

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
THEREON
MARCH 31, 2022 AND 2021

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

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Advantech Co., Ltd. and subsidiaries (the "Group") as of March 31, 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these 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" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. 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 explained in Notes 4(3) and 6(7), the financial statements of insignificant consolidated subsidiaries and investments accounted for under equity method were not reviewed by independent auditors. Those statements reflect total assets amounting to NT\$12,444,304 thousand (including the balance of investments accounted for under equity method), constituting 20% of consolidated total assets as of March 31, 2022, total liabilities amounting to NT\$1,860,015 thousand, constituting 7% of consolidated total liabilities as of March 31, 2022, and total comprehensive income amounting to NT\$291,168 thousand, constituting 9% of consolidated total comprehensive income for the three-month period then ended. These amounts and the related information disclosed in the accompanying consolidated financial statements were based on the unreviewed financial statements of consolidated subsidiaries and

investments accounted for under equity method.

Qualified conclusion

Based on our review, except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of insignificant consolidated subsidiaries and investments accounted for under the equity method been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the three-month period then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Other matter – Prior period financial statements reviewed by other independent auditors

The Group’s consolidated financial statements as of and for the three-month period ended March 31, 2021 were reviewed by other independent auditors, whose report dated April 29, 2021, expressed a qualified conclusion on those statements, indicating that the financial statements of certain consolidated insignificant subsidiaries and investments accounted for under equity method were not reviewed by independent auditors.

Liang, Hua-Ling

Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

April 29, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Assets		Notes	March 31, 2022		December 31, 2021		March 31, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 8,494,053	14	\$ 9,301,152	16	\$ 7,786,154	15
1110	Financial assets at fair value through profit or loss - current	6(2)	3,361,615	6	3,576,089	6	6,571,257	12
1136	Financial assets at amortised cost - current	6(4) and 8	137,508	-	113,548	-	159,174	-
1150	Notes receivable, net	6(5)	2,008,087	3	2,038,948	4	1,882,662	4
1170	Accounts receivable, net	6(5)	8,837,376	15	8,215,075	14	7,070,897	13
1180	Accounts receivable - related parties	7	47,410	-	37,920	-	23,790	-
1200	Other receivables		233,708	-	54,497	-	52,666	-
1210	Other receivables - related parties	7	77,906	-	-	-	95	-
130X	Inventory	6(6)	15,366,286	25	12,517,416	22	8,846,048	16
1470	Other current assets	7	775,473	1	831,655	1	603,787	1
11XX	Total current assets		39,339,422	64	36,686,300	63	32,996,530	61
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6(2)	97,530	-	94,310	-	77,553	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)(7)	2,788,556	5	2,516,420	4	2,366,683	5
1550	Investments accounted for under equity method	6(7)	3,872,174	6	3,856,835	7	3,616,221	7
1600	Property, plant and equipment	6(8) and 8	10,585,544	17	10,246,751	18	9,864,712	18
1755	Right-of-use assets	6(9)	733,941	1	594,368	1	796,393	2
1780	Intangible assets	6(10)	2,712,124	5	2,665,425	5	3,172,996	6
1840	Deferred income tax assets		862,236	2	985,675	2	694,688	1
1915	Prepayments for business facilities		122,522	-	116,347	-	207,070	-
1990	Other non-current assets	8	72,302	-	65,806	-	83,082	-
15XX	Total non-current assets		21,846,929	36	21,141,937	37	20,879,398	39
1XXX	Total assets		\$ 61,186,351	100	\$ 57,828,237	100	\$ 53,875,928	100

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ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity		Notes	March 31, 2022		December 31, 2021		March 31, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 351,380	1	\$ 255,700	1	\$ 163,356	-
2120	Financial liabilities at fair value through profit or loss - current	6(2)	20,399	-	2,687	-	8,256	-
2130	Contract liabilities - current	6(21)	1,059,112	2	950,692	2	685,770	1
2170	Notes and accounts payable	7	7,404,377	12	7,486,975	13	5,731,057	11
2200	Other payables	6(12) and 7	9,806,667	16	4,587,492	8	8,954,222	16
2230	Current income tax liabilities		2,895,899	5	2,485,660	4	2,456,949	5
2250	Provision for liabilities - current		217,833	-	196,498	-	166,911	-
2280	Lease liabilities - current	6(9)	251,859	-	250,338	-	265,604	1
2300	Other current liabilities		298,421	1	287,636	1	266,881	1
21XX	Total current liabilities		22,305,947	37	16,503,678	29	18,699,006	35
Non-current liabilities								
2540	Long-term borrowings	6(13) and 8	118,000	-	-	-	-	-
2560	Current income tax liabilities - non-current		48,660	-	97,320	-	243,301	1
2570	Deferred income tax liabilities		2,176,158	4	2,178,209	4	2,171,209	4
2580	Lease liabilities - non-current	6(9)	197,427	-	67,068	-	241,115	-
2600	Other non-current liabilities		620,770	1	619,171	1	625,509	1
25XX	Total non-current liabilities		3,161,015	5	2,961,768	5	3,281,134	6
2XXX	Total liabilities		25,466,962	42	19,465,446	34	21,980,140	41
Equity attributable to shareholders of the parent								
	Share capital	6(16)						
3110	Common shares		7,744,638	13	7,738,228	13	7,722,545	14
3140	Advance receipts for share capital		13,736	-	6,410	-	3,860	-
	Capital surplus	6(17)						
3200	Capital surplus		8,648,875	14	8,388,886	15	8,011,260	15
	Retained earnings	6(18)						
3310	Legal reserve		7,737,236	13	7,737,236	13	7,020,201	13
3320	Special reserve		831,850	1	831,850	1	845,993	2
3350	Unappropriated retained earnings		10,077,601	16	13,705,710	24	8,166,204	15
	Other equity interest	6(19)						
3400	Other equity interest		178,753	-	(555,793)	(1)	(394,914)	(1)
31XX	Equity attributable to shareholders of the parent		35,232,689	57	37,852,527	65	31,375,149	58
36XX	Non-controlling interest	6(20)	486,700	1	510,264	1	520,639	1
3XXX	Total equity		35,719,389	58	38,362,791	66	31,895,788	59
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		\$ 61,186,351	100	\$ 57,828,237	100	\$ 53,875,928	100

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

Items	Notes	For the three-month periods ended March 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(21) and 7	\$ 16,119,517	100	\$ 13,161,403	100
5000 Operating costs	6(6)(8)(9)(10)(14)				
	(15)(25) and 7	(9,962,306)	(62)	(7,952,766)	(60)
5950 Gross profit		6,157,211	38	5,208,637	40
Operating expenses	6(8)(9)(10)(14)(15)				
	(25) and 7				
6100 Selling expenses		(1,307,670)	(8)	(1,197,300)	(9)
6200 General and administrative expenses		(701,599)	(4)	(669,818)	(5)
6300 Research and development expenses		(1,122,758)	(7)	(1,046,693)	(8)
6450 Expected credit impairment loss		(10,509)	-	(7,965)	-
6000 Total operating expenses		(3,142,536)	(19)	(2,921,776)	(22)
6900 Operating profit		3,014,675	19	2,286,861	18
Non-operating income and expenses					
7100 Interest income		4,784	-	10,124	-
7010 Other income	6(22) and 7	37,765	-	26,940	-
7020 Other gains and losses	6(2)(23)	86,934	1	76,483	1
7050 Finance costs	6(9)(24)	(4,535)	-	(3,834)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(7)	29,948	-	20,116	-
7000 Total non-operating income and expenses		154,896	1	129,829	1
7900 Profit before income tax		3,169,571	20	2,416,690	19
7950 Income tax expense	6(26)	(601,536)	(4)	(487,793)	(4)
8200 Profit for the period		\$ 2,568,035	16	\$ 1,928,897	15

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ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

Items	Notes	For the three-month periods ended March 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)(19)	\$ 267,775	2	\$ 598,213	5
8320 Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss	6(7)(19)	(2,418)	-	27,900	-
8310 Other comprehensive income that will not be reclassified to profit or loss		265,357	2	626,113	5
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(19)	598,206	4	(230,277)	(2)
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss	6(7)(19)	12,692	-	(23,366)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(26)	(120,514)	(1)	47,830	-
8360 Other comprehensive income (loss) that will be reclassified to profit or loss		490,384	3	(205,813)	(2)
8300 Total other comprehensive income for the period		<u>\$ 755,741</u>	<u>5</u>	<u>\$ 420,300</u>	<u>3</u>
8500 Total comprehensive income for the period		<u>\$ 3,323,776</u>	<u>21</u>	<u>\$ 2,349,197</u>	<u>18</u>
Profit attributable to:					
8610 Shareholders of the parent		\$ 2,572,215	16	\$ 1,913,047	15
8620 Non-controlling interest		(4,180)	-	15,850	-
		<u>\$ 2,568,035</u>	<u>16</u>	<u>\$ 1,928,897</u>	<u>15</u>
Total comprehensive income attributable to:					
8710 Shareholders of the parent		\$ 3,319,630	21	\$ 2,347,841	18
8720 Non-controlling interest		4,146	-	1,356	-
		<u>\$ 3,323,776</u>	<u>21</u>	<u>\$ 2,349,197</u>	<u>18</u>
Basic earnings per share					
9750 Profit for the period	6(27)	<u>\$</u>	<u>3.32</u>	<u>\$</u>	<u>2.48</u>
Diluted earnings per share					
9850 Profit for the period	6(27)	<u>\$</u>	<u>3.28</u>	<u>\$</u>	<u>2.44</u>

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to shareholders of the parent												
Share Capital			Retained Earnings				Other Equity Interest			Total	Non-controlling interest	Total equity
Notes	Common shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned employee benefits compensation			
	\$ 7,719,455	\$ 3,090	\$ 7,913,754	\$ 7,020,201	\$ 845,993	\$ 11,739,513	(\$ 1,006,635)	\$ 173,308	\$ 1,477	\$ 34,410,156	\$ 636,267	\$ 35,046,423
	-	-	-	-	-	1,913,047	-	-	-	1,913,047	15,850	1,928,897
6(19)(20)	-	-	-	-	-	(158)	(191,319)	626,271	-	434,794	(14,494)	420,300
	-	-	-	-	-	1,912,889	(191,319)	626,271	-	2,347,841	1,356	2,349,197
6(18)												
	-	-	-	-	-	(5,480,813)	-	-	-	(5,480,813)	-	(5,480,813)
6(15)	3,090	770	24,665	-	-	-	-	-	-	28,525	-	28,525
6(15)	-	-	109,322	-	-	-	-	-	-	109,322	-	109,322
	-	-	(36,481)	-	-	-	-	-	-	(36,481)	-	(36,481)
6(28)												
	-	-	-	-	-	(3,401)	-	-	-	(3,401)	(116,984)	(120,385)
6(3)(19)												
	-	-	-	-	-	(1,984)	-	1,984	-	-	-	-
	\$ 7,722,545	\$ 3,860	\$ 8,011,260	\$ 7,020,201	\$ 845,993	\$ 8,166,204	(\$ 1,197,954)	\$ 801,563	\$ 1,477	\$ 31,375,149	\$ 520,639	\$ 31,895,788
	\$ 7,738,228	\$ 6,410	\$ 8,388,886	\$ 7,737,236	\$ 831,850	\$ 13,705,710	(\$ 1,575,937)	\$ 1,018,667	\$ 1,477	\$ 37,852,527	\$ 510,264	\$ 38,362,791
	-	-	-	-	-	2,572,215	-	-	-	2,572,215	(4,180)	2,568,035
6(19)(20)	-	-	-	-	-	-	482,058	265,357	-	747,415	8,326	755,741
	-	-	-	-	-	2,572,215	482,058	265,357	-	3,319,630	4,146	3,323,776
6(18)												
	-	-	-	-	-	(6,195,710)	-	-	-	(6,195,710)	-	(6,195,710)
6(15)	6,410	7,326	123,939	-	-	-	-	-	-	137,675	-	137,675
6(15)	-	-	83,146	-	-	-	-	-	-	83,146	-	83,146
	-	-	52,904	-	-	-	-	-	(12,869)	40,035	-	40,035
6(28)												
	-	-	-	-	-	(4,614)	-	-	-	(4,614)	(26,894)	(31,508)
6(20)	-	-	-	-	-	-	-	-	-	-	(816)	(816)
	\$ 7,744,638	\$ 13,736	\$ 8,648,875	\$ 7,737,236	\$ 831,850	\$ 10,077,601	(\$ 1,093,879)	\$ 1,284,024	(\$ 11,392)	\$ 35,232,689	\$ 486,700	\$ 35,719,389

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		For the three-month periods ended March 31,	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before income tax		\$ 3,169,571	\$ 2,416,690
Adjustments items			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(25)	212,912	196,687
Amortisation	6(10)(25)	45,739	55,090
Expected credit impairment loss		10,509	7,965
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(23)	66,860	(53,909)
Finance costs	6(24)	4,535	3,834
Interest income		(4,784)	(10,124)
Dividend income	6(22)	-	343
Compensation costs of employee share options	6(15)	83,147	109,322
Share of profit of associates accounted for under equity method	6(7)	(29,948)	(20,116)
Loss (gain) on disposal of property, plant and equipment	6(23)	624	(68,644)
Gain on disposal of investments	6(23)	(409)	-
Changes in assets and liabilities related to operating activities			
Changes in assets related to operating activities			
Financial assets at fair value through profit or loss		144,394	(1,036,589)
Notes receivable		30,861	10,381
Accounts receivable		(635,239)	(218,300)
Accounts receivable - related parties		(9,490)	4,960
Other receivables (including related parties)		(179,211)	3,757
Inventories		(2,848,870)	(1,032,498)
Other current assets		56,182	(120,048)
Changes in liabilities related to operating activities			
Financial liabilities at fair value through profit or loss		17,712	-
Contract liabilities - current		108,420	(71,282)
Notes and accounts payable		(82,598)	1,404,610
Other payables		(976,724)	(454,979)
Provision for liabilities		21,335	2,825
Other current liabilities		10,785	88,456
Other non-current liabilities		1,598	90,933
Cash (outflow) inflow generated from operations		(782,089)	1,308,678
Interest received		4,784	10,124
Dividends received		-	343
Interest paid		(4,346)	(236)
Income tax paid		(254,292)	(275,833)
Net cash flows (used in) provided by operating activities		(1,035,943)	1,043,076
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(15,616)	(3,144)
Proceeds from disposal of financial assets at amortised cost		-	136
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	16
Acquisition of investments accounted for under equity method	6(7)	(13,050)	(178,997)
Proceeds from disposal of investments accounted for under equity method	6(7)	940	-
Acquisition of property, plant and equipment	6(8)	(331,974)	(236,445)
Proceeds from disposal of property, plant and equipment		983	129,089
Increase in refundable deposits		(2,097)	(22,214)
Acquisition of intangible assets	6(10)	(28,225)	(84,885)
Increase in other non-current assets		(4,399)	-
Increase in prepayments for business facilities		(61,642)	-
Net cash flows used in investing activities		(455,080)	(396,444)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(29)	99,880	(11,213)
Increase in long-term borrowings	6(29)	118,000	-
Increase (decrease) in guarantee deposits received		1	(2)
Payment of lease liabilities	6(9)(29)	(61,883)	(62,824)
Employee share options exercised		137,675	28,525
Change in non-controlling interest	6(20)(28)	(32,499)	(120,385)
Net cash flows provided by (used in) financing activities		261,174	(165,899)
Effect of exchange rate changes		422,750	(192,021)
Net (decrease) increase in cash and cash equivalents		(807,099)	288,712
Cash and cash equivalents at beginning of period		9,301,152	7,497,442
Cash and cash equivalents at end of period		\$ 8,494,053	\$ 7,786,154

