	<u>15</u>	<u>\$ 1,280,407</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,347,841	18	\$ 1,244,519	11
Non-controlling interests	<u>1,356</u>	<u>-</u>	<u>(17,776)</u>	<u>-</u>
	<u>\$ 2,349,197</u>	<u>18</u>	<u>\$ 1,226,743</u>	<u>11</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 23)				
Basic	\$ 2.48		\$ 1.68	
Diluted	\$ 2.44		\$ 1.66	

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

(With Deloitte & Touche auditors' review report dated April 29, 2021)

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed after Restatement, Not Audited)

	Equity Attributable to Owners of the Company								Other Equity (Note 20)					
	Issued Capital (Notes 20 and 24)				Capital Surplus (Note 20)	Retained Earnings (Note 20)			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income	Unearned Stock - Based Employee Compensation	Total	Non-controlling Interests (Notes 20 and 26)	Total Equity
	Share Capital	Advance Receipts for Ordinary Shares	Total	Legal Reserve		Special Reserve	Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2020	\$ 6,999,230	\$ 4,870	\$ 7,004,100	\$ 7,478,568	\$ 6,285,079	\$ 798,763	\$ 11,515,121	\$ 18,598,963	\$ (878,261)	\$ 30,970	\$ 1,298	\$ 32,235,638	\$ 495,822	\$ 32,731,460
Appropriation of 2019 earnings														
Cash dividends distributed by the Company	-	-	-	-	-	-	(5,463,198)	(5,463,198)	-	-	-	(5,463,198)	-	(5,463,198)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(3,713)	(3,713)
Recognition of employee share options by the Company	4,870	(270)	4,600	32,642	-	-	-	-	-	-	-	37,242	-	37,242
Compensation costs recognized for employee share options	-	-	-	61,789	-	-	-	-	-	-	-	61,789	-	61,789
Changes in capital surplus from investments in associates accounted for by the equity method	-	-	-	35,360	-	-	-	-	-	-	74	35,434	-	35,434
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	8,048	-	-	(2,073)	(2,073)	-	-	-	5,975	7,865	13,840
Changes in percentage of ownership interests in subsidiaries	-	-	-	221	-	-	-	-	-	-	-	221	33	254
Net profit for the three months ended March 31, 2020	-	-	-	-	-	-	1,294,665	1,294,665	-	-	-	1,294,665	(14,258)	1,280,407
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	(1,560)	(1,560)	(91,545)	42,959	-	(50,146)	(3,518)	(53,664)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	1,293,105	1,293,105	(91,545)	42,959	-	1,244,519	(17,776)	1,226,743
BALANCE AT MARCH 31, 2020	<u>\$ 7,004,100</u>	<u>\$ 4,600</u>	<u>\$ 7,008,700</u>	<u>\$ 7,616,628</u>	<u>\$ 6,285,079</u>	<u>\$ 798,763</u>	<u>\$ 7,342,955</u>	<u>\$ 14,426,797</u>	<u>\$ (969,806)</u>	<u>\$ 73,929</u>	<u>\$ 1,372</u>	<u>\$ 28,157,620</u>	<u>\$ 482,231</u>	<u>\$ 28,639,851</u>
BALANCE AT JANUARY 1, 2021	\$ 7,719,455	\$ 3,090	\$ 7,722,545	\$ 7,913,754	\$ 7,020,201	\$ 845,993	\$ 11,739,513	\$ 19,605,707	\$ (1,006,635)	\$ 173,308	\$ 1,477	\$ 34,410,156	\$ 636,267	\$ 35,046,423
Appropriation of 2020 earnings														
Cash dividends distributed by the Company	-	-	-	-	-	-	(5,480,813)	(5,480,813)	-	-	-	(5,480,813)	-	(5,480,813)
Recognition of employee share options by the Company	3,090	770	3,860	24,665	-	-	-	-	-	-	-	28,525	-	28,525
Compensation costs recognized for employee share options	-	-	-	109,322	-	-	-	-	-	-	-	109,322	-	109,322
Changes in capital surplus from investments in associates accounted for by the equity method	-	-	-	(36,481)	-	-	-	-	-	-	-	(36,481)	-	(36,481)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	-	(3,401)	(3,401)	-	-	-	(3,401)	(116,984)	(120,385)
Net profit for the three months ended March 31, 2021	-	-	-	-	-	-	1,913,047	1,913,047	-	-	-	1,913,047	15,850	1,928,897
Other comprehensive income (loss) for three months ended March 31, 2021	-	-	-	-	-	-	(158)	(158)	(191,319)	626,271	-	434,794	(14,494)	420,300
Total comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	-	1,912,889	1,912,889	(191,319)	626,271	-	2,347,841	1,356	2,349,197
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(1,984)	(1,984)	-	1,984	-	-	-	-
BALANCE AT MARCH 31, 2021	<u>\$ 7,722,545</u>	<u>\$ 3,860</u>	<u>\$ 7,726,405</u>	<u>\$ 8,011,260</u>	<u>\$ 7,020,201</u>	<u>\$ 845,993</u>	<u>\$ 8,166,204</u>	<u>\$ 16,032,398</u>	<u>\$ (1,197,954)</u>	<u>\$ 801,563</u>	<u>\$ 1,477</u>	<u>\$ 31,375,149</u>	<u>\$ 520,639</u>	<u>\$ 31,895,788</u>

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

(With Deloitte & Touche auditors' review report dated April 29, 2021)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,416,690	\$ 1,620,566
Adjustments for:		
Depreciation expense	196,687	216,705
Amortization expense	55,090	48,414
Expected credit loss on receivables	7,965	6,257
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(53,909)	29,617
Compensation costs of employee share options	109,322	61,789
Finance costs	3,834	6,331
Interest income	(10,124)	(7,935)
Dividend income	(343)	-
Share of loss (profit) of associates accounted for using the equity method	(20,116)	17,907
Net loss (gain) on disposal of property, plant and equipment	(68,644)	6,197
Net loss on disposal of investments	-	916
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,036,589)	(1,684,102)
Notes receivable	10,381	371,272
Trade receivables	(218,300)	444,391
Trade receivables from related parties	4,960	(1,099)
Other receivables	3,757	(53,904)
Inventories	(1,032,498)	(1,310,134)
Other current assets	(120,048)	(33,360)
Notes payable and trade payables	1,404,610	716,465
Net defined benefit liabilities	(9,769)	4,501
Other payables	(454,979)	(661,284)
Short-term warranty provisions	2,825	(16,142)
Other current liabilities	17,174	89,964
Other non-current liabilities	<u>100,702</u>	<u>(7,901)</u>
Cash generated from (used in) operations	1,308,678	(134,569)
Interest received	10,124	7,935
Dividend received	343	-
Interest paid	(236)	(975)
Income tax paid	<u>(275,833)</u>	<u>(127,287)</u>
Net cash generated from (used in) operating activities	<u>1,043,076</u>	<u>(254,896)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(3,144)	(442,165)
Disposal of financial assets at amortized cost	136	-

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
Disposal of financial assets at fair value through other comprehensive income	\$ 16	\$ -
Acquisition of investments accounted for using the equity method	(178,997)	(130,000)
Net cash inflow on disposal of associates	-	7,255
Payments for property, plant and equipment	(236,445)	(213,134)
Proceeds from disposal of property, plant and equipment	129,089	52,453
Decrease (increase) in refundable deposits	(22,214)	3,352
Payments for intangible assets	<u>(84,885)</u>	<u>(7,500)</u>
Net cash used in investing activities	<u>(396,444)</u>	<u>(729,739)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(11,213)	16,150
Repayment of long-term borrowings	-	(2,228)
Decrease in guarantee deposits received	(2)	(7)
Repayments of the principal portion of lease liabilities	(62,824)	(58,946)
Exercise of employee share options	28,525	37,242
Dividends paid to non-controlling interests	-	(3,713)
Changes in non-controlling interests	<u>(120,385)</u>	<u>14,094</u>
Net cash generated from (used in) financing activities	<u>(165,899)</u>	<u>2,592</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(192,021)</u>	<u>(55,615)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	288,712	(1,037,658)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>7,497,442</u>	<u>6,003,936</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 7,786,154</u>	<u>\$ 4,966,278</u>

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

(With Deloitte & Touche auditors' review report dated April 29, 2021)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Advantech Co., Ltd. (the “Company”) is a listed company that was established in September 1981. It manufactures and sells embedded computing boards, industrial automation products and applied and industrial computers.

The Company’s shares have been listed on the Taiwan Stock Exchange since December 1999.

To improve the entire operating efficiency of the Company and its subsidiaries (collectively referred to as the “Group”), the Company’s board of directors resolved on June 30, 2009 to have a short-form merger with Advantech Investment and Management Service (“AIMS”). The effective merger date was July 30, 2009. As the surviving entity, the Company assumed all assets and liabilities of AIMS. On June 26, 2014, the Company’s board of directors resolved to have a whale-minnow merger with Netstar Technology Co., Ltd. (“Netstar”), an indirectly 95.51%-owned subsidiary through a wholly-owned subsidiary, Advantech Corporate Investment. The effective merger date was July 27, 2014. As the surviving entity, the Company assumed all assets and liabilities of Netstar.

The functional currency of the Company is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors April 29, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 IASB

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond 30 June 2021”	April 1, 2021 (Note 8)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 8: A lessee should apply the amendment for annual reporting periods beginning on or after April 1, 2021, recognizing the cumulative effect of initial application at the beginning of the annual reporting period.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

3) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

4) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

5) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

6) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 and attributed to the owners of the Company.

See Note 12 and Table 7 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

d. Other significant accounting policies

Except for the following, refer to significant accounting policies to the consolidated financial statements for the years ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 1,062	\$ 5,054	\$ 5,165
Checking accounts and demand deposits	6,519,987	5,718,855	4,122,407
Cash equivalents (time deposits with original maturities less than three months)	<u>1,265,105</u>	<u>1,773,533</u>	<u>838,706</u>
	<u>\$ 7,786,154</u>	<u>\$ 7,497,442</u>	<u>\$ 4,966,278</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 10,662	\$ 90	\$ 7,884
Non-derivative financial assets			
Domestic quoted shares	299,000	272,860	145,439
Foreign quoted shares	164,275	118,172	51,509
Mutual funds	<u>6,097,320</u>	<u>5,102,028</u>	<u>5,098,682</u>
	<u>\$ 6,571,257</u>	<u>\$ 5,493,150</u>	<u>\$ 5,303,514</u>

Financial assets at FVTPL - non-current

Financial assets mandatorily classified as at FVTPL

Non-derivative financial assets

Foreign unquoted shares	<u>\$ 77,553</u>	<u>\$ 77,950</u>	<u>\$ 100,959</u>
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Financial liabilities at FVTPL - current

Financial assets mandatorily classified as at FVTPL

Derivative financial assets (not under hedge accounting)

Foreign exchange forward contracts	<u>\$ 8,256</u>	<u>\$ 21,044</u>	<u>\$ 1,390</u>
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At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2021</u>			
Sell	EUR/NTD	110.04-110.08	EUR13,300/NTD453,967
	JPY/NTD	110.04-110.07	JPY230,000/NTD61,247
	RMB/NTD	110.04-110.07	RMB83,000/NTD356,214
	USD/NTD	110.04-110.05	USD9,000/NTD252,969
<u>December 31, 2020</u>			
Sell	EUR/NTD	2021.01-2021.05	EUR14,000/NTD479,531
	JPY/NTD	2021.01-2021.05	JPY280,000/NTD76,394
	RMB/NTD	2021.01-2021.04	RMB76,000/NTD324,732
	USD/NTD	2021.01-2021.02	USD6,000/NTD169,482

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2020</u>			
Sell	EUR/NTD	2020.04-2020.07	EUR12,700/NTD426,382
	USD/NTD	2020.04-2020.05	USD7,500/NTD226,516
	JPY/NTD	2020.04-2020.08	JPY320,000/NTD89,222
	RMB/NTD	2020.04-2020.06	RMB50,000/NTD214,579
	EUR/USD	2020.05-2020.08	EUR900/USD1,012
(Concluded)			

The Group entered into foreign exchange forward contracts to manage exposures due 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 using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	<u>\$ 2,366,683</u>	<u>\$ 1,814,233</u>	<u>\$ 1,679,268</u>

Investments in equity instruments at FVTOCI:

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Non-current</u>			
Domestic investments			
Listed shares and emerging market shares			
Ordinary shares - ASUSTek Computer Inc.	\$ 1,765,449	\$ 1,187,235	\$ 969,220
Ordinary shares - Allied Circuit Co., Ltd.	464,476	447,821	562,552
Unlisted shares			
Ordinary shares - BroadTec System Inc.	3,607	3,441	3,437
Ordinary shares - BiosenseTek Corp.	-	-	-
Ordinary shares - Juguar Technology	7,391	4,302	7,415
Ordinary shares - Taiwan DSC PV Ltd.	-	-	-
Ordinary shares - iSAP Solution Corp.	-	-	8,994
Ordinary shares - Feng Sang Enterprise Co., Ltd.	-	44,719	-
	<u>2,240,923</u>	<u>1,687,518</u>	<u>1,551,618</u>
(Continued)			

	March 31, 2021	December 31, 2020	March 31, 2020
Foreign investments			
Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	\$ 125,760	\$ 126,715	\$ 127,650
JamaPro Co., Ltd.	<u>-</u>	<u>-</u>	<u>-</u>
	<u>125,760</u>	<u>126,715</u>	<u>127,650</u>
	<u>\$ 2,366,683</u>	<u>\$ 1,814,233</u>	<u>\$ 1,679,268</u>
			(Concluded)

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 FVTOCI 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.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Foreign investments			
Time deposits with original maturity of more than 3 months	<u>\$ 159,174</u>	<u>\$ 162,602</u>	<u>\$ 751,170</u>

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Notes receivable - operating</u>	<u>\$ 1,882,662</u>	<u>\$ 1,893,043</u>	<u>\$ 1,175,068</u>
<u>Trade receivables</u>			
Amortized cost			
Gross carrying amount	\$ 7,151,364	\$ 6,933,252	\$ 6,907,967
Less: Allowance for impairment loss	<u>(80,467)</u>	<u>(74,510)</u>	<u>(92,065)</u>
	<u>\$ 7,070,897</u>	<u>\$ 6,858,742</u>	<u>\$ 6,815,902</u>

Trade Receivables

The average credit period of the sales of goods was 30-90 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company 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 the end of the reporting period 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.

The Group measures the loss allowance for trade receivables at an amount that equals to lifetime ECLs. The expected credit losses on trade receivables 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, as well as the economic growth rate forecasts and industry outlook. As the Group's historical credit loss experience show different 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.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the trade receivables are over 1 year past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

March 31, 2021

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	3.06%	25.41%	48.99%	100%	-
Gross carrying amount	\$ 6,453,749	\$ 607,559	\$ 31,165	\$ 9,697	\$ 49,194	\$ 7,151,364
Loss allowance (Lifetime ECLs)	-	(18,604)	(7,918)	(4,751)	(49,194)	(80,467)
Amortized cost	<u>\$ 6,453,749</u>	<u>\$ 588,955</u>	<u>\$ 23,247</u>	<u>\$ 4,946</u>	<u>\$ -</u>	<u>\$ 7,070,897</u>

December 31, 2020

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	2.79%	15.53%	49.91%	100%	-
Gross carrying amount	\$ 6,130,711	\$ 707,623	\$ 43,446	\$ 6,961	\$ 44,511	\$ 6,933,252
Loss allowance (Lifetime ECLs)	-	(19,776)	(6,749)	(3,474)	(44,511)	(74,510)
Amortized cost	<u>\$ 6,130,711</u>	<u>\$ 687,847</u>	<u>\$ 36,697</u>	<u>\$ 3,487</u>	<u>\$ -</u>	<u>\$ 6,858,742</u>

March 31, 2020

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	0.68%	20%	50.62%	100%	-
Gross carrying amount	\$ 5,805,889	\$ 943,392	\$ 75,017	\$ 26,503	\$ 57,166	\$ 6,907,967
Loss allowance (Lifetime ECLs)	-	(6,444)	(15,040)	(13,415)	(57,166)	(92,065)
Amortized cost	<u>\$ 5,805,889</u>	<u>\$ 936,948</u>	<u>\$ 59,977</u>	<u>\$ 13,088</u>	<u>\$ -</u>	<u>\$ 6,815,902</u>

The movements of the loss allowance of trade receivables is as follows:

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 74,510	\$ 87,301
Add: Amount of expected loss recognized on credit impairment	7,965	6,257
Less: Amounts written off (Note)	(205)	(49)
Foreign exchange gains and losses	<u>(1,803)</u>	<u>(1,444)</u>
Balance at March 31	<u>\$ 80,467</u>	<u>\$ 92,065</u>

Note: The Group wrote off trade receivables and related loss allowance for the three months ended March 31, 2021 and 2020 of \$205 thousand and \$49 thousand, respectively, as the customers' trade receivables have been aged more than 2 years and the legal attest letters were served without receivables collected.

11. INVENTORIES

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 4,641,996	\$ 3,406,248	\$ 4,671,515
Work in process	594,873	538,022	1,948,516
Finished goods	2,714,601	2,814,773	1,779,851
Inventories in transit	<u>894,578</u>	<u>1,054,507</u>	<u>693,076</u>
	<u>\$ 8,846,048</u>	<u>\$ 7,813,550</u>	<u>\$ 9,092,958</u>

The nature of the cost of goods sold is as follows:

	For the Three Months Ended March 31	
	2021	2020
Cost of inventories sold	\$ 7,769,800	\$ 6,737,863
Inventory write-downs	41,501	5,743
Others	<u>141,465</u>	<u>133,348</u>
	<u>\$ 7,952,766</u>	<u>\$ 6,876,954</u>

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Advantech Automation Corp. (AAC (BVI))	Investment and management service	100.00	100.00	100.00	
	Advantech Technology Co., Ltd (ATC)	Sale of industrial automation products	100.00	100.00	100.00	
	Advanix Corporation	Production and sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Corporate Investment	Investment holding company	100.00	100.00	100.00	
	Advantech Europe Holding B.V. (AEUH)	Investment and management services	100.00	100.00	100.00	
	Advantech Co., Singapore Pte, Ltd. (ASG)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Australia Pty Ltd. (AAU)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Japan Co., Ltd. (AJP)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Co. Malaysia Sdn. Bhd (AMY)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech KR Co., Ltd. (AKR)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Brasil Ltd (ABR)	Sale of industrial automation products	100.00	100.00	80.00	a, f
	Advantech Industrial Computing India Private Limited (AIN)	Sale of industrial automation products	99.99	99.99	99.99	a
	AdvanPOS	Production and sale of POS systems	100.00	100.00	100.00	a
	LNC Technology Co., Ltd. (LNC)	Production and sale of machines with computerized numerical controls	59.10	59.10	60.68	a, b
	Advantech Electronics, S. De R. L. De C. V. (AMX)	Sale of industrial automation products	60.00	60.00	100.00	a, d
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	-	-	60.00	h
	Advantech Intelligent Services Co., Ltd. (AiST)	Design, develop and sale of intelligent service	100.00	100.00	100.00	a
	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	-	-	76.00	g
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	51.00	51.00	51.00	a
	Advantech Vietnam Technology Company Limited (AVN)	Sale of industrial automation products	60.00	60.00	60.00	a
	Limited Liability Company Advantech Technology (ARU)	Production and sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	70.00	50.00	50.00	a, l
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	60.00	60.00	a
	ADVANTECH ISRAEL LTD. (AIL)	Sale of industrial network communications systems	100.00	100.00	100.00	a
	Huan Yan Water Solution Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	100.00	100.00	-	a, i
Advantech KR Co., Ltd. (AKR)	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	-	-	24.00	g
Advantech Japan Co., Ltd. (AJP)	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	28.61	28.61	28.61	a
Advantech Corporate Investment	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
	Huan Yan, Jhih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	-	-	50.00	j
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	50.00	50.00	a
	Advantech Corporate Investment Ltd. (ACISM)	General investment	100.00	100.00	100.00	a
	ACI IOT Investment Fund-I Corporation	Investment holding company	79.33	79.33	79.33	a
	Advantech Intelligent Health Co., Ltd. (AIH)	Information software and data processing services	100.00	-	-	a, c

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2021	December 31, 2020	March 31, 2020	
Advantech Technology Co., Ltd (ATC)	Advantech Automation Corp. (HK) (ATC (HK))	Investment and management services	100.00	100.00	100.00	
Advantech Automation Corp. (HK) (ATC (HK))	Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	100.00	100.00	100.00	
Advantech Automation Corp. (AAC (BVI))	Advantech Corp. (ANA)	Sale and fabrication of industrial automation products	100.00	100.00	100.00	
	Advantech Automation Corp. (HK) (AAC (HK))	Investment and management service	100.00	100.00	100.00	
	Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Design, development and sale of IoT intelligent system service	100.00	100.00	100.00	a
	Advantech Technology DMCC (ADB)	Sale of industrial network communications	100.00	100.00	100.00	a
Advantech Corp. (ANA)	B+B Smartworx Inc. (B+B)	Sale of industrial network communications	-	-	40.00	h
	Advantech Technology Limited (AIE) (former BBIE)	Sale of industrial network communications	100.00	100.00	-	a, k
Advantech Automation Corp. (HK) (AAC (HK))	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	100.00	100.00	100.00	
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	100.00	100.00	100.00	a
Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	99.00	99.00	99.00	a
	Advantech Service-IoT GmbH (A-SIoT)	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	100.00	a
	Advantech Intelligent Health Co., Ltd. (AIH)	Information software and data processing services	-	100.00	70.00	a, c
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	100.00	100.00	100.00	a
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	1.00	1.00	1.00	a
	Shanghai Yanle Co., Ltd. (AYL)	Application and retail of intelligent technology	100.00	100.00	45.00	a, e
Advantech Europe Holding B.V. (AEUH)	Advantech Europe B.V. (AEU)	Sale of industrial automation products	100.00	100.00	100.00	
	Advantech Poland Sp z o.o. (APL)	Sale of industrial automation products	100.00	100.00	100.00	a
Advantech Co., Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	49.00	49.00	49.00	a
	Advantech International. PT. (AID)	Sale of industrial automation products	100.00	100.00	100.00	a
Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	100.00	a
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of industrial electronic equipment	100.00	100.00	100.00	a
	Shenzhen Cermate Technologies Inc.	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	90.00	a
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	General investment	100.00	100.00	100.00	a
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	General investment	100.00	100.00	100.00	a
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	100.00	a
B+B Smartworx Inc. (B+B)	Advantech Technology Limited (AIE) (former BBIE)	Sale of industrial network communications systems	-	-	100.00	k
Advantech Technology Limited (AIE) (former BBIE)	Advantech B+B SmartWorx s.r.o.CZ (ACZ)	Manufacturing of cellular and automation solutions	100.00	100.00	100.00	a

(Concluded)

Remark a: Not significant subsidiaries and their financial statements had not been reviewed.

Remark b: In the first and second quarter of 2020, the Group sold 3.42% and 1.58% of the equity of LNC, respectively, which led its equity investment in LNC to decrease from 64.10% to 59.10%.

