

ADVANTECH

Enabling an Intelligent Planet

Stock Code:2395

Advantech Co., Ltd. **2020 ANNUAL REPORT**



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Letter to Shareholders

Dear Shareholders,

Thank you for your long-term support and encouragement. With the efforts of all Advantech employees, the operating performance in 2020 is as follows:

In 2020, Advantech reported consolidated revenue of NT\$51.1 billion, which represents a 5.6% year-over-year decrease compared to NT\$54.1 billion in 2019. Net income for year 2020 were reported as NT\$7.24 billion, which also represents a 1.4% YoY decline. Earnings per share (EPS) for year 2020 were NT\$9.40 with gross profit margin and operating margin reached 39.9% and 17.7%, respectively.

By business segment, the annual revenue growth rates of Embedded-IoT Group, Allied DMS and Service-IoT Group were -11%, -10% and -5%. In addition, the Industrial-IoT Group has reported a 2% YoY revenue growth, due to demands for semiconductor production line automation and AIoT infrastructure. In US dollar term, Advantech achieved US\$1.73 billion revenue in 2020, with a 1.1% YoY decrease compared to US\$1.755 billion for year 2019.

Under the impact of the COVID-19 pandemic, the overall performance in 2020 resulted in a slight decline in both revenue and profit for the first time within the past 10 years. However, with vaccination ongoing and the continuous construction of AI and 5G, we are looking forward with some cautious optimism for the IoT industry. In addition to working on the Industrial IoT phase I business of the Embedded Computing Platform, we constantly press on developing integrated software and hardware solutions. Furthermore, apart from the establishment of the Solution BU, there will be dedicated Peak Sales and global co-creation partners to jointly carry out sales of Industrial IoT phase II and phase III business of AIoT solutions. By taking advantage of packaged products (Edge Devices & Gateway, I.Apps and Solution Suites) and leveraging with system integrators' added value services, we created a global replicable sales model of product standardization and industry specialization to boost high revenue growth and stabilize profit margins.

Furthermore, in order not to be affected by the global pandemic, Advantech has made its annual global partner conference into a three-week of continuous online forum called Advantech Connect, in the Greater China region. Through innovative technology, we conveyed the annual strategy to partner customers in the most efficient way. Advantech Connect received online registration numbers of 70,000 people to join the events.

During this time of pandemic, Advantech launched its five-year visionary plan. By 2025, it is expected that Advantech will become one of the top 10 leading Industrial IoT platform providers and propel the vigorous development of intelligent manufacturing, smart city, and smart service ecosystems, promote the implementation of IoT solutions, and obtain maximum customer success. The five visions are listed below:

- 1) Globally Integrated Regional Competence (GIRC): globally integrate operating and local core capabilities. The four regional headquarters develop talent and industrial ecology by utilizing local core capabilities to achieve superior local service value and demonstrate leading international competitiveness.
- 2) Online Target Marketing & Focus AOnline (FAO): by using data-driven precision marketing, lead comprehensive digital transformation of sales and make Advantech become a leading industrial IoT e-commerce brand.
- 3) Digital Transformation of Global Operations: through agile product development, a transparent supplier network, and regional strategic services, we realized the global digital operation model 3.0 and became the most competitive enterprise in the IoT era.
- 4) Wise Series, Phase II/III AIoT Paradigm Shift: with WISE-PS, WISE-M, and A+App, support the popularization of AIoT service deployment in various industries. Gain a foothold in the world's top ten industrial IoT software platforms and join hands with ecosystem partners to embrace the digital transformation business opportunities.
- 5) Staff Empowerment, Culture & ESG: become the most in-demand company for talent in the IoT field and cultivate talent through multiple channels to achieve success for Advantech and co-creation partners. Attach importance to environmental, social, and corporate governance (ESG) issues, practice LITA (altruistic) corporate philosophy, and become an intelligent enabler of a sustainable planet.

We have been focusing on branding since Advantech's establishment, and currently have offices in 27 countries around the world. In 2020, Advantech has been named the fourth place on the Best Global Taiwan Brands with the brand value of US\$626 million and 13% growth rate. In order to promote ESG, we have set three main goals. Firstly, Green Operations: to cover green product design and green operations, adopt BEMS (Building Energy Management Systems) to introduce a corresponding management system and implement energy saving and carbon footprint reduction in response to international standard initiatives. Secondly, AIoT Popularization: to popularize IoT and share its benefits. Use the WISE-PaaS platform to cultivate creative talents and innovative solutions, and support AIoT education in 50 universities around the world. Finally, Community Enrichment: seek the common good for employees and the society. In addition to the Advantech employee platform, ABLE Club, we offer diverse channels to cultivate

talent, continue meaningful initiatives, and aim for corporate sustainability. Our consistent goal has always been to find the right balance and seek the common good of four dimensions, society, shareholders, customers, and employees.

K.C. Liu
Chairman of Advantech Co., Ltd.

II. Company Profile

2.1 Date of incorporation: September 7, 1981

2.2 Company history

Year	Important Events
1981	Decided that the official company name would be “Advantech Co., Ltd.” and established the company at Sec. 2, Chongqing S. Road, Taipei City, to operate as a business for desktop computer module measurement automation systems. Invested a capital stock of NT\$2,000,000
1985	Increased the authorized and paid-in capital to NT\$5,000,000. Reorganized the company as a limited company and relocated it to 3F, No. 80, Ningbo W. Street, Taipei City. Launched various standardized PC-based automatic test system products.
1987	Relocated to 2F-1, No. 76, Sec. 3, Roosevelt Rd., Taipei City. Developed and produced PC/XT/AT plug-in data acquisition cards (i.e., the PC-Lab Card series) and launched them domestically and internationally.
1989	Established the Xindian factory at 4F, No. 10/12, Lane 130, Minquan Road, Xindian District, New Taipei County. Developed the industrial PC (IPC) product line and experienced smooth production and sales. This became Advantech’s second major product line.
1990	Increased the authorized and paid-in capital to NT\$25,000,000. Relocated all non-factory departments to the office at 4F, No. 108-3, Minquan Road, Taipei County.
1991	Increased the authorized and paid-in capital to NT\$60,000,000. Integrated the in-house developed industrial-grade CPU card and IPC chassis into a complete industrial-grade PC. Now offering a complete line of products, Advantech had become a comprehensive PC system component supplier for industrial automation applications, gradually gaining international recognition.
1992	Introduced the Industrial Workstation series for industrial monitoring workstations. Successfully developed the ADAM-4000 series of remote data acquisition modules, which became a breakthrough product for distal measurement signal processing and communication.
1993	Received with the 2nd National Award for Small & Medium Enterprises (National Association of Small & Medium Enterprises). Received ISO-9001 Quality Management System Certification. Developed the AWS-850/860-II IPC Workstation.
1994	Increased the authorized and paid-in capital to NT\$120,000,000. Founded Advantech Germany with 100% equity acquired. Developed overseas sales offices. Cooperated with ITRI MIRC to introduce PC and industrial controllers and motion control cards. Developed the Embedded Computer Module series.
1995	Increased the authorized and paid-in capital to NT\$190,000,000. Established global branch offices in Singapore (100% equity acquired) and Budapest, Hungary (30% equity acquired).
1996	Received the 4th Taiwan Industrial Technology Advancement Most Outstanding Award (MOEA, Taiwan, R.O.C.). Established a quality assurance laboratory to significantly improve product quality. Symbol of Taiwan Excellence Winner (MOEA, Taiwan, R.O.C.) for the ADAM-4000 series.

1997	<p>Approved for public offering.</p> <p>Increased the authorized capital to NT\$1,000,000,000 and paid-in capital to NT\$475,000,000.</p> <p>Established an audit office as well as internal control and audit systems.</p> <p>Established subsidiaries in Japan, the UK, and France with 100% equity acquired.</p> <p>Merged the U.S. subsidiary with 72.03% equity acquired.</p> <p>Received the 5th Taiwan Industrial Technology Advancement Most Outstanding Award (MOEA, Taiwan, R.O.C.).</p> <p>Symbol of Taiwan Excellence Winner for the PPC-102 series.</p>
1998	<p>Increased the paid-in capital to NT\$807,500,000.</p> <p>Established subsidiaries in the Netherlands, Germany, and the Virgin Islands with 100% equity acquired.</p> <p>Established a joint venture in Italy with 25% equity acquired.</p> <p>Equity of the U.S. subsidiary increased from 72.03% to 100%.</p> <p>Purchased land (834 ping; equiv. 2,757.5 m²) in Neihu.</p> <p>6th Symbol of Taiwan Excellence Gold Award Winner for the PPC-102T Panel Computer.</p> <p>7th Symbol of Taiwan Excellence Winner for the PPC-140T multi-function panel PC and ADAM-5000 series of distributed DA&C systems.</p> <p>Received the Singapore Comdex Asia Best Hardware System Award for the PPC-140T multi-function panel PC.</p> <p>Received ISO-14001 Environmental Management System Certification.</p> <p>Awarded with the Most Representative Outstanding Company (Industrial Development Bureau, MOEA, Taiwan, R.O.C.).</p>
1999	<p>ADAM series received the 1st Taiwan Outstanding Safety Instrument Award.</p> <p>Began constructing the Advantech Neihu Technology Building with completion forecast for mid-2001.</p> <p>Paid-in capital increased to NT\$1,307,000,000.</p> <p>Purchased land (2,147 ping; equiv. 7,097.5 m²) in Donghu and occupied the premises by the end of September.</p> <p>Completed IPO on the Taiwan Stock Exchange on December 13.</p>
2000	<p>Increased the paid-in capital to NT\$1,745,000,000.</p> <p>Purchased additional land (1,445 ping; 4,776.9 m²) at the Donghu Plant.</p> <p>Merged with PCS for US\$1.77 million.</p> <p>Established several investment companies: Advantech Investment, Advantech (Guangzhou Bond Zone) Co., ABR, AAC (BVI), AACB, APN, and AKL. Received the 2000 Outstanding Export & Import Performance Award (General Chamber of Commerce, Taiwan, R.O.C.).</p>
2001	<p>Increased the paid-in capital to NT\$2,334,294,000.</p> <p>Moved into Advantech Headquarters in Neihu District, Taipei, in July 2001.</p> <p>Established AHK and AKMC and invested in AAU.</p> <p>Symbol of Taiwan Excellence Winner for the WEB-2143 Web Controller, EH-760 Home Terminal, ES-510 Multimedia Web Payphone, and PPC-153T Panel Computer.</p>
2002	<p>Increased the paid-in capital to NT\$2,855,291,000.</p> <p>Established AASC and invested in ABB and Axiomtek Co., Ltd. Received "2002 Headquarters Operation Certification" (Industrial Development Bureau, MOEA, Taiwan, R.O.C.).</p> <p>Implemented the Innovation Center Operations Plan Embedded Systems R&D Center with approval from the Department of Industrial Technology (MOEA, Taiwan, R.O.C.).</p> <p>Accepted as the sole Gold-Level Partner in Microsoft's Windows Embedded Partner ODM Category.</p> <p>Symbol of Taiwan Excellence Winner for the EH-7102G/GH Home Appliance and WebLink2059-</p>

	BAR/CE/SDA/SKT Web-Enabled Device Connection via PC Card.
2003	<p>Increased the paid-in capital to NT\$3,413,039,000.</p> <p>Established AEU and invested in Advantech Consulting Co., Ltd.</p> <p>Received “2003 Headquarters Operation Certification” from the Industrial Development Bureau (MOEA).</p> <p>Symbol of Taiwan Excellence Winner for the ADAM-6000 series of intelligent data acquisition network control modules.</p>
2004	<p>Increased the paid-in capital to NT\$3,742,962,000.</p> <p>Won first prize in the 2004 Control Design (USA) Reader's Choice Award for single-board computers.</p> <p>Received first prize for the 2004 Editor's Choice Award under the human-machine interface (HMI) category from the magazine Control Engineering (USA) for the FPM-3170 17" Flat Panel Monitor.</p>
2005	<p>Increased the paid-in capital to NT\$4,489,003,000.</p> <p>Formed a strategic alliance with AsusTek; Advantech acquired 1.36% equity of AsusTek and AsusTek acquired 15% equity of Advantech through stock swap.</p> <p>Symbol of Taiwan Excellence Winner for the TPC-60S, UNO-3062, and AWS-8100G.</p> <p>Received third prize in the 2005 Readers' Choice Award for Industrial Computers from Control Buyer's Guide (USA).</p> <p>Embedded Control Europe magazine readers nominated the TREK-755 Sunlight Readable Model for the Gold Award of the 13th MOEA Industrial Technology Advancement Award of Excellence.</p>
2006	<p>Increased the paid-in capital to NT\$4,636,295,000.</p> <p>Received the Readers' Choice Award for single-board computers from Control Design.</p> <p>Received the 2nd Corporate Social Responsibility Award from the magazine Global Views (Taiwan, R.O.C.).</p> <p>Received The Most Growth in Asia Award from Microsoft.</p> <p>Received the Intel Associate Partner of the Year and Multi-Core Solution Contest Award.</p>
2007	<p>Increased the paid-in capital to NT\$4,915,770,000.</p> <p>Received the 3rd Corporate Social Responsibility Award, Top Honor for 2006 from Global Views (Taiwan, R.O.C.).</p> <p>Received the 1st Corporate Social Responsibility Award from Commonwealth Magazine (Taiwan, R.O.C.).</p> <p>Received the Computex Taipei Best Choice Award for the ARK-3381.</p> <p>15th Symbol of Taiwan Excellence Winner for the UibQ-230, ARK-4170, and ADAM-5550.</p>
2008	<p>Increased the paid-in capital to NT\$5,113,458,000.</p> <p>Received 4th prize in the 2nd Corporate Social Responsibility Award from Commonwealth Magazine.</p> <p>16th Symbol of Taiwan Excellence Winner for the UbiQ350, VITA350, UNO-2182, TPC-30T, TPC-32T, IPPC-7157A, and IPPC-7158B.</p>
2009	<p>Established Shanghai Advantech Intelligent Services Co., Ltd. (AiSC).</p> <p>Established Xi'an Advantech Software Co., Ltd.</p> <p>Acquired Advantech Yang-Kwong Building as an office building in Neihu District, Taipei City.</p> <p>Increased the paid-in capital to NT\$5,161,337,000.</p> <p>Received the Decade Industrial Contribution and Decade Leading Industry awards from Chinagkong.</p> <p>18th Symbol of Taiwan Excellence Winner for the IPPC-8151S series, APAX-5000 series, UNO-1100 series, UTC-W101E, NCP-7560, and MIC-5322.</p> <p>Advantech and the U.S. subsidiary jointly acquired 60% equity of Advantech Brazil S/A (ABR).</p>

2010	<p>Advantech Co., Ltd. established Advantech Intelligent Co., Ltd.</p> <p>Decreased the paid-in capital to NT\$5,016,337,000.</p> <p>Received the Taiwan Top 12 Global Brands Award.</p> <p>Advantech paid EUR12.85 million to acquire 100% equity of DLoG GmbH Company of Augusta Technologies AG.</p> <p>Advantech paid 2,668 million to acquire 100% equity of Advantech KR Co., Ltd. of SG Advantech Co., Ltd.</p> <p>Advantech paid £3.34 million to acquire 100% equity of Innocore Gaming Ltd.</p>
2011	<p>Increased the paid-in capital to NT\$5,517,971,000.</p> <p>Advantech paid NT\$93 million to acquire 99.36% equity of ACA.</p> <p>19th Symbol of Taiwan Excellence Winner for the ARK-VH200, FWA-6500, NCP-5260, PC/104, PCM 9562, PIT-1501W, SOM-5788, Advantech Touch Panel Computer, and TREK-550.</p> <p>Received the Taiwan Top 10 Global Brands Award.</p>
2012	<p>Increased the paid-in capital to NT\$5,639,971,000.</p> <p>Advantech paid NT\$306 million to acquire 50% equity of Advansus Corp.</p> <p>20th Symbol of Taiwan Excellence Winner for the TREK-753, FPM-8151H, ADAM-6117, ADAM-6118, ADAM-6150, ADAM-6151, ADAM-6156, ADAM-6160, SOM-7562, MIO-5270, MIO-2260, PCM-3363, AIMB-213, UNO-4600 series, ITM-5115R-PA1E, ARK-DS220, ARK-DS520, and IPC-6025.</p> <p>Ranked 11th for the Taiwan 2012 Top-20 Global Brand Award with a brand value of US\$260 million.</p> <p>Established a subsidiary in India (AIN).</p>
2013	<p>Increased the paid-in capital to NT\$5,652,059,000.</p> <p>Ranked 11th in the 2012 Corporate Citizen Award from CommonWealth Magazine.</p> <p>Advantech Industrial Automation Group HMI TPC and SPC series won the 2013 iF Product Design Award in Germany.</p> <p>21st Symbol of Taiwan Excellence Winner for the FWA-6510, MIC-5332, ATCA-7310, MIO-5250, MIO-2261, PCM-9389, ARK-1120, ARK-DS262, ARK-DS762, UBC-D31, IDS-3115, IDK-2131, TREK-722, TPC-671/1071/1271/1571, WebOP, BEMG-4110/4220, ADAM-2000, and EKI-6340.</p> <p>Paid NT\$319 million to acquire 70.2% equity of POS manufacturer AdvanPOS.</p> <p>Paid NT\$730 million to acquire 100% equity of the controller manufacturer LNC.</p> <p>Paid £5.85 million to acquire 100% equity of the wisdom embedded displays manufacturer GPEG (UK).</p>
2014	<p>Increased the paid-in capital to NT\$5,714,511,000.</p> <p>Established Advantech Plus Technology Center (A+TC), Kunshan, China.</p> <p>Grand opening of the Advantech Linkou IoT Campus.</p> <p>Received the CSR Best Workplace Excellence Award from Global Views Monthly in 2014.</p> <p>22nd Symbol of Taiwan Excellence Winner for the CGS-6000, ATCA-9112, Advantech WebAccess, APAX-5620, IDK-2110, TPC-1840WP, TPC-2140WP, SPC-1840WP, FPM-7181W, FPM-7211W, ADAM-6200 series, EKI-3000 series, SOM-5894, ARK-1122F, UBC-200, SOM-7567, SOM-3565, MIC-5333, AMiS-50, POC-W181, and IPS-M420.</p> <p>Formally established the Advantech Investment Department to actively deploy solutions for smart city and IoT markets.</p> <p>Composed Advantech Global smart city case studies for the publication of “Smart City” in Simplified and Traditional Chinese as well as English.</p>

2015	<p>Increased the paid-in capital to NT\$6,318,531,000.</p> <p>23rd Symbol of Taiwan Excellence Winner for the TREK-674, TREK-306, PWS-870, UTX-3115, DPX-435 (with the DPX-S1000 chassis), SOM-5893, SOM-6896, UBC-220, PCIE-181X, Mic-3100, ARK-2151V, DS-862, MIT-M101, ATCA-9223, EKI-9778, UNO-2000 series, IDS-3121W, WebAccess 8.0, Pocket Pad, and ARK-5261.</p> <p>23rd Symbol of Taiwan Excellence Award Gold and Silver Medal Nominee for the MIT-M101 and MICA-071.</p>
2016	<p>Increased the paid-in capital to NT\$6,326,091,000.</p> <p>24th Symbol of Taiwan Excellence Winner for the ASR-3100, POC-W242, TREK-733L, TREK-973, DPX-E135, MIO-3260, EKI 5 series, SOM-7568 TPC, WISE4 series, WISE-3100, ARS-2510, UNO-3483G, TREK-773, ITA-2230, ROM-7421, IDS-3118W, AIMB-T1215, DS-270, APAX-5580, ARK-2230, UNO 1 series, and IPS-M420S; and Taiwan Excellence Award Gold and Silver Medal Nominee for the REK-773.</p> <p>Received the 2016 iF product design award in Germany for the PWS-870.</p> <p>Formed a strategic alliance with Inventec Corporation to establish the joint venture company "AlMobile Co., Ltd."</p> <p>Acquired 100% stock rights of B+B SmartWorx, Inc. from Graham Partners for US\$9.985 million.</p> <p>ATC (HK) purchased 100% stock rights of Yeh Chiang (Kunshan) Co., Ltd. from Yeh Chiang Technology (Cayman) Corp. for RMB\$9.35 million.</p>
2017	<p>Increased the paid-in capital to NT\$6,330,741,000.</p> <p>25th Symbol of Taiwan Excellence Winner for the DMS-SA21, ARS-P3800, AIM-65, UNO-2271G, IPPC-5211WS, HIT-W101C, SOM-3568, ARK-2231R, ARK-2230R, ARK-1124H, ARK-1124U, ARK-1124C, ECU-4784, AIIS-1200, AIIS-5410P, MIC-7500, DS-980, EPC-T2285, MVP-3245, ADAM-3600, ADAM-3617, ADAM-3618, ADAM-3624, ADAM-3651, ADAM-3656, and EKI-7700; as well as Gold and Silver Medal Winner for WebAccess/Cloud and the WISE-DK1520 starter kit/development kit for RTX v2.0 CPU Module ROM-3420.</p> <p>Advantech Linkou Industrial Park Stage II construction officially completed at the end of October.</p> <p>Advantech announced that it will acquire a 60% stake in the South Korean medical display company Kostec.</p> <p>Advantech invests 12 million private placement common shares of Winmate at a price of NT\$45 per share (total, NT\$540 million)</p> <p>Advantech ranked No. 6 (with brand value USD484 million) in the Taiwan Top 20 Global Brands Award.</p>
2018	<p>Increased the paid-in capital to NT\$6,982,275,000.</p> <p>Subsidiary company Advantech Corporate Investment, and the Institute for Information Industry, jointly invested in the establishment of an Industrial Internet of Things platform company called Yun Yan, Wu-Lian Co., Ltd., and each own half of the total equity.</p> <p>Subsidiary company Advantech Corporate Investment and the Industrial Technology Research Institute jointly funded the establishment of the joint venture Huan Yan, Jhih-Lian Co., Ltd., with both parties investing 50% of the total capital.</p> <p>Advantech subsidiary company ASG acquired ATH's equity interest and jointly increased its joint venture with ATH. Consequently, the capitalization of ACL and ASG is now held at 51% and 49% respectively.</p> <p>Advantech opens its new European Service Center and it becomes the first Advantech Industry 4.0 real site demo in Europe.</p> <p>26th Symbol of Taiwan Excellence Silver Medal Winner for the iPS-M100 Hot Swappable Medical-grade Industrial Power System and POC-WP243 24" Medical Computer</p>

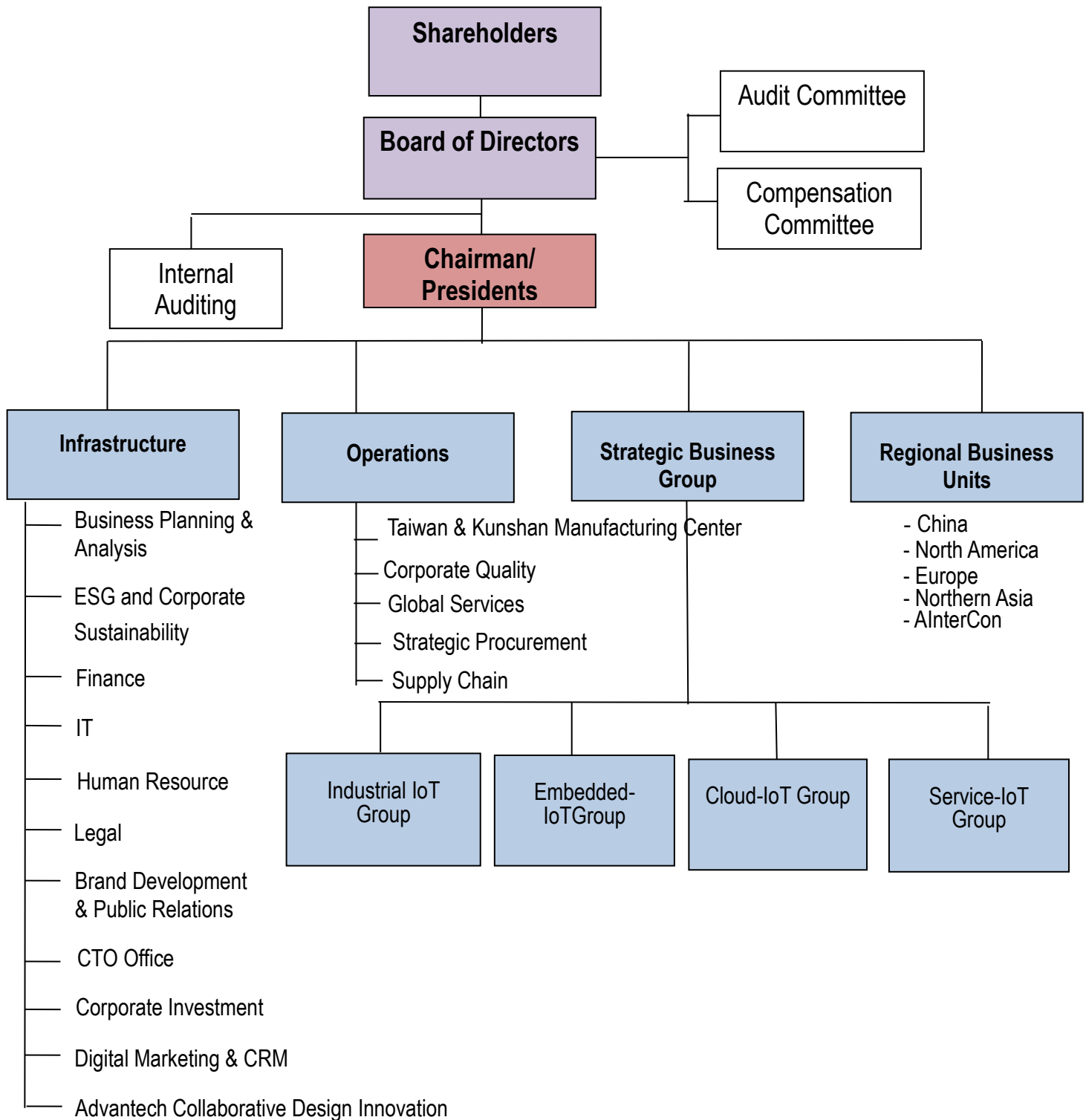
	<p>26th Symbol of Taiwan Excellence Winner for the CRV31-430WP 43"Industrial Curved Monitor, the TPC-5000 series Modular Industrial Touch Panel Computer and the SRP-ESP315 Solar Power Management Solution.</p> <p>There are a total of 17,500,000 privately held ordinary shares of AzureWave Technologies, Inc. The subscription price per share is \$17.1 TWD and the total subscription amount is \$299,250,000 TWD.</p> <p>In addition, a total of 12,099,000 shares were acquired on the centralized stock exchange, resulting in Advantech Investment holding 19.65% of the equity.</p> <p>The Company has subscribed 1,004,310 shares of common stock of Nippon RAD Inc. (a Japanese system integration corporate).</p> <p>The subsidiary Advaninvest (whose 100% of shares is held by the Company) has acquired 15% of shares (15,710,000 shares of common stock) of MILDEX via subscription by a payment of NT\$ 200 million.</p> <p>The Vietnamese Subsidiary (AVN) and the Russian Subsidiary (ARU) are established.</p> <p>SloT (Cayman) and SloT(China) were established by the Subsidiary AAC (BVI).</p> <p>The Subsidiary Advaninvest acquired 25% and 49% of shares from ILINK ICT and Yung-yen Corp., respectively by investing NT\$ 10.067 million and NT\$ 4.9 million in cash, respectively.</p> <p>The second-tier subsidiary Advantech (Shanghai) acquired 45% of shares from Yen-le Corp. by investing NT\$ 4.392 million in cash.</p> <p>Advantech held the first Advantech IoT Co-Creation Summit at Suzhou International Expo Center today with over 6 thousand Advantech clients and partners around the world attended the Summit which Advantech had introduced its newest IoT platform structure WISE-PaaS 3.0 and 32 IoT solution ready packages (SRPs) that was co-created with software and industry partners.</p> <p>Advantech ranked No. 5 (with brand value USD500 million) in the Taiwan Top 20 Global Brands Award.</p> <p>Advantech DLT-V4108 Vehicle-Mounted Terminal Wins 2018 Red Dot Product Design Award.</p>
2019	<p>Increased the paid-in capital to NT\$6,999,230,100.</p> <p>Advantech complete the 80% stake acquisition of OMRON Nohgata, a subsidiary of OMRON Corporation. OMRON Nohgata will now be known as "Advantech Technologies Japan" (ATJ).</p> <p>Advantech + Technology Campus (original referred to as "A+TC"), the English name is officially changed to Advantech Kunshan Technology Campus (AKTC) started from Feb 2019.</p> <p>Advantech subscribed shares from the Turkish Company Alitek and issued new shares, and Advantech held 60% of shares of Alitek.</p> <p>The 27th Symbol of Taiwan Excellence Winner for the compact fanless system MIC-7420.</p> <p>The 27th Symbol of Taiwan Excellence Winner for the LPWAN wireless module WISE-4200.</p> <p>The 27th Symbol of Taiwan Excellence Winner for the 16-ch DAQ platform MIC-1816.</p> <p>Advantech acquire 5.08 million shares of Information Technology Total Services Co Ltd (ITTS) for NT\$147.44 million through a private placement which the deal would give Advantech a 20 percent stake in ITTS.</p> <p>Advantech subsidiary (Advantech Corporate Investment) acquires common stocks of Hwacom Systems Inc. via private placement of securities.</p> <p>Advantech establishes a office in Israel.</p> <p>Advantech ranks 5th among Taiwan's global brands in 2019 with a brand value of US\$556 million.</p>
2020	<p>Advantech subsidiary (Advantech Corporate Investment) invests private equity fund China Broadband Capital Partners IV, L.P.</p> <p>The 28th Symbol of Taiwan Excellence Winner for the 43 inch UHD J type curved LCD with a curvature of 1500R (CRV-430JP)</p> <p>The 28th Symbol of Taiwan Excellence Winner for the wearable barcode ring (LEO-WB21)</p>

	<p>The 28th Symbol of Taiwan Excellence Winner for the industrial IoT controller (AMAX-5000)</p> <p>The 28th Symbol of Taiwan Excellence Winner for the 8Kp60 HEVC broadcast video encoder (VEGA-6304)</p> <p>Merge of Advantech KR Co.,Ltd.and Kostec Co.,Ltd.</p> <p>Merge of Advantech Corporation and B+B SmartWorx Inc.</p> <p>Advantech ranked No. 4 (with brand value USD 626 million) in the Taiwan Top 20 Global Brands Award.</p>
2021	The 29th Symbol of Taiwan Excellence Winner for WISE-6610, WISE-2410, EIS-S230

III. Corporate Government Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Function

Main Department	Main Responsibilities
Internal Auditing	Review the adequacy and consistency of internal control processes to ensure the effectiveness of internal control. Set up annual plan according to regulatory and risk-based consideration which will be approved by board meeting and to be executed accordingly. Will also perform project-based audit to identify operation improvement areas as well as to assist in enhancing corporate governance and risk management mechanism.
Business Planning & Analysis	Design and Develop corporate annual business plan, corporate strategies and performance indicators as well as supervising them. Assist management team to formulate annual plans and the implementation and execution of follow-up projects.
ESG and Corporate Sustainability	Design and Promote the company's sustainable development policies, including "Mutual benefit of employee & society"; "The popularization of the AIoT" and "Green Operation".
Finance	1.Responsible for budgeting, accounting, financial report, variance analysis; planning, management and control of tax administration, finance, and stock affairs. 2.Domestic and oversea financial statement preparation and analysis. 3.Operating performance of oversea investment 4.Cash flow management
IT	1.Information technology execution and management. 2.Crucial technology implementation and professional technical services.
Human Resource	1.Develop and execute human resource strategies that closely align with company and businesses' vision and direction. 2.Promote employee services & relations platform to enhance employees' satisfaction and employer brand. 3.Develop human resource policies, systems, structures and standards, and implement talent empowerment and development plan.. 4.Develop core competencies to enhance organizational capability.
Legal	1.Review contracts and agreements 2.Handle company's lawsuits and disputes 3.Provide internal legal trainings and legal opinions 4.Handle company's Intellectual Property Right issue.
Brand Development & Public Relations	1.Develop Advantech global branding promotion plan and its materials. 2.Define company identity system. 3.Coordinate global marketing campaigns and produce branding and marketing collaterals. 4.Maintain Advantech external relationship with SIG (special interest groups), media and etc.
CTO Office	Manage IoT.SENSE (IoT Solution Enabling Services) to develop and promote WISE-PaaS (Industrial PaaS Cloud Platform) and AIoT Solutions, including Software Enabling, Consulting Services, Solution Co-creation and Knowledge Sharing, to facilitate industrial customers' digital transformation.
Corporate Investment	Develop corporate strategic investment roadmap and corporate partnership, and professionally manage the investment or partnership development projects. Proactively and passively look for external investment, M&A, and partnership opportunities with discipline and focus, effectively execute investment strategy and evaluate the potential targets. The goal is to enhance strategic business portfolio and growth momentum.
Digital Marketing & CRM	Expanding digital marketing channels and methodologies toward the target sector market communication, and leverage the big data analysis plus CRM management including sales automation, productivity enhancement, real-time support, to achieve the automatic marketing intelligence.
ACDI (Advantech Collaborative Design Innovation)	1.Collaboration of corporate design functions to achieve consistent design, style, and image for brand name. 2.Integration and optimization of both internal and external design resources.
Manufacturing	1.Develop intelligent manufacturing strategy with introducing automation equipment and intelligent system to achieve the overall strategy of the company. 2.Based on the company's overall operation plan, make the plant area layout and set the production objectives/capacity planning. 3.Coordinate and manage material 、 production 、 quality 、 logistics and operation related executions.

Corporate Quality	<ol style="list-style-type: none"> 1.Coordinate with related departments, including RD, PM, manufacturing, sales and after services, to ensure and enhance product quality, monitor and prevent major quality deviation. 2.Develop and implement company quality assurance system, to meet and satisfy the needs of customer and ISO requirements. 3.Manage and enhance design quality assurance tests in product development phase. 4.Evaluate and apply product regulations. 5.Monitor and enhance product quality on factory and supply chains. 6.Plan and implement customer quality services, and establish global strategies to provide real-time services.
Global Services	<ol style="list-style-type: none"> 1.Responsible for global order processing and logistics services to overseas sites to meet global distributions. 2.Provide customers one-stop global service and total solutions, from design, manufacturing, quality control, procurement, logistics, assembly, customer service to repair
Strategic Procurement	<ol style="list-style-type: none"> 1.Negotiate and purchase required components and equipment. 2.Develop new vendors of components and equipment in response to rapid changing technology evolution. 3.Develop integrated purchasing strategies that support organizational strategies, goals and objectives. 4.Develop the supply chain strategy, and contact procurement for the long-term and competitive components and material supply.
Supply Chain	<ol style="list-style-type: none"> 1. Plan and implement internal supply and demand linkage strategy to set a flexible supply chain system. 2. Make supply and demand balance plans for various different product types to meet the company's business strategy and customer various demand. 3. Develop supply chain strategy with customers to win the business objectives.
Industrial IoT Group	Industrial IoT group provides comprehensive product offering to accelerate IIoT implementation from edge to cloud. It includes IoT sensing devices, data acquisition module, industrial communication, IoT gateway, automation PC controller, industrial PC/server, edge AI solution as well as application focus edge computers in transportation, power & energy, machine vision.
Embedded-IoT Group	As a global leader of the embedded computing market, Advantech Embedded-IoT Group not only offers a wide range of embedded boards, Intelligent systems, industrial peripherals and design-in services, but also provides streamline services form R&D, manufacturing, to global support and services. Furthermore, devoted regionally-based embedded service teams in Taiwan, Japan, China, USA, Germany, UK to offer medical, gaming, transportation, manufacturing, self-service solutions and dedicated DMS (Design and Manufacture Services) that enable domain sector deployment. To address the market for IoT applications, Embedded-IoT Group developed a series of integrated IoT solutions and services from edge computing to cloud services, including Advantech Industrial Wireless (AIW) solutions, IoT Gateways, Edge Intelligence Servers(EIS), WISE-DeviceOn IoT Devices Operation Management Industrial App, WISE-PaaS software platform, and Microsoft Azure cloud services. In addition, Advantech also offers integrated solutions for edge AI applications ranging from AI acceleration modules, inference systems, to domain focused solution packages to accelerate the IoT solution business development and implementation in regions.
Cloud-IoT Group	Cloud-IoT Group offers networking, edge computing and cloud solutions. Providing innovative core networking and communication technologies to build cloud platform and simplify the complexity among IT/ OT/CT for system integrators and enterprise customers.
Service-IoT Group	Provide product development, production, marketing, and sales of vertical domain IoT solutions with diversified IT devices from sensors and mobile devices, to edge computing hardware and software, and integrated solution suites including industrial apps used in multiple vertical service domains, such as medical and healthcare, retail, F&B, self-service, logistics and smart city.
Regional Business Units	Develop global businesses and markets, and provide technical support and services in the region. Consistently develop new markets and enhance our customer relations and customers' trust on our brand and solutions.

3.2 Directors and Management Team

3.2.1 Directors

March 29, 2021

Title	Nationality	Name	Date elected	Term (Years)	First elected	Shareholding when elected		Current shareholding		Spouse and Minor shareholdings		Shareholding by nominee arrangement		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree			Notes
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	K.C. Liu	05.28.2020	3 years	11.11.1985	25,620,886	3.66	28,179,467	3.65	1,517,584	0.2	0	0	Founder of Advantech: Former salesman of Instruments Dept. of Hewlett-Packard; Department of Telecommunications Engineering, National Chiao Tung University	Note 1	None	None	None	None
Executive Board Director	ROC	Advantech Foundation.	05.28.2020	3 years	05.26.2017	20,288,715	2.89	22,314,809	2.89	0	0	0	0	President of Le Wei Co., Ltd. Tatung Institute of Technology, Taiwan	None 2	None	None	None	None
		Representative Chaney Ho				569,109	0.07	515,924	0.07	154,626	0.02	0	0						
Director	ROC	AIDC Investment Corp.	05.28.2020	3 years	06.18.2014	82,097,182	11.71	90,295,663	11.69	0	0	0	0	President of Greater China of 3M Bachelor Chemical Engineering, Chinese Culture University	Note 3	None	None	None	None
		Representative Donald Chang				0	0	0	0	0	0	0	0						
Director	ROC	K and M Investment Co., Ltd.	05.28.2020	3 years	05.28.2020	83,073,163	11.85	91,369,108	11.83	0	0	0	0	Director of Advantech Intelligent City Services Co., Ltd. Johns Hopkins University GMBA	Note 4	None	None	None	None
		Representative: Wesley.Liu				288,052	0.04	316,817	0.04	21,997	0	0	0						
Independent Director	ROC	Jeff Chen	05.28.2020	3 years	06.18.2014	0	0	0	0	0	0	0	0	VP of Stanley Black & Decker and President of Asia Region EMBA, Northwestern University	None	None	None	None	None
Independent Director	ROC	Benson Liu	05.28.2020	3 years	05.26.2017	0	0	0	0	0	0	0	0	Chairman and President of Bristol-Myers Squibb (Taiwan) Ltd. Master, International Business Administration, University of Northrop, USA	Note 5	None	None	None	None
Independent Director	ROC	Chan-Jane Lin	05.28.2020	3 years	05.28.2020	0	0	0	0	0	0	0	0	FocalTech Systems Co., Ltd.-Independent Director Ph.D in Accounting, University of Maryland	Note 6	None	None	None	None

Note 1: Simultaneously act as the chairman of the following companies:

Advantech Foundation、Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)、Advantech Investment Fund-A Co., Ltd. Representative、Advanix Corporation. Representative、Advantech Technology (China) Company Ltd. (AKMC)、Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)、Xi'an Advantech Software Ltd. (AXA)、Advantech Intelligent City Services Co., Ltd. Representative、K&M Investment Co., Ltd.、AdvanPOS Technology Co., Ltd. (AdvanPOS) Representative、YUN YAN, WU-LIAN Co., Ltd.、Advantech Innovative Design Co., Ltd. Representative、ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (IoT(China))、Advantech Japan Co., Ltd. (AJP).

Simultaneously act as the director of the following companies:

AIDC Investment Corp.、Spring Foundation of NCTU、LNC Technology Co., Ltd. (LNC) Representative、LNC DONG GUAN CO., LTD.、Aimobile Co., Ltd. Representative、Advantech Europe B.V.(AEU)、Advantech Service-IoT GmbH. (A-IoT)、Advantech Technology Co., Ltd. (ATC)、HK Advantech Technology Co., Ltd. (ATC (HK))、Advantech Automation Corp.(BVI) (AAC(BVI))、Advantech Automation Corp.(HK) Limited.(AAC (HK))、Advantech Corp.(ANA)、

Advantech Europe Holding B.V.(AEUH) 、 Advantech KR Co.,Ltd. (AKR) 。

Simultaneously act as the supervisor of the following companies:

Moxa Technology Co., Ltd.

Note 2: Simultaneously act as the director of the following companies:

Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd(ACN) 、 Advantech Japan Co.,Ltd.(AJP) 、 Board Director of Unabiz Pte Ltd.

Note 3: Simultaneously act as the independent director of the following companies: Chung Hwapulp Corp. 、 E INK HOLDINGS INC.

Note 4: Simultaneously act as the chairman of the following companies:

CZ investment Co.,Ltd.

Simultaneously act as the director of the following companies:

Advantech Intelligent Healthcare Co.,Ltd. 、 K and M Investment Co., Ltd. 、 ChuanTing Investment Co.,Ltd. 、 Winmate Inc. 、 Mildex Optical Inc. 、 ADVANTECH SERVICE-IOT(SHANGHAI) CO., LTD. (SIoT(China)) 、 Advantech Co. Singapore Pte Ltd.(ASG) 、 Advantech Australia Pty Ltd. (AAU) 、 Advantech Co.Malaysia Sdn.Bhd (AMY) 、 Advantech Corporation (Thailand) Co.,Ltd.(ATH) 、 Advantech International PT.(AID) 、 Advantech Industrial Computing India Private Limited.(AIN) 、 Advantech Electronics,S.De R.L.De C. (AMX) 、 Advantech IOT Israel Ltd.(AIL) 。

Note 5: Simultaneously act as the independent director of the following companies:

Global Unichip Corp. 、 Vanguard International Semiconductor Co.

Simultaneously act as the director of the following companies:

Maywufa Company Ltd.Vice Chairman.

Note 6: Simultaneously act as the independent director of the following companies: FocalTech Systems Co., Ltd.

Major shareholders of the institutional shareholders

March 29, 2021 (stop transfer date)

Name of Institutional shareholders	Major shareholders
AIDC Investment Corp.	K.C. Liu Mary Chang Advantech Foundation
K and M Investment Co., Ltd.	K.C. Liu 、 Wesley.Liu 、 Tony.Liu 、 Mary Chang

Information regarding directors

Name	Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence criteria (Note)												Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member in Taiwan
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
K.C. Liu			✓		-	-	-	✓	-	-	✓	-	✓	✓	✓	✓	0
Chaney Ho			✓		-	-	✓	✓	✓	-	✓	-	✓	✓	✓	-	0
Donald Chang			✓		✓	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	-	2
Wesley Liu			✓		-	-	✓	-	-	-	✓	✓	✓	✓	✓	-	0
Jeff Chen			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Benson Liu	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chan-Jane Lin	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: If the director meets any of the following criteria in the two years before being elected or during the term of office, please check "V" the corresponding boxes.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a director, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a director, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a director, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in

accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.

j. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company

k. Not having any of the situations set forth in Article 30 of the Company Act of the ROC.

l. Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

3.2.2 Management Team

March 29, 2021

Title	Nationality	Name	Date elected	Shareholding		Spouse and Minor Shareholding		Shareholding by nominee arrangement		Education and selected past positions	Current additional positions	Spouse or relatives within two degrees who are managers			Notes
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	ROC	K.C. Liu	06.01.2003	28,179,467	3.65	1,517,584	0.20	0	0	Founder of Advantech Co., Ltd. Salesman of Instruments Dept. of Hewlett-Packard Department of Telecommunications Engineering, National Chiao Tung University	Note1	None	None	None	None
Executive Board Director	ROC	Chaney Ho	05.01.2004	515,924	0.07	154,626	0.02	0	0	President of Li-Wei Company Tatung Institute of Technology	Note2	None	None	None	None
President	ROC	Eric Chen	09.01.2017	297,600	0.04	0	0	0	0	Elitegroup Computer Systems Co., Ltd. Tai Sen Enterprise Co., Ltd. Department of Computer Science, Tamkang University	None3	None	None	None	None
President	ROC	Miller Chang	09.01.2017	78,973	0.01	0	0	0	0	Phoenix Technologies Ltd. EMBA, National Taiwan University of Science and Technology	None4	None	None	None	None
President	ROC	Linda Tsai	09.01.2017	141,633	0.02	150,000	0.02	0	0	QUANTA COMPUTER INC. Syracuse University Master of Information Resources	None5	None	None	None	None
Vice President	ROC	Deyu Yin	09.30.2004	74,790	0.01	374,172	0.05	0	0	Director of Human Resources, Delta Group Bachelor of Economics, National Taiwan University Tulane University EMBA	Note	None	None	None	None
Corporate governance officer (Note6)	ROC	Jean Ko	03.05.2021	38,868	0.01	0	0	0	0	Department of Business Administration, National Chung Hsing University Executive Assistant to CEO	Note	None	None	None	None

Corporate governance officer (Note6)	ROC	Jill Su	10.30.2020	57,000	0.01	0	0	0	0	Finance, National Taiwan University Board secretary	Note	None	None	None	None
Accounting Officer (Note7)	ROC	Mandy Lin	08.01.2020	11,368	0	0	0	0	0	Advantech Co., Ltd. Senior Accountant Chinese Culture University	Note	None	None	None	None
Accounting Officer (Note7)	ROC	Rorie Kang	04.13.2011	8,749	0	0	0	0	0	Affiliates of Advantech Group Senior Accountant Department of Accounting, Chung Hsing University	None	None	None	None	None

Note 1: Simultaneously act as the chairman of the following companies:

Advantech Foundation 、Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) 、Advantech Investment Fund-A Co., Ltd. Representative 、 Advanixs Corporation. Representative. 、 Advantech Technology (China) Company Ltd. (AKMC) 、 Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) 、 Xi'an Advantech Software Ltd. (AXA) 、 Advantech Intelligent City Services Co., Ltd. Representative 、 K&M Investment Co., Ltd. 、 AdvanPOS Technology Co., Ltd. (AdvanPOS) Representative 、 YUN YAN, WU-LIAN Co., Ltd. 、 Advantech Innovative Design Co., Ltd. Representative. 、 ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SloT(China)) 、 Advantech Japan Co., Ltd. (AJP).

Simultaneously act as the director of the following companies:

AIDC Investment Corp. 、 Spring Foundation of NCTU 、 LNC Technology Co., Ltd. (LNC) Representative 、 LNC DONG GUAN CO., LTD. 、 Aimobile Co., Ltd. Representative 、 Advantech Europe B.V.(AEU) 、 Advantech Service-IoT GmbH. (A-SloT) 、 Advantech Technology Co., Ltd. (ATC) 、 HK Advantech Technology Co., Ltd. (ATC (HK)) 、 Advantech Automation Corp.(BVI) (AAC(BVI)) 、 Advantech Automation Corp.(HK) Limited.(AAC (HK)) 、 Advantech Corp.(ANA) 、 Advantech Europe Holding B.V.(AEUH) 、 Advantech KR Co., Ltd (AKR). °

Simultaneously act as the supervisor of the following companies: Moxa Technology Co., Ltd.

Note 2: Simultaneously act as the director of the following companies:

Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.(ACN) 、 Advantech Japan Co., Ltd.(AJP) 、 Board Director of Unabiz Pte Ltd. °

Note 3: Simultaneously act as the director of the following companies:

Advantech Investment Fund-A Co., Ltd. 、 Advanixs Corporation. 、 Advantech Innovative Design Co., Ltd. 、 AdvanPOS Technology Co., Ltd. (AdvanPOS) 、 Advantech Intelligent City Service 、 ACI IOT Investment Fund-I Corporation. 、 Advantech Japan Co., Ltd.(AJP) 、 Advantech Turkey Technology A.S. (ATR). 、 Advantech Vietnam Technology Company Limited(AVN)

Simultaneously act as the supervisor of the following companies:

Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) 、 Advantech Technology (China) Company Ltd. (AKMC) 、 Advantech KR Co., Ltd.(AKR).

Note 4: Simultaneously act as the director of the following companies:

Advanixs Corporation. 、 Advantech Technologies Japan Corporation .(ATJ)

Note 5: Simultaneously act as the director of the following companies: Advantech KR Co., Ltd.(AKR) 、 Advantech Czech s.r.o. (ACZ)

Note 6: Jean Ko, new replacement of corporate governance officer on 2021/03/05 ; Jill Su, resignation on 2021/01/26.

Note 7: Mandy Lin, new of accounting Officer on 2020/08/01 ; Rorie Kang, changed to another function department on 2020/07/31.

3.2.3 Remuneration of Directors, Presidents, and Vice Presidents

Remuneration of Directors

Unit: NT\$ Thousand

Title	Name	Remuneration								Ratio of Total Remuneration(A+B+C+D) to net income % (Note 10)		Relevant Remuneration Received by Directors who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G)to net income % (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's subsidiary (Note11)
		Basc Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)(Note 4)				Salary, bonuses and allowance (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
		Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech	From All Consolidated Entities (Note 7)	Advantech		From All Consolidated Entities (Note 7)		Advantech	From All Consolidated Entities (Note 7)	
																Cash	Stock	Cash	Stock			
Chairman	K.C.Liu	0	0	0	0	11,700	11,700	0	0	0.16%	0.16%	7,605	7,605	0	0	1,307	0	1,307	0	0.28%	0.28%	0
Director	Advantech Foundation																					
	Representati Chaney Ho																					
Director	AIDC Investment Corp.																					
	Representati Donald Chang																					
Director	K and M Investment Co., Ltd.																					
	Representative: Wesley Liu																					
Independen Director	Jeff Chen																					
Independen Director	Benson Liu																					
Independen Director	Chan-Jane Lin																					

*1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

For the remuneration of independent directors, besides referring to results of director performance evaluations, the Remuneration Committee considers each director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with Article 13-5 of the Company's Articles of Incorporation.

2. Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.

Range of Remuneration

Range of Remuneration	Names of Directors			
	First four categories of remuneration (A+B+C+D)		First seven categories of remuneration (A+B+C+D+E+F+G)	
	Advantech (Note 9)	Consolidated subsidiaries (Note 10)	Advantech (Note 9)	Consolidated subsidiaries (Note 10)
Less than NT\$1,000,000	K and M Investment Co., Ltd. 、 Chan-Jane Lin	K and M Investment Co., Ltd. 、 Chan-Jane Lin	Chan-Jane Lin	Chan-Jane Lin
NT\$1,000,000 – NT\$2,000,000	-	-	-	-
NT\$2,000,000 – NT\$3,500,000	K.C. Liu 、 Advantech Foundation, AIDC Investment Corp.,Jeff Chen, Benson Liu.	K.C. Liu 、 Advantech Foundation, AIDC Investment Corp.,Jeff Chen, Benson Liu.	Advantech Foundation,AIDC Investment Corp., K and M Investment Co., Ltd.,Jeff Chen , Benson Liu.	Advantech Foundation, AIDC Investment Corp., K and M Investment Co., Ltd.,Jeff Chen, Benson Liu.
NT\$3,500,000 – NT\$5,000,000	-	-	-	-
NT\$5,000,000 – NT\$10,000,000	-	-	K.C. Liu	K.C. Liu-
NT\$10,000,000 – NT\$15,000,000	-	-	-	-
NT\$15,000,000 – NT\$30,000,000	-	-	-	-
NT\$30,000,000 – NT\$50,000,000	-	-	-	-
NT\$50,000,000 – NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

Note 1: Illustrate the name of each director (the institutional shareholder and its representative should be illustrated separately) and disclose the payment amount in a lump sum. Please fill out this form and form (3-1) or (3-2) for the director who is also the President or Vice President of the Company.

Note 2: Refers to the remuneration (including director salary, duty allowances, severance pay, various bonuses, incentives, etc.) paid to the directors in the most recent year.

Note 3: Refers to the remuneration to directors from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting.

Note 4: Refers to the relevant business expenses of the directors in the most recent year (including traveling expenses, special expenses, allowances, dormitories, and transportation vehicles). For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.

Note 5: Refers to the salary, job allowance, severance pay, resignation compensation, prize money, incentive payments, traveling expenses, special expenses, allowances, dormitories, and transportation vehicles paid to the directors who are also employees (including concurrent President, Vice President, other managers, and employees) in the most recent year. For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.

Note 6: Refers to the employee bonuses (including stock dividend and cash dividend) paid to the directors who are also employees (including concurrent President, Vice President, other managers, and employees) in the most recent year. The employee bonus amount from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting should be disclosed. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally with Table 1-3 filled out.

Note 7: Refers to the number of shares (excluding the portion executed) to be subscribed by the directors who are also employees (including concurrent President, Vice President, other managers, and employees) with stock options in the most recent year and up to the publication of the annual report. In addition to this form, please fill out Table 15.

Note 8: The remuneration amount paid to the board directors of Advantech by the companies (including Advantech) in the consolidated report should be disclosed.

Note 9: Disclose the name of the directors in the respective range of remuneration paid by the Company.

Note 10: Disclose the name of the directors in the respective range of remuneration paid by all the companies (including the Company) in the consolidated financial report.

Note 11: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.

a. The remuneration amount received by the board directors from the invested companies other than the subsidiaries should be disclosed in this column.

b. The remuneration amount, if any, received by the board directors from the invested companies other than the subsidiaries should be disclosed in column J of the Range of Remuneration; also, the column should be renamed as "All transfer-investment businesses."

c. Remuneration meant for the relevant reward, income, employee bonus, and business expense collected by the board directors of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries.

* The remuneration disclosed in the Range of Remuneration differs from the concept of income defined according to Income Tax Law; therefore, the table is for the purpose of information disclosure instead of tax levy.

Remuneration paid to the presidents and vice presidents

Unit: NT\$ Thousand / Thousand units

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowance etc. (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (Note 8)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's subsidiary (Note10)
		Advantec	From All Consolidated Entities (Notes)	Advantech	From All Consolidated Entities (Notes)	Advantech	From All Consolidated Entities (Notes)	Advantech		From All Consolidated Entities (Note5)		Advantech	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman	K.C. Liu	17,384	17,384	0	0	6,800	6,800	6,698	0	6,698	0	0.43%	0.43%	0
Executive Board Director	Chaney Ho													
President	Eric Chen													
President	Miller Chang													
President	Linda Tsai													
Vice President	Deyu Yin													

Range of Remuneration

Range of Remuneration	Name of the President and Vice President	
	Advantech (Note 6)	Consolidated subsidiaries (Note 7) E
Less than NT\$1,000,000	Chaney Ho	Chaney Ho
NT\$1,000,000 – NT\$2,000,000	-	-
NT\$2,000,000 – NT\$3,500,000		
NT\$3,500,000 – NT\$5,000,000	-	-
NT\$5,000,000 – NT\$10,000,000	K .C. Liu, Deyu Yin, Eric Chen, Miller Chang, Linda Tsai	K.C. Liu, Deyu Yin, Eric Chen Miller Chang, Linda Tsai
NT\$10,000,001 – NT\$15,000,000	-	-
NT\$15,000,001 – NT\$30,000,000	-	-
NT\$30,000,001 – NT\$50,000,000	-	-
NT\$50,000,001 – NT\$100,000,000		
Over NT\$100,000,000	-	-
Total	6	6

Note 1: Illustrate the name of the President and Vice President and disclose the payment amount itemized. Please fill out this form and form (1-1) or (1-2) for the director who is also the President or Vice President of the Company.

Note 2: Refers to the salary, duty allowances, and severance paid to the President and Vice President in the most recent year.

Note 3: Refers to the reward, incentives, traveling expenses, special expenses, allowances, dormitories, transportation vehicles, and other compensations paid to the President and Vice President in the most recent year. For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.

Note 4: Refers to the employee bonus (including stock dividend and cash dividend) to the President and Vice President from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally with Table 1-3 filled out.

Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.

Note 5: Refers to the number of shares (excluding the portion executed) to be subscribed by the President and Vice President with stock options in the most recent year and up to the publication of the annual report. In addition to this form, please fill out Table 15.

Note 6: Disclose the itemized amount paid to the President and Vice President by all the companies (including the Company) in the consolidated financial statements.

Note 7: Disclose the name of the President and Vice President in the respective range of remuneration paid by the Company.

Note 8: Disclose the name of the President and Vice President in the respective range of remuneration paid by all the companies (including the Company) in the consolidated financial report.

Note 9: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.

Note 10 : a. The remuneration amount received by the President and Vice President from the invested companies other than the subsidiaries should be disclosed in this column.

b. The remuneration amount, if any, received by the President and Vice President from the invested companies other than the subsidiaries should be disclosed in column E of the Range of Remuneration and the column should be renamed as "All transfer-investment businesses."

c. Remuneration meant for the relevant reward, income, employee bonus, and business expense collected by the President and Vice President of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries.

* The remuneration disclosed in the Range of Remuneration differs from the concept of income defined according to Income Tax Law; therefore, the table is for the purpose of information disclosure instead of tax levy.

Employee Compensation amount paid to managers

March 29, 2021

	Title (Note 1)	Name (Note 1)	Stock bonus amount (proposed)	Cash bonus amount (proposed)	Total	Ratio of Total Amount to Net Income (%)
Manager	Chairman	K.C. Liu	0	6,698	6,698	0.09%
	Executive Board Director	Chaney Ho				
	President	Eric Chen				
	President	Miller Chang				
	President	Linda Tsai				
	Vice President	Deyu Yin				
	Corporate governance office	Jean Ko (Note 5)				
	Corporate governance office	Jill Su (Note 5)				
	Accounting Officer	Mandy Lin (Note 6)				
	Accounting Officer	Rorie Kang (Note 6)				

Note 1: Illustrate the name and job title of each manager and disclose the distribution of earnings in a lump sum.

Note 2: It refers to the employee Compensation (including stock dividend and cash dividend) to the managers from the earnings of the most recent year proposed and approved by the board of directors prior to the shareholders' meeting. If the distribution amount of the current year cannot be estimated, it is to base on the amount distributed in the prior year proportionally. Net income meant for the net profit after tax in the most recent year.

Note 3: Scope of applicability to managers, according to the Tai.Chai.Chen III Tzi No. 0920001301 Letter dated March 27, 2003 by the Commission, is as follows:

- (1) President and the equals
- (2) Vice President and the equals
- (3) Junior VP and the equals
- (4) Finance Officer
- (5) Accounting Officer
- (6) Other authorized personnel for management and signature

Note 4: For the directors, President, and Vice President who have collected employee Compensation (including stock dividend and cash dividend), in addition to Table 1-2 enclosed, please fill out this form.

Note 5: Jean Ko, new replacement of corporate governance officer on 2021/03/05 ; Jill Su, resignation on 2021/01/26.

Note 6: Mandy Lin, new of accounting Officer on 2020/08/01 ; Rorie Kang, changed to another function department on 2020/07/31.

3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Job Title	Ratio of 2020 total remuneration to net income (%)		Ratio of 2019 total remuneration to net income (%)	
	Advantech	All consolidated subsidiaries	Advantech	All consolidated subsidiaries
Directors, supervisor, President, and Vice President	0.71%	0.71%	1.12%	1.12%

- B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

According to the provision of Article 20 of the Company's Articles of Incorporation, remuneration of directors shall not exceed 1% of the Company's profit in the year; in addition, remuneration of directors shall be distributed reasonably in consideration of the Company's operating results and directors' contribution to the Company's operating results. Remuneration of the President shall be distributed according to the Company's Regulations Governing Remuneration of Managerial Officers, the average salary of the same position in the industry, and the President's contribution to the Company's operational objectives within the scope of the President's responsibility. Remuneration shall be set according to the Company's Regulations Governing Performance Evaluation of the Board of Directors and the Regulations Governing Remuneration of Directors. Reasonable remuneration shall be distributed in consideration of the Company's operating results, risks and development trends in the industry, and personal performance and its contribution to the Company's operating results. Evaluation of performance and reasonableness of remuneration shall be reviewed by the Remuneration Committee and the Board of Directors, and may be adjusted in a timely manner according to the operations and related laws and regulations, so as to achieve the Company's sustainable development and risk management.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	K.C. Liu	6	0	100%	Reelected
Director	Advantech Foundation: Representative: Chaney Ho	6	0	100%	Reelected
Director	AIDC Investment Corp. Representative: Donald Chang	6	0	100%	Reelected
Director	Ted Hsu	2	0	100% (Already attended two times)	Complete dismissal of reelection on 2020 05.28
Director	K and M Investment Co., Ltd. Representative: Wesley.Liu	4	0	100% (Already attended four times)	Complete reelection of new appointments on 2020 05.28
Independent Director	Joseph Yu	2	0	100% (Already attended two times)	Complete dismissal of reelection on 2020 05.28
Independent Director	Jeff Chen	6	0	100%	Reelected
Independent Director	Benson Liu	6	0	100%	Reelected
Independent Director	Chan-Jane Lin	4	0	100% (Already attended four times)	Complete reelection of new appointments on 2020 05.28

Other mentionable items:

1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

BOD	Subjects	Securities and Exchange Act,rticle 14-3	Opinions of independent directors	Company's treatment of the pinions	Resolution results
The 13th meeting of the 18th session on March 06, 2020	Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.	v	None	None	The matter is approved by all the attendees.
	Issuance of new shares from capital increase by earnings	v	None	None	The matter is approved by all the attendees.
	The Company plans to issue employee share options with price lower than fair market value	v	None	None	The matter is approved by all the attendees.
	The Company's 2020 CPA fees.	v	None	None	The matter is approved by all the attendees.
	Amendment to the "Procedures For Lending Funds to Other Parties".	v	None	None	The matter is approved by all the attendees.
	Amendment to the "Procedures For Endorsement & Guarantee".	v	None	None	The matter is approved by all the attendees.