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on April 29, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 19 - comparative information'	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
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' as endorsed and issued into effect by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets minus present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC ("IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- The basis for preparation of consolidated financial statements is consistent with the basis used in the 2021 consolidated financial statements.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Advantech Automation Corp. (BVI) [AAC (BVI)]	Overseas investment in manufacturing and services industries	100.00	100.00	100.00	
	Advantech Technology Co., Ltd. (ATC)	Overseas investment in manufacturing and services industries	100.00	100.00	100.00	

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Advanixs Corporation	Manufacturing, marketing and trade of industrial use computers	100.00	100.00	100.00	Note 2
	Advantech Corporate Investment (ACI)	Investment in marketable securities	100.00	100.00	100.00	
	Advantech Europe Holding B.V. (AEUH)	Overseas investment in manufacturing and services industries	100.00	100.00	100.00	
	Advantech Co., Singapore Pte, Ltd. (ASG)	Marketing and trade of industrial use computers	100.00	100.00	100.00	Note 2
	Advantech Australia Pty Ltd. (AAU)	Marketing and trade of industrial use computers	100.00	100.00	100.00	Note 2
	Advantech Japan Co., Ltd. (AJP)	Marketing and trade of industrial use computers	100.00	100.00	100.00	Notes 2 and 5
	Advantech Co., Malaysia Sdn. Bhd (AMY)	Marketing and trade of industrial use computers	100.00	100.00	100.00	Note 2
	Advantech KR Co., Ltd. (AKR)	Marketing and trade of industrial use computers	100.00	100.00	100.00	Note 2
	Advantech Brasil Ltd. (ABR)	Marketing and trade of industrial use computers	100.00	100.00	100.00	Note 2
	Advantech Industrial Computing India Private Limited (AIN)	Marketing and trade of industrial use computers	99.99	99.99	99.99	Note 2
	AdvanPOS Technology Co., Ltd. (AdvanPOS)	Manufacturing and trade of endpoint sales system	100.00	100.00	100.00	Notes 2 and 12
	LNC Technology Co., Ltd. (LNC)	Manufacturing and trade of controllers	48.10	48.10	59.10	Notes 2 and 3

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Advantech Electronics, S.A.P.I DE C. V. (AMX)	Marketing and trade of industrial use computers	99.90	60.00	60.00	Notes 2 and 17
	Advantech Innovative Design Co., Ltd.	Product design	-	-	100.00	Note 8
	Advantech Intelligent Services Co., Ltd. (AiCS) (former AiST)	Design, research and develop and sale of intelligent services	100.00	100.00	100.00	Note 2
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Manufacturing of computer products	51.00	51.00	51.00	Note 2
	Advantech Vietnam Technology Company Limited (AVN)	Marketing and trade of industrial use computers	60.00	60.00	60.00	Note 2
	Advantech Technology Limited Liability Company (ARU)	Manufacturing, marketing and trade of industrial use computers	100.00	100.00	100.00	Note 2
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	-	71.39	70.00	Notes 2 and 5
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	60.00	60.00	Note 2
	ADVANTECH IOT ISRAEL LTD. (AIL)	Trading of industrial network communications systems	100.00	100.00	100.00	Note 2
	Huan Yan Water Solution Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	90.00	90.00	100.00	Notes 2 and 4

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
Advantech Japan Co., Ltd. (AJP)	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	-	28.61	28.61	Notes 2 and 5
Advantech Corporate Investment (ACI)	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic components, computers, and peripheral devices	55.00	55.00	55.00	Note 2
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment networking in Greater China	-	-	50.00	Notes 2 and 10
	Advantech Corporate Investment Ltd. (ACISM)	Holding company	-	-	100.00	Notes 2 and 11
	ACI IOT Investment Fund-I Corporation	Investment in marketable securities	-	-	79.33	Notes 2 and 6
	Adveln Tech Intellelligent Heath Co., Ltd. (AIH)	Servicing of information software and data processing	100.00	100.00	100.00	Notes 2 and 3
	Yan Xu Green Electricity Co., Ltd.	Development of green energy power plant	82.50	-	-	Notes 2 and 15
Advantech Technology Co., Ltd. (ATC)	HK Advantech Technology Co., Ltd. [ATC (HK)]	Overseas investment in manufacturing and services industries	100.00	100.00	100.00	
HK Advantech Technology Co., Ltd. [ATC (HK)]	Advantech Technology (China) Company Ltd. (AKMC)	Manufacturing and trade of interface cards and PC cases, plastic cases and accessories	100.00	100.00	100.00	
Advantech Automation Corp. (BVI) [AAC (BVI)]	Advantech Corp. (ANA)	Marketing, trade and assembly of industrial use computers	100.00	100.00	100.00	

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
Advantech Automation Corp. (BVI) [AAC (BVI)]	Advantech Automation Corp. (HK) [AAC (HK)]	Overseas investment in manufacturing and services industries	100.00	100.00	100.00	
	Adventech Electronics, S.A.P.I. DE C.V. (AMX)	Marketng and trade of industrial use computers	0.10	-	-	Notes 2 and 17
	Advantech Service - IoT Co., Ltd. [SIoT (Cayman)]	Design, research and development and trade of IoT intelligent system services	100.00	100.00	100.00	Note 2
	Advantech Technology DMCC (ADB)	Trading of industrial network communication systems	100.00	100.00	100.00	Note 2
Advantech Corp. (ANA)	Advantech Technology Limited (AIE) (former BBIE)	Trading of industrial network communication systems	100.00	100.00	100.00	Note 2
Advantech Automation Corp. (HK) [AAC (HK)]	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Marketing and trade of industrial use computers	100.00	100.00	100.00	
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Manufacturing, marketing and trade of industrial use computers	82.00	100.00	100.00	Notes 2 and 13
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	Note 2
	Advantech Service-IoT GmbH (A-SIoT)	Design, research and develop and trade of industrial on-board computer products	-	-	100.00	Notes 2 and 9

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Xi'an Advantech Software Ltd. (AXA)	Development and manufacturing of software products	100.00	100.00	100.00	Note 2
	Shanghai Advantech Intelligent Service Co., Ltd. (AiSC)	Manufacturing marketing and trade of industrial use computures	18.00	-	-	Notes 2 and 13
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	Note 2
	Shanghai Yanle Co., Ltd. (AYL)	Application and retail of intelligent technology	100.00	100.00	100.00	Note 2
Advantech Europe Holding B.V. (AEUH)	Advantech Europe B.V. (AEU)	Marketing and trade of industrial use computers	100.00	100.00	100.00	
	Advantech Poland Sp z o.o. (APL)	Marketing and trade of industrial use computers	100.00	100.00	100.00	Note 2
Advantech Europe B.V. (AEU)	Advantech Service - IoT GmbH (A-SIoT)	Design, research and development and trade of industrial on-board computer products	100.00	100.00	-	Note 9
Advantech Co., Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Manufacturing of computer products	49.00	49.00	49.00	Note 2
	PT Advantech International (AID)	Marketing and trade of industrial use computers	100.00	100.00	100.00	Note 2
Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	100.00	Note 2

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Networking electronic equipment for industrial use	100.00	100.00	100.00	Note 2
	Shenzhen Cermate Technologies Inc. (Cermate Shenzhen)	Production of LCD touch screen, USB data cables, and industrial use computers	90.00	90.00	90.00	Note 2
	Cermate software Inc. (CSI)	Software development	100.00	-	-	Notes 2 and 14
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	Holding company	100.00	100.00	100.00	Note 2
	NANOMAC Co., Ltd.	System integration and application	100.00	-	-	Notes 2 and 16
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	Holding company	100.00	100.00	100.00	Note 2
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd. (LNC Dong Guan)	Manufacturing and trade of controllers	100.00	100.00	100.00	Note 2
Advantech Technology Limited (AIE) (former BBIE)	Advantech CZech, s.r.o. (ACZ)	Manufacturing of automation control	100.00	100.00	100.00	Note 2
Advantech Industrtal Computer India Private Limited (AIN)	Advantech Raiser India Private Limited (ARI)	Marketing and trade of industrial use computers	55.00	55.00	-	Notes 2 and 7

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

Note 2: The financial statements of the entity as of and for the three-month periods ended March 31, 2022 and 2021 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

- Note 3: In the fourth quarter of 2021, the Group sold its 11% equity interest in LNC, which resulted to a decrease in ownership from 59.10% to 48.10%. After the disposal, the Group is still the single largest shareholder of LNC. Given that the degree of other shareholders involvement in prior shareholders' meeting and record of voting rights for major proposals, which indicates that the Group still has substantial ability to direct the relevant activities, the Group has control over LNC.
- Note 4: In the second quarter of 2021, Huan Yan Water Solution Co., Ltd. increased capital. Industrial Technology Research Institute acquired 10% equity interest.
- Note 5: In the first quarter of 2021, the Company acquired 20% equity interest in ATJ, which resulted to an increase in ownership from 50% to 70%. In the third quarter of 2021, the Company acquired 1.39% equity interest in ATJ, which resulted to an increase in ownership from 70% to 71.39%. In the first quarter of 2022, ATJ combined with AJP, AJP was the surviving company, ATJ was eliminated after the combination.
- Note 6: In the third quarter of 2021, ACI IoT Investment Fund-I Corporation filed for liquidation.
- Note 7: In the second quarter of 2021, the Group founded ARI.
- Note 8: In the third quarter of 2021, Advantech Innovative Design Co., Ltd. filed for liquidation.
- Note 9: In the fourth quarter of 2021, the Group adjusted its investment structure. Accordingly, AEU held 100% equity interest in A-SIoT.
- Note 10: In the third quarter of 2021, Yun Yan, Wu-Lian Co., Ltd. got approval of dissolution registration from competent authority.
- Note 11: In the fourth quarter of 2021, ACISM filed for liquidation.
- Note 12: In the fourth quarter of 2021, AdvanPOS filed for liquidation.
- Note 13: In the first quarter of 2022, ACN acquired 18% equity interest in AiSC, which resulted to a decrease in AAC (HK)'s interest in AiSC to 82%.
- Note 14: In the first quarter of 2022, the Group established a wholly-owned subsidiary, Cermate Software Inc.
- Note 15: In the first quarter of 2022, the Group established Yan Xu Green Electricity Co., Ltd., and the Group held 82.5% equity interest in Yan Xu Green Electricity Co., Ltd.
- Note 16: In the first quarter of 2022, the Group established a wholly-owned subsidiary, NANOMAC CO., LTD.
- Note 17: In the first quarter of 2022, the Group acquired 40% equity interest in AMX, which resulted to an increase in ownership from 60% to 100%.
- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different end of balance sheet dates: None.
- E. Significant restrictions: None.

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

(4) Defined benefit plans

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

(5) Income tax

The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period.

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

There have been no significant changes as of March 31, 2022. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand and revolving funds	\$ 1,279	\$ 1,098	\$ 1,062
Checking accounts and demand deposits	7,304,181	8,674,989	6,519,987
Cash equivalents (time deposits with original maturities less than three months)	<u>1,188,593</u>	<u>625,065</u>	<u>1,265,105</u>
	<u>\$ 8,494,053</u>	<u>\$ 9,301,152</u>	<u>\$ 7,786,154</u>

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

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

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets - current</u>			
Mandatorily measured at fair value through profit or loss			
Derivative instruments (not under hedge accounting)			
Forward foreign exchange contracts	\$ 2,177	\$ 11,966	\$ 10,662
Non-derivative financial assets			
Listed and OTC stocks	164,375	170,417	463,275
Unlisted and non-OTC stocks	56,000	56,000	-
Beneficiary certificates	3,103,063	3,300,731	6,097,320
Convertible corporate bonds	36,000	36,975	-
	<u>\$ 3,361,615</u>	<u>\$ 3,576,089</u>	<u>\$ 6,571,257</u>
<u>Financial assets - non-current</u>			
Mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
Unlisted and non-OTC stocks	<u>\$ 97,530</u>	<u>\$ 94,310</u>	<u>\$ 77,553</u>
<u>Financial liabilities - current</u>			
Mandatorily measured at fair value through profit or loss			
Derivative instruments (not under hedge accounting)			
Forward foreign exchange contracts	<u>\$ 20,399</u>	<u>\$ 2,687</u>	<u>\$ 8,256</u>

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

	<u>For the three-month periods ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Non-derivative instruments	(\$ 40,692)	\$ 37,768
Derivative instruments	(26,168)	16,141
	<u>(\$ 66,860)</u>	<u>\$ 53,909</u>

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

Derivative financial assets:

<u>March 31, 2022</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	EUR/NTD	2022.07	EUR 200/NTD 6,416
foreign exchange	JPY/NTD	2022.04~2022.07	JPY 300,000/NTD 72,645
<u>December 31, 2021</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	EUR/NTD	2022.01~2022.05	EUR 12,300/NTD 395,896
foreign exchange	JPY/NTD	2022.01~2022.03	JPY 240,000/NTD 59,071
	USD/NTD	2022.01	USD 800/NTD 22,219
<u>March 31, 2021</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	EUR/NTD	2021.04~2021.08	EUR 13,300/NTD 453,967
foreign exchange	USD/NTD	2021.04~2021.05	USD 1,000/NTD 28,607
	JPY/NTD	2021.04~2021.07	JPY 230,000/NTD 61,247

Derivative financial liability:

<u>March 31, 2022</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	EUR/NTD	2022.04~2022.07	EUR 14,100/NTD 444,336
foreign exchange	CNY/NTD	2022.04~2022.07	CNY 89,000/NTD 387,077
	USD/NTD	2022.04	USD 1,000/NTD 27,919
<u>December 31, 2021</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	CNY/NTD	2022.01~2022.04	CNY 68,000/NTD 292,705
foreign exchange			
<u>March 31, 2021</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward	USD/NTD	2021.04~2021.05	USD 8,000/NTD 224,362
foreign exchange	CNY/NTD	2021.04~2021.07	CNY 83,000/NTD 356,214

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

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Listed, OTC and emerging stocks	\$ 2,504,837	\$ 2,396,403	\$ 2,229,925
Unlisted and non-OTC stocks	283,719	120,017	136,758
	<u>\$ 2,788,556</u>	<u>\$ 2,516,420</u>	<u>\$ 2,366,683</u>

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

	<u>For the three-month periods ended March 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	<u>\$ 267,775</u>	<u>\$ 598,213</u>
Cumulative gains (losses) reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>(\$ 1,984)</u>

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

(4) Financial assets at amortised cost - current

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Time deposits with original maturity period of more than three months	<u>\$ 137,508</u>	<u>\$ 113,548</u>	<u>\$ 159,174</u>

- A. As of March 31, 2022, December 31, 2021, and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$137,508, \$113,548 and \$159,174, respectively.
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that probability of counterparty default is remote.