- Remark c: In the first quarter of 2020, SioT (Cayman) acquired 30% of the equity of AIH, which led its equity investment in AIH to increase from 70% to 100%. In the first quarter of 2021, the Company adjusted its investment structure, hence, Advantech Corporate Investment directly held 100% of the equity of AIH.
- Remark d: In the second quarter of 2020, the Group had a non-proportional investment in the equity of AMX during its cash capital increase, which led its equity investment in AMX to decrease from 100% to 60%.
- Remark e: In the second quarter of 2020, the Group acquired 55% of the equity of AYL, which led its equity investment in Yanle to increase from 45% to 100%.
- Remark f: In the third quarter of 2020, the Group acquired 20% of the equity of ABR, which led its equity investment in ABR to increase from 80% to 100%.
- Remark g: In the third quarter of 2020, the Group adjusted its investment structure. Following capital reduction of AKST to offset deficit, AKR directly held 100% of the equity of AKST. AKR and AKST then merged. AKR is the surviving entity.
- Remark h: In the fourth quarter of 2020, after the Group sold 60% of the equity of B+B to AAC (BVI), AAC (BVI) then sold to ANA. ANA directly held 100% of the equity of B+B. ANA and B+B then merged. ANA is the surviving entity.
- Remark i: In the fourth quarter of 2020, the Group founded Huan Yan Water Solution Co., Ltd.
- Remark j: In the fourth quarter of 2020, Huan Yan, Jhih-Lian Co., Ltd. filed for liquidation.
- Remark k: In the fourth quarter of 2020, the Group adjusted its investment structure. ANA held 100% of the equity of AIE.
- Remark l: In the first quarter of 2021, the Group acquired 20% of the equity of ATJ, which led its equity investment in ATJ to increase from 50% to 70%.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. (“Axiomtek”)	\$ 748,085	\$ 647,383	\$ 679,146
Winmate Inc. (“Winmate”)	571,545	557,027	562,035
AzureWare Technologies, Inc. (“AzureWare”)	544,080	551,457	486,272
Nippon RAD Inc. (Nippon RAD)	282,954	293,440	304,198
Mildex Optical Inc. (“Mildex”)	158,532	164,589	181,740
Hwacom Systems Inc. (“Hwacom”)	397,446	376,666	374,771
Information Technology Total Services Co., Ltd. (“ITTS”)	159,160	156,544	159,383
			(Continued)

	March 31, 2021	December 31, 2020	March 31, 2020
Unlisted companies			
AIMobile Co., Ltd. (“AIMobile”)	\$ 41,416	\$ 45,217	\$ 57,510
Deneng Scientific Research Co., Ltd. (“Deneng”)	13,533	12,788	13,643
CDIB Innovation Accelerator Co., Ltd. (“CDIB”)	150,699	151,529	163,092
DotZero Co., Ltd. (“DotZero”)	3,390	4,507	6,127
iLink Co., Ltd. (“iLink”)	2,764	4,290	6,061
Shanghai Yanle Co., Ltd. (“Yanle”)	-	-	1,964
GSD Environmental Technology Co., Ltd. (“GSD”)	8,999	9,904	12,794
Smasoft Technology Co., Ltd. (“Smasoft”)	10,472	11,033	14,037
Impelex Data Transfer Co., Ltd. (“Impelex”)	10,266	10,659	9,496
VSO Electronics Co., Ltd. (“VSO”)	133,572	130,940	122,449
International Integrated Systems, Inc. (“IISI”)	256,458	263,747	-
iSAP Solution Corp.	7,659	10,000	-
Tianjin Anjie IOT Science and Technology Co., Ltd. (“GSD”)	2,605	2,625	2,552
Feng Sang Enterprise Co., Ltd. (“Feng Sang”)	109,762	-	-
Foshan Technology Co., Ltd. (“Foshan Technology”)	2,824	-	-
	<u>\$ 3,616,221</u>	<u>\$ 3,404,345</u>	<u>\$ 3,157,270</u> (Concluded)

In the first quarter of 2020, the Group paid \$10,000 thousand in cash for 20% of the equity of Impelex Data Transfer Co., Ltd. The Group had significant influence over Impelex Data Transfer Co., Ltd.

In the first quarter of 2020, the Group paid \$120,000 thousand in cash for 14.29% of the equity of VSO Electronics Co., Ltd. The Group had significant influence over VSO Electronics Co., Ltd.

In the second quarter of 2020, the Group paid \$243,086 thousand in cash for 20% of the equity of International Integrated Systems, Inc. The Group had significant influence over International Integrated Systems, Inc.

In the fourth quarter of 2020, the Group paid \$10,000 thousand in cash for 34.83% of the equity of iSAP Solution Corp. The Group had significant influence over iSAP Solution Corp.

In the first quarter of 2021, the Group paid \$64,500 thousand in cash for 21.24% of the equity of Feng Sang Enterprise Co., Ltd. which led its equity investment in Feng Sang Enterprise Co., Ltd. to increase from 15% to 36.24%. The Group had significant influence over Feng Sang Enterprise Co., Ltd.

In the first quarter of 2021, the Group paid \$2,824 thousand in cash for 34.83% of the equity of Foshan Technology Co., Ltd. The Group had significant influence over Foshan Technology Co., Ltd.

In the first quarter of 2021, the Group paid \$111,673 thousand in cash for 2.35% of the equity of Axiomtek Co., Ltd., which led its equity investment in Axiomtek Co., Ltd. to increase from 24.17% to 26.52%.

Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2021	2020
The Group's share of		
Profit (loss) from continuing operations	\$ 20,116	\$ (17,907)
Other comprehensive income (loss)	<u>(4,534)</u>	<u>8,052</u>
Total comprehensive income (loss) for the period	<u>\$ 15,582</u>	<u>\$ (9,855)</u>

The Group's investment in the above associate was accounted for using the equity method.

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed; the management believe that financial statements of those investee mentioned above had not been reviewed by independent CPAs would not contribute to significant effect on review results.

14. PROPERTY, PLANT AND EQUIPMENT

a. 2021

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 3,032,384	\$ 8,052,436	\$ 1,929,938	\$ 906,329	\$ 1,901,434	\$ 380,653	\$ 16,203,174
Additions	-	47,131	40,774	23,097	35,405	90,038	236,445
Disposals	(31,543)	(39,863)	(18,818)	(5,202)	(11,044)	-	(106,470)
Reclassifications	-	292,663	7,404	(8,055)	28,803	(365,014)	(44,199)
Effect of foreign currency exchange differences	<u>(14,460)</u>	<u>(93,970)</u>	<u>(17,914)</u>	<u>(8,564)</u>	<u>(13,634)</u>	<u>(69)</u>	<u>(148,611)</u>
Balance at March 31, 2021	<u>\$ 2,986,381</u>	<u>\$ 8,258,397</u>	<u>\$ 1,941,384</u>	<u>\$ 907,605</u>	<u>\$ 1,940,964</u>	<u>\$ 105,608</u>	<u>\$ 16,140,339</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 2,824,136	\$ 1,408,668	\$ 712,689	\$ 1,340,785	\$ -	\$ 6,286,278
Disposals	-	(16,284)	(14,473)	(5,011)	(10,257)	-	(46,025)
Depreciation expense	-	51,037	28,236	19,558	40,424	-	139,255
Reclassifications	-	822	-	(7,062)	1,532	-	(4,708)
Effect of foreign currency exchange differences	<u>-</u>	<u>(68,706)</u>	<u>(14,093)</u>	<u>(6,969)</u>	<u>(9,405)</u>	<u>-</u>	<u>(99,173)</u>
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ 2,791,005</u>	<u>\$ 1,408,338</u>	<u>\$ 713,205</u>	<u>\$ 1,363,079</u>	<u>\$ -</u>	<u>\$ 6,275,627</u>
Carrying amount at March 31, 2021	<u>\$ 2,986,381</u>	<u>\$ 5,467,392</u>	<u>\$ 533,046</u>	<u>\$ 194,400</u>	<u>\$ 577,885</u>	<u>\$ 105,608</u>	<u>\$ 9,864,712</u>

b. 2020

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 3,067,589	\$ 8,049,532	\$ 1,866,463	\$ 877,799	\$ 1,874,078	\$ 8,792	\$ 15,744,253
Additions	-	993	14,013	22,753	28,575	146,800	213,134
Disposals	(232)	-	(63,773)	(5,680)	(11,368)	(50,863)	(131,916)
Reclassifications	-	(2,037)	25,698	(19,529)	(98,313)	(90,729)	(184,910)
Effect of foreign currency exchange differences	<u>394</u>	<u>(18,707)</u>	<u>(7,215)</u>	<u>(5,053)</u>	<u>(9,969)</u>	<u>(5,027)</u>	<u>(45,577)</u>
Balance at March 31, 2020	<u>\$ 3,067,751</u>	<u>\$ 8,029,781</u>	<u>\$ 1,835,186</u>	<u>\$ 870,290</u>	<u>\$ 1,783,003</u>	<u>\$ 8,973</u>	<u>\$ 15,594,984</u>

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Accumulated depreciation and impairment							
Balance at January 1, 2020	\$ -	\$ 2,597,296	\$ 1,378,129	\$ 685,252	\$ 1,351,086	\$ -	\$ 6,011,763
Disposals	-	-	(57,117)	(5,349)	(10,800)	-	(73,266)
Depreciation expense	-	50,157	51,913	19,897	40,743	-	162,710
Reclassifications	-	(153)	(19,741)	(15,591)	(103,624)	-	(139,109)
Effect of foreign currency exchange differences	-	(2,382)	(4,195)	(3,842)	(6,314)	-	(16,733)
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 2,644,918</u>	<u>\$ 1,348,989</u>	<u>\$ 680,367</u>	<u>\$ 1,271,091</u>	<u>\$ -</u>	<u>\$ 5,945,365</u>
Carrying amount at March 31, 2020	<u>\$ 3,067,751</u>	<u>\$ 5,384,863</u>	<u>\$ 486,197</u>	<u>\$ 189,923</u>	<u>\$ 511,912</u>	<u>\$ 8,973</u>	<u>\$ 9,649,619</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-51 years
Electronic equipment	5 years
Engineering systems	5 years
Equipment	2-8 years
Office equipment	2-8 years
Other facilities	2-10 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 29.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amount</u>			
Land	\$ 278,615	\$ 282,854	\$ 281,158
Buildings	435,325	283,248	410,144
Machinery	2,440	2,619	3,283
Office equipment	11,725	6,032	14,028
Transportation equipment	67,915	24,232	45,711
Other equipment	<u>373</u>	<u>20</u>	<u>35</u>
	<u>\$ 796,393</u>	<u>\$ 599,005</u>	<u>\$ 754,359</u>

	For the Three Months Ended March 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 176,009</u>	<u>\$ 39,556</u>
Depreciation charge for right-of-use assets		
Land	2,122	2,090
Buildings	44,542	41,962
Machinery	190	221
Office equipment	2,146	2,633
Transportation equipment	8,394	7,084
Other equipment	<u>38</u>	<u>5</u>
	<u>\$ 57,432</u>	<u>\$ 53,995</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and 2020.

b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amount</u>			
Current	<u>\$ 265,604</u>	<u>\$ 221,250</u>	<u>\$ 221,250</u>
Non-current	<u>\$ 241,115</u>	<u>\$ 87,781</u>	<u>\$ 255,096</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Buildings	0.15%-15%	0.25%-10.20%	0.25%-10.20%
Machinery	0.87%	0.87%-4.20%	0.87%-4.20%
Office equipment	0.22%-4.75%	0.87%-4.75%	0.87%-4.75%
Transportation equipment	0.15%-5.00%	0.25%-5.00%	0.25%-5.00%
Other equipment	1.60%-2.40%	2.05%	2.05%

c. Other lease information

	For the Three Months Ended March 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 355</u>	<u>\$ 3,490</u>
Expenses relating to low-value asset leases	<u>\$ 348</u>	<u>\$ 3,045</u>
Total cash outflow for lease	<u>\$ 63,527</u>	<u>\$ 70,469</u>

16. GOODWILL

	For the Three Months Ended March 31	
	2021	2020
<u>Cost</u>		
Balance at January 1	\$ 2,837,680	\$ 2,892,879
Effect of foreign currency exchange differences	<u>(15,533)</u>	<u>5,730</u>
Balance at March 31	<u>\$ 2,822,147</u>	<u>\$ 2,898,609</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ (373,365)	\$ (373,365)
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>
Balance at March 31	<u>\$ (373,365)</u>	<u>\$ (373,365)</u>
Carry amount at March 31	<u>\$ 2,448,782</u>	<u>\$ 2,525,244</u>

17. BORROWINGS

a. Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured borrowings			
Line of credit borrowings	<u>\$ 163,356</u>	<u>\$ 184,078</u>	<u>\$ 266,025</u>

The range of weighted average effective interest rates on bank loans was 0.22%-6.64%, 0.22%-3.05% and 0.23%-2.60% per annum as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

b. Long-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Secured borrowings</u>			
Other loans	\$ -	\$ -	\$ 40,164
Less: Current portion	<u>-</u>	<u>-</u>	<u>(5,422)</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,742</u>

Other borrowings are loans from the government. As of March 31, 2020, the effective interest rate was 2.91%-3.16%.

With demand of borrowings, the Group pledged time deposits, freehold land and buildings, refer to Note 29. The Group had repaid the loan in advance in June 2020.

18. OTHER LIABILITIES

	March 31, 2021	December 31, 2020	March 31, 2020
Other payables			
Payables for salaries or bonuses	\$ 2,252,382	\$ 2,742,495	\$ 1,919,294
Payables for employee benefits	202,263	185,523	172,696
Others (Note)	<u>1,018,764</u>	<u>1,000,347</u>	<u>979,318</u>
	<u>\$ 3,473,409</u>	<u>\$ 3,928,365</u>	<u>\$ 3,071,308</u>

Note: Including marketing expenses and freight expenses, etc.

19. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$2,663 thousand and \$2,510 thousand for the three months ended March 31, 2021 and 2020, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019.

20. EQUITY

a. Share capital

Ordinary shares

	March 31, 2021	December 31, 2020	March 31, 2020
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>772,641</u>	<u>772,255</u>	<u>700,870</u>
Shares issued	<u>\$ 7,726,405</u>	<u>\$ 7,722,545</u>	<u>\$ 7,008,700</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

The changes in shares are due to employees' exercise of their employee share options.

b. Capital surplus

	March 31, 2021	December 31, 2020	March 31, 2020
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238	\$ 2,692,238
Conversion of bonds	1,636,499	1,636,499	1,636,499
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	-	-	98,265
Share of changes in capital surplus of associates	10,097	674	55
Employees' share compensation	78,614	78,614	78,614
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	-	-	4,858
Employee share options	2,366,050	2,297,403	1,992,259
Share of changes in capital surplus of associates	8,978	54,882	-
Employee share options expired	87,266	87,266	47,721
<u>Not note be used for any purpose</u>			
Employee share options	<u>1,131,518</u>	<u>1,066,178</u>	<u>1,066,119</u>
	<u>\$ 8,011,260</u>	<u>\$ 7,913,754</u>	<u>\$ 7,616,628</u>

- 1) 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 (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interests in a subsidiary resulting from equity transactions other than actual disposal or acquisition or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

The amended policies were approved in the shareholders' meeting on May 28, 2020, and the Group authorized the board to resolve the distribution of dividends and bonuses in the form of cash and then reported to the stockholders.

Under the dividends policy, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 21, d.

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 be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

An appropriation of earnings to a legal reserve should be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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.

The appropriations of earnings, for 2020 and 2019 which have been approved in the shareholders' meetings on March 5, 2021 and on May 28, 2020, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended	
	December 31	
	2020	2019
Legal reserve	\$ 717,035	\$ 735,122
Special reserve	\$ (14,143)	\$ 47,230
Cash dividends	\$ 5,480,813	\$ 5,463,198
Share dividends	\$ -	\$ 700,410
Cash dividends per share (NT\$)	\$ 7.1	\$ 7.8
Share dividends per share (NT\$)	\$ -	\$ 1.0

The distribution of cash dividends was approved by the board of directors on March 5, 2021. The appropriation of earnings for 2020 are subject to the resolution in the shareholders' meeting to be held on May 27, 2021.

d. Special reserves

	For the Three Months Ended	
	March 31	
	2021	2020
Beginning at January 1	\$ 845,993	\$ 798,763
Balance at March 31	\$ 845,993	\$ 798,763

e. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	<u>\$ (1,006,635)</u>	<u>\$ (878,261)</u>
Recognized during the period		
Exchange differences on translation of the financial statements of foreign operations	(172,626)	(98,113)
Share of those of associates accounted for using the equity method	<u>(18,693)</u>	<u>6,568</u>
Other comprehensive income recognized for the period	<u>(191,319)</u>	<u>(91,545)</u>
Balance at March 31	<u>\$ (1,197,954)</u>	<u>\$ (969,806)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	<u>\$ 173,308</u>	<u>\$ 30,970</u>
Recognized for the period		
Unrealized gain - equity instruments	598,213	41,557
Share of those of associates accounted for using the equity method	<u>28,058</u>	<u>1,402</u>
Other comprehensive income recognized for the period	626,271	42,959
Cumulative unrealized gain on equity instruments transferred to retained earnings due to disposal	<u>1,984</u>	<u>-</u>
Balance at March 31	<u>\$ 801,563</u>	<u>\$ 73,929</u>

3) Unearned employee benefits compensation

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	<u>\$ 1,477</u>	<u>\$ 1,298</u>
Share from associates accounted for using the equity method	<u>-</u>	<u>74</u>
Balance at March 31	<u>\$ 1,477</u>	<u>\$ 1,372</u>

f. Non-controlling interests

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 636,267	\$ 495,822
Share in profit (loss) for the year	15,850	(14,258)
Other comprehensive income during the year		
Exchange differences on translation of the financial statements of foreign operations	(14,494)	(3,518)
Increase in non-controlling interests arising from decrease in investment in subsidiaries (Note 26)	-	10,346
Decrease in non-controlling interests arising from increase in investment in subsidiaries (Note 26)	(116,984)	(2,481)
Cash dividends distributed by subsidiaries	-	(3,713)
Employees' holding outstanding vest share option related non-controlling interests issued by subsidiaries	<u>-</u>	<u>33</u>
Balance at March 31	<u>\$ 520,639</u>	<u>\$ 482,231</u>

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended March 31	
	2021	2020
Interest on bank loans	\$ 236	\$ 616
Interest on lease liabilities	3,575	4,988
Others	<u>23</u>	<u>727</u>
	<u>\$ 3,834</u>	<u>\$ 6,331</u>

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 45,116	\$ 46,275
Operating expenses	<u>151,571</u>	<u>170,430</u>
	<u>\$ 196,687</u>	<u>\$ 216,705</u>
An analysis of amortization by function		
Operating costs	\$ 414	\$ 1,515
Operating expenses	<u>54,676</u>	<u>46,899</u>
	<u>\$ 55,090</u>	<u>\$ 48,414</u>

c. Employee benefits expense

	For the Three Months Ended March 31	
	2021	2020
Short-term benefits	\$ 2,521,204	\$ 2,257,264
Post-employment benefits		
Defined contribution plans	91,153	66,608
Defined benefit plans (Note 19)	<u>2,663</u>	<u>2,510</u>
	93,816	69,118
Share-based payments		
Equity-settled	109,356	61,789
Other employee benefits	<u>117,760</u>	<u>168,356</u>
Total employee benefits expense	<u>\$ 2,842,136</u>	<u>\$ 2,556,527</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 605,183	\$ 532,534
Operating expenses	<u>2,236,953</u>	<u>2,023,993</u>
	<u>\$ 2,842,136</u>	<u>\$ 2,556,527</u>

d. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation at the rates of no less than 5% and remuneration of directors at the rates of no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months ended March 31, 2021 and 2020, the employees' compensation and the remuneration of directors were accrued of net profit after income tax.

	For the Three Months Ended March 31	
	2021	2020
Employees' compensation	<u>\$ 142,500</u>	<u>\$ 150,000</u>
Remuneration of directors	<u>\$ 3,000</u>	<u>\$ 3,000</u>

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2020 and 2019 having been resolved by the board of directors on March 5, 2021 and March 6, 2020, respectively, were as below:

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Employees' compensation	<u>\$ 570,000</u>	<u>\$ 600,000</u>
Remuneration of directors and supervisors	<u>\$ 11,700</u>	<u>\$ 12,000</u>

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- e. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2021	2020
Foreign exchange gains	\$ 186,123	\$ 229,369
Foreign exchange losses	<u>(231,265)</u>	<u>(231,660)</u>
Net gain (loss)	<u>\$ (45,142)</u>	<u>\$ (2,291)</u>

22. INCOME TAXES

- a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2021	2020
Current tax		
In respect of the current period	\$ 422,587	\$ 339,255
Adjustment for prior years	(40,344)	(16,312)
Deferred tax		
In respect of the current period	<u>105,550</u>	<u>17,216</u>
Income tax expense recognized in profit or loss	<u>\$ 487,793</u>	<u>\$ 340,159</u>

- b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2021	2020
<u>Deferred tax</u>		
In respect of current period		
Translation of the financial statements of foreign operations	<u>\$ (47,830)</u>	<u>\$ (22,886)</u>
Income tax recognized in other comprehensive income	<u>\$ (47,830)</u>	<u>\$ (22,886)</u>

- c. Income tax assessments

The Company's tax returns through 2018 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2021	2020
Basic earnings per share	<u>\$ 2.48</u>	<u>\$ 1.68</u>
Diluted earnings per share	<u>\$ 2.44</u>	<u>\$ 1.66</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares or share splits on August 8, 2020. The basic and diluted earnings per share adjusted retrospectively for the three months ended March 31, 2020 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 1.85</u>	<u>\$ 1.68</u>
Diluted earnings per share	<u>\$ 1.82</u>	<u>\$ 1.66</u>

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

Net Profit for the Period

	For the Three Months Ended March 31	
	2021	2020
Earnings used in the computation of basic earnings per share	<u>\$ 1,913,047</u>	<u>\$ 1,294,665</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,913,047</u>	<u>\$ 1,294,665</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended March 31	
	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	772,380	770,630
Effect of potentially dilutive ordinary shares:		
Employee share options	9,580	7,763
Employees' compensation	<u>1,529</u>	<u>2,109</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>783,489</u>	<u>780,502</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted

earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

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

Information on employee share options was as follows:

	For the Three Months Ended March 31			
	2021		2020	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	19,404	\$175.66	14,250	\$149.88
Options exercised	<u>(386)</u>	73.90	<u>(460)</u>	80.96
Balance at March 31	<u>19,018</u>	177.73	<u>13,790</u>	152.19
Options exercisable, end of the period	<u>7,518</u>	142.32	<u>5,790</u>	82.68
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ -</u>	

The weighted-average share price at the date of exercise of share options for the three months ended March 31, 2021 and 2020 were from NT\$359 to NT\$363 and NT\$257 to NT\$304, respectively.

Information about outstanding options as of March 31, 2021 and 2020 was as follows:

	For the Three Months Ended December 31			
	2021		2020	
	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2020	\$200.00	5.33	\$ -	-
Issuance in 2018	202.50	3.33	202.50	4.33
Issuance in 2016	73.90	1.20	83.30	2.20
Issuance in 2014	-	-	79.40	0.38

Options granted were priced using the Black-Scholes model, and the inputs to the model were as follows:

	2020	2018	2016
Grant-date share price (NT\$)	\$307	\$202.5	\$235
Exercise price (NT\$)	\$200	\$202.5	\$100
Expected volatility	23.28%-26.55%	28.42%-28.73%	31.42%-32.48%
Expected life (in years)	4-4.5	4-4.5	4-5.5
Expected dividends yield	0%	0%	0%
Risk-free interest rate	0.31%-0.35%	0.67%-0.69%	0.52%-0.65%

Expected volatility was based on the historical share price volatility over the past 5 years.

Compensation cost recognized was \$109,322 thousand and \$61,789 thousand for the three months ended March 31, 2021 and 2020, respectively.

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. These options were valid for five years. All were exercisable at certain percentages after the first anniversary year from the grant date.

Information on employee share options was as follows:

	For the Three Months Ended March 31			
	2021		2020	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)
Balance at January 1	676	\$ 20	740	\$ 20
Options expired	-	-	(24)	20
Balance at March 31	<u>676</u>	20	<u>716</u>	20
Options exercisable, end of period	<u>502</u>	20	<u>156</u>	20
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Information on outstanding options for the three months ended March 31, 2021 and 2020 was as follows:

	For the Three Months Ended March 31			
	2021		2020	
Employee Share Options	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2018	\$ 20	1.28	\$ 20	2.28
Issuance in 2017	20	0.17	20	1.17

Options granted by LNC were priced using the Black-Scholes model, and the inputs to the model were as follows:

	2018	2017
Grant-date valuation (NT\$)	\$17.29	\$16.11
Exercise price (NT\$)	\$20	\$20
Expected volatility	21.36%-25.43%	25.60%-29.45%
Expected life (in years)	2.5-4	2.5-4
Expected dividend yield	1.04%	0%
Risk-free interest rate	0.60%-0.67%	0.64%-0.74%

In August 2018, the Company modified all of its outstanding options. The valid life was adjusted from 4 to 5 years. The incremental fair values of NT\$0.38 in June 2017 and NT\$0.34 in May 2018 will be recognized as expenses in the rest of each of their vesting period within 2.42 and 3.33 years. LNC used the inputs noted above to measure the fair value of the old and new options.