The 3th meeting of the 14th session on July 31, 2020	The company's accounting for its internal adjustment	v	None	None	The matter is approved by all the attendees.
The 4th meeting of the 14th session on Oct 30, 2020	The Company resolution to merge Advantech Corporation and B+B SmartWorx Inc.	v	None	None	The matter is approved by all the attendees.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Implementation of self-evaluations by the Company's Board of Directors

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Performance evaluation for January 1, 2020 to December 31, 2020	Board of Directors	Board of Directors self-evaluation	1.Participation in the operation of the company. 2.Improvement of the quality of the board of directors' decision making. 3.Composition and structure of the board of directors. 4.Election and continuing education of the directors. 5.Internal control.
Once a year	Performance evaluation for January 1, 2020 to December 31, 2020	Board of Directors	The performance of the board members	1.Alignment of the goals and missions of the company. 2.Awareness of the duties of a director. 3.Participation in the operation of the company 4.Management of internal relationship and communication. 5.The director's professionalism and continuing education. 6.Internal control.
Once a year	Performance evaluation for January 1, 2020 to December 31, 2020	Audit Committee	The performance of the Audit Committee	1.Participation in the operation of the company 2.Awareness of the duties of the functional committee 3.Improvement of quality of decisions made by the functional committee 4.Makeup of the functional committee and election of its members 5.Internal control
Once a year	Performance evaluation for January 1, 2020 to December 31, 2020	Compensation Committee	The performance of the Compensation Committee	1.Participation in the operation of the company 2.Awareness of the duties of the functional committee 3.Improvement of quality of decisions made by the functional committee 4.Makeup of the functional committee and election of its members 5.Internal control

3. Measures taken to strengthen the functionality of the board:

The Board of Directors of the Company has established the Audit Committee (in 2017) and the Remuneration Committee (in 2011) the two functional committees were established to assist the Board of Directors in fulfilling supervisory duties. The Audit Committee consisted of Independent Directors (3 personnel) in overall, and the Remuneration Committee consisted of Independent Directors and experts of relevant fields (3 personnel in total). The charter of each committee has been approved by the Board of Directors and each committee is required to report their activities and resolutions to the Board of Directors on a regular basis.

In order to materialize corporate governance, set specific performance goal for enhancing the functions and operating efficiency of the board of directors. In line with article 37 of the "practical guidelines for corporate governance of listed companies on the centralized and OTC markets," the board of directors resolved on Mar. 06, 2015 to formulate the company's "measures for evaluating the performance of the board of directors." 2015 to formulate the company's "measures for evaluating the performance of the board of directors."

Accordingly, at the end of a fiscal year, the secretariat of the board of directors would collect information on the activities of the board of directors, issue questionnaires for self evaluation to be filled by directors, and record the results for submission to the board of directors for review and improvement. In fiscal 2015 and 2016, under the arrangement of the secretariat, "self evaluation of the performance of the board of directors" was completed.

The Company's board of directors operates in accordance with the Company's "Parliamentary Rules for Directors's Meeting and related laws. The executive financial officers and chief auditors will also attend a directors's meeting and produce relevant reports to directors for reference. Meanwhile, in order to upgrade the board members's competency, the Company will invite external trainers to give lessons and arrange advanced studies for the board members.

2020 attendance records						
◎: In person ☆: Delegate to attend *: Not present						
2020	first time	second time	third time	fourth time	fifth time	sixth time
Joseph Yu	◎	◎	-	-	-	-
Jeff Chen	◎	◎	◎	◎	◎	◎
Benson Liu	◎	◎	◎	◎	◎	◎
Chan-Jane Lin	-	-	◎	◎	◎	◎

3.3.2 Audit Committee :

A total of 4 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent director Convener	Benson Liu	4	0	100	None
Independent director	Jeff Chen	4	0	100	None
Independent director	Joseph Yu	2	0	100	2020/5/28 Discharged after re-election
Independent director	Chan-Jane Lin	2	0	100	2020/5/28 New appointment after re-election

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred in Article 14-5 of the Securities and Exchange Act.

Audit Committee	Subjects	Resolution results
The 15 th meeting of the 13 th session on March 06, 2020	Approved the Company's 2019 consolidated financial statements.	The matter is approved by all Independent Directors
	Approved the Company's 2019 annual business report, and the surplus earnings distribution proposal	The matter is approved by all Independent Directors
	Approved surplus profit distribution in the form of new shares.	The matter is approved by all Independent Directors
	Approved the Company's 2019 Statement of Internal Control System	The matter is approved by all Independent Directors
	Assessment of Independence of Certified Public Accountants	The matter is approved by all Independent Directors
	Approved CPA professional fees.	The matter is approved by all Independent Directors
	Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.	The matter is approved by all Independent Directors
	Major assets transaction, derivative commodities, fund loaning, and endorsements/guarantees.	The matter is approved by all Independent Directors
	Amendments to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees".	The matter is approved by all Independent Directors
	Reviewed the Company's capability of self-preparation financial reports.	The matter is approved by all Independent Directors
	Approved the Company's 2020Q1	

The 16 th meeting of the 13 th session on April 29, 2020	consolidated financial statements.	
	Status of activities regarding derivative commodities, capital loaning, endorsements/guarantees, and major assets transaction in 2020Q1.	The matter is approved by all Independent Directors
The 1 st meeting of the 14 th session on July 31, 2020	Approved the Company's 2020Q2 consolidated financial statements.	The matter is approved by all Independent Directors
	Status of activities regarding derivative commodities, fund loaning, endorsements/guarantees, and major assets transaction in 2020Q2	The matter is approved by all Independent Directors
	Approved the rotation of Accounting Officer and Acting Accounting Officer.	The matter is approved by all Independent Directors
The 2 nd meeting of the 14 th session on October 30, 2020	Approved the Company's 2020Q3 consolidated financial statements.	The matter is approved by all Independent Directors
	Status of activities regarding derivative commodities, fund loaning, endorsements/guarantees, and major assets transaction in the 2020Q3	The matter is approved by all Independent Directors
	Approved the merger of ANA and BBUS.	The matter is approved by all Independent Directors
	Approved 2021 internal audit plan	The matter is approved by all Independent Directors

- (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.
2. If there are independent directors' avoidance of motions owing to conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Independent Directors' communication with Chief Internal Auditor and CPA, respectively (e.g. the material agenda, methods and results regarding the Company's finance or operation status, etc.)
- (1) The Company's Chief Internal Auditor update audit findings to Audit Committee on regular basis and present internal audit report in quarterly meetings; in case of special circumstances, Chief Internal Auditor reports to Audit Committee immediately. In 2020, there was no special circumstance mentioned above. The Chief Internal Auditor communicated well with Audit Committee.
- (2) The Company's CPA presents audits or review results of quarterly financial statements and other statutory matters to Audit Committee in quarterly meetings; in case of special circumstances, the CPA reports to Audit Committee immediately. In 2020, there was no special circumstance mentioned above. The CPA communicated well with Audit Committee.
- (3) The Company's 2020 annual auditing plan includes regular review of information and communication security of the Company. Also disclosed IT risk management and strategy in risk management section in the official website.
- (4) Independent director discussion items with Chief Internal Auditor and CPA:

Date (Session)	Discussion Items with Chief Internal Auditor	Discussion Items with CPA
The 15 th meeting of the 13 th session on March 06, 2020	<ul style="list-style-type: none"> Review internal audit report Review the Company's 2019 Statement of Internal Control System 	<ul style="list-style-type: none"> Discuss audit results of 2019 financial statements, including problems or challenges and management's responses (in a closed-door meeting) Discuss information security audit plan, and report changes in laws and regulations Review CPA's qualification, performance, and independency
The 16 th meeting of the 13 th session on April 29, 2020	<ul style="list-style-type: none"> Review internal audit report 	<ul style="list-style-type: none"> Discuss review results of Q1 2020 financial statements, including problems or challenges and management's responses (in a closed-door meeting)

			<ul style="list-style-type: none"> • Report changes in laws and regulations 	
	The 1 st meeting of the 14th session on July 31, 2020	<ul style="list-style-type: none"> • Review internal audit report • Review the Company's revision and the amended procedures for lending funds to other parties. 	<ul style="list-style-type: none"> • Discuss CPA's review of Q2 2020 financial statements, including problems or challenges and management's responses (in a closed-door meeting) • Report changes in laws and regulations 	
	The 2 nd meeting of the 14th session on October 30, 2020	<ul style="list-style-type: none"> • Review internal audit report • Review 2021 audit plan 	<ul style="list-style-type: none"> • Discuss CPA's review result of Q3 2020 financial statements, including problems or challenges and management's responses (in a closed-door meeting) • Discuss audit plan for 2021 financial statements 	
	Result: The above matters have been reviewed or approved by Audit Committee without any objection raised by independent directors.			

3.3.3 The Company's implementation of corporate governance and its deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
1.Does the Company base on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles?	V		The Company has based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles for guidelines on the MOPS.	None
2.The Company's equity structure and shareholders' equity (1) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly? (2) Does the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders? (3) Does the Company establish and implement the risk control and firewall mechanism with the related parties? (4) Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	V V V V		(1)The Company has a spokesperson, stock affairs supervisor, and associated person assigned to effectively handle shareholder's suggestions or disputes. Legal issues, if any, will be handled with the assistance of the legal affair personnel. (2)Regularly disclose the pledge, increase or decrease of shareholding, or the occurrence of other events that may cause significant changes in the shares of the shareholders with over 10% shareholding; also, maintain a good relationship with the major shareholder at any time for control. (3)The management responsibilities of the Company and the affiliated enterprises are clearly defined; also, business transactions are conducted in compliance with the Company's internal control system and the relevant requirements. For strengthening the control mechanism, the procedures for monitoring subsidiaries are regulated with proper risk control. (4)The ADVANTECH worked out the "Procedure Preventing Insider Trading" for all employees, managers and board members, as well as those who know the information based on the occupation or control relation to prohibit any behaviors that could be involved in the insider trading, so that can protect the rights and interests of the investors and the ADVANTECH.The related information above is disclosed on our website.	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
3.Composition and Responsibilities of the Board of Directors (1) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members? (2) Does the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily? (3) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board,and use the results as a basis for determining the remuneration and nomination of individual directors? (4) Does the Company have the independence of the public accountant evaluated regularly?	V		(1)The Company has the board directors diversification policy defined in the "Corporate Governance Best-Practice Principles." The Company's board members must be equipped with the finance and economics,accounting,regulatory and leadership, decision-making, and operational management abilities for performing job duties that is beneficial to the development and operations of the Company.(Note1) (2)The Company has not yet established other functional committee. (3)The Company has established the Regulations Governing the Board Performance Evaluation. The Company shall conduct the evaluation of board performance before the end of every year. The scope of evaluation may cover the evaluation of the Board as a whole, individual directors and functional committees. An evaluation report shall be submitted to the Board for discussion and improvement. The evaluation report in 2020 has been submitted to the Board in March 2021 to discuss the operation of the Board as a whole, individual directors and functional committees and to propose recommendations for improvement. Board members received more than 90% of satisfaction, and the evaluation of board performance was graded excellent. In the future, the Company will continue to improve the operation of the Board and its participation in the Company's operation. From October to December 2020, the Company employed Taiwan Corporate Governance Association to conduct the evaluation of Board performance in 2021. The evaluation contained in eight aspects, namely composition, guidance, authorization, supervision, communication, self-regulation, internal control, and risk management of the Board and was conducted by survey and field review. The result of the evaluation was reported to the Board in March 2021 to further	None

Evaluation Item	Implementation Status			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			<p>improve the functions of the Board.</p> <p>Overall Assessment Results of Advantech Board of Directors:</p> <ol style="list-style-type: none"> 1. The Board of Directors Meeting has a positive atmosphere, where the Chairman fully respects opinions from members of the Board of Directors. All directors participate in the formulation of corporate vision and long-term strategic objectives through various meeting occasions, contributing their professionalism and expressing opinions to fully exercise the directors' advisory and supervisory functions. 2. The Board of Directors has fulfilled the responsibility in the supervision of corporate strategy development and operational performance. The Board of Directors also adopts the diverse professionalism and the management experience in corporate business from the members, who are also invited to participate and guide the incubation program of senior managers. Consequently, the program strengthens the depth and width of training successors and continues to create the dynamics for corporate sustainable development. 3. The Board's meeting section plans the meeting agenda for the following year every September and develops the key quarterly agenda for the Board of Directors and functional committees according to the management of objectives, which will facilitate the performance of Board of Directors meetings and upgrade the decision-making quality. <p>(4) The Board of Directors of the Company evaluates the independence, competence and professionalism of the CPA every year on a regular basis, and requests the CPA to provide the statement of independence every year. The Board of Directors reviews the independence and appointment of the CPA based on his/her profile (including detailed work</p>	

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
			experience and current clients), non-audit services, and the statement of independence (in compliance with the Norm of Professional Ethics for CPA No.10). Note2	
4.Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	V		<p>It has been reported to the Board that the Company will set up a full-time corporate governance unit as the corporate governance team under the Corporate Social Responsibility Steering Committee, and that a person will be selected from the corporate governance team to be in charge of corporate governance affairs, including matters related to the Board and shareholders' meeting, corporate registration and amendment registration, and information disclosure.</p> <p>i. Arrangement of the meetings of the board of directors according to law/regulation: Notify all directors seven days in advance and provide related data, to facilitate their understanding of items on the agenda; remind directors avoiding interest of conflict, should the items be related to their interests or the interests of legal entities they represent; distribute minutes for the meeting within 20 days.</p> <p>ii. Arrangement of shareholders' meeting according to law/regulation: Register date for shareholders' meeting by legal deadline, produce and submit notice, manual, and minutes of the meeting by deadline, and change corporate registration after revision of corporate charter or election of directors and supervisors.</p> <p>iii. Based upon "Regulations Governing the Board Performance Evaluation," board secretary collects the information related activities of the board, distributing the questionnaire to collect self evaluation of the board of directors, turning in to the board to review and improve at the end of the year.</p> <p>iv. Oversee the establishment of "administrative platform for corporate governance," in order to integrate and track various corporate-governance indicators and have a firm grip of the</p>	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
			<p>progress of corporate governance. Starting from the company's vision for corporate governance and based on the evaluation indicators of the "corporate governance evaluation," drafted by the Taiwan Stock Exchange, the platform reviews regularly, alongside various related units, various corporate-governance items, sets various corporate-governance goals, and tracks the execution, as well as results, of various corporate-governance items by units in charge, so as to sustain performance.</p> <p>v. Handle related issue about investor relations: investor relations team provides AGM information, material information announcement, financial statements, presentation material about finance and operation, information about domestic and overseas conferences.</p>	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		<p>(1) The Company has a spokesperson, stock affairs supervisor, and associated person assigned to establish a comprehensive communication channel, and regularly or irregularly held briefings to offer a face-to-face and comprehensive communication interface targeting on various issues and inquiries.</p> <p>(2) The Company sets up the Advantech CSR website in English and the stakeholder section on the Company's website, assigns contact person to communicate with the stakeholders. The Company also responds to the stakeholder's concern over CSR issues through stakeholder questionnaire, notice of collection, website, and CSR reports.</p>	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company commissioned a professional stock affairs service agent - KGI Securities Co., Ltd. Shareholder Service Department to handle the Company's stock service matters, and with the "Guidelines for Handling of Stock Affairs" stipulated to regulate the relevant operations.	None
7. Information disclosure			(1) The company profile and business information is disclosed in the	None

Evaluation Item	Implementation Status			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
(1) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		Company's website with the shareholder's section setup to disclose financial information and corporate governance; also, to establish a communication channel for communicating to investors.	
(2) Does the Company have adopted other information disclosure methods (such as, establishing an English website, designating responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		(2) The Company has information fully disclosed through the English website, assigning the Investor Relations Commissioner for information collection and disclosure, a clear spokesperson system, and the investor conference on the Company's website.	
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V		(3) The Company announces and reports annual financial statements Within three months of the end of each fiscal year, and announces and reports Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit.	
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the continuing education of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		(1). The interests of employees and employee care: Offer staff salaries higher than the minimum wage defined in the Labor Standards Act, better employee benefits than the industry standard, insurance coverage and pension benefits according to the law; also, group insurance and overseas business traveling insurance in order to protect the work and life safety of colleagues. Regulate labor safety and health code, exercise Job Equality Act, provide safe, healthy, and harassment-free working environment and culture, and achieve ISO-14001 (Environmental Management International Standard) and ISO-45001 (Occupational Health and Safety Management System) certification. Initiate two performance evaluations of the colleagues during the middle of the year and at the end of the year in order to achieve the overall business plan and as a reference for staff promotion, employee training and development, and payment of salaries. Ensure all employees	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
			<p>are protected by the Collective Bargaining Agreement through labor meetings, department meetings, seminars, Suggestion Box, and other communication channels.</p> <p>(2)Supplier relation: On the supplier management, the ADVANTECH had introduced the "Responsible Business Alliance (RBA) (past be known as Electronic Industry Code of Conduct (EICC))" since 2010,and strictly brought the principle of the environmental protection into the mechanism of supplier management to establish the Green Supply Chain Management System. The suppliers are managed via the Supplier Management System (SMS), and the behavior review/verification for the important suppliers, including supplier add/change as well as the procedures to evaluate the suppliers are specified in the Management Document (M-001_purchase procedure). The "Purchase Behavior Criteria"worked out in the ADVANTECH specifies the purchase behavior. Meanwhile, the suppliers must sign the Commitment to Honesty to follow the honesty.</p> <p>(3)Investor Relations: Information is fully disclosed through the MOPS and the Company's Website to help investors understand the Company's operating conditions and to communicate with investors through the shareholders' meeting and the spokesman.</p> <p>(4)Continuing education of directors and supervisors: The Company actively encourages directors to participate in continuing education as scheduled below.</p> <p>(5)Customer Policy: The Company keeps in contact with customers regularly and communicates the needs of the customers through online/telephone, customer service, and Account Manager System; also, a Suggestion Box is setup to respond to customer complaint promptly.</p>	

Evaluation Item	Implementation Status			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			(6)The acquisition of liability insurance for directors : The Company has acquired liability insurance for directors and supervisors .	
9.Does the Company have a corporate governance self-assessment report prepared or a corporate governance assessment report issued by the commissioned professional institutions? (If yes, please state the opinion of the board of directors, the self-assessment or outsourcing evaluation results, the main nonconformity or suggestion, and implementation of improvement)	V		ACL particularly disclosed the information on our website to meet the corporate governance requirements.The Company will make improvement progressively according to the plan to be made for the matters that have not been improved.	None

None1

Diversified core projects Director Name	Gender	Capability of Operational Judgement	Capability of Accounting & Finance judgement	capability of management	capability of awareness	Industry knowledge	Global market observation	Capability of leadership	capability of decision making
K.C. Liu	Male	V		V	V	V	V	V	V
Donald Chang	Male	V		V	V	V	V	V	V
Chaney HO	Male	V		V	V	V	V	V	V
Wesley.Liu	Male	V		V	V	V	V	V	V
Jeff Chen	Male	V	V	V	V	V	V	V	V
Benson Liu	Male	V	V	V	V	V	V	V	V
Chan-Jane Lin	Male	V	V	V	V		V	V	V

None2 Assessment criteria of accountant's Independence

Evaluation items	2020 Assessment Result (Y/N)	Independence (Y/N)
Does the CPA have a direct or indirect financial interest in Advantech.	Y	Y
Does the CPA have a significant-close business relationship with Advantech.	Y	Y
Is the CPA concerned about the possibility of losing significant clients.	Y	Y
Is the CPA entering into potential employment negotiations with Advantech.	Y	Y
Is the CPA entering into a contingent fee arrangement relating to an audit engagement.	Y	Y
A member of the assurance team being, or having been a director, or supervisor of the client, or employed by the client in a position to exert significant influence over the subject matter of the engagement within the last two years.	Y	Y
The non-assurance service performed by the CPA for an audit client would affect directly a material item of the assurance engagement.	Y	Y
Does the CPA act as an advocate on behalf of Advantech in litigation or disputes with third parties.	Y	Y
A member of the engagement team having a close or immediate family member who is a director, supervisor, or officer of Advantech or an employee of Advantech who is in a position to exert significant influence over the subject matter of the engagement.	Y	Y
A member of the engagement team having a close or immediate family member who is a director, supervisor, or officer of Advantech or an employee of Advantech who is in a position to exert significant influence over the subject matter of the engagement.	Y	Y
Does the CPA accept gifts or preferential treatment from Advantech, or the director, supervisor, officer, or major stockholder of Advantech.	Y	Y
Is the CPA being threatened with litigation by Advantech.	Y	Y
Does Advantech threaten that it will revoke a planned non-assurance contract to the firm if the firm continues to disagree with the client's accounting treatment for a particular transaction.	Y	Y
Is the firm being threatened with dismissal from Advantech engagement.	Y	Y
Is the accounting firm being pressured to reduce inappropriately fees, to compel the firm to reduce the extent of work performed.	Y	Y
Was the CPA pressured to agree with controversial issues due to Advantech's employee having more expertise on the matter in question.	Y	Y
Has a member of the audit engagement team been informed by a partner of the firm that a planned promotion will not occur unless the member agrees with an audit client's inappropriate accounting treatment.	Y	Y

■ The acquisition of liability insurance for directors and supervisors:

Insured object	Insurance company	Amount of insurance coverage (NT\$)	Insurance period
All directors and supervisors	Cathay Century Insurance Co., Ltd.	148,700,000	04/01/2020 - 04/01/2021

3.3.4 The composition of the Remuneration Committee, responsibilities, and operation”:

A. Remuneration Committee members:

Identity (Note 1)	Terms Name	Over five years of experience and the following professional qualifications			Independence criteria (Note 2)										Serving as a Remuneration Committee member of another public company	Remarks
		University teaching in areas of commerce, law, finance, accounting or related corporate business	Working as a judge, attorney, lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate experiences	1	2	3	4	5	6	7	8	9	10		
Independent director	Jeff Chen	-		v	v	v	v	v	v	v	v	v	v	v	0	NA
Independent director	Benson Liu	v		v	v	v	v	v	v	v	v	v	v	v	2	NA
Others	Joseph Yu	v		v	v	v	v	v	v	v	v	v	v	v	1	NA

Note 1: Please indicate the identity as directors, independent directors, or others.

Note 2: A “✓” is marked in the space beneath the respective column when a director or supervisor has met that condition during the two-year prior to election and during his or her period of service; the conditions are as follows:

- (1) Not employed by the Company or an affiliated business.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws)..
- (8) Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws)..
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

B. The operation of Remuneration Committee

1. There are three members in Remuneration Committee of the Company.
2. Current term of office: May 28, 2020 ~ May 27, 2023; the most recent year (2020)

The Board held 4 meetings (A) with the attendance record and qualification of Committee members as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Jeff Chen	2	0	100%	Complete reelection of new appointments on 2020 05.28
Independent director	Benson Liu	4	0	100%	Reelected
Committee Member	Joseph Yu	4	0	100%	Reelected
Committee Member	Caroline Wang	2	0	100%	Complete dismissal of reelection on 2020 05.28

Other required information:

1. If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling the opinions proposed by the Remuneration Committee: None
2. For resolutions reached by the Remuneration Committee regarding which independent directors have voiced opposing or qualified opinions on the record or in writing, the Remuneration Committee meeting date, period, content of the resolution, opinions of all members, and the handling of the opinions of the members: None.

Remuneration Committee	Subjects	Resolution results	Company reaction base on the opinion of Compensation Committee
The 8 th meeting of the 13th session on January 09, 2020	<ol style="list-style-type: none"> 2020 Advantech Remuneration Committee Meeting Plan 2019 Advantech Remuneration Committee Performance Self-Assessment Review of 2019 Advantech Director's Remuneration. Proposal for 2019 Advantech Managers' Year-End Bonus, Performance Bonus, and Employee Remuneration. 	Passed by all members unanimously.	Presented by the chairperson of the Compensation Committee to the board of directors
The 9 th meeting of the 13th session on March 06, 2020	<ol style="list-style-type: none"> Advantech Amendment of "Articles of Incorporation for Remuneration Committee" Review of Advantech Managers' Annual Work Goals Advantech Issuance of Employee Stock Option with Price Lower than Strike Price. 	Passed by all members unanimously.	Presented by the chairperson of the Compensation Committee to the board of directors
The 1 th meeting of the 14th session on July 31, 2020	<ol style="list-style-type: none"> Review of the Comparison of Intermediate/Senior Managers' Remuneration of Advantech with Benchmarking Company and Peer Industries. Election of Current Remuneration Committee Chairman. Advantech Amendment of "Directors' Remuneration Management Regulations." Review of Regulations Governing Advantech 2020 Issuance of Employee Stock Option for Managers. 	Passed by all members unanimously.	Presented by the chairperson of the Compensation Committee to the board of directors
The 2 th meeting of the 14th session on Oct 30, 2020	<ol style="list-style-type: none"> Allocation Principles, List and Shares of PSOP & ESOP for Employee Stock Options Issued by Advantech in 2020. Analysis of Advantech Manager/Deputy Manager Remuneration Structure and 2020 Remuneration Survey Results. 2021 Advantech Remuneration Committee Key Quarterly Meeting Plan 	Passed by all members unanimously.	Presented by the chairperson of the Compensation Committee to the board of directors

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
1.Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		<p>(1) The Advantech has initiated environmental protection management projects that emphasize energy conservation, carbon reduction, and waste reduction. Advantech's industrial waste per manufacturing unit declined since Advantech combined Xindian board factory into Linkou intelligent campus and used nitrogen to reduce waste while producing. Please refer to Advantech CSR Report, Chapter 4.</p> <p>(2) In 2010, the company established a green supply chain management system. With this system,suppliers must guarantee and verify that their products do not contain any of the hazardous substances.</p> <p>The Advantech manages its suppliers by conducting on-site inspections of key suppliers according to the procurement procedures. Please refer to Advantech CSR Report, 3.2</p> <p>(3)The Advantech believes that its ongoing success and advancement depend on the collective efforts of employee talents, the company treats all employees equally and with respect. Additionally, Advantech welcomes job seekers who identify with the company's corporate philosophies and culture and are willing to grow and work for mutually beneficial achievements.Please refer to Advantech CSR Report, 5.1.</p> <p>(4) The Company complies with the Fair Trade Act, Foreign Trade Act, Regulations Governing Export and Import Of Strategic High-tech Commodities, Export Administration Regulations of the United States of America, and Regulations Governing Permission of Trade Between Taiwan Area and Mainland Area,and all products comply with the international safety standards,international environmental regulations and import and export</p>	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			<p>regulations. This ensures that the business activities are environmentally friendly and complies with ethics.</p> <p>(5) The rise of awareness on global warming and climate change issues has necessitated businesses to manage risks associated with climate changes in order to ensure sustainable development. Advantech has participated in the Carbon Disclosure Project (CDP) since 2009, which requires the company to publish its greenhouse gas inventory data regularly on the CDP website for customers and stakeholders. Advantech's CDP score is B level in 2020, ranked 325-630 among 2,762 companies.</p>	
2.Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		<p>The Company has a "ESG and Corporate Sustainability Department setup; also, there are specific individuals responsible for planning and promoting building energy management system, industry-academia collaboration, Able Club, social welfare, arts and cultures sponsorship, corporate social responsibility websites, and other CSR-related projects. The work progress and project achievement is reported to ESG Committee, the Chairman and the Board of Directors periodically. Please refer to the illustration below regarding the CSR-related tasks:</p> <p>CSR Website : http://www.advantech.tw/csr/</p> <p>Corporate Social Responsibility Report (CSR Report): https://advcloudfiles.advantech.com/csr/Report/2019-CSR-Report.pdf</p> <p>Advantech Co., Ltd. Able Club website: http://ableclub.advantech.com.tw</p> <p>In addition, in order to substantiate the spirit of corporate social responsibility, except for the specifically designated departments, in response to the different professions and focuses for each CSR project, a trans-departmental work team is setup to be responsible for planning and execution. Such as,</p>	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			for Corporate Social Responsibility Report, the Corporate Culture Department, Brand Development Department, and Public Relation Department shall cooperate to organize a trans-departmental Promotion Office jointly with all the accountable departments, including "Corporate Governance Committee," "Labor Relation Committee," "Environmental Protection Energy-Saving Committee," "Communication Committee," "Social Care Committee," "Industry-Academia Collaboration Committee," etc. to promote and realize corporate social responsibility.	
3. Environmental issues				
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(1)The Company has established ESH Management Committee and ISO14001 environmental management system, which includes the following items:	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		a. Collect, assess, and identify the impact of the Company's activities, products, and services on the natural environment.	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		b. Establish measurable goals of environmental sustainability and regularly review the continuity and relevance of its development.	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	V		c. Set specific action plans and regularly review the effectiveness of the operation.	
			(2)The Company is committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environment	
			(3)Advantech has participated in the Carbon Disclosure Project (CDP), which requires the company to publish its greenhouse gas inventory data regularly on the CDP website for customers and stakeholders. In 2018, Advantech referenced TCFD (Task Force on Climate-related Financial Disclosures) and evaluated the list of climate change risks, including potential risks and opportunities, and corresponding measures.	

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			(4) Advantech annually discloses greenhouse gas emissions, water consumption, and total weight of waste. Advantech has implemented a number of measures to achieve the reduction targets and regularly reviewed the effectiveness of its operations. In order to ensure the credibility of greenhouse gas emissions data, on-site verification of ISO 14064 by Taiwan Inspection Technology Co., Ltd. (SGS) since 2019.	
4. Social issues (1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights? (2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries? (3) Does the Company provide employee with a safe and healthy working environment, and provide safety and health education to employees regularly? (4) Does the company set up effective career development and training programs for its employees? (5) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures? (6) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	V V V V V V		(1) In compliance with the relevant laws and labor regulations and in accordance with International Labor Convention and International Bill of Human Rights, Advantech Co. Ltd. formulated Business Conduct and the Employee Handbook and had them published on the Employee Portal for the convenience of our employees and managers. Advantech respects for employees' equal appointment and career development opportunities and will have no disparate treatment discrimination, or any form of discrimination in terms of personal gender, race, religion, political party, sexual orientation, rank, age, nationality and other issues. We are committed to providing employees with a safe and high-quality work environment, and with respect to our policies, Advantech faithfully abides by all kinds employment and labor laws; employment of child labor or illegal workers is prohibited; sexual harassment is prohibited; and the company is committed to providing employees with a safe and healthy work environment complying with various environmental laws and regulations and avoiding environmental pollution through proper management and technical applications. (2) The Group complies with the Labor Standards Act and	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			<p>related laws and regulations when setting salary and benefit measures, and provides benefits that are competitive in the market to encourage employees. Furthermore, periodic evaluations are conducted for issuing performance bonuses to share profits with employees.</p> <p>(3) The Company offers employees safe and healthy working environment and passes the occupational safety and health management system certification; provides employees with annual health checks that is better than the requirement of the Labor Standards Act; also, has the safety and health education arranged in the orientation that is held once in every two-month.</p> <p>(4) The Company, through "Advantech School," has diversified curriculum planned, established effective career capacity development and training program for employees; also, reflected the Company's operating performance and results appropriately in the employee remuneration policies to ensure the recruitment, retention, and encouragement of human resources in order to reach the goal of sustainable business operation.</p> <p>(5) The company complies with relevant regulations and follows international standards for product and service on customer health and safety, marketing and labeling, such as CE, FCC electromagnetic compatibility regulations as well as safety regulations for each product category (such as information technology equipment, industrial control, Medical Electrical Equipment, Vehicle, ship, etc.), and all related information has been released to the company website.</p> <p>https://www.advantech.tw/csr/social_contribution/care_for_environment_overview</p> <p>For customer privacy protection, formulate and release</p>	

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
			<p>relevant policies to protect consumer rights and interests on the company website. http://www.advantech.com/legal/privacy</p> <p>Product do comply with international laws and regulations on environmental protection, from getting effective use on natural resource to the ban of harmful substances, and also follow international green product related regulations. Advantech promotes green products basing on safety, energy saving and environmental protection three aspects, and announces them on the company's CSR website.</p> <p>https://www.advantech.tw/csr/social_contribution/care_for_environment_overview</p> <p>The company has a policy to protect consumer rights and appeal procedures, and has developed program files such as a quality feedback system, customer service platform, and repair operation instructions to ensure proper handling. Please refer to the company's CSR website about quality commitment.</p> <p>https://www.advantech.tw/csr/company_commitment/quality_assurance</p> <p>(6)In 2010, the company established a green supply chain management system.</p> <p>Advantech manages its suppliers by conducting on-site inspections of key suppliers according to the procurement procedures. An inspection checklist is used to confirm the suppliers' processes, quality, environmental safety and health, labor conditions, and CSR management. Through a supplier management platform, the company conducts quarterly evaluations to rate supplier quality, delivery, and their willingness to cooperate.</p>	
5.Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from	V		The Company has the CSR website setup and has the relevant and reliable CSR information disclosed on the Company's website and MOPS. The Company has corporate social responsibility information disclosed as follows:	None

Evaluation Item	Implementation Status			Deviating from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Explanation	
a third party verification unit?			a.The CSR policies, systems, or specific promotion plan resolved in the Board meeting. b.The risk and impact of substantiating corporate governance, development of sustainable environment, and maintenance of social welfare on the Company's operations and financial condition c.The goal, measures, and performance of the CSR drafted up by the Company d.The main stakeholders and the issues of concern e.The management and performance of environmental and social issues disclosed by the major suppliers f.Other CSR-related information	
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: This report was independently verified by SGS Taiwan Ltd. and found to conform to the AA1000ASType 2 High level of assurance.				
7.Other important information helpful in understanding the Company's corporate social responsibility operations: From CSR to ESG, the chairman of Advantech has been serving as a leader of important foundations and has addressed CSR issues for many years. In 2020, the Company officially established the Advantech ESG Corporate Sustainability Development Committee and Promotion Office after referring to international trends and reviewing the degree of conformity between CSR projects and corporate core strategies. In doing so, the Company aims to more comprehensively cover major corporate sustainability issues and comply with international standards. ESG goals have also become one of Advantech's 2025 Vision . The members of the ESG committee include the Chairman (the Company founder), an independent director, the General Manager of Integrated Operations Management, and the heads of the Quality Assurance, Audit , and Human Resources departments. The ESG Promotion Office is responsible for formulating annual plans, and holding four terms of meetings a year to propose new plans and present major issues. After the Committee confirms the goals, expected results, responsible teams, and schedule planning, the project will be launched by the responsible teams and the effectiveness and results will be regularly tracked by the Promotion Office for further improvement. In the past, Advantech's CSR was mainly based on the chairman's strategies. After now having been formalized, standardized, and fully authorized by the Chairman, it will be more in line with international trends. The latest ESG organization chart will be disclosed on 2020 CSR report and Company website "				

Evaluation Item	Implementation Status			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Explanation	



Sustainable Smart Solutions

Advantech's mission is to promote a “smart Earth.” In recent years, the Company has launched products including hardware, software, industrial apps, and integrated solutions for various sustainable applications, covering the scope of energy efficiency (including solar, wind, smart grids, electric vehicle charging piles, and the energy efficiency of buildings), sewage disposal, public safety (flood and disaster prevention, smart street lights, traffic safety), remote teaching and learning, remote medical care, public health, smart agriculture, and information security. In 2020, revenue from products used in sustainable applications worldwide accounted for 15.79% of Advantech's

Evaluation Item	Implementation Status			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Explanation	
total annual revenue. Advantech strives to integrate ESG concepts into its corporate core development strategies and will launch a more diverse range of smart and sustainable products.				
Case: The “Project for Digital Upgrade of PV Power Station for Poverty Alleviation” in Henan Province, in which Advantech provided solar PV solutions, such as architecture design, data acquisition, on-site monitoring, edge analysis, cloud platform operation, and maintenance, to allow farming households participating in the PV Power Station Poverty Alleviation Project to generate electricity more accurately and reliably, and achieve more transparent incomes.				
<u>ABLE Club that Combines Caring and Development for Employees</u>				
The “Advantech Beautiful Life” program integrates employee relations, the Advantech Foundation , relevant welfare committees, and other organizations to encourage employees to step out of their comfort zone, learn new knowledge, and explore new fields by participating in clubs and various themed art performances, exhibitions, speeches, and study groups, and so on. The program also encourages employees to cultivate healthy exercise habits through the clubs and to participate in various innovative projects. Each year, Advantech Headquarters spends more than NT\$ 6.5 million on employee care through these clubs.				
<u>Continuous Improvement of Green Operation</u>				
Advantech strives to comply with laws and regulations and make progress each year in terms of green operations. Evidence of the Company’s dedication to improving its energy efficiency, electricity consumption per unit of product manufactured in 2019 was 10.04% lower compared to 2018, and this followed a 7.43% reduction from 2018 to 2017. (For details, please refer to Chapter 4 of the 2019 CSR Report .)				
Following the Company’s five-year ESG vision, in 2020, newly added actions for green operations included the introduction of scientific-based carbon reduction goals, the preparation of solar panel power generation programs for our factories in Linkou and Kunshan, research and discussion on green power purchase agreements, and a green design incentive program.				
The green design incentive program is a project-based approach to encouraging product departments to develop and produce products that are more environmentally friendly. In the program, a committee of experts, including R&D supervisors, rate new products in terms of materials, energy consumption, packaging, and recyclability. Advantech’s goal for 2021 is to have 10% of the newly developed standard products meet the Company’s green design standards, with a view to achieve this for 80% of products by 2025.				
<u>The Altruism in Advantech’s Overseas Subsidiaries</u>				
In H2 of 2020, as part of the ESG component of Advantech’s 2025 Vision, the Company launched the A4C (Advantecher for Community) project in its US branch, investing USD 100,000 for colleagues from the branch to propose projects for sponsoring communities. Proposals passed by a review committee will receive a sponsorship of USD 10,000, and also encourage the colleagues to donate to these proposals or serve as volunteers . By the end of 2020, two proposals received sponsorship—one from the US and one from Taiwan. The US-based project was a volunteer project sponsoring a local children’s hospital (i.e. Children’s Hospital of Orange County), and the Taiwan-based project was a volunteer project sponsoring the Taiwan Azure Ocean Alliance’s “Blue Ocean” initiative. Both proposals received donations of more than USD 10,000. In the future, the Company will continue to encourage each and all of its subsidiaries and branches to demonstrate care for their local communities. Other success stories				

Evaluation Item	Implementation Status			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Explanation	
on ESG projects will also be collected and promoted independently by each branch through internal sharing, so as to encourage more branches to join the Company’s community care campaign.				

3.3.6 Ethical Corporate Management

Assessment Items	Operation (Note 1)			Deviating from the "Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Summary	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1)The Company has established the Ethical Corporate Management Best Practice Principles, which has been published on the Company's website and CSR website. The Ethical Corporate Management Best Practice Principles stipulate that directors, managers, employees, and mandataries of the Company or persons having substantial control over the Company shall implement the concept of ethical corporate management with the principle of good faith.</p> <p>(2)The Ethical Corporate Management Best Practice Principles explicitly stipulate procedures and guidelines for preventing unethical conduct. The Whistle-blowing Handling Guidelines have also been established for implementation.</p> <p>(3)The Ethical Corporate Management Best Practice Principles have stipulated the preventive measures for business activities which are possibly at a higher risk of being involved in unethical conduct prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or within other business scopes.</p>	None
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs</p>	<p>V</p> <p>V</p>		<p>(1) The Company expects and takes action to help trading partners recognize and comply with ethical corporate management. Depending on the circumstances, the provisions pertaining to ethical conduct will be prescribed in the contracts entered into with trading partners. If any unethical conduct is found during transactions, the Company</p>	None

Assessment Items	Operation (Note 1)			Deviating from the “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Summary	
<p>against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>may terminate the transactions or rescind the contracts.</p> <p>(2) The Human Resources Department and the Legal Department jointly cooperate to conduct internal education and training for the Company's employees and establish an effective system of professional ethics and compliance. Externally, the Purchase Department invites external suppliers to participate in the supplier conferences held by the Company to share the concept of the Company's integrity management. In the future, the Purchase Department will invite external suppliers to participate in the online Supplier Relationship Management (SRM), and inform the Legal Department about such implementation. The Legal Department will report the relevant operations to the Board of Directors once per year, and ensure that all operations of the Company comply with the requirements of relevant regulations and Ethical Corporate Management Best Practice Principles under the supervision of the Board of Directors.</p> <p>(3) The Company's “Guidelines for the Adoption of Codes of Conduct” for employees and the “Guidelines for the Adoption of Codes of Ethical Conduct” for the directors and managers include the clause of conflict of interest prevention; also, report any doubtful conflict of interest to the direct supervisor.</p> <p>(4) To ensure the implementation of ethical corporate management, the Company has set up the accounting system and the internal control system, whose implementation will be audited by internal auditors on a regular basis and reported to the Board.</p> <p>(5) The Company has published regulations and policies on the website for all employees' access. They are also included in</p>	

Assessment Items	Operation (Note 1)			Deviating from the “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Summary	
			the employee orientation and user manuals; in addition, the Company will organize a supplier online conference on a regular basis to facilitate communication and make known related regulations pertaining to ethical corporate management through the Supplier Relationship Management (SRM) in the future. The Legal Department shall hold online education on the concept of the Company's integrity management once a year for all employees.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? (3) Does the company provide proper whistleblower protection?	V V V		(1)The Company has set up an email box and a whistle-blowing mailbox to encourage employees, clients, and third-party suppliers to express their opinions and report unethical conduct. The audit unit takes charge of the whistle-blowing mailbox and report to the Board and the chairman of the Board. Depending on the circumstances, investigators will be appointed to investigate the cases reported. (2)The Company has established the Whistle-blowing Handling Guidelines and related procedures, which stipulate that the identity of whistleblowers and contents reported shall be kept confidential and that investigators shall take proper care of information obtained during the investigation. To fully protect whistleblowers, an independent code will be assigned to each case reported. (3)The Company has the “Regulations Governing the Reporting” and related operating procedures stipulated. The identity of the whistleblower and the content of the reporting should be kept confidential and protected; also, the involving investigators should not disclose any information without authorization so to protect the whistleblower from any unfair treatment, retaliation, or threat.	None
4.Strengthening information disclosure	V		The Company has a website in Chinese and English and a CSR	None

Assessment Items	Operation (Note 1)			Deviating from the “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Summary	
Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?			website established; also, the “Ethical Management Best-Practice Principles” is published on the MOPS.	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. Advantech has established the Code to require that all employees, officers and board members comply with the Code and the other policies and procedures. There is no discrepancy between the Code, including its affiliate policies and procedures, and its implementation.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). Request the suppliers and contractors (including security company) through the Procurement Department and General Affairs Department to sign the “Corporate Social Responsibility and Environmental Safety and Health Commitment” and in the future, through the Supplier Relationship Management (SRM) to implement the relevant education and training and advocacy.				

3.3.7 The Company has the corporate governance Best-Practice Principle and the related inquiries established: The Company website is with the corporate governance section designated for investor’s inquiring and downloading corporate governance-related regulations; also, it is published on the MOPS.

3.3.8 Other important information helpful in understanding the corporate governance operation: None

3.3.9 The implementation of the internal control system:

Advantech Co., Ltd.**Statement of Internal Control System**

Date: March 05, 2021

Based on the findings of a self-assessment, Advantech Co., Ltd. (Advantech) states the following with regard to its internal control system during the year 2020:

1. Advantech's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system, and Advantech has established such a system. Our internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishment the objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes due to circumstances beyond control. Nevertheless, the internal control system of Advantech contains self-monitoring mechanisms, and Advantech takes immediate remedial actions in response to any identified deficiencies.
3. Advantech evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. Advantech has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Advantech believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of subsidiaries), to provide reasonable assurance over operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of Advantech's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting on March 5, 2021, with all of the seven attending directors all affirming the content of this Statement.

Advantech Co., Ltd.

K.C. Liu
Chairman

Eric Chen
General Manager

Miller Chang
General Manager

Linda Tsai
General Manager

3.3.10 If a CPA is commissioned to review internal control system specifically, the review report should be disclosed:
None

The Company and its internal staff being punished lawfully, the punishment given by the Company to the violators of internal control system, major nonconformity, and the improvement in the most recent year and up to the publication of the annual report: None

3.3.11 The material resolutions reached in the shareholders' meeting and board meeting in the most recent year and up to the publication of the annual report:

- Important resolution reached in the Shareholders' meeting and its implementation Advantech had the 2020 general shareholders' meeting held at the Neihu Headquarters on May 28, 2020. The resolutions reached in the shareholders' meeting and their implementations are as follows:

1. The acknowledgement of the 2019 business report and financial statements

Implementation: Resolved and acknowledged.

2. The acknowledgement of the Company's 2019 earnings distribution.

Implementation: Scheduled the distribution date on July 31, 2020 and the payment date on August 19, 2020 (Cash dividend: NT\$7.8 and \$1 per share)

3. The acknowledgement of the Company's "Articles of Association" amendment.

Implementation: The Ministry of Economic Affairs approved the change registration and the announcement on the Company's website on June 04, 2020.

- Important resolutions of the Board of Directors

The important resolutions of the Board of Directors in 2020 and up to the printing date of the annual report are summarized as follows:

1. General board meeting on March 06, 2020:

- Approved the Company's 2020 business budget and operating plan.
- Approved the Company's 2019 business report, proprietary financial statements and consolidated financial statements.
- Approved the Company's 2019 distribution of remuneration to employees and remuneration to directors supervisors.
- Approved the Company's 2019 earnings distribution.
- Approved the Issuance of new shares from capital increase by earnings
- Approved the Company plans to issue employee share options with price lower than fair market value
- Approved the Company's 2020 general shareholders' meeting convening matters.
- Approved the time period and place to accept shareholder's proposals for the Company's 2020 general shareholders' meeting.
- Approved election of all directors.
- Approved exemption of the limitation of non-competition on the directors of the Company
- Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.
- Approved the application filed for the Company's 2020 bank credit line and authorized the Chairman to apply to the bank for credit loan renewal project within the credit line depending on the business operation.
- Approved the Company's 2019 "Declaration of Internal Control" completed.
- Approved the Company's "Articles of Association" amendment.
- Approved the Company's "Procedures For Lending Funds to Other Parties" amendment
- Approved the Company's "Procedures For Endorsement & Guarantee" amendment

2. General board meeting on April 29, 2020:
 - Approved the Company's 2020Q1 consolidated financial statements.
3. General board meeting on May 28, 2020:
 - Approved the proposal for the election of the Company's current Chairman.
 - Approved the Company's 14th committee members of "Salary Remuneration Committee"
4. General board meeting on June 12, 2020:
 - Approved the ex-rights record date for common share dividend
5. General board meeting on July 31, 2020:
 - Approved the Company's 2020Q2 consolidated financial statements.
6. General board meeting on October 30, 2020:
 - Approved the Company's 2019Q3 consolidated financial statements.
 - Approved the Company's passed a resolution to merge Advantech Corporation and B+B SmartWorx Inc.
 - Approved the Advantech Linkou Smart Campus Phase III construction budget
7. General board meeting on Mar 05, 2021:
 - Approved the Company's 2021 business budget and operating plan.
 - Approved the Company's 2020 business report, proprietary financial statements and consolidated financial statements.
 - Approved the Company's 2020 distribution of remuneration to employees and remuneration to directors.
 - Approved the Company's 2020 earnings distribution.
 - Approved the Issuance of new shares from capital increase by earnings.
 - Approved the Company plans to issue employee share options with price lower than fair market value
 - Approved the Company's 2020 general shareholders' meeting convening matters.
 - Approved the time period and place to accept shareholder's proposals for the Company's 2020 general shareholders' meeting.
 - Approved the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line.
 - Approved the application filed for the Company's 2020 bank credit line and authorized the Chairman to apply to the bank for credit loan renewal project within the credit line depending on the business operation.
 - Approved the Shanghai Advantech Intelligent Services Co., Ltd. a subsidiary of the Company, invests private equity fund Tianyingheyan
 - Approved the Advantech Corporate Investment. a subsidiary of the Company, invests private equity fund FH AIOT Vision Fund (Fund name tentative)
 - Approved the change Chartered Public Accountant and Accounting firm from 2021Q2
 - Approved the new appointment of corporate governance officer
 - Approved the LNC Technology Co., Ltd., a subsidiary of the Company, is planning to apply for listing and OTC listing. In order to comply with relevant laws and regulations, such a plan will be proposed at the Shareholders Meeting to reach a resolution whether to or not to authorize the Board of Directors to implement matters related to the issuance of shares to LNC prior to the filing of the application
 - Approved the Company's 2020 "Declaration of Internal Control" completed.

- Approved the Company's "Articles of Association" amendment.
- Approved the Company's "Rules and Procedures of Shareholders Meeting" amendment.

3.3.12 The contents of the board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing in the most recent year or up to the publication of the annual report: None

3.3.13 The resignation or dismissal of the Company's Chairman, President, Accounting Officer, Finance Officer, Internal Audit Director, and R&D Director in the most recent year or up to the publication of the annual report:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Corporate Governance Officer	Jill.Su	10.30.2020	01.26.2021	Resignation

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

CPA Firm	Name of CPAs		Audit Period	Remark
Deloitte & Touche	Jr-Shian Ke	Kwan-Chung Lai	01.01.2020 - 12.31.2020	

Monetary unit: NT\$ Thousand

Fees Items		Audit fee	Non-audit fee	Total
Fee Range				
1	Under NT \$2,000,000	-	1,901	1,901
2	NT\$2,000,001 ~ \$4,000,000	-	-	-
3	NT\$4,000,001 ~ \$6,000,000	-	-	-
4	NT\$6,000,001 ~ \$8,000,000	-	-	-
5	NT\$8,000,001 ~ \$10,000,000	-	-	-
6	Over NT\$100,000,000	13,710	-	13,710

- If the non-audit fees paid to the CPAs, CPA Firm, and its affiliated companies is over 25% of the audit fee, the amount of audit fee and non-audit fee and the contents of the non-audit service should be disclosed:

Monetary unit: NT\$ Thousand

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fees					Audit Period	Remark
			System design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Jr-Shian Ke	13,710	-	460	-	1,441	1,901	01.01.2020 - 12.31.2020	Other: Transfer pricing service fees
	Kwan-Chung Lai								

- If a new CPA Firm is commissioned to serve for an audit fee less than the year before, please disclose the audit fee amount before and after the CPA replacement arranged and the reason for doing so: None
- If the audit fee of current year is more than 15% less than the year before, please disclose the audit fee

amount and ratio reduced and the root cause of the fee reduction: None

3.4.2 Replacement of CPAs:

A. Regarding the former CPA

Replacement Date	March 5, 2021		
Replacement reasons and explanations	Advantech group long term strategic development and demand for internal management.		
Describe whether the Company terminated or the CPA did not accept the appointment	<div>Parties</div> <div>Status</div>	CPA	The Company
	Termination of appointment	-	V
	No longer accepted (continued) appointment	-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	
	Remarks/specify details:		
Other Revealed Matters	None		

B.Regarding the successor CPA

Name of accounting firm	PricewaterhouseCoopers (PwC) Taiwan
Name of CPA	Liang, Hua-Ling and Lin, Yi-Fan
Date of appointment	April 12, 2021
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.4.3 The Company's Chairman, President, and Finance or Accounting Officer have held a position in the independent auditing firm or its affiliates over the past year: None

3.5 Changes in the shares held and pledged by directors, supervisors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report:

Changes in equity:

March 29, 2021

Title	Name	2020		As of March 31	
		Increase (decrease) of shareholding	Increase (decrease) of shares pledged	Increase (decrease) of shareholding	Increase (decrease) of shares pledged
Director	K.C. Liu	2,558,581	0	0	0
Director	Advantech Foundation	2,026,094	0	0	0
Representative	Chaney Ho	64,000	0	(130,477)	0
Director	Ted Hsu	0	0	0	0
Director	AIDC Investment Corp.	8,198,481	0	0	0
Representative	Donald Chang	0	0	0	0
Director	K and M Investment Co., Ltd.	8,295,945	0	0	0
Representative	Wesley.Liu	28,765	0	0	0
Independent director	Jeff Chen	0	0	0	0
Independent director	Joseph Yu	0	0	0	0
Independent director	Benson Liu	0	0	0	0
Independent director	Chan-Jane Lin	0	0	0	0
President	Eric Chen	80,385	0	(9,000)	0
President	Miller Chang	(11,912)	0	0	0
President	Linda Tsai	(71,973)	0	0	0
Vice President	Deyu Yin	74,790	0	0	0
Corporate governance officer	Jill.Su	0	0	7,000	0
Corporate governance officer	Jean Ko	0	0	0	0
Accounting Officer	Rorie Kang	5,000	0	0	0
Accounting Officer	Mandy. Lin	1,032	0	0	0
Accounting Officer	Rorie Kang	0	0	0	0
Major shareholder	Asus Computer Co., Ltd.	10,049,113	0	0	0
Major shareholder	K and M Investment Co., Ltd.	8,295,945	0	0	0

3.5.1 The counterparty of the equity transfer is a related party: None

3.5.2 The counterparty of the equity pledge is a related party: None

3.6 The Top-10 shareholders who are the spouses or relatives within second-degree to each other:

March 29, 2021

Unit: Shares; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	(%)	Shares	(%)	Shares	(%)	Title	Relations	
Asus Computer Co., Ltd. Representative: Jonny Shih	110,677,983	14.32%	0	0	0	0	None	None	None
	0	0	0	0	0	0	None	None	None
K and M Investment Co., Ltd. Representative: K.C. Liu	91,369,108	11.83%	0	0	0	0	AIDC Investment Corp.	Director	None
	28,179,467	3.65%	1,517,584	0.20%	0	0	Advantech Foundation	Director	
AIDC Investment Corp. Representative: Mary Chang	90,295,663	11.69%	0	0	0	0	K and M Investment Co., Ltd.	Director	None
	1,517,584	0.20%	28,179,467	3.65%	0	0	Advantech Foundation	Director	
K.C. Liu	28,179,467	3.65%	1,517,584	0.20%	0	0	K and M Investment Co., Ltd.	Director	None
							AIDC Investment Corp.	Director	
							Advantech Foundation	Director	
Advantech Foundation Representative: K.C. Liu	22,314,809	2.89%	0	0	0	0	K and M Investment Co., Ltd.	Director	None
	28,179,467	3.65%	1,517,584	0.20%	0	0	AIDC Investment Corp.	Director	None
First Sentier Investors ICVC - Stewart Investors Asia Pacific Leaders Sustainability Fund	21,328,295	2.76%	0	0	0	0	None	None	None
Tran-Fei Development Co., Ltd	19,010,851	2.46%	0	0	0	0	None	None	None
Yong-Shun Zhuang	17,561,649	2.27%	0	0	0	0	None	None	None
The Overlook Partners Fund L.P	11,995,000	1.55%	0	0	0	0	None	None	None
FIRST STATE GLOBAL UMBRELLA FUND PUBLIC LIMITED COMPANY - FIRST STATEASIAN EQUITY PLUS FUND	9,764,048	1.26%	0	0	0	0	None	None	None

Note1: Illustrate the name of the Top-10 shareholders; also, illustrate separately the name of the institutional shareholder and its representative.

Note2: The shareholding ratio is calculated by referring to the shares held by the Principal, the Principal's spouses and underage children, or by nominee agreement.

Note3: Disclose the relationship among shareholders referred to above, including the juristic person and natural person.