(5) Notes and accounts receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 2,008,881	\$ 2,039,732	\$ 1,882,662
Less: Allowance for uncollectible accounts	(794)	(784)	-
	<u>\$ 2,008,087</u>	<u>\$ 2,038,948</u>	<u>\$ 1,882,662</u>
Accounts receivable	\$ 8,924,738	\$ 8,289,138	\$ 7,151,364
Less: Allowance for uncollectible accounts	(87,002)	(74,063)	(80,467)
	<u>\$ 8,837,736</u>	<u>\$ 8,215,075</u>	<u>\$ 7,070,897</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Not past due	\$ 10,263,871	\$ 9,547,123	\$ 8,336,411
Less than 90 days past due	563,103	687,824	607,559
Between 91 to 180 days past due	22,883	26,973	31,165
Over 181 days past due	83,402	66,950	58,891
	<u>\$ 10,933,259</u>	<u>\$ 10,328,870</u>	<u>\$ 9,034,026</u>

The above aging analysis was based on past due date.

B. Except for the balances shown above, the balance of notes and accounts receivable from contracts with customers was \$8,826,295 at January 1, 2021.

C. The Group does not hold collateral as security for accounts receivable.

D. As of March 31, 2022, December 31, 2021 and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposures to credit risk in respect of the amounts that best represent the Group's notes receivable were \$2,008,087, \$2,038,948 and \$1,882,662, respectively. The maximum exposures to credit risk in respect of the amount that best represents the Group's accounts receivable were \$8,837,376, \$8,215,075 and \$7,070,897, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	March 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 10,287,341	(\$ 828,740)	\$ 9,458,601
Work in progress	990,594	(22,738)	967,856
Finished goods	4,410,809	(385,677)	4,025,132
Inventory in transit	914,697	-	914,697
	<u>\$ 16,603,441</u>	<u>(\$ 1,237,155)</u>	<u>\$ 15,366,286</u>

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

March 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,177,975	(\$ 535,979)	\$ 4,641,996
Work in progress	600,669	(5,796)	594,873
Finished goods	3,034,095	(319,494)	2,714,601
Inventory in transit	894,578	-	894,578
	<u>\$ 9,707,317</u>	<u>(\$ 861,269)</u>	<u>\$ 8,846,048</u>

The cost of inventories recognized as expense for the period:

	For the three-month periods ended March 31	
	2022	2021
Cost of goods sold	\$ 9,351,813	\$ 7,769,800
Loss on decline in market value	220,991	41,501
Others	389,502	141,465
	<u>\$ 9,962,306</u>	<u>\$ 7,952,766</u>

(7) Investments accounted for under equity method

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Associates that are not individually material</u>			
<u>Listed and OTC companies</u>			
Axiomtek Co., Ltd. (Axiomtek)	\$ 849,858	\$ 830,007	\$ 748,085
Winmate Inc. (Winmate)	582,376	572,568	571,545
AzureWave Technologies, Inc. (AzureWave)	597,343	601,310	544,080
Nippon RAD Inc. (Nippon RAD)	256,975	261,523	282,954
Mildex Optical Inc. (Mildex)	146,764	142,658	158,532

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Listed and OTC companies</u>			
Hwacom Systems Inc. (Hwacom)	\$ 426,013	\$ 439,839	\$ 397,446
Information Technology Total Services Co., Ltd. (ITTS)	162,526	159,489	159,160
<u>Unlisted companies</u>			
International Integrated Systems, Inc. (IISI)	268,190	271,364	256,458
CDIB Innovation Accelerator Co., Ltd. (CDIB)	179,996	181,132	150,699
VSO Electronics Co., Ltd. (VSO)	146,384	144,865	133,572
Feng Sang Enterprise Co., Ltd. (Feng Sang)	111,912	110,496	109,762
Other	143,837	141,584	103,928
	<u>\$ 3,872,174</u>	<u>\$ 3,856,835</u>	<u>\$ 3,616,221</u>

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

- (a) In the first quarter of 2021, the Group participated in the capital increase of Feng Sang for a cash consideration \$64,500 which resulted to an increase in its equity interest from 15% to 36.24%.
- (b) In the first quarter of 2021, the Group acquired 21.67% equity interest in Foshan Technology for a cash consideration of \$2,824. In the third quarter of 2021, the Group participated in the capital increase of Foshan Technology for a cash consideration of \$23,683 which resulted to an increase in its equity interest from 21.67% to 29.66%.
- (c) In the first three quarters of 2021, the Group invested in Axiomtek for a cash consideration of \$262,313, which resulted to an increase in its equity interest from 24.17% to 26.61%.
- (d) In the second quarter of 2021, the Group invested in Smasoft for a cash consideration of \$5,220, which resulted to an increase in its equity interest from 20% to 24.07%.
- (e) In the second quarter of 2021, the Group acquired 20% equity interest in Freedom System for a cash consideration of \$37,500.
- (f) In the fourth quarter of 2021, the Group participated in the capital increase of DotZero for a cash consideration \$2,828. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 27.00% to 25.71%.

- (g) In the fourth quarter of 2021, the Group disposed all its equity interest in GSD for a cash consideration \$8,676.
- (h) In the first quarter of 2022, the Group invested in Smasoft Technology Co. Ltd for a cash consideration of \$13,050, which resulted to an increase in its equity interest from 24.07% to 25.63%.
- (i) In the first quarter of 2022, the Group disposed 4.71% equity interest in I-Link Co., Ltd. for a cash consideration \$940, which resulted to a decrease in its equity interest from 20.13% to 15.42%. As the Group lost significant influence, the investment in I-Link Co., Ltd. accounted for under equity method was reclassified financial assets at fair value through other comprehensive income - non-current.
- B. The summary of financial information of share attributable to the Group on the associates that are not individually material to the Group is as follows:

	For the three-month periods ended March 31	
	2022	2021
Profit for the period from continuing operations	\$ 29,948	\$ 20,116
Other comprehensive income (loss) after tax	10,274	4,534
Total comprehensive income	<u>\$ 40,222</u>	<u>\$ 24,650</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Fair value of associates	<u>\$ 3,990,032</u>	<u>\$ 4,199,439</u>	<u>\$ 4,034,945</u>

- D. Investments accounted for under equity method were evaluated based on the investees' unreviewed financial statements. As of March 31, 2022 and 2021, the unreviewed investments accounted for under equity method amounted to \$3,872,174 and \$3,616,221, respectively, and the share of comprehensive income amounted to \$40,222 and \$24,650 for the three-month periods ended March 31, 2022 and 2021.
- E. The Group is the single largest shareholder of Axiomtek, Winmate, Hwacom, VSO, iSAP and Feng Sang. Given that other shareholders hold more shares than the Group and the degree of other shareholders involvement in prior shareholders' meeting and record of voting rights for major proposals, which indicates that the Group has no substantial ability to direct the relevant operating and financial activities, the Group has no control, but only has significant influence, over the companies.

(8) Property, plant and equipment

	Freehold land	Buildings	Machinery and equipment	Office equipment	Other equipment	Construction in progress	Total
Balance at January 1, 2022							
Cost	\$ 2,967,968	\$ 8,242,253	\$ 2,143,173	\$ 924,897	\$ 1,977,872	\$ 447,704	\$ 16,703,867
Accumulated depreciation and impairment	- (2,912,359)	(1,414,794)	(734,793)	(1,395,170)	- (6,457,116)		
	<u>\$ 2,967,968</u>	<u>\$ 5,329,894</u>	<u>\$ 728,379</u>	<u>\$ 190,104</u>	<u>\$ 582,702</u>	<u>\$ 447,704</u>	<u>\$ 10,246,751</u>
Balance at January 1, 2022	\$ 2,967,968	\$ 5,329,894	\$ 728,379	\$ 190,104	\$ 582,702	\$ 447,704	\$ 10,246,751
Additions	73,783	84,789	28,841	12,381	14,338	117,842	331,974
Disposals	-	- (63)	(774)	(770)	- (1,607)		
Depreciation	- (53,952)	(33,303)	(19,341)	(45,811)	- (152,407)		
Reclassifications	21,393	(14,477)	37,148	816	34,774	(24,187)	55,467
Net exchange differences	4,457	64,555	15,443	3,594	17,276	41	105,366
Balance at March 31, 2022	<u>\$ 3,067,601</u>	<u>\$ 5,410,809</u>	<u>\$ 776,445</u>	<u>\$ 186,780</u>	<u>\$ 602,509</u>	<u>\$ 541,400</u>	<u>\$ 10,585,544</u>
Balance at March 31, 2022							
Cost	\$ 3,067,601	\$ 8,421,949	\$ 2,227,642	\$ 945,929	\$ 2,032,252	\$ 541,400	\$ 17,236,773
Accumulated depreciation and impairment	- (3,011,140)	(1,451,197)	(759,149)	(1,429,743)	- (6,651,229)		
	<u>\$ 3,067,601</u>	<u>\$ 5,410,809</u>	<u>\$ 776,445</u>	<u>\$ 186,780</u>	<u>\$ 602,509</u>	<u>\$ 541,400</u>	<u>\$ 10,585,544</u>
	Freehold land	Buildings	Machinery and equipment	Office equipment	Other equipment	Construction in progress	Total
Balance at January 1, 2021							
Cost	\$ 3,032,384	\$ 8,052,436	\$ 1,929,938	\$ 906,329	\$ 1,901,434	\$ 380,653	\$ 16,203,174
Accumulated depreciation and impairment	- (2,824,136)	(1,408,668)	(712,689)	(1,340,785)	- (6,286,278)		
	<u>\$ 3,032,384</u>	<u>\$ 5,228,300</u>	<u>\$ 521,270</u>	<u>\$ 193,640</u>	<u>\$ 560,649</u>	<u>\$ 380,653</u>	<u>\$ 9,916,896</u>
Balance at January 1, 2021	\$ 3,032,384	\$ 5,228,300	\$ 521,270	\$ 193,640	\$ 560,649	\$ 380,653	\$ 9,916,896
Additions	-	47,131	40,774	23,097	35,405	90,038	236,445
Disposals	(31,543)	(23,579)	(4,345)	(191)	(787)	- (60,445)	
Depreciation	- (51,037)	(28,236)	(19,558)	(40,424)	- (139,255)		
Reclassifications	-	291,841	7,404	(993)	27,271	(365,014)	(39,491)
Net exchange differences	(14,460)	(25,264)	(3,821)	(1,595)	(4,229)	(69)	(49,438)
Balance 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>
Balance at March 31, 2021							
Cost	\$ 2,986,381	\$ 8,258,397	\$ 1,941,384	\$ 907,605	\$ 1,940,964	\$ 105,608	\$ 16,140,339
Accumulated depreciation and impairment	- (2,791,005)	(1,408,338)	(713,205)	(1,363,079)	- (6,275,627)		
	<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>

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

(9) Lease agreements

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

lease.

B. Right-of-use assets

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Carrying amount			
Land	\$ 280,238	\$ 272,232	\$ 278,615
Buildings	365,104	273,832	435,325
Machinery and equipment	1,688	1,871	2,440
Office equipment	7,019	5,181	11,725
Transportation equipment	79,164	40,991	67,915
Other equipment	728	261	373
	<u>\$ 733,941</u>	<u>\$ 594,368</u>	<u>\$ 796,393</u>

	<u>For the three-month periods ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Depreciation expenses		
Land	\$ 2,136	\$ 2,122
Buildings	46,536	44,542
Machinery and equipment	191	190
Office equipment	1,297	2,146
Transportation equipment	10,076	8,394
Other equipment	269	38
	<u>\$ 60,505</u>	<u>\$ 57,432</u>

C. The additions to right-of-use assets for the three-month periods ended March 31, 2022 and 2021 were \$188,513 and \$176,009, respectively.

D. Lease liabilities

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Carrying amount			
Current	\$ 251,859	\$ 250,338	\$ 265,604
Non-current	197,427	67,068	241,115
	<u>\$ 449,286</u>	<u>\$ 317,406</u>	<u>\$ 506,719</u>

E. Other lease information

	<u>For the three-month periods ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Expense on lease interest	\$ 2,970	\$ 3,575
Expense on short-term lease contracts	\$ 122	\$ 355
Expense on leases of low-value assets	\$ 357	\$ 348
Total cash outflow for leases	<u>\$ 62,362</u>	<u>\$ 63,527</u>

(10) Intangible assets

	Trademarks	Customer relationships	Technology licenses	Goodwill	Others	Total
Balance at January 1, 2022						
Cost	\$ 456,060	\$ 530,820	\$ 383,119	\$ 2,758,549	\$ 557,405	\$ 4,685,953
Accumulated amortization and impairment	(387,154)	(292,834)	(337,975)	(665,939)	(336,626)	(2,020,528)
	<u>\$ 68,906</u>	<u>\$ 237,986</u>	<u>\$ 45,144</u>	<u>\$ 2,092,610</u>	<u>\$ 220,779</u>	<u>\$ 2,665,425</u>
Balance at January 1, 2022	\$ 68,906	\$ 237,986	\$ 45,144	\$ 2,092,610	\$ 220,779	\$ 2,665,425
Acquired separately	-	-	-	-	28,225	28,225
Amortization	-	(8,151)	(5,707)	-	(31,881)	(45,739)
Net exchange differences	1,320	5,721	1,412	52,923	2,837	64,213
Balance at March 31, 2022	<u>\$ 70,226</u>	<u>\$ 235,556</u>	<u>\$ 40,849</u>	<u>\$ 2,145,533</u>	<u>\$ 219,960</u>	<u>\$ 2,712,124</u>
Balance at March 31, 2022						
Cost	\$ 470,598	\$ 544,255	\$ 394,767	\$ 2,819,072	\$ 589,444	\$ 4,818,136
Accumulated amortization and impairment	(400,372)	(308,699)	(353,918)	(673,539)	(369,484)	(2,106,012)
	<u>\$ 70,226</u>	<u>\$ 235,556</u>	<u>\$ 40,849</u>	<u>\$ 2,145,533</u>	<u>\$ 219,960</u>	<u>\$ 2,712,124</u>
	Trademarks	Customer relationships	Technology licenses	Goodwill	Others	Total
Balance at January 1, 2021						
Cost	\$ 475,390	\$ 572,805	\$ 402,751	\$ 2,837,680	\$ 548,524	\$ 4,837,150
Accumulated amortization and impairment	(330,368)	(283,883)	(332,924)	(373,365)	(369,264)	(1,689,804)
	<u>\$ 145,022</u>	<u>\$ 288,922</u>	<u>\$ 69,827</u>	<u>\$ 2,464,315</u>	<u>\$ 179,260</u>	<u>\$ 3,147,346</u>
Balance at January 1, 2021	\$ 145,022	\$ 288,922	\$ 69,827	\$ 2,464,315	\$ 179,260	\$ 3,147,346
Acquired separately	-	-	-	-	100,208	100,208
Amortization	-	(8,978)	(5,843)	-	(39,931)	(54,752)
Reclassifications	-	-	-	-	5,963	5,963
Net exchange differences	(3,275)	(3,592)	96	(15,533)	(3,465)	(25,769)
Balance at March 31, 2021	<u>\$ 141,747</u>	<u>\$ 276,352</u>	<u>\$ 64,080</u>	<u>\$ 2,448,782</u>	<u>\$ 242,035</u>	<u>\$ 3,172,996</u>
Balance at March 31, 2021						
Cost	\$ 472,753	\$ 560,199	\$ 398,509	\$ 2,822,147	\$ 630,376	\$ 4,883,984
Accumulated amortization and impairment	(331,006)	(283,847)	(334,429)	(373,365)	(388,341)	(1,710,988)
	<u>\$ 141,747</u>	<u>\$ 276,352</u>	<u>\$ 64,080</u>	<u>\$ 2,448,782</u>	<u>\$ 242,035</u>	<u>\$ 3,172,996</u>

A. The details of goodwill are as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
B+B	\$ 1,281,362	\$ 1,239,060	\$ 1,277,333
LNC	227,127	227,127	227,127
AdvanPOS	-	-	215,068
A-SIoT	156,545	153,603	164,155
AEU	127,345	124,960	133,568
Others	353,154	347,860	431,531
	<u>\$ 2,145,533</u>	<u>\$ 2,092,610</u>	<u>\$ 2,448,782</u>

B. Goodwill impairment assessment

- (a) The impairment assessment of goodwill relies on the subjective judgment of the management, including identifying the cash-generating unit and determining its recoverable amount.
- (b) The Group assesses the recoverable amounts of goodwill for impairment at the end of the financial reporting period, and the recoverable amount is assessed based on the value-in-use.
- (c) The value-in-use calculations use cash flow projections based on financial budgets approved by the management. Management determined the budgeted gross margin and growth rate based on past performance and the expectations of market development. The market valuation used is consistent with the similar industries. The discount rates used reflect specific risks relating to the relevant operating segments and the time value of currency in real market.