Issuance in 2018

	Before Adjustment	After Adjustment
Grant-date valuation (NT\$)	\$17.86	\$17.86
Exercise price (NT\$)	\$20	\$20
Expected volatility	20.04%-23.67%	21.57%-24.70%
Expected life (in years)	2.17-3.67	2.67-4.17
Expected dividend yield	1.01%	1.01%
Risk-free interest rate	0.57%-0.65%	0.61%-0.67%

Issuance in 2017

	Before Adjustment	After Adjustment
Grant-date valuation (NT\$)	\$17.86	\$17.86
Exercise price (NT\$)	\$20	\$20
Expected volatility	19.35%-21.61%	19.89%-23.34%
Expected life (in years)	1.38-2.76	1.88-3.26
Expected dividend yield	-	-
Risk-free interest rate	0.49%-0.61%	0.54%-0.64%

25. GOVERNMENT GRANTS

For the three months ended March 31, 2021 and 2020, the Group received government grants of \$5,104 thousand and \$5,189 thousand for its engagement in a government's project. These amounts were recognized as other income. In addition, the amount of government grants for expenses or losses incurred was \$1,229 thousand for the three months ended March 31, 2020, and was deducted from the recorded expenses paid for by the grant.

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In the first quarter of 2020, the Group acquired 30% of the equity of AIH, which increased the Group's equity investment in AIH from 70% to 100%.

In the first and second quarter of 2020, the Group sold 3.42% and 1.58% of the equity of LNC, which decreased the Group's equity investment in LNC from 64.10% to 59.10%.

In the first quarter of 2021, the Group acquired 20% of the equity of ATJ which increased the Group's equity investment in ATJ from 78.61% to 98.61%.

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

	<u>March 31 2021</u> <u>ATJ</u>
Cash consideration paid	\$ (120,385)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>116,984</u>
Differences recognized from equity transactions	<u>\$ (3,401)</u>
<u>Line items adjusted for equity transactions</u>	
Unappropriated earnings	<u>\$ (3,401)</u>

	<u>March 31 2020</u>		
	<u>LNC</u>	<u>AIH</u>	<u>Total</u>
Cash consideration paid	\$ 18,394	\$ (4,554)	\$ 13,840
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(10,346)</u>	<u>2,481</u>	<u>(7,865)</u>
Differences recognized from equity transactions	<u>\$ 8,048</u>	<u>\$ (2,073)</u>	<u>\$ 5,975</u>
<u>Line items adjusted for equity transactions</u>			
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 8,048	\$ -	\$ 8,048
Unappropriated earnings	<u>-</u>	<u>(2,073)</u>	<u>(2,073)</u>
	<u>\$ 8,048</u>	<u>\$ (2,073)</u>	<u>\$ 5,975</u>

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 10,662	\$ -	\$ 10,662
Securities listed in ROC	299,000	-	-	299,000
Securities listed in other countries	164,275	-	-	164,275
Securities unlisted in other countries	-	-	77,553	77,553
Mutual funds	<u>6,097,320</u>	<u>-</u>	<u>-</u>	<u>6,097,320</u>
	<u>\$ 6,560,595</u>	<u>\$ 10,662</u>	<u>\$ 77,553</u>	<u>\$ 6,648,810</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	\$ 2,229,925	\$ -	\$ -	\$ 2,229,925
Securities unlisted in ROC	-	-	10,998	10,998
Securities unlisted in other countries	<u>-</u>	<u>-</u>	<u>125,760</u>	<u>125,760</u>
	<u>\$ 2,229,925</u>	<u>\$ -</u>	<u>\$ 136,758</u>	<u>\$ 2,366,683</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 8,256</u>	<u>\$ -</u>	<u>\$ 8,256</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 90	\$ -	\$ 90
Securities listed in ROC	272,860	-	-	272,860
Securities listed in other countries	118,172	-	-	118,172
Securities unlisted in other countries	-	-	77,950	77,950
Mutual funds	<u>5,102,028</u>	<u>-</u>	<u>-</u>	<u>5,102,028</u>
	<u>\$ 5,493,060</u>	<u>\$ 90</u>	<u>\$ 77,950</u>	<u>\$ 5,571,100</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in the ROC	\$ 1,635,056	\$ -	\$ -	\$ 1,635,056
Unlisted securities - ROC	-	-	52,462	52,462
Unlisted shares in other country	-	-	126,715	126,715
	<u>\$ 1,635,056</u>	<u>\$ -</u>	<u>\$ 179,177</u>	<u>\$ 1,814,233</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 21,044</u>	<u>\$ -</u>	<u>\$ 21,044</u> (Concluded)

March 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 7,884	\$ -	\$ 7,884
Securities listed in ROC	145,439	-	-	145,439
Securities listed in other countries	51,509	-	-	51,509
Securities unlisted in other countries	-	-	100,959	100,959
Mutual funds	<u>5,098,682</u>	<u>-</u>	<u>-</u>	<u>5,098,682</u>
	<u>\$ 5,295,630</u>	<u>\$ 7,884</u>	<u>\$ 100,959</u>	<u>\$ 5,404,473</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	\$ 1,531,772	\$ -	\$ -	\$ 1,531,772
Securities unlisted in ROC	-	-	19,846	19,846
Securities unlisted in other countries	-	-	127,650	127,650
	<u>\$ 1,531,772</u>	<u>\$ -</u>	<u>\$ 147,496</u>	<u>\$ 1,679,268</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,390</u>	<u>\$ -</u>	<u>\$ 1,390</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the three months ended March 31, 2021

	Financial Assets at Fair Value Through Profit of Loss Equity Instruments	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
<u>Financial assets</u>			
Balance at January 1, 2021	\$ 77,950	\$ 179,177	\$ 257,127
Disposal	-	(44,719)	(44,719)
Recognized in profit or loss	(397)	-	(397)
Recognized in other comprehensive income	<u>-</u>	<u>(2,300)</u>	<u>2,300</u>
Balance at March 31, 2021	<u>\$ 77,553</u>	<u>\$ 136,758</u>	<u>\$ 214,311</u>

For the three months ended March 31, 2020

	Financial Assets at Fair Value Through Profit of Loss Equity Instruments	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
<u>Financial assets</u>			
Balance at January 1, 2020	\$ 101,156	\$ 149,830	\$ 250,986
Recognized in profit or loss	(197)	-	(197)
Recognized in other comprehensive income	<u>-</u>	<u>(2,334)</u>	<u>(2,334)</u>
Balance at March 31, 2020	<u>\$ 100,959</u>	<u>\$ 147,496</u>	<u>\$ 248,455</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Derivatives held by the Group were foreign currency forward 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.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC and other countries were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

b. Categories of financial instruments

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	\$ 6,648,810	\$ 5,571,100	\$ 5,404,473
Financial assets at amortized cost (Note 1)	16,975,438	16,497,097	13,885,002
Financial assets at FVTOCI			
Equity instruments	2,366,683	1,814,233	1,679,268
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	8,256	21,044	1,390
Financial assets at amortized cost (Note 2)	14,848,635	8,438,890	14,356,356

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable and trade payables, other payables, dividends payable, current portion of long-term borrowings and long-term borrowings.

c. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, trade receivables, trade payables, borrowings, and lease liabilities. The Group's Corporate Treasury function 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.

The Group sought 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 instrument, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the board of directors on the Group's current derivative instrument management.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

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

a) Foreign currency risk

The Group undertook operating activities and investment of foreign operations denominated in foreign currencies, which exposed it 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 a variety of derivative financial instruments, which allow the Group to mitigate but not fully eliminate the effect.

The maturities of the Company's forward contracts were less than six months. These forward exchange contracts did not meet the criteria for hedge accounting.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 30. As for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 7.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar, Euro and Renminbi.

The following table details the Group's sensitivity to a 5% increase in New Taiwan dollars (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in exchange rates.

The range of the sensitivity analysis included cash and cash equivalents, trade receivables and trade payables. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact		Euro Impact		Renminbi Impact	
	For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31	
	2021	2020	2021	2020	2021	2020
Profit or loss	\$ 84,259 (Note 1)	\$ 21,178 (Note 1)	\$ 66,553 (Note 2)	\$ 57,105 (Note 2)	\$ 77,112 (Note 3)	\$ 90,945 (Note 3)

Note 1: This was mainly attributable to the exposure outstanding on U.S. dollar-denominated cash, trade receivables, and trade payables, which were not hedged at the end of the reporting period.

Note 2: This was mainly attributable to the exposure outstanding on Euro-denominated cash, trade receivables, and trade payables, which were not hedged at the end of the reporting period.

Note 3: This was mainly attributable to the exposure outstanding on Renminbi-denominated cash, trade receivables and trade payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

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 fluctuations in 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.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Fair value interest rate risk			
Financial assets	\$ 1,424,279	\$ 1,936,135	\$ 1,589,876
Financial liabilities	640,075	467,031	629,796
Cash flow interest rate risk			
Financial assets	5,845,049	4,648,178	2,922,415
Financial liabilities	30,000	26,078	152,739

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. 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.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2021 and 2020 would have increased by \$7,269 thousand and \$3,462 thousand, 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 savings and borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on equity instruments trading in the Taiwan Stock Exchange.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher, pre-tax profit for the three months ended March 31, 2021 and 2020 would have increased by \$5,408 thousand and \$2,979 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the three months ended March 31, 2021 and 2020 would have increased by \$23,667 thousand and \$16,792 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI. 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.

The Group's sensitivity to equity prices increased because stock prices rose in 2021.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, 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.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group had available unutilized short-term bank loan facilities set out in section (c) below.

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 and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

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

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

March 31, 2021

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 5,154,299	\$ 2,748,421	\$ 6,782,559	\$ -
Lease liabilities	25,668	44,128	200,076	298,830
Variable interest rate				
liabilities	30,023	-	-	-
Fixed interest rate				
liabilities	<u>30,193</u>	<u>103,220</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,240,183</u>	<u>\$ 2,895,769</u>	<u>\$ 6,982,635</u>	<u>\$ 298,830</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 269,872</u>	<u>\$ 288,901</u>	<u>\$ 9,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing				
liabilities	\$ 5,025,633	\$ 2,078,394	\$ 1,150,785	\$ -
Lease liabilities	66,367	41,515	110,795	94,839
Variable interest rate				
liabilities	56	112	26,426	-
Fixed interest rate				
liabilities	<u>47,632</u>	<u>110,441</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,139,688</u>	<u>\$ 2,230,462</u>	<u>\$ 1,288,006</u>	<u>\$ 94,839</u>

Additional information about the maturity analysis for lease liabilities

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

March 31, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$ 6,473,400 25,749	\$ 1,001,830 31,020	\$ 6,574,937 168,320	\$ - 278,914
Variable interest rate liabilities	20,290	31,546	63,873	48,068
Fixed interest rate liabilities	29	153,495	-	-
	<u>\$ 6,519,468</u>	<u>\$ 1,217,891</u>	<u>\$ 6,807,130</u>	<u>\$ 326,982</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 225,089</u>	<u>\$ 240,794</u>	<u>\$ 38,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The amounts included above for variable interest rate instruments for non-derivative financial assets and liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

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

March 31, 2021

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
<u>Foreign exchange forward contracts</u>				
Inflows	\$ 395,054	\$ 563,772	\$ 165,571	\$ 1,124,397
Outflows	<u>396,655</u>	<u>561,416</u>	<u>163,920</u>	<u>1,121,991</u>
	<u>\$ (1,601)</u>	<u>\$ 2,356</u>	<u>\$ 1,651</u>	<u>\$ 2,406</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 352,690	\$ 432,246	\$ 265,203	\$ 1,050,139
Outflows	<u>357,623</u>	<u>443,024</u>	<u>270,446</u>	<u>1,071,093</u>
	<u>\$ (4,933)</u>	<u>\$ (10,778)</u>	<u>\$ (5,243)</u>	<u>\$ (20,954)</u>

March 31, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 367,457	\$ 506,139	\$ 113,680	\$ 987,276
Outflows	<u>364,956</u>	<u>504,292</u>	<u>111,534</u>	<u>980,782</u>
	<u>\$ 2,501</u>	<u>\$ 1,847</u>	<u>\$ 2,146</u>	<u>\$ 6,494</u>

c) Financing facilities

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank overdraft facilities reviewed annually and payable at call:			
Amount used (Note)	\$ 170,249	\$ 191,288	\$ 266,025
Amount unused	<u>5,508,266</u>	<u>6,666,617</u>	<u>6,821,825</u>
	<u>\$ 5,678,515</u>	<u>\$ 6,857,905</u>	<u>\$ 7,087,850</u>
Secured bank overdraft facilities:			
Amount used	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,164</u>

Note: The amounts used or drawn by the Group from the unsecured bank overdraft facilities were recorded as borrowings of \$163,356 thousand and lease guarantees of \$6,893 thousand.