3.7 The shares of the invested company held by the Company, the Company's directors, supervisors, managers, and companies controlled directly or indirectly, and the aggregated overall shareholding ratio:

% Unit: Shares; %

Item	Affiliated Enterprises	Abbreviation	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
			Shares	(%)	Shares	(%)	Shares	(%)
01	Advantech Automation Corp.	AAC(BVI)	128,496,207	100	--	--	128,496,207	100
02	Advantech Automation Corp.(HK) Limited	AAC(HK)	--	--	15,230,001	100	15,230,001	100
03	Advantech Corporation	ANA	--	--	10,952,606	100	10,952,606	100
04	Advantech Technology Limited	AIE	--	--	--	100	--	100
05	Advantech Czech s.r.o.	ACZ	--	--	--	100	--	100
06	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	ACN	--	--	--	100	--	100
07	Shanghai Advantech Intelligent Services Co.,Ltd.	AISC	--	--	--	100	--	100
08	Shanghai Yanle Co., Ltd.	AYL	--	--	--	100	--	100
09	Xi'an Advantech Software Ltd.	AXA	--	--	--	100	--	100
10	Advantech Service-IoT Co. Ltd.	SloT (Cayman)	--	--	30,000,000	100	30,000,000	100
11	Advantech Service-IoT (Shanghai) Co., Ltd.	SloT (China)	--	--	--	100	--	100
12	Advantech Service IoT GmbH	A-SIoT	--	--	1	100	1	100
13	Advantech Intelligent Health Co., Ltd.	AIH	--	--	1,100,000	100	1,100,000	100
14	Advantech Technology DMCC.	ADB	--	--	--	100	--	100
15	Advantech Europe Holding B.V.	AEUH	25,961,250	100	--	--	25,961,250	100
16	Advantech Europe B.V.	AEU	--	--	32,315,215	100	32,315,215	100
17	Advantech Poland Sp z o.o	APL	--	--	7,030	100	7,030	100
18	Advantech Co. Singapore Pte, Ltd.	ASG	1,450,000	100	--	--	1,450,000	100
19	Advantech International PT.	AID	--	--	300,000	100	300,000	100
20	Advantech Corporation (Thailand) Co.,Ltd.	ATH	51,000	51	49,000	49	100,000	100
21	Advantech Technology Co.,Ltd.	ATC	40,850,000	100	--	--	40,850,000	100
22	HK Advantech Technology Co., Limited	ATC(HK)	--	--	57,890,679	100	57,890,679	100
23	Advantech Technology (China) Company Ltd.	AKMC	--	--	--	100	--	100
24	Advantech Brazil Ltda	ABR	12,723,038	100	--	--	12,723,038	100
25	Advantech Australia Pty Ltd.	AAU	500,204	100	--	--	500,204	100
26	ADVANTECH IOT ISRAEL LTD	AIL	100	100	--	--	100	100

Item	Investment Business	Abbreviation	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
			Shares	(%)	Shares	(%)	Shares	(%)
27	Advantech Industrial Computing India Pvt. Ltd.	AIN	3,999,999	99.99	1	0.01	4,000,000	100
28	Advantech Japan Co.,Ltd.	AJP	1,200	100	--	--	1,200	100
29	Advantech KR Co., Ltd.	AKR	600,000	100	--	--	600,000	100
30	ADVANTECH ELECTRONICS, S.A.P.I. DE C.V.	AMX	10,000,002	100	--	--	10,000,002	100
31	Advantech Co., Malaysia Sdn.Bhd.	AMY	2,000,000	100	--	--	2,000,000	100
32	Advantech Technology Limited Liability Company.	ARU	1	100	--	--	1	100
33	Advantech Technologies Japan Corp.	ATJ	500,000	50	286,100	28.61	786,100	78.61
34	Advantech Turkey Technology A.S.	ATR	260,870	60	--	--	260,870	60
35	Advantech Vietnam Technology Company Limited.	AVN	8,100	60	--	--	8,100	60
36	Advantech Corporate Investment	ACI	300,000,000	100	--	--	300,000,000	100
37	Yun Yan, Wu-Lian Co., Ltd.	Yun Yan	--	--	500,000	50	500,000	50
38	ACI IOT Investment Fund-I Corporation	ACI IOT Investment Fund-I	--	--	23,800,000	79.3	23,800,000	79.3
39	Advantech Corporate Investment Ltd.	ACISM	--	--	1	100	1	100
40	Cermate Technologies Inc.	Cermate	--	--	5,500,000	55	5,500,000	55
41	LandMark Co.,Ltd.	LandMark	--	--	972,284	100	972,284	100
42	Cermate Technologies (Shanghai) Inc.	Cermate Shanghai	--	--	--	100	--	100
43	Shenzhen Cermate Technologies Inc.	Shenzhen Cermate	--	--	--	90	--	90
44	Advantech Intelligent Services Co., Ltd.	AiST	1,000,000	100	--	--	1,000,000	100
45	LNC Technology Co., Ltd.	LNC	17,730,000	59.10	--	--	17,730,000	59.10
46	LNC Dong Guan Co., Ltd.	LNC Dong Guan	--	--	--	100	--	100
47	Better Auto Holdings Limited	Better Auto	--	--	7,425,000	100	7,425,000	100
48	Famous Now Limited	Famous Now	--	--	1	100	1	100
49	Advanixs Corporation	Advanixs	10,000,000	100	--	--	10,000,000	100
50	AdvanPOS	AdvanPOS	1,000,000	100	--	--	1,000,000	100
51	Advantech Innovative Design Co., Ltd.	AID	1,000,000	100	--	--	1,000,000	100
52	Huan Yan Water Solution Co., Ltd.	Huan Yan	2,700,000	100	--	--	2,700,000	100

IV. Capital Overview

4.1 Capital and shares

4.1.1 Sources of capital

Unit: Thousand shares; NT\$ Thousand

Month / year	Par Value (NT\$)	Authorized capital		Paid-in capital		Remark			
		Shares	Amount	Shares	Amount	Source of capital		Capital Increased by Assets Other than Cash	Others
07.1997	10	100,000	1,000,000	47,500	475,000	Capitalization by cash	171,000	None	Note 1
						Capitalization by earnings	114,000		
06.1998	10	100,000	1,000,000	80,750	807,500	Capitalization by cash	95,000	None	Note 2
						Capitalization by earnings	237,500		
06.1999	10	200,000	2,000,000	130,700	1,307,000	Capitalization by earnings	499,500	None	Note 3
05.2000	10	298,000	2,980,000	174,500	1,745,000	Capitalization by earnings	438,000	None	Note 4
08.2001	10	298,000	2,980,000	233,200	2,332,000	Capitalization by earnings	587,000	None	Note 5
12.2001	10	298,000	2,980,000	233,429	2,334,294	Conversion of convertible bond	2,294	None	
02.2002	10	298,000	2,980,000	233,486	2,334,865	Conversion of convertible bond	571	None	
06.2002	10	500,000	5,000,000	285,513	2,855,130	Capitalization by earnings	520,135	None	Note 6
						Conversion of convertible bond	130		
12.2002	10	500,000	5,000,000	285,529	2,855,292	Conversion of convertible bond	162	None	
02.2003	10	500,000	5,000,000	286,242	2,862,423	Conversion of convertible bond	7,131	None	
04.2003	10	500,000	5,000,000	292,846	2,928,462	Capitalization	66,039	Note 9	Note 7
06.2003	10	500,000	5,000,000	341,304	3,413,039	Capitalization by earnings	484,577	None	Note 8
03.2004	10	500,000	5,000,000	337,728	3,377,279	Cancellation of Treasury Stock	(38,620)	None	
						Conversion of convertible bond	2,860		
06.2004	10	500,000	5,000,000	362,862	3,628,617	Capitalization by earnings	223,864	None	Note 10
						Conversion of convertible bond	27,474		
09.2004	10	500,000	5,000,000	369,230	3,692,299	Conversion of convertible bond	63,682	None	
12.2004	10	500,000	5,000,000	374,296	3,742,812	Conversion of convertible bond	50,513	None	
03.2005	10	500,000	5,000,000	374,767	3,747,672	Conversion of convertible bond	4,860	None	
06.2005	10	500,000	5,000,000	401,683	4,016,833	Capitalization by earnings	237,384	None	Note 11
						Conversion of convertible bond	31,777		
09.2005	10	500,000	5,000,000	403,889	4,038,893	Conversion of convertible bond	22,060	None	
12.2005	10	500,000	5,000,000	448,783	4,487,826	Exchange of shares	448,933	None	Note 12

Month / Year	Par Value (NT\$)	Authorized capital		Paid-in capital		Remark			
		Shares	Amount	Shares	Amount	Source of capital		Capital Increased by Assets Other than Cash	Others
01.2006	10	500,000	5,000,000	448,900	4,489,003	Conversion of convertible bond	477	None	
						Conversion of stock option	700		
04.2006	10	500,000	5,000,000	448,960	4,489,603	Conversion of stock option	600	None	
07.2006	10	500,000	5,000,000	463,180	4,631,795	Capitalization by earnings	139,792	None	Note 13
						Conversion of convertible bond	2,100		
						Conversion of stock option	300		
09.2006	10	500,000	5,000,000	463,365	4,633,645	Conversion of stock option	1,850	None	
12.2006	10	500,000	5,000,000	463,630	4,636,295	Conversion of stock option	2,650	None	
03.2007	10	500,000	5,000,000	463,665	4,636,645	Conversion of stock option	350	None	
07.2007	10	600,000	6,000,000	490,847	4,908,470	Capitalization by earnings	271,825	None	Note 14
09.2007	10	600,000	6,000,000	491,227	4,912,270	Conversion of stock option	3,800	None	
12.2007	10	600,000	6,000,000	491,577	4,915,770	Conversion of stock option	3,500	None	
04.2008	10	600,000	6,000,000	491,877	4,918,770	Conversion of stock option	3,000	None	
07.2008	10	600,000	6,000,000	481,877	4,818,770	Cancellation of Treasury Stock	(100,000)	None	Note 15
07.2008	10	600,000	6,000,000	481,962	4,819,620	Conversion of stock option	850	None	
08.2008	10	600,000	6,000,000	511,330	5,113,308	Capitalization by earnings	293,688	None	Note 16
10.2008	10	600,000	6,000,000	511,346	5,113,458	Conversion of stock option	150	None	
04.2009	10	600,000	6,000,000	511,366	5,113,658	Conversion of stock option	200	None	
07.2009	10	600,000	6,000,000	511,386	5,113,858	Conversion of stock option	200	None	
08.2009	10	600,000	6,000,000	516,009	5,160,087	Capitalization by earnings	46,229	None	Note 17
10.2009	10	600,000	6,000,000	516,134	5,161,337	Conversion of stock option	1,250	None	
11.2010	10	600,000	6,000,000	501,634	5,016,337	Cancellation of Treasury Stock	(145,000)	None	Note 18
08.2011	10	600,000	6,000,000	551,797	5,517,971	Capitalization by paid-in capital	501,634	None	Note 19
01.2012	10	600,000	6,000,000	552,996	5,529,961	Conversion of stock option	11,990	None	Note 20
04.2012	10	600,000	6,000,000	553,832	5,538,321	Conversion of stock option	8,360	None	Note 21
10.2012	10	600,000	6,000,000	560,893	5,608,937	Conversion of stock option	70,616	None	Note 22
01.2013	10	600,000	6,000,000	563,997	5,639,970	Conversion of stock option	31,033	None	Note 23
05.2013	10	600,000	6,000,000	565,205	5,652,050	Conversion of stock option	12,080	None	Note 24
08.2013	10	600,000	6,000,000	565,627	5,656,270	Conversion of stock option	4,220	None	Note 25
10.2013	10	600,000	6,000,000	566,924	5,669,248	Conversion of stock option	12,978	None	Note 26
02.2014	10	600,000	6,000,000	569,400	5,694,000	Conversion of stock option	24,752	None	Note 27
05.2014	10	600,000	6,000,000	571,451	5,714,511	Conversion of stock option	20,511	None	Note 28
07.2014	10	600,000	6,000,000	571,762	5,717,621	Conversion of stock option	3,110	None	Note 29
09.2014	10	800,000	8,000,000	628,702	6,287,021	Capitalization by earnings	569,400	None	Note 30
11.2014	10	800,000	8,000,000	630,103	6,301,031	Conversion of stock option	14,010	None	Note 31
02.2015	10	800,000	8,000,000	631,209	6,312,091	Conversion of stock option	11,060	None	Note 32
04.2015	10	800,000	8,000,000	631,518	6,315,186	Conversion of stock option	3,095	None	Note 33
06.2015	10	800,000	8,000,000	631,853	6,318,531	Conversion of stock option	3,345	None	Note 34

10.2016	10	800,000	8,000,000	632,609	6,326,091	Conversion of stock option	756	None	Note 35
01.2017	10	800,000	8,000,000	633,074	6,330,741	Conversion of stock option	465	None	Note 36
04.2017	10	800,000	8,000,000	633,254	6,332,541	Conversion of stock option	180	None	Note 37
07.2017	10	800,000	8,000,000	696,611	6,966,115	Capitalization by earnings	63,357	None	Note 38
11.2017	10	800,000	8,000,000	697,032	6,970,325	Conversion of stock option	421	None	Note 39
03.2018	10	800,000	8,000,000	697,282	6,972,825	Conversion of stock option	250	None	Note 40
05.2018	10	800,000	8,000,000	697,457	6,974,575	Conversion of stock option	175	None	Note 41
08.2018	10	800,000	8,000,000	697,544	6,975,445	Conversion of stock option	87	None	Note 42
11.2018	10	800,000	8,000,000	698,227	6,982,275	Conversion of stock option	683	None	Note 43
03.2019	10	800,000	8,000,000	698,695	6,986,955	Conversion of stock option	468	None	Note 44
05.2019	10	800,000	8,000,000	699,075	6,990,755	Conversion of stock option	380	None	Note 45
08.2019	10	800,000	8,000,000	699,140	6,991,405	Conversion of stock option	65	None	Note 46
11.2019	10	800,000	8,000,000	699,923	6,999,230	Conversion of stock option	783	None	Note 47
03.2020	10	800,000	8,000,000	700,410	7,004,100	Conversion of stock option	487	None	Note 48
05.2020	10	800,000	8,000,000	700,870	7,008,700	Conversion of stock option	460	None	Note 49
08.2020	10	800,000	8,000,000	771,350	7,713,500	Conversion of stock option	439	None	Note 50
						Capitalization by earnings	70,041		
11.2020	10	800,000	8,000,000	771,945	7,719,455	Conversion of stock option	595,500	None	Note 51

Note 1: (86) Tai.Chai.Chen (I) No. 42710 Letter dated May 28, 1997

Note 2: (87) Tai.Chai.Chen (I) No. 47165 Letter dated May 29, 1998

Note 3: (88) Tai.Chai.Chen (I) No. 44698 Letter dated May 17, 1999

Note 4: (89) Tai.Chai.Chen (I) No. 42068 Letter dated May 16, 2000

Note 5: (90) Tai.Chai.Chen (I) No. 131759 Letter dated May 22, 2001

Note 6: Tai.Chai.Chen.I.Tzi No. 0910131630 Letter dated June 11, 2002

Note 7: Tai.Chai.Chen.I.Tzi No. 0920111609 Letter dated April 16, 2003

Note 8: Tai.Chai.Chen.I.Tzi No. 0920128945 Letter dated June 30, 2003

Note 9: Issued new stock shares to exchange for the common stock shares of AXIOMTEK.

Note 10: Tai.Chai.Chen.I.Tzi No. 0930126256 Letter dated June 14, 2004

Note 11: FSC.S.I.Tzi No. 0940124309 Letter dated June 17, 2005

Note 12: FSC.S.I.Tzi No. 0940006036 Letter dated December 22, 2005

Note 13: FSC.S.I.Tzi No. 0950130113 Letter dated July 12, 2006

Note 14: FSC.S.I.Tzi No. 0960035881 Letter dated July 13, 2007

Note 15: MOEA.So.Sun.Tzi No. 09701161800 Letter dated July 4, 2008

Note 16: FSC.S.I.Tzi No. 0970034562 Letter dated July 10, 2008

Note 17: FSC.S.Far.Tzi No. 0980027007 Letter dated June 3, 2009

Note 18: MOEA.So.Sun.Tzi No. 09901265490 Letter dated November 26, 2010

Note 19: MOEA.So.Sun.Tzi No. 10001174140 Letter dated August 1, 2011

Note 20: MOEA.So.Sun.Tzi No. 10101008150 Letter dated January 13, 2012

Note 21: MOEA.So.Sun.Tzi No. 10101074290 Letter dated April 27, 2012

Note 22: MOEA.So.Sun.Tzi No. 10101215000 Letter dated October 17, 2012

Note 23: MOEA.So.Sun.Tzi No. 10201009210 Letter dated January 15, 2013

Note 24: MOEA.So.Sun.Tzi No. 10201077320 Letter dated May 1, 2013

Note 25: MOEA.So.Sun.Tzi No. 10201153720 Letter dated August 1, 2013

Note 26: MOEA.So.Sun.Tzi No. 10201219700 Letter dated October 29, 2013

Note 27: MOEA.So.Sun.Tzi No. 10301021080 Letter dated February 11, 2014

Note 28: MOEA.So.Sun.Tzi No. 10301077560 Letter dated May 1, 2014

Note 29: MOEA.So.Sun.Tzi No. 10301150080 Letter dated July 28, 2014

Note 30: MOEA.So.Sun.Tzi No. 10301198730 Letter dated September 23, 2014

Note 31: MOEA.So.Sun.Tzi No. 10301225080 Letter dated November 3, 2014

Note 32: MOEA.So.Sun.Tzi No. 10401013670 Letter dated February 4, 2015

Note 33: MOEA.So.Sun.Tzi No. 10401076830 Letter dated April 27, 2015

Note 34: MOEA.So.Sun.Tzi No. 10401159550 Letter dated July 29, 2015

Note 35: MOEA.So.Sun.Tzi No. 10501245810 Letter dated October 18, 2016

Note 36: MOEA.So.Sun.Tzi No. 10601005570 Letter dated January 16, 2017

Note 37: MOEA.So.Sun.Tzi No. 10601046990 Letter dated April 12, 2017

Note 38: MOEA.So.Sun.Tzi No. 10601104750 Letter dated July 21, 2017
 Note 39: MOEA.So.Sun.Tzi No. 10601155330 Letter dated November 15, 2017
 Note 40: MOEA.So.Sun.Tzi No. 10701027200 Letter dated March 22, 2018
 Note 41: MOEA.So.Sun.Tzi No. 10701051810 Letter dated May 22, 2018
 Note 42: MOEA.So.Sun.Tzi No. 10701100250 Letter dated August 13, 2018
 Note 43: MOEA.So.Sun.Tzi No. 10701140180 Letter dated November 21, 2018
 Note 44: MOEA.So.Sun.Tzi No. 10801031320 Letter dated March 28, 2019
 Note 45: MOEA.So.Sun.Tzi No. 10801057110 Letter dated May 20, 2019
 Note 46: MOEA.So.Sun.Tzi No. 10801113420 Letter dated August 28, 2019
 Note 47: MOEA.So.Sun.Tzi No. 10801164360 Letter dated November 19, 2019
 Note 48: MOEA.So.Sun.Tzi No. 10901046780 Letter dated April 8, 2020
 Note 49: MOEA.So.Sun.Tzi No. 10901075090 Letter dated May 11, 2020
 Note 50: MOEA.So.Sun.Tzi No. 10901155470 Letter dated August 17, 2020
 Note 51: MOEA.So.Sun.Tzi No. 10901046780 Letter dated November 23, 2020

Share Type	Authorized capital			Remarks
	Issued Shares	Un-issued shares	Total	
Order common stock	772,640,511	227,359,489	1,000,000,000	Authorized capital stock, of which, 50,000 thousand shares are reserved for exercising stock options.

Note: It is the number of shares of the listed stock as of March 29, 2021.

Information of shelf registration: NA

4.1.2 Shareholder structure:

March 29, 2021 (Ex-transfer date)

Structure of Shareholder QTY	Government institutions	Financial institutions	Other juristic person	Natural person	Foreign institution & foreigners	Total
Number of persons	1	59	76	9,868	964	10,968
Shareholding	8	12,550,935	361,015,602	77,862,729	321,211,237	772,640,511
Shareholding ratio	0	1.62%	46.73%	10.07%	41.58%	100%

1.1.3 Status of Ownership Dispersion:

NT\$10 Par
March 29, 2021 (Ex-transfer date)

Shareholding class	Number of shareholders	Shareholding	Shareholding ratio
1 ~ 999	6,176	1,028,373	0.13%
1,000 ~ 5,000	3,160	6,182,036	0.80%
5,001 ~ 10,000	460	3,217,928	0.42%
10,001 ~ 15,000	174	2,173,093	0.28%
15,001 ~ 20,000	122	2,105,358	0.27%
20,001 ~ 30,000	128	3,150,772	0.41%
30,001 ~ 40,000	73	2,579,800	0.33%
40,001 ~ 50,000	59	2,639,920	0.34%
50,001 ~ 100,000	174	12,217,265	1.58%
100,001 ~ 200,000	135	19,482,177	2.52%
200,001 ~ 400,000	117	31,516,888	4.08%
400,001 ~ 600,000	49	23,648,588	3.06%
600,001 ~ 800,000	32	22,934,370	2.97%
800,001 ~ 1,000,000	20	17,704,438	2.29%
1,000,001 or over	90	622,059,505	80.52%
Total	10,968	772,640,511	100%

Note: The Company does not have preferred stock shares issued.

4.1.4 List of major shareholders:

March 29, 2021 (Ex-transfer date) Unit: Shares

Shares Name of major shareholders	Shareholding	Shareholding ratio
ASUSTEK COMPUTER Inc	110,677,983	14.32%
K and M Investment Co., Ltd.	91,369,108	11.83%
AIDC Investment Co., Ltd.	90,295,663	11.69%
K.C. Liu	28,179,467	3.65%
Advantech Foundation	22,314,809	2.89%
First Sentier Investors ICVC - Stewart Investors Asia Pacific Leaders Sustainability Fund	21,328,295	2.76%
Tran-Fei Development Co., Ltd.	19,010,851	2.46%
Yong-Shun Zhuang	17,561,649	2.27%
The Overlook Partners Fund L.P.	11,995,000	1.55%
FIRST STATE GLOBAL UMBRELLA FUND PUBLIC LIMITED COMPANY - FIRST STATEASIAN EQUITY PLUS FUND	9,764,048	1.26%

4.1.5 Market price, net worth, earnings, and dividends of per share within 2 years:

Unit: NT\$

Year		2019	2020	As of March 31, 2021
Item				
Market price per share	Max.	320	360	396
	Min.	210	219	343
	Average	264.31	296.95	361.15
Net worth per share	Before distribution	46.02	44.56	40.61
	After distribution	34.64	Note 4	-
Earnings per share	Weighted average shares		699,306,176	771,264,127
	Earnings per share	Before adjustment	10.51	9.40
		After adjustment	9.56	Note 4
Dividend per share	Cash dividend		7.8	7.1
	Stock dividend	Stock Dividend from Retained earnings	1	-
		Stock Dividend from additional paid-in capital	-	-
	Cumulative un-paid dividend		-	-
Return on investment analysis	Price / Earnings Ratio (Note 1)		27.65	31.59
	Price / Dividend Ratio (Note 2)		33.88	41.82
	Cash Dividend Yield Rate (Note 3)		2.95	2.39

Note 1: Price-Earning (PE) ratio = Annual average closing price per share / Earnings per share

Note 2: Price-Dividend ratio = Annual average closing price per share / Cash dividend per share

Note 3: Cash Dividend Yield = Cash dividend per share / Annual average closing price per share

Note 4: The proposal for the 2020 earnings distribution has not yet been resolved in the shareholders' meeting.

Note 5: The audited financial data as of 2021Q1 are presented.

4.1.6 Dividend Policy and Execution Status:

A. Advantech's existing rules concerning dividend policy are as follows:

The Advantech's dividend policies are established by the Board of Directors according to the operation, the capital demand, the capital expenditure, the entire environmental change as well as the rights and interests of shareholders. In no special circumstances, the distribution ratio is based on 50%~65% of distributive profit in the same year. Based on cash and stock dividends, the distribution of stock dividend is limited to not higher than 75% of total dividend.

The amounts of NT\$5,480,813,128 (cash dividends) out of the 2020 earnings are appropriated for distribution as cash dividends and share dividends to shareholders, respectively.

B. The proposal for dividend distribution is to be resolved in this Shareholders' Meeting:

The dividend (cash dividend) to shareholder for an amount of NT\$5,480,813,128 (cash dividends) out of the 2020 earnings are appropriated or distribution as cash dividends and share dividends to shareholders, respectively. Once the proposal is resolved in the shareholders' meeting, the board of directors will be authorized to have the distribution base date scheduled. The dividend distribution is calculated in accordance with the shareholding of the respective shareholder booked in the Shareholder Registry on the scheduled base date. There were 771,945,511 shares of common stock outstanding on December 31, 2020 that are entitled to the distribution of shareholder's dividend at NT\$7.1 per share. Subsequently, for any changes in the distribution ratio due to the change of law and regulations, the change in the authorization of the competent authorities, or the change in the outstanding shares, the shareholders' meeting is to have the board of directors authorized to have the dividend per share adjusted in accordance with the number of outstanding shares.

C. Any expected major changes in the dividend policy: None

4.1.7 The impact of the distribution of stock dividend as proposed in this Shareholders Meeting on the Company's operation performance and earnings per share:

The distribution of stock dividend was not proposed in the 2021 shareholders' meeting; also the Company is not required to publish the 2020 financial forecast in accordance with the provisions; therefore, no need to disclose the annual forecast information.

4.1.8 Employee Compensation and Remuneration to Directors and Supervisors:

1. Corporate Charter -Article 20:

The company's annual profits, if any, should not be less than 5% appropriated as bonus to employees; also, it is to be resolved in the board meeting with stock dividend or cash distributed to employees, including employees of the subsidiaries that meet certain conditions. The Company's Board of Directors may determine to appropriate an amount less than 1% of the profits referred to above as remuneration to directors and supervisors. The proposed bonus to employees and remuneration to directors and supervisors should be presented in the shareholders' meeting for a resolution. If the company is with accumulated losses, an amount for making up the losses should be reserved in advance before appropriating bonus to employees and remuneration to directors and supervisors according to the ratio referred to above.

On March 5, 2021, the Board of Advantech approved that the payment of employees' cash compensation for the year 2020 shall be made in compliance with a fixed ratio of annual profits, and that the payment of directors' compensation shall be calculated based on the expected calculated amount with accounting records and the current-year distributable amount. In case of discrepancy between the preceding calculated amount and the actual amount distributed, it shall be corrected according to the accountant's calculation and the accounting record shall be adjusted for the year of distribution.

2. The estimation base for the distribution of employee Compensation and remuneration to directors and supervisor, the calculation base of the outstanding shares for the distribution of stock dividend, and the accounting process for the differences between the actual amount distributed and the estimated amount:

For the earnings distribution resolved in the shareholders' meeting, if the amount of the employee Compensation and remuneration to directors and supervisors is changed, the amount of difference should be handled in accordance with changes in accounting estimates and booked in the profit and loss of the following year without affecting the financial report that had already been acknowledged.

3. Information about the proposed distribution of employee bonus as approved by the Board of Director:

(1) On March 5, 2021, according to the revised charter based on the resolution, the company will disburse annual profit sharing:

Employee bonuses : NT\$570,000,000.

Remuneration to directors and supervisors : NT\$11,700,000.

Payments will be made in cash. The above amounts accurately reflect 2020 expenses already accounted for.

(2) The ratio of the proposed distribution of employee stock dividend payments to the total amount of the net income and employee bonus on the proprietary or individual financial statements: NA

4. The distribution of the 2019 earnings as employee bonus and remuneration to directors and supervisors:

(1) The distribution of the annual employee bonus and remuneration to directors and supervisors is as follows:

Employees Cash dividend: NT\$600,000,000

Remuneration to directors and supervisors: NT\$12,000,000

(2) If the amount referred to above differs from the employee bonus and remuneration to directors and supervisors recognized, please state the number of differences, causes of differences, and the treatment scenarios: None

4.1.9 Situations of the Company's buy back stocks: None

4.2 Corporate bond: NA.

4.3 Preferred Stock issued: NA

4.4 Global depositary receipts issued: NA

4.4.1 Employee Stock Options issued

The Company's outstanding employee stock options and its impact on shareholders' equity up to the publication of the annual report:

March 29, 2021

Types of employee stock option certificate	2014 Employ stock option	2016 Employ stock option	2018 Employ stock option	2020 Employ stock option
The effective date of declaration	July 29, 2014	June 17, 2016	June 14, 2018	July 23, 2020
Issuing date	August 12, 2014	August 12, 2016	July 27, 2018	July 31, 2020
The number of units issued	5,000 units	6,500 units	8,000 units	7,500 units
Ratio of the number of shares available for subscription to the total number of shares issued	0.65%	0.84%	1.04%	0.97%
Duration of subscription	8/12/2016 ~ 8/11/2020	8/12/2018 ~ 8/11/2022	7/27/2020 ~ 7/26/2024	7/31/2020 ~ 7/30/2026
Method of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restrictive subscription period and ratio (%)	40% of the granted stock option certificate is exercisable after 2 years, 60% after 3 years, 80% after 4 years, and 100% after 5 years	40% of the granted stock option certificate is exercisable after 2 years, 60% after 3 years, 80% after 4 years, and 100% after 5 years	50% of the granted stock option certificate is exercisable after 2 years, 50% after 3 years, 100% after 4 years, and 100% after 5 years	40% of the granted stock option certificate is exercisable after 2 years, 60% after 3 years, 80% after 4 years, and 100% after 5 years
Number of shares subscribed	4,457,000	2,982,000	0	0
Amount of shares subscribed	382,639,300	241,706,200	0	0
Number of shares yet to be subscribed	543,000 股	3,518,000 股	8,000,000 股	7,500,000 股
Subscription price per share for the unsubscribed shares	70.4	73.9	175	200
Ratio of the unsubscribed shares to the total number of shares issued (%)	0.07%	0.54%	1.04%	0.97%
Impact on shareholders' equity	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 0.65% of the number of shares issued, which will not have significant impact on shareholders' equity.	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 0.84% of the number of shares issued, which will not have significant impact on shareholders' equity.	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 1.04% of the number of shares issued, which will not have significant impact on shareholders' equity.	The granted employee stock option certificates after 2 years shall be exercised in accordance with the conditioned subscription period and ratio; also, the number of shares to be subscribed is 0.97% of the number of shares issued, which will not have significant impact on shareholders' equity.

4.4.2 Name of the managers with employee stock option certificates obtained, the top-10 employees with stock option certificates obtained, the respective acquisition and subscription:

March 29, 2021

Units: Except for stock subscription price in NTD, NT\$ Thousand

	Title	Name		Number of shares acquired	Ratio of subscribed shares to total number of shares issued	Subscribed				Unsubscribed			
						Number of shares subscribed	Price of shares subscribed	Amount of shares subscribed	Ratio of subscribed shares to total number of shares issued	Number of shares subscribed	Price of shares subscribed	Amount of shares subscribed	Ratio of subscribed shares to total number of shares issued
M a n a g e m e n t	Executive Board Director	Chaney Ho	2014 employee stock option certificate	580,000	0.08	580,000	79.4	46,052	0.08	0	0	0	0
	President	Eric Chen											
	President	Miller Chang											
	President	Linda Tsai											
	Vice President	Deyu Yin											
	President	Eric Chen	2016 employee stock option certificate	430,000	0.06	327,000	83.3	27,239	0.04	103,000	73.9	7,612	0.01
	President	Miller Chang											
	President	Linda Tsai											
	Vice President	Deyu Yin											
	President	Eric Chen	2018 employee stock option certificate	1,400,000	0.18	-	-	-	-	1,400,000	197.2	276,080	0.18
	President	Miller Chang											
	President	Linda Tsai											
T o p 1 0 E m p l o y e e s	President	Eric Chen	2020 employee stock option certificate	540,000	0.07	-	-	-	-	540,000	200	108,000	0.07
	President	Miller Chang											
	President	Linda Tsai											
	President	Linda Tsai											
	Ttop-10 employee		2014 employee stock option certificate	325,000	0.04	325,000	79.4	25,805	0.04	0	0	0	0
	Ttop-10 employee		2016 employee stock option certificate	250,000	0.03	156,000	83.3	12,995	0.02	94,000	73.9	6,947	0.01
	Ttop-10 employee		2018 employee stock option certificate	1,450,000	0.19	-	-	-	-	1,450,000	175	253,750	0.19
	Ttop-10 employee		2020 employee stock option certificate	230,000	0.03	-	-	-	-	230,000	200	46,000	0.03

4.4.3 Restricted Employee Shares: NA

4.4.4 Issuance of new shares for the shares acquired or transferred from other companies: NA

4.4.5 Implementation of fund plan: NA

V. Operational Highlights

5.1 Business Content

5.1.1 Business Scope

A. Major business operation of the Company:

- (1) The design, assembly, combination, production, and trade of computer testing equipment and automated test systems;
- (2) The processing, manufacturing, and importing/exporting (except for the restricted items) of computers, electronics, and electrical components and devices;
- (3) The design, contracting, installation, and maintenance of computers and electronic control automation systems;
- (4) Computer software design;
- (5) Handling the agency, quotes, bidding, and sales of the products referred to above on behalf of the domestic and foreign manufacturers;
- (6) The assembly, manufacturing, trade, and importing/exporting business of the wired and wireless communications equipment;

B. Major products and business ratio of the Company:

Unit: NT\$ Thousand

Ratio Major product	2020	
	Sales Amount	%
Embedded boards and Chassis	23,887,240	47
Industrial computer and industrial control	21,424,703	42
After-sales service and others	5,807,465	11
Total	51,119,408	100

C. The Company's currently offered products: Embedded board and case, industrial computer, and others.

D. New product development plan of the Company:

- (1) Wireless IoT gateway and sensing devices
- (2) Edge AI computing platforms
- (3) 5G NVF and network security appliances
- (4) Industrial video platforms and solutions
- (5) WISE-PaaS, an industrial cloud PaaS for industrial applications
- (6) WISE-STACK, a centralized private cloud and edge cloud
- (7) Solution suites for Industry 4.0 and intelligent factory
- (8) Solution suites for energy and environment
- (9) Solution suites for intelligent retail
- (10) Solution suites for intelligent hospital and telehealth

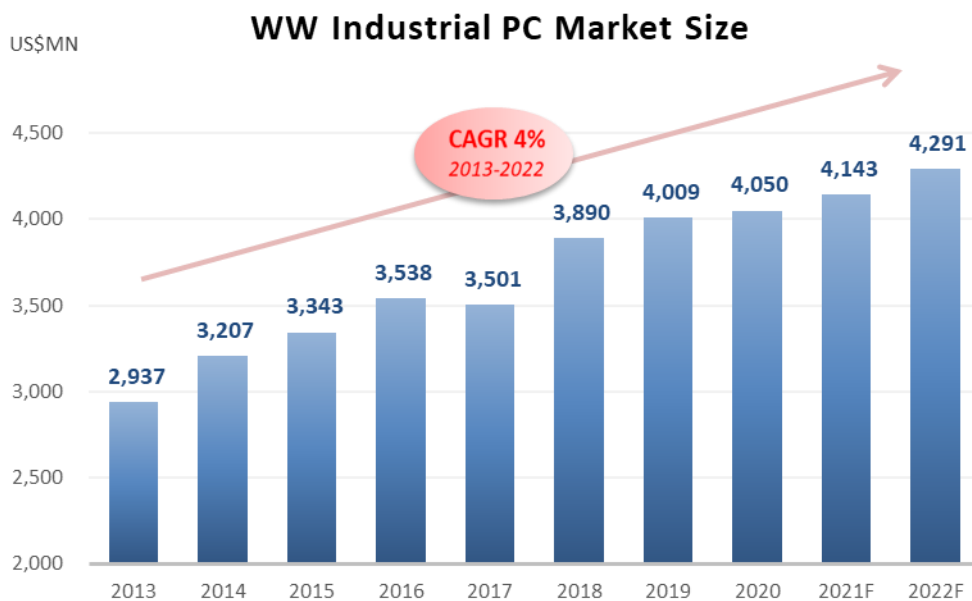
5.1.2 Industry Summary

A. Industry status and development

In early stage, industrial PCs (IPC) were mainly used in manufacturing processes, the control and monitoring of instruments, and testing machines and other equipment. The form-factor was restricted to industrial board systems primarily used in automation. With advancements in and the ubiquity of integrated communication solutions, the Internet, software, and optical technology in the past few years, IPCs have penetrated other application markets, including MRT readers, vending machines, ATMs, POS systems, gaming, network storage (NAS), digital signage, smart building automation monitoring

systems, environmental monitoring systems, and lottery ticket computers.

The overall target markets has grown from its original “industrial” specialization to an “intelligent” specialized. According to IHS, the global IPC market size reached USD 4.5bn in 2020 with 4% CAGR during 2013–2022. Compared with PC and smartphone markets, the market niche for IPCs has been more stable and shown moderate growth. According to IDC and Gartner, the IoT market is expected to create 15%–20% CAGR in the 10–15 years.

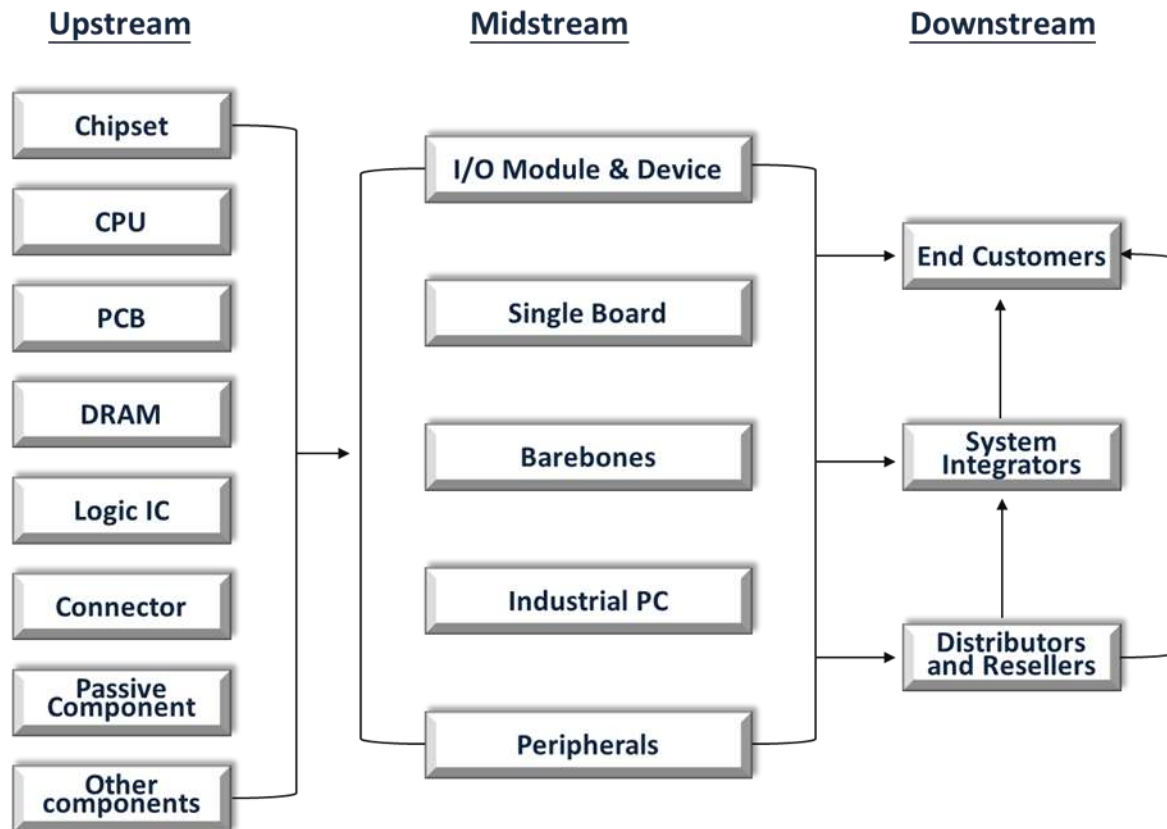


Source: IHS

However, benefiting from the rise of AI and IoT systems, IPCs and embedded systems have become a key element for infrastructure in IoT ecosystems. The market consensus views that IoT systems will dominate the technology transition, transform the market landscape, and change the lifestyle of humankind in the coming 10–15 years. However, each end application market has its own particular characteristics and preferences, which will inevitably result in more complicated ecosystem and form-factor design considerations.

B. The supply chain in upstream, midstream and downstream

The supply chain of industrial PC and embedded systems

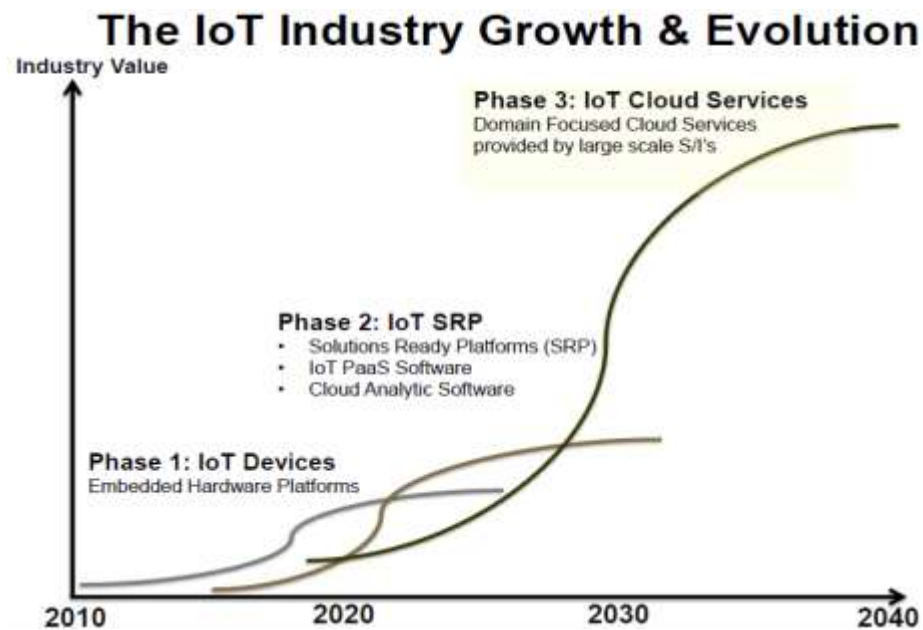


Simply speaking, IoT systems comprise three layers of architecture, namely “instrumentation,” “connectivity,” and “intelligent computing” (please refer to chart below). Key players in the first layer are Advantech, Delta Electronics, ABB, GE, and similar companies. Those in the second layer include AT&T, Cisco, Nokia, and Alcatel, and this layer is responsible for transcoding data up to the cloud. The key players in the third layer are IBM, Microsoft, Amazon, and Google. They also cooperate with software vendors to provide data analytics services to end customers. This IoT ecosystem structure is not a traditional linear supply chain competition model, but rather relies on cooperation between different vendors with different specializations.



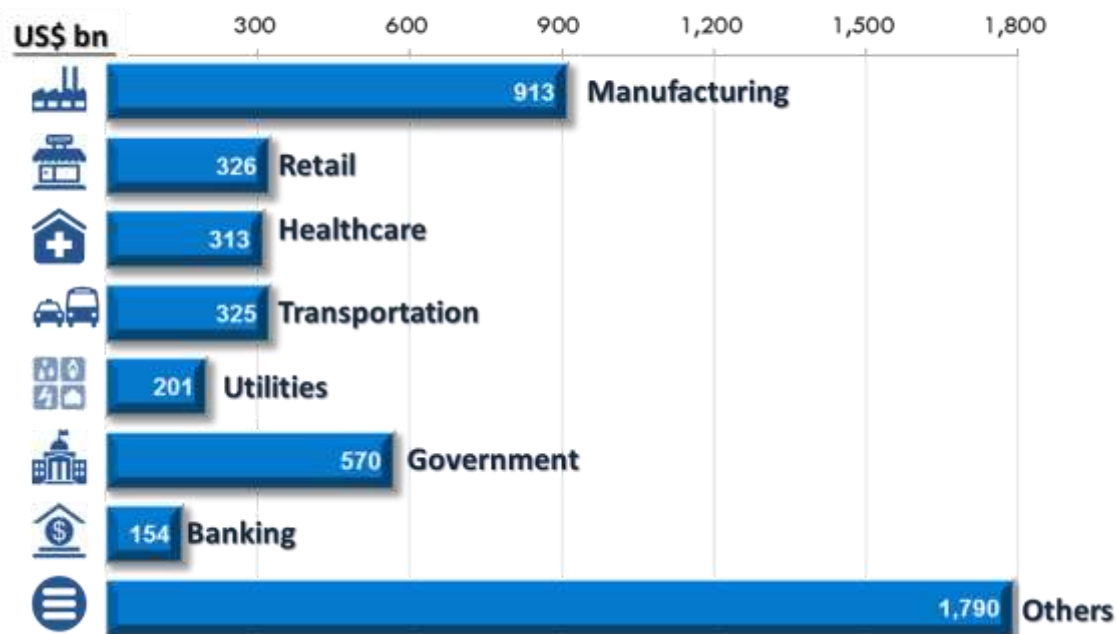
C. The industry development

According to *The Internet of Things: Mapping the Value beyond the Hype* (McKinsey, 2015), there are three waves, or three stages of growth, for IoT (see the figure below). The first wave began in 2010 and was to mature in 2020. The major beneficiaries of this first wave are IoT device makers (e.g., fabless manufacturers) and certain hardware providers (e.g., smartphone and smart wearable device manufacturers). The second wave began in 2015–16 and was said to accelerate growth sentiment during 2019–20. This second wave will reach maturity in 2025 and herald the third wave of IoT growth. The major beneficiaries of the second wave are hardware and software integrated solution providers. We anticipate growth sentiment accelerating in the third wave from around 2030 and reaching maturity by 2040. Service providers such as Alibaba, Google, Amazon, and Microsoft will be the main beneficiaries of the third wave. However, the biggest value creation will come from end customers and users, and this is attributable to the new business model, new technology adoption, and more precise big data analytics.



According to IDC, total revenues created by IoT ecosystems were original forecast to reach US\$4.6 trillion in 2018. Among the application markets, the biggest opportunities were in manufacturing, government infrastructure, retail, healthcare, and transportation. Smaller segments were also forecast to create USD 1.8 trillion in market value. This in line with the diversity and complexity of the IoT market .

Worldwide IoT Revenue Opportunity, 2018

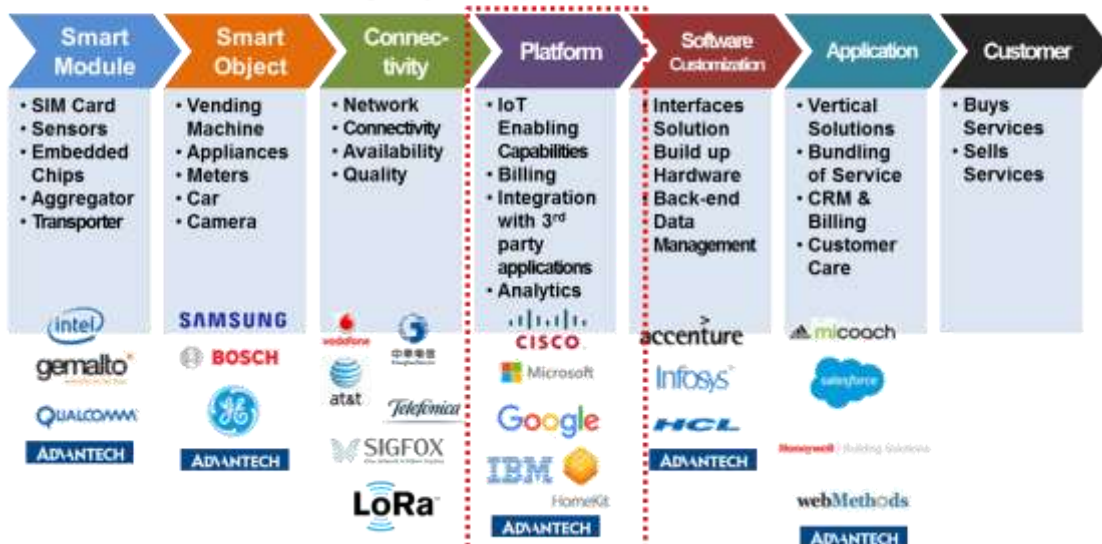


Source: IDC, Internet of Things Spending Guide by Vertical Market

Providers who specialize purely in hardware will face heavier price competition and cyclical risk if they fail to keep pace with emerging IoT technology trends and opportunities. IoT will narrow industry boundaries in different layers. GE, the world's largest manufacturer of engines for niches such as railway and aircraft markets, identified digitalization as the catalyst of future growth, while GE Predix has now emerged as the most famous industrial data analytics platform in the world. Their success results from strong differentiation and the capacity to provide tailor-made services to a range of end customers. From the figure below, we can see how IT companies are working to expand their business footprint into the upstream and downstream value chain. A review of M&A activities in 2014–19 also shows that cross-sector cooperation will become the "new normal" in the future.

Internet of Things Value Chain

Platform Providers are best positioned to lead the IoT
as they capture up to **50%** of the value



Source: Mohit Agrawal, Head, Marketing Planning & Channel Marketing, Asia Pacific, Microsoft

5.1.3 Technology and Research & Development

1. The R&D expense incurred in the most recent year and up to the publication of the annual report:

- (1) Total R&D expense amounted to NT\$4,055,922 in 2020;
- (2) Total R&D expense amounted to NT\$1,046,693 in 2020Q1;

2. Successfully developed technology or product

The Company values the importance of R&D. In addition to dedicating massive manpower in product R&D in Taiwan, there are also R&D teams designated in the USA, Europe, and China to accelerate the product development speed and grasp the market development.

The Company has more than five new products launched in every year and with 33 patents acquired domestically or internationally by the end of 2020.

5.1.4 Long-term and short-term business development plan

◆ Short-term business development

- Enhance industry diversity and global sales networks to reduce systematic risk from operating in a single industry or country

- Provide localized and tailor-made services to scale up the leading advantage with peers. In the past few years, Advantech has expanded its operation sites in Europe and emerging markets, with new operating sites opened in Israel, Turkey, and Mexico in 2019 – 2020. Furthermore, the Company opened new sales offices across both the east and west coasts in the US, in order to provide comprehensive on-site services to our clients.
- Strengthen certain market insights to increase customer partnerships.

◆ **Long-term business development**

- Enhance our advantages in R&D and manufacturing
- Advantech will continue investing in R&D in order to provide differentiated services that fulfill the diversity of requests from customers specializing in IoT. With this in mind, Advantech has R&D centers in Taiwan, China, Germany, and the US. In addition, to realize the vision of smart manufacturing, the Company consolidated all production sites in northern Taiwan to the mega campus in Linkou Taiwan starting from October 2016. The brand-new Campus III will be completed in 2023, which will be the new headquarters of SIoT.

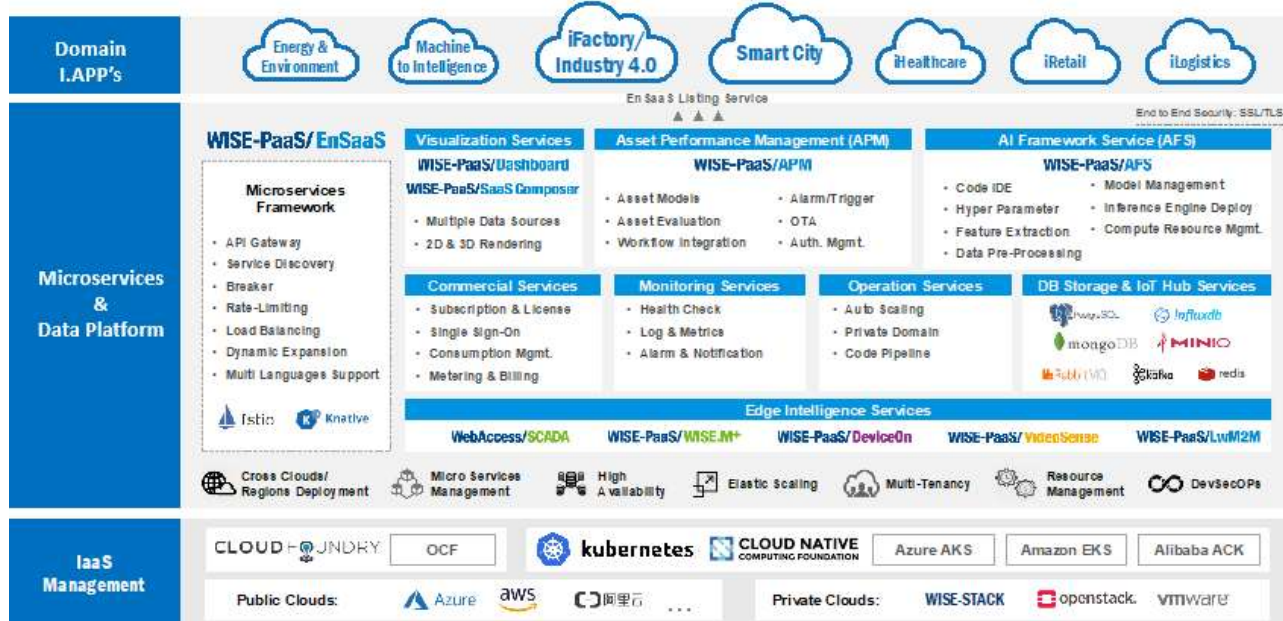


■ **Establish the WISE-PaaS Software Platform**

To capitalize on the second wave of IoT growth opportunities, Advantech has invested aggressively in the WISE-PaaS software platform since 2015. In 2015, WISE-PaaS focused on resource integration and platform architecture development. In 2016, a few successful WISE-PaaS user cases were identified in edge intelligence server (EIS) and solution-ready platforms (SRPs). In 2017, overall WISE-PaaS services were transformed to the cloud side to provide a more reliable and faster intelligent computing platform. In 2018, Advantech successfully commercialized WISE-PaaS and officially launched 34 SRPs at the Advantech IoT Summit in Suzhou in China in November. For the 2019–2021 period, the Company has set the target to achieve 1000 active WISE-PaaS VIP members globally and to expand our global presence in the industrial software platform space.

Meanwhile, Advantech launched WISE-Marketplace in 2019, providing pretested domain-focused industrial apps (I.Apps) that can be integrated directly into all kinds of IoT scenarios, including Smart Factory, Energy & Environment, iCity Services, iRetail, and iHospital.

WISE-PaaS 4.0 Architecture with Microservices & I.APP



圖說：WISE-PaaS Sharing Platform

■ Seeking investment and M&A opportunities to enhance technology capabilities and market share

In addition to cooperating with external partners, Advantech is aggressively looking for M&A opportunities to enhance the Company's capabilities in technology and software and to accelerate developments in IoT vertical market ecosystems.

In 2019, Advantech had new production site of Advantech Technologies Japan (ATJ), joining the manufacturing capability in February, with ATJ also expanding its business scope to after-sales services at the end of 2019.

To optimize company resources and reduce transactions with related parties, Advantech announced two successful M&As in 2020: Advantech KR Co., Ltd. merged with Kostec Co., Ltd. and Advantech Corporation (ANA) merged with B+B SmartWorx Inc.

Furthermore, Advantech cooperates with young talents through university collaboration programs. The long-term goal is to facilitate the development of Taiwan's IoT supply chain.

5.2.1 Market, Production, and Sales Review

A. Market Analysis

1. Main product and main market:

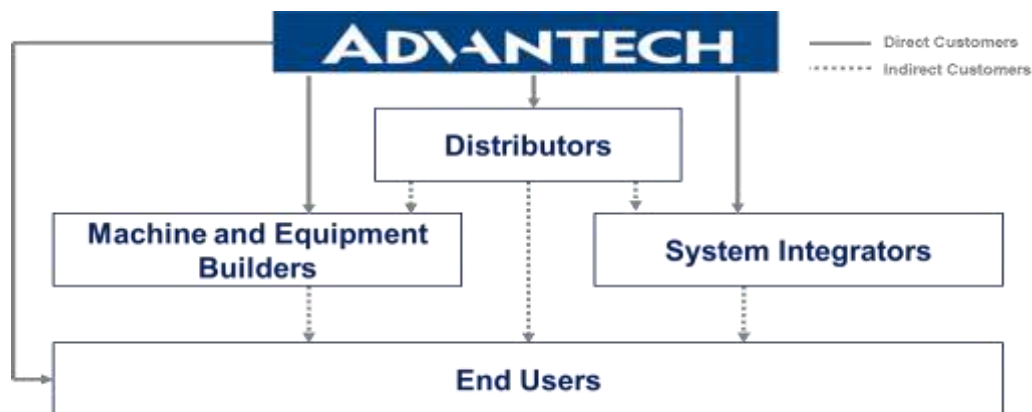
Area	Unit: NT\$ Thousand	
	2020	%
Asia (including Taiwan)	26,828,053	52.48%
America	13,210,673	25.84%
Europe	8,466,292	16.56%
Other	2,614,390	5.12%
Total	51,119,408	100%

2. Market share and competition landscape

■ Embedded board and IPC markets will benefit from rising demand in new application markets

Advantech has multiple sales channels. The Company produces and markets embedded board and IPC products through distributors, machine/equipment manufacturers, system and integrators, all of whom consolidate our devices through their own value-added development for sale to end users including manufacturers, public transportation systems, airports, and any field that requires computing capability to enhance their information collection and operating efficiency.

Given the variety of form factors, diversity of application markets, and ASP difference, the total market size of embedded systems is difficult to estimate, especially when embedded boards can be integrated into virtually any type of machine, equipment, or system. In addition, the M&As have made it even more difficult to precisely estimate our market share, given the limited disclosure after consolidation. For example, B&R Automation (a peer in Europe) was acquired by ABB in 2017; Kontron (another peer in Europe) was acquired by Ennoconn in 2017 as well. Radisys (a peer in the US) was acquired by Reliance and delisted in 2018.

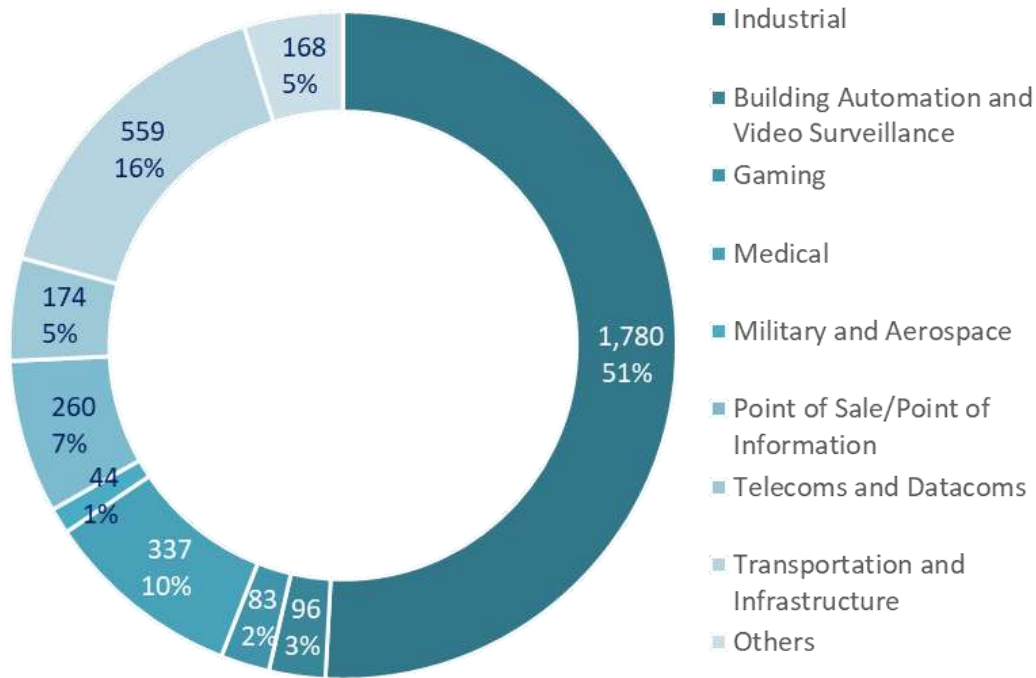


Picture : Advantech has multiple selling channels

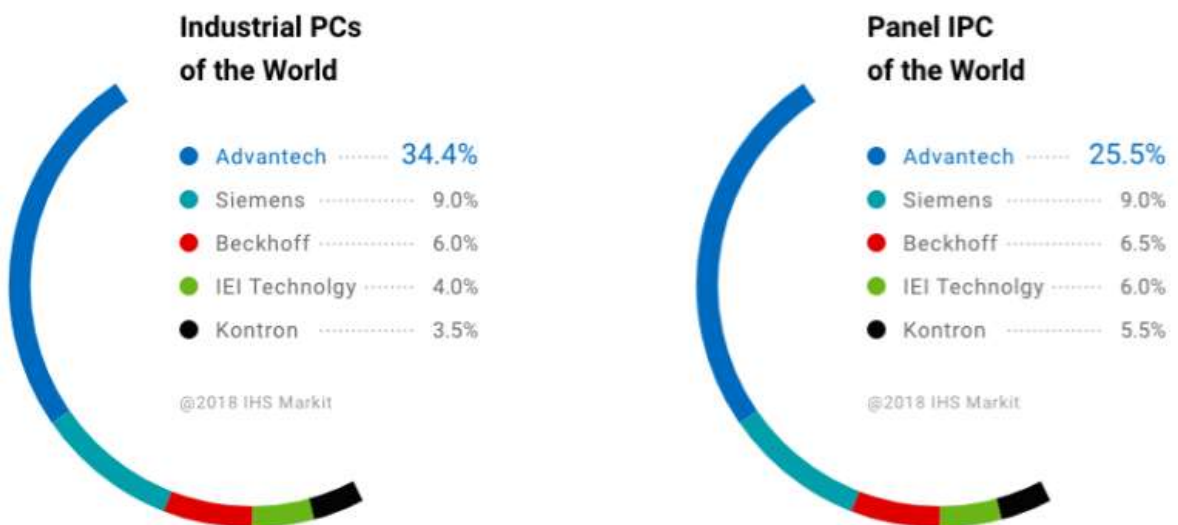
Growth opportunities for embedded boards and IPCs will rely on new application markets, marking a shift away from traditional industrial applications (which only generate single-digit year-on-year growth). This shift is due to developments in computing technology and communication infrastructure deployment. For example, retail, logistics, smart buildings, smart hospitals, and other smart city applications appear to be the catalysts driving overall growth for the embedded board and IPC sectors. Arup forecast that global spending on smart city applications would reach USD 200 bn by 2020. However, those new applications were not considered in the calculation when surveying traditional embedded board and IPC sectors.

■ The market share for traditional industrial PC

IHS reported that the global IPC market generated 4% CAGR during 2013–2022. In 2017, leading application markets were the industrial sector (51% market share), transportation and infrastructure (16% market share), and then medical (10% market share). Based on the IHS estimation of USD 3.9 bn for the global market size for IPCs, Advantech held 34% market share in 2018.



Picture : Application for Industrial PC, by IHS,US\$mn



Picture : Advantech has 34% market share in 2018, upon IHS estimate

■ Supply, demand, and product competition

Due to the nature of highly customized form-factor designs and diversity in customer requirements, there is no over-supply of IPC and embedded systems. However, the industrial cycle and business sentiment is highly related to enterprise capital expenditure in different vertical markets. Risks are likely to emerge from the dynamics of the macroeconomic environment, which will result in a conservative attitude of enterprise capital expenditure planning. In addition, most Taiwan-based companies adopt an export-driven business model. High exchange rate volatility will impact negatively on profitability.

Since 2017, rising demand for electric vehicles and cryptocurrency has led to a supply shortage and subsequent increase in price for certain electric components, including flash, SSDs, ICs/chipsets, and PCBs. Although this has placed pressure on Advantech's margins, the Company has maintained operating margins above 15%.

Advantech aims for long-term growth in both the top line and bottom line by utilizing a balanced product mix and improving production efficiency. Despite the COVID-19 pandemic resulting in a sales revenue decline of 6% year-on-year in 2020, the Company's devotion to improving operation efficiency and integrating internal resources resulted in higher overall profitability relative to 2019. For 2020, Advantech reported a gross margin of 39.9% and operating margin of 17.7%.

Advantech is positioned well in the IPC and embedded system markets. However, overall market growth is forecast to be relatively milder in the future. At the same time, traditional motherboard manufacturers are aggressively taking the low-end embedded market share due to the stable nature of the embedded system market. If Advantech were to focus only on current business, then future growth potential would be limited. Therefore, the Company has penetrated new application markets and the IoT industry since 2010, continuing to enhance its software capability and expecting that IoT might provide a catalyst for new growth in the future.

5.3 Explanation of Intellectual Property Rights on Annual Report

- I. In the formulation of intellectual property rights management policies, goals, and systems related to Advantech's operating strategies:

In accordance with Advantech's unique business operation characteristics, that is, the production method of a small number of diverse products. To set a small amount of effective and well quality intellectual property per Advantech's policy and goals, and establish the following intellectual property rights system:

1. Formulate the patent management measures:

- a. In accordance with the patent management measures, establish a patent application and inquiry platform PLM / EPM Portal, and share patents on the PLM / EPM Portal platform with other colleagues in need such as R & D, Sales, PM and factory departments.
- b. The policy of patent application is to control the quantity but to upgrade the quality, in other words, Advantech will not focus on utility model patent application. Advantech encourages our colleagues to apply for invention patents.
- c. Establish an SOP for handling intellectual property disputes to handle various intellectual property

disputes in the most efficient way.

2. Formulate the trademark management measures:

- a. Uniformly apply for trademarks **ADVANTECH** worldwide where major branch offices are located.
- b. In the event of any third party infringing on Advantech's trademark, the Legal Department of the Headquarters will assist the branches worldwide to safeguard Advantech's trademark's rights.

II. To establish and implement management systems for the acquisition, protection, maintenance, and use of intellectual property rights according to scale and type:

1. Apply for, maintain and manage patent in accordance with patent management measures, and apply for registered trademarks in major business operation countries in accordance with trademark management measures.
2. Advantech established an online patent application and inquiry platform (PLM / EPM Portal) to provide R & D, Sales, PM and factories and colleagues in need, to inquire related patents online.

III. Determine and provide the resources needed to effectively implement and maintain the intellectual property rights management system:

All R & D units will allocate R & D expenses to pay for the patent application, maintenance of patents, and payment of bonuses to inventors to effectively implement and maintain the intellectual property rights management system. Pre-deducted R&D expenses are used to pay for the expenses incurred in various intellectual property disputes.

IV. Observe the risks or opportunities of intellectual property rights management both inside and outside and take corresponding measures:

The externally appointed patent and trademark office will regularly monitor the patent and trademark applications related to Advantech, and provide relevant information to Advantech's R & D personnel on the PLM / EPM Portal platform, in order to track the latest technology status of the industry and related intellectual property rights risks.

V. Plan and implement a continuous improvement mechanism to ensure that the operation and effectiveness of the intellectual property management system meet Advantech's expectations:

At the beginning of each quarter, Legal Department will report to the chairman all the implementation status of the previous quarter intellectual property rights, such as patent application and maintenance status, patent litigation status, trademark application and maintenance status, and copyright protection status for the further review.