(11) Short-term borrowings

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Unsecured borrowings</u>			
Credit borrowings	\$ <u>351,380</u>	\$ <u>255,700</u>	\$ <u>163,356</u>

A. The range of interest rates on bank loans was 0.23% ~ 2.98%, 0.23% ~ 1.09% and 0.22% ~ 6.64% per annum as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

B. The interest expense recognized in profit and loss amounted to \$822 and \$236 for the three-month periods ended March 31, 2022 and 2021, respectively.

(12) Other payables

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Wages and salaries and bonuses payable	\$ 2,535,474	\$ 3,287,752	\$ 2,252,382
Employee benefits payable	180,234	181,782	202,263
Dividend payable	6,195,710	-	5,480,813
Others (Note)	<u>895,249</u>	<u>1,117,958</u>	<u>1,018,764</u>
	\$ <u>9,806,667</u>	\$ <u>4,587,492</u>	\$ <u>8,954,222</u>

Note: Including marketing expenses and freight expenses, etc.

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31.,2022
Long-term bank borrowings				
Secured borrowings	Borrowing period is from January 27, 2022 to January 27, 2024, interest is payable monthly, principal is payable at maturity date	2.94%	Land and building	\$ 118,000
Less: Current portion				<u>-</u> <u>\$ 118,000</u>

- A. The interest expense recognized in profit or loss amounted to \$533 and \$0 for the three-month periods ended March 31, 2022 and 2021, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(14) Pension

A. Defined benefit pension plans

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

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

- (b) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$16,379.
 - (c) For the aforementioned pension plan, the Group recognized pension costs of \$2,208 and \$2,663 for the three-month periods ended March 31, 2022 and 2021, respectively.
- B. Defined contribution pension plans
- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
 - (b) Overseas subsidiaries contribute pension in accordance with local government regulations, and recognize pension expenses at the time of contribution.
 - (c) The pension costs under the defined contribution pension plans of the Group were \$98,483 and \$91,153 for the three-month periods ended March 31, 2022 and 2021, respectively.

(15) Share-based payment

A. Employee share options granted by the Company

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

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

	For the three-month periods ended March 31			
	2022		2021	
	Unit of options	Weighted-average exercise price (in dollars)	Unit of options	Weighted-average exercise price (in dollars)
Options outstanding at the beginning of the period	17,022	\$ 172.74	19,404	\$ 175.66
Options exercised	(1,373)	100.23	(386)	73.90
Options outstanding at the end of the period	15,649	179.09	19,018	177.73
Options exercisable at the end of the period	8,147	159.86	7,518	142.32
Weighted-average fair value of options granted	-		-	

(c) The weighted-average stock price of share options at exercise dates for the three-month periods ended March 31, 2022 and 2021 was \$365 ~ \$390 (in dollars) and \$359 ~ \$363 (in dollars), respectively.

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

	March 31, 2022		December 31, 2021		March 31, 2021	
	Exercise price (in dollars)	Weighted-average remaining contractual life (in years)	Exercise price (in dollars)	Weighted-average remaining contractual life (in years)	Exercise price (in dollars)	Weighted-average remaining contractual life (in years)
Issuance in 2020	\$ 195.70	4.33	\$ 200.00	4.58	\$ 200.00	5.33
Issuance in 2018	171.20	2.33	171.20	2.58	202.50	3.33
Issuance in 2016	72.30	0.45	72.3~93.9	0.45	73.90	1.20

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

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

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

- (f) Compensation cost recognized for the three-month periods ended March 31, 2022 and 2021 was \$83,146 and \$109,322, respectively.

B. Employee share options granted by the subsidiary - LNC

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

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

	For the three-month periods ended March 31			
	2022		2021	
		Weighted-average exercise price		Weighted-average exercise price
<u>Employee share options</u>	<u>Unit of options</u>	<u>(in dollars)</u>	<u>Unit of options</u>	<u>(in dollars)</u>
Options outstanding at the beginning of the period	<u>636</u>	\$ 20	<u>676</u>	\$ 20
Options outstanding at the end of the period	<u>636</u>	20	<u>676</u>	20
Options exercisable at the end of the period	<u>631</u>	20	<u>502</u>	20

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

	March 31, 2022		December 31, 2021		March 31, 2021	
	Exercise price	Weighted-average remaining contractual life	Exercise price	Weighted-average remaining contractual life	Exercise price	Weighted-average remaining contractual life
	(in dollars)	(in years)	(in dollars)	(in years)	(in dollars)	(in years)
Issuance in 2018	\$ 20	1.08	\$ 20	1.33	\$ 20	2.08
Issuance in 2017	20	0.17	20	0.42	20	1.17

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

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

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

- (e) In August 2018, the subsidiary - LNC modified the terms of its outstanding options. The validity was adjusted from 4 to 5 years. The average incremental fair value of \$0.38 (in dollars) in June 2017 and \$0.34 (in dollars) in May 2018 will be recognized as expense over the remaining vesting period of 2.42 and 3.33 years, respectively. LNC used the inputs noted above to measure the fair value of the old and new options.

Issuance in 2018

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

Issuance in 2017

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

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

- (f) Compensation cost recognized by the subsidiary, LNC, for the three-month periods ended March 31, 2022 and 2021 was \$1 and \$33, respectively.

(16) Share capital

As of March 31, 2022, the Company's authorised capital was \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock (including 50,000 thousand shares reserved for employee shares options and corporate bonds with warrant), and the paid-in capital was \$7,758,374 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

The change in the number of the Company's common shares outstanding at the beginning and end of the period is as follows (in thousand shares):

	2022	2021
At January 1	774,464	772,255
Employee share options exercised	1,373	386
At March 31	775,837	772,641

(17) Capital surplus

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>			
Premium on issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238	\$ 2,692,238
Premium on conversion of bonds	1,636,499	1,636,499	1,636,499
Premium on issuance of ordinary shares for employee share options	2,920,472	2,714,285	2,366,050
Difference between consideration and carrying amount of subsidiaries acquired or disposed	23,128	23,128	-
Changes in equity of associates accounted for under equity method	674	674	10,097
Employees' share compensation	78,614	78,614	78,614
<u>May be used to offset a deficit only</u>			
Changes in ownership interests in subsidiaries	215	215	-
Changes in equity of associates accounted for under equity method	82,312	29,408	8,978
Employee share options forfeited	96,258	96,258	87,266
<u>Not to be used for any purpose</u>			
Employee share options	1,118,465	1,117,567	1,131,518
	<u>\$ 8,648,875</u>	<u>\$ 8,388,886</u>	<u>\$ 8,011,260</u>

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

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside or reversed from the legal reserve. The remainder, if any, shall be distributed as dividends to be proposed by the Board of Directors. The distribution of cash dividends shall be resolved by the Board of Directors while stock dividends shall be resolved by the shareholders during their meeting.
- B. The Company's dividend policy which takes into consideration the Company's future funding requirements and long-term financial planning as well as the interest of shareholders is to distribute at least 30% of the available profits as dividends to shareholders annually. The distribution of cash dividends shall not be less than 20% of the total dividends distributed.
The Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividends policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interests, and the sustainability of the Company's growth. The policy also requires that share dividends shall be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.
- C. An appropriation of earnings for legal reserve should be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset against deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.
- D. Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.
- E. The appropriations of earnings for 2021 had been proposed by the Board of Directors on February 25, 2022. The appropriations of earnings for 2020 had been approved by the shareholders during their meeting on August 19, 2021.

	For the years ended December 31	
	2021	2020
Legal reserve	\$ 814,990	\$ 717,035
Reversal of special reserve	(\$ 276,056)	(\$ 14,143)
Cash dividends	\$ 6,195,710	\$ 5,480,813
Cash dividends per share (in dollars)	\$ 8.0	\$ 7.1

As of April 29, 2022, the appropriation of 2021 earnings stated above has not yet been resolved by the shareholders.

(19) Other equity items

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

	For the three-month periods ended March 31	
	2022	2021
Balance at January 1	(\$ 1,575,937)	(\$ 1,006,635)
Recognised for the period		
Exchange differences on translation of the financial statements of foreign operations	471,904 (	172,626)
Share of profit (loss) of associates accounted	10,154 (	18,693)
Other comprehensive income (loss) recognized for the period	482,058 (	191,319)
Balance at March 31	(\$ 1,093,879)	(\$ 1,197,954)

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

	For the three-month periods ended March 31	
	2022	2021
Balance at January 1	\$ 1,018,667	\$ 173,308
Recognised for the period		
Unrealised gain or loss		
Equity instrument	267,775	598,213
Share of (loss) profit of associates accounted for under equity method	(2,418)	28,058
Other comprehensive income	265,357	626,271
Realised gain or loss		
Transfer of evaluation adjustments to retained earnings	-	1,984
Other comprehensive income (loss)	-	1,984
Balance at March 31	\$ 1,284,024	\$ 801,563

C. Unearned employee benefits compensation

	For the three-month periods ended March 31	
	2022	2021
Balance at January 1	\$ 1,477	\$ 1,477
Share of profit of associates accounted for under equity method	(12,869)	-
Balance at March 31	<u>(\$ 11,392)</u>	<u>\$ 1,477</u>

(20) Non-controlling interest

	For the three-month periods ended March 31	
	2022	2021
Balance at January 1	\$ 510,264	\$ 636,267
Profit for the period	(4,180)	15,850
Exchange differences on translation of the financial statements of foreign operations	8,326 (	14,494)
Decrease in non-controlling interests arising from increase in investment in subsidiaries	(26,894) (	116,984)
Increase in non-controlling interests arising from acquisition of subsidiaries	175	-
Cash dividends distributed by subsidiaries	(991)	-
Balance at March 31	<u>\$ 486,700</u>	<u>\$ 520,639</u>

(21) Operating revenue

	For the three-month periods ended March 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 16,119,517</u>	<u>\$ 13,161,403</u>

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended March 31, 2022

	Industrial Interest of Things Services (IIoT)	Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (ACG & CIoT)	Intelligent Services (SIoT)	Advantech Service Plus (AS+)	Others	Total
Department revenue	<u>\$ 5,002,265</u>	<u>\$ 3,777,316</u>	<u>\$ 3,775,617</u>	<u>\$ 1,791,208</u>	<u>\$ 1,822,771</u>	<u>(\$ 49,660)</u>	<u>\$ 16,119,517</u>

For the three-month period ended March 31, 2021

	Industrial Interest of Things Services (IIoT)	Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (ACG & CIoT)	Intelligent Services (SIoT)	Advantech Service Plus (AS+)	Others	Total
Department revenue	<u>\$ 4,725,020</u>	<u>\$ 3,009,107</u>	<u>\$ 2,660,606</u>	<u>\$ 1,092,718</u>	<u>\$ 1,620,626</u>	<u>\$ 53,326</u>	<u>\$ 13,161,403</u>

B. Contract liabilities

The Group recognized contract liabilities related to the contract revenue from sales and warranty amounting to \$1,059,112, \$950,692, \$685,770 and \$757,052 as of March 31, 2022, December 31, 2021, March 31, 2021 and January 1, 2021, respectively.

(22) Other income

	For the three-month periods ended March 31	
	2022	2021
Rental income	\$ 9,137	\$ 5,665
Dividend income	-	343
Others (Note)	28,628	20,932
	<u>\$ 37,765</u>	<u>\$ 26,940</u>

Note: For the three-month periods ended March 31, 2022 and 2021, the Group received government grants of \$3,142 and \$5,104 for its engagement in a government's project, respectively. In addition, the expenses or losses incurred which were covered by government grants amounted to \$562 and \$1,229 for the three-month periods ended March 31, 2022 and 2021, respectively, and were deducted from the recorded expenses.

(23) Other gains and losses

	For the three-month periods ended March 31	
	2022	2021
(Losses) gains on disposal of property, plant and equipment	(\$ 624)	\$ 68,644
Gains on disposals of investments	409	-
Currency exchange gains (losses)	154,934	(45,142)
(Losses) gains on financial assets/liabilities at fair value through profit or loss	(66,860)	53,909
Others	(925)	(928)
	<u>\$ 86,934</u>	<u>\$ 76,483</u>

(24) Finance costs

	For the three-month periods ended March 31	
	2022	2021
Interest expense on bank borrowings	\$ 1,355	\$ 236
Interest expense on lease liabilities	2,970	3,575
Others	210	23
	<u>\$ 4,535</u>	<u>\$ 3,834</u>

(25) Expenses by nature

A. Depreciation and amortisation expenses

	For the three-month periods ended March 31	
	2022	2021
Depreciation categorised by function		
Operating costs	\$ 57,964	\$ 45,116
Operating expenses	154,948	151,571
	<u>\$ 212,912</u>	<u>\$ 196,687</u>
	For the three-month periods ended March 31	
	2022	2021
Amortisation of intangible assets categorised by function		
Operating costs	\$ 781	\$ 414
Operating expenses	44,958	54,676
	<u>\$ 45,739</u>	<u>\$ 55,090</u>

B. Employee benefit expense

	For the three-month periods ended March 31	
	2022	2021
Short-term employee benefits	\$ 2,781,751	\$ 2,521,204
Post-employment benefits		
Defined contribution plan	98,483	91,153
Defined benefit plan	2,208	2,663
	<u>100,691</u>	<u>93,816</u>
Share-based payment		
Equity-settled	83,147	109,356
Other employee benefits	209,255	117,760
Total employee benefit expense	<u>\$ 3,174,844</u>	<u>\$ 2,842,136</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 769,307	\$ 605,183
Operating expenses	2,405,537	2,236,953
	<u>\$ 3,174,844</u>	<u>\$ 2,842,136</u>

- (a) In accordance with the Articles of Incorporation of the Company, the Company accrues employees' compensation at the rate of no less than 5% and directors' remuneration at the rate of no higher than 1%, of net profit before income tax. For the three-month periods ended March 31, 2022 and 2021, employees' compensation and the directors' remuneration were accrued based on a certain percentage of net profit after income tax.