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Names and categories of related parties

Name	Related Party Category
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
i-Link Co., Ltd.	Associate
DotZero Co., Ltd.	Associate
Mildex Optical Inc.	Associate
Nippon RAD Inc.	Associate
Shanghai Yanle Co., Ltd.	Associate (a second-tier subsidiary of the parent company from June 2020)
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. ("VSO")	Associate
VSO Electronics (Suzhou) Co., Ltd.	Associate
International Integrated Systems, Inc.	Associate
VSO Electronics (Jian) Co., Ltd.	Associate
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party
Tran-Fei Development Co., Ltd.	Other related party

b. Sales of goods

Related Party Categories/Name	For the Three Months Ended March 31	
	2021	2020
Associates	\$ 28,350	\$ 28,580
Other related party	<u>286</u>	<u>-</u>
	<u>\$ 28,636</u>	<u>\$ 28,580</u>

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended March 31	
	2021	2020
Associates	<u>\$ 69,209</u>	<u>\$ 95,625</u>

d. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories/Name	March 31, 2021	December 31, 2020	March 31, 2020
Trade receivables from related parties	Associates	<u>\$ 23,790</u>	<u>\$ 28,750</u>	<u>\$ 21,273</u>

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

e. Other receivables from related parties

Line Items	Related Party Categories/Name	March 31, 2021	December 31, 2020	March 31, 2020
Other receivables	Associates	\$ 95	\$ 3,018	\$ 83
	Other related parties	<u>-</u>	<u>1,615</u>	<u>-</u>
		<u>\$ 95</u>	<u>\$ 4,633</u>	<u>\$ 83</u>

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

Line Items	Related Party Categories/Name	March 31, 2021	December 31, 2020	March 31, 2020
Trade payables	Associates	<u>\$ 54,189</u>	<u>\$ 46,360</u>	<u>\$ 57,489</u>
Other liabilities	Other related parties	<u>\$ 5,577</u>	<u>\$ -</u>	<u>\$ -</u>

The outstanding trade payables to related parties are unsecured.

g. Prepayments to related parties

Line Items	Related Party Categories/Name	March 31, 2021	December 31, 2020	March 31, 2020
Other current assets	Associates	<u>\$ 43,872</u>	<u>\$ 36,286</u>	<u>\$ 23,347</u>

h. Other transactions with related parties

Related Party Category/Name	Operating Expenses For the Three Months Ended March 31	
	2021	2020
Selling and marketing expenses		
Associates	<u>\$ -</u>	<u>\$ 4</u>
Research and development expenses		
Associates	<u>\$ 165</u>	<u>\$ 360</u>

Research and development expenses formed between the Group and its associates were charged with agreed remuneration and payment terms on the contracts. For the rest of transactions with related parties, since normal payment terms with related parties were not stipulated, the payment terms were based on mutual agreement.

	Other Income	
	For the Three Months Ended	
	March 31	
	2021	2020
Rental income		
Associates	\$ -	\$ 120
Other related parties	<u>358</u>	<u>15</u>
	<u>\$ 358</u>	<u>\$ 135</u>
Others		
Associates	\$ 271	\$ -
Other related parties	<u>676</u>	<u>676</u>
	<u>\$ 947</u>	<u>\$ 676</u>

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

h. Compensation of key management personnel

	For the Three Months Ended	
	March 31	
	2021	2020
Short-term employee benefits	\$ 9,275	\$ 11,336
Post-employment benefits	36	40
Share-based payments	<u>9,546</u>	<u>8,523</u>
	<u>\$ 18,857</u>	<u>\$ 19,899</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for lease borrowings:

	March 31, 2021	December 31, 2020	March 31, 2020
Pledged deposits (classified as financial assets at amortized cost)	\$ 8,496	\$ 2,307	\$ -
Demand deposits (classified as other non-current assets)	1,303	-	-
Property, plant and equipment	<u>-</u>	<u>-</u>	<u>62,100</u>
	<u>\$ 9,799</u>	<u>\$ 2,307</u>	<u>\$ 62,100</u>

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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:

March 31, 2021

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 131,212	28.535 (USD:NTD)	\$ 3,744,125
RMB	641,853	4.344 (RMB:NTD)	2,788,210
USD	65,367	6.5688 (USD:RMB)	895,678
EUR	26,753	33.48 (EUR:NTD)	<u>1,865,240</u>
			<u>\$ 9,293,253</u>
<u>Financial liabilities</u>			
Monetary items			
USD	95,298	28.535 (USD:NTD)	\$ 2,719,330
RMB	205,771	4.344 (RMB:NTD)	893,870
USD	35,244	6.5688 (USD:RMB)	<u>1,005,102</u>
			<u>\$ 4,618,302</u>

December 31, 2020

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 168,258	28.48 (USD:NTD)	\$ 4,791,975
RMB	582,773	4.377 (RMB:NTD)	2,550,799
USD	29,288	6.507 (USD:RMB)	834,116
EUR	18,622	35.02 (EUR:NTD)	<u>652,155</u>
			<u>\$ 8,829,045</u>
			(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 88,499	28.48 (USD:NTD)	\$ 2,520,439
RMB	220,322	4.377 (RMB:NTD)	964,347
USD	23,588	6.507 (USD:RMB)	<u>671,786</u>
			<u>\$ 4,156,572</u>
			(Concluded)

March 31, 2020

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 122,010	30.225 (USD:NTD)	\$ 3,687,752
RMB	527,818	4.255 (RMB:NTD)	2,245,866
EUR	24,055	33.240 (EUR:NTD)	799,588
USD	15,881	7.1034 (USD:RMB)	<u>480,002</u>
			<u>\$ 7,213,208</u>
<u>Financial liabilities</u>			
Monetary items			
USD	83,891	30.225 (USD:NTD)	\$ 2,535,605
USD	38,488	7.1034 (USD:RMB)	1,163,300
RMB	150,863	4.255 (RMB:NTD)	<u>641,922</u>
			<u>\$ 4,340,827</u>

For the three months ended March 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$45,142 thousand and \$2,291 thousand, 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.

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. information on investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsement/guarantee provided. (Table 2)
- 3) Marketable securities held. (Table 3)

- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 6)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
 - 9) Transactions of financial instruments. (Notes 7 and 27)
 - 10) Significant transactions between the Company and subsidiaries. (Table 11)
 - 11) Name, locations, and other information of investees. (Table 8)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or losses, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
 - 2) Any of the following 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. (Tables 1, 5 and 7)
- d. Information of major shareholders:

The following is the information of major shareholders: name of major shareholder, number of shares owned and percentage of ownership of shareholders whose percentage of ownership of shareholders is higher than 5%. (Table 10)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”) and for the assessment of segment performance, business analysis, and the resource deployment judgment. The Group’s segment information disclosed is as follows:

- Industrial internet of thing services (IIoT): Focus on the market of industrial internet-of-things;
- Embedded board and design-in services (EIoT): Provide services involving embedded boards, systems and peripheral hardware and software;
- Allied design manufacture services (AlliedDMS): Including Networks and Communications, data acquisition and control, and provide the customized collaboration designs and services;
- Intelligent services (SIoT): Provide services involving digital logistic, digital healthcare and intelligent retail;

- Global customer services (AGS& APS): Global repair, technical support and warranty services.

The CODM 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:

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

Segment Revenue and Results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Industrial Interest of Things Services (IIoT)	Embedded Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (Allied DMS)	Intelligent Services (SIoT)	Global Customer Services (AGS & APS)	Others	Total
<u>For the three months ended March 31, 2021</u>							
Revenue from external customers	\$ 5,134,444	\$ 3,013,490	\$ 2,286,201	\$ 1,092,857	\$ 1,613,004	\$ 21,407	\$ 13,161,403
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 5,134,444</u>	<u>\$ 3,013,490</u>	<u>\$ 2,286,201</u>	<u>\$ 1,092,857</u>	<u>\$ 1,613,004</u>	<u>\$ 21,407</u>	13,161,403
Eliminations	-	-	-	-	-	-	-
Consolidated revenue							<u>13,161,403</u>
Segment income	<u>\$ 1,528,267</u>	<u>\$ 619,536</u>	<u>\$ 129,364</u>	<u>\$ 93,013</u>	<u>\$ 222,226</u>	<u>\$ (306)</u>	2,592,100
Other revenue							37,064
Other unamortized expense							(305,239)
Other income and expense							76,483
Finance costs							(3,834)
Share of profits of associates accounted for using the equity method							20,116
Profit before tax (continuing operations)							<u>\$ 2,416,690</u>
<u>For the three months ended March 31, 2020</u>							
Revenue from external customers	\$ 3,464,564	\$ 2,986,439	\$ 2,588,186	\$ 983,726	\$ 1,244,690	\$ 4,584	\$ 11,272,189
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 3,464,564</u>	<u>\$ 2,986,439</u>	<u>\$ 2,588,186</u>	<u>\$ 983,726</u>	<u>\$ 1,244,690</u>	<u>\$ 4,584</u>	11,272,189
Eliminations	-	-	-	-	-	-	-
Consolidated revenue							<u>11,272,189</u>
Segment income	<u>\$ 953,472</u>	<u>\$ 426,011</u>	<u>\$ 269,671</u>	<u>\$ 88,631</u>	<u>\$ 160,246</u>	<u>\$ (193)</u>	1,897,838
Other revenue							30,775
Other unamortized expense							(244,216)
Other income and expense							(39,593)
Finance costs							(6,331)
Share of profits of associates accounted for using the equity method							(17,907)
Profit before tax (continuing operations)							<u>\$ 1,620,566</u>

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

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note F)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	LNC	LNC Dong Guan	Trade receivables - related parties	Yes	\$ 70,000	\$ 30,000	\$ -	-	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 36,715 (Note B)	\$ 146,858 (Note B)

Note A: Investee companies are numbered sequentially from 1.

Note B: The financing limit for each borrower and for the aggregate financing were 10% and 40%, respectively, of the LNC’s net asset values.

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

TABLE 2

ADVANTECH CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	AiSC	Subsidiary	\$ 3,137,515	\$ 570,700 (US\$ 20,000 thousand)	\$ 570,700 (US\$ 20,000 thousand)	\$ -	\$ -	1.82	\$ 9,412,545	Y	N	Y
		AEU	Subsidiary	3,137,515	285,350 (US\$ 10,000 thousand)	285,350 (US\$ 10,000 thousand)	-	-	0.91	9,412,545	Y	N	N
		ANA	Subsidiary	3,137,515	851,700 (US\$ 30,000 thousand)	285,350 (US\$ 10,000 thousand)	-	-	0.91	9,412,545	Y	N	N
		AAC (BVI)	Subsidiary	3,137,515	285,350 (US\$ 10,000 thousand)	285,350 (US\$ 10,000 thousand)	-	-	0.91	9,412,545	Y	N	N
		Advantech Corporate Investment	Subsidiary	3,137,515	285,350 (US\$ 10,000 thousand)	285,350 (US\$ 10,000 thousand)	-	-	0.91	9,412,545	Y	N	N
		ATJ	Subsidiary	3,137,515	272,000 (JPY1,000,000 thousand)	258,000 (JPY1,000,000 thousand)	103,200 (JPY 400,000 thousand)	-	0.82	9,412,545	Y	N	N
		AKMC	Subsidiary	3,137,515	171,210 (US\$ 6,000 thousand)	171,210 (US\$ 6,000 thousand)	-	-	0.55	9,412,545	Y	N	Y
		SIoT (Cayman)	Subsidiary	3,137,515	284,625 (US\$ 10,000 thousand)	156,943 (US\$ 5,500 thousand)	-	-	0.50	9,412,545	Y	N	N
		AJP	Subsidiary	3,137,515	136,000 (JPY 500,000 thousand)	129,000 (JPY 500,000 thousand)	12,900 (JPY 50,000 thousand)	-	0.41	9,412,545	Y	N	N
		Advantech Intelligent City Services Co., Ltd.	Subsidiary	3,137,515	85,605 (US\$ 3,000 thousand)	85,605 (US\$ 3,000 thousand)	-	-	0.27	9,412,545	Y	N	N
		AIH	Subsidiary	3,137,515	85,605 (US\$ 3,000 thousand)	85,605 (US\$ 3,000 thousand)	-	-	0.27	9,412,545	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		ABR	Subsidiary	\$ 3,137,515	\$ 42,803 (US\$ 1,500 thousand)	\$ 42,803 (US\$ 1,500 thousand)	\$ -	\$ -	0.14	\$ 9,412,545	Y	N	N
		A-SIoT	Subsidiary	3,137,515	34,370 (EUR 1,000 thousand)	33,480 (EUR 1,000 thousand)	-	-	0.11	9,412,545	Y	N	N
		AVN	Subsidiary	3,137,515	28,535 (US\$ 1,000 thousand)	28,535 (US\$ 1,000 thousand)	-	-	0.09	9,412,545	Y	N	N
		ARU	Subsidiary	3,137,515	28,535 (US\$ 1,000 thousand)	28,535 (US\$ 1,000 thousand)	2,256 (RUB 6,000 thousand)	-	0.09	9,412,545	Y	N	N
		Cermate (Taiwan)	Subsidiary	3,137,515	28,535 (US\$ 1,000 thousand)	28,535 (US\$ 1,000 thousand)	15,000	-	0.09	9,412,545	Y	N	N
		Cermate (Shenzhen)	Subsidiary	3,137,515	28,535 (US\$ 1,000 thousand)	28,535 (US\$ 1,000 thousand)	-	-	0.09	9,412,545	Y	N	Y
		ACZ	Subsidiary	3,137,515	14,268 (US\$ 500 thousand)	14,268 (US\$ 500 thousand)	-	-	0.05	9,412,545	Y	N	N
		ATR	Subsidiary	3,137,515	14,268 (US\$ 500 thousand)	14,268 (US\$ 500 thousand)	-	-	0.05	9,412,545	Y	N	N
		Advanixs Corp.	Subsidiary	3,137,515	14,268 (US\$ 500 thousand)	14,268 (US\$ 500 thousand)	-	-	0.05	9,412,545	Y	N	N
		AAU	Subsidiary	3,137,515	5,707 (US\$ 200 thousand)	5,707 (US\$ 200 thousand)	-	-	0.02	9,412,545	Y	N	N
		ACI IOT Investment Fund-I Corporation	Subsidiary	3,137,515	5,707 (US\$ 200 thousand)	5,707 (US\$ 200 thousand)	-	-	0.02	9,412,545	Y	N	N
		AMY	Subsidiary	3,137,515	2,854 (US\$ 100 thousand)	2,854 (US\$ 100 thousand)	-	-	0.01	9,412,545	Y	N	N
		AKR	Subsidiary	3,137,515	171,760 (US\$ 6,050 thousand)	1,427 (US\$ 50 thousand)	-	-	-	9,412,545	Y	N	N