The Company's other products awarded in recent

Year	Awards
2021	<ul style="list-style-type: none"> The 29th Symbol of Taiwan Excellence Winner for WISE-6610 The 29th Symbol of Taiwan Excellence Winner for WISE-2410 The 29th Symbol of Taiwan Excellence Winner for EIS-S230
2020	<ul style="list-style-type: none"> Advantech ranked No. 4 (with brand value USD 626 million) in the Taiwan Top 20 Global Brands Award. Advantech received the CSR Award from Global Views Monthly in 2020 Advantech received the top 50 sustainable performance enterprise from Taiwan Institute for Sustainable Energy(TCSA) The 28th Symbol of Taiwan Excellence Winner for the 43 inch UHD J type curved LCD with a curvature of 1500R (CRV-430JP) The 28th Symbol of Taiwan Excellence Winner for the wearable barcode ring (LEO-WB21) The 28th Symbol of Taiwan Excellence Winner for the industrial IoT controller (AMAX-5000) The 28th Symbol of Taiwan Excellence Winner for the 8Kp60 HEVC broadcast video encoder (VEGA-6304)
2019	<ul style="list-style-type: none"> Advantech Named Top Vendor in 2019 CIO 100 Awards Advantech wins 2019 MedTech Breakthrough Award: Best Hospital Implementation The second year to receive the "Taiwan Top 5 Global Brands" award from Interbrand The 27th Symbol of Taiwan Excellence Winner for the compact fanless system (MIC-7420) The 27th Symbol of Taiwan Excellence Winner for the LPWAN wireless module (WISE-4200) The 27th Symbol of Taiwan Excellence Winner for the 16-channel DAQ platform (MIC-1816)
2018	<ul style="list-style-type: none"> 26th Symbol of Taiwan Excellence Silver Medal Winner for the iPS-M100 Hot Swappable Medical-grade Industrial Power System 26th Symbol of Taiwan Excellence Silver Medal Winner for the POC-WP243 24" Medical Computer 26th Symbol of Taiwan Excellence Winner for the CRV31-430WP 43" Industrial Curved Monitor 26th Symbol of Taiwan Excellence Winner for the TPC-5000 series Modular Industrial Touch Panel Computer 26th Symbol of Taiwan Excellence Winner for the SRP-ESP315 Solar Power Management Solution
2017	<ul style="list-style-type: none"> Advantech receives "Taiwan Top 6 Global Brands" award from the Bureau of Foreign Trade Advantech named Asia no.36 and Taiwan no.5 in Nikkei's Asia 300 list Advantech Wins "ROI Industry 4.0 Award China" for Its Digital Factory The 25th Symbol of Excellence Winner for high performance 4U server system DMS-SA21, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for fanless railway panel PC ARS-P3800 , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for 8" multi-functional handheld POS system AIM-65 , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for pocket-size smart factory edge gateway UNO-2271G, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for 21.5" industrial multi-touch panel PC stainless steel chassis IPPC-5211WS, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for 10.1" healthcare/hospitality infotainment terminal HIT-W101C, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for embedded Qseven board SOM-3568, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for rolling stock fanless system ARK-2231R/ ARK-2230R, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for modular fanless box PC ARK-1124H / ARK-1124U /ARK-1124C, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for power automation computers ECU-4784, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for palm Size vision system AIIS-1200, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for fanless vision system AIIS-5410P, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for compact fanless system MIC-7500, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for video wall signage player DS-980, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

	<ul style="list-style-type: none"> The 25th Symbol of Excellence Winner for thin barebone system EPC-T2285, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for embedded motion controller MVP-3245, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for intelligent remote terminal unit ADAM-3600/ ADAM-3617/ ADAM-3618/ ADAM-3624/ ADAM-3651/ ADAM-3656, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for intelligent remote terminal unit ADAM-3600/ ADAM-3617/ ADAM-3618/ ADAM-3624/ ADAM-3651/ ADAM-3656, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for managed redundant industrial ethernet switches EKI-7700 Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for Advantech WebAccess/Cloud , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for WISE-DK1520 starter kit , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 25th Symbol of Excellence Winner for development kit for RTX v2.0 CPU Module ROM-3420 , the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2016	<ul style="list-style-type: none"> TREK-773 rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. PWS-870 rewarded 2016 iF Product Design Award. 1U High-efficiency Server rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. 24" Medical Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. 7" High-efficiency Integrated Vehicle-mount Terminal – Light Vehicle Management rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. 7" Ultra-slim Vehicle-mount Tablet Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. DPX-E135 Embedded Gambling System rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Pico-ITX 2.5" Micro Embedded Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. ProView Ethernet Exchange rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. SOM-7568 Fan-free Embedded Micro COM Expres Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Full-flat Compact Industrial Touch Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Internet of Things Wireless Data Retrieval Module rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Wireless Internet of Things Gateway rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. High-efficiency Computer Control System for Train Car rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Fan-free Industrial Computer for Control Cabinet rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Third-generation 7" Aluminum Vehicle-mount Terminal – Heavy Vehicle Management rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Fan-free Wayside Control Platform rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Mobile Multimedia Computing Module rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Ultra-slim Open-framed LED Touch Display rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Ultra-slim Mini-ITX rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Ultra-HD OPS Multimedia Player rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence Modular Industrial Control Platform rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Modular Embedded Intelligent System rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Aluminum Rail Industrial Computer rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence. Medical Intelligent Battery System rewarded the 24th Taiwan Excellence Gold and Silver Awards from Ministry of Economic Affairs, R.O.C. to enjoy the official authorization from the symbol of Taiwan Excellence

2015	<ul style="list-style-type: none"> • The 23rd Symbol of Excellence Gold Medal and Silver Medal Winner for 7" medical and industrial-grade handheld tablet computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for ATCA 100GbE advanced communications server, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for Ultra-low-power consumption simple embedded IoT system, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for industrial-grade tablet computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for Fanless & Wide-range temperature Embedded System, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for Embedded Gambling System, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for High-performance smart embedded computer module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for SoC wide-range temperature embedded applied computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for 4K2K four-display high-performance smart digital signage player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for 21.5" Thin open-type frame LED backlit touch screen, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for Integrated on-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for high-performance broad application robust Tablet PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for multi-function data collection card series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for robust Industrial Computers, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for 7" medical handheld tablet computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 23rd Symbol of Excellence Winner for on-board monitoring Embedded fanless smart system, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2014	<ul style="list-style-type: none"> • Awarded with the "2014 Taiwan Top 10 Global Brands" Award. • Advantech received the CSR Best Workplace Excellent Award from Global Views Monthly in 2014. • The 22nd Symbol of Excellence Winner for High-performance network security equipment, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for ATCA 40GbE advanced communications motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for Advantech WebAccess-open network structure HMI / SCADA software, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for Programmable Automation Controllers, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for Superthin and bright industrial LCD panel, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for Industrial-grade multi-touch points man-machine interface, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for Industrial-grade wide-screen tablet displays, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for Smart remote Ethernet network data collection modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for PoE (Power over Ethernet) industrial Ethernet Switch, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for High-performance smart embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for lightweighted smart micro-fanless embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for Low-power consumption simple smart connected device, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

	<ul style="list-style-type: none"> • The 22nd Symbol of Excellence Winner for Low-power consumption ultra-compact embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for Low-power consumption miniature embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for ATCA dual processor advanced communications motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 22nd Symbol of Excellence Winner for Mobile Industrial Computers, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2013	<ul style="list-style-type: none"> • Awarded with the “2013 Taiwan Top 12 Global Brands” Award. • Advantech Industrial Automation Group - Human Machine Interfaces (HMI) TPC and SPC series won Germany iF product design award in 2013. • The 21st Symbol of Excellence Winner for High-performance network security equipment, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for ATCA 40GbE advanced communications motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Industrial-grade wireless data collection module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for IEEE 802.11a / b / g / n Industrial Wireless Outdoor Mesh, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Low-power consumption ultra-compact embedded computer module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Green low-power consumption smart industrial-grade server, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Innovative high elastic expansion single-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Smart wide-range temperature miniature motherboard MI/O Ultra Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Robust design, high elastic expansion single-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Super bright smart industrial-grade display panel, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Industrial-grade ultra-thin open-frame display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Dual processors ATCA advanced communications server, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Smart miniature fanless embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Open-style Easy handling digital electronic multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for High-Performance Multi-Display Digital Electronic Multimedia Player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Streamline energy-saving digital signage, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 21st Symbol of Excellence Winner for Energy data centralized computation, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2012	<ul style="list-style-type: none"> • Awarded with the 11th place of the “2012 Corporate Citizen Award” by Commonwealth Magazine. • Awarded with the “2012 Taiwan Top 11 Global Brands” Award. • The 20th Symbol of Excellence Winner for TREK-753 full-featured integrated on-board computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 20th Symbol of Excellence Winner for Industrial tablet touch panel display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 20th Symbol of Excellence Winner for Cascaded-type real-time Ethernet remote data collection module, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 20th Symbol of Excellence Winner for Low-power consumption ultra-compact embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 20th Symbol of Excellence Winner for Innovative interface single-board computers MI/O Extension, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 20th Symbol of Excellence Winner for Smart miniature motherboard MI/O Ultra Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 20th Symbol of Excellence Winner for High seismic wide-range temperature PCI-104 CPU board, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. • The 20th Symbol of Excellence Winner for Green energy-saving industrial-grade motherboard, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

	<ul style="list-style-type: none"> The 20th Symbol of Excellence Winner for Electricity market exclusive fanless embedded industrial computer, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 20th Symbol of Excellence Winner for Industrial-grade flat touch panel LED display, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 20th Symbol of Excellence Winner for Open-style Easy handling digital multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 20th Symbol of Excellence Winner for Low-power consumption high display digital multimedia player, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 20th Symbol of Excellence Winner for Expandable blade-type 5-slot Industrial PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2011	<ul style="list-style-type: none"> Awarded with the "2011 Taiwan Top 10 Global Brands" Award. The 19th Symbol of Excellence Winner for ARK-VH200 fanless on-board DVR embedded systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 19th Symbol of Excellence Winner for FWA-6500 network applied platform, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 19th Symbol of Excellence Winner for NCP-5260, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 19th Symbol of Excellence Winner for PC/104, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 19th Symbol of Excellence Winner for PCM 9562, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 19th Symbol of Excellence Winner for PEC-3240 fanless industrial-grade embedded motion controller, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 19th Symbol of Excellence Winner for PIT-1501W healthcare and infotainment entertainment systems, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 19th Symbol of Excellence Winner for SOM-5788 Intelligent smart embedded computer modules, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 19th Symbol of Excellence Winner for Low-power consumption and wide-range temperature industrial touch control PC, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 19th Symbol of Excellence Winner for TREK-550, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2010	<ul style="list-style-type: none"> Awarded with the "2010 Taiwan Top 12 Global Brands" Award. Awarded by Chinagkong with the "Decade Industrial Contribution" and "Decade Leading Industry." The 18th Symbol of Excellence Winner for IPPC- 8151S, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 18th Symbol of Excellence Winner for APAX- 5000 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 18th Symbol of Excellence Winner for Uno- 1100 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 18th Symbol of Excellence Winner for UTC-W101E, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 18th Symbol of Excellence Winner for NCP-7560, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 18th Symbol of Excellence Winner for MIC-5322, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2009	<ul style="list-style-type: none"> The 17th Symbol of Excellence Winner for IPPC 7517, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 17th Symbol of Excellence Winner for EKI 5000 series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. Awarded with the "Electron d'Or Award for Industrial and Network Computing Architecture (INCA)" Awarded with the "2009 Taiwan Top 12 Global Brands" Award. Awarded with the "2009 China Outstanding Innovation Enterprise" award by CIO IT Magazine.
2008	<ul style="list-style-type: none"> Advantech received the 4th prize of the 2nd "Corporate Social Responsibility Award" from Commonwealth Magazine, Taiwan, ROC The 16th Symbol of Excellence Winner for UbiQ 350, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 16th Symbol of Excellence Winner for VITA 350, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 16th Symbol of Excellence Winner for UNO-2182, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 16th Symbol of Excellence Winner for TPC-30T/TPC-32T, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 16th Symbol of Excellence Winner for IPPC-7157A/PPC-7158B, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2007	<ul style="list-style-type: none"> Advantech received the 3rd "Corporate Social Responsibility Award, Top Honor" in 2006 from Global Views Magazine, Taiwan, ROC Advantech received the 1st "Corporate Social Responsibility Award from Commonwealth Magazine, Taiwan, ROC ARK-3381 received Computex Taipei Best Choice Award. The 15th Symbol of Excellence Winner for UibQ-230, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 15th Symbol of Excellence Winner for ARK-4170, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 15th Symbol of Excellence Winner for ADAM-5550KW, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2006	<ul style="list-style-type: none"> Advantech received the 2nd "2006 Corporate Social Responsibility Award" from Global Views Magazine, Taiwan, ROC Received the Supplier of the Year for the Embedded Single-Board Computer from "Control Design" Magazine Advantech awarded by Intel with the "Intel Associate Partner of the Year" and "Multi-Core Solution Contest Award." Advantech received Microsoft's "The Most Growth Award in Asia Award."
2005	<ul style="list-style-type: none"> Awarded with the 13th MOEA "Industrial Technology Advancement Award of Excellence." Gold Award Embedded Control Europe (ECE) magazine readers awarded TREK-755 Sunlight Readable Model with Gold Award
2004	<ul style="list-style-type: none"> Awarded with the "2004 Taiwan Top 10 Global Brands" Award by the Bureau of Foreign Trade, MOEA. The 10th Symbol of Excellence Winner for Small-size industrial-grade touch controlled computer TPC-60S, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 10th Symbol of Excellence Winner for Industrial-grade front-wired fanless computer UNO-3062, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.

	<ul style="list-style-type: none"> The 10th Symbol of Excellence Winner for Industrial computer work station AWS-8100G, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. Won the Control Design Reader's Choice Award for "Single Board PC" First Prize. FPM-3170 17" Flat Panel Monitor received the "2004 Editor's Choice Award" HMI First Prize from Control Engineering Magazine (USA).
2002	<ul style="list-style-type: none"> Accepted as the one and only Gold-Level Partner in Microsoft's Windows Embedded Partner ODM Category. The 10th Symbol of Excellence Winner for Smart home network terminal EH-7102G / GH, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 10th Symbol of Excellence Winner for 586-grade Internet accessible equipment remote monitoring system WebLink2059-BAR / CE / SDA / SKT, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2001	<ul style="list-style-type: none"> Completed the "MOEA Industry Technology Development Industrial Plan (ITDP)" of the Technology Division MOEA Multimedia network telephone ES-510 received the 9th Silver National Award of Excellence, the MOEA, Taiwan, ROC Full-function LCD touch computer PPC-153T received the 9th Silver National Award of Excellence, the MOEA, Taiwan, ROC The 9th Symbol of Excellence Winner for Multimedia network telephone ES-510, the MOEA, Taiwan, ROC. The 9th Symbol of Excellence Winner for Full-function LCD touch computer PPC-153T, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 9th Symbol of Excellence Winner for Family Vestibule Internet terminal EH-760, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 9th Symbol of Excellence Winner for multifunction firewall WEB-2143, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
2000	<ul style="list-style-type: none"> Full-function LCD touch-type computer PPC-153T awarded with the "Best Innovative Product Award" by KIOSK Magazine (USA). IPC-601 awarded with the "Most Valuable Product" Award at the Telecom Network Exhibition. MIC-3032 awarded with the "Most Valuable Product" at the telephone computer voice integration exhibition. 2A-100 awarded with the "Most valuable Telecom Network Telecom Product" by the US telecom network magazine
1999	<ul style="list-style-type: none"> ADAM Series received the 1st Outstanding Safety Instrument Award of Taiwan ADAM Series received the 1st Outstanding Safety Instrument Award of Taiwan. The 7th Symbol of Excellence Winner for card-type computer CPC-2245, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 7th Symbol of Excellence Winner for Touch control server PPC-A100T-R50, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
1998	<ul style="list-style-type: none"> Awarded with the Most Representative Outstanding Company by Industrial Development Bureau, MOEA, Taiwan, ROC PPC-102T Panel Computer received the 6th Gold National Award of Excellence, Taiwan, ROC The 6th Symbol of Excellence Winner for PC-based remote monitoring system ADAM-5000 series, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 6th Symbol of Excellence Winner for PPC-102T Panel Computer, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. The 6th Symbol of Excellence Winner for Multi-function LCD panel computers PPC-140T, Taiwan, ROC with the right to use the Symbol of Excellence lawfully. PPC-140T Multi-Function Panel PC received the Comdex Asia 98 "Best Hardware System Award." Multi-function LCD panel computers PPC-140T awarded with the "KIOSK Best Solution Product" by CRN Magazine (USA). IPC-6908 awarded with the "Most Valuable Product of the Year" by CTI Magazine (USA) Advantech received the 4th place of the "Most Worthy of Investment Companies" Award from Commonwealth Magazine, Taiwan, ROC Advantech received the 6th place of "The Best Performing Companies" Award from Commonwealth Magazine, Taiwan, ROC
1997	<ul style="list-style-type: none"> Received ISO-14001 Environmental Management System Certification. Awarded with the 5th Award for Industrial Technology Advancement Most Outstanding Award, the MOEA, Taiwan, ROC IPC-622 awarded with the "Most Valuable Product of the Year" Award by the US Computer Telephony Magazine.
1996	<ul style="list-style-type: none"> Awarded with the 4th Award for Industrial Technology Advancement and Outstanding Award, the MOEA, Taiwan, ROC The 4th Symbol of Excellence Winner for ADAM-4000 Series, the MOEA, Taiwan, ROC with the right to use the Symbol of Excellence lawfully.
1995	<ul style="list-style-type: none"> The in-house developed industrial control software -GENIE awarded with the "Outstanding Information Application Award."
1993	<ul style="list-style-type: none"> Awarded with the 2nd National Award of Small & Medium Enterprise by National Association of Small & Medium Enterprise Received ISO-9001 Quality Management System Certification.
1992	<ul style="list-style-type: none"> Awarded with the "Outstanding Export & Import Performance Award" by General Chamber of Commerce of New Taipei City ROC Blue Chip Corporate Training Unit "Gold Merchant Award"
1991	<ul style="list-style-type: none"> Awarded with the "Outstanding Export & Import Performance Award" by General Chamber of Commerce of New Taipei City
1990	<ul style="list-style-type: none"> Awarded with the "Outstanding Export & Import Performance Award" by General Chamber of Commerce of New Taipei City
1989	<ul style="list-style-type: none"> Awarded with the "Innovative Product Award" at the 3rd Instrument Exhibition, Taipei City, ROC

5.2 Main Applications of major products and their manufacturing processes

5.2.1 Main applications of major products:

(1) Embedded Computing

Including Computer On Modules, Industrial Motherboards, Industrial Display Systems, Fanless Embedded computer, and Digital Signage Players. The main function is based on PC core control module with high performance applications and streamlined platforms design, so system integrators can reduce product development time .

(2) Industry Automation

Advantech provides customers several standard solution ready packages and products, like Embedded Automation Computers, Human Machine Interfaces, Industrial Communication, Machine Automation, Remote I/O Modules and so on. Build stable automation operation with real-time monitoring solution.

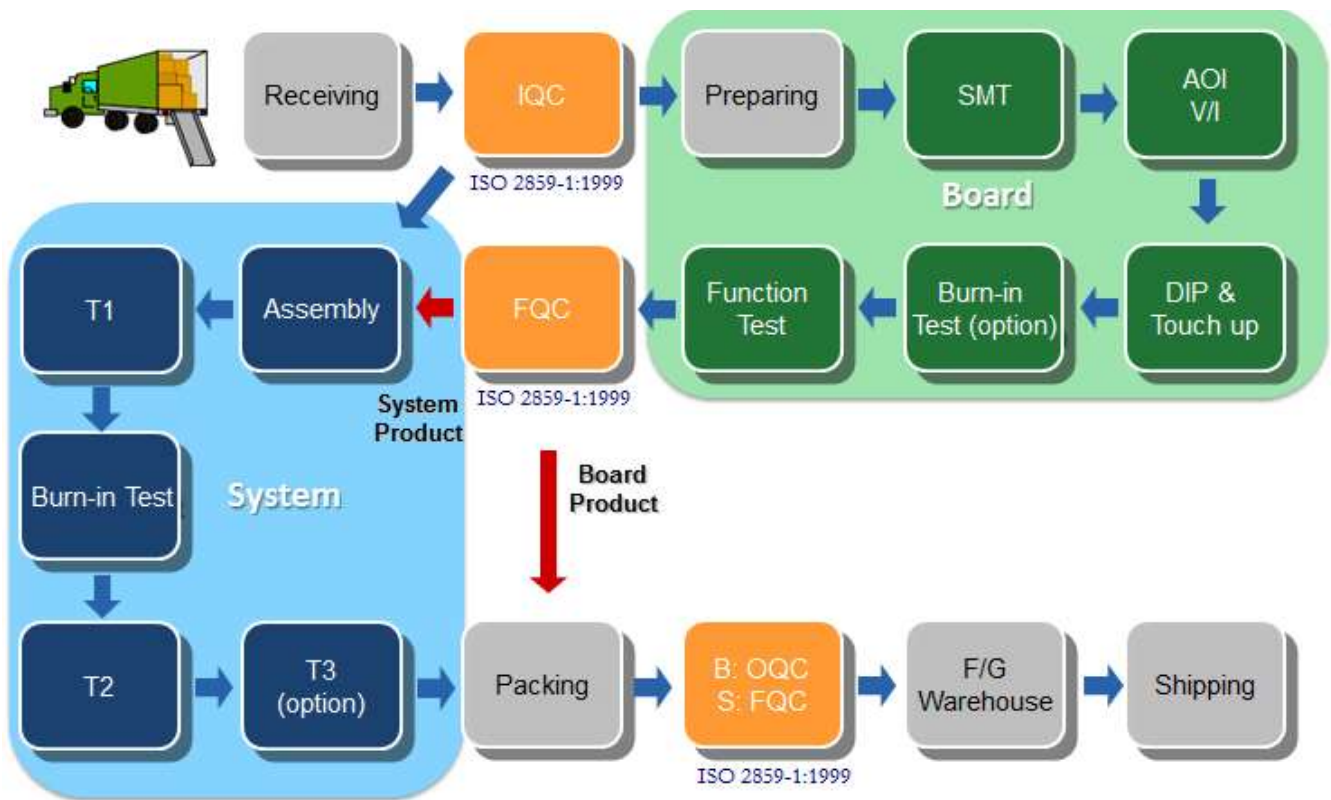
(3) Intelligent System

As a leading provider in the industrial computing market, Advantech is committed to giving more value-added solution and services for the implement of IoT development, Data Acquisition (DAQ) & Communication, Industrial Servers & Storage, Intelligent Transportation Systems, Video Solution, modular IPC are included.

(4) Intelligent Services

Advantech not only fulfills customer requirements, but also makes expansion more flexible for various applications. The product lines are well completed, such as Point-of-Care terminals, All-in-one Service Touch Computers, Industrial Mobile Computers, Medical Carts and POS system ...etc., are applied in each field of retail information delivery, healthcare environment and logistics management.

5.2.2 The production process of main products:

Advantech Process Control Chart

(1) Board Level Production Flow

After warehouse receiving material from vendors, well-trained IQC personal will sampling inspect the incoming material, only accepted material will be stored and follow FIFO mechanism for preparing materials for work order request. Advantech adopted RoHS standard to perform lead-free solder printing for SMT process, followed by 100% AOI plus visual inspection for double check and manual insertion for DIP process. Then followed by full function test to ensure the product quality is accord with industrial standard. After packing, OFQC inspection will be performed before shipping worldwide.

(2) System Level Production Flow

Similar to board product, only accepted material will be stored and follow FIFO mechanism for preparing materials for work order request. The well-trained operators will follow SOP to assembly the system product and perform full function test to ensure the assembly quality. The Production Shop Floor Information System will monitor each unit should pass all the rigid tests above, before move to packing process. FQC inspection will be performed before shipping worldwide.

5.2.3 The Supply of Major Materials

Raw material	Availability
Integrated circuit <including chip>	Well
LCD	Well
Touch screen sensor <Glass>	Well
PCB	Well

Note: The raw material suppliers referred to above are reputable domestic and foreign manufacturers and have been doing business with the Company for years with a stable cooperative relationship held.

5.2.4 The name, purchase (sale) amount, and ratio of the suppliers (customers) accounted for over 10% of the total purchase (sale) in one of the last two years, and the reason for the changes in purchase (sales):

A. List of Major Suppliers with over 10% of the total purchase in one of the last two years:

Unit: NT\$ Thousand

2019					2020				As of 2021Q1			
Item	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the last quarter of the year (%)	Relationship with the issuer
1	Vendor A	5,120,618	18.79	None	Vendor A	4,061,432	15.78	None	Vendor A	1,059,929	13.25	None
2	Others	22,134,882	81.21		Others	21,679,622	84.22		Others	6,937,541	86.75	
3	Total	27,255,500	100		Total	25,741,054	100		Total	7,997,470	100	

B. List of Major Customers with over 10% of the total sales in one of the last two years:

Unit: NT\$ Thousand

2019					2020				As of 2021Q1			
Item	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	[%] Percentage of the last quarter of the year (%)	Relationship with the issuer
1	Others (Note)	54,144,662	100.00	None	Others (Note)	51,119,408	100.00	None	Others (Note)	13,161,403	100.00	None
	Net sales amount	54,144,662	100.00		Net sales amount	51,119,408	100.00		Net sales amount	13,161,403	100.00	

Note: No single customer accounted for more than 10% of total sales amount.

5.2.5 Production, Volume, and Value of the last two years

Unit: Unit/PC; NT\$ Thousand

Output Year	2019			2020		
	Production capacity	Production quantity	Production Value	Production capacity	Production quantity	Production Value
Main Products						
Embedded boards and Chassis	1,991,344	1,765,607	11,396,791	1,978,847	1,739,475	10,342,370
Industrial computer and industrial control	2,631,553	2,472,029	10,179,081	2,626,267	2,432,137	10,648,719
After-sales service and others	165,110	139,124	876,386	263,366	227,040	414,008
Total	4,788,007	4,376,760	22,452,258	4,868,480	4,398,652	21,405,097

5.2.6 Sales Volume and Value of the last two years

Unit: Unit/PC; NT\$ Thousand

Shipments & Sales Year	2019				2020			
	Domestic Sales		Export Sales		Domestic sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products								
Embedded boards and Chassis	187,783	1,302,001	4,407,288	24,973,928	151,766	1,112,102	2,562,481	22,775,138
Industrial computer and industrial control	230,793	1,305,487	2,800,165	20,470,671	263,585	1,407,161	2,832,757	20,017,543
After-sales service and others	9,138	867,645	89,566	5,224,930	6,089	865,331	83,607	4,942,133
Total	427,714	3,475,133	7,297,019	50,669,529	421,440	3,384,594	5,478,845	47,734,814

5.3 Employee information

March 31, 2021

Year		2019	2020	As of March 31, 2021
No. of Employee	Direct staff	2,526	2,808	2,789
	Indirect staff	6,073	5,837	5,869
	Total	8,599	8,645	8,658
Average age		37	39.8	39.75
Average seniority		6.4	6.2	6.3
Academy Ratio	Ph.D	0.3	0.5	0.5
	Master	18.8	18.8	18.8
	College	48.9	50.3	50.3
	Senior High School	27	26.2	26.2
	Below Senior High School	5.0	4.2	4.2

5.4 Expenditures on Environment Pollution Control

- 5.4.1 The amount of penalty/fine (including compensation) imposed due to environmental pollution in the most recent year and up to the publication of the annual report, countermeasures and potential expenditures: None
- 5.4.2 Advantech adopts an altruistic corporate philosophy that is based on the concept of the “Lita” tree. Under this philosophy, society is like the earth that nurtures the tree and is the foundation upon which that the Company can grow. Therefore, we must give back to society what we have gained. In more than 30 years of hard work, all of Advantech’s current achievements have relied upon the continuous supply of resources provided by the environment. As a member of society and having the goal of creating a beautiful life, Advantech is committed to improving the environment and ensuring labor safety. In light of this, Advantech incorporated the ISO 14001 environmental management system in 1996, adopted the OHSAS 18001 occupational safety and health management system in 2005, and has implemented practices in accordance with government regulations for environmental protection, labor safety, and health. To improve the safety and health of the environment, the Company has also worked hard to lessen the impacts of its operations with respect to GHG management, product design

and use, and waste disposal. It is through these efforts, in conjunction with the participation of and commitment from employees, that Advantech consistently achieves its goals for environmental protection and corporate sustainable development.

■ Eco-friendly product design

Advantech believes in protecting the environment by preventing pollution, using less energy and raw materials, reducing waste, and using clean production technologies. The Company focuses on modifying production processes to reduce pollution rather than using end-of-pipe treatments to resolve pollution problems. To reduce waste, Advantech adopts a recycle/reuse policy on waste packaging materials. The Company also seeks to minimize the use of raw materials and energy when designing products and selecting production technologies. Cyclic use goals are facilitated through designing products and processes that focus on energy conservation. Advantech adopts the ISO 14000 environmental management system for pollution prevention and product lifecycle assessment to ensure higher environmental performance and profitability.

In recent years, climate change, the use of environmentally hazardous substances in products, labor safety and health, and human rights have become key CSR issues. Advantech has a strong focus on these issues in how the Company conducts its green supply chain management (see Section 3.3 for details). Demonstrating its commitment to addressing these issues, Advantech amends its internal management standards on the management of environment-related substances in accordance with various environmental protection policies.

To ensure compliance with CE/FCC/CCC safety requirements, Advantech requires all product designs and development to be verified for safety and follows international environmental protection laws and regulations on waste management, from natural resource use and hazardous substance restrictions to lifecycle assessment. All of these procedures conform 100% to international declarations for green products. The Company's products are promoted as green products based on the three dimensions safety, energy-saving, and environmental protection.

■ Environmental protection management

To sustain human life and the Earth's green environment, Advantech endeavors to lessen the impacts of in both the design of its products and their application. This also includes waste disposal methods that ensure the overall safety and health of the environment. In addition to complying with relevant regulations, the Company encourages all employees to be proactive in protecting the environment and achieving corporate sustainable development.

Overview of Advantech's environmental promotion procedures and actions

Promotion procedure	Management action
Operation guidelines related to environmental protection management, environmental management systems (ISO 14001), greenhouse gas inventory (ISO 14064)	<ul style="list-style-type: none"> • Pollution prevention and control • Environmental education training • Environmental management system maintenance • Greenhouse gas management

To fulfill the promises of green management and sustainable development, Advantech has been implementing an environmental management system to consolidate the planning of environmental protection topics and to achieve efficient resource use. We regularly inspect our effectiveness in these areas by following our environmental management system and greenhouse gas inventory. In 2020, no issues on environmental protection required amendment, and our per unit revenue for greenhouse gas emissions was reduced by 2% compared to the previous year. Our Environmental Safety and Health Committee has established a framework for environmental health and safety concepts, actively promoting energy-saving and improving our energy use efficiency. Energy cost reduction is also included as an annual key auditing item. Including verification fees, the company's investment in environmental protection was more than NTD 986,000 in 2020, as shown in the table.

2020 Advantech Environmental Protection Investment Expenses List

Item	Cost(NT1,000)
ISO 14001/ ISO 45001 Environmental Safety Management System Certification Fees and Pollution Source Monitoring Fees 、ISO14064 Certification Fees	986

Water resource usage and management

The amount of precipitation in Taiwan during the dry and wet seasons are significantly different. Storing water resource is a challenging task. When bad weather occurs, various industries may face severe water shortage. Advantech has attempted measures such as using water-saving faucets and toilets in order to reduce the average water consumption per capita. Advantech's plants are located in developed industrial zones or parks in urban areas. All of these plants use tap water as their water supply 100% of the time; they are not involved in extracting underground or well water and their water consumption activities exert no negative influence on the surrounding water resources.

- Monitoring and management of cooling water tower
- Monitoring and management of cooling water towers' conductivity
- Installation of water-saving faucets
- Smart irrigation water-saving system
- Monitoring and management of cooling water and chiller systems with smart air-conditioning systems

Waste management and resource recycling

Advantech's ultimate goal in waste management is to achieve zero waste. The path to achieving this is by reducing the amount of total waste produced, recycling waste into other resources, and implementing source management measures (e.g., reduce raw material use). Advantech is always working to produce

less waste, shift from end-of-pipe treatment to a recycle/reuse model, convert trash into useful resources, recycle resources, and reduce the energy and cost of waste treatment.

Regarding raw material use, electronic materials accounts for approximately 90% of the total use, with mechanical, packaging, plastics, and other non-metal mechanical materials accounting for the remaining 10%. metric tons which can be divided into four major categories: PCB wastes, tin slag, chemical waste, and others. In the future, Advantech will continue to increase its process yield, reduce the output of electronic waste and tailings, and work to achieve efficient methods to reduce industrial waste.

Greenhouse gas management

Advantech promotes a series of activities related to energy conservation, carbon reduction, and loving our planet in order to strength employee awareness on conserving energy. Concurrently, the implementation of the Environmental Safety and Health Committee's framework helps promote environmental safety and health, energy conservation, and increased energy efficiency. Moreover, the Company includes energy cost reduction as one of its crucial auditing items.

Advantech's plants in Taiwan adhere to ISO 14064-1 and the GSG Protocol. In addition to conducting a self-inventory, starting from 2019, Advantech has employed SGS Taiwan to conduct third-party onsite inspections. The Company's organizational boundary includes Ruiguang Headquarters, the Sunny Building, Donghu Plant, and Linkou Park. The scope of the inventory consists of the qualitative and quantitative inventory of Scope 1 (direct greenhouse gas emissions), Scope 2 (indirect greenhouse gas emissions from energy), and the inventory on items in part of Scope 3 (other indirect greenhouse gas emissions).

Since 2009, Advantech has cooperated in the Carbon Disclosure Project (CDP), which is currently the world's largest database related to global climate change. Each year, questionnaires are distributed to determine how businesses are responding to climate change and reducing their GHG emissions. The survey results are then used to evaluate potential business risks and opportunities caused by climate change. Through annual CDP information disclosure, Advantech carefully reviews climate-related issues such as climate regulations and hazards caused by climate change. To mitigate potential risks in business management, the Company adopts effective reduction and elimination measures and thereby adheres to the GHG management requirements of international clients.

Advantech Taiwan includes our headquarters in Neihu, as well as factories in Donghu and Xindian. The Linkou Smart Technology Park has been in operation since 2014. Park construction has been divided into three phases, with a total area spanning 34,470 m². Currently, the completed first-phase zone covers an area of 9,983 m². Its main buildings include an R&D center, production center, and offices. Once completed, the second and third phases will introduce more office space, a production center, and a living area, which will be integrated with the original Linkou Plant to form Advantech's second headquarters, where R&D, production, warehousing, and product distribution will take place. Advantech has developed Linkou Park into an innovative experimental site for smart buildings. The park demonstrates two major smart-building solutions, where smart-building energy management and smart contextual space management are implemented. By cooperating with partners from the smart-building

industry, Advantech has established a tight smart-building collaboration system, with consulting teams providing comprehensive sales services. For our partners in the smart-building industry, Linkou Park is an experimental site for collaborative R&D; for clients, it is a place where they can experience smart-building solutions. Linkou Park gives customers a chance to experience a range of smart-building solutions that have been developed through collaboration; this includes the smart central control room, smart parking area, smart reception, and smart conference rooms. All smart sites inside Linkou Park incorporate the concept of smart energy conservation, and the Company continuously engages in innovative development to increase the capabilities of smart green buildings at the park. Relevant design considerations are described below:

I. Smart parking: This smart service system combines various functions, such as reserving parking spaces, identifying license plates and eTags, sending welcome messages to guests, guiding vehicles to parking spaces, parking area control and management, and helping guests locate their vehicle. To conserve energy in providing excellent smart parking services and a clean parking environment, the smart parking system features an automated lighting system that guides vehicles, as well as an automated air conditioning system for air quality control.

II. Smart reception: When visitors arrive to Linkou Park, a large monitor in the lobby displays a welcome message. As soon as they touch the automated visitor registration system, staff are notified of their arrival via mobile phone messages. The visitors are then issued with an electronic identification card that allows them to interact with multimedia facilities in the building. Centralized control management through regional connectivity allows visitors and employees to view park-related information, weather, and traffic data on interactive multimedia signboards, making it easier for branches in other regions to announce management information. The signboards also feature an interactive e-Catalog system for visitors to browse product catalogs and advertisement videos. They can also use their emails to share information or read QR codes to find more information on their mobile phones. At night, the signboards automatically enter sleep mode and turn back on the next day, contributing to our efforts toward energy conservation.

III. Smart conference room: The multimedia signboard in the lobby displays booking information for the conference room. A signboard is also placed at the entrance of the conference room to display meeting information. Users are allowed to use the conference facilities, and they can automatically switch the situational configuration of the room to suit their needs with just the touch of a button. Air quality sensors and fans are also installed to automatically regulate the indoor air quality. If no one is detected to be present in the room for 15 minutes, the system automatically switches off all power and the air-conditioning system to conserve energy.

IV. Smart office: The air conditioning system automatically detects and regulates the air quality. Additionally, a people-sensing energy conservation system is employed to divide the office area into regions and generate an energy schedule based on work hours and lunch breaks. The smart office is connected to the access control system so that the lights in the room can be automatically controlled when the entry card reader is used during off-peak hours. The system can also be operated via a webpage and a touch screen panel. By monitoring the behavioral characteristics of people in the office, the system

automatically switches off lights and air conditioners in each area when rooms are empty.

In addition to introducing smart solutions for reducing energy consumption, Advantech is also constantly involved in promoting energy conservation.

- The Linkou Smart Technology Park's building energy management and people-sensing energy conservation systems make the buildings more intelligent through smart air-conditioning and parking systems, as well as all-in-one access cards. The comprehensive system that is in place can detect human behavior and transmit relevant data to the cloud for processing, and this realization of smart buildings makes life at work more convenient and efficient. This approach to smart management achieves both energy conservation and resource waste prevention goals.
- Smart power management is handled by single-button operation for control of the lights and projectors in the conference room. Different situational settings, such as presentation mode or discussion mode, are also provided. The automated system in these rooms prevents the unnecessary waste of resources should employees forget to switch off the power when they leave.
- Currently, the Linkou Smart Technology Park and Sunshine Building both use energy-saving lightbulbs, whereas Xindian and Donghu plants are in the process of replacing lights with high energy consumption. All new Advantech buildings use energy-saving bulbs.
 - Use video conferencing instead of on-site meetings whenever possible
 - Prioritize the purchase of Green Label office equipment and electronic products
 - Maintain the indoor temperature at 25°C
 - Encourage employees to develop the habit of switching off the lights whenever they leave a room

Advantech and caring for nature

Environmental protection is a crucial topic for humankind. In the Lita spirit and in line with the Company's efforts to create a sustainable green industry, Advantech values its relationships with local communities and actively assumes responsibility for environmental protection.

Linkou Park will be transformed into smart parks and IoT demonstration centers. Advantech will cooperate with its partners in the innovation and execution of IoT solutions by reforming the park to promote smart energy saving and carbon reduction concepts, change the way people think about the future of IoT by giving them actual experiences, and promote the implementation of smart cities.

Linkou Park adopts the optimal energy-saving design that is formulated based on the actual needs and behaviors of users. This design enhances the comfort of employees inside the building as well as their work efficiency. While reducing unnecessary energy consumption, it also improves the quality of the overall work environment. Linkou Park's energy management system is optimized continuously to set the benchmark for green enterprises in Taiwan.

5.5 Labor-Employer Relation

- (I) The Company's employee welfare measures, education, training, retirement system and its implementation, as well as the agreement between the employers and the employees, and

the implementation of the employee's rights protection:

1. Employee welfare measures:

Uphold the "Perfectionism" business philosophy. The Company values the employee benefits policy. A dedicated unit (Human Resources Department) is setup within the organization to plan a series of welfare measures in order to provide the staff with a stable lifestyle, to protect the interests of employees, pursued Advantech Beautiful Life (ABLE Club), and thus promote employer-employee harmony.

The Company believes that the employee will be able devote to work wholeheartedly and exercise their job strengths to create high quality products and promote the progress and prosperity of the whole enterprise only when their welfares and life security are protected.

(1) The welfare measures directly handled by the Company:

- A 、 Employee bonus;
- B 、 Labor insurance;
- C 、 National health insurance
- D 、 Group insurance
- E 、 Annual health check
- F 、 Marriage, funeral, joy, celebration grants
- G 、 Dragon Boat Festival and Mid-Autumn Festival gifts
- H 、 Yearend banquet dinner
- I 、 Domestic tour
- J 、 Overseas tour
- K 、 Health/Art/Life lectures
- L 、 Sports/LOHAS/Art/Charity Clubs
- M 、 Birthday celebration
- N 、 Departmental function fund
- O 、 Movies
- P 、 Arts and cultural appreciation
- Q 、 Emergency rescue gold

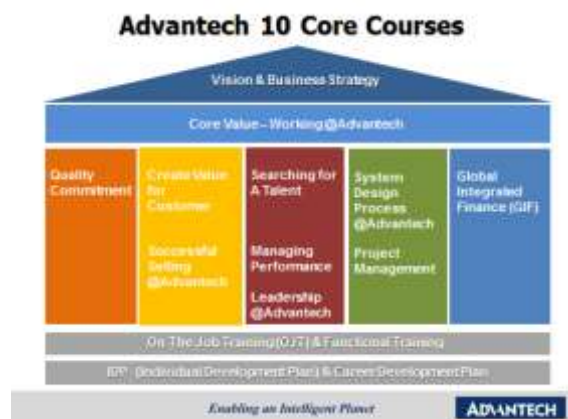
2. Education, training system, and its implementation

With a view to cultivating talents and expanding the horizons, Advantech College has designed a series of talent cultivation programs: starting from On-Job Training, the trainee will be assigned with a work-related task, hoping to develop his/her expertise honed through the task, and with Ten Main Core Curricula, Case Study, Reading Club, E-Learning and LEAP Camp, TCAP, and Champion Program, Advantech College provides a global growth platform targeting on learning, creating an environment for continuous learning and development so as to accelerate growth and improvement for all Advantech talents. Each talent cultivation program is outlined as follows:



■ Advantech 10-Core Program

Advantech's executives have elaborated the most basic knowledge and skills of Advantech and compiled the Advantech Ten Main Core Curricula, the five categories of which include quality commitment, marketing and sales, talent asset, research and development, and finance and value creation, so as to impart Advantech's systems and regulations. Through the Ten Main Core Curricula, Advantech's core values and systems can be learned.



■ Case Study

Advantech management and decision-making levels will select the themes relevant to Advantech future development and invite experts from all fields and scholars from academic circles to discuss on Advantech business cases and offer academic theories and proposals to compose our "Business Case Study," and the discussions and interactions between our colleagues and experts in various fields will jointly help develop the guidelines and strategies for the company's future development and accomplish the tasks of cases, such as "M&A as the Assessment and Management for Advantech Development Strategy",

“Under Greater China Homeland strategic approach, Advantech strategic action and managing change in Mainland China”, and “Advantech’s Operation in Inter-Continental Sales Region” : “Action Plan Design on the evolution from Export Business Model to the Operation Model of Market Segmentation”, “Advantech Business Leadership Management Process Improvement Study”, “The Study on the Pricing Model of Advantech GIE 2.0”, “Focus on Excellence, Innovation and the Humanities and be a good corporate citizen- Advantech CSR Case Study”, “Advantech’s Talent Cultivation and Inheritance”, and “The study on Advantech transnational MD role.” Case Study not only stimulates the trainees’ creative thinking and reflections and refines the company’s business model and strategies, but it also effectively imparts Advantech’s business philosophy and strategic direction. On the other hand, business cases from domestic enterprises are limited in number, and the ones developed by Advantech in cooperation with academic circles are available not only for teaching purposes, but also for students to integrate theory and practice through Case Study ; at the same time, it also allows the industry to observe each other and exchange experience to serve as a heritage.

■ e-Learning

The Advantech e-Learning platform, created for imparting Advantech wisdom, core values and culture, delivering the company’s important news and events, and instructing professional knowledge and skills, allows employees around the world to find out Advantech’s business philosophy and its corporate culture through online learning. Meanwhile, they are enabled to obtain the latest information according their own needs to learn, making learning free of geographical and time constraints, and they can learn simultaneously and communicate with colleagues all over the world; accessing information from all over the world in the exclusive field of knowledge effectively broadens Advantechers’ global perspective and knowledge profile and makes the most of the learning resources to reach the efficiency collaboration, integration & leverage. Listed below are the website contents:



✚ Advantech Philosophy:

Impart Advantech wisdom, core values and culture to enable our employees around the world to enhance the corporate cultural identification and consensus.

✚ Business Leadership Model :

Set forth the spirit, the knowledge profile, and the actual practices of Advantech Business Leadership Management Process.

✚ Professional courses:

Offer various types of professional knowledge and skills training, expecting our employees will be more proficient at work.

✚ New employee Orientation:

Provide a variety of policies and guidelines for the newcomers so that they will know well their work quickly.

✚ Advantech Scholar:

It provides the information Advantechers must know, such as the interview articles of Advantech senior level managers, business cases in cooperation with professors, Advantech quarterly and Advantech abbreviation dictionary.

✚ Advantech Important Events :

It provides videos and contents of the company's important activities, allowing employees around the world to know about the spirit and the meaning of Advantech important events.

■ Management LEAP Camp

In order to accelerate the cultivation of mid-level managers, Advantech has developed "Management LEAP Camp" through the design of branding to impart the culture and business philosophy unique to Advantech. This program allows the excellent mid-level managers to be involved in the company's decision-making on major issues, and executives and the elite will have more interactions so that the future leaders can be discovered.

The course planning adopted the approach of multi-faceted cultivation - Case Study, Study

Group, Pre-Assignment, and Essay, and the contents are described as follows:

- ✚ Case Study- Studying the cases of Advantech major issues, the trainees discuss on the enhancement or the improvement of the issues with senior level managers and offer their suggestions to the company, enabling the trainees to take part in the operation.
- ✚ Study Group- (such as From A to A+, Kazuo Inamori's "Amoeba operating" concept)- By previewing the book, the trainees will understand the operator's business philosophy, and they will do the presentations in class to share their own views and interact with and learn from managers and other trainees.
- ✚ Pre-assignment- Through the Assignment, the trainees will learn about leadership and teamwork, expecting to enhance the trainees' team spirit by ways of Assignment and to make them understand all aspects of the company.
- ✚ Essay -At the end of stage-one course, Advantech's major issues will be presented in top-down and bottom-up manner, and during the development of their dissertations, the trainees are able to continuously discuss with senior level managers, the units related to the issues, and other trainees, offer the practicable action plan in response to the issues, and make the presentation in stage-two course. Through Essay, the trainees can participate in the company's decision-making, learn about how senior managers integrate and coordinate major issues, and establish practical experience ; after the paper is published, the action plan in the Essay will be delivered to the responsible unit and have it executed faithfully and kept for record and control.

■ **Global Elite LEAP Camp**

LEAP means Jump, signifying the hope that every trainee will make huge progress, and its symbolic connotation refers to "Learn," "Experience," "Alignment" & "Partnership". LEAP Camp will invite new employees from all over the world to Advantech headquarters every year, and the training of a five-day global camp aims to enhance the employees' professional knowledge and skills and make them experience Advantech's culture and core values, allowing them to interact and get into contact with the partners from the world so as to achieve global collaboration.

The course design of LEAP Camp is divided into Sales Track, Marketing Track, and AE Track in accordance of the duties of the trainees, and each Track's content focuses on the field of expertise in each Track, enabling the trainees to grow by way of LEAP Camp while experiencing Advantech's culture.

■ **Study Group**

Our CEO is convinced that "all supervisors can build the team consensus by reading a book together." Advantech Reading Club holds reading parties on a regular basis. Outside experts and scholars in the fields of business management, operational planning and others, or mid-to-senior level managers from the affiliated companies are invited to develop concepts and introduce innovative management concepts, which continually refines

Advantech's management model and thus leads to the formation of key business strategy. As the prime directive of Advantech towards talent says, "Right People on Bus- finding right people before deciding what to do," and this policy is quoted from the book, "Good to Great" written by Jim Collins.

■ **Temporary Coverage Assignment Program , TCAP**

In order to expand the Advantech elite's global perspective and experience, the company offers short-term and task-based overseas dispatch opportunities (dispatch rotation period ranging from 3 to 6 months) for the major, top-down, emerging markets, emerging opportunities. It gives employees the chance to face different challenges and grow. Through the variance of working environment and position, the talents will develop diverse international perspectives and acquire valuable experience by achieving the goal of the short-term task.

The internal rotation and station assignment is also the best way to help build up the international perspective of the elites. Plan short-term TCAP program so that the personnel can develop a diversified international perspective through the change of working environment and job rotations in order to achieve the short-term assignment and gather valuable experience.

For example, in 2020, the total amount invested in the education and training of staff was NT\$3.51 million with an average of 144 hours training for each employee. The colleagues continue to grow as a person and career planning through the training program of the Company.

3. Status and implementation of the old and new retirement systems:

- (1) Old system: Employees who have reported to duty since June 30, 2005, may choose between the old and new retirement system. In accordance with the provisions of the Labor Standards Law, Advantech provides a retirement plan for all formal employees. As stated in the retirement plan, a pension payment is paid in accordance with the average years of service and the average salary six months prior to retirement. The Company has a pension reserve appropriated monthly and has it handled by the Labor Pension Reserve Committee and then deposited in the name of the Committee with the Bank of Taiwan.
- (2) New system: Employees who have reported to duty since July 1, 2005, are subject to the new system. Those who have reported to duty since before July 1, 2005, may also choose to apply the new system. The Company has an amount equivalent to 6% of the monthly wages and salaries appropriated to the pension account of each employee. Employees may also discretionally set aside an amount equivalent to 0%–6% of their monthly wages and salaries to the pension account and the appropriated amount will be deducted from the monthly paycheck of the respective employee.

4. Agreement between employer and employees:

The Company upholds the concepts of “unified employer and employee” and “coexistence” and applies reasonable and humane management with an “openness” method to establish smooth communication channels, to maintain good labor relations, to work together for higher productivity, to share profits, and to establish stable and harmonious labor relations. The Company has always upheld the principle of “fairness and impartiality” and “reasonableness and lawfulness” within the consideration of sentiment and legality to communicate and coordinate with the employees. We explain the difficulties and problems faced by the Company adequately and express the position and assertions of the Company. We respect each other and agree with each other so that both parties will be able to resolve disputes and improve labor relations with both parties treated fairly and justly. Due to this comprehensive mechanism, the Company has never suffered any loss due to labor disputes. Most importantly, both parties are able to work together for professional development and positive labor welfare.

5. Protection measures for employee benefits:

The Company has the Labor Welfare Committee and Labor Pension Reserve Committee established lawfully to plan, appropriate, reserve, and apply the benefit funds and pension reserves, and matters regulated by relevant laws and regulations; and to implement the employee benefits and welfare system in accordance with related specifications.

(II) Labor/employer dispute loss incurred in the most recent year and up to the publication of the annual report; also, disclosing estimated current and future loss and its countermeasure: None

5.5 Important Contracts: None

VI. Financial Information

6.1 Condensed Balance Sheet, Income Statement, Name of the Auditors and Audit opinions with the last five years

(I) Condensed Balance Sheet and comprehensive Income Statement

Condensed Balance Sheets

Year Item		Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2021 (Note 2)
		2020	2019	2018	2017	2016	
Current Assets		30,287,536	27,372,911	25,366,573	23,200,572	21,181,711	32,996,530
Property, plant, and equipment		9,916,896	9,732,490	9,782,781	9,967,332	10,089,836	9,864,712
Intangible assets		683,031	980,061	1,102,323	1,124,407	1,317,440	724,214
Other assets		9,311,922	9,130,617	7,688,284	6,411,458	5,949,966	10,290,472
Total assets		50,199,385	47,216,079	43,939,961	40,703,769	38,538,953	53,875,928
Current Liabilities	Before distribution	12,096,208	11,744,458	12,146,590	11,046,661	11,435,611	18,699,006
	After distribution	Note 3	17,207,656	16,897,719	15,647,075	15,423,978	Note 3
Noncurrent liabilities		3,056,754	2,740,161	2,249,896	1,896,668	1,716,445	3,281,134
Total liabilities	Before distribution	15,152,962	14,484,619	14,396,486	12,943,329	13,152,056	21,980,140
	After distribution	Note 3	19,947,817	19,147,615	17,543,743	17,140,423	Note 3
Shareholder's equity attributable to parent company		34,410,156	32,154,099	29,298,039	27,581,074	25,213,582	31,375,149
Capital stock		7,722,545	7,004,100	6,986,955	6,972,825	6,330,841	7,726,405
Additional paid-in capital		7,913,754	7,397,029	7,073,348	6,554,842	6,058,884	8,011,260
Retained earnings	Before distribution	19,605,707	18,598,963	16,036,499	14,423,062	12,909,061	16,032,398
	After distribution	Note 3	13,135,765	11,285,370	9,822,648	8,920,694	Note 3
Other equity		(831,850)	(845,993)	(798,763)	(369,655)	(85,204)	(394,914)
Treasury stock		-	-	-	-	-	-
Non-controlling equity		636,267	577,361	245,436	179,366	173,315	520,639
Total equity	Before distribution	35,046,423	32,731,460	29,543,475	27,760,440	25,386,897	31,895,788
	After distribution	Note 3	27,268,262	24,792,346	23,160,026	21,398,530	Note 3

Note 1: For the financial data with the IFRS adopted for less than five years, the financial data in Table (II) should be prepared in accordance with the Financial Accounting Standards of the R.O.C. The 2016~2020 financial data were audited by the CPA.

Note 2: The 2021Q1 financial data were reviewed by the CPA.

Note 3: The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 5, 2021.

Condensed Balance Sheet - Proprietary

Year Item		Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2021
		2020	2019	2018	2017	2016	
Current assets		15,720,953	13,854,690	14,946,607	12,153,703	10,361,304	
Property, plant, and equipment		6,549,679	6,597,256	6,752,642	6,865,025	6,938,084	
Intangible assets		107,986	106,637	105,532	75,584	78,321	
Other assets		23,691,851	22,208,881	19,260,017	18,385,713	17,179,706	
Total assets		46,070,469	42,767,464	41,064,798	37,480,025	34,557,415	
Current liabilities	Before distribution	8,991,700	8,473,785	9,860,591	8,450,778	8,109,627	
	After distribution	Note 2	13,936,983	14,611,720	13,051,192	12,097,994	
Noncurrent liabilities		2,668,613	2,139,580	1,906,168	1,448,173	1,234,206	
Total liabilities	Before distribution	11,660,313	10,613,365	11,766,759	9,898,951	9,343,833	
	After distribution	Note 2	16,076,563	16,517,888	14,499,365	13,332,200	
Capital stock		7,722,545	7,004,100	6,986,955	6,972,825	6,330,841	
Additional paid-in capital		7,913,754	7,397,029	7,073,348	6,554,842	6,058,884	
Retained earnings	Before distribution	19,605,707	18,598,963	16,036,499	14,423,062	12,909,061	
	After distribution	Note 2	13,135,765	11,285,370	9,822,648	8,920,694	
Other equity		(831,850)	(845,993)	(798,763)	(369,655)	(85,204)	
Total equity	Before distribution	34,410,156	32,154,099	29,298,039	27,581,074	25,213,582	
	After distribution	Note 2	26,690,901	24,546,910	22,980,660	21,225,215	

Note 1: The 2016–2020 financial data were audited by the CPA.

Note 2: The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 5, 2021.

Condensed Income Statement

Year Item	Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2021 (Note 2)
	2020	2019	2018	2017	2016	
Operating income	51,119,408	54,144,662	48,726,518	44,374,751	42,002,198	13,161,403
Gross Profit	20,396,261	21,099,362	18,663,448	17,380,958	17,117,549	5,208,637
Operating profit or loss	9,036,553	9,233,502	7,459,625	6,778,477	6,631,493	2,286,861
Non-Operating income and expense	91,808	74,378	527,090	755,066	465,872	129,829
Net income before tax	9,128,361	9,307,880	7,986,715	7,533,543	7,097,365	2,416,690
Net income of continuing operations	7,302,987	7,392,855	6,308,974	6,149,289	5,688,954	1,928,897
Net income	7,302,987	7,392,855	6,308,974	6,149,289	5,688,954	1,928,897
Other comprehensive profit and loss (net)	(28,913)	(93,275)	(481,668)	(307,450)	(465,097)	420,300
Total current comprehensive profit and loss	7,274,074	7,299,580	5,827,306	5,841,839	5,223,857	2,349,197
Net income attributable to parent company's shareholders	7,247,955	7,351,220	6,289,993	6,156,516	5,666,862	1,913,047
Net income attributable to non-controlling equity	55,032	41,635	18,981	(7,227)	22,092	15,850
Total comprehensive profit and loss attributable to parent company's shareholders	7,231,759	7,265,801	5,803,295	5,850,991	5,217,251	2,347,841
Total comprehensive profit and loss attributable to non-controlling equity	42,315	33,779	24,011	(9,152)	6,606	1,356
Earnings per share	9.40	9.56	9.01	8.84	8.15	2.48

Note 1: The 2021Q1 financial data were reviewed by the CPA.

Condensed Income Statement - Proprietary

Year Item	Financial Data within the last 5 years (Note 1)					Financial data up to March 31, 2021
	2020	2019	2018	2017	2016	
Operating income	34,391,042	36,632,047	35,382,776	30,900,577	30,501,099	
Gross profit	11,314,452	11,728,635	10,646,905	9,380,105	8,896,852	
Operating profit or loss	6,971,890	7,241,356	5,933,437	4,845,682	4,777,417	
Non-Operating income and expense	1,768,750	1,637,061	1,696,039	2,298,307	1,866,279	
Net income before tax	8,740,640	8,878,417	7,629,476	7,143,989	6,643,696	
Net income	7,247,955	7,351,220	6,289,993	6,156,516	5,666,862	
Other comprehensive profit and loss (net)	(16,196)	(85,419)	(486,698)	(305,525)	(449,611)	
Total current comprehensive profit and loss	7,231,759	7,265,801	5,803,295	5,850,991	5,217,251	
Earnings per share	9.40	9.56	9.01	8.84	8.15	

Note 1: The 2016~2020 financial data were audited by the CPA.

6.1.2 The name and opinion of the independent auditor within the last 5 year

Year	Name of CPA Firm	Name of CPAs (Certified Public Accountant)	Auditor's opinions
2020	Deloitte & Touche	CPA Jr Shian Ke / CPA Kwan-Chung Lai	Modified Unqualified opinion
2019	Deloitte & Touche	CPA Jr Shian Ke / CPA Meng Chieh Chiu	Modified Unqualified opinion
2018	Deloitte & Touche	CPA Jr Shian Ke / CPA Meng Chieh Chiu	Modified Unqualified opinion
2017	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Jr Shian Ke	Modified Unqualified opinion
2016	Deloitte & Touche	CPA Meng Chieh Chiu / CPA Chin Hsiang Chen	Modified Unqualified opinion

6.2 Financial Analysis within the last 5 years

(I) Financial Analysis - consolidated

Analysis item (Note 3)		Financial analysis within the last 5 years					As of March 31, 2021 (Note 2)
		2020	2019	2018	2017	2016	
Finance structure (%)	Debt to assets ratio	30.19	30.68	32.77	31.80	34.13	40.80
	Long term funds to property, plant, and equipment ratio	384.22	364.47	324.96	297.54	268.62	356.59
Solvency (%)	Current ratio (%)	250.39	233.93	208.84	210.02	185.23	176.46
	Quick ratio (%)	181.79	161.80	142.31	149.48	132.00	125.92
	Interest coverage ratio	45,343.66	37,270.56	170,740.11	62,273.33	61,517.14	63,133.12
Operating ability	Receivables turnover (times)	5.81	6.30	6.01	5.83	6.09	5.93
	Accounts receivable collecting days	62.82	57.93	60.73	62.60	59.93	61.55
	Inventory turnover (times)	3.94	4.31	4.36	4.56	4.76	3.82
	Payables turnover (times)	6.67	6.23	5.42	5.26	6.06	6.33
	Average inventory turnover on sales	92.63	84.68	83.71	80.04	76.68	95.54
	Property, plant, and property turnover (times)	5.20	5.55	4.93	4.42	4.27	5.32
	Total asset turnover (times)	1.05	1.19	1.15	1.12	1.16	1.01
Profitability	Return on assets (%)	15.03	16.26	14.93	15.55	15.72	14.85
	Return on equity (%)	21.55	23.74	22.05	23.14	23.30	23.05
	Ratio of net income before tax to paid-in capital (%) (Note 7)	118.20	132.89	114.42	108.04	112.11	125.11
	Profit margin (%)	14.29	13.65	12.96	13.86	13.54	14.66
	Earnings Per Share (NT\$)	9.40	9.56	9.02	8.84	8.15	2.48
Cash flow	Cash flow ratio (%)	66.79	52.75	61.13	27.26	70.08	5.58
	Cash Flow Adequacy Ratio (%)	102.90	93.16	92.44	91.61	103.81	102.90
	Cash Flow Re-investment Ratio (%)	6.88	4.13	9.29	-3.49	17.16	3.04
Leverage	Operating leverage	2.58	2.68	3.05	3.11	3.32	2.58
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity Attributable to Shareholders of the Parent = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent

(3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital

(4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(5) Net Margin = Net Income / Net Sales

(6) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

Financial Analysis - Proprietary

<div>Year</div> <div>Analysis item</div>		Financial analysis within the last 5 years					
		2020	2019	2018	2017	2016	
Finance structure (%)	Debt to assets ratio	25.31	24.77	28.6	26.41	27.04	
	Long term funds to property, plant, and equipment ratio	566.12	521.05	461.77	422.86	381.20	
Solvency (%)	Current ratio (%)	174.84	163.50	151.58	143.82	127.77	
	Quick ratio (%)	133.11	120.12	114.32	111.85	103.42	
	Interest coverage ratio	1,231,176.06	387,296.55	231,338.58	-	159,689.14	
Operating ability	Receivables turnover (times)	5.43	5.32	5.27	5.27	5.71	
	Accounts receivable collecting days	67.21	68.60	69.25	69.25	63.92	
	Inventory turnover (times)	6.31	6.87	7.87	9.38	11.97	
	Payables turnover (times)	5.51	4.99	4.83	4.92	5.58	
	Average inventory turnover on sales	57.84	53.12	46.37	38.91	30.49	
	Property, plant, and property turnover (times)	5.23	5.49	5.2	4.48	4.62	
	Total asset turnover (times)	0.77	0.87	0.9	0.86	0.93	
Profitability	Return on assets (%)	16.32	17.53	16.03	17.09	17.23	
	Return on equity (%)	21.78	23.89	22.13	23.32	23.36	
	Ratio of net income before tax to paid-in capital (%) (Note 7)	113.18	126.76	109.26	102.45	104.94	
	Profit margin (%)	21.08	20.07	17.79	19.92	18.58	
	Earnings Per Share (NT\$)	9.40	9.56	9.02	8.84	8.15	
Cash flow	Cash flow ratio (%)	63.39	67.72	48.72	39.96	64.88	
	Cash Flow Adequacy Ratio (%)	80.10	72.02	71.62	77.43	81.29	
	Cash Flow Re-investment Ratio (%)	0.63	2.84	0.64	-2.10	5.62	
Leverage	Operating leverage	2.95	3.05	3.55	3.89	4.10	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

*Glossary

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity = Net Income / Average Shareholders' Equity

(3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital

(4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(5) Net Margin = Net Income / Net Sales

(6) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee's Report for the Most Recent Year

Audit Committee's Review Report

The Audit Committee has adopted the Company's 2020 Financial Statements resolved by the Board of Directors. Deloitte & Touche was retained by the Board of Directors to audit the Company's Financial Statements. Deloitte & Touche has completed the audit procedures and issued the audit report.