	For the three-month periods ended March 31	
	2022	2021
Employees' compensation	\$ 150,000	\$ 142,500
Directors' remuneration	\$ 3,000	\$ 3,000

- (b) The appropriations of employees' compensation and remuneration of directors for 2021 and 2020 having been resolved by the Board of Directors on February 25, 2022 and March 5, 2021, respectively, are as follows:

	For the years ended December 31	
	2021	2020
Employees' compensation	\$ 600,000	\$ 570,000
Directors' remuneration	13,600	11,700

Employees' compensation and directors' remuneration actual allotment amount for 2021 is no difference between the amount recognized in the consolidated financial statements as of 2021.

- (c) Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income taxes

A. Income tax expense:

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

	For the three-month periods ended March 31	
	2022	2021
Current income tax:		
Current tax on profits for the period	\$ 600,662	\$ 422,587
Difference between prior years' income tax estimation and assessed result	-	(40,344)
Total current tax	600,662	382,243
Deferred income tax:		
Origination and reversal of temporary differences	874	105,550
Income tax expense	\$ 601,536	\$ 487,793

- (b) Income tax recognized in other comprehensive income

	For the three-month periods ended March 31	
	2022	2021
Translation of foreign operations	\$ 120,514	(\$ 47,830)

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

(27) Earnings per share

Unit: expressed in dollars per share

	For the three-month periods ended March 31	
	2022	2021
Basic earnings per share	\$ 3.32	\$ 2.48
Diluted earnings per share	\$ 3.28	\$ 2.44

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

	For the three-month periods ended March 31	
	2022	2021
Earnings used in the computation of basic earnings per share	\$ 2,572,215	\$ 1,913,047
Earnings used in the computation of diluted earnings per share	\$ 2,572,215	\$ 1,913,047

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

	For the three-month periods ended March 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	774,916	772,380
Assumed conversion of all dilutive potential ordinary shares		
Employee share options	7,492	9,580
Employees' compensation	1,439	1,529
Weighted average number of ordinary shares used in the computation of diluted earnings per share	783,847	783,489

(28) Transactions with non-controlling interest

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

- (a) In the first quarter of 2021, the Group acquired 20% equity interest in ATJ, which increased the Group's equity investment in ATJ from 78.61% to 98.61%.
- (b) In the first quarter of 2022, the Group acquired 40% equity interest in AMX, which increased the Group's equity investment in AMX from 60% to 100%.

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

	For the three-month period ended March 31	
	2022	2021
	AMX	ATJ
Consideration paid	(\$ 31,508)	(\$ 120,385)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	26,894	116,984
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(\$ 4,614)	(\$ 3,401)
<u>Line items adjusted for equity transactions</u>		
Unappropriated retained earnings	(\$ 4,614)	(\$ 3,401)

(29) Changes in liabilities from financing activities

	2022			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Total
At January 1	\$ 255,700	\$ -	\$ 317,406	\$ 573,106
Changes in cash flow from financing activities	99,880	118,000	(61,883)	155,997
Others (Note)	(4,200)	-	193,763	189,563
At March 31	<u>\$ 351,380</u>	<u>\$ 118,000</u>	<u>\$ 449,286</u>	<u>\$ 918,666</u>

	2021		
	Short-term borrowings	Lease liabilities	Total
At January 1	\$ 184,078	\$ 309,031	\$ 493,109
Changes in cash flow from financing activities	(11,213)	(62,824)	(74,037)
Others (Note)	(9,509)	260,512	251,003
At March 31	<u>\$ 163,356</u>	<u>\$ 506,719</u>	<u>\$ 670,075</u>

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

Transactions, balances, revenue and expenses between the Company and its subsidiaries (which are the Company's related parties) have been eliminated on consolidation and are not disclosed in this

footnote. Details of transactions between the Group and other related parties are disclosed below.

Names of related parties	Relationship with the Group
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
Nippon RAD Inc.	Associate
i-Link Co., Ltd.	Associate (Note)
DotZero Co., Ltd.	Associate
Mildex Optical Inc.	Associate
Information Technology Total Services Co., Ltd.	Associate
Hwacom Systems Inc.	Associate
Smasoft Technology Co., Ltd.	Associate
Impelex Data Transfer Co., Ltd.	Associate
VSO Electronics Co., Ltd.	Associate
VSO Electronics (Jian) Co., Ltd.	Associate
VSO Electronics (Suzhou) Co., Ltd.	Associate
International Integrated System, Inc.	Associate
Freedom System Inc.	Associate
iSAP Solution Corp.	Associate
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party

Note: In March 2022, as the Group disposed partial interest and lost significant influence over the entity, the entity was not anymore considered an associate from the date control was lost.

(3) Significant related party transactions

A. Operating revenue

	For the three-month periods ended March 31	
	2022	2021
Associates	\$ 44,688	\$ 28,350
Other related parties	597	286
	<u>\$ 45,285</u>	<u>\$ 28,636</u>

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

B. Purchases and other operating costs

	For the three-month periods ended March 31	
	2022	2021
Purchases of goods:		
Associates	\$ 131,235	\$ 69,209
Purchases of services:		
Associates	383	-
	<u>\$ 131,618</u>	<u>\$ 69,209</u>

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

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

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts receivable - related parties			
Associates	<u>\$ 47,410</u>	<u>\$ 37,920</u>	<u>\$ 23,790</u>
Other receivable - related parties			
Associates	<u>\$ 77,906</u>	<u>\$ -</u>	<u>\$ 95</u>

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

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

	March 31, 2022	December 31, 2021	March 31, 2021
Notes and accounts payable - related parties			
Associates	<u>\$ 82,220</u>	<u>\$ 95,481</u>	<u>\$ 54,189</u>
Other payables - related parties			
Associates	<u>\$ 22,106</u>	<u>\$ 3,808</u>	<u>\$ -</u>
Other related parties	<u>5,497</u>	<u>-</u>	<u>5,577</u>
	<u>\$ 27,603</u>	<u>\$ 3,808</u>	<u>\$ 5,577</u>

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

E. Prepayments to related parties

	March 31, 2022	December 31, 2021	March 31, 2021
Other current assets			
Associates	<u>\$ 30,774</u>	<u>\$ 34,370</u>	<u>\$ 43,872</u>

F. Other related party transactions

(a) Operating expenses

	For the three-month periods ended March 31	
	2022	2021
General and administrative expense		
Associates	\$ 2,885	\$ -
Research and development expense		
Associates	\$ 646	\$ 165

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

(b) Other income

	For the three-month periods ended March 31	
	2022	2021
Rental income		
Other related parties	\$ 358	\$ 358
Other income		
Associates	\$ -	\$ 271
Other related parties	1,856	676
	\$ 1,856	\$ 947

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

(4) Key management compensation

	For the three-month periods ended March 31	
	2022	2021
Short-term employee benefits	\$ 9,330	\$ 9,275
Post-employment benefits	90	36
Share-based payment	5,987	9,546
	\$ 15,407	\$ 18,857

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

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2022	December 31, 2021	March 31, 2021	
Pledged deposits (classified as financial assets at amortised cost)	\$ 10,890	\$ 9,810	\$ 8,496	Lease credit guarantee
Demand deposits (classified as other non-current assets)	1,352	2,067	1,303	Performance guarantee
Property, plant and equipment				
Land	99,174	-	-	Long term borrowings
Buildings	85,890	-	-	Long term borrowings
	<u>\$ 197,306</u>	<u>\$ 11,877</u>	<u>\$ 9,799</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

The Group has signed a contract amounting to \$883,957 for the construction of Linkou Smart Campus Phase III, but has not recognized capital expenditures as of March 31, 2022.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In order to comply with the local government's prevention policy relative to the Covid-19 pandemic, the Group's factory in Kunshan, China had been locked down from April 2, 2022 and the Group adopted an overall closed-loop management. These factors may cause a delay in production and may impact the Group's revenue for the second quarter of 2022.

12. OTHERS

(1) Capital management

There was no significant change during the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 3,459,145	\$ 3,670,399	\$ 6,648,810
Financial assets at amortised cost (Note 1)	19,905,785	19,829,494	16,975,438
Financial assets at fair value through other comprehensive income			
Equity instruments	2,788,556	2,516,420	2,366,683
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	20,399	2,687	8,256
Financial assets at amortised cost (Note 2)	17,680,424	12,330,167	14,848,635
Lease liabilities	449,286	317,406	506,719

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

Note 2: The balances included short-term borrowings, notes payable, accounts payable, other payables and long term borrowings (including current portion), etc.

B. Financial risk management policies

- (a) The Group's major financial instruments included equity investments, accounts receivable, accounts payable, 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.
- (b) The Group aims to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with

policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

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

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

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

Exchange rate risk

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

March 31, 2022				
(Foreign currency: functional currency)	Foreign currency		Book value	
	amount		(NTD)	
	(in thousands)	Exchange rate		
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 344,854	28.625	\$	9,871,447
CNY:NTD	519,512	4.506		2,340,921
EUR:NTD	45,668	31.920		1,457,717
USD:CNY	61,096	6.3526		1,748,869
USD:EUR	32,536	0.8968		931,340
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	167,924	28.625		4,806,822
CNY:NTD	100,323	4.506		452,054
USD:CNY	43,529	6.3526		1,246,022
USD:EUR	13,888	0.8968		397,557
December 31, 2021				
(Foreign currency: functional currency)	Foreign currency		Book value	
	amount		(NTD)	
	(in thousands)	Exchange rate		
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 232,844	27.680	\$	6,445,113
CNY:NTD	474,777	4.344		2,062,431
EUR:NTD	46,597	31.32		1,459,425
USD:CNY	61,784	6.3720		1,710,185
USD:EUR	32,969	0.8838		912,581
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	142,040	27.680		3,931,655
CNY:NTD	246,929	4.344		1,072,659
USD:CNY	28,249	6.3720		781,942
USD:EUR	17,922	0.8838		496,073

March 31, 2021			
	Foreign currency		Book value
	amount	Exchange rate	
	(in thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 131,212	28.535	\$ 3,744,125
CNY:NTD	641,853	4.344	2,788,210
EUR:NTD	26,753	33.48	1,865,240
USD:CNY	65,367	6.5688	895,678
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	95,298	28.535	2,719,330
CNY:NTD	205,771	4.344	893,870
USD:CNY	35,244	6.5688	1,005,102

For the three-month periods ended March 31, 2022 and 2021, realised and unrealised net foreign exchange gains (losses) were \$154,934 and (\$45,142), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

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

	USD Impact (Note)	
	For the three-month periods ended March 31	
	2022	2021
Profit or loss	\$ 303,649	\$ 84,259

		EUR Impact (Note)	
		For the three-month periods ended March 31	
		2022	2021
Profit or loss	\$	50,345	\$ 66,553

		CNY Impact (Note)	
		For the three-month periods ended March 31	
		2022	2021
Profit or loss	\$	74,705	\$ 77,112

Note: This was mainly attributable to the exposure outstanding on USD, EUR and CNY denominated cash, receivables and payables, which were not hedged at the end of the reporting period.

Interest rate risk

- i. The Group is exposed to interest rate risk because entities in the Group maintain both floating and fixed interest rates of bank deposits and borrowings. The Group does not operate hedging instruments for interest rates. The Group's management monitors the market interest rates regularly. If it is needed, the management might perform necessary procedures for significant interest rate risks to control the risks from fluctuations in market interest rates.
- ii. The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Fair value interest rate risk			
- Financial assets	\$ 1,326,101	\$ 738,613	\$ 1,424,279
- Financial liabilities	762,465	493,106	640,075
Cash flow interest rate risk			
- Financial assets	6,727,305	8,121,227	5,845,049
- Financial liabilities	156,200	80,000	30,000

- iii. The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole period. A 50-basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.
- iv. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the three-month periods ended March 31, 2022 and 2021 would have increased by \$8,214 and \$7,269, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the

floating-interest rates on bank deposits and borrowings.

Other price risk

- i. The Group was exposed to equity price risk through its investments in listed and OTC equity securities. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on equity instruments trading in Taiwan.
- ii. If equity prices had been 1% higher, pre-tax profit for the three-month periods ended March 31, 2022 and 2021 would have increased by \$3,179 and \$5,408, respectively, as a result of the changes in fair value of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the three-month periods ended March 31, 2022 and 2021 would have increased by \$27,886 and \$23,667, respectively, as a result of the changes in fair value of financial assets at fair value through other comprehensive income. Had equity prices been 1% lower for the same year, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.
- iii. The Group's sensitivity to equity prices increased or decreased because of volatility of stock price.