(Continued)

Note A: The limit on endorsements or guarantees provided on behalf of the respective party is 10% of the Company's net asset value.

Note B: The maximum collateral or guarantee amount allowable is 30% of the Company's net asset value.

Note C: The exchange rates as of March 31, 2021 were US\$1= NT\$28.535, EUR1= NT\$33.48, and JPY1=NT\$0.258.

Note D: The latest net equity is from the financial statements for the three months ended March 31, 2021.

(Concluded)

TABLE 3**ADVANTECH CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****MARCH 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Share</u> ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	4,739,461	\$ 1,765,449	0.64	\$ 1,765,449	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	150,600	2.41	150,600	Note A
	<u>Fund</u> Capital Money Market	-	Financial assets at fair value through profit or loss - current	49,172,789	800,287	-	800,287	Note B
	FSITC Money Market	-	Same as above	3,341,761	601,400	-	601,400	Note B
	FSITC Taiwan Money Market	-	Same as above	110,209,625	1,702,188	-	1,702,188	Note B
	Mega Diamond Money Market	-	Same as above	130,473,120	1,651,659	-	1,651,659	Note B
Advantech Corporate Investment	<u>Share</u> Contec	-	Financial assets at fair value through profit or loss - current	26,500	11,691	0.41	11,691	Note A
	GSD Technologies Co., Ltd.	-	Same as above	2,813,000	196,347	8.27	196,347	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	313,876	5.03	313,876	Note A
	BroadTec System Inc.	-	Same as above	225,000	3,607	7.50	3,607	Note C
	BiosenseTek Corp.	-	Same as above	37,500	-	1.79	-	Note C
	Juguar Technology	-	Same as above	500,000	7,391	16.67	7,391	Note C
	Lanner Electronics Inc.	-	Financial assets at fair value through profit or loss - current	275,000	18,644	0.23	18,644	Note A
	Posiflex Technology Inc.	-	Same as above	134,000	10,760	0.18	10,760	Note A
	Phison Electronics Corp.	-	Same as above	57,000	27,845	0.03	27,845	Note A
	Innodisk Corp.	-	Same as above	65,000	11,050	0.08	11,050	Note A
	GrandtechC. G. System Inc.	-	Same as above	270,000	14,499	0.46	14,499	Note A
	Cypress Technology Co., Ltd.	-	Same as above	180,268	9,933	0.32	9,933	Note A
	Chenbro Micom Co., Ltd.	-	Same as above	117,000	9,922	0.10	9,922	Note A
	ISI	-	Same as above	655	13,811	-	13,811	Note A
	TRMB	-	Same as above	4,540	10,078	-	10,078	Note A
	LTRX	-	Same as above	46,000	5,999	0.16	5,999	Note A
	MSI	-	Same as above	1,200	6,439	-	6,439	Note A
	HOLI	-	Same as above	31,500	11,254	0.05	11,254	Note A
	EQIX	-	Same as above	965	18,713	-	18,713	Note A
	NSIT	-	Same as above	4,750	12,933	0.01	12,933	Note A
	MSFT	-	Same as above	2,955	19,880	-	19,880	Note A
	AVV	-	Same as above	6,900	9,263	-	9,263	Note A
	China Mobile Ltd.	-	Same as above	102,500	19,166	-	19,166	Note A

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Maxnerva Technology Services Ltd.	-	Same as above	3,812,000	\$ 10,353	0.54	\$ 10,353	Note A
	Alibaba-SW	-	Financial assets at fair value through profit or loss - current	18,200	14,695	-	14,695	Note A
	<u>Fund</u>							
	Taishin 1699 Money Market	-	Same as above	24,544,570	335,166	-	335,166	Note B
	FSITC Taiwan Money Market	-	Same as above	3,240,735	50,053	-	50,053	Note B
	Mega Diamond Money Market	-	Same as above	504,597	6,388	-	6,388	Note B
	<u>Mutual Fund</u>							
	CBC Capital	-	Financial assets at fair value through profit or loss - non-current	-	77,553	0.04	77,553	Note C
	<u>Fund</u>							
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	6,466,890	96,756	-	96,756	Note B
Advanixs Corporate	Mega Diamond Money Market	-	Same as above	5,054,793	63,989	-	63,989	Note B
Advantech Intelligent City Services Co., Ltd.	<u>Fund</u>							
	Jih Sun Money Market	-	Same as above	387,142	5,793	-	5,793	Note B
AdvanPOS	<u>Fund</u>							
	Mega Diamond Money Market	-	Same as above	1,189,398	15,057	-	15,057	Note B
SioT (Cayman)	<u>Fund</u>							
	FSITC Money Market	-	Same as above	361,931	65,135	-	65,135	Note B
	FSITC Taiwan Money Market	-	Same as above	14,473,571	223,544	-	223,544	Note B
	Taishin 1699 Money Market	-	Same as above	32,246,377	440,337	-	440,337	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u>							
	Capital Money Market	-	Same as above	625,517.30	10,180	-	10,180	Note B
AiSC	<u>Mutual Fund</u>							
	Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,895,000	125,760	8.33	125,760	Note C
Yun Yan, Wu-Lian Co., Ltd.	<u>Fund</u>							
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	27,092	4,876	-	4,876	Note B
Huan Yan, Jhih-Lian Co., Ltd.	<u>Fund</u>							
	Jih Sun Money Market	-	Same as above	1,638,306	24,512	-	24,512	Note B

Note A: Market value was based on the closing price on March 31, 2021.

Note B: Market value was based on the net asset values of the open-ended mutual funds on March 31, 2021.

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

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u> Capital Money Market	Financial assets at fair value through profit or loss	-	-	9,226	\$ 150,001	39,947	\$ 650,003	-	\$ -	\$ -	\$ -	49,173	\$ 800,004

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	ANA	Subsidiary	Sale	\$ 2,221,182	25.47	30 days after month-end	Contract price	No significant difference in terms for related parties	\$ 782,222	12.24	Note A
	ACN	Subsidiary	Sale	2,195,794	25.18	30 days after month-end	Contract price	No significant difference in terms for related parties	2,076,291	32.48	
	AEU	Subsidiary	Sale	1,098,281	12.60	45 days after month-end	Contract price	No significant difference in terms for related parties	773,359	12.10	
	AKR	Subsidiary	Sale	288,940	3.31	30 days after month-end	Contract price	No significant difference in terms for related parties	114,203	1.79	
	AJP	Subsidiary	Sale	194,514	2.23	30 days after month-end	Contract price	No significant difference in terms for related parties	81,129	1.27	
	Advanixs Corp.	Subsidiary	Sale	126,071	1.45	Usual trade terms	Contract price	No significant difference in terms for related parties	50,688	0.79	
	A-SIoT	Subsidiary	Sale	186,086	2.13	30 days after month-end	Contract price	No significant difference in terms for related parties	182,140	2.85	
	AKMC	Subsidiary	Purchase	(2,874,492)	39.10	Usual trade terms	Contract price	No significant difference in terms for related parties	(2,430,472)	47.13	
ANA	The Company	Parent company	Purchase	(2,221,182)	72.89	30 days after month-end	Contract price	No significant difference in terms for related parties	(782,222)	74.13	
ACN	The Company	Parent company	Purchase	(2,195,794)	78.06	30 days after month-end	Contract price	No significant difference in terms for related parties	(2,076,291)	83.22	
AEU	The Company	Parent company	Purchase	(1,098,281)	78.99	45 days after month-end	Contract price	No significant difference in terms for related parties	(773,359)	82.43	
AKR	The Company	Parent company	Purchase	(288,940)	66.82	30 days after month-end	Contract price	No significant difference in terms for related parties	(114,203)	59.76	
AJP	The Company	Parent company	Purchase	(194,514)	95.60	30 days after invoice date	Contract price	No significant difference in terms for related parties	(81,129)	93.12	
Advanixs Corp	The Company	Parent company	Purchase	(126,071)	100.00	Usual trade terms	Contract price	No significant difference in terms for related parties	(50,688)	98.05	
A-SIoT	The Company	Parent company	Purchase	(186,086)	64.34	30 days after invoice date	Contract price	No significant difference in terms for related parties	(182,140)	89.35	
AKMC	The Company	Parent company	Sale	2,874,492	91.97	Usual trade terms	Contract price	No significant difference in terms for related parties	2,430,472	100.00	
	ACN	Related enterprise	Sale	138,877	4.44	Usual trade terms	Contract price	No significant difference in terms for related parties	77,636	4.30	
LNC	LNC Dong Guan	Related enterprise	Sale	146,783	85.57	Usual trade terms	Contract price	No significant difference in terms for related parties	266,804	92.51	
ACN	AKMC	Related enterprise	Purchase	(138,877)	4.94	Usual trade terms	Contract price	No significant difference in terms for related parties	(77,636)	3.11	
LNC Dong Guan	LNC	Related enterprise	Purchase	(146,783)	99.69	Usual trade terms	Contract price	No significant difference in terms for related parties	(266,804)	93.74	

Note A: Unrealized gain for the period was \$1,032 thousand.

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

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Real estate	2020.10.30	\$ 1,410,000	Under the contract, based on percentage of construction completed; accumulated payments of \$78,280 thousand should be made by March 31, 2021 and \$57,344 thousand was paid in the first quarter of 2021.	Chung-Lin General Contractors, Ltd.	None	-	-	-	\$ -	Contract price	For the Company's expansion	None

TABLE 7

ADVANTECH CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2021**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 2,076,291	4.50	\$ -	-	\$ 557,335	\$ -
	ANA	Subsidiary	786,731	7.84	-	-	-	-
	AEU	Subsidiary	775,934	5.72	-	-	123,934	-
	A-SIoT	Subsidiary	182,673	4.02	-	-	69,405	-
	AKR	Subsidiary	115,160	10.82	-	-	86,561	-
	AKMC	Subsidiary	627,752	Note 1	-	-	302,839	-
AKMC	The Company	Parent company	2,430,472	5.53	-	-	91,224	-
LNC	LNC Dong Guan	Related enterprise	266,804	2.35	-	-	32,640	-

Note 1: Sales revenue on materials delivered to subcontractors have been eliminated from consolidation.