The Company's 2020 Business Report and proposal for distribution of earnings submitted by the Board of Directors have also been reviewed by the Audit Committee and determined to be in conformity with the Company Act and related regulations. According to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, this report is hereby prepared.

Advantech Co., Ltd. 2021 Shareholders' Meeting

Convener : Benson Liu

March 05, 2021

- 6.4 Financial Statements of the most recent year: Please refer to above first attachment
- 6.5 The consolidated financial statements of the parent and subsidiary audited by the CPA in the most recent year : Please refer to above second attachment
- 6.6 Financial difficulties, if any, encountered by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company's financial status: None

VII. Review of Financial Conditions, Operating Results , and Risk Management

7.1 Financial Conditions:

Unit: NT\$ Thousand

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	30,287,536	27,372,911	2,914,625	11
Property, plant, and equipment	9,916,896	9,732,490	184,406	2
Intangible assets	683,031	980,061	(297,030)	(30)
Other assets	9,311,922	9,130,617	181,305	2
Total assets	50,199,385	47,216,079	2,983,306	6
Current liabilities	12,096,208	11,744,458	351,750	3
Noncurrent liabilities	3,056,754	2,740,161	316,593	12
Total liabilities	15,152,962	14,484,619	668,343	5
Capital stock	7,722,545	7,004,100	718,445	10
Additional paid-in capital	7,913,754	7,397,029	516,725	7
Retained earnings	19,605,707	18,598,963	1,006,744	5
Other equity	(831,850)	(845,993)	14,143	(2)
Non-controlling equity	636,267	577,361	58,906	10
Total equity	35,046,423	32,731,460	2,314,963	7

7.2 Analysis of Financial Status

Unit: NT\$ Thousand

Item \ Year	2020	2019	Increased or decreased amount	Ratio change (%)
Operating income	51,119,408	54,144,662	(3,025,254)	(6)
Operating cost	30,723,147	33,045,300	(2,322,153)	(7)
Gross profit	20,396,261	21,099,362	(703,101)	(3)
Operating expense	11,359,708	11,865,860	(506,152)	(4)
Operating profit	9,036,553	9,233,502	(196,949)	(2)
Non-operating income and expense	91,808	74,378	17,430	23
Net income before tax	9,128,361	9,307,880	(179,519)	(2)
Income tax expense	1,825,374	1,915,025	(89,651)	(5)
Net income	7,302,987	7,392,855	(89,868)	(1)
Annual other comprehensive profit and loss (Net)	(28,913)	(93,275)	64,362	(69)
Annual total comprehensive net income	7,274,074	7,299,580	(25,506)	-
Net income attributable to the shareholder's equity of the parent company	7,247,955	7,351,220	(103,265)	(1)
Total comprehensive profit and loss attributable to the shareholder's equity of the parent company	7,231,759	7,265,801	(34,042)	-

7.3 Cash Flow

7.3.1 Liquidity Analysis within the last 2 years

Cash balance – beginning	Estimated annual net cash flow from operating activities	Estimated annual cash outflow	Cash balance (deficit) -	Contingency plans for insufficient cash	
				Investment plan	Financial Plan
6,003,936	8,078,566	(6,585,060)	7,497,442	--	--

7.3.2 Cash liquidity analysis for next year

Cash balance – beginning	Estimated annual net cash flow from operating activities	Estimated annual cash outflow	Cash balance (deficit) -	Contingency plans for insufficient cash	
				Investment plan	Financial Plan
7,497,442	7,461,182	(7,424,228)	7,534,396	--	--

7.4 The impact of material capital expenditure on financial business in the most recent year:

Project	Actual or intended financing	Actual or intended completion date	Total funds needed	Actual or intended use of funds			
				2020	2021	2022	2023
Plant purchase (construction) –Linkou Campus Phase 3	Equity fund	2023.3	1,410,000	9,579	630,000	630,000	140,421
Domestic reinvestment - AXIOMTEK	Equity fund	2021.03	111,673	111,673	-	--	-

(I) Advantech Linkou Campus: In response to the global carbon reduction requirements and the development of networking technology, the Advantech Campus in Linkou was built into a pioneering experimental field of smarter buildings so as to realize the two iBuilding Solutions composed of intelligent energy management and intelligent space management.

7.5 Reinvestment policy in the most recent year, the reasons for profit or loss resulted, its improvement plan, and next year's investment plan:

Advantech adopts reinvestment of equity method with all focusing on long-term strategic purposes; in 2020, the profits of Advantech reinvestment of equity method reached NT\$ 166,036, with an increase of NT\$ 43,216 compared to the previous year. In the future, Advantech will hold the principle of long-term strategic investment and continue assessing carefully reinvestment plans.

7.6 Risk analysis and evaluation

(I) Interest rates, exchange rates, and inflation, their impact on the Company's profit or loss, and future countermeasures:

The Company has sufficient proprietary capital and sound financial structure; therefore, is from the risk of increasing capital cost.

The capital planning is based on a conservative and sound principle with the focus on the security and mobility; also, regularly evaluate money market rates and financial information.

In terms of exchange rate, the Company has a clear foreign exchange policy stipulated; also, a strict control of the procedures is for hedging risk instead of adopting active operation to gain profits.

In terms of inflation, the main sales markets of the Company are without any sign of inflation in recent years, which has not significant impact on the Company's operations.

(II) Engage in the policies of high-risk, highly-leveraged investments, loaning of funds, endorsements and guarantees, and derivative transactions, the reasons for profit or loss resulted, and the future countermeasures: The Company has each investment project evaluated prudently and handled in accordance with the "Procedures for the Acquisition and Disposal of Assets" and the limits of authority without engaging in any high-risk and highly-leveraged investments.

In terms of loaning of funds and making of endorsements/guarantees, it is mainly arranged for the subsidiaries and sub-subsidiaries of the Company; also, it is to be processed in accordance with the Company's "Procedures for Loaning of Funds" and "Procedures for Making of Endorsements/Guarantees."

In terms of financial derivatives, the purpose is to hedge the exchange rate risks arising from business operation; also, it is to be processed in accordance with the Company's "Procedures for the Trading of Financial Derivatives."

(III) Future R&D plans and the projected R&D investment:

1. The keys to developing IoT industries lie in boosting efforts for corporations to shift toward Digital Transformation 2.0, and in corporations converting from a process-driven model to a data-driven "smart" model. The past few decades have provided the foundation for Digital Transformation 1.0, resulting in substantial improvements in production efficiency across virtually every manufacturing industry. Nonetheless, many problems continue to emerge. On one hand, the inadequacy of data collection and cohesion by enterprises prevents massive information islands from forming a closed loop. On the other hand, the insufficiency of data mining by enterprises is a barrier to AI applications being widely used in various industrial domains. This has stopped enterprises from realizing breakthroughs in their process flow,

product quality inspection, predictability analysis, and other tangible business demands.

The optimal path for Digital Transformation 1.0 to upgrade to 2.0 is realized through the industrial IoT cloud platform. The digital base of enterprises features sufficient resilience, agility, cohesion capacity, and price-performance ratio. Advantech's WISE-PaaS is applicable to the Cloud Native PaaS platform of IoT properties. Advantech will continue to invest in improving the platform's foundation and empowering IoT industry applications.

- (1) Deploy and maintain the operation through containers, micro services, and continuous lightweight implementation to reach the same framework of cloud-edge collaboration, thereby engaging in primary development, multi-terminal deployment, and unified operation.
- (2) Based on Digital Twin, WISE-PaaS/InsightAPM asset performance development tool controls the real equipment conditions using virtual models, which analyzes current asset performance, predicts the future, assess decision in advance, and facilitate enterprises with precision forecast on the upgrade of operation efficiency and revolution in a business model.
- (3) WISE-PaaS/AIFS one-stop industrial AI industrialization platform offers AI management, development, model training and deployment, retraining and redevelopment, as well as other complete services. Supported by flexible deployment solutions and cloud-edge collaboration management, the platform accelerates the operation of multiple AI models in all fields, in addition to developing zero code and minimal operating procedures. The platform integrates AutoML and focus-field Pre-Trained model to lower the introductory threshold for AI to the field.

2. The projected R&D investment: 8% of the annual turnover.

- (IV) Impact of significant domestic and foreign policy and law changes on the Company's financial operations and related countermeasures:

According to Gartner, the global IoT market value will reach USD 450 billion by 2025. Among these, integrated solutions and services will account for the largest share of all IoT business opportunities (approximately 55% market share). In the maturity curve of IoT technology released by Gartner, many IoT industry development-related fundamental technologies have passed the fever period. Many items have even passed the valley of development to gradually shifting toward stable development. In the long run, the industry development is optimistic and IoT will drive applications across different industries. Therefore, the completion of digital transformation of industries is undoubtedly the basic direction.

Advantech introduced Emerging Business Opportunities (EBO) as a process to incubate new products, new markets, new business models, and disruptive technologies. The Company has established an internal culture of innovation and entrepreneurship over the years, adopting strategic viewpoints and independent management mechanisms from existing business units to foster new business for Advantech in the coming five years.

- (V) The impact of changes in technology and industry on the Company's financial operations and the countermeasures:

As the IoT landscape is fragmented into various domains, Advantech is determined to decouple and reformat WISE-PaaS industrial IoT data application platform which allow to develop integratable industrial apps(I.Apps). Moreover, Advantech's WISE-PaaS Marketplace will evolve to become a trading platform for IIoT solutions, creating a marketplace for I.apps and offering a subscription service for customers, as well as a place where we invite ecosystem partners to upload and sell their solutions.

- Deconstructing the fundamental platform structure: Combine the latest technology trends with selected vertical industries to deconstruct the fundamental platform structure and generate big data to achieve the first level of digital transformation.
- Restructure industrial development with industrial apps and shared APIs: Allow various Industrial apps (I.App) within the WISE-PaaS platform to communicate and be shared with Industrial Software

Developers to assist co-development of IoT solutions for vertical industries, thereby accelerating overall industrial development and advancement.

- Co-create an industrial ecosystem: WISE-PaaS Marketplace 2.0 is a trading platform for IIoT solutions that provide customers with subscription services for Industrial apps (I.App). The platform invites its ecosystem partners to launch their solutions via the platform and co-create a complete industrial ecosystem.

(VI) The impact of changes in corporate image on the crisis management of the Company and the countermeasures:

The Company is with a good corporate image. In addition to irregularly receive domestic and international juristic persons, technical symposium and corporate seminars are held on a regular basis to help the investors and customers understand the Company.

(VII) The expect benefit of initiating acquisition, the possible risks, and the countermeasures:

1. Advantech and its 100% owned subsidiary Advantech Japan (AJP) will own 50% and 30% stake respectively. OMRON Nohgata will be led by the current management team and will join Advantech's Embedded IoT Business Group in developing new products and integrating sales resources. With this acquisition, Advantech will effectively expand its embedded system market share in Japan and enhance the localized manufacturing services capability. Also Advantech envisions to further cooperate with OMRON Corporation in IoT platform.
2. Advantech subscribed shares from the Turkish Company Alitek and issued new shares, and Advantech held 60% of shares of Alitek.
3. The above acquisitions were all carefully assessed by the Board, the possible risks of which may include the overall recession in the market and the demand falling short of expectations. In response to the risks, Advantech reduces costs by actively developing the innovative product technology and makes every effort to secure market share to maintain the stability of the company's revenue growth rate.
4. Lately and as of the date of printing the annual report, apart from the above matters, Advantech and its subsidiaries has had no other acquisition plans.

(VIII) Expected benefits of a plant expansion, possible risks, and countermeasures:

Taipei introduced a 3D AOI optical inspection machine and jumper automatic assembly machine in 2020. The Company plans to build a new SMT line in 2021 1H to expand production capacity. Kunshan Plant had a new SMT and DIP line built in 2020, and another SMT line will be introduced in 2021. With the continuous development of intelligent applications and automatic equipment, these plants will enhance the Company's capacity to meet the demands of business growth over the next three years.

The Chassis factory had five Stamping machines and two laser machines introduced in 2020, and the new plant of Chassis factory will start to operate in 2021 Q1. We can realize automatic mold storage management with the implementation of intelligent mold storage. This will allow us to meet various demands. At present, our planning with the area/factory can fulfill our growth needs for at least five years. Investment in equipment will depend on product and business requirements, with the balancing of business fulfillments and maintaining stable capacity being key considerations.

(IX) Risks faced by the centralized purchase or sales and the countermeasures:

The Company's main source of raw materials is from the well-known domestic and international manufacturers that have a good reputation and product quality; also, have maintained a stable relation of cooperation with the Company and provide a stable supply of raw materials. In terms of sales, the Company is a market leader in brand with a smooth sales channel I service; therefore, the Company is free of any risk from the centralized purchase and sale.

(X) The impact of the massive equity transfer or exchange by the directors, supervisors, or shareholders holding more than 10% shareholding on the Company, the risk, and the countermeasures: None

(XI) The impact of the changes in the ownership on the Company, the risk, and the countermeasures: None

(XII) For litigation or non-litigation events, the closed or in-pending material litigation, non-litigation, or administrative contentious events, which may have a significant impact on the shareholder's equity or security price, of the

Company, the Company's directors, supervisors, President, responsible person, shareholders holding more than 10% shareholding, and the subsidiaries should be illustrated: None

(XIII) Other important risks and countermeasures: None

VII. Other Important matters:

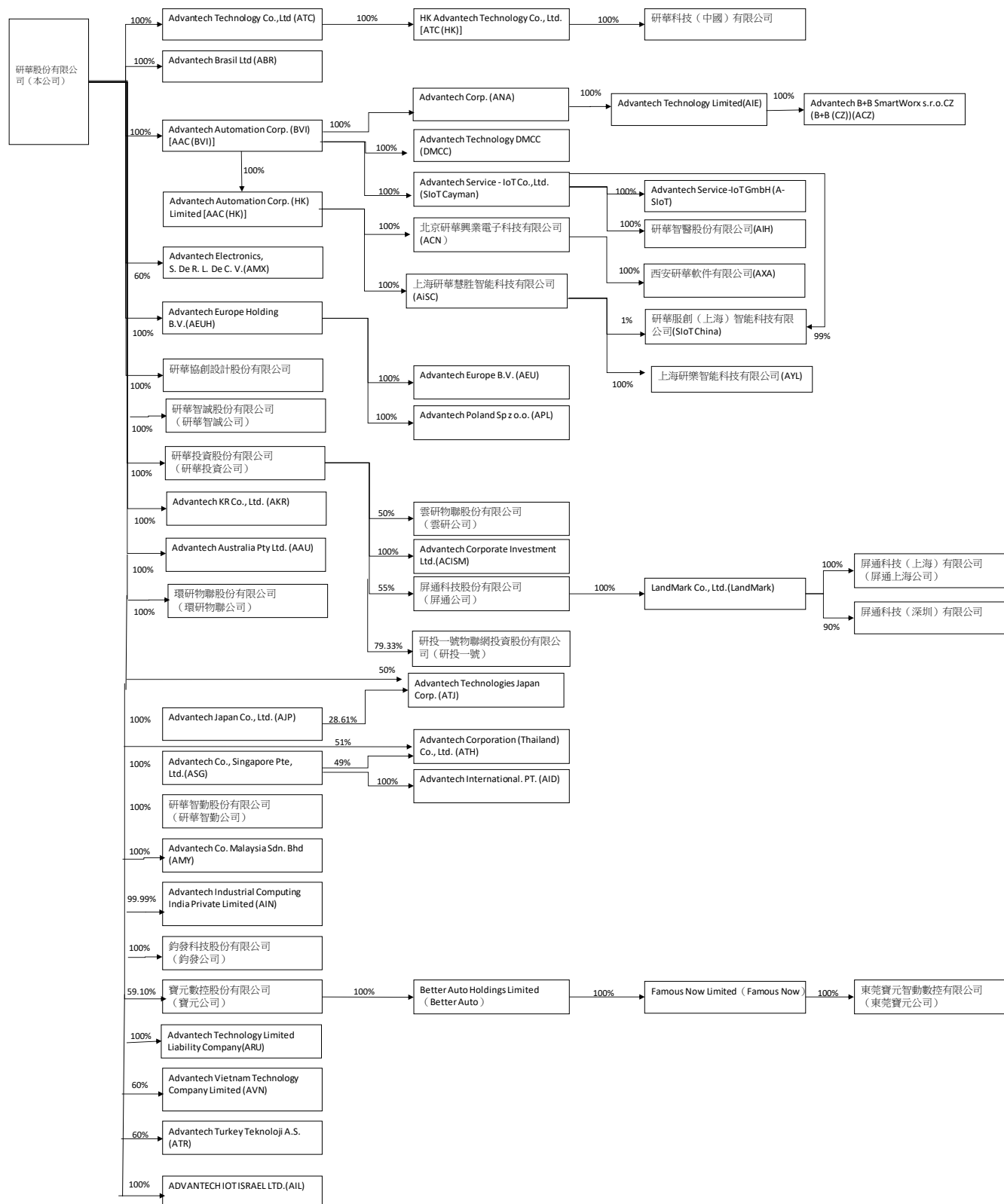
Date	Description	Influence on the operation and subsequent responses
11/21/2020	Hackers launched an attack on Advantech, with over 200 servers being encrypted and the Desktop PC/NB of 300+ users being attacked and encrypted.	<ol style="list-style-type: none"> 1. Hackers leaked the stolen Advantech files. Advantech processed according to relevant laws and decrees, including Personal Information Protection Act and EU's GDPR, providing notification and explanation to employees and partners with the information leaked. 2. The important IT services offered normal services on a working Monday on 11/23. The servers were encrypted while backups were used for recovery. About 90% of servers did not lose material information and were returned to normal operation prior to 11/30. 3. The operational influence consisted of the shipment delay of approximately US\$6M in November, and the delayed shipment was completed in December. 4. The subsequent measures have been taken on the multiple adjustment and strengthening of internet/server/terminals, including the Server Farm, VPN access, end-point solutions, and other development. These measures had significant effects that the subsequent continuous attacks on multiple levels have been blocked and predicted. 5. Other information security will be strengthened subsequently in the first quarter of 2021.

VIII. Special Disclosure

8. Affiliated company's information

8.1 Affiliated company's Consolidated Business Report

Organization Chart of the Affiliated Companies



8.1.2 Basic information of affiliated companies

Unit: NT\$ Thousand

No.	Name	Establishing Date	Address	Paid-in capital	Main Business or Production Items
01	Advantech Automation Corp.(AAC BVI)	Mar 2000	British Virgin Islands	USD 128,496	Investment company
02	Advantech Automation Corp.(HK) Limited (AAC HK)	Dec 2007	Hong Kong	USD 15,230	Marketing and trade of industrial use PC
03	Advantech Corporation.(ANA)	Aug 1987	Milpitas, U.S.	USD 66,650	Assembly, marketing, and trade of industrial use PC
04	Advantech Technology Limited (AIE)	May 1998	Galway, Ireland	EUR 555	Marketing and trade of industrial use PC
05	Advantech Czech s.r.o. (ACZ)	Aug 2011	Usti, Czech Republic	CZK300	Marketing and trade of industrial use PC
06	Beijing Yan Hua Xing Ye Electronics Science & Technology Co., Ltd. (ACN)	Apr.1994	Beijing City	USD4,230	Marketing and trade of industrial use PC
07	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Sep.2008	Shanghai City	USD8,000	Marketing and trade of industrial use PC
08	Shanghai Yanle Co., Ltd.	May 2018	Shanghai City	RMB 2,200	Marketing and trade of industrial use PC
09	Xi'an Advantech Software Ltd. (AXA)	Sep.2008	Xi'an	USD1,000	Marketing and trade of industrial use PC
10	Advantech Service-IoT Co. Ltd. (SloT(Cayman))	Jan.2018	Cayman	USD50,000	General investment
11	Advantech Service-IoT (Shanghai) Co., Ltd. (SloT(China))	May.2018	Shanghai City	RMB15,000	Marketing and trade of industrial use PC
12	Advantech Service IoT GmbH. (A-SIoT)	Oct.1984	Munich, Germany	EUR512	The industrial on-board computer product design, R&D, sales, and trading
13	Advantech Intelligent Health Co., Ltd. (AIH)	Jun.2019	Taipei	NTD11,000	Service of software
14	Advantech Technology DMCC. (ADB)	Nov 2015	Dubai, UAE	AED50	Marketing and trade of industrial use PC
15	Advantech Europe Holding B.V. (AEUH)	Dec.1995	Eindhoven, The Netherlands	EUR25,961	Overseas investment and service industry
16	Advantech Europe B.V. (AEU)	Jun.1998	Eindhoven, The Netherlands	EUR32,315	Marketing and trade of industrial use PC
17	Advantech Poland Sp z o.o. (APL)	Nov.2005	Warsaw, Poland	PLN1,000	Marketing and trade of industrial use PC
18	Advantech Co. Singapore Pte, Ltd. (ASG)	Oct.1995	Singapore	SGD1,450	Marketing and trade of industrial use PC
19	Advantech International PT. (AID)	Mar.2012	Jakarta, Indonesia	USD300	Marketing and trade of industrial use PC
20	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Aug.2004	Bangkok, Thailand	THB100,000	Marketing and trade of industrial use PC
21	Advantech Technology Co., Ltd. (ATC)	Sep.1998	British Virgin Islands	USD33,850	Marketing and trade of industrial use PC
22	HK Advantech Technology Co., Limited. (ATC HK)	Apr.2008	Hong Kong	USD57,891	Overseas investment of manufacturing and service industry
23	Advantech Technology (China) Company Ltd. (AKMC)	Nov.2000	Jiangsu Province	USD43,750	Marketing and trade of industrial use PC
No.	Name	Establishing Date	Address	Paid-in capital	Main Business or Production Items

24	Advantech Brazil Ltda. (ABR)	Apr.2000	Sao Paulo,Brazil	BRL12,723	Marketing and trade of industrial use PC
25	Advantech Australia Pty Ltd. (AAU)	Apr.1983	Melbourne, Australia	AUD500	Marketing and trade of industrial use PC
26	Advantech IoT Israel Ltd. (AIL)	Jul.2020	Tel Aviv,Israel	ILS1,000	Marketing and trade of industrial use PC
27	Advantech Industrial Computing India Pvt. Ltd. (AIN)	Jul.,2012	Bangalore,India	INR40,000	Marketing and trade of industrial use PC
28	Advantech Japan Co.,Ltd. (AJP)	May.1997	Tokyo,Japan	JPY60,000	Marketing and trade of industrial use PC
29	Advantech KR Co., Ltd. (AKR)	Feb.2009	Seoul Korea	KRW300,000	Marketing and trade of industrial use PC
30	ADVANTECH ELECTRONICS, S.A.P.I. DE C.V. (AMX)	May.2012	Guadalajara, Mexico	MXN52,652	Marketing and trade of industrial use PC
31	Advantech Co.,Malaysia Sdn. Bhd (AMY)	Dec.2005	Penang,Malaysia	MYR2,000	Marketing and trade of industrial use PC
32	Advantech Technology Limited Liability Company (ARU)	Jul.2018	Moscow, Russia	RUB100,000	Marketing and trade of industrial use PC
33	Advantech Technologies Japan Corp.(ATJ)	May.1966	Nogatashi, Japan	JPY300,000	Production and sale of electronic and mechanical devices
34	Advantech Turkey Technology A.S. (ATR)	Sep.2011	Istanbul,Turkey	TRL435	Wholesale of computers and peripheral devices
35	Advantech Vietnam Technology Company Limited(AVN)	Mar.2018	Hanoi,Vietnam	VND13,500,000	Marketing and trade of industrial use PC
36	Advantech Corporate Investment. (ACI)	Feb.2000	Taipei City	NTD3,000,000	Investment in marketable securities
37	Yun Yan, Wu-Lian Co., Ltd.	Mar.2018	Taipei City	NT10,000	Combination of water treatment related technologies and Internet of Things applications
38	ACI IOT Investment Fund-I Corporation	Apr.2019	Taipei City	NTD300,000	Investment in marketable securities
39	Advantech Corporate Investment Ltd. (ACISM)	Feb.2019	Samoa	USD583	General investment
40	Cermate Technologies Inc.	Mar.2003	Taipei City	NTD100,000	Electronic Components Manufacturing Industry
41	LandMark Co.,Ltd.	May.2007	Samoa	USD977	Investment company
42	Cermate Technologies (Shanghai) Inc.	Aug.2007	Shanghai City	RMB3,903	Networking Electronic Equipment for industrial use
43	Shenzhen Cermate Technologies Inc.	Nov.2003	Shenzhen City	RMB2,000	The production of LCD touch screen, USB data cable, and industrial use PC
44	Advantech Intelligent Services Co., Ltd.(AiCs)	Dec.2002	Taipei City	NTD10,000	Marketing and trade of industrial use PC
45	LNC Technology Co., Ltd. (LNC)	Aug.2007	Taichung City	NT300,000	manufacturing and trading of controllers
46	LNC Dong Guan Co., Ltd.	Sep.2009	Dongguan City	USD4,000	The manufacturing and trading of controllers
47	Better Auto Holdings Limited	Jul.2007	British Virgin Islands	USD7,425	Investment company
48	Famous Now Limited	Nov.2007	Hong Kong	USD4,000	Investment company
49	Advanixs Corporation	Jan.2006	Taipei City	NTD100,000	Manufacturing, marketing, and trade of industrial use PC
50	AdvanPOS Technology Co., Ltd.	Oct.2005	Taipei City	NT10,000	Manufacturing and trading of endpoint sales system
51	Advantech Innovative Design Co., Ltd.	May.2015	Taipei City	NT10,000	product design
52	Huan Yan Water Solution Co., Ltd.	Dec. 2020	Taipei City	NT27,000	Combination of water treatment related technologies and Internet of Things applications

- 1.1.3 The Company does not have any other affiliated companies with a presumed controlling and dependency relationship according to Article 369.3 of the Company Law.
- 1.1.4 The overall affiliated company's business operation covers the assembly of the computer, the marketing and sales, the trade of electronic control automation system equipment, the manufacturing, trade, and production of automation control equipment engineering, and the overseas investment of the service industry.
The division of labor among the affiliated companies is as follows:
 - A. Purchase of finished goods (including three-way trade)
 - B. Purchasing raw materials

Each affiliated company's Director, Supervisor, and President:

Unit: NT\$ thousand, except shareholding

No.	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount	Shareholding or investment ratio (%)
01	Advantech Automation Corp. (AAC BVI)	Director	K.C. Liu	ACL investment \$128,496	100
02	Advantech Automation Corp.(HK) Limited. (AAC HK)	Director	K.C. Liu	AAC BVI investment US\$15,230	100
03	Advantech Corporation. (ANA)	Director	K.C. Liu	AAC BVI investment US\$66,650	100
		President	Ween Niu		
04	Advantech Technology Limited (AIE)	Director	Jerry Martin O Gorman, Marie O'Brien	ANA investment EUR 555	100
05	Advantech Czech s.r.o. (ACZ)	Director	Linda Tsai	BBIE investment CZK 300	100
06	Beijing Yan Hua Xing Ye Electronics Science & Technology Co., Ltd (ACN)	Director	K.C. Liu, Chaney Ho, Shih-Yang Tsai	AAC HK investment USD4,230	100
		President	Paul Lo		
07	Shanghai Advantech Intelligent Services Co., Ltd.(AiSC)	Director	K.C. Liu	AAC HK investment USD8,000	100
		Supervisor	Eric Chen		
08	Shanghai Yanle Co., Ltd.	Director	Wesley Liu	AISC investment RMB2,200	100
09	Xi'an Advantech Software Co., Ltd.(AXA)	Director	K.C. Liu	ACN investment USD1,000	100
		Supervisor	shi.jun		
10	Advantech Service-IoT Co. Ltd. (SloT(Cayman))	Director	Advantech Automation Corp.	AAC(BVI) holds 30,000,000 shares	100
11	ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SloT(China))	Chairman	K.C. Liu, Tony Liu	SIOT(KY) investment RMB14,850	99
		Director	MC Chiang, Wesley Liu		
		Supervisor	Paul Lo	AISC investment RMB150	1
12	Advantech Service-IoT GmbH. (A-SIoT)	Director	K.C. Liu, MC Chiang	SloT-KY holds 1 share	100
		President	MC Chiang		
13	Advantech Intelligent Healthcare Co.,Ltd. (AIH)	Director	Representatives of SloT: MC Chiang, HS Su, Wesley Liu	SIOT(KY) holds 1,100,000 shares	100
		Supervisor	Tony Liu		
14	Advantech Technology DMCC. (ADB)	Director	Uwe Hohmann Jerry Martin O Gorman	AAC(BVI) holds 50 shares	100
15	Advantech Europe Holding B.V. (AEUH)	Director	K.C. Liu	ACL holds 25,961,250 shares	100
16	Advantech Europe B.V.(AEU)	Director	K.C. Liu	AEUH holds 32,315,215 shares	100
17	Advantech Poland Sp. z.o.o.(APL)	Director	Jeff Shih	AEUH investment PLN1,000	100
18	Advantech Co. Singapore Pte, Ltd. (ASG)	Director	Wesley Liu, Irene Foo	ACL holds 1,450,000 shares	100
19	Advantech International PT. (AID)	Director	Wesley Liu, Satish Allampalli	ASG holds 2,970 shares ACL holds 30 shares	99% 1%
20	Advantech Corporation (Thailand) Co., Ltd.	Director	Wesley Liu, Matrix Choong	ACL holds 51,000 shares ASG holds 49,000 shares	51 49

21	Advantech Technology Co., Ltd. (ATC)	Director	K.C. Liu	ACL holds 33,850,000 shares	100
No.	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount	Shareholding or investment ratio (%)
22	HK Advantech Technology Co., Limited (ATC HK)	Director	K.C. Liu	ATC(BVI) holds 57,890,679 shares	100
23	Advantech Technology (China) Company., Ltd. (AKMC)	Director	K.C. Liu, Shun-Long Chen, Chaney Ho	ATC HK investment USD43,750	100
		Supervisor	Eric Chen		
		President	Jamie Lin		
24	Advantech Brazil Ltda.(ABR)	Director	Mario Franco Neto to	ACL holds 12,723,038 shares	100
25	Advantech Australia Pty Ltd. (AAU)	Director	Wesley Liu , William Ho	ACL holds 500,204 shares	100
26	ADVANTECH IOT ISRAEL LTD. (AIL)	Director	Wesley Liu, Ilan Bercovich	ACL holds 100 shares	100
27	Advantech Industrial Computing India Pvt. Ltd. (AIN)	Director	Wesley Liu, B.N. Vijayakumar	ACL holds 3,999,999 Shares ASG holds 1 Shares	99.99 0.01
28	Advantech Japan Co., Ltd. (AJP)	Director	K.C. Liu, Chaney Ho, Eric Chen	ACL holds 1,200 shares	100
		Supervisor	Mary Chang		
29	Advantech KR Co., Ltd.	Director	K.C. Liu, Linda Tsai , Charlie Chung	ACL holds 600,000 shares	100
		Supervisor	Eric Chen		
30	Advantech Electronics, S.A.P.I. de C.V. (AMX)	Director	Wesley Liu, Vincent Chang	ACL holds 10,000,002 shares	60
31	Advantech Co. Malaysia Sdn. Bhd (AMY)	Director	Wesley Liu , Elvin Ng	ACL holds 2,000,000 shares	100
32	Advantech Technology Limited Liability Company (ARU)	Director	Olga Alioshina	ACL investment RUB 100,000	100
33	Advantech Technologies Japan Corporation (ATJ)	Director	Takahiro Ishida, Miller Chang, Eugene Cheng , Vincent Chen	ACL holds 500,000 shares AJP holds 286,100 shares	50 28.61
		Supervisor	Manami Doi		
34	Advantech Turkey Technology A.S. (ATR)	Director	Vincent Chang , Eric Chen, Cem Celik	ACL holds 260,870 shares Cem Celik holds 121,739 shares	60 28
35	Advantech Vietnam Technology Company Limited (AVN)	Director	Vincent Chang, Eric Chen, Do Duc Hau	ACL investment USD 360 Do Duc Hau investment USD 240	60 40
36	Advantech Corporate Investment .	Director	Representatives of Advantech: K.C. Liu, Mary Chang, Eric Chen	ACL holds 300,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
37	YUN YAN, WU-LIAN Co., Ltd.	Director	Representatives of Advantech Corporate Investment.: K.C. Liu, Allan Yang Representatives of Institute for Information Industry: Cheng Hong Cho	ACI holds 500,000 shares	50
		Supervisor	Po Jen , Hsiao		
38	ACI IOT Investment Fund-I Corporation	Director	Representatives of ACI: Tony Liu, Joseph Su, Eric Chen	ACI holds 23,800,000 shares	100
		Supervisor	May Tang		

39	Advantech Corporate Investment Ltd.(ACISM)	Director	K.C. Liu	ACI holds 1 shares	100
No.	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount	Shareholding or investment ratio (%)
40	Cermate Technology Inc..	Director	Representatives of Advantech Corporate Investment.:Jonney Chang,Allan Tsai,Tony Liu Representative of Wen Xin International Investment Company:Sunny.Lee, Chris Chiang	ACI holds 5,500,000 shares	55
		Supervisor	Yuzhen Liu		
41	LandMark Co., Ltd.	Director	Yuling Liu	Cermate holds 972,284 shares	100
42	Cermate Technologies (Shanghai) Inc.	Director	Sunny.Lee	LandMark investment USD520	100
		Supervisor	Jun Shi		
43	Shenzhen Cermate Technologies Inc.	Director	Sunny.Lee	LandMark investment CNY1,800	90
		Supervisor	Chris Chiang		
44	Advantech Intelligent Service. (AiCs)	Director	Representatives of Advantech: K.C. Liu, MC Chiang , Eric Chen	ACL holds 1,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
45	LNC Technology Co., Ltd	Director	Michael Kuo,Ethan Huang, HSIEH,CHENG-HUI.Representative of Advantech: K.C. Liu, Allan Tsai	ACL holds 17,730,000 shares	59.10
		Supervisor	Juana chiu, LIN, CHING-YUAN		
46	LNC DONG GUAN CO., LTD.	Director	Michael Kuo ,K.C. Liu, Allan Tsai	Famous Now investment USD4,000	100
47	Better Auto Holdings Limited	Director	Michael Kuo	LNC holds 7,425,000 shares	100
48	Famous Now Limited	Director	Michael Kuo	Better Auto investment USD4,000	100
49	Advanixs Corporation.	Director	Representatives of Advantech: K.C. Liu , Miller Chang , Eric Chen	ACL holds 10,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
50	AdvanPOS Technology Co., Ltd.	Director	Representative of Advantech: K.C. Liu, Mary Chang, Eric Chen	ACL holds 1,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
51	Advantech Innovative Design Co., Ltd.	Director	Representatives of Advantech: K.C. Liu ,Deryu Yin,Eric Chen	ACL holds 1,000,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		
52	Huan Yan Water Solution Co., Ltd.	Director	Representatives of Advantech Corporate Investment.: ChingPo Lin, Tony Liu,Michael Huang	ACL holds 2,700,000 shares	100
		Supervisor	Representatives of Advantech: Jessica Tsai		

8.1.6 Affiliated company's Operating Results

Unit: NT\$ Thousand, Except Earnings per Share in NT\$

No.	Company Name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net Income (Loss)	EPS (Loss) / NT\$ (after tax)
01	Advantech Automation Corp. (AAC(BVI))	3,752,564	9,296,656	12,532	9,284,124	-	(4,839)	1,138,355	0.30
02	Advantech Technology(HK) Co., Limited.(ATC HK)	461,088	2,595,401	5,904	2,589,497	21,343	1,871	455,444	0.27
03	Advantech Corporation.(ANA)	337,232	7,077,839	2,410,908	4,666,931	13,996,783	581,855	435,735	1.35
04	Advantech Technology Limited (AIE)	1,273,262	59,209	(1,059)	60,268	39,049	(4,282)	(3,959)	-
05	Advantech B+B SmartWorx s.r.o.CZ(ACZ)	-	354,542	51,138	303,404	313,511	35,697	30,553	-
06	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd.	164,856	4,622,491	2,690,748	1,931,743	11,907,344	472,642	461,170	-
07	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	252,065	636,019	4,959	631,060	10,963	(30,293)	(8,514)	-
08	Shanghai Yanle Co., Ltd.	9,476	2,099	124	1,975	1	(1,821)	(1,832)	-
09	Xi'an Advantech Software Ltd.	31,589	29,556	212	29,344	-	(768)	48	-
10	Advantech Service-IoT Co. Ltd.	1,366,780	2,195,317	66,904	2,128,413	1,514,613	331,676	239,337	0.27
11	Advantech Service-IoT (Shanghai) Co., Ltd.	70,184	84,153	43,741	40,412	172,852	2,566	2,902	-
12	Advantech Service IoTGmbH	20,060	567,809	274,774	293,035	1,238,204	(31,723)	(32,262)	(32,262)
13	Advantech Intelligent Health Co., Ltd.	11,000	4,948	1,833	3,115	3,882	(6,599)	(6,597)	(0.20)
14	Advantech Technology DMCC.	-	4,278	1,591	2,687	8,585	751	409	-
15	Advantech Europe Holding B.V.	1,013,325	1,101,332	2,388	1,098,944	-	(501)	(100,653)	(0.12)
16	Advantech Europe B.V.	1,138,092	2,497,508	1,484,358	1,013,150	6,515,585	(26,822)	(106,114)	(0.10)
17	Advantech Poland Sp z o.o	10,145	47,849	8,744	39,105	114,862	8,251	5,961	25.16
18	Advantech Co. Singapore Pte, Ltd.	32,959	232,244	111,470	120,774	447,103	21,461	25,998	0.84
19	Advantech International PT.	5,465	14,157	5,874	8,283	54,532	834	(285)	(0.04)
20	Advantech Corporation (Thailand) Co.,Ltd.	93,215	124,500	11,879	112,621	140,753	10,864	9,577	95.77
21	Advantech Technology Co.,Ltd.	964,739	4,218,388	-	4,218,388	-	(114)	135,420	4.00
22	HK Advantech Technology Co.,Limited	1,790,224	4,216,777	-	4,216,777	-	-	135,534	2.34
23	Advantech Technology (China) Company Ltd.	1,475,414	6,169,925	2,167,202	4,002,723	11,861,907	110,622	144,951	-
24	Advantech Brazil Ltda	153,549	118,250	25,081	93,169	259,357	18,831	26,030	2.05
25	Advantech Australia Pty Ltd.	14,846	111,396	73,299	38,097	475,343	17,901	18,249	36.48
26	Advantech IoT Israel Ltd. (AIL)	8,653	10,673	1,985	8,688	17,366	213	(52)	(523)
27	Advantech Industrial Computing India Pvt. Ltd. (AIN)	19,754	48,101	31,087	17,014	125,884	1,870	1,726	0.43
28	Advantech Japan Co.,Ltd. (AJP)	21,480	607,716	151,600	456,116	1,091,610	30,265	31,118	25,931
29	Advantech KR Co., Ltd. (AKR)	7,800	607,057	221,053	386,004	1,927,606	104,115	95,213	158.69
30	ADVANTECH ELECTRONICS, S.A.P.I. DE	71,785	72,572	7,788	64,784	16,097	(6,791)	(7,090)	(0.71)

	C.V. (AMX)								
31	Advantech Co., Malaysia Sdn.Bhd (AMY)	18,138	89,051	27,030	62,021	249,058	30,873	25,102	12.55
No.	Company Name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net Income (Loss)	EPS (Loss) / NT\$ (after tax)
32	Advantech Technology Limited Liability Company (ARU)	44,676	20,561	8,016	12,545	35,624	(16,080)	(17,642)	(17,642,307)
33	Advantech Technologies Japan Corp.(ATJ)	84,390	1,208,880	587,622	621,258	2,067,819	48,047	34,819	34.82
34	Advantech Turkey Technology A.S. (ATR)	2,502	61,947	5,633	56,314	157,009	2,739	13,525	31.11
35	Advantech Vietnam Technology Company Limited(AVN)	17,550	69,620	38,426	31,194	176,287	17,694	15,690	1162.26
36	Advantech Corporate Investment	3,000,000	3,414,436	5,018	3,409,418	920,291	1,394	128,860	0.43
37	Yun Yan, Wu-Lian Co., Ltd.	10,000	5,186	-	5,186	-	(20)	1	-
38	ACI IOT Investment Fund-I Corporation	300,000	356,212	3,635	352,577	247,190	29,568	48,147	1.60
39	Advantech Corporate Investment Ltd.	18,214	9,904	-	9,904	-	-	(3,847)	(0.21)
40	Cermate Technologies Inc.	100,000	245,839	76,984	168,855	160,757	(1,972)	19,106	1.91
41	LandMark Co.,Ltd.	27,057	142,667	-	142,667	-	-	29,289	30.12
42	Cermate Technologies (Shanghai) Inc.	18,760	41,281	3,346	37,935	52,934	9,251	8,571	-
43	Shenzhen Cermate Technologies Inc.	9,320	156,663	42,390	114,273	275,577	29,749	23,020	-
44	Advantech Intelligent Services Co., Ltd. (AiCs)	10,000	27,378	9,367	18,011	20,461	(1,239)	(1,178)	1.08
45	LNC Technology Co., Ltd.	300,000	520,452	153,307	367,145	473,263	12,856	48,536	1.62
46	LNC Dong Guan Co., Ltd.	123,630	332,907	267,703	65,204	648,129	32,922	33,515	-
47	Better Auto Holdings Limited	244,615	65,204	-	65,204	-	-	33,515	4.15
48	Famous Now Limited.	123,630	139,731	-	139,731	-	-	-	-
49	Advanixs Corporation.	100,000	267,144	96,110	171,034	657,501	40,523	35,560	3.56
50	AdvanPOS Technology Co., Ltd.	10,000	84,086	891	83,195	-	(34)	1,032	1.03
51	Advantech Innovative Design Co., Ltd.	10,000	10,178	58	10,120	-	(17)	71	0.07
52	Huan Yan Water Solution Co., Ltd.	27,000	27,000	-	27,000	-	-	-	-

A. The companies to be included in the affiliate's consolidated financial statements are same as the companies to be included in the parent company-subsidary consolidated financial statements in accordance with Article 7 of the "Taiwan's Financial Accounting Standards;" therefore, the affiliate's consolidated financial statements will not be prepared separately.

B. The Company is not a subsidiary of other companies; therefore, it is not necessary to have the relationship report prepared.

8.2 The status of issuing private placement securities in the most recent year and up to the publication of the annual report:

None

8.3. Acquisition or disposal of the Company's stock shares by subsidiaries in the most recent year and up to the publication of the annual report: None

8.4 Other necessary supplementary notes: None

IX. The occurrence of any events as stated in Section 3 Paragraph 2 in Article 36 of the Securities Exchange Act that had significant impact on shareholders' equity or securities prices in the most recent year and up to the publication of the annual report: None

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Advantech Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the financial statements for the year ended December 31, 2020 are as follows:

Assessment of Provision for Inventory Write-downs

As of December 31, 2020, inventories amounted to NT\$3,697,499 thousand and accounted for 8% of the total assets in the Company's financial statements, which represented a significant percentage of the total assets.

Due to the rapid changes in technological environment and industrial characteristics, inventories of the Company are available in different sizes and types. They are measured at the lower of cost or net realizable value and calculated according to the proportion of potential impairment for aged inventories. After analyzing the method of inventory valuation, we noticed that the provisions for obsolete inventories was based on the number of days inventory were not moving. Therefore, the assessment of inventory write-downs has a significant impact on the Company's financial statements and the provision for inventory write-downs was deemed to be a key audit matter.

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

1. We assessed and analyzed the Company's policies for the provision of inventory write-downs and compared them with other competitors' policies to affirm the reasonableness and consistency of application.
2. We obtained an understanding of the internal controls, evaluated and tested the design and operating effectiveness of these controls over the provision for inventory write-downs.
3. We reviewed the historical inventory aging reports together with the list of any subsequently scrapped items and assessed the reasonableness of ratios for recognizing loss provision for aged inventories.
4. We verified the appropriateness of source data, parameters and logic used in the Company's inventory aging analysis reports.

Sales Revenue

Since the Company operates in a highly competitive industry, there is a risk of revenue recognition due to the strong sales demand and the need to remain competitive. We obtained an understanding of the purchase and sales transactions of the customer and analyzed whether simultaneous increase in the Company's sales revenue and cost of goods sold was due to the processing of imported materials. Therefore, we considered the Company's sales revenue as a key audit matter.

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

1. We compared the details and assessed for any simultaneous purchase and sales transactions, obtained an understanding of the transaction pattern, checked relevant evidence to confirm the processing of imported materials, and identified the potential risks.
2. We interviewed personnel who carried out the control activities and reviewed the related internal vouchers, obtained an understanding of the internal controls related to revenue recognition and evaluated the design, implementation, and operating effectiveness of these controls over revenue recognition.
3. We obtained the consumption calculation table of materials specified by the customers and verified its source data, logic and parameters used.
4. We confirmed that sales revenue and cost of goods sold had been deducted based on the consumption calculation table in accordance with the applicable accounting policies for revenue recognition.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2021

Notice to Readers

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 2,062,596	5	\$ 1,816,875	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 26)	3,652,818	8	1,641,753	4
Notes receivable (Notes 4 and 9)	20,508	-	34,180	-
Notes receivable from related parties (Notes 4 and 27)	6,775	-	-	-
Trade receivables (Notes 4 and 9)	1,131,586	2	1,312,920	3
Trade receivables from related parties (Notes 4 and 27)	4,936,420	11	5,217,377	12
Other receivables	131,950	-	138,222	-
Other receivables from related parties (Note 27)	26,355	-	17,080	-
Inventories (Notes 4, 5 and 10)	3,697,499	8	3,617,906	9
Other current assets	54,446	-	58,377	-
Total current assets	15,720,953	34	13,854,690	32
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 26)	1,332,435	3	1,224,385	3
Investments accounted for using the equity method (Notes 4 and 11)	21,703,009	47	20,365,258	48
Property, plant and equipment (Notes 4 and 12)	6,549,679	14	6,597,256	16
Right-of-use assets (Notes 4 and 13)	7,860	-	11,833	-
Goodwill (Notes 4 and 14)	111,599	1	111,599	-
Other intangible assets (Note 4)	107,986	-	106,637	-
Deferred tax assets (Notes 4 and 19)	484,765	1	455,149	1
Prepayments for equipment	46,051	-	32,228	-
Other non-current assets	6,132	-	8,429	-
Total non-current assets	30,349,516	66	28,912,774	68
TOTAL	\$ 46,070,469	100	\$ 42,767,464	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 26)	\$ 21,044	-	\$ 521	-
Notes payable and trade payables	2,170,501	5	2,319,108	5
Trade payables to related parties (Note 27)	1,793,372	4	2,087,930	5
Other payables (Note 15)	2,492,198	5	2,411,864	6
Other payables to related parties (Note 27)	64,173	-	63,884	-
Current tax liabilities (Notes 4 and 19)	2,170,762	5	1,329,258	3
Short-term warranty provisions (Note 4)	60,663	-	63,223	-
Lease liabilities - current (Notes 4 and 13)	3,044	-	5,446	-
Other current liabilities	215,943	-	192,551	1
Total current liabilities	8,991,700	19	8,473,785	20
NON-CURRENT LIABILITIES				
Current tax liabilities - non-current (Notes 4 and 19)	291,961	1	-	-
Deferred tax liabilities (Notes 4 and 19)	2,030,161	4	1,776,054	4
Lease liabilities - non-current (Notes 4 and 13)	4,678	-	6,438	-
Net defined benefit liabilities (Notes 4 and 16)	284,398	1	266,582	1
Other non-current liabilities (Note 11)	57,415	-	90,506	-
Total non-current liabilities	2,668,613	6	2,139,580	5
Total liabilities	11,660,313	25	10,613,365	25
EQUITY (Notes 4 and 17)				
Share capital				
Ordinary shares	7,719,455	17	6,999,230	16
Advance receipts for share capital	3,090	-	4,870	-
Total share capital	7,722,545	17	7,004,100	16
Capital surplus	7,913,754	17	7,397,029	17
Retained earnings				
Legal reserve	7,020,201	15	6,285,079	15
Special reserve	845,993	2	798,763	2
Unappropriated earnings	11,739,513	26	11,515,121	27
Total retained earnings	19,605,707	43	18,598,963	44
Other equity				
Exchange differences on translation of the foreign financial statements of foreign operations	(1,006,635)	(2)	(878,261)	(2)
Unrealized gain on financial assets at fair value through other comprehensive income	173,308	-	30,970	-
Other equity - unearned employee compensation	1,477	-	1,298	-
Total other equity	(831,850)	(2)	(845,993)	(2)
Total equity	34,410,156	75	32,154,099	75
TOTAL	\$ 46,070,469	100	\$ 42,767,464	100

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

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 27)				
Sales	\$ 33,968,304	99	\$ 36,246,058	99
Other operating revenue	<u>422,738</u>	<u>1</u>	<u>385,989</u>	<u>1</u>
Total operating revenue	34,391,042	100	36,632,047	100
OPERATING COSTS (Notes 10, 18 and 27)	<u>23,076,590</u>	<u>67</u>	<u>24,903,412</u>	<u>68</u>
GROSS PROFIT	11,314,452	33	11,728,635	32
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(612,224)	(2)	(695,422)	(2)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>695,422</u>	<u>2</u>	<u>665,475</u>	<u>2</u>
REALIZED GROSS PROFIT	<u>11,397,650</u>	<u>33</u>	<u>11,698,688</u>	<u>32</u>
OPERATING EXPENSES (Notes 18 and 27)				
Selling and marketing expenses	654,808	2	669,164	2
General and administrative expenses	862,047	3	758,743	2
Research and development expenses	2,916,152	8	3,022,801	8
Expected credit loss (reversal of impairment loss)	<u>(7,247)</u>	<u>-</u>	<u>6,624</u>	<u>-</u>
Total operating expenses	<u>4,425,760</u>	<u>13</u>	<u>4,457,332</u>	<u>12</u>
OPERATING PROFIT	<u>6,971,890</u>	<u>20</u>	<u>7,241,356</u>	<u>20</u>
NON-OPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,616,477	5	1,443,177	4
Interest income (Note 4)	468	-	762	-
Gains (losses) on disposal of property, plant and equipment (Note 4)	(1,881)	-	45,613	-
Foreign exchange losses, net (Notes 4, 18 and 28)	(21,429)	-	(75,031)	-
Losses on disposal of investments	(1,525)	-	-	-
Gains (losses) on financial instruments at fair value through profit or loss (Note 4)	(20,695)	-	37,815	-
Dividend income (Note 4)	70,673	-	77,812	-
Other income (Notes 22 and 27)	127,456	-	109,275	-

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Finance costs (Note 18)	\$ (710)	-	\$ (2,293)	-
Other losses	<u>(84)</u>	<u>-</u>	<u>(69)</u>	<u>-</u>
Total non-operating income	<u>1,768,750</u>	<u>5</u>	<u>1,637,061</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	8,740,640	25	8,878,417	24
INCOME TAX EXPENSE (Notes 4 and 19)	<u>1,492,685</u>	<u>4</u>	<u>1,527,197</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>7,247,955</u>	<u>21</u>	<u>7,351,220</u>	<u>20</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	(22,010)	-	(14,764)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Note 17)	21,736	-	21,804	-
Unrealized gains (losses) on investment in equity instruments as at fair value through other comprehensive income (Note 17)	108,050	-	307,604	1
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 19)	4,402	-	2,953	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 17)	(139,036)	-	(481,498)	(1)
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 17)	(21,431)	-	(22,272)	-
Income tax relating to item that may be reclassified subsequently to profit (Notes 4, 17 and 19)	<u>32,093</u>	<u>-</u>	<u>100,754</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(16,196)</u>	<u>-</u>	<u>(85,419)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,231,759</u>	<u>21</u>	<u>\$ 7,265,801</u>	<u>20</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 9.40</u>		<u>\$ 9.56</u>	
Diluted	<u>\$ 9.27</u>		<u>\$ 9.44</u>	

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

(Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Issued Capital (Notes 17 and 21)			Capital Surplus (Notes 17 and 21)	Retained Earnings (Note 17)				Other Equity (Note 17)			Total Equity
	Share Capital	Advance Receipts for Ordinary Share	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Stock-Based Employee Compensation	
BALANCE AT JANUARY 1, 2019 AS RESTATED	\$ 6,982,275	\$ 4,680	\$ 6,986,955	\$ 6,991,809	\$ 5,655,613	\$ 369,655	\$ 10,011,231	\$ 16,036,499	\$ (475,245)	\$ (324,254)	\$ 736	\$ 29,216,500
Appropriation of the 2018 earnings												
Legal reserve	-	-	-	-	629,466	-	(629,466)	-	-	-	-	-
Special reserve	-	-	-	-	-	429,108	(429,108)	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,751,129)	(4,751,129)	-	-	-	(4,751,129)
Recognition of employee share options by the Company	16,955	190	17,145	123,291	-	-	-	-	-	-	-	140,436
Compensation costs recognized for employee share options	-	-	-	295,427	-	-	-	-	-	-	-	295,427
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	(15,529)	-	-	-	-	-	-	562	(14,967)
Differences between consideration paid and carrying amounts of subsidiaries acquired or disposed of	-	-	-	1,657	-	-	-	-	-	-	-	1,657
Changes in percentage of ownership interests in subsidiaries	-	-	-	374	-	-	-	-	-	-	-	374
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	7,351,220	7,351,220	-	-	-	7,351,220
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(13,258)	(13,258)	(403,016)	330,855	-	(85,419)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	7,337,962	7,337,962	(403,016)	330,855	-	7,265,801
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(24,369)	(24,369)	-	24,369	-	-
BALANCE AT DECEMBER 31, 2019	6,999,230	4,870	7,004,100	7,397,029	6,285,079	798,763	11,515,121	18,598,963	(878,261)	30,970	1,298	32,154,099
Appropriation of the 2019 earnings												
Legal reserve	-	-	-	-	735,122	-	(735,122)	-	-	-	-	-
Special reserve	-	-	-	-	-	47,230	(47,230)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(5,463,198)	(5,463,198)	-	-	-	(5,463,198)
Share dividends distributed by the Company	700,410	-	700,410	-	-	-	(700,410)	(700,410)	-	-	-	-
Recognition of employee share options by the Company	19,815	(1,780)	18,035	121,652	-	-	-	-	-	-	-	139,687
Compensation costs recognized for employee share options	-	-	-	365,248	-	-	-	-	-	-	-	365,248
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	43,140	-	-	-	-	-	-	179	43,319
Differences between consideration paid and carrying amounts of subsidiaries acquired or disposed of	-	-	-	(8,678)	-	-	(34,762)	(34,762)	-	-	-	(43,440)
Changes in percentage of ownership interests in subsidiaries	-	-	-	(4,637)	-	-	(12,681)	(12,681)	-	-	-	(17,318)
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	7,247,955	7,247,955	-	-	-	7,247,955
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(20,332)	(20,332)	(128,374)	132,510	-	(16,196)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	7,227,623	7,227,623	(128,374)	132,510	-	7,231,759
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(9,828)	(9,828)	-	9,828	-	-
BALANCE AT DECEMBER 31, 2020	<u>\$ 7,719,455</u>	<u>\$ 3,090</u>	<u>\$ 7,722,545</u>	<u>\$ 7,913,754</u>	<u>\$ 7,020,201</u>	<u>\$ 845,993</u>	<u>\$ 11,739,513</u>	<u>\$ 19,605,707</u>	<u>\$ (1,006,635)</u>	<u>\$ 173,308</u>	<u>\$ 1,477</u>	<u>\$ 34,410,156</u>

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

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,740,640	\$ 8,878,417
Adjustments for:		
Depreciation expense	240,113	245,332
Amortization expense	93,810	100,070
Expected credit loss recognized	(7,247)	6,624
Net loss on financial assets or liabilities at fair value through profit or loss	20,695	37,815
Financial costs	710	2,293
Interest income	(468)	(762)
Dividend income	(70,673)	(77,812)
Compensation costs of employee share options	365,248	295,427
Share of profit of subsidiaries and associates accounted for using the equity method	(1,616,477)	(1,443,177)
Loss (gain) on disposal of property, plant and equipment	1,881	(45,613)
Loss on disposal of investments	1,525	-
Realized loss (gain) on the transactions with subsidiaries and associates	(83,198)	29,947
Changes in operating assets and liabilities		
Financial assets held for trading	(2,011,237)	(324,794)
Notes receivable	13,672	41,023
Notes receivable from related parties	(6,775)	-
Trade receivables	188,581	168,293
Trade receivables from related parties	280,957	437,819
Other receivables	6,272	5,003
Other receivables from related parties	(9,275)	24,031
Inventories	(79,593)	13,073
Other current assets	3,931	(15,660)
Notes payable and trade payables	(148,607)	(1,644,362)
Trade payables to related parties	(294,558)	392,331
Other payables	80,334	(119,063)
Other payables to related parties	289	9,301
Short-term warranty provisions	(2,560)	5,548
Net defined benefit liabilities	(4,194)	(3,455)
Other current liabilities	23,392	53,476
Other non-current liabilities	100	2,637
Cash generated from operations	5,727,288	7,073,762
Interest received	468	762
Dividends received	70,673	77,812
Interests paid	(710)	(2,293)
Income tax paid	(98,234)	(1,411,725)
Net cash generated from operating activities	5,699,485	5,738,318

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	\$ (164,771)	\$ (1,935,265)
Proceeds from disposal of subsidiaries	33,455	-
Payments for property, plant and equipment	(180,986)	(99,413)
Proceeds from disposal of property, plant and equipment	497	61,811
Increase (decrease) in refundable deposits	2,297	(4,466)
Payments for intangible assets	(86,782)	(111,079)
Proceeds from disposal of intangible assets	-	14,424
Decrease (increase) in prepayments for equipment	(27,964)	(11,935)
Dividends received from subsidiaries and associates	<u>302,354</u>	<u>270,636</u>
Net cash used in investing activities	<u>(121,900)</u>	<u>(1,815,287)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	-	(272)
Repayment of principal portion of lease liabilities	(8,353)	(5,149)
Cash dividends paid	(5,463,198)	(4,751,129)
Exercise of employee share options	<u>139,687</u>	<u>140,436</u>
Net cash used in financing activities	<u>(5,331,864)</u>	<u>(4,616,114)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	245,721	(693,083)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,816,875</u>	<u>2,509,958</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,062,596</u>	<u>\$ 1,816,875</u>

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

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 5, 2021.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

- 1) Amendments to IFRS 3 “Definition of a Business”

The Company applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

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

New IFRSs	Effective Date Announced by IASB (Note)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

- Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

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

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

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

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

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

5) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

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

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

6) Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments specify that when assessing whether a contract is onerous, the "cost of fulfilling a contract" includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Company will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and other regulations.

b. Basis of preparation

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

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

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

e. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not translated using the exchange rate at the date of the transaction.

For the purpose of presenting financial statements, the functional currencies of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of the subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control of the subsidiaries are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Investment in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The Company uses the equity method to account for its investment in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate had directly disposed of the related assets or liabilities.

When the company entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the financial statements only to the extent that interests in the associate are not related to the Company.

i. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is measured cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

1. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 1 year past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss are either held for trading or are designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Company enters into forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

n. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Company of the expenditure required to settle the Company's obligations.

o. Revenue recognition

The Company identifies contracts with the customers, allocates transaction price to the performance obligations and recognizes revenue when the performance obligations are satisfied.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from sale of goods

Revenue from sale of goods comes from sales of embedded computing boards, industrial automation products and applied and industrial computers.

Sales of the above products are majorly recognized as revenue under contracts when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from rendering services

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

p. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately. However, for the lease of office asset in which the Company is a lessee and utility and management fee are included, the Company elects to account for the lease and non-lease components as a single lease component.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur, or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses, (the effect of the changes to the asset ceiling) and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Employee share options

Employee share options granted to employee and others providing similar services.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimate of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Inventory write-downs

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

b. Impairment of goodwill included in the investments in subsidiaries

Determining whether the goodwill included in the investments in subsidiaries is impaired requires an estimation of the value in use of the cash-generating units which are expected to benefit from the synergies of the related combination and to which the goodwill has been allocated since the acquisition date. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 215	\$ 225
Checking accounts and demand deposits	<u>2,062,381</u>	<u>1,816,650</u>
	<u>\$ 2,062,596</u>	<u>\$ 1,816,875</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2020	2019
Demand deposits	0.0001%-0.15%	0.0001%-0.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 90	\$ 8,468
Non-derivative financial assets		
Mutual funds	<u>3,652,728</u>	<u>1,633,285</u>
	<u>\$ 3,652,818</u>	<u>\$ 1,641,753</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities designated as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 21,044</u>	<u>\$ 521</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Sell	EUR/NTD	2021.01-2021.05	EUR14,000/NTD479,531
	JPY/NTD	2021.01-2021.05	JPY280,000/NTD76,394
	CNY/NTD	2021.01-2021.04	CNY76,000/NTD324,732
	USD/NTD	2021.01-2021.02	USD6,000/NTD169,482
<u>December 31, 2019</u>			
Sell	EUR/NTD	2020.01-2020.04	EUR10,000/NTD338,535
	JPY/NTD	2020.01-2020.05	JPY380,000/NTD108,979
	CNY/NTD	2020.01-2020.03	CNY47,000/NTD201,967
	USD/NTD	2020.01-2020.02	USD4,000/NTD121,501

The Company entered into foreign exchange forward contracts during the years ended December 31, 2020 and 2019 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. Because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2020	2019
<u>Non-current</u>		
Investments in equity instrument at FVTOCI	<u>\$ 1,332,435</u>	<u>\$ 1,224,385</u>
Investments in equity instruments at FVTOCI:		
	<u>December 31</u>	
	2020	2019
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ASUSTek Computer Inc.	\$ 1,187,235	\$ 1,097,185
Ordinary shares - Allied Circuit Co., Ltd.	<u>145,200</u>	<u>127,200</u>
	<u>\$ 1,332,435</u>	<u>\$ 1,224,385</u>

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2020	2019
Notes receivable-operating	\$ 20,508	\$ 34,180
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,140,535	\$ 1,331,306
Less: Allowance for impairment loss	(8,949)	(18,386)
	<u>\$ 1,131,586</u>	<u>\$ 1,312,920</u>

Trade Receivables

The average credit period of the sales of goods was 30-90 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's customer base.