(b) Credit risk

- i. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation provided by the Group could arise from the carrying amount of the respective recognized financial assets, as stated in the balance sheets.
- ii. Accounts receivable consisted of a large number of customers, spread across diverse industries and geographical areas and, thus, no concentration of credit risk was observed. According to the Group's credit policy, each entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risks limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.
- iii. The average credit period of the sales of goods was 30-90 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

- iv. The Group measures the loss allowance for accounts receivable at an amount that equals to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, expected economic growth rate and industry trends at the same time. As there were various loss patterns for different customer geographical segments, the Group adopts respective approaches to prepare the provision matrix for loss allowance based on past due status of the Group's different geographical customer base, and sets out the expected credit loss rate for accounts receivable that are overdue and based on geographical economic conditions.
- v. If there is evidence to prove that counterparties have a material financial difficulty and the recoverable amount cannot be estimated reliably, for example, the default occurs when counterparties are processing the liquidation or the debt has been past due over 1 year, the Group will provide impairment loss in full. However, the Group will continue executing the recourse procedures to secure their rights, the recovered amount arising from the recourse procedures will be recognized in profit or loss.
- vi. The Group refers to the forecast ability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of notes and accounts receivable from general credit conditions customers. The provision matrix as of March 31, 2022, December 31, 2021 and March 31, 2021, is as follows:

		1~ 90 days past due	91~ 180 days past due	181~ 360 days past due	Over 360 days past due	Total
<u>March 31, 2022</u>						
Expected credit loss rate	-	0%~30%	10%~40%	20%~60%	100%	
Total book value	\$ 10,263,871	\$ 563,103	\$ 22,883	\$ 20,585	\$ 53,267	\$10,923,709
Loss allowance (lifetime expected credit losses)	-	(8,394)	(6,540)	(10,045)	(53,267)	(78,246)
Amortised cost	<u>\$ 10,263,871</u>	<u>\$ 554,709</u>	<u>\$ 16,343</u>	<u>\$ 10,540</u>	<u>\$ -</u>	<u>\$10,845,463</u>
		1~ 90 days past due	91~ 180 days past due	181~ 360 days past due	Over 360 days past due	Total
<u>December 31, 2021</u>						
Expected credit loss rate	-	0%~30%	10%~40%	20%~60%	100%	
Total book value	\$ 9,547,123	\$ 687,824	\$ 26,973	\$ 22,423	\$ 43,743	\$10,328,086
Loss allowance (lifetime expected credit losses)	-	(10,470)	(9,269)	(10,581)	(43,743)	(74,063)
Amortised cost	<u>\$ 9,547,123</u>	<u>\$ 677,354</u>	<u>\$ 17,704</u>	<u>\$ 11,842</u>	<u>\$ -</u>	<u>\$10,254,023</u>

	Not past due	1~ 90 days past due	91~ 180 days past due	181~ 360 days past due	Over 360 days past due	Total
<u>March 31, 2021</u>						
Expected credit loss rate	-	3.06%	25.41%	48.99%	100%	
Total book value	\$ 8,336,411	\$ 607,559	\$ 31,165	\$ 9,697	\$ 49,194	\$ 9,034,026
Loss allowance (lifetime expected credit losses)	-	(18,604)	(7,918)	(4,751)	(49,194)	(80,467)
Amortised cost	<u>\$ 8,336,411</u>	<u>\$ 588,955</u>	<u>\$ 23,247</u>	<u>\$ 4,946</u>	<u>\$ -</u>	<u>\$ 8,953,559</u>

vii. The Group individually assesses the customers that have low credit rating and default. As of March 31, 2022 and 2021, the carrying amount of notes and accounts receivable amounted to \$9,550 and \$0, respectively, and the expected credit loss rate is 100%, the Group has provided loss allowance amounting to \$9,550 and \$0, respectively.

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

	For the three-month periods ended March 31	
	2022	2021
Balance at January 1	\$ 74,847	\$ 74,510
Impairment loss	10,509	7,965
Amounts written off (Note)	- (205)	
Net exchange differences	2,440 (1,803)	
Balance at March 31	<u>\$ 87,796</u>	<u>\$ 80,467</u>

Note: The Group wrote off accounts receivable and related loss allowance for the three-month periods ended March 31, 2022 and 2021 amounting to \$0 and \$205, respectively, as the customers' accounts receivable have been aged more than 2 years and the legal attest letters were served without receivables collected.

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

	March 31, 2022			
	Lifetime			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 137,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,508</u>
Financial assets at fair value through profit or loss	<u>\$ 36,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,000</u>

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

March 31, 2021				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 159,174	\$ -	\$ -	\$ 159,174

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

(c) Liquidity risk

- i. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.
- ii. The Group relies on bank borrowings as one of the significant source of liquidity. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group's undrawn bank borrowing facilities are as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured borrowing facilities			
- Amount used (Note)	\$ 357,951	\$ 262,148	\$ 170,249
- Amount unused	5,749,289	5,340,662	5,508,266
	<u>\$ 6,107,240</u>	<u>\$ 5,602,810</u>	<u>\$ 5,678,515</u>
Secured bank overdraft facilities			
- Amount used (Note)	<u>\$ 118,000</u>	<u>\$ -</u>	<u>\$ -</u>

Note: As of March 31, 2022, December 31, 2021 and March 31, 2021, the amounts used or drawn by the Group from the unsecured bank overdraft facilities were recorded as borrowings amounting to \$469,380, \$255,700 and \$163,356, respectively, and

lease guarantees amounting to \$6,571, \$6,448 and \$6,893, respectively.

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

- iv. Liquidity and interest risk rate tables for non-derivative financial liabilities

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

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

March 31, 2022

	On demand or less than 1 month	1-3 months	Over 3 months to 1 year	Over 1 year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 6,395,523	\$ 2,943,390	\$ 7,872,131	\$ -
Lease liability	19,883	29,994	159,626	244,593
Floating rate instruments	50,307	527	108,010	-
Fixed rate instruments	31,001	165,100	2,602	120,870
	<u>\$ 6,496,714</u>	<u>\$ 3,139,011</u>	<u>\$ 8,142,369</u>	<u>\$ 365,463</u>

December 31, 2021

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

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 liabilities	\$ 5,154,299	\$ 2,748,421	\$ 6,782,559	\$ -
Lease liability	25,668	44,128	200,076	298,830
Floating rate instruments	30,023	-	-	-
Fixed rate instruments	30,193	103,220	-	-
	<u>\$ 5,240,183</u>	<u>\$ 2,895,769</u>	<u>\$ 6,982,635</u>	<u>\$ 298,830</u>

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

v. Liquidity tables for derivative financial liabilities

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

March 31, 2022

	On demand or less than 1 month	1-3 months	Over 3 months to 1 year	Total
<u>Gross settled</u>				
Forward foreign exchange contracts				
- Inflows	\$ 275,013	\$ 512,223	\$ 151,157	\$ 938,393
- Outflows	(281,093)	(522,766)	(152,756)	(956,615)
	<u>(\$ 6,080)</u>	<u>(\$ 10,543)</u>	<u>(\$ 1,599)</u>	<u>(\$ 18,222)</u>

December 31, 2021

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

March 31, 2021

	On demand or less than 1 month	1-3 months	Over 3 months to 1 year	Total
<u>Gross settled</u>				
Forward foreign exchange contracts				
- Inflows	\$ 395,054	\$ 563,772	\$ 165,571	\$ 1,124,397
- Outflows	(396,655)	(561,416)	(163,920)	(1,121,991)
	<u>(\$ 1,601)</u>	<u>\$ 2,356</u>	<u>\$ 1,651</u>	<u>\$ 2,406</u>

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value

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

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

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

March 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets - recurring fair value measurements				
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 2,177	\$ -	\$ 2,177
Listed, OTC and emerging stocks	164,375	-	-	164,375
Unlisted and non-OTC stocks	-	-	153,530	153,530
Convertible corporate bonds	36,000	-	-	36,000
Fund beneficiary certificates	1,843,058	-	1,260,005	3,103,063
	<u>2,043,433</u>	<u>2,177</u>	<u>1,413,535</u>	<u>3,459,145</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Listed, OTC and emerging stocks	\$ 2,504,837	\$ -	\$ -	\$ 2,504,837
Unlisted and non-OTC stocks	-	-	283,719	283,719
	<u>2,504,837</u>	<u>-</u>	<u>283,719</u>	<u>2,788,556</u>
	<u>\$ 4,548,270</u>	<u>\$ 2,177</u>	<u>\$ 1,697,254</u>	<u>\$ 6,247,701</u>
Liabilities - recurring fair value measurements				
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 20,399	\$ -	\$ 20,399

December 31, 2021

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

March 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets - recurring fair value measurements				
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 10,662	\$ -	\$ 10,662
Listed, OTC and emerging stocks	463,275	-	-	463,275
Unlisted and non-OTC stocks	-	-	77,553	77,553
Fund beneficiary certificates	6,097,320	-	-	6,097,320
	<u>6,560,595</u>	<u>10,662</u>	<u>77,553</u>	<u>6,648,810</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Listed, OTC and emerging stocks	\$ 2,229,925	\$ -	\$ -	\$ 2,229,925
Unlisted and non-OTC stocks	-	-	136,758	136,758
	<u>2,229,925</u>	<u>-</u>	<u>136,758</u>	<u>2,366,683</u>
	<u>\$ 8,790,520</u>	<u>\$ 10,662</u>	<u>\$ 214,311</u>	<u>\$ 9,015,493</u>
Liabilities - recurring fair value measurements				
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 8,256	\$ -	\$ 8,256

C. The methods and assumptions the Group used to measure fair value are as follows:

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

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

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

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

- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- D. There were no transfers between Levels 1 and 2 for the three-month periods ended March 31, 2022 and 2021.
- E. Reconciliation of Level 3 fair value measurements of financial instruments:

For the three-month period ended March 31, 2022

<u>Financial assets</u>	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>	
Balance at January 1	\$ 1,378,520	\$ 120,017	\$ 1,498,537
Disposal / transfer	-	327	327
Recognized in profit or loss	35,015	-	35,015
Recognized in other comprehensive income	-	163,375	163,375
Balance at March 31	<u>\$ 1,413,535</u>	<u>\$ 283,719</u>	<u>\$ 1,697,254</u>

For the three-month period ended March 31, 2021

<u>Financial assets</u>	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>	
Balance at January 1	\$ 77,950	\$ 179,177	\$ 257,127
Disposal / transfer	-	(44,719)	(44,719)
Recognized in profit or loss	(397)	-	(397)
Recognized in other comprehensive income	-	2,300	2,300
Balance at March 31	<u>\$ 77,553</u>	<u>\$ 136,758</u>	<u>\$ 214,311</u>

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

Derivatives held by the Group were forward foreign exchange contracts, whose fair values were calculated using discounted cash flow. Future cash flows are estimated based on observable

forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

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

(4) Others

A. Information on the impact of Covid-19

The Group had implemented various response measures to handle the impact of the Covid-19, all sites adopted high standards for epidemic prevention. Except for the factory in Kunshan, China, which had been locked down in compliance with the local government's prevention policy relative to the Covid-19 pandemic and the adoption of an overall closed-loop management, all the other production sites maintained normal operations. In addition, the logistics units responded in different ways according to local government regulations, such as taking turns to work, reduction in attendance days, etc., holding meetings online as much as possible, minimizing visits and visitors in order to lessen physical contact and avoid the possibility of cross-contamination. As of April 29, 2022, the Covid-19 did not have a significant impact on the Group's operations and financial condition.

B. Description of overall operating conditions

The Group's consolidated operating revenue reached NT\$16.12 billion for the three-month period ended March 31, 2022, a single quarter growth of 2% QoQ and 22.5% YoY. The operating profit was NT\$6.157 billion (gross profit margin was 38.2%), the consolidated net profit after tax was NT\$2.572 billion (increased 34% YoY and 13% QoQ), and the basic earnings per share was \$3.32 (in dollars) for the three-month period ended March 31, 2022. The cumulative consolidated operating revenue and the consolidated net profit after tax of the Group for the three-month period ended March 31, 2022 reached its record high.

Regarding the operating results of the Group for the three-month period ended March 31, 2022 in US dollar, the Group achieved an overall revenue of US\$578 million, increased 25% YoY, beating previous estimates. The best performing business groups for the three-month period ended March 31, 2022 were the Embedded-IoT Group (EIoT), Applied Computing Group (ACG) and the Service-IoT Group (SIoT), which reported YoY growth of 27%, 86%, and 66%, respectively. In terms of a geographic overview, the best performing market for the three-month period ended March 31, 2022 was North America, Europe and Emerging market with 32%, 31% and 70% YoY growth, respectively. Benefitting from steady recovery from major markets and strong demand for new energy such as EV car, solar and wind power, the Group continuously outperformed for the three-month period ended March 31, 2022. The Orders-to-Shipments ratio (BB ratio) reached 1.36 for the three-month period ended March 31, 2022, the overall delivery lead time was gradually improving.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 10.
- B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas:
Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Please refer to tables 6, 7 and 8.

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Measurement of segment information

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

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

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

For the three-month period ended March 31, 2022

	Industrial internet of things services (IIoT)	Embedded boards and design-in services (EIoT)	Allied design manufacture services (ACG & CIoT)	Intelligent Services (SIoT)	Advantech Service Plus (AS+)	Others	Total
Revenue							
Revenue from external customers	\$ 5,002,265	\$ 3,777,316	\$ 3,775,617	\$ 1,791,208	\$ 1,822,771	(\$ 49,660)	\$ 16,119,517
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 5,002,265</u>	<u>\$ 3,777,316</u>	<u>\$ 3,775,617</u>	<u>\$ 1,791,208</u>	<u>\$ 1,822,771</u>	<u>(\$ 49,660)</u>	<u>16,119,517</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>16,119,517</u>
Segment income (loss)	<u>\$ 1,528,073</u>	<u>\$ 765,464</u>	<u>\$ 512,825</u>	<u>\$ 244,687</u>	<u>\$ 174,591</u>	<u>(\$ 123)</u>	<u>3,225,517</u>
Interest and other income							42,549
Other unamortised expenses							(210,842)
Other gains and losses							86,934
Finance costs							(4,535)
Share of profit (loss) of associates accounted for under equity method							<u>29,948</u>
Profit from continuing operations before tax							<u>\$ 3,169,571</u>

For the three-month period ended March 31, 2021

	Industrial internet of things services (IIoT)	Embedded boards and design-in services (EIoT)	Allied design manufacture services (ACG & CIoT)	Intelligent Services (SIoT)	Advantech Service Plus (AS+)	Others	Total
Revenue							
Revenue from external customers	\$ 4,725,020	\$ 3,009,107	\$ 2,660,606	\$ 1,092,718	\$ 1,620,626	\$ 53,326	\$ 13,161,403
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 4,725,020</u>	<u>\$ 3,009,107</u>	<u>\$ 2,660,606</u>	<u>\$ 1,092,718</u>	<u>\$ 1,620,626</u>	<u>\$ 53,326</u>	<u>13,161,403</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>13,161,403</u>
Segment income (loss)	<u>\$ 1,520,436</u>	<u>\$ 626,440</u>	<u>\$ 296,560</u>	<u>\$ 93,013</u>	<u>\$ 222,226</u>	<u>(\$ 292)</u>	<u>2,758,383</u>
Interest and other income							37,064
Other unamortised expenses							(471,522)
Other gains and losses							76,483
Finance costs							(3,834)
Share of profit (loss) of associates accounted for under equity method							<u>20,116</u>
Profit from continuing operations before tax							<u>\$ 2,416,690</u>

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

Table 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

Loans to others

For the three-month period ended March 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Note A: Investee companies are numbered sequentially from 1.