Note 2: All intercompany gains and losses from investment have been eliminated from consolidation.

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars/Foreign Currency)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2021			Net Income (Loss) of the Investee for the Period	Investment Gain (Loss) for the Period	Note
				March 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	\$ 3,875,214	\$ 3,875,214	128,496,207	100.00	\$ 9,269,399	\$ 238,864	\$ 240,142	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	40,850,000	100.00	4,228,181	64,685	53,360	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	100,000	100,000	10,000,000	100.00	241,373	7,408	7,408	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	2,900,000	300,000,000	100.00	3,460,685	13,117	14,006	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	360,732	249,059	22,681,984	26.52	748,085	119,505	29,645	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	298,274	11	11	Subsidiary
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	277,946	277,946	17,730,000	59.10	358,190	15,465	9,134	Subsidiary
	AMX	Mexico	Sale of industrial automation products	61,909	61,909	10,000,002	60.00	36,995	(1,957)	(1,174)	Subsidiary
	AEUH	Helmond, the Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	923,232	18,764	18,514	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	116,784	6,734	6,705	Subsidiary
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51.00	54,536	(382)	(215)	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	34,366	1,418	1,372	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	414,168	7,616	7,035	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	67,939	4,535	4,529	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	156,668	156,668	600,000	100.00	371,475	33,554	33,515	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	103,146	103,146	12,723,038	100.00	87,214	2,800	2,800	Subsidiary
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,125	4	4	Subsidiary
	Advantech Intelligent City Services Co., Ltd.	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	81,615	(13,087)	(13,087)	Subsidiary
	AIN	India	Sale of industrial automation products	39,747	19,754	4,999,999	100.00	36,087	2,162	2,118	Subsidiary
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	180,000	6,750,000	27.00	41,416	(14,078)	(3,801)	Equity-method investee
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.55	571,545	81,131	13,516	Equity-method investee
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	61,327	2,643	1,575	Subsidiary
	Nippon RAD Inc.	Tokoyo, Japan	R&D of IoT intelligent system	251,915	251,915	1,004,310	16.08	237,653	31,150	5,919	Equity-method investee
	ARU	Moscow	Production and sale of industrial automation products	44,676	44,676	1	100.00	8,422	(4,044)	(4,044)	Subsidiary
	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	443,515	323,130	700,000	70.00	485,620	4,341	1,158	Subsidiary
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	58,482	260,870	60.00	37,230	674	(168)	Subsidiary
	AIL	Israel	Sale of industrial network communications systems	8,653	8,653	100	100.00	8,539	56	56	Subsidiary
	Huan Yan Water Solution Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	27,000	27,000	2,700,000	100.00	24,906	(2,094)	(2,094)	Subsidiary
AJP	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	184,649	184,649	286,100	28.61	218,117	4,341	1,242	Subsidiary
Advantech Corporate Investment	Cermate (Taiwan)	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	130,637	8,709	5,629	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	13,533	1,879	746	Equity-method investee
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	150,699	(4,969)	(887)	Equity-method investee
	AzureWave Technologies, Inc.	Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.67	544,080	(26,382)	(5,190)	Equity-method investee
	Yun Yan, Wu-Lian Co., Ltd.	Taipei, Taiwan	Industrial equipment Networking in Greater China	5,000	5,000	500,000	50.00	2,594	3	2	Subsidiary
	Nippon RAD Inc.	Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,301	-	-	Equity-method investee
	i-Link Co., Ltd.	Taichung, Taiwan	Intelligent medical integration	9,091	9,091	845,000	20.13	2,764	(7,584)	(1,526)	Equity-method investee

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2021			Net Income (Loss) of the Investee for the Period	Investment Gain (Loss) for the Period	Note
				March 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
	DotZero Co., Ltd	Taichung, Taiwan	Intelligent metal processing integration	\$ 8,100	\$ 8,100	490,000	27.00	\$ 3,390	\$ (4,135)	\$ (1,116)	Equity-method investee
	Mildex Optical Inc.	Kaohsiung, Taiwan	Manufacturing of electronic parts	202,948	202,948	15,710,000	15.37	158,532	(32,000)	(4,919)	Equity-method investee
	Information Technology Total Service Co., Ltd.	Taipei, Taiwan	Service of electronic information	147,444	147,444	5,084,273	18.61	159,160	14,104	2,624	Equity-method investee
	ACI IOT Investment Fund-I Corporation	Taipei, Taiwan	Investment holding company	238,000	238,000	23,800,000	79.33	297,414	22,315	17,703	Subsidiary
	ACISM	Samoa	General investment	18,214	18,214	1	100.00	8,999	(836)	(836)	Subsidiary
	Samsoft Technology Co., Ltd.	Taipei, Taiwan	Production and sale of electronics equipment	15,000	15,000	170,455	20.00	10,472	(2,965)	(593)	Equity-method investee
	Impelex Data Transfer Co., Ltd.	Taichung, Taiwan	Production and sale of electronics equipment	10,000	10,000	2,500,000	20.00	10,266	(1,969)	(394)	Equity-method investee
	VSO Electronics Co., Ltd.	Taipei, Taiwan	Production and sale of electronics equipment	120,000	120,000	28,000,000	14.29	133,572	25,763	3,680	Equity-method investee
	Hwacom Systems Inc.	Taipei, Taiwan	Computer systems service	357,119	357,119	24,575,000	20.73	397,446	(37,149)	(7,701)	Equity-method investee
	IISI	Taipei, Taiwan	Computer systems service	243,086	243,086	14,299,205	19.61	256,458	(36,999)	(7,254)	Equity-method investee
	Isap Solution Corp.	Taipei, Taiwan	Service of software	10,000	10,000	1,492,852	34.83	7,659	(6,719)	(2,340)	Equity-method investee
	AIH	Taipei, Taiwan	Service of software	12,254	12,254	1,100,000	100.00	7,160	4,045	4,045	Subsidiary
	Feng Sang Enterprise Co., Ltd.	Taipei, Taiwan	Computer systems service	109,219	-	6,088,750	36.00	109,762	8,862	544	Equity-method investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	4,237,938	64,756	53,432	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	4,790,959	114,688	120,144	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,696,196	124,923	126,885	Subsidiary
	ADB	Dubai	Sale of industrial network communications systems	-	-	-	100.00	2,766	73	73	Subsidiary
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US\$ 50,000	US\$ 50,000	30,000,000	100.00	2,008,999	(819)	(887)	Subsidiary
ANA	AIE	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100.00	331,579	15,937	15,937	Subsidiary
AIE	ACZ	Czech Republic	Manufacturing automation	-	-	-	100.00	306,784	15,299	15,299	Subsidiary
SIoT (Cayman)	A-SIoT	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	522,719	522,719	1	100.00	450,957	(12,811)	(13,173)	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	990,243	17,932	18,014	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	7,030	100.00	38,670	1,172	1,202	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	53,401	(382)	(187)	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	8,927	796	782	Subsidiary
Cermate (Taiwan)	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	142,928	5,506	5,829	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	7,425,000	100.00	64,940	9,733	10,064	Subsidiary
Better Auto	Famous Now	BVI	General investment	US\$ 4,000	US\$ 4,000	1	100.00	74,301	9,733	9,682	Subsidiary

Note A: The financial statements used as basis of net asset values had not been reviewed by independent CPAs, except AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AEUH, AEU and Advantech Corporate Investment.

Note B: All intercompany gains and losses from investment have been eliminated from consolidation

Note C: Refer to Table 9 for investments in mainland China.

(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

**INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2021	Accumulated Inward Remittance of Earnings as of March 31, 2021
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. (“AKMC”)	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note E)	Indirect	\$ 1,064,356 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,064,356 (US\$ 37,300 thousand)	\$ 64,756	100.00	\$ 53,431	\$ 4,237,937	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (“ACN”)	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	152,149 (US\$ 5,332 thousand)	-	-	152,149 (US\$ 5,332 thousand)	126,706	100.00	128,261	2,044,810	320,505 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (“AiSC”)	Production and sale of industrial automation products	US\$ 8,000 thousand	Indirect	228,280 (US\$ 8,000 thousand)	-	-	228,280 (US\$ 8,000 thousand)	(1,587)	100.00	(1,178)	625,141	-
Xi’an Advantech Software Ltd. (“AXA”)	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	13	100.00	13	29,136	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	91,141 (US\$ 3,194 thousand)	-	-	91,141 (US\$ 3,194 thousand)	9,733	100.00	9,682	74,301	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	8,789 (US\$ 308 thousand)	-	-	8,789 (US\$ 308 thousand)	4,104	90.00	4,534	103,561	39,260 (US\$ 717 thousand) (RMB 4,328 thousand)
Cermate Technologies (Shanghai) Inc.	Sale of Human Machine Interface	US\$ 520 thousand	Indirect	16,322 (US\$ 572 thousand)	-	-	16,322 (US\$ 572 thousand)	1,813	100.00	1,813	44,220	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2021	Accumulated Inward Remittance of Earnings as of March 31, 2021
					Outflow	Inflow						
Advantech Service-IoT (Shanghai) Co., Ltd. (“SIoT (China)”)	Development, consulting and services in intelligent technology	RMB 15,000 thousand	Indirect	(Note F)	\$ -	\$ -	(Note F)	\$ 431	100.00	\$ 431	\$ 40,536	\$ -
Shanghai Yanlo Co., Ltd. (“Yanlo”)	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	23	100.00	23	5,177	-
Tianjin Anjie IOT Science and Technology Co., Ltd. (“Anjie”)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	RMB 3,000 thousand	Other	(Note G)	-	-	(Note G)	(1)	20.00	-	2,605	-
GSD Environmental Technology Co., Ltd. (“GSD”)	Development, consulting and services in environmental technology	RMB 10,000 thousand	Indirect	\$ 16,636 (US\$ 583 thousand)	-	-	\$ 16,636 (US\$ 583 thousand)	(2,090)	40.00	(836)	8,999	-
Foshan Technology Co., Ltd. (“Foshan”)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	RMB 3,000 thousand	Other	(Note G)	-	-	(Note G)	-	21.67	-	2,824	-

Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,583,379 (US\$55,489 thousand) (Note D)	\$2,259,401 (US\$79,180 thousand)	\$19,137,473 (Note I)

Note A: Except for the financial statement of AKMC and ACN, the respective entity is an immaterial subsidiary; its financial statements have not been reviewed, which does not result in a significant impact on the financial statements.

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 7.

Note C: Remittance by ACN.

Note D: 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.

(Continued)

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

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

Note G: Remittance by AiSC; AiSC’s investments in associate accounted for using the equity method.

Note H: The exchange rate was US\$1=NT\$28.535 and RMB1=NT\$4.344.

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

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

(Concluded)

TABLE 10**ADVANTECH CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****MARCH 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
ASUSTek Computer Inc.	110,677,983	14.32
K&M Investment Co., Ltd.	91,369,108	11.83
AIDC Investment Corp.	90,295,663	11.69

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares, preference shares and treasury shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.

TABLE 11**ADVANTECH CO., LTD. AND SUBSIDIARIES****SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Advantech Co., Ltd.	ACN	1	Sales revenue	\$ 2,195,794	Normal	17
		ACN	1	Receivables from related parties	2,076,291	30 days EOM	4
		AEU	1	Sales revenue	1,098,281	Normal	8
		AEU	1	Receivables from related parties	773,359	45 days EOM	1
		AJP	1	Sales revenue	194,514	Normal	1
		AKR	1	Sales revenue	288,940	Normal	2
		ANA	1	Sales revenue	2,221,182	Normal	17
		ANA	1	Receivables from related parties	782,222	30 days EOM	1
		A-SIoT	1	Sales revenue	186,086	Normal	1
		AKMC	1	Receivables from related parties	627,752	45 days EOM	1
		Advanixs Corp.	1	Sales revenue	126,071	Normal	1
1	AKMC	The Company	2	Sales revenue	2,874,492	Normal	22
		The Company	2	Receivables from related parties	2,430,472	30 days EOM	4
		ACN	3	Sales revenue	138,877	Normal	1
2	LNC	LNC Dong Guan	3	Sales revenue	146,783	Normal	1
3	ACZ	AEU	3	Sales revenue	82,690	Normal	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:

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 March 31, 2021, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2021.

Note D: All intercompany transactions have been eliminated from consolidation.