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

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

December 31, 2020

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
<u>Expected credit loss rate</u>	-	2%	20%	40%	100%	-
Gross carrying amount	\$ 1,116,997	\$ 8,391	\$ 7,136	\$ 1,202	\$ 6,809	\$ 1,140,535
Loss allowance (Lifetime ECL)	-	(232)	(1,427)	(481)	(6,809)	(8,949)
Amortized cost	<u>\$ 1,116,997</u>	<u>\$ 8,159</u>	<u>\$ 5,709</u>	<u>\$ 721</u>	<u>\$ -</u>	<u>\$ 1,131,586</u>

December 31, 2019

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	2%	12%	40%	100%	-
Gross carrying amount	\$ 1,302,751	\$ 7,237	\$ 2,800	\$ 1,045	\$ 17,473	\$ 1,331,306
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(149)</u>	<u>(346)</u>	<u>(418)</u>	<u>(17,473)</u>	<u>(18,386)</u>
Amortized cost	<u>\$ 1,302,751</u>	<u>\$ 7,088</u>	<u>\$ 2,454</u>	<u>\$ 627</u>	<u>\$ -</u>	<u>\$ 1,312,920</u>

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

	2020	2019
Balance at January 1	\$ 18,386	\$ 11,762
Add: Net remeasurement of loss allowance (gain on reversal of impairment loss)	(7,247)	6,624
Less: Amounts written off*	<u>(2,190)</u>	<u>-</u>
Balance at December 31	<u>\$ 8,949</u>	<u>\$ 18,386</u>

* The Company wrote off trade receivables and related loss allowance in the amount of \$2,190 thousand for the year ended December 31, 2020, as the customers' trade receivables were over 2 years past due and the Company continues to engage in enforcement activity to attempt to recover the past due receivables.

10. INVENTORIES

	<u>December 31</u>	
	2020	2019
Finished goods	\$ 1,299,638	\$ 1,236,932
Work in process	234,403	738,737
Raw materials	2,035,245	1,541,566
Inventories in transit	<u>128,213</u>	<u>100,671</u>
	<u>\$ 3,697,499</u>	<u>\$ 3,617,906</u>

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

	<u>For the Year Ended December 31</u>	
	2020	2019
Cost of inventories sold	\$ 22,875,690	\$ 24,754,633
Inventory write-downs	67,799	10,145
Others	<u>133,101</u>	<u>138,634</u>
	<u>\$ 23,076,590</u>	<u>\$ 24,903,412</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 20,205,244	\$ 18,859,346
Investments in associates	<u>1,497,765</u>	<u>1,505,912</u>
	<u>\$ 21,703,009</u>	<u>\$ 20,365,258</u>

a. Investments in subsidiaries

	December 31	
	2020	2019
Unlisted companies		
Advantech Automation Corp. (BVI) (AAC (BVI))	\$ 8,958,093	\$ 6,334,406
Advantech Technology Co., Ltd. (ATC)	4,171,160	3,943,772
Advantech Corporate Investment	3,408,682	3,335,232
Advanixs Corp.	233,965	244,917
Advantech Europe Holding B.V. (AEUH)	904,466	931,448
LNC Technology Co., Ltd. (LNC)	349,243	348,849
AdvanPOS Technology Co., Ltd. (AdvanPOS)	298,263	297,231
Advantech KR Co., Ltd. (AKR)	382,645	321,633
Advantech Japan Co., Ltd. (AJP)	434,082	406,507
Advantech Co. Singapore Pte, Ltd. (ASG)	111,484	117,554
Advantech Brasil Ltda. (ABR)	92,968	78,110
Advantech Co. Malaysia Sdn. Bhd. (AMY)	66,207	68,506
Advantech Australia Pty Ltd. (AAU)	33,504	19,264
Advantech Industrial Computing India Private Limited (AIN)	14,669	14,805
Advantech Innovative Design Co., Ltd.	10,120	10,095
Advantech Electronics, S. De R. L. Dec. V. (AMX)	38,870	671
B+B SmartWorx, Inc. (B+B)	-	1,710,653
Advantech Intelligent Service (AiST)	94,701	96,851
Kostec Co., Ltd. (AKST)	-	(33,191)
Advantech Corporation (Thailand) Co., Ltd. (ATH)	56,943	63,060
Advantech Vietnam Technology Company Limited (AVN)	60,087	63,468
Advantech Technology Limited Liability Company (ARU)	12,493	12,531
Advantech Turkey Teknoloji A.S. (ATR)	43,750	51,104
Advantech Technologies Japan Corp. (ATJ)	393,161	380,012
Advantech IoT Israel Ltd. (AIL)	8,688	8,667
Huan Yan Water Solution Co., Ltd.	<u>27,000</u>	<u>-</u>
	20,205,244	18,826,155
Add: Credit balance of investments accounted for using the equity method	<u>-</u>	<u>33,191</u>
	<u>\$ 20,205,244</u>	<u>\$ 18,859,346</u>

	December 31	
	2020	2019
AAC (BVI)	100.00%	100.00%
ATC	100.00%	100.00%
Advantech Corporate Investment	100.00%	100.00%
Advanixs Corporation	100.00%	100.00%
AEUH	100.00%	100.00%
LNC	59.10%	64.10%
AdvanPOS	100.00%	100.00%
AKR	100.00%	100.00%
AJP	100.00%	100.00%
ASG	100.00%	100.00%
ABR	100.00%	80.00%
AMY	100.00%	100.00%
AAU	100.00%	100.00%
AIN	99.99%	99.99%
Advantech Innovative Design Co., Ltd.	100.00%	100.00%
AMX	60.00%	100.00%
B+B	-	60.00%
AiST	100.00%	100.00%
AKST	-	76.00%
ATH	51.00%	51.00%
AVN	60.00%	60.00%
ARU	100.00%	100.00%
ATJ	50.00%	50.00%
ATR	60.00%	60.00%
AIL	100.00%	100.00%
Huan Yan Water Solution Co., Ltd.	100.00%	-

Refer to the Company's consolidated financial statements of the year ended December 31, 2020 for the disclosures of the Company's acquisitions of ATJ and ATR.

Refer to Table 8 for the details of the subsidiaries indirectly held by the Company.

Except for the financial statements of AJP, ASG, ABR, AMY, AAU, AIN, AMX, AVN, ATH, ARU, ATR, AIL, Advantech Innovative Design Co., Ltd., AiST, AdvanPOS and Huan Yan Water Solution Co., Ltd., investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have been audited. Management believes there will be no material impact on its equity method of accounting or its calculation of the share of profit or loss and other comprehensive income had the financial statements of the above subsidiaries been audited.

b. Investments in associates

	December 31	
	2020	2019
<u>Associates that are not individually material</u>		
Listed companies		
Axiomtek Co., Ltd. ("Axiomtek")	\$ 647,383	\$ 627,632
Winmate Inc. ("Winmate")	557,027	553,145
Nippon RAD Inc. (Nippon RAD)	248,138	250,888
Unlisted companies		
AIMobile Co., Ltd. ("AIMobile")	45,217	66,133
Jan Hsiang Electronics Co., Ltd. ("Jan Hsiang")	-	8,114
	<u>\$ 1,497,765</u>	<u>\$ 1,505,912</u>

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Company's share of:		
Profit from continuing operations	\$ 79,587	\$ 113,692
Other comprehensive loss	(39)	(822)
Total comprehensive income for the year	<u>\$ 79,548</u>	<u>\$ 112,870</u>

Except for the financial statements of Axiomtek Co., Ltd. and Nippon RAD which have been audited or reviewed, investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been not audited or reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the above financial statements which have not been audited.

12. PROPERTY, PLANT, AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 2,658,543	\$ 4,215,359	\$ 1,006,281	\$ 324,857	\$ 685,549	\$ 2,676	\$ 8,893,265
Additions	-	1,938	15,562	32,167	18,373	31,373	99,413
Disposals	(7,100)	(13,146)	(17,035)	(21,744)	(12,487)	-	(71,512)
Reclassifications	-	-	27,003	-	4,946	(30,418)	1,531
Balance at December 31, 2019	<u>\$ 2,651,443</u>	<u>\$ 4,204,151</u>	<u>\$ 1,031,811</u>	<u>\$ 335,280</u>	<u>\$ 696,381</u>	<u>\$ 3,631</u>	<u>\$ 8,922,697</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 572,133	\$ 764,228	\$ 247,499	\$ 556,763	\$ -	\$ 2,140,623
Disposals	-	(5,673)	(17,035)	(20,120)	(12,486)	-	(55,314)
Depreciation expenses	-	82,001	71,114	34,909	52,108	-	240,132
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 648,461</u>	<u>\$ 818,307</u>	<u>\$ 262,288</u>	<u>\$ 596,385</u>	<u>\$ -</u>	<u>\$ 2,325,441</u>
Carrying amount at December 31, 2019	<u>\$ 2,651,443</u>	<u>\$ 3,555,690</u>	<u>\$ 213,504</u>	<u>\$ 72,992</u>	<u>\$ 99,996</u>	<u>\$ 3,631</u>	<u>\$ 6,597,256</u>

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 2,651,443	\$ 4,204,151	\$ 1,031,811	\$ 335,280	\$ 696,381	\$ 3,631	\$ 8,922,697
Additions	-	-	40,283	33,200	72,609	34,894	180,986
Disposals	-	(2,438)	(24,392)	(9,533)	(10,766)	-	(47,129)
Reclassifications	-	-	4,740	-	1,024	-	5,764
Balance at December 31, 2020	<u>\$ 2,651,443</u>	<u>\$ 4,201,713</u>	<u>\$ 1,052,442</u>	<u>\$ 358,947</u>	<u>\$ 759,248</u>	<u>\$ 38,525</u>	<u>\$ 9,062,318</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 648,461	\$ 818,307	\$ 262,288	\$ 596,385	\$ -	\$ 2,325,441
Disposals	-	(988)	(23,601)	(9,436)	(10,726)	-	(44,751)
Depreciation expenses	-	81,969	65,729	36,204	48,047	-	231,949
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 729,442</u>	<u>\$ 860,435</u>	<u>\$ 289,056</u>	<u>\$ 633,706</u>	<u>\$ -</u>	<u>\$ 2,512,639</u>
Carrying amount at December 31, 2020	<u>\$ 2,651,443</u>	<u>\$ 3,472,271</u>	<u>\$ 192,007</u>	<u>\$ 69,891</u>	<u>\$ 125,542</u>	<u>\$ 38,525</u>	<u>\$ 6,549,679</u>

(Concluded)

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

Buildings	
Main buildings	20-60 years
Electronic equipment	5 years
Engineering systems	5 years
Equipment	2-8 years
Office equipment	2-8 years
Other facilities	2-10 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amount</u>		
Buildings	\$ 3,901	\$ 5,397
Machinery	2,619	2,202
Office equipment	<u>1,340</u>	<u>4,234</u>
	<u>\$ 7,860</u>	<u>\$ 11,833</u>
<u>For the Year Ended December 31</u>		
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 5,597</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Building	\$ 2,571	\$ 1,657
Machinery	780	463
Office equipment	<u>4,813</u>	<u>3,080</u>
	<u>\$ 8,164</u>	<u>\$ 5,200</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	\$ 3,044	\$ 5,446
Non-current	\$ 4,678	\$ 6,438

The discount rates of lease liabilities were as follows:

	December 31	
	2020	2019
Buildings	0.87%	0.87%
Machinery	0.87%	0.87%
Office equipment	0.87%	0.87%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 3,384	\$ 2,583
Expenses relating to low-value asset leases	\$ -	\$ 1,013
Total cash outflow for leases	\$ 11,876	\$ 8,893

The Company's leases of certain office equipment and building qualify as short-term leases and certain office equipment and buildings qualify as low-value asset leases. The Company has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. GOODWILL

	For the Year Ended December 31	
	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 111,599	\$ 111,599
Balance at December 31	\$ 111,599	\$ 111,599

15. OTHER LIABILITIES

	December 31	
	2020	2019
Other payables		
Payables for salaries or bonuses	\$ 2,086,763	\$ 1,869,911
Payables for annual leave	36,207	37,679
Others (Note)	<u>369,228</u>	<u>504,274</u>
	<u>\$ 2,492,198</u>	<u>\$ 2,411,864</u>

Note: Included marketing expenses and freight expenses.

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 409,674	\$ 393,558
Fair value of plan assets	<u>(125,276)</u>	<u>(126,976)</u>
Deficit	<u>284,398</u>	<u>266,582</u>
Net defined benefit liabilities	<u>\$ 284,398</u>	<u>\$ 266,582</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 389,837</u>	<u>\$ (134,564)</u>	<u>\$ 255,273</u>
Service cost			
Current service cost	2,532	-	2,532
Net interest expense (income)	<u>4,386</u>	<u>(1,565)</u>	<u>2,821</u>
Recognized in profit or loss	<u>6,918</u>	<u>(1,565)</u>	<u>5,353</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,597)	(4,597)
Actuarial gain or loss			
Changes in demographic assumptions	9,913	-	9,913
Changes in financial assumptions	16,690	-	16,690
Experience adjustments	<u>(7,242)</u>	<u>-</u>	<u>(7,242)</u>
Recognized in other comprehensive income	<u>19,361</u>	<u>(4,597)</u>	<u>14,764</u>
Contributions from the employer	<u>-</u>	<u>(8,808)</u>	<u>(8,808)</u>
Benefits paid	<u>(22,558)</u>	<u>22,558</u>	<u>-</u>
Balance at December 31, 2019	<u>393,558</u>	<u>(126,976)</u>	<u>266,582</u>
Service cost			
Current service cost	2,310	-	2,310
Net interest expense (income)	<u>2,945</u>	<u>(978)</u>	<u>1,967</u>
Recognized in profit or loss	<u>5,255</u>	<u>(978)</u>	<u>4,277</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,394)	(4,394)
Actuarial gain or loss			
Changes in demographic assumptions	850	-	850
Changes in financial assumptions	11,640	-	11,640
Experience adjustments	<u>13,914</u>	<u>-</u>	<u>13,914</u>
Recognized in other comprehensive income	<u>26,404</u>	<u>(4,394)</u>	<u>22,010</u>
Contributions from the employer	<u>-</u>	<u>(8,471)</u>	<u>(8,471)</u>
Benefits paid	<u>(15,543)</u>	<u>15,543</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 409,674</u>	<u>\$ (125,276)</u>	<u>\$ 284,398</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ 1,570	\$ 1,827
Selling and marketing expenses	535	687
General and administrative expenses	888	1,252
Research and development expenses	<u>1,284</u>	<u>1,587</u>
	<u>\$ 4,277</u>	<u>\$ 5,353</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate(s)	0.500%	0.750%
Expected rate(s) of salary increase	3.250%	3.250%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	<u>\$ (11,644)</u>	<u>\$ (11,395)</u>
0.25% decrease	<u>\$ 12,115</u>	<u>\$ 11,865</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 11,560</u>	<u>\$ 11,389</u>
0.25% decrease	<u>\$ (11,214)</u>	<u>\$ (11,002)</u>

The sensitivity analysis previously presented may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 8,619</u>	<u>\$ 8,619</u>
Average duration of the defined benefit obligation	12.4 years	12.5 years

17. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>800,000</u>
Amount of shares authorized	<u>\$ 10,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>772,255</u>	<u>700,410</u>
Amount of shares issued and fully paid	<u>\$ 7,722,545</u>	<u>\$ 7,004,100</u>

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

The changes in the Company's share capital are due to the exercise of employee share options.

b. Capital surplus

	December 31	
	2020	2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238
Conversion of bonds	1,636,499	1,636,499
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	-	8,678
Share of changes in capital surplus of associates	674	55
Employees' share compensation	78,614	78,614
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	-	4,637
Employee share options	2,297,403	1,888,945
Share of changes in capital surplus of associates	54,882	12,361
Employee share options expired	87,266	-
<u>May not be used for any purpose</u>		
Employee share options	<u>1,066,178</u>	<u>1,075,002</u>
	<u>\$ 7,913,754</u>	<u>\$ 7,397,029</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of compensation of employees and remuneration of directors after amendment, refer to compensation of employees and remuneration of directors in Note 18, d.

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

An appropriation of earnings to a legal reserve should be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset 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.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018, which had been approved in the shareholders' meetings on May 28, 2020 and May 28, 2019, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 735,122	\$ 629,466
Special reserve	\$ 47,230	\$ 429,108
Cash dividends	\$ 5,463,198	\$ 4,751,129
Share dividends	\$ 700,410	\$ -
Cash dividends per share (NT\$)	\$ 7.8	\$ 6.8
Share dividends per share (NT\$)	\$ 1.0	\$ -

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 5, 2021. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2020
Legal reserve	\$ 717,035
Reversal of special reserve	\$ (14,143)
Cash dividends	\$ 5,480,813
Cash dividends per share (NT\$)	\$ 7.1

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on May 27, 2021.

d. Special reserves

	For the Year Ended December 31	
	2020	2019
Beginning at January 1	\$ 798,763	\$ 369,655
Appropriations in respect of		
Debits to other equity items	<u>47,230</u>	<u>429,108</u>
Balance at December 31	<u>\$ 845,993</u>	<u>\$ 798,763</u>

e. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (878,261)	\$ (475,245)
Recognized during the period		
Exchange differences on translation of the financial		
statements of foreign entities	(111,229)	(385,198)
Share of associates accounted for using the equity method	<u>(17,145)</u>	<u>(17,818)</u>
Other comprehensive loss recognized for the period	<u>(128,374)</u>	<u>(403,016)</u>
Balance at December 31	<u>\$ (1,006,635)</u>	<u>\$ (878,261)</u>

2) Unrealized gain or loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1 per IFRS 9	\$ 30,970	\$ (324,254)
Recognized during the period		
Unrealized loss - equity instruments	108,050	307,604
Share of associates accounted for using the equity method	<u>24,460</u>	<u>23,251</u>
Other comprehensive income recognized for the period	132,510	330,855
Cumulative unrealized gain on equity instruments transferred		
to retained earnings due to disposal	<u>9,828</u>	<u>24,369</u>
Balance at December 31	<u>\$ 173,308</u>	<u>\$ 30,970</u>

3) Unearned employee benefits

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 1,298	\$ 736
Share from associates accounted for using the equity method	<u>179</u>	<u>562</u>
Balance at December 31	<u>\$ 1,477</u>	<u>\$ 1,298</u>

18. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	\$ 139	\$ 148
Other finance costs	<u>571</u>	<u>2,145</u>
	<u>\$ 710</u>	<u>\$ 2,293</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 74,553	\$ 73,962
Operating expenses	<u>165,560</u>	<u>171,370</u>
	<u>\$ 240,113</u>	<u>\$ 245,332</u>
An analysis of amortization by function		
Operating costs	\$ 326	\$ 1,241
Operating expenses	<u>93,484</u>	<u>98,829</u>
	<u>\$ 93,810</u>	<u>\$ 100,070</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits	<u>\$ 3,532,319</u>	<u>\$ 3,309,564</u>
Post-employment benefits		
Defined contribution plans	138,643	128,366
Defined benefit plans (Note 16)	<u>4,277</u>	<u>5,353</u>
	142,920	133,719
Share-based payments - equity-settled	365,248	295,427
Other employee benefits	<u>148,999</u>	<u>155,450</u>
Total employee benefits expense	<u>\$ 4,189,486</u>	<u>\$ 3,894,160</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 874,035	\$ 876,506
Operating expenses	<u>3,315,451</u>	<u>3,017,654</u>
	<u>\$ 4,189,486</u>	<u>\$ 3,894,160</u>

d. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees at the rates of no less than 5% and remuneration of directors at the rates of no higher than 1%, of net profit before income tax, compensation of employees, and remuneration of directors. The compensations of employees and remuneration of directors for the years ended December 31, 2020 and 2019, which had been approved by the Company's board of directors on March 5, 2021 and March 6, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 570,000	\$ 600,000
Remuneration of directors	11,700	12,000

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 461,318	\$ 471,452
Foreign exchange losses	<u>(482,747)</u>	<u>(546,483)</u>
Net losses	<u>\$ (21,429)</u>	<u>\$ (75,031)</u>

19. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 1,235,929	\$ 1,335,289
Income tax on unappropriated earnings	18,148	19,771
Adjustments for prior years	<u>(22,378)</u>	<u>(27,211)</u>
	1,231,699	1,327,849
Deferred tax		
In respect of the current year	<u>260,986</u>	<u>199,348</u>
Income tax expense recognized in profit or loss	<u>\$ 1,492,685</u>	<u>\$ 1,527,197</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 8,740,640</u>	<u>\$ 8,878,417</u>
Income tax expense calculated at the statutory rate	\$ 1,748,128	\$ 1,775,684
Tax-exempt income	(71,213)	(83,217)
Unrecognized investment credits	(180,000)	(158,000)
Income tax on unappropriated earnings	18,148	19,771
Land value increment tax	-	170
Adjustments for prior years' tax	<u>(22,378)</u>	<u>(27,211)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,492,685</u>	<u>\$ 1,527,197</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Translation of the financial statements of foreign operations	\$ (32,093)	\$ (100,754)
Remeasurement of defined benefit plans	<u>(4,402)</u>	<u>(2,953)</u>
	<u>\$ (36,495)</u>	<u>\$ (103,707)</u>

c. Current tax liabilities

	December 31	
	2020	2019
Current tax liabilities		
Current	<u>\$ 2,170,762</u>	<u>\$ 1,329,258</u>
Non-current	<u>\$ 291,961</u>	<u>\$ -</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized gross profit	\$ 139,084	\$ (16,639)	\$ -	\$ 122,445
Unrealized loss on inventory write-downs	39,025	13,560	-	52,585
Defined benefit obligation	17,026	(839)	-	16,187
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Unrealized warranty liabilities	\$ 12,645	\$ (512)	\$ -	\$ 12,133
Financial assets - FVTPL	420	(420)	-	-
Unrealized foreign exchange losses	2,029	(2,029)	-	-
Exchange differences on translation of the financial statements of foreign operations	219,566	-	32,093	251,659
Remeasurement of defined benefit plans	<u>25,354</u>	<u>-</u>	<u>4,402</u>	<u>29,756</u>
	<u>\$ 455,149</u>	<u>\$ (6,879)</u>	<u>\$ 36,495</u>	<u>\$ 484,765</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 1,772,064	\$ 251,485	\$ -	\$ 2,023,549
Remeasurement of defined benefit plans	3,990	-	-	3,990
Financial assets - FVTPL	-	542	-	542
Unrealized exchange gains	<u>-</u>	<u>2,080</u>	<u>-</u>	<u>2,080</u>
	<u>\$ 1,776,054</u>	<u>\$ 254,107</u>	<u>\$ -</u>	<u>\$ 2,030,161</u>
				(Concluded)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized gross profit	\$ 133,095	\$ 5,989	\$ -	\$ 139,084
Unrealized loss on inventory write-downs	36,996	2,029	-	39,025
Defined benefit obligation	17,717	(691)	-	17,026
Unrealized warranty liabilities	11,535	1,110	-	12,645
Financial assets - FVTPL	-	420	-	420
Unrealized foreign exchange losses	-	2,029	-	2,029
Sales allowance	3,090	(3,090)	-	-
Exchange differences on translation of the financial statements of foreign operations	118,812	-	100,754	219,566
Remeasurement of defined benefit plans	<u>22,401</u>	<u>-</u>	<u>2,953</u>	<u>25,354</u>
	<u>\$ 343,646</u>	<u>\$ 7,796</u>	<u>\$ 103,707</u>	<u>\$ 455,149</u>
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 1,562,279	\$ 209,785	\$ -	\$ 1,772,064
Remeasurement of defined benefit plans	3,990	-	-	3,990
Financial assets - FVTPL	87	(87)	-	-
Unrealized foreign exchange gains	<u>2,554</u>	<u>(2,554)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,568,910</u>	<u>\$ 207,144</u>	<u>\$ -</u>	<u>\$ 1,776,054</u> (Concluded)

e. Income tax assessments

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

20. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ 9.40</u>	<u>\$ 9.56</u>
Diluted earnings per share	<u>\$ 9.27</u>	<u>\$ 9.44</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares or share splits on August 8, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

Unit: NT\$ Per Share

	<u>Before Retrospective Adjustment</u>	<u>After Retrospective Adjustment</u>
Basic earnings per share	<u>\$ 10.51</u>	<u>\$ 9.56</u>
Diluted earnings per share	<u>\$ 10.37</u>	<u>\$ 9.44</u>

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Earnings used in the computation of basic earnings per share	<u>\$ 7,247,955</u>	<u>\$ 7,351,220</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 7,247,955</u>	<u>\$ 7,351,220</u>

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	771,264	769,237
Effect of potentially dilutive ordinary shares:		
Employee share option	8,268	7,027
Compensation of employees	<u>2,003</u>	<u>2,346</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>781,535</u>	<u>778,610</u>

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

21. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company were granted 7,500 options in 2020, 8,000 options in 2018 and 6,000 options in 2016. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. The holders of these options include employees of the Company and employees of domestic and foreign subsidiaries who are owned directly or indirectly over 50% by the Company that meet certain criteria. Options issued in 2020, 2018 and 2016 are all valid for six years. They are exercisable at certain percentages after the second year of the grant date. The exercise price granted in 2020 was NT\$200 per share; the exercise price granted in 2018 was the share price on the exercise date; the exercise price granted in 2016 was NT\$100 per share. If there are subsequent changes to the Company's capital surplus, the exercise price and the number of options shall be adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2020		2019	
Employee Share Options	Number of Options	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
Balance at January 1	14,250	\$149.88	15,965	\$143.64
Options granted	7,500	200.00	-	-
Options exercised	(1,803)	77.45	(1,715)	81.91
Options expired	<u>(543)</u>	70.50	<u>-</u>	-
Balance at December 31	<u>19,404</u>	175.66	<u>14,250</u>	149.88
Options exercisable, end of the year	<u>7,904</u>	138.98	<u>6,250</u>	82.54
Weighted-average fair value of options granted (NT\$)	<u>\$ 125.77</u>		<u>\$ -</u>	

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2020 and 2019 was ranging from NT\$258 to NT\$328 and from NT\$223 to NT\$310, respectively.

Information about outstanding options as of December 31, 2020 and 2019 was as follows:

	For the Year Ended December 31			
	2020		2019	
Employee Share Options	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2020	\$200.0	5.58	\$ -	-
Issuance in 2018	202.5	3.58	202.5	4.58
Issuance in 2016	73.9	1.45	83.3	2.45
Issuance in 2014	-	-	79.4	0.63

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

	2020	2018	2016
Grant-date share price (NT\$)	\$309	\$202.5	\$235
Exercise price (NT\$)	\$200	\$202.5	\$100
Expected volatility	23.28%-26.55%	28.42%-28.73%	31.42%-32.48%
Expected life (in years)	4-5.5	4-4.5	4-5.5
Expected dividend yield	0%	0%	0%
Risk-free interest rate	0.31%-0.35%	0.67%-0.69%	0.52%-0.65%

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

Compensation costs recognized were \$365,248 thousand and \$295,427 thousand for the years ended December 31, 2020 and 2019, respectively.

22. GOVERNMENT GRANTS

In 2020 and 2019, the Company participated in a government's project plan and received government grants of \$10,159 thousand and \$12,699 thousand, respectively. These amounts were recognized under other income. In addition, the amount of government grants for expenses or losses incurred was \$1,236 thousand for the year ended December 31, 2020, and was deducted from the recorded expenses paid for by the grant.

23. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	January 31, 2019	80	<u>\$ 517,008</u>
Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	February 28, 2019	60	<u>\$ 58,482</u>
Shanghai Yanle Co., Ltd. (Yanle)	Application and retail of intelligent technology	May 31, 2020	100	<u>\$ 6,698</u>

The Company acquired 80% of the shares of ATJ (formerly Omron Nohgata Co., Ltd.) in order to expand its embedded systems and strengthen the customization of design and production in the Japan market.

The Company acquired 42% of the shares of ATR (formerly Alitek Teknoloji Urunleri San. ve Tic. A.S.) in order to expand its sales of industrial PCs in the Turkey market. The Company increased its capital; thus, the Company's equity investment in ATR was increased to 60%.

The Company acquired Yanle (Shanghai Yanle Co., Ltd.) of which the Company originally acquired 45% of its shares in order to expand its retail sales of intelligent technology in the China market, which increased the Company's equity investment in Yanle to 100%.

24. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

In the first quarter of 2019, the Company subscribed for 18% of the equity of ATR during its capital increase, which increased the Company's equity investment in ATR from 42% to 60%.

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

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

In the second quarter of 2020, the Company had a non-proportional investment in the equity of AMX during its cash capital increase, which decreased its equity investment in AMX from 100% to 60%.

In the third quarter of 2020, the Company acquired 20% of the equity of ABR, which increased the Company's equity investment in ABR from 80% to 100%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the above transactions, refer to Note 29 to the Company's consolidated financial statements for the year ended December 31, 2020.

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged in both 2020 and 2019.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings, and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued.

26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 90	\$ -	\$ 90
Mutual funds	<u>3,652,728</u>	<u>-</u>	<u>-</u>	<u>3,652,728</u>
	<u>\$ 3,652,728</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 3,652,818</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in the ROC	<u>\$ 1,332,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,332,435</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 21,044</u>	<u>\$ -</u>	<u>\$ 21,044</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 8,468	\$ -	\$ 8,468
Mutual funds	<u>1,633,285</u>	<u>-</u>	<u>-</u>	<u>1,633,285</u>
	<u>\$ 1,633,285</u>	<u>\$ 8,468</u>	<u>\$ -</u>	<u>\$ 1,641,753</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in the ROC	<u>\$ 1,224,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,224,385</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 521</u>

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

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

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

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 3,652,818	\$ 1,641,753
Financial assets at amortized cost (Note 1)	8,316,190	8,536,654
Financial assets at FVTOCI		
Equity instruments	1,332,435	1,224,385
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	21,044	521
Amortized cost (Note 2)	6,520,244	6,882,786

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes payable and trade payables, trade payables to related parties, other payables, and other payables to related parties.

c. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables, borrowings, and lease liabilities. The Company'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 Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provided written principles on foreign currency 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 Company did not enter into or trade financial instrument, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports quarterly to the board of directors on the Company's current derivative instrument management.

1) Market risk

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

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

a) Foreign currency risk

The Company undertook operating activities and investment of foreign operations denominated in foreign currencies, which exposed the Company to foreign currency risk. The Company manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which allow the Company to mitigate but not fully eliminate the effect.

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Notes 28 and 7, respectively.

Sensitivity analysis

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

The following table details the Company's sensitivity to a 5% increase in New Taiwan dollar (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 year for a 5% change in exchange rates. The range of the sensitivity analysis included cash and cash equivalents, trade receivables and trade payables. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency.

	U.S. Dollar Impact		Euro Impact		Renminbi Impact	
	2020	2019	2020	2019	2020	2019
Profit or loss	\$ 105,021 (Note 1)	\$ 111,117 (Note 1)	\$ 9,270 (Note 2)	\$ 51,170 (Note 2)	\$ 50,079 (Note 3)	\$ 60,436 (Note 3)

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

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

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

b) Interest rate risk

The Company's floating-rate bank savings are exposed to risk of changes in interest rates. The Company does not operate hedging instruments for interest rates. The Company's management monitors fluctuations in market interest rates regularly. If it is needed, the management might perform necessary procedures for significant interest rate risks to control the risks from fluctuations in market interest rates.

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

	December 31	
	2020	2019
Cash flow interest rate risk		
Financial assets	\$ 2,059,397	\$ 1,814,203

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased by \$10,297 thousand and \$9,071 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Company's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 1% higher, the pre-tax other comprehensive income for the year ended December 31, 2020 would have increased by \$13,324 thousand, as a result of changes in fair value of financial assets. And the pre-tax other comprehensive income for the year ended December 31, 2019 would have increased by \$12,244, 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, the effects on pre-tax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2020 and 2019, the Company had available unutilized bank loan facilities as set out in (c) below.

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

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interests 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 the agreed upon repayment dates.

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

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year - 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 3,020,106	\$ 2,265,546	\$ 1,234,592	\$ -
Lease liabilities	<u>-</u>	<u>361</u>	<u>2,702</u>	<u>4,836</u>
	<u>\$ 3,020,106</u>	<u>\$ 2,265,907</u>	<u>\$ 1,237,294</u>	<u>\$ 4,836</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	\$ <u>3,063</u>	\$ <u>4,836</u>	\$ <u>-</u>

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year - 5 Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 3,357,623	\$ 2,867,569	\$ 657,594	\$ -
Lease liabilities	<u>630</u>	<u>2,305</u>	<u>2,531</u>	<u>6,675</u>
	<u>\$ 3,358,253</u>	<u>\$ 2,869,874</u>	<u>\$ 660,125</u>	<u>\$ 6,675</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	\$ <u>5,466</u>	\$ <u>5,237</u>	\$ <u>1,438</u>

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

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

The following tables details the Company's liquidity analysis of its derivative financial instruments. The tables are based on the undiscounted gross cash inflows and outflows on derivative instruments that require gross settlement.

December 31, 2020

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

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 306,293	\$ 400,220	\$ 64,469	\$ 770,982
Outflows	<u>301,650</u>	<u>397,435</u>	<u>63,950</u>	<u>763,035</u>
	<u>\$ 4,643</u>	<u>\$ 2,785</u>	<u>\$ 519</u>	<u>\$ 7,947</u>

c) Financing facilities

	<u>December 31</u>	
	2020	2019
Unsecured bank loan facilities		
Amount used	\$ 184,078	\$ -
Amount unused	<u>6,412,122</u>	<u>6,881,900</u>
	<u>\$ 6,596,200</u>	<u>\$ 6,881,900</u>

28. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of significant transactions between the Company and other related parties are disclosed below.

a. Names and categories of related parties

<u>Name</u>	<u>Related Party Category</u>
AAC (HK)	Subsidiary
AAU	Subsidiary
ABR	Subsidiary
ACN	Subsidiary
ACZ	Subsidiary
ADB	Subsidiary
AEU	Subsidiary
AID	Subsidiary
AIL	Subsidiary
AIN	Subsidiary
AiSC	Subsidiary
AJP	Subsidiary
AKMC	Subsidiary
AKR	Subsidiary
AMX	Subsidiary
AMY	Subsidiary
ANA	Subsidiary
APL	Subsidiary

(Continued)

Name	Related Party Category
ASG	Subsidiary
A-SIoT	Subsidiary
ATH	Subsidiary
ATJ	Subsidiary
ATR	Subsidiary
AVN	Subsidiary
AXA	Subsidiary
B+B	Subsidiary (dissolved after the merger with ANA from December 31, 2020)
ARU	Subsidiary
SIoT (Cayman)	Subsidiary
SIoT (China)	Subsidiary
AIH	Subsidiary
Cermate	Subsidiary
Advantech Corporate Investment	Subsidiary
AiST	Subsidiary
LNC	Subsidiary
Advanixs	Subsidiary
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Winmate Inc.	Associate
Azurewave Technology Inc.	Associate
DotZero Co., Ltd.	Associate
I-Link 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
International Integrated Systems, Inc.	Associate
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party
Tran-Fei Development Co., Ltd.	Other related party

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
ANA	\$ 9,841,226	\$ 9,875,397
ACN	7,835,620	8,103,451
AEU	4,142,031	5,113,619
Others	5,107,483	5,552,401
Associates	99,963	44,477
Other related parties	4,527	-
	<u>\$ 27,030,850</u>	<u>\$ 28,689,345</u>

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
AKMC	\$ 11,047,054	\$ 12,512,596
Others	166,529	242,444
Associates	<u>183,512</u>	<u>204,041</u>
	<u>\$ 11,397,095</u>	<u>\$ 12,959,081</u>

d. Notes receivable from related parties

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Associates	<u>\$ 6,775</u>	<u>\$ -</u>

e. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade receivables - related parties	Subsidiaries		
	ACN	\$ 1,825,651	\$ 1,757,991
	ANA	1,473,318	1,251,888
	AEU	755,893	1,006,415
	Others	863,758	1,190,461
	Associates	17,780	10,622
	Other related parties	<u>20</u>	<u>-</u>
		<u>\$ 4,936,420</u>	<u>\$ 5,217,377</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019 no impairment loss was recognized for trade receivables from related parties.

f. Other receivables from related parties

Related Party Category	December 31	
	2020	2019
Subsidiaries		
ANA	\$ 7,770	\$ 5,046
AEU	4,266	4,065
Advanixs	2,124	2,098
Others	7,562	5,871
Associates	3,018	-
Other related parties	<u>1,615</u>	<u>-</u>
	<u>\$ 26,355</u>	<u>\$ 17,080</u>

- g. Payables to related parties (excluding loans from related parties)

Related Party Category/Name	December 31	
	2020	2019
Subsidiaries		
AKMC	\$ 1,751,018	\$ 2,008,469
Others	22,206	36,111
Associates	<u>20,148</u>	<u>43,350</u>
	<u>\$ 1,793,372</u>	<u>\$ 2,087,930</u>

The outstanding trade payables to related parties are unsecured.

- h. Other payables from related parties

Related Party Category	December 31	
	2020	2019
Subsidiaries		
AEU	\$ 44,485	\$ 52,679
Others	10,869	3,240
Other related parties	<u>8,819</u>	<u>7,965</u>
	<u>\$ 64,173</u>	<u>\$ 63,884</u>

- i. Acquisitions of property, plant and equipment

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Subsidiaries	<u>\$ 3,759</u>	<u>\$ 509</u>

- j. Disposals of property, plant and equipment

Related Party Category/Name	Selling Price	
	For the Year Ended December 31	
	2020	2019
Subsidiaries	<u>\$ 472</u>	<u>\$ -</u>

- k. Other transactions with related parties

Related Party Category/Name	Operating Expenses	
	For the Year Ended December 31	
	2020	2019
Administration expenses		
Subsidiaries	\$ 38,065	\$ 36,647
Associates	185	237
Other related parties	<u>36</u>	<u>-</u>
	<u>\$ 38,286</u>	<u>\$ 36,884</u>

	Operating Expenses	
	For the Year Ended December 31	
	2020	2019
Research and development expenses		
Associates	\$ 9,805	\$ 2,955
Subsidiaries	<u>88,933</u>	<u>150,978</u>
	<u>\$ 98,738</u>	<u>\$ 153,933</u>

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

	Other Income	
	For the Year Ended December 31	
	2020	2019
Rental income		
Subsidiaries	\$ 636	\$ 636
Other related parties	<u>289</u>	<u>60</u>
	<u>\$ 925</u>	<u>\$ 696</u>
Others		
Subsidiaries	\$ 103,849	\$ 85,083
Other related parties	<u>3,452</u>	<u>2,702</u>
	<u>\$ 107,301</u>	<u>\$ 87,785</u>

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

1. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 44,078	\$ 45,945
Post-employment benefits	162	42
Share-based payments	<u>26,123</u>	<u>38,158</u>
	<u>\$ 70,363</u>	<u>\$ 84,145</u>

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

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 162,339	28.480 (USD:NTD)	\$ 4,623,414
RMB	522,606	4.3770 (RMB:NTD)	2,287,445
EUR	18,622	35.020 (EUR:NTD)	<u>652,155</u>
			<u>\$ 7,563,014</u>
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
USD	474,105	28.480 (USD:NTD)	\$ 13,502,510
EUR	33,048	35.020 (EUR:NTD)	1,157,341
JPY	4,005,091	0.2760 (JPY:NTD)	1,105,405
KRW	15,813,870	0.0260 (KRW:NTD)	411,161
SGD	5,602	21.560 (SGD:NTD)	<u>120,779</u>
			<u>\$ 16,297,196</u>
<u>Financial liabilities</u>			
Monetary items			
USD	85,588	28.480 (USD:NTD)	\$ 2,437,542
RMB	217,779	4.3770 (RMB:NTD)	<u>953,218</u>
			<u>\$ 3,390,760</u>

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 159,581	29.980 (USD:NTD)	\$ 4,784,226
RMB	554,325	4.305 (RMB:NTD)	2,386,370
EUR	21,623	33.590 (EUR:NTD)	<u>726,308</u>
			<u>\$ 7,896,904</u>
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
USD	415,025	29.980 (USD:NTD)	\$ 12,442,450
EUR	36,213	33.590 (EUR:NTD)	1,216,395
KRW	12,616,597	0.0260 (KRW:NTD)	328,032
JPY	3,840,034	0.2760 (JPY:NTD)	<u>1,059,849</u>
			<u>\$ 15,046,726</u>
<u>Financial liabilities</u>			
Monetary items			
USD	89,453	29.980 (USD:NTD)	\$ 2,681,793
RMB	260,550	4.305 (RMB:NTD)	<u>1,121,669</u>
			<u>\$ 3,803,462</u>

For the years ended December 2020 and 2019, realized and unrealized net foreign exchange losses were \$21,429 thousand and \$75,031 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

29. SEPARATELY DISCLOSED ITEMS

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

- 1) Financing provided to others. (Table 1)
- 2) Endorsement/guarantee provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 6)

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
 - 9) Transactions of financial instruments. (Notes 7 and 26)
 - 10) Name, locations, and other information of investees. (Table 8)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gains or losses, carrying amount of the investment at the end of the period, repatriations investment gains, and limit on the amount of investment in the mainland China area. (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, their prices, and payment terms, and unrealized gains or losses. Refer to Tables 1, 6 and 7.
- d. Information of major shareholders
- The following is the information of major shareholders: Name of major shareholders, number of shares owned and percentage of ownership of shareholders whose percentage of ownership is higher than 5%. (Table 10)

TABLE 1

ADVANTECH CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note H)		Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	LNC	LNC Dong Guan	Trade receivables - related parties	Yes	\$ 70,000	\$ 70,000	\$ -	-	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 36,715 (Note D)	\$ 146,858 (Note D)
2	Advantech Corporate Investment	The Company	Trade receivables - related parties	Yes	1,000,000	-	-	1.00	Short-term financing	-	Financing need	-	None	None	1,363,767 (Note E)	1,363,767 (Note E)
3	AAC (BVI)	ATJ	Trade receivables - related parties	Yes	177,000 (JPY 600,000 thousand)	-	-	0.55	Short-term financing	-	Financing need	-	None	None	3,713,650 (Note C)	3,713,650 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: Translated based on the exchange rates as of December 31, 2020: JPY1=NT\$0.276.

Note C: The financing limit for each borrower and the aggregate financing were both 40% of AAC (BVI)’s net asset value, and were supervised by the Company.

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

Note E: The financing limit for each borrower and the aggregate financing were both 40% of Advantech Corporate Investment’s net asset value, and were supervised by the Company.

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

TABLE 2

ADVANTECH CO., LTD.

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	\$ 3,441,016	\$ 907,500 (US\$ 30,000)	\$ 854,400 (US\$ 30,000)	\$ -	\$ -	2.48	\$ 10,323,047	Y	N	N
		AAC (BVI)	Subsidiary	3,441,016	302,500 (US\$ 10,000)	284,800 (US\$ 10,000)	-	-	0.83	10,323,047	Y	N	N
		Advantech Corporate Investment	Subsidiary	3,441,016	302,500 (US\$ 10,000)	284,800 (US\$ 10,000)	-	-	0.83	10,323,047	Y	N	N
		ATJ	Subsidiary	3,441,016	282,000 (JPY 1,000,000)	276,000 (JPY 1,000,000)	110,400 (JPY 400,000)	-	0.80	10,323,047	Y	N	N
		AKMC	Subsidiary	3,441,016	181,500 (US\$ 6,000)	170,880 (US\$ 6,000)	-	-	0.50	10,323,047	Y	N	Y
		ACISM	Subsidiary	3,441,016	151,250 (US\$ 5,000)	142,400 (US\$ 5,000)	-	-	0.41	10,323,047	Y	N	N
		SIoT (Cayman)	Subsidiary	3,441,016	302,500 (US\$ 10,000)	284,800 (US\$ 10,000)	-	-	0.83	10,323,047	Y	N	N
		B+B	Subsidiary	3,441,016	151,250 (US\$ 5,000)	142,400 (US\$ 5,000)	-	-	0.41	10,323,047	Y	N	N
		AJP	Subsidiary	3,441,016	302,500 (JPY 500,000)	138,000 (JPY 500,000)	27,600 (JPY 100,000)	-	0.40	10,323,047	Y	N	N
		Advantech Intelligent City Services Co., Ltd. (formerly known as AiST)	Subsidiary	3,441,016	90,675 (US\$ 3,000)	85,440 (US\$ 3,000)	-	-	0.25	10,323,047	Y	N	N
		AIH	Subsidiary	3,441,016	90,675 (US\$ 3,000)	85,440 (US\$ 3,000)	-	-	0.25	10,323,047	Y	N	N
		ABR	Subsidiary	3,441,016	45,375 (US\$ 1,500)	42,720 (US\$ 1,500)	-	-	0.12	10,323,047	Y	N	N
		A-SIoT	Subsidiary	3,441,016	35,080 (EUR 1,000)	35,020 (EUR 1,000)	-	-	0.10	10,323,047	Y	N	N
		AVN	Subsidiary	3,441,016	30,250 (US\$ 1,000)	28,480 (US\$ 1,000)	-	-	0.08	10,323,047	Y	N	N
		ARU	Subsidiary	3,441,016	30,225 (US\$ 1,000)	28,480 (US\$ 1,000)	-	-	0.08	10,323,047	Y	N	N
		Cermate (Taiwan)	Subsidiary	3,441,016	30,250 (US\$ 1,000)	28,480 (US\$ 1,000)	20,000 (NT\$ 20,000)	-	0.08	10,323,047	Y	N	N
		Cermate (Shenzhen)	Subsidiary	3,441,016	30,250 (US\$ 1,000)	28,480 (US\$ 1,000)	-	-	0.08	10,323,047	Y	N	Y
		ACZ	Subsidiary	3,441,016	15,250 (US\$ 500)	14,240 (US\$ 500)	-	-	0.04	10,323,047	Y	N	N
		ATR	Subsidiary	3,441,016	15,125 (US\$ 500)	14,240 (US\$ 500)	-	-	0.04	10,323,047	Y	N	N
		Advanixs Corp.	Subsidiary	3,441,016	15,125 (US\$ 500)	14,240 (US\$ 500)	-	-	0.04	10,323,047	Y	N	N
		AAU	Subsidiary	3,441,016	6,050 (US\$ 200)	5,696 (US\$ 200)	-	-	0.02	10,323,047	Y	N	N
		ACI IOT Investment Fund-1 Corporation	Subsidiary	3,441,016	6,045 (US\$ 200)	5,696 (US\$ 200)	-	-	0.02	10,323,047	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		AMY	Subsidiary	\$ 3,441,016	\$ 3,023 (US\$ 100)	\$ 2,848 (US\$ 100)	\$ -	\$ -	0.01	\$ 10,323,047	Y	N	N
		AKR	Subsidiary	3,441,016	174,785 (US\$ 6,050)	172,304 (US\$ 6,050)	26,078 (KRW 1,003,000)	-	0.50	10,323,047	Y	N	N

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

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

Note C: The exchange rates as of December 31, 2020 were US\$1=NT\$28.48, EUR1=NT\$35.02 and JPY1=NT\$0.276.

Note D: The latest net equity is from the Group’s consolidated financial statements for the year ended December 31, 2020.

(Concluded)

TABLE 3

ADVANTECH CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Share</u>							
	ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income - non-current	4,739,461	\$ 1,187,235	0.64	\$ 1,187,235	Note A
	Allied Circuit Co., Ltd.	-	"	1,200,000	145,200	2.41	145,200	Note A
	<u>Fund</u>							
	Capital Money Market		Financial assets at fair value through profit or loss - current	9,225,566	150,057	-	150,057	Note B
	FSITC Money Market	-	"	2,508,127	451,087	-	451,087	Note B
	FSITC Taiwan Money Market	-	"	103,735,038	1,600,995	-	1,600,995	Note B
Advantech Corporate Investment	Mega Diamond Money Market	-	"	114,671,962	1,450,589	-	1,450,589	Note B
	<u>Share</u>							
	Contec	-	Financial assets at fair value through profit or loss - current	26,500	12,741	0.41	12,741	Note A
	GSD Technologies Co., Ltd.	-	"	2,813,000	180,313	8.27	180,313	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,501,000	302,621	5.03	302,621	Note A
	BoardTec System Inc.	-	"	225,000	3,441	7.50	3,441	Note C
	BiosenseTek Corp.	-	"	37,500	-	1.79	-	Note C
	Juguar Technology	-	"	500,000	4,302	11.54	4,302	Note C
	Taiwan DSC PV Ltd.	-	"	1,600	-	3.20	-	Note C
	Feng Sang Enterprise Co., Ltd.	-	"	1,788,750	44,719	15.00	44,719	Note C
	Lanner Electronics Inc.	-	Financial assets at fair value through profit or loss - current	275,000	18,975	0.23	18,975	Note A
	Posiflex Technology Inc.	-	"	134,000	10,680	0.18	10,680	Note A
	Phison Electronics Corp.	-	"	64,000	21,280	0.03	21,280	Note A
	Innodisk Corp.	-	"	65,000	10,790	0.08	10,790	Note A
	Grandtech C.G. System Inc.	-	"	270,000	10,827	0.46	10,827	Note A
	Cypress Technology Co., Ltd.	-	"	180,268	10,401	0.35	10,401	Note A
	Chenbro Micom Co., Ltd.	-	"	117,000	9,594	0.91	9,594	Note A
	ISI	-	"	655	15,261	-	15,261	Note A
	TRMB	-	"	8,490	16,144	-	16,144	Note A
	LTRX	-	"	46,000	5,817	0.16	5,817	Note A

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	MSI	-	Financial assets at fair value through profit or loss - current	2,400	\$ 11,624	-	\$ 11,624	Note A
	HOLI	-	"	31,500	13,179	0.05	13,179	Note A
	EQIX	-	"	700	14,238	-	14,238	Note A
	NSIT	-	"	4,750	10,293	0.01	10,293	Note A
	China Mobile Ltd.	-	"	74,000	12,014	-	12,014	Note A
	Maxnerva Technology Services Inc.	-	"	3,812,000	6,861	0.58	6,861	Note A
	<u>Fund</u>							
	Taishin 1699 Money Market	-	"	29,087,859	396,930	-	396,930	Note B
	FSITC Taiwan Money Market	-	"	3,240,735	50,016	-	50,016	Note B
	Mega Diamond Money Market	-	"	5,245,488	66,355	-	66,355	Note B
Advanixs Corporate	<u>Fund</u>							
	CBC Capital	-	Financial assets at fair value through profit or loss - non-current	-	77,950	0.04	77,950	Note C
	<u>Fund</u>							
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	6,466,890	96,680	-	96,680	Note B
	Mega Diamond Money Market	-	"	5,370,924	67,942	-	67,942	Note B
Advantech Intelligent City Services Co., Ltd.	<u>Fund</u>							
	Jih Sun Money Market	-	"	855,044	12,783	-	12,783	Note B
AdvanPOS	<u>Fund</u>							
	Mega Diamond Money Market	-	"	1,189,398	15,046	-	15,046	Note B
SIoT (Cayman)	<u>Fund</u>							
	FSITC Taiwan Money Market	-	"	14,473,571	223,378	-	223,378	Note B
	Taishin 1699 Money Market	-	"	32,246,377	440,031	-	440,031	Note B
	FSITC Money Market	-	"	361,931	65,093	-	65,093	
Advantech Innovative Design Co., Ltd.	<u>Fund</u>							
	Capital Money Market	-	"	625,517	10,174	-	10,174	Note B
AiSC	<u>Fund</u>							
	Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	126,715	8.43	126,715	Note C
	<u>Share</u>							
	Jama Pro Co., Ltd.	-	"	583,300	-	10.00	-	Note C
Yun Yan, Wu-Lian Co., Ltd.	<u>Fund</u>							
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	27,092	4,872	-	4,872	Note B

(Continued)

Note A: Market value was based on the closing price on December 31, 2020.

Note B: Market value was based on the net asset value of the open-ended mutual funds on December 31, 2020.

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

(Concluded)

TABLE 4

ADVANTECH CO., LTD.

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u>													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss	-	-	74,093,066	\$ 931,183	161,487,734	\$ 2,040,007	120,908,838	\$ 1,527,284	\$ 1,521,183	\$ 6,101	114,671,962	\$ 1,450,007
	FSITC Taiwan Money Market	Same as above	-	-	32,562,860	500,000	205,141,856	3,160,010	133,969,678	2,064,647	2,060,002	4,645	103,735,038	1,600,008
	Capital Money Market	Same as above	-	-	-	-	78,235,826	1,270,003	69,010,260	1,121,044	1,120,002	1,042	9,225,566	150,001
Advantech Corporate Investment	<u>Fund</u>													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss	-	-	24,633,086	310,158	-	-	24,633,086	310,412	310,158	254	-	-
	FSITC Taiwan Money Market	Same as above	-	-	18,910,187	290,517	19,492,902	300,000	35,162,354	541,310	540,517	793	3,240,735	50,000

TABLE 5

ADVANTECH CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	ANA	Subsidiary	Sale	\$ 9,841,226	28.62	45 days after month-end	Contract price	No significant difference in terms for related parties	\$ 1,473,318	24.17	Note A
	ACN	Subsidiary	Sale	7,835,620	22.78	45 days after month-end	Contract price	No significant difference in terms for related parties	1,825,651	29.95	
	AEU	Subsidiary	Sale	4,142,031	12.04	30 days after month-end	Contract price	No significant difference in terms for related parties	755,893	12.40	
	SIoT (Cayman)	Subsidiary	Sale	945,755	2.75	60 days after month-end	Contract price	No significant difference in terms for related parties	8,369	0.14	
	AKR	Subsidiary	Sale	989,056	2.88	60 days after invoice date	Contract price	No significant difference in terms for related parties	97,724	1.60	
	AJP	Subsidiary	Sale	713,830	2.08	60-90 days	Contract price	No significant difference in terms for related parties	68,423	1.12	
	Advanixs Corp.	Subsidiary	Sale	592,897	1.72	30 days after month-end	Contract price	No significant difference in terms for related parties	66,824	1.10	
	B+B	Subsidiary	Sale	276,204	0.80	45 days after month-end	Contract price	No significant difference in terms for related parties	-	-	
	AAU	Subsidiary	Sale	285,049	0.83	60-90 days	Contract price	No significant difference in terms for related parties	32,030	0.53	
	ASG	Subsidiary	Sale	228,118	0.66	60-90 days	Contract price	No significant difference in terms for related parties	66,355	1.09	
	ATR	Subsidiary	Sale	107,897	0.31	45 days after month-end	Contract price	No significant difference in terms for related parties	3,791	0.06	
	AVN	Subsidiary	Sale	120,333	0.35	45 days after month-end	Contract price	No significant difference in terms for related parties	31,659	0.52	
	ABR	Subsidiary	Sale	129,392	0.38	90 days after month-end	Contract price	No significant difference in terms for related parties	1,823	0.03	
	AMY	Subsidiary	Sale	157,810	0.46	45 days after month-end	Contract price	No significant difference in terms for related parties	14,440	0.24	
	A-SIoT	Subsidiary	Sale	301,122	0.88	30 days after invoice date	Contract price	No significant difference in terms for related parties	186,523	3.06	
	AKMC	Subsidiary	Purchase	(11,047,054)	41.15	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,751,018)	43.47	
AKMC	The Company	Parent company	Sale	11,047,054	93.13	Usual trade terms	Contract price	No significant difference in terms for related parties	1,751,018	95.52	
ANA	The Company	Parent company	Purchase	(9,841,226)	83.00	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,473,318)	88.70	
ACN	The Company	Parent company	Purchase	(7,835,620)	76.88	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,825,651)	83.48	
AEU	The Company	Parent company	Purchase	(4,142,031)	62.47	30 days after month-end	Contract price	No significant difference in terms for related parties	(755,893)	82.76	
SIoT (Cayman)	The Company	Parent company	Purchase	(945,755)	89.58	60 days after month-end	Contract price	No significant difference in terms for related parties	(8,369)	50.68	
AKR	The Company	Parent company	Purchase	(989,056)	61.22	60 days after invoice date	Contract price	No significant difference in terms for related parties	(97,724)	57.61	
AJP	The Company	Parent company	Purchase	(713,830)	86.94	60-90 days	Contract price	No significant difference in terms for related parties	(68,423)	91.44	
Advanixs Corp.	The Company	Parent company	Purchase	(592,897)	99.67	30 days after month-end	Contract price	No significant difference in terms for related parties	(66,824)	96.31	
B+B	The Company	Parent company	Purchase	(276,204)	49.87	45 days after month-end	Contract price	No significant difference in terms for related parties	-	-	
AAU	The Company	Parent company	Purchase	(285,049)	77.99	60-90 days	Contract price	No significant difference in terms for related parties	(32,030)	77.53	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ASG	The Company	Parent company	Purchase	\$ (228,118)	64.86	60-90 days	Contract price	No significant difference in terms for related parties	\$ (66,355)	78.91	
ATR	The Company	Parent company	Purchase	(107,897)	82.07	45 days after month-end	Contract price	No significant difference in terms for related parties	(3,791)	96.86	
AVN	The Company	Parent company	Purchase	(120,333)	89.74	45 days after month-end	Contract price	No significant difference in terms for related parties	(31,659)	100.00	
ABR	The Company	Parent company	Purchase	(129,392)	70.96	90 days after month-end	Contract price	No significant difference in terms for related parties	(1,823)	45.58	
AMY	The Company	Parent company	Purchase	(157,810)	81.63	45 days after month-end	Contract price	No significant difference in terms for related parties	(14,440)	80.70	
A-SIoTT	The Company	Parent company	Purchase	(301,122)	32.61	30 days after invoice date	Contract price	No significant difference in terms for related parties	(186,523)	84.41	
AKMC	ACN SIoT (Cayman)	Related enterprise	Sale	419,091	3.53	Usual trade terms	Contract price	No significant difference in terms for related parties	61,363	3.35	
		Related enterprise	Sale	107,691	0.91	Usual trade terms			-	-	
ACZ	AEU	Related enterprise	Sale	244,148	77.88	Usual trade terms	Contract price	No significant difference in terms for related parties	49,842	93.03	
							Contract price	No significant difference in terms for related parties			
ACN	SIoT (China)	Related enterprise	Sale	127,583	1.07	Usual trade terms	Contract price	No significant difference in terms for related parties	32,337	1.08	
SIoT (Cayman)	ANA	Related enterprise	Sale	515,983	34.07	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
	AEU	Related enterprise	Sale	283,159	18.70	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
	A-SIoTT	Subsidiary	Sale	365,111	24.11	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
LNC	LNC Dong Guan	Subsidiary	Sale	375,439	79.33	Usual trade terms	Contract price	No significant difference in terms for related parties	231,844	89.77	
ACN	AKMC	Related enterprise	Purchase	(419,091)	4.11	Usual trade terms	Contract price	No significant difference in terms for related parties	(61,363)	2.81	
SIoT (Cayman)	AKMC	Related enterprise	Purchase	(107,691)	10.20	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
AEU	ACZ	Related enterprise	Purchase	(244,148)	3.68	Usual trade terms	Contract price	No significant difference in terms for related parties	(49,842)	5.46	
SIoT (China)	ACN	Related enterprise	Purchase	(127,583)	91.84	Usual trade terms	Contract price	No significant difference in terms for related parties	(32,337)	95.01	
ANA	SIoT (Cayman)	Related enterprise	Purchase	(515,983)	4.35	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
AEU	SIoT (Cayman)	Related enterprise	Purchase	(283,159)	4.27	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
A-SIoTT	SIoT (Cayman)	Parent company	Purchase	(365,111)	39.53	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
LNC Dong Guan	LNC	Parent company	Purchase	(375,439)	78.67	Usual trade terms	Contract price	No significant difference in terms for related parties	(231,844)	94.89	

Note A: Realized gain for the period was \$7,701 thousand.

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

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Real estate	2020.10.30	\$ 1,410,000	Under the contract, based on percentage of construction completed; accumulated payments of \$20,937 thousand were made as of December 31, 2020 and \$20,937 thousand were made in the fourth quarter of 2020.	Chung-Lin General Contractors, Ltd.	None	-	-	-	\$ -	Contract price	For the Company's expansion	None

TABLE 7

ADVANTECH CO., LTD.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 1,825,651	4.37	\$ -	-	\$ 411,438	\$ -
	ANA	Subsidiary	1,481,088	7.19	-	-	-	-
	AEU	Subsidiary	760,148	4.68	-	-	205,805	-
	AKMC	Subsidiary	246,596	Note A	-	-	227,866	-
	A-SIOT	Subsidiary	187,458	2.93	-	-	-	-
AKMC	The Company	Parent company	1,751,018	5.88	-	-	1,474,533	-
LNC	LNC Dong Guan	Subsidiary	231,844	1.65	-	-	64,431	-

Note A: Sales revenue on materials delivered to subcontractors has been eliminated upon consolidation.