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

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

Table 2

ADVANTECH CO., LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
For the three-month period ended March 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note A)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2022	Outstanding endorsement/ guarantee amount at March 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note B)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China
		Company name	Relationship with the endorser/guarantor										
0	ADVANTECH CO., LTD.	AiSC	Subsidiary	\$ 3,523,269	\$ 572,500	\$ 572,500	\$ -	\$ -	1.62	\$ 10,569,807	Y	N	Y
	ADVANTECH CO., LTD.	AEU	Subsidiary	3,523,269	USD 20,000	USD 20,000	-	-	0.81	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	ANA	Subsidiary	3,523,269	USD 10,000	USD 10,000	-	-	0.81	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AAC(BVI)	Subsidiary	3,523,269	USD 286,250	USD 286,250	-	-	0.81	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	ACI	Subsidiary	3,523,269	USD 10,000	USD 10,000	-	-	0.81	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	ATJ (Note F)	Subsidiary	3,523,269	USD 286,250	USD 10,000	-	-	0.00	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AKMC	Subsidiary	3,523,269	USD 243,000	-	-	-	0.49	10,569,807	Y	N	Y
	ADVANTECH CO., LTD.	SIoT(Cayman)	Subsidiary	3,523,269	JPY 1,000,000	USD 171,750	-	-	1.62	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AJP (Note F)	Subsidiary	3,523,269	USD 6,000	USD 6,000	188,180	-	1.00	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AiCS	Subsidiary	3,523,269	USD 572,500	JPY 1,500,000	JPY 800,764	-	0.24	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AIH	Subsidiary	3,523,269	USD 20,000	USD 20,000	-	-	0.24	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	ABR	Subsidiary	3,523,269	USD 364,500	USD 3,000	-	-	0.12	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	A-SIoT	Subsidiary	3,523,269	USD 85,875	USD 42,938	-	-	0.00	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AVN	Subsidiary	3,523,269	USD 3,000	USD 1,500	-	-	0.08	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	ARU	Subsidiary	3,523,269	EUR 1,000	USD 28,625	-	-	0.08	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	Cermate (Taiwan)	Subsidiary	3,523,269	USD 1,000	USD 1,000	7,000	-	0.08	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	Cermate (Shenzhen)	Subsidiary	3,523,269	USD 28,625	USD 1,000	NTD 7,000	-	0.08	10,569,807	Y	N	Y
	ADVANTECH CO., LTD.	ACZ	Subsidiary	3,523,269	USD 1,000	USD 1,000	-	-	0.04	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	ATR	Subsidiary	3,523,269	USD 14,313	USD 500	-	-	0.04	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	Advanixs Corporation	Subsidiary	3,523,269	USD 14,313	USD 14,313	-	-	0.04	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	SioT (Cayman)	Subsidiary	3,523,269	USD 500	USD 500	-	-	0.00	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	ACI IOT Investment Fund-I Corporation (Note E)	Subsidiary	3,523,269	USD 14,313	-	-	-	0.00	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AAU	Subsidiary	3,523,269	USD 5,725	5,725	-	-	0.02	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AMY	Subsidiary	3,523,269	USD 200	USD 200	-	-	0.01	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	ASG	Subsidiary	3,523,269	USD 2,863	USD 2,863	-	-	0.01	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	ATH	Subsidiary	3,523,269	USD 100	USD 100	-	-	0.01	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AID	Subsidiary	3,523,269	USD 2,863	USD 2,863	-	-	0.00	10,569,807	Y	N	N
	ADVANTECH CO., LTD.	AKR	Subsidiary	3,523,269	USD 1,431	USD 1,431	-	-	0.49	10,569,807	Y	N	N
					USD 50	USD 50	106,200	-					
					USD 171,750	USD 171,750	USD 3,710						
					USD 6,000	USD 6,000							

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

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

Note C: The exchange rates as of March 31, 2022 were USD\$1= NT\$28.625, EUR\$1= NT\$31.92, and JPY1=NT\$0.235.

Note D: The latest net equity is from the financial statements for the year ended March 31, 2022.

Note E: On July 12, 2021, ACI IOT Investment Fund-I Corporation filed for liquidation.

Note F: In the first quarter of 2022, ATJ combined with AJP, AJP was the surviving company, ATJ eliminated after combination.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
March 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Holding Company Name	Marketable Securities		Relationship with the securities issuer	General ledger account	As of March 31, 2022				Footnote
	Type	Name			Number of shares	Book value	Ownership (%)	Fair value	
ADVANTECH CO., LTD.	Stock	ASUSTek Computer Inc.	None	Financial assets at fair value through other comprehensive income or loss - non-current	4,739,461	\$ 1,770,189	0.64	\$ 1,770,189	Note A
ADVANTECH CO., LTD.	Stock	Allied Circuit Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	1,200,000	238,200	2.41	238,200	Note A
ADVANTECH CO., LTD.	Bond	PHISON Electronics Corp.	None	Financial assets at fair value through profit or loss - current	300,000	36,000	-	36,000	Note A
ADVANTECH CO., LTD.	Beneficiary certificates	FSITC Taiwan Money Market	None	Financial assets at fair value through profit or loss - current	43,886,993	679,441	-	679,441	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	12,074,507	153,163	-	153,163	Note B
ACI	Stock	GSD Technologies Co., Ltd.	None	Financial assets at fair value through profit or loss - current	2,568,358	164,375	6.91	164,375	Note A
ACI	Stock	RFD Micro Electricity Co., Ltd.	None	Financial assets at fair value through profit or loss - current	464,695	56,000	0.65	56,000	Note C
ACI	Stock	Allied Circuit Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	496,448	5.03	496,448	Note A
ACI	Stock	BroadTec System Inc.	None	Financial assets at fair value through other comprehensive income or loss - non-current	225,000	3,758	7.50	3,758	Note C
ACI	Stock	BiosenseTek Corp.	None	Financial assets at fair value through other comprehensive income or loss - non-current	37,500	-	1.79	-	Note C
ACI	Stock	Juguar Technology	None	Financial assets at fair value through other comprehensive income or loss - non-current	500,000	8,509	10.33	8,509	Note C
ACI	Stock	i-Link	None	Financial assets at fair value through other comprehensive income or loss - non-current	616,938	327	15.42	327	Note C
ACI	Beneficiary certificates	Taishin 1699 Money Market	None	Financial assets at fair value through profit or loss - current	19,053,819	260,807	-	260,807	Note B
ACI	Beneficiary certificates	FSITC Taiwan Money Market	None	Financial assets at fair value through profit or loss - current	18,767,576	290,552	-	290,552	Note B
ACI	Beneficiary certificates	Fuh Hwa Global IoT and Tech	None	Financial assets at fair value through profit or loss - current	30,000,000	303,600	-	303,600	Note B
ACI	Mutual Fund	CBC Capital	None	Financial assets at fair value through profit or loss - non-current	-	97,530	4.38	97,530	Note B
Advanixs Corporation	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	6,466,890	96,980	-	96,980	Note B
Advanixs Corporation	Beneficiary certificates	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	2,771,002	35,149	-	35,149	Note B
AdvanPOS	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	186,996	2,804	-	2,804	Note B
Huan Yan Water Solution Co., Ltd.	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	1,371,115	20,562	-	20,562	Note B
SIoT (Cayman)	Beneficiary certificates	Momenta DIF III L.P.	None	Financial assets at fair value through profit or loss - current	-	549,283	-	549,283	Note B
SIoT (Cayman)	Beneficiary certificates	Esquarre IoT Landing Fund L.P.	None	Financial assets at fair value through profit or loss - current	-	476,432	-	476,432	Note B
AiSC	Stock	Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	-	271,125	8.33	271,125	Note C
AiSC	Beneficiary certificates	Tianying Heyan (Hengqin) Investment Management Partnership (Limited Partnership)	None	Financial assets at fair value through profit or loss - current	-	234,290	-	234,290	Note B

Note A: Market value was based on the closing price on March 31, 2022.
Note B: Market value was based on the net asset values of the open-ended mutual funds on March 31, 2022.
Note C: The fair values are estimated from the net worth from the latest financial statements.

Table 4

ADVANTECH CO., LTD. AND SUBSIDIARIES																
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital																
For the three-month period ended March 31, 2022																
Expressed in thousands of NTD (Except as otherwise indicated)																
Marketable Securities						Balance as at January 1, 2022		Acquisition		Disposal				Balance as at March 31, 2022		
Company Name	Type	Name	General ledger account	Counterparty	Relationship	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Selling price	Carrying Amount	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Shares/Units	Amount
ADVANTECH CO., LTD.	Beneficiary certificates	FSITC Taiwan Money Market	Note	None	None	56,818,161	\$ 879,050	12,918,728	\$ 200,001	25,849,896	\$ 400,000	\$ 399,495	\$ 505	(\$ 115)	43,886,993	\$ 679,441

Note: It is recorded as financial assets at fair value through profit or loss - current.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
March 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Payment Status	Counterparty	Relationship	Information on previous title transfer, if counterparty is a related party				Pricing Reference	Purpose of Acquisition	Other Property Terms
							Property Terms						
							Owner	Relationship	Transfer date	Amount			
ADVANTECH CO., LTD.	Real estate	2020.10.30	\$ 1,410,000	Under the contract, based on percentage of construction completed; accumulated payments of \$526,043 should be made by March 31, 2022 and was paid.	Chung-Lin General Contractors, Ltd.	None	-	-	-	\$ -	Contract price	For the Company's expansion	None

ADVANTECH CO., LTD. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the three-month period ended March 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction Details				Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)	
			Sales/(purchases)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	Percentage of total	
Purchaser/seller	Counterparty	Relationship			sales/(purchases)					notes/accounts	receivable (payable)
ADVANTECH CO., LTD.	ANA	Subsidiary	Sales	\$ 3,236,024	29.25%	30 days after month-end	Contract price	No significant difference	\$ 1,926,203	26.02%	
ADVANTECH CO., LTD.	ACN	Subsidiary	Sales	2,263,967	20.46%	30 days after month-end	Contract price	No significant difference	1,608,211	21.73%	
ADVANTECH CO., LTD.	AEU	Subsidiary	Sales	1,423,230	12.86%	45 days after month-end	Contract price	No significant difference	1,377,636	18.61%	
ADVANTECH CO., LTD.	AKR	Subsidiary	Sales	398,516	3.60%	30 days after month-end	Contract price	No significant difference	136,649	1.85%	
ADVANTECH CO., LTD.	AJP	Subsidiary	Sales	243,154	2.20%	30 days after month-end	Contract price	No significant difference	117,778	1.59%	
ADVANTECH CO., LTD.	Advanixs Corporation	Subsidiary	Sales	162,724	1.47%	30 days after month-end	Contract price	No significant difference	40,722	0.55%	
ADVANTECH CO., LTD.	A-SIoT	Subsidiary	Sales	267,691	2.42%	30 days after month-end	Contract price	No significant difference	144,577	1.95%	
AKMC	ADVANTECH CO., LTD.	Parent company	Sales	3,305,304	95.65%	30 days after month-end	Contract price	No significant difference	683,853	88.21%	
AKMC	ACN	Fellow subsidiary	Sales	106,713	3.09%	Usual trade terms	Contract price	No significant difference	60,474	7.80%	
ACZ	AEU	Fellow subsidiary	Sales	100,168	85.29%	60 days since invoice date	Contract price	No significant difference	70,756	84.59%	
LNC	LNC Dong Guan	Fellow subsidiary	Sales	112,071	78.83%	150 days after month-end	Contract price	No significant difference	206,340	90.14%	

Note: All intercompany transactions have been eliminated from consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
March 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Company Name	Counterparty	Relationship	Ending balance	Turnover rate	Overdue receivables		Amounts received in subsequent period	Allowance for doubtful accounts
					Amount	Actions taken		
ADVANTECH CO., LTD.	ACN	Subsidiary	\$ 1,608,211	6.43	\$ -	-	\$ 545,174	\$ -
ADVANTECH CO., LTD.	ANA	Subsidiary	1,928,672	6.57	-	-	-	-
ADVANTECH CO., LTD.	AEU	Subsidiary	1,379,603	4.00	-	-	240,300	-
ADVANTECH CO., LTD.	A-SIoT	Subsidiary	145,428	6.86	-	-	-	-
ADVANTECH CO., LTD.	AJP	Subsidiary	118,942	7.38	-	-	-	-
ADVANTECH CO., LTD.	AKR	Subsidiary	165,937	11.20	-	-	22,327	-
ADVANTECH CO., LTD.	AKMC	Subsidiary	558,664	Note	-	-	3,943	-
AKMC	ADVANTECH CO., LTD.	Parent company	683,853	13.51	-	-	609,060	-
LNC	LNC Dong Guan	Fellow subsidiary	206,340	2.17	-	-	40,494	-

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

Table 8

ADVANTECH CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the three-month period ended March 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note A)	Company Name	Counterparty	Relationship (Note B)	Transaction			Percentage of consolidated total operating revenues or total assets (Note C)
				General ledger account	Amount	Transaction terms	
0	ADVANTECH CO., LTD.	ACN	1	Sales revenue	\$ 2,263,967	Usual trade terms	14%
0	ADVANTECH CO., LTD.	ACN	1	Receivables from related parties	1,608,211	30 days after month-end	3%
0	ADVANTECH CO., LTD.	AEU	1	Sales revenue	1,423,230	Usual trade terms	9%
0	ADVANTECH CO., LTD.	AEU	1	Receivables from related parties	1,377,636	45 days after month-end	2%
0	ADVANTECH CO., LTD.	AJP	1	Sales revenue	243,154	Usual trade terms	2%
0	ADVANTECH CO., LTD.	AJP	1	Receivables from related parties	117,778	30 days after month-end	0%
0	ADVANTECH CO., LTD.	AKR	1	Sales revenue	398,516	Usual trade terms	2%
0	ADVANTECH CO., LTD.	AKR	1	Receivables from related parties	136,649	30 days after month-end	0%
0	ADVANTECH CO., LTD.	ANA	1	Sales revenue	3,236,024	Usual trade terms	20%
0	ADVANTECH CO., LTD.	ANA	1	Receivables from related parties	1,926,203	30 days after month-end	3%
0	ADVANTECH CO., LTD.	A-SIoT	1	Sales revenue	267,691	Usual trade terms	2%
0	ADVANTECH CO., LTD.	A-SIoT	1	Receivables from related parties	144,577	30 days after month-end	0%
0	ADVANTECH CO., LTD.	Advanixs Corporation	1	Sales revenue	162,724	Usual trade terms	1%
1	AKMC	ADVANTECH CO., LTD.	2	Receivables from related parties	683,853	30 days after month-end	1%
1	AKMC	ADVANTECH CO., LTD.	2	Sales revenue	3,305,304	Usual trade terms	21%
1	AKMC	ACN	3	Sales revenue	106,713	Usual trade terms	1%
2	ACZ	AEU	3	Sales revenue	100,168	Usual trade terms	1%
3	LNC	LNC Dong Guan	3	Sales revenue	112,071	Usual trade terms	1%
3	LNC	LNC Dong Guan	3	Receivables from related parties	206,340	150 days after month-end	0%

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

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

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

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of March 31, 2022, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three-month period ended March 31, 2022.