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

TABLE 8

ADVANTECH CO., LTD.**INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars/Foreign Currency, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	\$ 3,875,214	\$ 2,332,397	128,496,207	100.00	\$ 8,958,093	\$ 1,137,930	\$ 1,179,150	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	40,850,000	100.00	4,171,160	135,420	133,241	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	100,000	100,000	10,000,000	100.00	233,965	35,559	35,559	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	2,900,000	300,000,000	100.00	3,408,682	128,860	128,993	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	24.17	647,383	306,598	75,703	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	298,263	1,032	1,032	Subsidiary (Note A)
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	277,946	304,865	17,730,000	59.10	349,243	48,536	27,938	Subsidiary
	AMX	Mexico	Sale of industrial automation products	61,909	4,922	10,000,002	60.00	38,870	(7,090)	(4,142)	Subsidiary (Note A)
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	904,466	(100,653)	(95,283)	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	111,484	25,998	26,835	Subsidiary (Note A)
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51.00	56,943	9,577	4,991	Subsidiary (Note A)
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	33,504	18,249	18,281	Subsidiary (Note A)
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	434,082	31,118	28,699	Subsidiary (Note A)
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	66,207	25,102	25,102	Subsidiary (Note A)
	AKR	Seoul, Korea	Sale of industrial automation products	156,668	73,355	600,000	100.00	382,645	95,213	95,112	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	103,146	43,216	12,723,038	100.00	92,968	26,030	22,884	Subsidiary (Note A)
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,120	70	70	Subsidiary (Note A)
	Advantech Intelligent City Services Co., Ltd. (formerly known as AiST)	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	94,701	(1,178)	(1,178)	Subsidiary (Note A)
	B+B	Delaware, USA	Sale of industrial network communications systems	-	1,968,044	-	-	-	(117,357)	(83,241)	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	14,669	1,725	1,461	Subsidiary (Note A)
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	180,000	6,750,000	27.00	45,217	(81,766)	(36,795)	Equity-method investee (Note A)
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	-	83,313	-	-	-	(15,281)	(15,281)	Subsidiary (Note A)
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	557,027	255,275	42,280	Equity-method investee (Note A)
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	60,087	15,690	6,082	Subsidiary (Note A)
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	251,915	251,915	1,004,310	16.08	248,138	(8,426)	(1,601)	Equity-method investee
	ARU	Moscow	Production and sale of industrial automation products	44,676	23,822	1	100.00	12,493	(17,642)	(17,642)	Subsidiary (Note A)
	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	323,130	323,130	500,000	50.00	393,161	34,819	13,225	Subsidiary
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	58,482	260,870	60.00	43,750	13,525	5,054	Subsidiary (Note A)
	AIL	Israel	Sale of industrial network communications systems	8,653	8,653	100	100.00	8,688	(52)	(52)	Subsidiary (Note A)
	Huan Yan Water Solution Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	27,000	-	2,700,000	100.00	27,000	-	-	Subsidiary (Note A)
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	-	3,719	-	-	-	-	-	Equity-method investee (Note A)
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	-	55,579	-	-	-	(15,281)	-	Subsidiary (Note A)
AJP	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	184,649	184,649	286,100	28.61	232,055	34,819	9,962	Subsidiary
Advantech Corporate Investment	Cermate Taiwan	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	125,754	19,106	10,641	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	12,788	(3,087)	(1,225)	Equity-method investee (Note A)
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	151,529	(29,031)	(5,184)	Equity-method investee (Note A)
	AzureWave Technologies, Inc.	Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.67	551,457	304,098	59,830	Equity-method investee

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
	Huan Yan, Jhih-Lian Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	\$ -	\$ 5,000	-	-	\$ -	\$ (6)	\$ (3)	Subsidiary (Note A)
	Yun Yan, Wu-Lian Co., Ltd.	Taipei, Taiwan	Industrial equipment networking in Greater China	5,000	5,000	500,000	50.00	2,593	1	-	Subsidiary (Note A)
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,302	(8,426)	-	Equity-method investee
	i-Link Co., Ltd.	Taichung, Taiwan	Intelligent medical integration	9,091	9,237	845,000	20.13	4,290	(11,858)	(2,614)	Equity-method investee (Note A)
	DotZero Co., Ltd.	Taichung, Taiwan	Intelligent metal processing integration	8,100	8,100	490,000	27.00	4,507	(6,414)	(1,732)	Equity-method investee (Note A)
	Mildex Optical Inc.	Kaohsiung, Taiwan	Manufacturing of electronic parts	202,948	202,948	15,710,000	15.37	164,589	(117,945)	(15,793)	Equity-method investee (Note A)
	Information Technology Total Service Co., Ltd.	Taipei, Taiwan	Service of electronic information	147,444	147,444	5,084,273	18.61	156,544	66,307	12,338	Equity-method investee (Note A)
	ACI IOT Investment Fund-1 Corporation	Taipei, Taiwan	Investment holding company	238,000	238,000	23,800,000	79.33	279,711	48,147	38,196	Subsidiary (Note A)
	ACISM	Samoa	General investment	18,214	18,214	1	100.00	9,904	(3,847)	(3,847)	Subsidiary (Note A)
	Smasoft Technology Co., Ltd.	Taipei, Taiwan	Manufacture and sale of electronics equipment	15,000	15,000	170,455	20.00	11,033	(20,042)	(4,008)	Equity-method investee (Note A)
	Impelex Data Transfer Co., Ltd.	Taichung, Taiwan	Manufacture and sale of electronics equipment	10,000	-	2,500,000	20.00	10,659	3,184	659	Equity-method investee (Note A)
	VSO	Taipei, Taiwan	Manufacture and sale of electronics equipment	120,000	-	28,000,000	14.29	130,940	101,476	14,497	Equity-method investee (Note A)
	Hwacom Systems Inc.	Taipei, Taiwan	Computer systems service	10,000	-	1,492,852	34.83	10,000	(3,346)	-	Equity-method investee (Note A)
	IISI	Taipei, Taiwan	Service of software	357,119	357,119	24,575,000	20.73	376,666	(13,476)	(2,794)	Equity-method investee (Note A)
	Isap Solution Corp.	Taipei, Taiwan	Service of software	243,086	-	14,299,205	19.68	263,747	169,947	37,707	Equity-method investee (Note A)
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	4,214,597	135,534	133,355	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	4,672,783	435,735	435,456	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,595,995	455,444	461,942	Subsidiary
	ADB	Dubai	Sale of industrial network communications systems	-	-	-	100.00	2,687	409	409	Subsidiary (Note A)
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US\$ 50,000	US\$ 50,000	30,000,000	100.00	2,073,239	239,337	281,732	Subsidiary (Note A)
	B+B	Delaware, USA	Sale of industrial network communications systems	-	-	-	-	-	(117,357)	12,563	Subsidiary (Note A)
SIoT (Cayman)	A-SIoT	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	522,719	522,719	1	100.00	500,910	(32,262)	(28,755)	Subsidiary (Note A)
	AIH	Taipei, Taiwan	Service of software	12,254	7,700	1,100,000	100.00	3,115	(6,597)	(6,164)	Subsidiary (Note A)
ANA	B+B	Delaware, USA	Sale of industrial network communications systems	-	1,328,004	-	100.00	1,053,978	(117,357)	(46,679)	Subsidiary
	BBIE	Ireland	Sale of industrial network communications systems	US\$ 39,481	-	-	100.00	62,275	-	-	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	1,016,133	(106,114)	(103,131)	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	7,030	100.00	39,769	5,961	5,824	Subsidiary (Note A)
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	55,735	9,577	4,693	Subsidiary (Note A)
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	9,172	(285)	604	Subsidiary (Note A)
Cermate Taiwan	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	138,684	29,289	29,879	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	7,425,000	100.00	59,709	33,515	32,600	Subsidiary
Better Auto	Famous Now	Hong Kong	General investment	US\$ 4,000	US\$ 4,000	1	100.00	65,130	33,515	33,515	Subsidiary
B+B	BBIE	Ireland	Sale of industrial network communications systems	-	US\$ 39,481	-	-	-	(3,959)	(3,965)	Subsidiary
BBIE	ACZ	Czech Republic	Manufacturing automation	-	-	-	100.00	300,348	30,553	30,553	Subsidiary

Note A: The respective entity is an immaterial subsidiary; its financial statements have not been audited, which does not result in a significant impact on the Group's consolidated financial statements.

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

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

(Concluded)

TABLE 9

ADVANTECH CO., LTD.

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. ("AKMC")	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note F)	Indirect	\$ 1,062,304 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,062,304 (US\$ 37,300 thousand)	\$ 144,951	100	\$ 133,356	\$ 4,214,599	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	151,855 (US\$ 5,332 thousand)	-	-	151,855 (US\$ 5,332 thousand)	461,170	100	467,667	1,938,541	319,887 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US\$ 8,000 thousand	Indirect	227,840 (US\$ 8,000 thousand)	-	-	227,840 (US\$ 8,000 thousand)	(8,514)	100	(8,515)	631,059	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	48	100	48	29,344	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	90,965 (US\$ 3,194 thousand)	-	-	90,965 (US\$ 3,194 thousand)	33,515	100	33,351	64,966	-
Shenzhen Cermate Technologies Inc.	Production and sale of human machine interface	RMB 2,000 thousand	Indirect	8,772 (US\$ 308 thousand)	-	-	8,772 (US\$ 308 thousand)	23,020	90	20,851	99,939	39,364 (US\$ 717 thousand) (RMB 4,328 thousand)

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Cermate Technologies (Shanghai) Inc.	Sale of human machine interface	US\$ 520 thousand	Indirect	\$ 16,291 (US\$ 572 thousand)	\$ -	\$ -	\$ 16,291 (US\$ 572 thousand)	\$ 8,571	100	\$ 8,571	\$ 42,742	\$ -
Advantech Service-IoT (Shanghai) Co., Ltd.	Development, consulting and services in intelligent technology	RMB 15,000 thousand	Indirect	(Note F)	-	-	(Note F)	2,902	100	2,902	39,756	-
Shanghai Yanlo Co., Ltd.	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	(4,092)	100	(3,176)	5,193	-
Tianjin Anjie IOT Science And Technology Co., Ltd. (“Anjie”)	Operation and maintenance for intelligent general equipment 、 consulting services for comprehensive energy issues	RMB 3,000 thousand	Other	(Note G)	-	-	(Note G)	(1)	20	-	2,625	-
GSD Environmental Technology Co., Ltd. (“GSD”)	Development consulting, and services in the field of environmental technology	RMB 10,000 thousand	Indirect	16,604 (US\$ 583 thousand)	-	-	16,604 (US\$ 583 thousand)	(9,618)	40	(3,847)	9,904	-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,580,326 (US\$55,489 thousand) (Note D)	\$2,255,046 (US\$79,180 thousand)	\$21,027,854 (Note I)

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated from trading between the Company and its investees in mainland China are described in Table 5.

Note C: Remittance by ACN.

Note D: Included 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 Guangzhou. 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 reduction in the accumulated investment amount by the return amount.

(Continued)

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

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

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

Note H: The exchange rate was US\$1=NT\$28.48 and RMB1=NT\$4.377.

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

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

(Concluded)

TABLE 10**ADVANTECH CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
ASUSTek Computer Inc.	110,677,983	14.33
K&M Investment Co., Ltd.	91,369,108	11.83
AIDC Investment Corp.	90,295,663	11.69

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

ADVANTECH CO., LTD.

By:

K. C. LIU
Chairman

March 5, 2021

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Advantech Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the consolidated financial statements for the year ended December 31, 2020 are as follows:

Assessment of Provision for Inventory Write-downs

As of December 31, 2020, inventories amounted to NT\$7,813,550 thousand and accounted for 15% of the total assets in the Group's consolidated financial statements, which represented a significant percentage of the total assets.

Due to the rapid changes in technological environment and industrial characteristics, inventories of the Group are available in different sizes and types. They are measured at the lower of cost or net realizable value and calculated according to the proportion of potential impairment for aged inventories. After analyzing the method of inventory valuation, we noticed that the provision for obsolete inventories was recognized based on the number of days inventory were not moving. Therefore, the assessment of inventory write-downs has a significant impact on the Group's consolidated financial statements and the provision for inventory write-downs was deemed to be a key audit matter.

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

1. We assessed and analyzed the Group's policies for the provision of inventory write-downs and compared them with other competitors' policies to affirm the reasonableness and consistency of application.
2. We obtained an understanding of the internal controls, evaluated and tested the design and operating effectiveness of these controls over the provision for inventory write-downs.
3. We reviewed the historical inventory aging reports together with the list of any subsequently scrapped items and assessed the reasonableness of ratios for recognizing loss provision for aged inventories.
4. We verified the appropriateness of source data, parameters and logic used in the Group's inventory aging analysis reports.

Sales Revenue from Significant Product Lines and Customers

Since the Group operates in a highly competitive industry, there is a risk of revenue recognition due to the strong sales demand and the need to remain competitive. Hence, the Group's revenue from several product lines and customers whose sales increased materially in numbers was considered as a key audit matter.

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

1. We analyzed the trend of the industry, categories of revenue, product lines and customer categories for two consecutive years and confirmed that there were no abnormal situations or centralized trading which put revenue recognition at risk.
2. We interviewed personnel who carried out the control activities and reviewed the related internal vouchers, obtained an understanding of the internal controls related to revenue recognition and evaluated the design, implementation, and operating effectiveness of these controls over revenue recognition. We tested such internal controls to obtain sufficient and appropriate audit evidence regarding the effectiveness of key controls.
3. We obtained details of accounts, analyzed their balances and reconciled them with general ledgers; we traced source documents to general ledgers.

4. We determined the appropriate methods of sampling and sample sizes and audited sales orders, packing lists and export declarations and verified the accuracy of amount recognized as revenue in accordance with the regulations for the preparation of financial reports.
5. We checked the cash receipt records and vouchers and verified the accuracy of their amounts, and confirmed that the remitter was the customer who received the goods; thus, the sales were valid.

Sales Revenue from Processing of Imported Materials

Since the Group operates in a highly competitive industry, there is a risk of revenue recognition due to the strong sales demand. We obtained an understanding of the purchase and sales transactions of the customers and analyzed whether the simultaneous increase in the Group's sales revenue and cost of goods sold was due to the processing of imported materials. Therefore, we considered the Group's sales revenue as a key audit matter.

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

1. We compared the details and assessed for any simultaneous purchase and sales transactions, obtained an understanding of the transaction pattern, checked relevant evidence to confirm the processing of imported materials, and identified the potential risks.
2. We interviewed personnel who carried out the control activities and reviewed the related internal vouchers, obtained an understanding of the internal controls related to revenue recognition and evaluated the design, implementation, and operating effectiveness of these controls over revenue recognition.
3. We obtained the consumption calculation table of materials specified by the customers and verified its source data, logic and parameters used.
4. We confirmed that sales revenue and cost of goods sold had been deducted based on the consumption calculation table in accordance with the applicable accounting policies for revenue recognition.

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2021

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 7,497,442	15	\$ 6,003,936	13
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	5,493,150	11	3,647,963	8
Financial assets at amortized cost - current (Notes 4, 9 and 33)	162,602	-	316,994	1
Notes receivable (Notes 4 and 10)	1,893,043	4	1,546,340	3
Trade receivables (Notes 4 and 10)	6,858,742	14	7,265,106	15
Trade receivables from related parties (Notes 4 and 32)	28,750	-	20,174	-
Other receivables	51,885	-	101,378	-
Other receivables from related parties (Note 32)	4,633	-	29	-
Inventories (Notes 4 and 11)	7,813,550	15	7,782,824	17
Other current assets (Note 32)	<u>483,739</u>	<u>1</u>	<u>688,167</u>	<u>1</u>
Total current assets	<u>30,287,536</u>	<u>60</u>	<u>27,372,911</u>	<u>58</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 31)	77,950	-	101,156	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	1,814,233	4	1,639,321	4
Investments accounted for using the equity method (Notes 4 and 13)	3,404,345	7	3,009,860	6
Property, plant and equipment (Notes 4, 14 and 33)	9,916,896	20	9,732,490	21
Right-of-use assets (Notes 4 and 15)	599,005	1	723,106	2
Goodwill (Notes 4 and 16)	2,464,315	5	2,519,514	5
Other intangible assets (Notes 4 and 17)	683,031	1	980,061	2
Deferred tax assets (Notes 4 and 23)	723,627	2	690,212	1
Prepayments for business facilities	167,579	-	389,221	1
Other non-current assets	<u>60,868</u>	<u>-</u>	<u>58,227</u>	<u>-</u>
Total non-current assets	<u>19,911,849</u>	<u>40</u>	<u>19,843,168</u>	<u>42</u>
TOTAL	<u>\$ 50,199,385</u>	<u>100</u>	<u>\$ 47,216,079</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 184,078	-	\$ 250,678	1
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 31)	21,044	-	521	-
Notes payable and trade payables (Notes 4 and 32)	4,326,447	9	4,886,018	10
Other payables (Note 19)	3,928,365	8	3,645,402	8
Current tax liabilities (Notes 4 and 23)	2,315,461	5	1,522,874	3
Short-term warranty provisions (Note 4)	164,086	-	208,611	1
Lease liabilities - current (Notes 4 and 15)	221,250	-	199,493	-
Current portion of long-term borrowings (Notes 18 and 33)	-	-	7,957	-
Other current liabilities	<u>935,477</u>	<u>2</u>	<u>1,022,904</u>	<u>2</u>
Total current liabilities	<u>12,096,208</u>	<u>24</u>	<u>11,744,458</u>	<u>25</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 33)	-	-	36,132	-
Current tax liabilities - non-current (Notes 4 and 23)	291,961	1	-	-
Deferred tax liabilities (Notes 4 and 23)	2,142,428	4	1,942,189	4
Lease liabilities - non-current (Notes 4 and 15)	87,781	-	242,263	1
Net defined benefit liabilities (Notes 4 and 20)	403,488	1	384,914	1
Other non-current liabilities	<u>131,096</u>	<u>-</u>	<u>134,663</u>	<u>-</u>
Total non-current liabilities	<u>3,056,754</u>	<u>6</u>	<u>2,740,161</u>	<u>6</u>
Total liabilities	<u>15,152,962</u>	<u>30</u>	<u>14,484,619</u>	<u>31</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)				
Share capital				
Ordinary shares	7,719,455	16	6,999,230	15
Advance receipts for share capital	<u>3,090</u>	<u>-</u>	<u>4,870</u>	<u>-</u>
Total share capital	<u>7,722,545</u>	<u>16</u>	<u>7,004,100</u>	<u>15</u>
Capital surplus	<u>7,913,754</u>	<u>16</u>	<u>7,397,029</u>	<u>16</u>
Retained earnings				
Legal reserve	7,020,201	14	6,285,079	13
Special reserve	845,993	2	798,763	2
Unappropriated earnings	<u>11,739,513</u>	<u>23</u>	<u>11,515,121</u>	<u>24</u>
Total retained earnings	<u>19,605,707</u>	<u>39</u>	<u>18,598,963</u>	<u>39</u>
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(1,006,635)	(2)	(878,261)	(2)
Unrealized gain on financial assets at fair value through other comprehensive income	173,308	-	30,970	-
Other equity - unearned stock-based employee compensation	<u>1,477</u>	<u>-</u>	<u>1,298</u>	<u>-</u>
Total other equity	<u>(831,850)</u>	<u>(2)</u>	<u>(845,993)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	34,410,156	69	32,154,099	68
NON-CONTROLLING INTERESTS	<u>636,267</u>	<u>1</u>	<u>577,361</u>	<u>1</u>
Total equity	<u>35,046,423</u>	<u>70</u>	<u>32,731,460</u>	<u>69</u>
TOTAL	<u>\$ 50,199,385</u>	<u>100</u>	<u>\$ 47,216,079</u>	<u>100</u>

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 32)				
Sales	\$ 49,675,234	97	\$ 52,920,615	98
Other operating revenue	<u>1,444,174</u>	<u>3</u>	<u>1,224,047</u>	<u>2</u>
Total operating revenue	51,119,408	100	54,144,662	100
OPERATING COSTS (Notes 11, 22 and 32)	<u>30,723,147</u>	<u>60</u>	<u>33,045,300</u>	<u>61</u>
GROSS PROFIT	<u>20,396,261</u>	<u>40</u>	<u>21,099,362</u>	<u>39</u>
OPERATING EXPENSES (Notes 10, 22 and 32)				
Selling and marketing expenses	4,762,890	9	5,088,059	9
General and administrative expenses	2,551,504	5	2,542,918	5
Research and development expenses	4,055,922	8	4,223,422	8
Expected credit loss (reversal of impairment loss)	<u>(10,608)</u>	<u>-</u>	<u>11,461</u>	<u>-</u>
Total operating expenses	<u>11,359,708</u>	<u>22</u>	<u>11,865,860</u>	<u>22</u>
OPERATING PROFIT	<u>9,036,553</u>	<u>18</u>	<u>9,233,502</u>	<u>17</u>
NON-OPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 13)	166,036	-	122,820	-
Interest income	39,632	-	45,498	-
Gains (losses) on disposal of property, plant and equipment	(25,293)	-	38,558	-
Gains (losses) on disposal of investments	(574)	-	(20,934)	-
Gains (losses) on financial instruments at fair value through profit or loss (Note 7)	8,571	-	143,852	-
Impairment losses (Notes 16 and 17)	(245,917)	-	(386,153)	(1)
Foreign exchange gains (losses), net (Notes 22 and 34)	(37,298)	-	(94,600)	-
Dividend income	99,326	-	100,197	-
Other income (Notes 26 and 32)	113,504	-	156,188	1
Finance costs (Note 22)	(20,176)	-	(25,041)	-
Other losses	<u>(6,003)</u>	<u>-</u>	<u>(6,007)</u>	<u>-</u>
Total non-operating income	<u>91,808</u>	<u>-</u>	<u>74,378</u>	<u>-</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 9,128,361	18	\$ 9,307,880	17
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(1,825,374)</u>	<u>(4)</u>	<u>(1,915,025)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>7,302,987</u>	<u>14</u>	<u>7,392,855</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	(21,879)	-	(15,057)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Notes 13 and 21)	(2,733)	-	21,934	-
Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income (Note 21)	132,470	-	307,604	1
Income tax relating to items that will not be reclassified (Note 23)	4,385	-	3,012	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 21)	(151,818)	-	(489,250)	(1)
Share of other comprehensive losses of associates (Notes 13 and 21)	(21,431)	-	(22,272)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 23)	<u>32,093</u>	<u>-</u>	<u>100,754</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(28,913)</u>	<u>-</u>	<u>(93,275)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,274,074</u>	<u>14</u>	<u>\$ 7,299,580</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,247,955	14	\$ 7,351,220	14
Non-controlling interests	<u>55,032</u>	<u>-</u>	<u>41,635</u>	<u>-</u>
	<u>\$ 7,302,987</u>	<u>14</u>	<u>\$ 7,392,855</u>	<u>14</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,231,759	14	\$ 7,265,801	13
Non-controlling interests	<u>42,315</u>	<u>-</u>	<u>33,779</u>	<u>-</u>
	<u>\$ 7,274,074</u>	<u>14</u>	<u>\$ 7,299,580</u>	<u>13</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)				
Basic	<u>\$ 9.40</u>		<u>\$ 9.56</u>	
Diluted	<u>\$ 9.27</u>		<u>\$ 9.44</u>	

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								Other Equity (Note 21)					
	Issued Capital (Notes 21 and 25)			Capital Surplus (Notes 21 and 25)	Retained Earnings (Note 21)				Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Stock-based Employee Compensation	Total	Non-controlling Interests (Notes 21 and 29)	Total Equity
	Share Capital	Advance Receipts for Ordinary Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2019	\$ 6,982,275	\$ 4,680	\$ 6,986,955	\$ 6,991,809	\$ 5,655,613	\$ 369,655	\$ 10,011,231	\$ 16,036,499	\$ (475,245)	\$ (324,254)	\$ 736	\$ 29,216,500	\$ 326,975	\$ 29,543,475
Appropriation of the 2018 earnings														
Legal reserve	-	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	429,108	(429,108)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,751,129)	(4,751,129)	-	-	-	(4,751,129)	-	(4,751,129)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(14,039)	(14,039)
Recognition of employee share options by the Company	16,955	190	17,145	123,291	-	-	-	-	-	-	-	140,436	-	140,436
Compensation costs recognized for employee share options	-	-	-	295,427	-	-	-	-	-	-	-	295,427	-	295,427
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	(15,529)	-	-	-	-	-	-	562	(14,967)	-	(14,967)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	1,657	-	-	-	-	-	-	-	1,657	230,693	232,350
Changes in percentage of ownership interests in subsidiaries	-	-	-	374	-	-	-	-	-	-	-	374	(47)	327
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	7,351,220	7,351,220	-	-	-	7,351,220	41,635	7,392,855
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(13,258)	(13,258)	(403,016)	330,855	-	(85,419)	(7,856)	(93,275)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	7,337,962	7,337,962	(403,016)	330,855	-	7,265,801	33,779	7,299,580
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(24,369)	(24,369)	-	24,369	-	-	-	-
BALANCE AT DECEMBER 31, 2019	6,999,230	4,870	7,004,100	7,397,029	6,285,079	798,763	11,515,121	18,598,963	(878,261)	30,970	1,298	32,154,099	577,361	32,731,460
Appropriation of the 2019 earnings														
Legal reserve	-	-	-	-	735,122	-	(735,122)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	47,230	(47,230)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(5,463,198)	(5,463,198)	-	-	-	(5,463,198)	-	(5,463,198)
Share dividends on ordinary shares	700,410	-	700,410	-	-	-	(700,410)	(700,410)	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(11,443)	(11,443)
Recognition of employee share options by the Company	19,815	(1,780)	18,035	121,652	-	-	-	-	-	-	-	139,687	-	139,687
Compensation costs recognized for employee share options	-	-	-	365,248	-	-	-	-	-	-	-	365,248	-	365,248
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	43,140	-	-	-	-	-	-	179	43,319	-	43,319
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	(8,678)	-	-	(34,762)	(34,762)	-	-	-	(43,440)	891	(42,549)
Changes in percentage of ownership interests in subsidiaries	-	-	-	(4,637)	-	-	(12,681)	(12,681)	-	-	-	(17,318)	27,143	9,825
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	7,247,955	7,247,955	-	-	-	7,247,955	55,032	7,302,987
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(20,332)	(20,332)	(128,374)	132,510	-	(16,196)	(12,717)	(28,913)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	7,227,623	7,227,623	(128,374)	132,510	-	7,231,759	42,315	7,274,074
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(9,828)	(9,828)	-	9,828	-	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 7,719,455	\$ 3,090	\$ 7,722,545	\$ 7,913,754	\$ 7,020,201	\$ 845,993	\$ 11,739,513	\$ 19,605,707	\$ (1,006,635)	\$ 173,308	\$ 1,477	\$ 34,410,156	\$ 636,267	\$ 35,046,423

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 9,128,361	\$ 9,307,880
Adjustments for:		
Depreciation expense	792,808	807,586
Amortization expense	175,394	210,206
Expected credit loss recognized (reversal of impairment loss)	(10,608)	11,461
Net gain on financial assets or liabilities at fair value through profit or loss	(8,571)	(143,852)
Compensation costs of employee share options	365,248	295,427
Finance costs	20,176	25,041
Interest income	(39,632)	(45,498)
Dividend income	(99,326)	(100,197)
Share of profit of associates accounted for using the equity method	(166,036)	(122,820)
Net loss (gain) on disposal of property, plant and equipment	25,293	(38,558)
Impairment loss	245,917	386,153
Net loss on disposal of subsidiaries	-	21,619
Net loss (gain) on disposal of investments	574	(685)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,792,887)	(1,603,672)
Notes receivable	(346,703)	(84,936)
Trade receivables	416,710	201,893
Trade receivables from related parties	(8,576)	(1,205)
Other receivables	44,889	(53,956)
Inventories	(29,767)	215,450
Other current assets	204,660	(171,757)
Notes payable and trade payables	(559,582)	(1,353,468)
Net defined benefit liabilities	(3,305)	(7,878)
Other payables	284,784	(54,237)
Short-term warranty provisions	(44,525)	11,829
Other current liabilities	(87,430)	244,579
Other non-current liabilities	(3,600)	(14,508)
Cash generated from operations	8,504,266	7,941,897
Interest received	39,632	45,498
Dividends received	99,326	100,197
Interest paid	(3,957)	(6,865)
Income tax paid	(560,701)	(1,885,258)
Net cash generated from operating activities	<u>8,078,566</u>	<u>6,195,469</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(44,719)	(37,354)
Acquisition of financial assets at amortized cost	(651,249)	-
Disposal of financial assets at amortized cost	790,975	(165,161)

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Acquisition of investments accounted for using the equity method	\$ (383,086)	\$ (497,232)
Net cash outflow on the acquisition of subsidiaries (net carrying amount of cash)	(2,724)	(542,156)
Net cash outflow on disposal of subsidiaries	-	(81)
Dividends received from associates	163,216	117,774
Net cash inflow on disposal of associates	7,656	830
Payments for property, plant and equipment	(619,025)	(938,035)
Proceeds from disposal of property, plant and equipment	46,086	443,132
Decrease in refundable deposits	(2,641)	(10,271)
Payments for intangible assets	(136,448)	(153,608)
Decrease (increase) in prepayments for equipment	<u>23,075</u>	<u>(23,652)</u>
Net cash used in investing activities	<u>(808,884)</u>	<u>(1,805,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(65,200)	56,506
Repayments of long-term borrowings	(42,393)	(9,270)
Increase (decrease) in guarantee deposits received	28	(561)
Payments of cash dividends	(5,463,198)	(4,751,129)
Payment of the principal portion of lease liabilities	(239,314)	(221,264)
Exercise of employee share options	139,687	140,436
Dividends paid to non-controlling interests	(11,443)	(14,039)
Increase in non-controlling interests	<u>(32,724)</u>	<u>71,557</u>
Net cash used in financing activities	<u>(5,714,557)</u>	<u>(4,727,764)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(61,619)</u>	<u>(291,116)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,493,506	(629,225)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,003,936</u>	<u>6,633,161</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,497,442</u>	<u>\$ 6,003,936</u>

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 5, 2021.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

- 1) Amendments to IFRS 3 “Definition of a Business”

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

- Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

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

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

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

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

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

5) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

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

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

6) Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments specify that when assessing whether a contract is onerous, the "cost of fulfilling a contract" includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

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

of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12, Table 8 and Table 9 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the entities in the Group (including subsidiaries and associates that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

In a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent that interests in the associate are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit

based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

- iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

- b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than one year past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by an entity in the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by an entity in the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in profit or loss (including any interest or dividend paid on such financial liabilities). Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

n. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Group of the expenditures required to settle the Group's obligations.

o. Revenue recognition

The Group identifies contracts with the customers, allocates transaction price to the performance obligations and recognizes revenue when the performance obligations are satisfied.

For contracts where the period between the date when the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from sale of goods

Revenue from sale of goods comes from sales of embedded computing boards, industrial automation products and applied and industrial computers.

Sales of the above products are majorly recognized as revenue under contracts when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from rendering of services

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

p. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately. However, for the lease of office asset in which the Group is a lessee and utility bill and administrative expenses are included in the lease agreement, the Group elects to account for the lease and non-lease components as a single lease component.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized as a reduction of the related costs on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Employee share options

Employee share options granted to employee and others providing similar services.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Write-down of inventories

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

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 5,054	\$ 141,615
Checking accounts and demand deposits	5,718,855	4,744,550
Cash equivalents (time deposits with original maturities less than three months)	<u>1,773,533</u>	<u>1,117,771</u>
	<u>\$ 7,497,442</u>	<u>\$ 6,003,936</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2020	2019
Demand deposits	0.001%-3.00%	0.0001%-4.5%
Time deposits with original maturities of less than three months	0.12%-3.75%	0.93%-5.2%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 90	\$ 9,320
Non-derivative financial assets		
Domestic quoted shares	272,860	118,392
Foreign quoted shares	118,172	50,157
Mutual funds	<u>5,102,028</u>	<u>3,470,094</u>
	<u>\$ 5,493,150</u>	<u>\$ 3,647,963</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign unquoted shares	<u>\$ 77,950</u>	<u>\$ 101,156</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 21,044</u>	<u>\$ 521</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Sell	EUR/NTD	2021.01-2021.05	EUR14,000/NTD479,531
	JPY/NTD	2021.01-2021.05	JPY280,000/NTD76,394
	RMB/NTD	2021.01-2021.04	RMB76,000/NTD324,732
	USD/NTD	2021.01-2021.02	USD6,000/NTD169,482
<u>December 31, 2019</u>			
Sell	EUR/NTD	2020.01-2020.05	EUR12,000/NTD406,441
	EUR/USD	2020.01-2020.04	EUR700/USD789
	JPY/NTD	2020.01-2020.05	JPY380,000/NTD108,979
	RMB/NTD	2020.01-2020.03	RMB47,000/NTD201,967
	USD/NTD	2020.01-2020.02	USD4,000/NTD121,501

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	<u>\$ 1,814,233</u>	<u>\$ 1,639,321</u>
Investments in equity instruments at FVTOCI:		
	December 31	
	2020	2019
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ASUSTek Computer Inc.	\$ 1,187,235	\$ 1,097,185
Ordinary shares - Allied Circuit Co., Ltd.	447,821	392,306
Unlisted shares		
Ordinary shares - BoardTec System Inc.	3,441	3,917
Ordinary shares - BiosenseTek Corp.	-	-
Ordinary shares - Juguar Technology	4,302	4,949
Ordinary shares - Taiwan DSC PV Ltd.	-	-
Ordinary shares - iSAP Solution Corp.	-	9,994
Ordinary shares - Feng Sang Enterprise Co., Ltd.	44,719	-
	<u>1,687,518</u>	<u>1,508,351</u>
Foreign investments		
Shanghai Sangchuang Xinwei Investment Management Co., Ltd.	126,715	129,150
JamaPro Co., Ltd.	-	1,820
	<u>126,715</u>	<u>130,970</u>
	<u>\$ 1,814,233</u>	<u>\$ 1,639,321</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	<u>\$ 162,602</u>	<u>\$ 316,994</u>

The range of interest rates for time deposits with original maturities of more than 3 months was approximately 0.01%-3.90% and 0.2%-5.2% per annum as of December 31, 2020 and 2019, respectively.

Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable - operating</u>	<u>\$ 1,893,043</u>	<u>\$ 1,546,340</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 6,933,252	\$ 7,352,407
Less: Allowance for impairment loss	<u>(74,510)</u>	<u>(87,301)</u>
	<u>\$ 6,858,742</u>	<u>\$ 7,265,106</u>

Trade Receivables

The average credit period of the sales of goods was 30-90 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the 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 the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for all trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2020

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

December 31, 2019

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	1.36%	20.57%	70.55%	100%	
Gross carrying amount	\$ 5,860,824	\$ 1,354,411	\$ 82,778	\$ 8,755	\$ 45,639	\$ 7,352,407
Loss allowance (Lifetime ECLs)	-	(18,457)	(17,028)	(6,177)	(45,639)	(87,301)
Amortized cost	<u>\$ 5,860,824</u>	<u>\$ 1,335,954</u>	<u>\$ 65,750</u>	<u>\$ 2,578</u>	<u>\$ -</u>	<u>\$ 7,265,106</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 87,301	\$ 87,491
Add: Amount of expected loss recognized on credit impairment (gain on reversal of impairment loss) (a)	(10,608)	11,461
Less: Amounts written off (b)	(2,445)	(9,227)
Business combinations	-	(35)
Foreign exchange gains and losses	<u>262</u>	<u>(2,389)</u>
Balance at December 31	<u>\$ 74,510</u>	<u>\$ 87,301</u>

- Compared to January 1, 2020 and 2019, the increase (decrease) in loss allowance was \$(10,608) thousand and \$11,461 thousand as of December 31, 2020 and 2019, respectively, which resulted from the increase (decrease) in new net settlement of trade receivables amounted to \$(419,155) thousand and \$394,038 thousand, respectively.
- During the years ended December 31, 2020 and 2019, the Group wrote off trade receivables and related loss allowance in the amounts of \$2,445 and \$9,227, respectively, due to the fact that some customers' trade receivables were over 2 years past due, and the Group continues to engage in enforcement activity to attempt to recover the past due receivable.

11. INVENTORIES

	December 31	
	2020	2019
Raw materials	\$ 3,406,248	\$ 3,235,906
Work in process	538,022	1,803,484
Finished goods	2,814,773	1,987,600
Inventories in transit	<u>1,054,507</u>	<u>755,834</u>
	<u>\$ 7,813,550</u>	<u>\$ 7,782,824</u>

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

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	\$ 30,135,227	\$ 32,278,749
Inventory write-downs	7,980	121,507
Others	<u>579,940</u>	<u>645,044</u>
	<u>\$ 30,723,147</u>	<u>\$ 33,045,300</u>

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2020	2019	
The Company	Advantech Automation Corp. (AAC (BVI))	Investment and management services	100.00	100.00	
	Advantech Technology Co., Ltd (ATC)	Sale of industrial automation products	100.00	100.00	
	Advanixs Corporation	Production and sale of industrial automation products	100.00	100.00	
	Advantech Corporate Investment	Investment holding company	100.00	100.00	
	Advantech Europe Holding B.V. (AEUH)	Investment and management services	100.00	100.00	
	Advantech Co., Singapore Pte, Ltd. (ASG)	Sale of industrial automation products	100.00	100.00	a
	Advantech Australia Pty Ltd. (AAU)	Sale of industrial automation products	100.00	100.00	a
	Advantech Japan Co., Ltd. (AJP)	Sale of industrial automation products	100.00	100.00	a
	Advantech Co. Malaysia Sdn. Bhd (AMY)	Sale of industrial automation products	100.00	100.00	a
	Advantech KR Co., Ltd. (AKR)	Sale of industrial automation products	100.00	100.00	
	Advantech Brasil Ltd (ABR)	Sale of industrial automation products	100.00	80.00	a, l
	Advantech Industrial Computing India Private Limited (AIN)	Sale of industrial automation products	99.99	99.99	a
	AdvanPOS	Production and sale of POS systems	100.00	100.00	a
	LNC Technology Co., Ltd. (LNC)	Production and sale of machines with computerized numerical controls	59.10	64.10	i
	Advantech Electronics, S. De R. L. De C. V. (AMX)	Sale of industrial automation products	60.00	100.00	a, j
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	a
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	-	60.00	p
	Advantech Intelligent Services Co., Ltd. (AiST)	Design, develop and sale of intelligent service	100.00	100.00	a
	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	-	76.00	m
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	51.00	51.00	a
	Advantech Vietnam Technology Company Limited (AVN)	Sale of industrial automation products	60.00	60.00	a
	Limited Liability Company Advantech Technology (ARU)	Production and sale of industrial automation products	100.00	100.00	a, f
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	50.00	50.00	b
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	60.00	a, c
	ADVANTECH IOT ISRAEL LTD. (AIL)	Sale of industrial network communications systems	100.00	100.00	a, h
	Huan Yan Water Solution Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	100.00	-	a, q
Advantech KR Co., Ltd. (AKR)	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	-	24.00	m
Advantech Japan Co., Ltd. (AJP)	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	28.61	28.61	b

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark	
			December 31			
			2020	2019		
Advantech Corporate Investment	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00		
	Huan Yan, Jhih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	-	50.00	r	
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	50.00	a	
	Advantech Corporate Investment Ltd. (ACISM)	General investment	100.00	100.00	a, d	
Advantech Technology Co., Ltd (ATC)	ACI IOT Investment Fund-I Corporation	Investment holding company	79.33	79.33	a, f	
	Advantech Automation Corp. (HK) (ATC (HK))	Investment and management services	100.00	100.00		
	HK Advantech Technology Co., Ltd. ATC (HK)	Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	100.00	100.00	
	Advantech Automation Corp. (BVI) (AAC (BVI))	Advantech Corp. (ANA)	Sale and fabrication of industrial automation products	100.00	100.00	
Advantech Automation Corp. (HK) (AAC (HK))		Investment and management service	100.00	100.00		
Advantech Service - IoT Co., Ltd. (SIoT Cayman)		Design, development and sale of IoT intelligent system service	100.00	100.00	a	
Advantech Technology DMCC (ADB) (former B&B DMCC)		Sale of industrial network communications	100.00	100.00	a, g	
Advantech Corp. (ANA)	B+B Smartworx Inc. (B+B)	Sale of industrial network communications	-	40.00	p	
	Advantech Technology Limited (BBIE)	Sale of industrial network communications	100.00	-	a, s	
Advantech Automation Corp. (HK) (AAC (HK))	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	100.00	100.00		
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	100.00	100.00	a	
	Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	99.00	99.00	a
Advantech Service-IoT GmbH (A-SIoT)		Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	a	
Advantech Intelligent Health Co., Ltd. (AIH)		Information software and data processing service	100.00	70.00	a, e	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	100.00	100.00	a	
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	1.00	1.00	a	
	Shanghai Yanle Co., Ltd. (AYL)	Application and retail of intelligent technology	100.00	45.00	a, k	
	Advantech Europe Holding B.V. (AEUH)	Advantech Europe B.V. (AEU)	Sale of industrial automation products	100.00	100.00	
Advantech Poland Sp z o.o. (APL)		Sale of industrial automation products	100.00	100.00	a	
Advantech Co., Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	49.00	49.00	a	
	Advantech International. PT. (AID)	Sale of industrial automation products	100.00	100.00	a	
	Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	a
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of industrial electronic equipment	100.00	100.00	a	
	Shenzhen Cermate Technologies Inc.	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	a	
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	General investment	100.00	100.00		
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	General investment	100.00	100.00		
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00		
B+B Smartworx Inc. (B+B)	B+B Smartworx Limited (BBIE)	Sale of industrial network communications systems	-	100.00	s	
B+B Smartworx Limited (BBIE)	Advantech B+B Smartworx s.r.o.CZ (ACZ)	Manufacturing of cellular and automation solutions	100.00	100.00		
	(former B+B (CZ))					
	Advantech Technology DMCC (ADB) (former B&B DMCC)	Sale of industrial network communications systems	-	-	g	
	B&B Electronics Holdings LLC (B&B Electronics)	Sale of industrial network communications systems	-	-	n	
	Conel Automation s.r.o (Conel Automation)	Application of industrial automation	-	-	o	

(Concluded)

(Concluded)

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

Remark b: In the first quarter of 2019, the Group acquired 80% of the equity of ATJ. The Company and AJP held 50% and 30% of the equity of ATJ, respectively. In the third quarter of 2019, AJP sold 1.39% of the equity of ATJ, which led its equity investment in ATJ to decrease from 30% to 28.61%.

Remark c: In the first quarter of 2019, the Group acquired 60% of the equity of ATR.

Remark d: In the first quarter of 2019, Advantech Corporate Investment founded ACISM and acquired 100% of its equity.

Remark e: In the second quarter of 2019, SIoT (Cayman) founded AIH and acquired 100% of its equity. In the third quarter of 2019, AIH held its equity offering, which led SIoT (Cayman)'s equity investment in AIH to decrease from 100% to 70%. In the first quarter of 2020, SIoT (Cayman) acquired 30% of the equity of AIH, which led its equity investment in AIH to increase from 70% to 100%.

- Remark f: In the second quarter of 2019, Advantech Corporate Investment founded ACI IOT Investment Fund-I Corporation and acquired 79.33% of its equity.
- Remark g: In the fourth quarter of 2019, the Group adjusted its investment structure; hence, AAC (BVI) directly held 100% of the equity of ADB.
- Remark h: In the fourth quarter of 2019, the Group founded AIL.
- Remark i: In the first and second quarter of 2020, the Group sold 3.42% and 1.58% of the equity of LNC, respectively, which led its equity investment in LNC to decrease from 64.10% to 59.10%.
- Remark j: In the second quarter of 2020, the Group had a non-proportional investment in the equity of AMX during its cash capital increase, which led its equity investment in AMX to decrease from 100% to 60%.
- Remark k: In the second quarter of 2020, the Group acquired 55% of the equity of AYL, which led its equity investment in Yanle to increase from 45% to 100%.
- Remark l: In the third quarter of 2020, the Group acquired 20% of the equity of ABR, which led its equity investment in ABR to increase from 80% to 100%.
- Remark m: In the third quarter of 2020, the Group adjusted its investment structure. Following capital reduction of AKST to offset deficit, AKR directly held 100% of the equity of AKST. AKR and AKST then merged. AKR is the surviving entity.
- Remark n: In the third quarter of 2019, B&B Electronics filed for liquidation.
- Remark o: In the third quarter of 2019, Conel Automation was disposed of.
- Remark p: In the fourth quarter of 2020, after the Group sold 60% of the equity of B+B to AAC (BVI), AAC (BVI) then sold to ANA. ANA directly held 100% of the equity of B+B. ANA and B+B then merged. ANA is the surviving entity.
- Remark q: In the fourth quarter of 2020, the Group founded Huan Yan Water Solution Co., Ltd.
- Remark r: In the fourth quarter of 2020, Huan Yan, Jhih-Lian Co., Ltd. filed for liquidation.
- Remark s: In the fourth quarter of 2020, the Group adjusted its investment structure. ANA held 100% of the equity of BBIE.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2020	2019
<u>Associates that are not individually material</u>		
Listed companies		
Axiomtek Co., Ltd. (“Axiomtek”)	\$ 647,383	\$ 627,632
Winmate Inc. (“Winmate”)	557,027	553,145
AzureWare Technologies, Inc. (“AzureWare”)	551,457	506,867
Nippon RAD Inc. (“Nippon RAD”)	293,440	296,400
Mildex Optical Inc. (“Mildex”)	164,589	181,388
		(Continued)

	December 31	
	2020	2019
Hwacom Systems Inc. (“Hwacom”)	\$ 376,666	\$ 392,645
Information Technology Total Services Co., Ltd. (“ITTS”)	156,544	154,910
Unlisted companies		
AIMobile Co., Ltd. (“AIMobile”)	45,217	66,133
Deneng Scientific Research Co., Ltd. (“Deneng”)	12,788	14,013
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	-	8,114
CDIB Innovation Accelerator Co., Ltd. (“CDIB”)	151,529	161,043
DotZero Co., Ltd. (“DotZero”)	4,507	6,238
iLink Co., Ltd. (“iLink”)	4,290	7,050
Shanghai Yanle Co., Ltd. (“Yanle”)	-	3,092
GSD Environmental Technology Co., Ltd. (“GSD”)	9,904	13,608
Smasoft Technology Co., Ltd. (“Smasoft”)	11,033	15,000
Impelex Data Transfer Co., Ltd. (“Impelex”)	10,659	-
VSO Electronics Co., Ltd. (“VSO”)	130,940	-
International Integrated Systems, Inc. (“IISI”)	263,747	-
iSAP Solution Corp.	10,000	-
Tianjin Anjie IOT Science And Technology Co., Ltd. (“Anjie”)	<u>2,625</u>	<u>2,582</u>
	<u>\$ 3,404,345</u>	<u>\$ 3,009,860</u>
		(Concluded)

In the first quarter of 2019, the Group paid \$18,214 thousand in cash for 40% of the equity of GSD Environmental Technology Co., Ltd. The Group had significant influence over GSD Environmental Technology Co., Ltd.

In the second quarter of 2019, the Group paid \$147,444 thousand in cash for 20% of the equity of Information Technology Total Services Co., Ltd. The Group had significant influence over Information Technology Total Services Co., Ltd.

In the third quarter of 2019, the Group subscribed for shares of HwaCom Systems Inc. through a private placement; after the subscription, the Group’s percentage of ownership in HwaCom Systems Inc. was 19.99% and had significant influence over HwaCom Systems Inc.

In the fourth quarter of 2019, the Group established Tianjin Anjie IoT Science And Technology Co., Ltd. by cash investment of \$2,594 thousand and acquired 20% of its equity. The Group had significant influence over Tianjin Anjie IoT Science And Technology Co., Ltd.

In the fourth quarter of 2019, the Group paid \$15,000 thousand in cash for 20% of the equity of Smasoft Technology Co., Ltd. The Group had significant influence over Smasoft Technology Co., Ltd.

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

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

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

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

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Profit from continuing operations	\$ 166,036	\$ 122,820
Other comprehensive loss	<u>(24,164)</u>	<u>(338)</u>
Total comprehensive income for the year	<u>\$ 141,872</u>	<u>\$ 122,482</u>

Except for the financial statements of Axiomtek, Nippon RAD and AzureWare, which have been audited or reviewed, investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of above companies which have not been audited.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 3,067,589	\$ 8,049,532	\$ 1,866,463	\$ 877,799	\$ 1,874,078	\$ 8,792	\$ 15,744,253
Additions	77	1,799	148,879	92,879	195,725	179,666	619,025
Disposals	(28,417)	(45,264)	(125,034)	(43,351)	(66,861)	-	(308,927)
Acquisitions through business combinations	-	-	-	121	-	-	121
Reclassifications	-	15,978	29,318	(22,777)	(105,508)	186,608	103,619
Effect of foreign currency exchange differences	(6,865)	30,391	10,312	1,658	4,000	5,587	45,083
Balance at December 31, 2020	<u>\$ 3,032,384</u>	<u>\$ 8,052,436</u>	<u>\$ 1,929,938</u>	<u>\$ 906,329</u>	<u>\$ 1,901,434</u>	<u>\$ 380,653</u>	<u>\$ 16,203,174</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 2,597,296	\$ 1,378,129	\$ 685,252	\$ 1,351,086	\$ -	\$ 6,011,763
Disposals	-	(6,935)	(130,730)	(37,744)	(62,139)	-	(237,548)
Depreciation expenses	-	199,820	132,035	80,707	162,987	-	575,549
Acquisitions through business combinations	-	-	-	28	-	-	28
Reclassifications	-	18,547	23,962	(17,442)	(114,321)	-	(89,254)
Effect of foreign currency exchange differences	-	15,408	5,272	1,888	3,172	-	25,740
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 2,824,136</u>	<u>\$ 1,408,668</u>	<u>\$ 712,689</u>	<u>\$ 1,340,785</u>	<u>\$ -</u>	<u>\$ 6,286,278</u>
Carrying amount at December 31, 2020	<u>\$ 3,032,384</u>	<u>\$ 5,228,300</u>	<u>\$ 521,270</u>	<u>\$ 193,640</u>	<u>\$ 560,649</u>	<u>\$ 380,653</u>	<u>\$ 9,916,896</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 2,934,127	\$ 7,195,732	\$ 1,709,936	\$ 850,021	\$ 1,743,263	\$ 2,485	\$ 14,435,564
Additions	1,481	24,203	92,497	88,968	347,616	347,974	902,739
Disposals	(7,100)	(15,806)	(43,912)	(52,817)	(212,597)	(208,313)	(540,545)
Acquisitions through business combinations	148,160	942,802	130,912	15,916	34,650	1	1,272,441
Reclassifications	-	27,658	6,956	(5,842)	1,799	(121,307)	(90,736)
Effect of foreign currency exchange differences	(9,079)	(125,057)	(29,926)	(18,447)	(40,653)	(12,048)	(235,210)
Balance at December 31, 2019	<u>\$ 3,067,589</u>	<u>\$ 8,049,532</u>	<u>\$ 1,866,463</u>	<u>\$ 877,799</u>	<u>\$ 1,874,078</u>	<u>\$ 8,792</u>	<u>\$ 15,744,253</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 1,591,282	\$ 1,172,613	\$ 654,746	\$ 1,234,142	\$ -	\$ 4,652,783
Disposals	-	(8,069)	(39,949)	(37,119)	(50,730)	-	(135,867)
Depreciation expenses	-	204,079	145,931	82,847	161,352	-	594,209
Acquisitions through business combinations	-	867,976	109,364	9,961	33,018	-	1,020,319
Reclassifications	-	(424)	8,971	(6,489)	(611)	-	1,447
Effect of foreign currency exchange differences	-	(57,548)	(18,801)	(18,694)	(26,085)	-	(121,128)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 2,597,296</u>	<u>\$ 1,378,129</u>	<u>\$ 685,252</u>	<u>\$ 1,351,086</u>	<u>\$ -</u>	<u>\$ 6,011,763</u>
Carrying amount at December 31, 2019	<u>\$ 3,067,589</u>	<u>\$ 5,452,236</u>	<u>\$ 488,334</u>	<u>\$ 192,547</u>	<u>\$ 522,992</u>	<u>\$ 8,792</u>	<u>\$ 9,732,490</u>

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

Buildings	
Main buildings	20-60 years
Electronic equipment	5 years
Engineering systems	5 years
Equipment	2-8 years
Office equipment	2-8 years
Other facilities	2-10 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 33.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land	\$ 282,854	\$ 286,549
Buildings	283,248	396,887
Machinery	2,619	2,202
Office equipment	6,032	9,254
Transportation equipment	24,232	28,214
Other equipment	<u>20</u>	<u>-</u>
	<u>\$ 599,005</u>	<u>\$ 723,106</u>
	For the Year Ended December 31,	
	2020	2019
Additions to right-of-use assets	<u>\$ 39,556</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,305	\$ 8,673
Buildings	168,858	168,883
Machinery	885	655
Office equipment	10,629	5,723
Transportation equipment	28,562	29,443
Other equipment	<u>20</u>	<u>-</u>
	<u>\$ 217,259</u>	<u>\$ 213,377</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	<u>\$ 221,250</u>	<u>\$ 199,493</u>
Non-current	<u>\$ 87,781</u>	<u>\$ 242,263</u>

The discount rates of lease liabilities were as follows:

	December 31	
	2020	2019
Buildings	0.25%-10.20%	0.25%-12.00%
Machinery	0.87%-4.20%	0.87%-5.46%
Office equipment	0.87%-4.75%	0.87%-4.75%
Transportation equipment	0.25%-5.00%	0.25%-5.90%
Other equipment	2.05%	-

c. Other lease information

	For the Year Ended December 31,	
	2020	2019
Expenses relating to short-term leases	\$ 13,960	\$ 13,959
Expenses relating to low-value asset leases	\$ 12,180	\$ 12,178
Total cash outflow for leases	\$ 279,962	\$ 265,441

The Group's leases of certain office equipment and buildings qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. GOODWILL

	For the Year Ended December 31	
	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 2,892,879	\$ 2,934,254
Additional amounts recognized from business combinations occurred during the year (Note 27)	3,081	124,029
Adjustments for goodwill after acquisition	-	(104,889)
Effect of foreign currency exchange differences	(58,280)	(60,515)
Balance at December 31	\$ 2,837,680	\$ 2,892,879
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ (373,365)	\$ (97,788)
Impairment losses recognized during the year	-	(284,143)
Effect of foreign currency exchange differences	-	8,566
Balance at December 31	\$ (373,365)	\$ (373,365)
Carrying amount at December 31	\$ 2,464,315	\$ 2,519,514

The Group performed impairment assessment on the recoverable amount of goodwill and calculated the recoverable amount based on its value in use.

In 2019, the recoverable amount of subsidiary B+B was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management, and discount rate of 16.38% per annum was used for the year ended December 31, 2019 to reflect the risks of the cash-generating unit. Because the performance of operating revenue did not turn out as expected, the recoverable amount was lower than the sum of carrying amount of cash-generating unit's identified assets and the amount of goodwill; therefore, an impairment loss of \$272,025 thousand for goodwill was recognized for the year ended December 31, 2019.

In 2019, subsidiary ANA determined that the estimated future cash flows are not expected to arise from the business combination in the past; therefore, an impairment loss of \$12,118 thousand was recognized for the year ended December 31, 2019.

17. OTHER INTANGIBLE ASSETS

	Trademarks	Client Relationships	Technology Licenses	Others	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 493,225	\$ 593,770	\$ 413,853	\$ 625,449	\$ 2,126,297
Additions	-	-	-	137,619	137,619
Disposals	-	-	-	(212,148)	(212,148)
Reclassification	-	-	-	10,188	10,188
Effect of foreign currency exchange differences	(17,835)	(20,965)	(11,102)	(12,584)	(62,486)
Balance at December 31, 2020	<u>\$ 475,390</u>	<u>\$ 572,805</u>	<u>\$ 402,751</u>	<u>\$ 548,524</u>	<u>\$ 1,999,470</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2020	\$ 98,934	\$ 239,688	\$ 315,238	\$ 492,376	\$ 1,146,236
Amortization expenses	-	46,739	24,743	103,912	175,394
Disposals	-	-	-	(210,977)	(210,977)
Reclassification	-	-	-	4,494	4,494
Impairment loss	245,917	-	-	-	245,917
Effect of foreign currency exchange differences	(14,483)	(2,544)	(7,057)	(20,541)	(44,625)
Balance at December 31, 2020	<u>\$ 330,368</u>	<u>\$ 283,883</u>	<u>\$ 332,924</u>	<u>\$ 369,264</u>	<u>\$ 1,316,439</u>
Carrying amount at December 31, 2020	<u>\$ 145,022</u>	<u>\$ 288,922</u>	<u>\$ 69,827</u>	<u>\$ 179,260</u>	<u>\$ 683,031</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 507,047	\$ 534,120	\$ 423,599	\$ 674,442	\$ 2,139,208
Additions	-	-	2,831	136,241	139,072
Disposals	-	(16,480)	-	(195,140)	(211,620)
Acquisitions through business combinations	-	95,820	-	12,885	108,705
Reclassification	-	-	-	(114)	(114)
Effect of foreign currency exchange differences	(13,822)	(19,690)	(12,577)	(2,865)	(48,954)
Balance at December 31, 2019	<u>\$ 493,225</u>	<u>\$ 593,770</u>	<u>\$ 413,853</u>	<u>\$ 625,449</u>	<u>\$ 2,126,297</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2019	\$ -	\$ 195,112	\$ 290,012	\$ 551,761	\$ 1,036,885
Amortization expenses	-	56,803	35,571	117,832	210,206
Disposals	-	(3,937)	-	(180,243)	(184,180)
Acquisitions through business combinations	-	-	-	8,273	8,273

(Continued)

	Trademarks	Client Relationships	Technology Licenses	Others	Total
Impairment loss	\$ 102,010	\$ -	\$ -	\$ -	\$ 102,010
Effect of foreign currency exchange differences	<u>(3,076)</u>	<u>(8,290)</u>	<u>(10,345)</u>	<u>(5,247)</u>	<u>(26,958)</u>
Balance at December 31, 2019	<u>\$ 98,934</u>	<u>\$ 239,688</u>	<u>\$ 315,238</u>	<u>\$ 492,376</u>	<u>\$ 1,146,236</u>
Carrying amount at December 31, 2019	<u>\$ 394,291</u>	<u>\$ 354,082</u>	<u>\$ 98,615</u>	<u>\$ 133,073</u>	<u>\$ 980,061</u> (Concluded)

The Group acquired B+B on January 4, 2016 and recognized intangible assets of \$1,294,933 thousand according to the assessment report, and a portion of trademark right was expected to generate net cash inflows over a foreseeable unlimited period. Therefore, the service life of trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. However, it will be tested for impairment annually regardless of whether there is any indication that it may be impaired. Because the recoverable amount of the trademark was lower than its carrying amount, B+B recognized impairment loss of \$245,917 thousand and \$102,010 thousand for the years ended December 31, 2020 and 2019, respectively.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Customers relationships	2-15 years
Technology licenses	5-8 years
Others	1-5 years

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Unsecured borrowings		
Line of credit borrowings	<u>\$ 184,078</u>	<u>\$ 250,678</u>

The weighted average effective interest rates on bank loans was 0.22%-3.05% and 0.23%-3.00% per annum as of December 31, 2020 and 2019, respectively.

b. Long-term borrowings

	December 31	
	2020	2019
<u>Secured borrowings</u>		
Other loans	\$ -	\$ 44,089
Less: Current portion of long-term borrowings	<u>-</u>	<u>(7,957)</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ 36,132</u>

Other borrowings are loans from the government. As of December 31, 2019, the effective interest rate was 2.91%-3.16% per annum.

The Group had repaid the loan in advance in June 2020. The Group pledged time deposits, freehold land and buildings as collateral for the borrowings; refer to Note 33.

19. OTHER LIABILITIES

	December 31	
	2020	2019
Other payables		
Payables for salaries or bonuses	\$ 2,742,495	\$ 2,484,026
Payables for employee benefits	185,523	188,988
Others (Note)	<u>1,000,347</u>	<u>972,388</u>
	<u>\$ 3,928,365</u>	<u>\$ 3,645,402</u>

Note: Included marketing expenses and freight expenses.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

For certain subsidiaries with a few or no employees, they have not established a set of policies for employee retirement and therefore not recognized related retirement expenses.