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
Information on investees (excluding information on investments in Mainland china)
For the three-month period ended March 31, 2022

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of March 31, 2022			Net profit (loss) of the investee for the three-month period ended March 31, 2022	Investment income (loss) recognized by the Company for the three-month period ended March 31, 2022 (Note D)		Footnote
				Balance as at March 31, 2022	Balance as at January 1, 2022	Shares	Ownership (%)	Carrying Value				
ADVANTECH CO., LTD.	AAC (BVI)	British Virgin Islands	Overseas investment in manufacturing and services industries	\$ 3,875,214	\$ 3,875,214	128,496,207	100.00	\$ 10,835,364	\$ 403,842	\$ 396,703	Subsidiary	
ADVANTECH CO., LTD.	ATC	British Virgin Islands	Overseas investment in manufacturing and services industries	998,788	998,788	40,850,000	100.00	4,420,060	(50,411)	(60,154)	Subsidiary	
ADVANTECH CO., LTD.	Advanixs Corporation	Taiwan	Manufacturing, marketing and trade of industrial use computers	100,000	100,000	10,000,000	100.00	266,691	31,681	31,681	Subsidiary	
ADVANTECH CO., LTD.	ACI	Taiwan	Investment in marketable securities	3,300,000	3,300,000	330,000,000	100.00	4,051,390	(32,568)	(32,630)	Subsidiary	
ADVANTECH CO., LTD.	Axiomtek	Taiwan	Manufacturing, marketing and trade of industrial use computers	511,372	511,372	25,542,984	28.24	849,858	133,652	36,959	Investments accounted for under equity method	
ADVANTECH CO., LTD.	AdvanPOS	Taiwan	Manufacturing and trade of endpoint sales system	266,192	266,192	1,000,000	100.00	14,564	(1)	(1)	Subsidiary	
ADVANTECH CO., LTD.	LNC	Taiwan	Manufacturing and trade of controllers	209,191	209,191	14,430,000	48.10	302,316	1,702	813	Subsidiary	
ADVANTECH CO., LTD.	AMX	Mexico	Marketing and trade of industrial use computers	93,338	61,909	16,650,003	99.90	65,809	1,045	611	Subsidiary	
ADVANTECH CO., LTD.	AEUH	Netherlands	Overseas investment in manufacturing and services industries	1,655,383	1,655,383	25,961,250	100.00	1,306,833	92,437	92,209	Subsidiary	
ADVANTECH CO., LTD.	ASG	Singapore	Marketing and trade of industrial use computers	27,134	27,134	1,450,000	100.00	116,080	7,073	7,039	Subsidiary	
ADVANTECH CO., LTD.	ATH	Thailand	Manufacturing of computer products	47,701	47,701	51,000	51.00	50,450	1,609	810	Subsidiary	
ADVANTECH CO., LTD.	AAU	Australia	Marketing and trade of industrial use computers	40,600	40,600	500,204	100.00	48,466	15,484	15,452	Subsidiary	
ADVANTECH CO., LTD.	AJP	Japan	Marketing and trade of industrial use computers	651,685	15,472	1,200	100.00	884,483	31,277	29,845	Subsidiary	
ADVANTECH CO., LTD.	AMY	Malaysia	Marketing and trade of industrial use computers	35,140	35,140	2,000,000	100.00	71,676	8,128	8,115	Subsidiary	
ADVANTECH CO., LTD.	AKR	Korea	Marketing and trade of industrial use computers	156,668	156,668	600,000	100.00	456,923	37,549	37,497	Subsidiary	
ADVANTECH CO., LTD.	ABR	Brazil	Marketing and trade of industrial use computers	103,146	103,146	12,723,038	100.00	108,527	942	942	Subsidiary	
ADVANTECH CO., LTD.	Advantech Innovative Design Co., Ltd.	Taiwan	Product design	10,000	10,000	-	-	-	-	-	Subsidiary	
ADVANTECH CO., LTD.	AiCS	Taiwan	Design, research and develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	76,575	(4,844)	-	Subsidiary	
ADVANTECH CO., LTD.	AIN	India	Marketing and trade of industrial use computers	39,747	39,747	4,999,999	99.99	39,575	(397)	(405)	Subsidiary	
ADVANTECH CO., LTD.	AIMobile	Taiwan	Design, manufacturing, service and trade of industrial use mobile systems	180,000	180,000	6,750,000	27.00	24,161	(15,443)	(4,170)	Investments accounted for under equity method	
ADVANTECH CO., LTD.	Winmate	Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.47	582,377	86,337	14,260	Investments accounted for under equity method	
ADVANTECH CO., LTD.	AVN	Vietnam	Marketing and trade of industrial use computers	76,092	76,092	8,100	60.00	59,820	(3,465)	(2,098)	Subsidiary	
ADVANTECH CO., LTD.	Nippon RAD	Japan	Integration of IoT intelligent system	251,915	251,915	850,000	16.08	211,866	20,873	4,203	Investments accounted for under equity method	
ADVANTECH CO., LTD.	ARU	Russia	Manufacturing, marketing and trade of industrial use computer	72,416	72,416	1	100.00	21,906	(3,788)	(3,788)	Subsidiary	
ADVANTECH CO., LTD.	ATJ	Japan	Production and sale of electronic and mechanical devices	-	451,364	-	-	-	-	-	Subsidiary	
ADVANTECH CO., LTD.	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	58,482	260,870	60.00	11,352	(5,903)	(3,926)	Subsidiary	
ADVANTECH CO., LTD.	AIL	Israel	Trading of industrial network communications systems	8,653	8,653	100	100.00	10,308	263	263	Subsidiary	
ADVANTECH CO., LTD.	Huan Yan Water Solution Co., Ltd.	Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	27,000	27,000	2,700,000	90.00	23,458	(178)	(160)	Subsidiary	
AJP	ATJ	Japan	Production and sale of electronic and mechanical devices	-	184,649	-	-	-	-	-	Subsidiary	
ACI	Cermate (Taiwan)	Taiwan	Manufacturing of electronic components, computers, and peripheral devices	71,500	71,500	5,500,000	55.00	141,186	(1,946)	-	Subsidiary	
ACI	Deneng	Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	14,006	408	-	Investments accounted for under equity method	
ACI	CDIB	Taiwan	Investment in marketable securities	150,000	150,000	15,000,000	17.86	179,996	(6,361)	-	Investments accounted for under equity method	
ACI	AzureWave	Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.29	597,343	(12,201)	-	Investments accounted for under equity method	
ACI	Yun Yan, Wu-Lian Co., Ltd.	Taiwan	Industrial equipment networking in Greater China	-	5,000	-	-	-	-	-	Subsidiary	
ACI	Nippon RAD	Japan	Integration of IoT intelligent system	49,733	49,733	154,310	2.92	45,109	-	-	Investments accounted for under equity method	
ACI	i-Link	Taiwan	Integration of intelligent medical	-	9,091	-	-	-	(9,191)	-	NOTE E	
ACI	DotZero	Taiwan	Intelligent metal processing integration	10,928	10,928	1,092,750	25.71	3,408	(3,205)	-	Investments accounted for under equity method	
ACI	Mildex	Taiwan	Electronic component manufacturing	202,948	202,948	15,710,000	15.37	146,764	2,297	-	Investments accounted for under equity method	
ACI	ITTS	Taiwan	Electronic Information Service	147,444	147,444	5,084,273	18.61	162,526	15,238	-	Investments accounted for under equity method	
ACI	Samsoft	Taiwan	Manufacturing and trade of electronic and mechanical devices	33,270	20,220	561,955	25.63	26,712	(3,325)	-	Investments accounted for under equity method	
ACI	Impelex	Taiwan	Manufacturing and trade of electronic and mechanical devices	10,000	10,000	500,000	20.00	9,465	904	-	Investments accounted for under equity method	
ACI	VSO	Taiwan	Manufacturing and trade of electronic and mechanical devices	120,000	120,000	4,000,000	14.29	146,384	21,306	-	Investments accounted for under equity method	
ACI	Hwacom	Taiwan	Computer system integration service	357,119	357,119	24,575,000	19.00	426,013	(59,472)	-	Investments accounted for under equity method	
ACI	IISI	Taiwan	Computer system integration service	243,086	243,086	14,299,205	19.61	268,190	(16,187)	-	Investments accounted for under equity method	
ACI	iSAP	Taiwan	Information software service	10,000	10,000	1,492,852	34.83	7,002	-	-	Investments accounted for under equity method	
ACI	AIH	Taiwan	Servicing of information software and data processing	15,369	15,369	1,100,000	100.00	1,521	(1,693)	-	Subsidiary	
ACI	Feng Sang	Taiwan	Computer system integration service	109,219	109,219	6,088,750	36.24	111,912	3,907	-	Investments accounted for under equity method	

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of March 31, 2022			Net profit (loss) of the investee for the three-month period ended March 31, 2022	Investment income (loss) recognized by the Company for the three-month period ended March 31, 2022 (Note D)		Footnote
				Balance as at March 31, 2022	Balance as at January 1, 2022	Shares	Ownership (%)	Carrying Value				
				\$	\$			\$	\$			
ACI	Freedom Systems	Taiwan	Electronic information service	37,500	37,500	1,500,000	20.00	37,668	725	-	-	Investments accounted for under equity method
ACI	Yan Xu Green Electricity	Taiwan	Green energy technical services	825	-	82,500	82.50	825	-	-	-	Subsidiary
ATC	ATC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	1,212,730	1,212,730	57,890,679	100.00	4,491,956	(50,340)	-	-	Subsidiary
AAC(BVI)	ANA	USA	Marketing, trade and assembly of industrial use computers	504,179	504,179	10,952,606	100.00	5,627,924	267,337	-	-	Subsidiary
AAC(BVI)	AAC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	539,146	539,146	15,230,001	100.00	3,560,933	157,795	-	-	Subsidiary
AAC(BVI)	ADB	United Arab Emirates	Trading of industrial network communications systems	-	-	-	100.00	2,821	110	-	-	Subsidiary
AAC(BVI)	SIoT(Cayman)	Cayman Islands	Design, research and development and trade of IoT intelligent system services	1,431,250	1,431,250	30,000,000	100.00	1,998,605	(21,399)	-	-	Subsidiary
AAC(BVI)	AMX	Mexico	Marketing and trade of industrial use computers	79	-	16,667	0.10	79	-	-	-	Subsidiary
AEUH	AEU	Netherlands	Marketing and trade of industrial use computers	868,222	868,222	32,315,215	100.00	1,426,743	90,727	-	-	Subsidiary
AEUH	APL	Poland	Marketing and trade of industrial use computers	14,176	14,176	7,030	100.00	43,307	2,020	-	-	Subsidiary
AEU	A-SIoT	Geamany	Design, research and develop and trade of industrial on-board computer products	436,259	436,259	1	100.00	457,695	22,235	-	-	Subsidiary
ASG	ATH	Thailand	Manufacturing of computers products	7,537	7,537	49,000	49.00	49,624	1,609	-	-	Subsidiary
ASG	AID	Indonesia	Marketing and trade of industrial use computers	4,797	4,797	300,000	100.00	6,807	(510)	-	-	Subsidiary
Cermate (Taiwan)	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	156,714	(3,092)	-	-	Subsidiary
LandMark	Cermate Software Inc.	Canada	Software development	229	-	-	100.00	229	-	-	-	Subsidiary
LNC	Better Auto	British Virgin Islands	Holding company	229,907	229,907	7,425,000	100.00	92,804	(1,752)	-	-	Subsidiary
LNC	NANOMAC	Taiwan	System integration and application	5,000	-	500,000	100.00	4,801	(199)	-	-	Subsidiary
Better Auto	Famous Now	Hong Kong	Holding company	140,434	140,434	4,906,096	100.00	102,143	(1,752)	-	-	Subsidiary
ANA	AIE	Ireland	Trading of industrial network communications systems	1,130,144	1,130,144	-	100.00	327,435	62,871	-	-	Subsidiary
AIE	ACZ	Czech Republic	Manufacturing of automation control	-	-	-	100.00	302,243	69,067	-	-	Subsidiary
AIN	ARI	India	Marketing and trade of industrial use computers	4,651	4,651	1,237,500	55.00	7,671	5,262	-	-	Subsidiary

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

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

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

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

Note E: The Group disposed partial equity interest in i-Link, and accordingly, the Group's equity interest decreased from 20.13% to 15.42%. As the Group lost significant influence over i-Link, the investment in i-Link accounted for under equity method was reclassified to financial assets at fair value through other comprehensive income - non-current.

Table 10

ADVANTECH CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China
For the three-month period ended March 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2022	Net profit (loss) of the investee for the three-month period ended March 31, 2022	Ownership held by the Company (direct or indirect) (%)	Investment net profit (loss)	Carrying Value as of March 31, 2022	Accumulated Inward Remittance of Earnings as	
					Outflow	Inflow						of March 31, 2022	
Advantech Technology (China) Company Ltd. (AKMC)	Manufacturing and trade of interface cards and PC cases, plastic cases and accessories	\$ 1,252,344 USD 43,750 (Note D)	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	\$ 1,067,713 USD 37,300	\$ -	\$ -	\$ 1,067,713 USD 37,300	(\$ 50,340)	100.00	(\$ 60,083)	\$ 4,491,288	\$	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Marketing and trade of industrial use computers	USD 121,084 4,230	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	USD 152,629 5,332	-	-	USD 152,629 5,332	162,192	100.00	161,429	2,870,660	USD	321,516 11,232
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) (Note G)	Manufacturing, marketing and trade of industrial use computers	USD 454,300 8,000 CNY 50,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	USD 229,000 8,000	-	-	USD 229,000 (8,000	4,336)	100.00 (	4,337)	663,991		-
Xi'an Advantech Software Ltd. (AXA)	Development and manufacturing of software products	USD 28,625 1,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	Note C	-	-	Note C	17	100.00	17	30,290		-
LNC Dong Guan Co., Ltd. (LNC Dong Guan)	Manufacturing and trade of controllers	USD 114,500 4,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	USD 91,428 3,194	-	-	USD 91,428 (3,194	1,635)	100.00 (	1,752)	102,268		-
Shenzhen Cermate Technologies Inc. (Cermate Shenzhen)	Production of LCD touch screen, USB data cables, and industrial use computers	CNY 9,011 2,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	USD 8,817 308	-	-	USD 8,817 (308	4,574)	90.00 (	4,151)	103,665		66,517
Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Networking electronic equipment for industrial use	USD 14,885 520	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	USD 16,374 572	-	-	USD 16,374 572	11,374	100.00	1,024	56,824		-
Advantech Service-IoT (Shanghai) Co., Ltd. [(SIoT (China)]	Technology development, consulting and services in the field of intelligent technology	CNY 67,584 15,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	Note E	-	-	Note E	134	100.00	134	52,954		-
Shanghai Yanle Co., Ltd.(AYL)	Application and retail of intelligent technology	CNY 9,912 2,200	Other	Note F	-	-	Note F	(5)	100.00 (	5)	5,331		-
Tianjin Anjie IOT Science and Technology Co., Ltd. (Anjie)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	CNY 13,517 3,000	Other	Note F	-	-	Note F	(1)	20.00	-	2,701		-
Foshan Technology Co., Ltd. (Foshan Technology)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	CNY 15,319 3,400	Other	Note F	-	-	Note F	(5,046)	29.66 (	1,497)	18,714		-
Accumulated Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA \$ 21,139,614 (Note I)											
\$ 1,588,373 (USD 55,489 thousand) (Note H)	\$ 2,266,528 (USD 79,180 thousand)												

Note A: Except for the financial statements of AKMC and ACN, the respective entity is an immaterial subsidiary; its financial statements have not been reviewed.

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

Note C: Remittance by ACN.

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

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

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

Note G: In the first quarter of 2022, ACN acquired 18% equity interest in AiSC for a cash consideration of CNY\$50,000 thousand.

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

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

Note J: The exchange rate was US\$1=NT\$28.625 and CNY\$1=NT\$4.506.

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

Major shareholders information

March 31, 2022

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
ASUSTek Computer Inc.	103,177,983	13.29%
K&M Investment Co., Ltd.	91,369,108	11.77%
AIDC Investment Corp.	90,295,663	11.63%

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