Except for those aforementioned subsidiaries, the rest of overseas subsidiaries recognized retirement expenses when making contribution to the retirement plan in accordance with local laws.

b. Defined benefit plans

The defined benefit plan adopted by the Company and Cermate in accordance with the Labor Standards Law, is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and Cermate Technologies Inc. each contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by pension fund monitoring committees. Pension contributions are deposited in the Bank of Taiwan in the committees' name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

Subsidiary ATJ, according to local regulations, shall 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 in participation of the defined benefit plans meet the requirements such as reaching the pension age or loss of capability to work, etc.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 534,734	\$ 517,092
Fair value of plan assets	<u>(131,246)</u>	<u>(132,178)</u>
Deficit	<u>403,488</u>	<u>384,914</u>
Net defined benefit liabilities	<u>\$ 403,488</u>	<u>\$ 384,914</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	<u>\$ 394,616</u>	<u>\$ (139,071)</u>	<u>\$ 255,545</u>
Service cost			
Current service cost	6,929	-	6,929
Net interest expense (income)	<u>4,667</u>	<u>(1,630)</u>	<u>3,037</u>
Recognized in profit or loss	<u>11,596</u>	<u>(1,630)</u>	<u>9,966</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,730)	(4,730)
Actuarial gain or loss			
Changes in demographic assumptions	9,924	-	9,924
Changes in financial assumptions	16,975	-	16,975
Experience adjustments	<u>(7,112)</u>	<u>-</u>	<u>(7,112)</u>
Recognized in other comprehensive income	<u>19,787</u>	<u>(4,730)</u>	<u>15,057</u>
Contributions from the employer	-	(9,304)	(9,304)
Benefits paid	(28,795)	22,557	(6,238)
Business combinations	122,190	-	122,190
Exchange differences on foreign plans	<u>(2,302)</u>	<u>-</u>	<u>(2,302)</u>
Balance at December 31, 2019	<u>517,092</u>	<u>(132,178)</u>	<u>384,914</u>
Service cost			
Current service cost	7,221	-	7,221
Net interest expense (income)	<u>3,161</u>	<u>(1,033)</u>	<u>2,128</u>
Recognized in profit or loss	<u>10,382</u>	<u>(1,033)</u>	<u>9,349</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,540)	(4,540)
Actuarial gain or loss			
Changes in demographic assumptions	893	-	893
Changes in financial assumptions	10,833	-	10,833
Experience adjustments	<u>14,693</u>	<u>-</u>	<u>14,693</u>
Recognized in other comprehensive income	<u>26,419</u>	<u>(4,540)</u>	<u>21,879</u>
Contributions from the employer		(9,038)	(9,038)
Benefits paid	<u>(19,159)</u>	<u>15,543</u>	<u>(3,616)</u>
Balance at December 31, 2020	<u>\$ 534,734</u>	<u>\$ (131,246)</u>	<u>\$ 403,488</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ 3,742	\$ 1,827
Selling and marketing expenses	1,570	687
General and administrative expenses	2,265	5,864
Research and development expenses	<u>1,772</u>	<u>1,588</u>
	<u>\$ 9,349</u>	<u>\$ 9,966</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate(s)	0.220%-0.500%	0.140%-1.000%
Expected rate(s) of salary increase	3.000%-3.250%	3.000%-3.250%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	<u>\$ (15,370)</u>	<u>\$ (15,228)</u>
0.25% decrease	<u>\$ 16,004</u>	<u>\$ 15,867</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 11,784</u>	<u>\$ 11,583</u>
0.25% decrease	<u>\$ (11,392)</u>	<u>\$ (11,188)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plan for the next year	\$ 9,196	\$ 9,228
Average duration of the defined benefit obligation	12.4-14.2 years	12.5-14.9 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	1,000,000	800,000
Shares authorized	\$ 10,000,000	\$ 8,000,000
Number of shares issued and fully paid (in thousands)	772,255	700,410
Shares issued	\$ 7,722,545	\$ 7,004,100

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

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

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238
Conversion of bonds	1,636,499	1,636,499
The difference between the consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	-	8,678
Share of changes in capital surplus of associates	674	55
Employees' share compensation	78,614	78,614
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	-	4,637
Employee share options	2,297,403	1,888,945
Share of changes in capital surplus of associates	54,882	12,361
Employee share options expired	87,266	-
<u>May not be used for any purpose</u>		
Employee share options	1,066,178	1,075,002
	<u>\$ 7,913,754</u>	<u>\$ 7,397,029</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of compensation of employees and remuneration of directors after amendment, refer to compensation of employees and remuneration of directors in Note 22, d.

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

An appropriation of earnings to a legal reserve should be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset 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.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018, which had been approved in the shareholders' meetings on May 28, 2020 and May 28, 2019, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 735,122	\$ 629,466
Special reserve	\$ 47,230	\$ 429,108
Cash dividends	\$ 5,463,198	\$ 4,751,129
Share dividends	\$ 700,410	\$ -
Cash dividends per share (NT\$)	\$ 7.8	\$ 6.8
Share dividends per share (NT\$)	\$ 1.0	\$ -

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 5, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings
Legal reserve	\$ 717,035
Reversal of special reserve	\$ (14,143)
Cash dividends	\$ 5,480,813
Cash dividends per share (NT\$)	\$ 7.1

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on May 27, 2021.

d. Special reserves

	For the Year Ended December 31	
	2020	2019
Beginning at January 1	\$ 798,763	\$ 369,655
Appropriations in respect of debits to other equity items	<u>47,230</u>	<u>429,108</u>
Balance at December 31	<u>\$ 845,993</u>	<u>\$ 798,763</u>

e. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (878,261)	\$ (475,245)
Recognized during the period		
Exchange differences on translation of the financial statements of foreign entities	(111,229)	(385,198)
Share of associates accounted for using the equity method	<u>(17,145)</u>	<u>(17,818)</u>
Other comprehensive loss recognized for the period	<u>(128,374)</u>	<u>(403,016)</u>
Balance at December 31	<u>\$ (1,006,635)</u>	<u>\$ (878,261)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 30,970	\$ (324,254)
Recognized for the year		
Unrealized gain (loss) - equity instruments	132,470	307,604
Share of associates accounted for using the equity method	<u>40</u>	<u>23,251</u>
Other comprehensive income recognized for the year	132,510	330,855
Cumulative unrealized gain on equity instruments transferred to retained earnings due to disposal	<u>9,828</u>	<u>24,369</u>
Balance at December 31	<u>\$ 173,308</u>	<u>\$ 30,970</u>

3) Unearned employee benefits compensation

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 1,298	\$ 736
Share from associates accounted for using the equity method	<u>179</u>	<u>562</u>
Balance at December 31	<u>\$ 1,477</u>	<u>\$ 1,298</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 577,361	\$ 326,975
Share of profit for the year	55,032	41,635
Other comprehensive income during the year		
Exchange differences on translation of the financial statements of foreign operations	(12,782)	(7,752)
Remeasurement of defined benefit plans	65	(104)
Increase in non-controlling interests from decrease in investment in subsidiaries (Note 29)	53,634	(340)
Increase or decrease in non-controlling interests from increase in investment in subsidiaries (Note 29)	(20,708)	7,573
Increase in non-controlling interests from the acquisition of subsidiary, ATJ (Note 27)	-	125,868
Increase in non-controlling interests from the acquisition of subsidiary, ATR (Note 27)	-	35,252
Increase in non-controlling interests from the acquisition of subsidiary, ACI IOT Investment Fund-I Corporation	-	62,000
Cash dividends distributed by subsidiaries	(11,443)	(14,039)
Non-controlling interests from employees' outstanding vested share options issued by subsidiaries	93	293
Liquidation of subsidiary	<u>(4,985)</u>	<u>-</u>
Balance at December 31	<u>\$ 636,267</u>	<u>\$ 577,361</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 3,102	\$ 2,578
Interest on lease liabilities	14,508	18,040
Others	<u>2,566</u>	<u>4,423</u>
	<u>\$ 20,176</u>	<u>\$ 25,041</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 163,859	\$ 194,053
Operating expenses	<u>628,949</u>	<u>613,533</u>
	<u>\$ 792,808</u>	<u>\$ 807,586</u>
An analysis of amortization by function		
Operating costs	\$ 2,173	\$ 3,423
Operating expenses	<u>173,221</u>	<u>206,783</u>
	<u>\$ 175,394</u>	<u>\$ 210,206</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits	\$ 9,623,485	\$ 9,307,290
Post-employment benefits		
Defined contribution plans	261,640	419,668
Defined benefit plans (Note 20)	<u>9,349</u>	<u>9,966</u>
	<u>270,989</u>	<u>429,634</u>
Share-based payments		
Equity-settled	365,418	295,427
Other employee benefits	<u>583,428</u>	<u>732,743</u>
Total employee benefits expense	<u>\$ 10,843,320</u>	<u>\$ 10,765,094</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 2,324,796	\$ 2,467,959
Operating expenses	<u>8,518,524</u>	<u>8,297,135</u>
	<u>\$ 10,843,320</u>	<u>\$ 10,765,094</u>

d. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees at the rates of no less than 5% and remuneration of directors at the rates of no higher than 1%, of net profit before income tax, compensation of employees, and remuneration of directors. The compensations of employees and remuneration of directors for the years ended December 31, 2020 and 2019, which had been approved by the Company's board of directors on March 5, 2021 and March 6, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Compensation of employees	\$ 570,000	\$ 600,000
Remuneration of directors	11,700	12,000

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

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

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

e. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 873,452	\$ 732,848
Foreign exchange losses	<u>(910,750)</u>	<u>(827,448)</u>
Net losses	<u>\$ (37,298)</u>	<u>\$ (94,600)</u>

23. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 1,667,102	\$ 1,824,480
Income tax on unappropriated earnings	18,219	20,024
Adjustments for prior year	(63,249)	(84,174)
Deferred tax		
In respect of the current year	<u>203,302</u>	<u>154,695</u>
Income tax expense recognized in profit or loss	<u>\$ 1,825,374</u>	<u>\$ 1,915,025</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 9,128,361</u>	<u>\$ 9,307,880</u>
Income tax expense calculated at the statutory rate	\$ 2,148,955	\$ 2,249,657
Nondeductible expenses in determining taxable income	709	2,972
Tax-exempt income	(91,759)	(109,002)
Income tax on unappropriated earnings	18,219	20,024
Land value increment tax	-	170
Investment credits in the current year	(182,882)	(162,569)
Unrecognized deductible temporary differences	517	(671)
Unrecognized loss carryforwards	1,704	1,019
Difference between basic and regular income tax	-	3,763
Adjustments for prior years' tax	(63,249)	(84,174)
Others	<u>(6,840)</u>	<u>(6,164)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,825,374</u>	<u>\$ 1,915,025</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Translation of the financial statements of foreign operations	\$ (32,093)	\$ (100,754)
Remeasurement of defined benefit plans	<u>(4,385)</u>	<u>(3,012)</u>
	<u>\$ (36,478)</u>	<u>\$ (103,766)</u>

c. Current tax liabilities

	December 31	
	2020	2019
Current tax liabilities		
Current	<u>\$ 2,315,461</u>	<u>\$ 1,522,874</u>
Non-current	<u>\$ 291,961</u>	<u>\$ -</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized gross profit	\$ 139,085	\$ (16,640)	\$ -	\$ 122,445
Unrealized loss on inventory write-downs	89,225	(4,586)	-	84,639
Exchange differences on translation of the financial statements of foreign operations	219,717	-	32,093	251,810
Loss carryforwards	35,130	(6,609)	-	28,521
Defined benefit obligations	17,026	12,730	-	29,756
Unrealized foreign exchange losses (gains)	3,533	(3,236)	-	297
Unrealized warranty liabilities	35,018	(3,982)	-	31,036
Remeasurement of defined benefit plans	48,295	-	4,385	52,680
Allowance for impaired receivables	291	150	-	441
Financial assets at fair value through profit or loss	420	(420)	-	-
Others	<u>102,472</u>	<u>19,530</u>	<u>-</u>	<u>122,002</u>
	<u>\$ 690,212</u>	<u>\$ (3,063)</u>	<u>\$ 36,478</u>	<u>\$ 723,627</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Undistributed earnings of subsidiaries	\$ 1,788,569	\$ 257,460	\$ -	\$ 2,046,029
Remeasurement of defined benefit plans	3,990	-	-	3,990
Exchange differences on translation of the financial statements of foreign operations	3,865	(168)	-	3,697
Unrealized foreign exchange losses (gains)	2	3,179	-	3,181
Property, plant and equipment	4,077	77	-	4,154
Intangible assets and goodwill	141,095	(67,533)	-	73,562
Others	<u>591</u>	<u>7,224</u>	<u>-</u>	<u>7,815</u>
	<u>\$ 1,942,189</u>	<u>\$ 200,239</u>	<u>\$ -</u>	<u>\$ 2,142,428</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Business Combination	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized gross profit	\$ 136,026	\$ 3,059	\$ -	\$ -	\$ 139,085
Unrealized loss on inventory write-downs	74,115	15,110	-	-	89,225
Exchange differences on translation of the financial statements of foreign operations	118,963	-	100,754	-	219,717
Loss carryforwards	45,525	(10,395)	-	-	35,130
Defined benefit obligations	17,717	(691)	-	-	17,026
Unrealized foreign exchange losses (gains)	560	2,973	-	-	3,533
Unrealized warranty liabilities	25,293	9,725	-	-	35,018
Remeasurement of defined benefit plans	22,459	-	3,012	22,824	48,295
Allowance for impaired receivables	3,814	(3,523)	-	-	291
Sales allowance	3,090	(3,090)	-	-	-
Financial assets at fair value through profit or loss	-	420	-	-	420
Others	<u>53,698</u>	<u>(25,008)</u>	<u>-</u>	<u>73,782</u>	<u>102,472</u>
	<u>\$ 501,260</u>	<u>\$ (11,420)</u>	<u>\$ 103,766</u>	<u>\$ 96,606</u>	<u>\$ 690,212</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Undistributed earnings of subsidiaries	\$ 1,588,655	\$ 199,914	\$ -	\$ -	\$ 1,788,569
Remeasurement of defined benefit plans	3,990	-	-	-	3,990
Financial assets at fair value through profit or loss	87	(87)	-	-	-
Exchange differences on translation of the financial statements of foreign operations	3,676	189	-	-	3,865
Unrealized foreign exchange losses (gains)	2,580	(2,578)	-	-	2
Property, plant and equipment	5,153	(1,076)	-	-	4,077
Intangible assets and goodwill	193,822	(52,727)	-	-	141,095
Others	<u>951</u>	<u>(360)</u>	<u>-</u>	<u>-</u>	<u>591</u>
	<u>\$ 1,798,914</u>	<u>\$ 143,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,942,189</u>

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Loss carryforwards		
Expiry in 2021	\$ 11,377	\$ 684
Expiry in 2028	-	33,410
Expiry in 2029	-	5,095
Expiry in 2030	8,521	-
Expiry in 2033-2039	21,098	35,087
Infinite	<u>-</u>	<u>819</u>
	<u>\$ 40,996</u>	<u>\$ 75,095</u>

f. Information about unused investment credits

As of December 31, 2020, investment tax credits comprised:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	<u>\$ 8,405</u>	2020-2021

g. Income tax assessments

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

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 9.40</u>	<u>\$ 9.56</u>
Diluted earnings per share	<u>\$ 9.27</u>	<u>\$ 9.44</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares or share splits on August 8, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 10.51</u>	<u>\$ 9.56</u>
Diluted earnings per share	<u>\$ 10.37</u>	<u>\$ 9.44</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation of basic earnings per share	<u>\$ 7,247,955</u>	<u>\$ 7,351,220</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 7,247,955</u>	<u>\$ 7,351,220</u>

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	771,264	769,237
Effect of potentially dilutive ordinary shares:		
Employee share options	8,268	7,027
Compensation of employees	<u>2,003</u>	<u>2,346</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>781,535</u>	<u>778,610</u>

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 7,500 options in 2020, 8,000 options in 2018 and 6,000 options in 2016. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. The holders of these options include employees of the Company and employees of domestic and foreign subsidiaries who are owned directly or indirectly over 50% by the Company that meet certain criteria. Options issued in 2020, 2018 and 2016 are all valid for six years. They are exercisable at certain percentages after the second year of the grant date. The exercise price granted in 2020 was NT\$200 per share. The options issued in 2018 were granted at an exercise price equal to the share price at the grant date. The exercise price granted in 2016 was NT\$100 per share. If there are subsequent changes to the Company's capital surplus, the exercise price and the number of options shall be adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2020		2019	
	Number of Options	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
Balance at January 1	14,250	\$149.88	15,965	\$143.64
Options granted	7,500	200.00	-	-
Options exercised	(1,803)	77.45	(1,715)	81.91
Options expired	<u>(543)</u>	70.50	<u>-</u>	-
Balance at December 31	<u>19,404</u>	175.66	<u>14,250</u>	149.88
Options exercisable, end of year	<u>7,904</u>	138.98	<u>6,250</u>	82.54
Weighted-average fair value of options granted (NT\$)	<u>\$ 125.77</u>		<u>\$ -</u>	

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2020 and 2019 was ranging from NT\$258 to NT\$328 and from NT\$223 to NT\$310, respectively.

Information about outstanding options as of December 31, 2020 and 2019 was as follows:

	For the Year Ended December 31			
	2020		2019	
	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2020	\$ 200.00	5.58	\$ -	-
Issuance in 2018	202.50	3.58	202.50	4.58
Issuance in 2016	73.90	1.45	83.30	2.45
Issuance in 2014	-	-	79.40	0.63

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

	2020	2018	2016
Grant-date share price (NT\$)	\$309	\$202.5	\$235
Exercise price (NT\$)	\$200	\$202.5	\$100
Expected volatility	23.28%-26.55%	28.42%-28.73%	31.42%-32.48%
Expected life (in years)	4-5.5	4-4.5	4-5.5
Expected dividend yield	0%	0%	0%
Risk-free interest rate	0.31%-0.35%	0.67%-0.69%	0.52%-0.65%

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

Compensation cost recognized was \$365,248 thousand and \$295,427 thousand for the years ended December 31, 2020 and 2019, respectively.

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

Information on employee share options was as follows:

	For the Year Ended December 31			
	2020		2019	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)
Balance at January 1	740	\$ 20	814	\$ 20
Options forfeited	<u>(64)</u>	20	<u>(74)</u>	20
Balance at December 31	<u>676</u>	20	<u>740</u>	20
Options exercisable, end of period	<u>502</u>	20	<u>180</u>	20
Weighted-average fair value of options granted (NT\$)	\$ <u>-</u>		\$ <u>-</u>	

Information about outstanding options as of December 31, 2020 and 2019 was as follows:

	December 31			
	2020		2019	
	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
Employee Share Options				
Issuance in 2018	\$ 20	1.53	\$ 20	2.53
Issuance in 2017	20	0.42	20	1.42

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

	2018	2017
Grant-date valuation (NT\$)	\$17.29	\$16.11
Exercise price (NT\$)	\$20	\$20
Expected volatility	21.36%-25.43%	25.6%-29.45%
Expected life (in years)	2.5-4	2.5-4
Expected dividend yield	1.04%	0%
Risk-free interest rate	0.60%-0.67%	0.64%-0.74%

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

Issuance in 2018

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

Issuance in 2017

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

26. GOVERNMENT GRANTS

For the years ended December 31, 2020 and 2019, the Group received government grants of \$26,699 thousand and \$71,182 thousand for its engagement in a government's project. These amounts were recognized as other income. In addition, the amount of government grants for expenses or losses incurred was \$128,549 thousand for the year ended December 31, 2020, and was deducted from the recorded expenses paid for by the grant.

27. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	January 31, 2019	80	<u>\$ 517,008</u>
Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	February 28, 2019	60	<u>\$ 58,482</u>
Shanghai Yanle Co., Ltd. (Yanle)	Application and retail of intelligent technology	May 31, 2020	100	<u>\$ 6,698</u>

The Company acquired 80% of the shares of ATJ (formerly Omron Nohgata Co., Ltd.) in order to expand its embedded systems and strengthen the customization of design and production in the Japan market.

The Company acquired 42% of the shares of ATR (formerly Alitek Teknoloji Urunleri San. ve Tic. A.S.) in order to expand its sales of industrial PCs in the Turkey market. The Company increased its capital; thus the Company's equity investment in ATR was increased to 60%.

The Company acquired Yanle (Shanghai Yanle Co., Ltd.) of which the Company originally acquired 45% of its shares in order to expand its retail sales of retail of intelligent technology in the China market, which increased the Company's equity investment in Yanle to 100%.

b. Consideration transferred

	Yanle	ATJ	ATR
Cash	\$ 5,071	\$ 517,008	\$ 58,482
Ownership of Shanghai Yanle Co., Ltd. before business combination	<u>1,627</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,698</u>	<u>\$ 517,008</u>	<u>\$ 58,482</u>

c. Assets acquired and liabilities assumed at the dates of acquisitions

	Yanle	ATJ	ATR
Current assets			
Cash and cash equivalents	\$ 2,347	\$ -	\$ 33,334
Trade receivables and other receivables	-	600,640	15,759
Inventories	959	437,154	9,966
Other current assets	232	7,220	353
Non-current assets			
Plant and equipment	93	251,399	723
Intangible assets	-	65,649	34,783
Deferred tax assets	-	96,606	-
Other non-current assets	-	-	238
Current liabilities			
Short-term borrowings	-	(157,819)	(311)
Trade payables and other payables	(11)	(501,113)	(2,206)
Current tax liabilities	-	(32,436)	(193)
Other current liabilities	(3)	(15,770)	(4,230)
Non-current liabilities			
Net defined benefit liabilities	-	(122,190)	-
Other non-current liabilities	<u>-</u>	<u>-</u>	<u>(86)</u>
	<u>\$ 3,617</u>	<u>\$ 629,340</u>	<u>\$ 88,130</u>

d. Non-controlling interests

The non-controlling interest (20% and 40% ownership interests in ATJ and ATR) recognized at the acquisition date was measured by reference to the identifiable net assets of the non-controlling interest and amounted to \$125,868 thousand and \$35,252 thousand, respectively.

e. Goodwill recognized on acquisitions

	Yanle	ATJ (Restatement)	ATR (Restatement)
Consideration transferred	\$ 6,698	\$ 517,008	\$ 58,482
Less: Fair value of identifiable net assets acquired	<u>(3,617)</u>	<u>(503,472)</u>	<u>(52,878)</u>
Goodwill recognized on acquisitions	<u>\$ 3,081</u>	<u>\$ 13,536</u>	<u>\$ 5,604</u>

In the acquisition of ATR, the adjustment of the fair value of the intangible assets and goodwill was based on the intangible asset - fair value valuation on client relationship. Refer to Note 16 for information related to goodwill adjustments.

In the acquisition of ATJ, the adjustment of the fair value of intangible assets, property, plant and equipment, and goodwill was based on the intangible asset - fair value valuation on client relationship and the appraisal report of property, plant and equipment. Refer to Note 16 for goodwill adjustments.

f. Net cash outflow on acquisitions of subsidiaries

	Yanle	ATJ	ATR
Consideration paid in cash	\$ 5,071	\$ 517,008	\$ 58,482
Less: Cash and cash equivalent balances acquired	<u>(2,347)</u>	<u>-</u>	<u>(33,334)</u>
	<u>\$ 2,724</u>	<u>\$ 517,008</u>	<u>\$ 25,148</u>

g. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition dates included in the consolidated statements of comprehensive income were as follows:

	2020 Yanle	2019 ATJ	2019 ATR
Operating revenue	<u>\$ 1</u>	<u>\$ 2,563,061</u>	<u>\$ 128,870</u>
Profit or loss	<u>\$ (1,832)</u>	<u>\$ 137,452</u>	<u>\$ 12,955</u>

28. DISPOSAL OF SUBSIDIARIES

On July 31, 2019, the Group entered into an agreement to dispose of Conel Automation, which carried out system integration services in the Czech Republic. The disposal was completed on July 31, 2019, on which the date the control of Conel Automation was passed to the acquirer.

a. Consideration received from disposal

	Conel Automation
<u>Cash</u>	<u>\$ 311</u>

b. Analysis of assets and liabilities on the date control was lost

	Conel Automation
Current assets	
Cash and cash equivalents	\$ 392
Trade receivables	4,932
Inventories	6,666
Other current assets	4,897
Non-current assets	
Property, plant and equipment	104
Other intangible assets	14,536
Current liabilities	
Payables and other liabilities	<u>(5,285)</u>
Net assets disposed of	<u>\$ 26,242</u>

c. Loss on disposal of subsidiary

	Conel Automation
Consideration received	\$ 311
Net assets disposed of	(26,242)
Cumulative exchange differences reclassified from equity to profit or loss in respect of the subsidiary	<u>4,312</u>
Loss on disposals	<u>\$ (21,619)</u>

d. Net cash inflow (outflow) on disposal of subsidiary

	Conel Automation
Consideration received in cash and cash equivalents	\$ 311
Less: Cash and cash equivalent balances disposed of	<u>(392)</u>
	<u>\$ (81)</u>

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In the first quarter of 2019, the Group subscribed for 18% of the equity of ATR during its capital increase, which increased the Group's equity investment in ATR from 42% to 60%.

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

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

In the second quarter of 2020, the Group had a non-proportional investment in the equity of AMX during its cash capital increase, which decreased its equity investment in AMX from 100% to 60%.

In the third quarter of 2020, the Group acquired 20% of the equity of ABR, which increased the Group's equity investment in ABR from 80% to 100%.

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

	For the Year Ended December 31, 2020				Total
	LNC	AIH	AMX	ABR	
Cash consideration received (paid)	\$ 26,919	\$ (4,554)	\$ 9,816	\$ (59,930)	\$ (27,749)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>(26,583)</u>	<u>2,481</u>	<u>(27,051)</u>	<u>18,227</u>	<u>(32,926)</u>
Differences recognized from equity transactions	<u>\$ 336</u>	<u>\$ (2,073)</u>	<u>\$ (17,235)</u>	<u>\$ (41,703)</u>	<u>\$ (60,675)</u>
<u>Line items adjusted for equity transactions</u>					
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 336	\$ -	\$ -	\$ (9,014)	\$ (8,678)
Capital surplus - changes in percentage of ownership interests in subsidiaries	-	-	(4,554)	-	(4,554)
Unappropriated earnings	<u>-</u>	<u>(2,073)</u>	<u>(12,681)</u>	<u>(32,689)</u>	<u>(47,443)</u>
	<u>\$ 336</u>	<u>\$ (2,073)</u>	<u>\$ (17,235)</u>	<u>\$ (41,703)</u>	<u>\$ (60,675)</u>

	December 31, 2019		
	ATJ	AIH	Total
Cash consideration received (paid)	\$ 9,230	\$ -	\$ 9,230
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>(7,573)</u>	<u>340</u>	<u>(7,233)</u>
Differences recognized from equity transactions	<u>\$ 1,657</u>	<u>\$ 340</u>	<u>\$ 1,997</u>
<u>Line items adjusted for equity transactions</u>			
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 1,657	\$ -	\$ 1,657
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>-</u>	<u>340</u>	<u>340</u>
	<u>\$ 1,657</u>	<u>\$ 340</u>	<u>\$ 1,997</u>

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in both 2020 and 2019.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity, and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued.

31. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 90	\$ -	\$ 90
Securities listed in ROC	272,860	-	-	272,860
Securities listed in other countries	118,172	-	-	118,172
Securities unlisted in other countries	-	-	77,950	77,950
Mutual funds	<u>5,102,028</u>	<u>-</u>	<u>-</u>	<u>5,102,028</u>
	<u>\$ 5,493,060</u>	<u>\$ 90</u>	<u>\$ 77,950</u>	<u>\$ 5,571,100</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in the ROC	\$ 1,635,056	\$ -	\$ -	\$ 1,635,056
Unlisted securities - ROC	-	-	52,462	52,462
Unlisted shares in other country	<u>-</u>	<u>-</u>	<u>126,715</u>	<u>126,715</u>
	<u>\$ 1,635,056</u>	<u>\$ -</u>	<u>\$ 179,177</u>	<u>\$ 1,814,233</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 21,044</u>	<u>\$ -</u>	<u>\$ 21,044</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 9,320	\$ -	\$ 9,320
Securities listed in the ROC	118,392	-	-	118,392
Securities listed in other countries	50,157	-	-	50,157
Securities unlisted in other countries	-	-	101,156	101,156
Mutual funds	<u>3,470,094</u>	<u>-</u>	<u>-</u>	<u>3,470,094</u>
	<u>\$ 3,638,643</u>	<u>\$ 9,320</u>	<u>\$ 101,156</u>	<u>\$ 3,749,119</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in the ROC	\$ 1,489,491	\$ -	\$ -	\$ 1,489,491
Unlisted securities - ROC	-	-	18,860	18,860
Unlisted shares in other country	<u>-</u>	<u>-</u>	<u>130,970</u>	<u>130,970</u>
	<u>\$ 1,489,491</u>	<u>\$ -</u>	<u>\$ 149,830</u>	<u>\$ 1,639,321</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 521</u>

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

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

For the year ended December 31, 2020

	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments	Total
Financial assets			
Balance at January 1, 2020	\$ 101,156	\$ 149,830	\$ 250,986
Purchases	3,679	44,719	48,398
Disposal	(6,782)	(4,597)	(11,379)
Recognized in profit or loss	(20,103)	-	(20,103)
Recognized in other comprehensive income	<u>-</u>	<u>(10,775)</u>	<u>(10,775)</u>
Balance	<u>\$ 77,950</u>	<u>\$ 179,177</u>	<u>\$ 257,127</u>

For the year ended December 31, 2019

	Financial Assets at FVTPL	Financial Assets at FVTOCI	
	Equity Instruments	Equity Instruments	Total
<u>Financial assets</u>			
Balance at January 1, 2019	\$ -	\$ 118,765	\$ 118,765
Purchases	101,156	-	101,156
Recognized in other comprehensive income	<u>-</u>	<u>31,065</u>	<u>31,065</u>
Balance	<u>\$ 101,156</u>	<u>\$ 149,830</u>	<u>\$ 250,986</u>

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

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

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

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

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	\$ 5,571,100	\$ 3,749,119
Financial assets at amortized cost (Note 1)	16,497,097	15,253,957
Financial assets at FVTOCI equity instrument	1,814,233	1,639,321
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	21,044	521
Measured at amortized cost (Note 2)	8,438,890	8,826,187

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

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

c. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, trade receivables, trade payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

1) Market risk

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

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

a) Foreign currency risk

The Group undertook operating activities and investment of foreign operations denominated in foreign currencies, which exposed it to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which allow the Group to mitigate but not fully eliminate the effect.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 34. As for the carrying amounts of derivatives exposed to foreign currency risk at the end of the reporting period, refer to Note 7.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase in the New Taiwan dollar (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 currency exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in exchange rates.

The range of the sensitivity analysis included cash and cash equivalents, trade receivables and trade payables. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency.

	U.S. Dollar Impact		Euro Impact		Renminbi Impact	
	For the Year Ended		For the Year Ended		For the Year Ended	
	December 31		December 31		December 31	
	2020	2019	2020	2019	2020	2019
Profit or loss	\$ 117,418 (Note 1)	\$ 101,361 (Note 1)	\$ 8,864 (Note 2)	\$ 53,804 (Note 2)	\$ 421,604 (Note 3)	\$ 69,773 (Note 3)

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

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

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

b) Interest rate risk

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

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 1,936,135	\$ 1,434,765
Financial liabilities	158,000	165,600
Cash flow interest rate risk		
Financial assets	4,648,178	4,055,867
Financial liabilities	26,078	129,167

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50-basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased by \$23,111 thousand and \$19,634 thousand, respectively. Had interest rates been 50 basis points lower for the same years, the Group's pre-tax profit would have decreased by the same respective amounts. The source of the negative effects would have been mainly the floating-interest rates on bank savings and borrowings.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased by \$4,690 thousand and \$2,679 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have increased by \$18,142 thousand and \$16,393 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity prices increased because stock prices rose in 2019.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

3) Liquidity risk

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

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

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

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

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

December 31, 2020

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

Additional information about the maturity analysis for lease liabilities

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

December 31, 2019

	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	\$ 5,585,880	\$ 2,277,916	\$ 666,661	\$ 963
Lease liabilities	33,111	51,455	117,915	270,158
Variable interest rate liabilities	20,293	541	75,470	45,756
Fixed interest rate liabilities	<u>165,632</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,804,916</u>	<u>\$ 2,329,912</u>	<u>\$ 860,046</u>	<u>\$ 316,877</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ <u>202,481</u>	\$ <u>206,664</u>	\$ <u>63,494</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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

b) Liquidity and interest risk rate table 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 net cash inflows and outflows on derivative instruments that require gross settlement.

December 31, 2020

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

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 330,202	\$ 430,604	\$ 101,721	\$ 862,527
Outflows	<u>325,163</u>	<u>427,666</u>	<u>100,899</u>	<u>853,728</u>
	\$ <u>5,039</u>	\$ <u>2,938</u>	\$ <u>822</u>	\$ <u>8,799</u>

c) Financing facilities

	December 31	
	2020	2019
Unsecured bank overdraft facilities, reviewed annually and payable on demand		
Amount used (Note)	\$ 191,288	\$ 250,678
Amount unused	<u>6,666,617</u>	<u>6,741,182</u>
	<u>\$ 6,857,905</u>	<u>\$ 6,991,860</u>
Secured bank overdraft facilities		
Amount used	<u>\$ -</u>	<u>\$ 44,089</u>

Note: The amounts used or drawn by the Group from the unsecured bank overdraft facilities were recorded as borrowings of \$184,078 thousand and lease guarantees of \$7,210 thousand.

32. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

Name	Related Party Category
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
i-Link Co., Ltd.	Associate
DotZero Co., Ltd.	Associate
Mildex Optical Inc.	Associate
Shanghai Yanle Co., Ltd.	Associate (a second-tier subsidiary of the parent company from June 2020)
Information Technology Total Services Co., Ltd.	Associate
Hwacom Systems Inc.	Associate
Smasoft technology Co., Ltd.	Associate
Impelex Data Transfer Co., Ltd.	Associate
VSO Electronics Co., Ltd.	Associate
International Integrated Systems, Inc.	Associate
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party
Tran-Fei Development Co., Ltd.	Other related party

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Associates	\$ 116,275	\$ 83,691
Other related parties	<u>4,527</u>	<u>-</u>
	<u>\$ 120,802</u>	<u>\$ 83,691</u>

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Associates	<u>\$ 288,228</u>	<u>\$ 206,331</u>

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

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade receivables from related parties	Associates	<u>\$ 28,750</u>	<u>\$ 20,174</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

e. Other receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Other receivables	Associates	\$ 3,018	\$ 29
	Other related parties	<u>1,615</u>	<u>-</u>
		<u>\$ 4,633</u>	<u>\$ 29</u>

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

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade payables	Associates	<u>\$ 46,360</u>	<u>\$ 43,367</u>
Other liabilities	Other related parties	<u>\$ -</u>	<u>\$ 7,965</u>

The outstanding trade payables to related parties are unsecured.

g. Prepayments to related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Prepayments - related parties	Associates	<u>\$ 36,286</u>	<u>\$ 25,470</u>

h. Other transactions with related parties

Related Party Category/Name	Operating Expenses	
	For the Year Ended December 31	
	2020	2019
Selling and marketing expenses		
Associates	\$ <u>185</u>	\$ <u>237</u>
Research and development expenses		
Associates	\$ <u>9,805</u>	\$ <u>2,955</u>

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

Related Party Category/Name	Other Income	
	For the Year Ended December 31	
	2020	2019
Rental income		
Associates	\$ 244	\$ -
Other related parties	<u>289</u>	<u>60</u>
	\$ <u>533</u>	\$ <u>60</u>
Other		
Other related parties	\$ <u>3,452</u>	\$ <u>2,702</u>

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

i. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 44,078	\$ 45,945
Post-employment benefits	162	158
Share-based payments	<u>26,123</u>	<u>38,158</u>
	\$ <u>70,363</u>	\$ <u>84,261</u>

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2020	2019
Pledged deposits (classified as financial assets at amortized cost)	\$ 2,307	\$ -
Property, plant and equipment	<u>-</u>	<u>64,584</u>
	<u>\$ 2,307</u>	<u>\$ 64,584</u>

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities of the entities in the Group denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 168,258	28.48 (USD:NTD)	\$ 4,791,975
RMB	582,773	4.377 (RMB:NTD)	2,550,799
USD	29,288	6.507 (USD:RMB)	834,116
EUR	18,622	35.02 (EUR:NTD)	<u>652,155</u>
			<u>\$ 8,829,045</u>
<u>Financial liabilities</u>			
Monetary items			
USD	88,499	28.48 (USD:NTD)	\$ 2,520,439
RMB	220,322	4.377 (RMB:NTD)	964,347
USD	23,588	6.507 (USD:RMB)	<u>671,786</u>
			<u>\$ 4,156,572</u>

December 31, 2019

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 169,388	29.980 (USD:NTD)	\$ 5,078,252
RMB	608,066	4.3050 (RMB:NTD)	2,617,724
USD	30,704	6.9640 (USD:RMB)	920,508
EUR	23,196	33.590 (EUR:NTD)	<u>779,154</u>
			<u>\$ 9,395,638</u>
<u>Financial liabilities</u>			
Monetary items			
USD	99,339	29.980 (USD:NTD)	\$ 2,978,183
RMB	271,690	4.3050 (RMB:NTD)	1,169,625
USD	37,132	6.9640 (USD:RMB)	<u>1,113,217</u>
			<u>\$ 5,261,025</u>

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were \$37,298 thousand and \$94,600 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

35. SEPARATELY DISCLOSED ITEMS

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

- 1) Financing provided to others. (Table 1)
- 2) Endorsement/guarantee provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 6)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
 - 9) Trading in derivative instruments. (Notes 7 and 34)
 - 10) Significant transactions between the Company and subsidiaries. (Table 11)
 - 11) Name, locations, and other information of investees. (Table 8)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, their prices, payment terms, and unrealized gains or losses. (Tables 1, 5 and 7)
- d. Information of major shareholders
- The following is the information of major shareholders: Name of major shareholders, number of shares owned and percentage of ownership of shareholders whose percentage of ownership is higher than 5%. (Table 10)

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group’s segment information is disclosed as follows:

- Industrial internet of things services (IIoT): Focus on the market of industrial internet of things;
- Embedded board and design-in services (EIoT): Provide services involving embedded boards, systems and peripheral hardware and software;
- Allied design & manufacturing services (Allied DMS): Including networks and communications, data acquisition and control, and provision of the customized collaboration designs and services;
- Intelligent services (SIoT): Provide services involving digital logistic, digital healthcare and intelligent retail;
- Global customer services (AGS &APS): Global repair, technical support and warranty services.

The CODM considers each service as a 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.

Segment Revenue and Results

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

	Industrial Interest of Things Services (IIoT)	Embedded Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (Allied DMS)	Intelligent Services (SIoT)	Global Customer Services (AGS & APS)	Others	Total
<u>For the year ended December 31, 2020</u>							
Revenue from external customers	\$ 17,135,347	\$ 12,198,446	\$ 11,574,552	\$ 4,326,180	\$ 5,780,346	\$ 104,537	\$ 51,119,408
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 17,135,347</u>	<u>\$ 12,198,446</u>	<u>\$ 11,574,552</u>	<u>\$ 4,326,180</u>	<u>\$ 5,780,346</u>	<u>\$ 104,537</u>	<u>51,119,408</u>
Eliminations	-	-	-	-	-	-	-
Consolidated revenue							<u>51,119,408</u>
Segment income	<u>\$ 5,005,129</u>	<u>\$ 2,321,330</u>	<u>\$ 2,053,741</u>	<u>\$ 436,961</u>	<u>\$ 773,883</u>	<u>\$ (437,163)</u>	<u>10,153,881</u>
Other revenue							252,462
Other unamortized expense							(1,117,328)
Other income and expense							(306,514)
Finance costs							(20,176)
Share of profits of associates accounted for using the equity method							<u>166,036</u>
Profit before tax (continuing operations)							<u>\$ 9,128,361</u>
<u>For the year ended December 31, 2019</u>							
Revenue from external customers	\$ 16,889,044	\$ 13,651,265	\$ 12,870,217	\$ 4,561,529	\$ 6,091,982	\$ 80,625	\$ 54,144,662
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 16,889,044</u>	<u>\$ 13,651,265</u>	<u>\$ 12,870,217</u>	<u>\$ 4,561,529</u>	<u>\$ 6,091,982</u>	<u>\$ 80,625</u>	<u>54,144,662</u>
Eliminations	-	-	-	-	-	-	-
Consolidated revenue							<u>54,144,662</u>
Segment income	<u>\$ 5,503,397</u>	<u>\$ 2,667,493</u>	<u>\$ 2,401,264</u>	<u>\$ 428,432</u>	<u>\$ 911,720</u>	<u>\$ (28,588)</u>	<u>11,883,718</u>
Other revenue							301,883
Other unamortized expense							(2,650,216)
Other income and expense							(325,284)
Finance costs							(25,041)
Share of profits of associates accounted for using the equity method							<u>122,820</u>
Profit before tax (continuing operations)							<u>\$ 9,307,880</u>

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

Revenue from Major Products and Services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Embedded boards and chassis	\$ 23,887,240	\$ 26,275,929
Industrial computer and industrial control	21,424,703	21,776,158
After-sales service and others	<u>5,807,465</u>	<u>6,092,575</u>
	<u>\$ 51,119,408</u>	<u>\$ 54,144,662</u>

Geographical Information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Taiwan	\$ 3,382,825	\$ 3,306,319	\$ 7,617,422	\$ 7,651,703
Asia	23,445,228	24,153,764	3,331,160	3,614,074
USA	13,210,673	15,105,993	2,150,279	2,490,511
Europe	8,466,292	8,937,030	779,631	620,559
Others	<u>2,614,390</u>	<u>2,641,556</u>	<u>13,202</u>	<u>25,772</u>
	<u>\$ 51,119,408</u>	<u>\$ 54,144,662</u>	<u>\$ 13,891,694</u>	<u>\$ 14,402,619</u>

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

Information about Major Customers

No customers contributed 10% or more to the Group's revenue for both years ended December 31, 2020 and 2019.

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note H)		Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	LNC	LNC Dong Guan	Trade receivables - related parties	Yes	\$ 70,000	\$ 70,000	\$ -	-	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 36,715 (Note D)	\$ 146,858 (Note D)
2	Advantech Corporate Investment	The Company	Trade receivables - related parties	Yes	1,000,000	-	-	1.00	Short-term financing	-	Financing need	-	None	None	1,363,767 (Note E)	1,363,767 (Note E)
3	AAC (BVI)	ATJ	Trade receivables - related parties	Yes	177,000 (JPY 600,000 thousand)	-	-	0.55	Short-term financing	-	Financing need	-	None	None	3,713,650 (Note C)	3,713,650 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: Translated based on the exchange rates as of December 31, 2020: JPY1=NT\$0.276.

Note C: The financing limit for each borrower and the aggregate financing were both 40%, of AAC (BVI)’s net asset value, and were supervised by the Company.

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

Note E: The financing limit for each borrower and the aggregate financing were both 40%, of Advantech Corporate Investment’s net asset value, and were supervised by the Company.

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

TABLE 2

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	\$ 3,441,016	\$ 907,500 (US\$ 30,000)	\$ 854,400 (US\$ 30,000)	\$ -	\$ -	2.48	\$ 10,323,047	Y	N	N
		AAC (BVI)	Subsidiary	3,441,016	302,500 (US\$ 10,000)	284,800 (US\$ 10,000)	-	-	0.83	10,323,047	Y	N	N
		Advantech Corporate Investment	Subsidiary	3,441,016	302,500 (US\$ 10,000)	284,800 (US\$ 10,000)	-	-	0.83	10,323,047	Y	N	N
		ATJ	Subsidiary	3,441,016	282,000 (JPY 1,000,000)	276,000 (JPY 1,000,000)	110,400 (JPY 400,000)	-	0.80	10,323,047	Y	N	N
		AKMC	Subsidiary	3,441,016	181,500 (US\$ 6,000)	170,880 (US\$ 6,000)	-	-	0.50	10,323,047	Y	N	Y
		ACISM	Subsidiary	3,441,016	151,250 (US\$ 5,000)	142,400 (US\$ 5,000)	-	-	0.41	10,323,047	Y	N	N
		SIoT (Cayman)	Subsidiary	3,441,016	302,500 (US\$ 10,000)	284,800 (US\$ 10,000)	-	-	0.83	10,323,047	Y	N	N
		B+B	Subsidiary	3,441,016	151,250 (US\$ 5,000)	142,400 (US\$ 5,000)	-	-	0.41	10,323,047	Y	N	N
		AJP	Subsidiary	3,441,016	302,500 (JPY 500,000)	138,000 (JPY 500,000)	27,600 (JPY 100,000)	-	0.40	10,323,047	Y	N	N
		Advantech Intelligent City Services Co., Ltd. (formerly known as AiST)	Subsidiary	3,441,016	90,675 (US\$ 3,000)	85,440 (US\$ 3,000)	-	-	0.25	10,323,047	Y	N	N
		AIH	Subsidiary	3,441,016	90,675 (US\$ 3,000)	85,440 (US\$ 3,000)	-	-	0.25	10,323,047	Y	N	N
		ABR	Subsidiary	3,441,016	45,375 (US\$ 1,500)	42,720 (US\$ 1,500)	-	-	0.12	10,323,047	Y	N	N
		A-SIoT	Subsidiary	3,441,016	35,080 (EUR 1,000)	35,020 (EUR 1,000)	-	-	0.10	10,323,047	Y	N	N
		AVN	Subsidiary	3,441,016	30,250 (US\$ 1,000)	28,480 (US\$ 1,000)	-	-	0.08	10,323,047	Y	N	N
		ARU	Subsidiary	3,441,016	30,225 (US\$ 1,000)	28,480 (US\$ 1,000)	-	-	0.08	10,323,047	Y	N	N
		Cermate (Taiwan)	Subsidiary	3,441,016	30,250 (US\$ 1,000)	28,480 (US\$ 1,000)	20,000 (NT\$ 20,000)	-	0.08	10,323,047	Y	N	N
		Cermate (Shenzhen)	Subsidiary	3,441,016	30,250 (US\$ 1,000)	28,480 (US\$ 1,000)	-	-	0.08	10,323,047	Y	N	Y
		ACZ	Subsidiary	3,441,016	15,250 (US\$ 500)	14,240 (US\$ 500)	-	-	0.04	10,323,047	Y	N	N
		ATR	Subsidiary	3,441,016	15,125 (US\$ 500)	14,240 (US\$ 500)	-	-	0.04	10,323,047	Y	N	N
		Advanixs Corp.	Subsidiary	3,441,016	15,125 (US\$ 500)	14,240 (US\$ 500)	-	-	0.04	10,323,047	Y	N	N
		AAU	Subsidiary	3,441,016	6,050 (US\$ 200)	5,696 (US\$ 200)	-	-	0.02	10,323,047	Y	N	N
		ACI IOT Investment Fund-1 Corporation	Subsidiary	3,441,016	6,045 (US\$ 200)	5,696 (US\$ 200)	-	-	0.02	10,323,047	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		AMY	Subsidiary	\$ 3,441,016	\$ 3,023 (US\$ 100)	\$ 2,848 (US\$ 100)	\$ -	\$ -	0.01	\$ 10,323,047	Y	N	N
		AKR	Subsidiary	3,441,016	174,785 (US\$ 6,050)	172,304 (US\$ 6,050)	26,078 (KRW 1,003,000)	-	0.50	10,323,047	Y	N	N

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

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

Note C: The exchange rates as of December 31, 2020 were US\$1=NT\$28.48, EUR1=NT\$35.02 and JPY1=NT\$0.276.

Note D: The latest net equity is from the Group’s consolidated financial statements for the year ended December 31, 2020.

(Concluded)

TABLE 3

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Share</u>							
	ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income - non-current	4,739,461	\$ 1,187,235	0.64	\$ 1,187,235	Note A
	Allied Circuit Co., Ltd.	-	"	1,200,000	145,200	2.41	145,200	Note A
	<u>Fund</u>							
	Capital Money Market		Financial assets at fair value through profit or loss - current	9,225,566	150,057	-	150,057	Note B
	FSITC Money Market	-	"	2,508,127	451,087	-	451,087	Note B
	FSITC Taiwan Money Market	-	"	103,735,038	1,600,995	-	1,600,995	Note B
Advantech Corporate Investment	Mega Diamond Money Market	-	"	114,671,962	1,450,589	-	1,450,589	Note B
	<u>Share</u>							
	Contec	-	Financial assets at fair value through profit or loss - current	26,500	12,741	0.41	12,741	Note A
	GSD Technologies Co., Ltd.	-	"	2,813,000	180,313	8.27	180,313	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,501,000	302,621	5.03	302,621	Note A
	BoardTec System Inc.	-	"	225,000	3,441	7.50	3,441	Note C
	BiosenseTek Corp.	-	"	37,500	-	1.79	-	Note C
	Juguar Technology	-	"	500,000	4,302	11.54	4,302	Note C
	Taiwan DSC PV Ltd.	-	"	1,600	-	3.20	-	Note C
	Feng Sang Enterprise Co., Ltd.	-	"	1,788,750	44,719	15.00	44,719	Note C
	Lanner Electronics Inc.	-	Financial assets at fair value through profit or loss - current	275,000	18,975	0.23	18,975	Note A
	Posiflex Technology Inc.	-	"	134,000	10,680	0.18	10,680	Note A
	Phison Electronics Corp.	-	"	64,000	21,280	0.03	21,280	Note A
	Innodisk Corp.	-	"	65,000	10,790	0.08	10,790	Note A
	Grandtech C.G. System Inc.	-	"	270,000	10,827	0.46	10,827	Note A
	Cypress Technology Co., Ltd.	-	"	180,268	10,401	0.35	10,401	Note A
	Chenbro Micom Co., Ltd.	-	"	117,000	9,594	0.91	9,594	Note A
	ISI	-	"	655	15,261	-	15,261	Note A
	TRMB	-	"	8,490	16,144	-	16,144	Note A
	LTRX	-	"	46,000	5,817	0.16	5,817	Note A

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	MSI	-	Financial assets at fair value through profit or loss - current	2,400	\$ 11,624	-	\$ 11,624	Note A
	HOLI	-	"	31,500	13,179	0.05	13,179	Note A
	EQIX	-	"	700	14,238	-	14,238	Note A
	NSIT	-	"	4,750	10,293	0.01	10,293	Note A
	China Mobile Ltd.	-	"	74,000	12,014	-	12,014	Note A
	Maxnerva Technology Services Inc.	-	"	3,812,000	6,861	0.58	6,861	Note A
	<u>Fund</u>							
	Taishin 1699 Money Market	-	"	29,087,859	396,930	-	396,930	Note B
	FSITC Taiwan Money Market	-	"	3,240,735	50,016	-	50,016	Note B
	Mega Diamond Money Market	-	"	5,245,488	66,355	-	66,355	Note B
Advanixs Corporate	<u>Fund</u>							
	CBC Capital	-	Financial assets at fair value through profit or loss - non-current	-	77,950	0.04	77,950	Note C
	<u>Fund</u>							
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	6,466,890	96,680	-	96,680	Note B
	Mega Diamond Money Market	-	"	5,370,924	67,942	-	67,942	Note B
Advantech Intelligent City Services Co., Ltd.	<u>Fund</u>							
	Jih Sun Money Market	-	"	855,044	12,783	-	12,783	Note B
AdvanPOS	<u>Fund</u>							
	Mega Diamond Money Market	-	"	1,189,398	15,046	-	15,046	Note B
SIoT (Cayman)	<u>Fund</u>							
	FSITC Taiwan Money Market	-	"	14,473,571	223,378	-	223,378	Note B
	Taishin 1699 Money Market	-	"	32,246,377	440,031	-	440,031	Note B
	FSITC Money Market	-	"	361,931	65,093	-	65,093	
Advantech Innovative Design Co., Ltd.	<u>Fund</u>							
	Capital Money Market	-	"	625,517	10,174	-	10,174	Note B
AiSC	<u>Fund</u>							
	Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	126,715	8.43	126,715	Note C
	<u>Share</u>							
	Jama Pro Co., Ltd.	-	"	583,300	-	10.00	-	Note C
Yun Yan, Wu-Lian Co., Ltd.	<u>Fund</u>							
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	27,092	4,872	-	4,872	Note B

(Continued)

Note A: Market value was based on the closing price on December 31, 2020.

Note B: Market value was based on the net asset value of the open-ended mutual funds on December 31, 2020.

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

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u>													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss	-	-	74,093,066	\$ 931,183	161,487,734	\$ 2,040,007	120,908,838	\$ 1,527,284	\$ 1,521,183	\$ 6,101	114,671,962	\$ 1,450,007
	FSITC Taiwan Money Market	Same as above	-	-	32,562,860	500,000	205,141,856	3,160,010	133,969,678	2,064,647	2,060,002	4,645	103,735,038	1,600,008
	Capital Money Market	Same as above	-	-	-	-	78,235,826	1,270,003	69,010,260	1,121,044	1,120,002	1,042	9,225,566	150,001
Advantech Corporate Investment	<u>Fund</u>													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss	-	-	24,633,086	310,158	-	-	24,633,086	310,412	310,158	254	-	-
	FSITC Taiwan Money Market	Same as above	-	-	18,910,187	290,517	19,492,902	300,000	35,162,354	541,310	540,517	793	3,240,735	50,000

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	ANA	Subsidiary	Sale	\$ 9,841,226	28.62	45 days after month-end	Contract price	No significant difference in terms for related parties	\$ 1,473,318	24.17	Note A
	ACN	Subsidiary	Sale	7,835,620	22.78	45 days after month-end	Contract price	No significant difference in terms for related parties	1,825,651	29.95	
	AEU	Subsidiary	Sale	4,142,031	12.04	30 days after month-end	Contract price	No significant difference in terms for related parties	755,893	12.40	
	SIoT (Cayman)	Subsidiary	Sale	945,755	2.75	60 days after month-end	Contract price	No significant difference in terms for related parties	8,369	0.14	
	AKR	Subsidiary	Sale	989,056	2.88	60 days after invoice date	Contract price	No significant difference in terms for related parties	97,724	1.60	
	AJP	Subsidiary	Sale	713,830	2.08	60-90 days	Contract price	No significant difference in terms for related parties	68,423	1.12	
	Advanixs Corp.	Subsidiary	Sale	592,897	1.72	30 days after month-end	Contract price	No significant difference in terms for related parties	66,824	1.10	
	B+B	Subsidiary	Sale	276,204	0.80	45 days after month-end	Contract price	No significant difference in terms for related parties	-	-	
	AAU	Subsidiary	Sale	285,049	0.83	60-90 days	Contract price	No significant difference in terms for related parties	32,030	0.53	
	ASG	Subsidiary	Sale	228,118	0.66	60-90 days	Contract price	No significant difference in terms for related parties	66,355	1.09	
	ATR	Subsidiary	Sale	107,897	0.31	45 days after month-end	Contract price	No significant difference in terms for related parties	3,791	0.06	
	AVN	Subsidiary	Sale	120,333	0.35	45 days after month-end	Contract price	No significant difference in terms for related parties	31,659	0.52	
	ABR	Subsidiary	Sale	129,392	0.38	90 days after month-end	Contract price	No significant difference in terms for related parties	1,823	0.03	
	AMY	Subsidiary	Sale	157,810	0.46	45 days after month-end	Contract price	No significant difference in terms for related parties	14,440	0.24	
	A-SIoT	Subsidiary	Sale	301,122	0.88	30 days after invoice date	Contract price	No significant difference in terms for related parties	186,523	3.06	
	AKMC	Subsidiary	Purchase	(11,047,054)	41.15	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,751,018)	43.47	
AKMC	The Company	Parent company	Sale	11,047,054	93.13	Usual trade terms	Contract price	No significant difference in terms for related parties	1,751,018	95.52	
ANA	The Company	Parent company	Purchase	(9,841,226)	83.00	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,473,318)	88.70	
ACN	The Company	Parent company	Purchase	(7,835,620)	76.88	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,825,651)	83.48	
AEU	The Company	Parent company	Purchase	(4,142,031)	62.47	30 days after month-end	Contract price	No significant difference in terms for related parties	(755,893)	82.76	
SIoT (Cayman)	The Company	Parent company	Purchase	(945,755)	89.58	60 days after month-end	Contract price	No significant difference in terms for related parties	(8,369)	50.68	
AKR	The Company	Parent company	Purchase	(989,056)	61.22	60 days after invoice date	Contract price	No significant difference in terms for related parties	(97,724)	57.61	
AJP	The Company	Parent company	Purchase	(713,830)	86.94	60-90 days	Contract price	No significant difference in terms for related parties	(68,423)	91.44	
Advanixs Corp.	The Company	Parent company	Purchase	(592,897)	99.67	30 days after month-end	Contract price	No significant difference in terms for related parties	(66,824)	96.31	
B+B	The Company	Parent company	Purchase	(276,204)	49.87	45 days after month-end	Contract price	No significant difference in terms for related parties	-	-	
AAU	The Company	Parent company	Purchase	(285,049)	77.99	60-90 days	Contract price	No significant difference in terms for related parties	(32,030)	77.53	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ASG	The Company	Parent company	Purchase	\$ (228,118)	64.86	60-90 days	Contract price	No significant difference in terms for related parties	\$ (66,355)	78.91	
ATR	The Company	Parent company	Purchase	(107,897)	82.07	45 days after month-end	Contract price	No significant difference in terms for related parties	(3,791)	96.86	
AVN	The Company	Parent company	Purchase	(120,333)	89.74	45 days after month-end	Contract price	No significant difference in terms for related parties	(31,659)	100.00	
ABR	The Company	Parent company	Purchase	(129,392)	70.96	90 days after month-end	Contract price	No significant difference in terms for related parties	(1,823)	45.58	
AMY	The Company	Parent company	Purchase	(157,810)	81.63	45 days after month-end	Contract price	No significant difference in terms for related parties	(14,440)	80.70	
A-SIoTT	The Company	Parent company	Purchase	(301,122)	32.61	30 days after invoice date	Contract price	No significant difference in terms for related parties	(186,523)	84.41	
AKMC AKMC	ACN SIoT (Cayman)	Related enterprise	Sale	419,091	3.53	Usual trade terms	Contract price	No significant difference in terms for related parties	61,363	3.35	
		Related enterprise	Sale	107,691	0.91	Usual trade terms			-	-	
ACZ	AEU	Related enterprise	Sale	244,148	77.88	Usual trade terms	Contract price	No significant difference in terms for related parties	49,842	93.03	
							Contract price	No significant difference in terms for related parties			
ACN	SIoT (China)	Related enterprise	Sale	127,583	1.07	Usual trade terms	Contract price	No significant difference in terms for related parties	32,337	1.08	
SIoT (Cayman)	ANA	Related enterprise	Sale	515,983	34.07	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
SIoT (Cayman)	AEU	Related enterprise	Sale	283,159	18.70	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
SIoT (Cayman)	A-SIoTT	Subsidiary	Sale	365,111	24.11	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
LNC	LNC Dong Guan	Subsidiary	Sale	375,439	79.33	Usual trade terms	Contract price	No significant difference in terms for related parties	231,844	89.77	
ACN	AKMC	Related enterprise	Purchase	(419,091)	4.11	Usual trade terms	Contract price	No significant difference in terms for related parties	(61,363)	2.81	
SIoT (Cayman)	AKMC	Related enterprise	Purchase	(107,691)	10.20	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
AEU	ACZ	Related enterprise	Purchase	(244,148)	3.68	Usual trade terms	Contract price	No significant difference in terms for related parties	(49,842)	5.46	
							Contract price	No significant difference in terms for related parties			
SIoT (China)	ACN	Related enterprise	Purchase	(127,583)	91.84	Usual trade terms	Contract price	No significant difference in terms for related parties	(32,337)	95.01	
ANA	SIoT (Cayman)	Related enterprise	Purchase	(515,983)	4.35	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
AEU	SIoT (Cayman)	Related enterprise	Purchase	(283,159)	4.27	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
A-SIoTT	SIoT (Cayman)	Parent company	Purchase	(365,111)	39.53	Usual trade terms	Contract price	No significant difference in terms for related parties	-	-	
LNC Dong Guan	LNC	Parent company	Purchase	(375,439)	78.67	Usual trade terms	Contract price	No significant difference in terms for related parties	(231,844)	94.89	

Note A: Realized gain for the period was \$7,701 thousand.

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

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Real estate	2020.10.30	\$ 1,410,000	Under the contract, based on percentage of construction completed; accumulated payments of \$20,937 thousand were made as of December 31, 2020 and \$20,937 thousand were made in the fourth quarter of 2020.	Chung-Lin General Contractors, Ltd.	None	-	-	-	\$ -	Contract price	For the Company's expansion	None

TABLE 7

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 1,825,651	4.37	\$ -	-	\$ 411,438	\$ -
	ANA	Subsidiary	1,481,088	7.19	-	-	-	-
	AEU	Subsidiary	760,148	4.68	-	-	205,805	-
	AKMC	Subsidiary	246,596	Note A	-	-	227,866	-
	A-SIOT	Subsidiary	187,458	2.93	-	-	-	-
AKMC	The Company	Parent company	1,751,018	5.88	-	-	1,474,533	-
LNC	LNC Dong Guan	Subsidiary	231,844	1.65	-	-	64,431	-

Note A: Sales revenue on materials delivered to subcontractors have been eliminated upon consolidation.

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

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	\$ 3,875,214	\$ 2,332,397	128,496,207	100.00	\$ 8,958,093	\$ 1,137,930	\$ 1,179,150	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	40,850,000	100.00	4,171,160	135,420	133,241	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	100,000	100,000	10,000,000	100.00	233,965	35,559	35,559	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	2,900,000	300,000,000	100.00	3,408,682	128,860	128,993	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	24.17	647,383	306,598	75,703	Equity-method investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	298,263	1,032	1,032	Subsidiary (Note A)
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	277,946	304,865	17,730,000	59.10	349,243	48,536	27,938	Subsidiary
	AMX	Mexico	Sale of industrial automation products	61,909	4,922	10,000,002	60.00	38,870	(7,090)	(4,142)	Subsidiary (Note A)
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	904,466	(100,653)	(95,283)	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	111,484	25,998	26,835	Subsidiary (Note A)
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51.00	56,943	9,577	4,991	Subsidiary (Note A)
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	33,504	18,249	18,281	Subsidiary (Note A)
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	434,082	31,118	28,699	Subsidiary (Note A)
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	66,207	25,102	25,102	Subsidiary (Note A)
	AKR	Seoul, Korea	Sale of industrial automation products	156,668	73,355	600,000	100.00	382,645	95,213	95,112	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	103,146	43,216	12,723,038	100.00	92,968	26,030	22,884	Subsidiary (Note A)
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,120	70	70	Subsidiary (Note A)
	Advantech Intelligent City Services Co., Ltd. (formerly known as AiST)	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	94,701	(1,178)	(1,178)	Subsidiary (Note A)
	B+B	Delaware, USA	Sale of industrial network communications systems	-	1,968,044	-	-	-	(117,357)	(83,241)	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	14,669	1,725	1,461	Subsidiary (Note A)
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	180,000	6,750,000	27.00	45,217	(81,766)	(36,795)	Equity-method investee (Note A)
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	-	83,313	-	-	-	(15,281)	(15,281)	Subsidiary (Note A)
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	557,027	255,275	42,280	Equity-method investee (Note A)
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	60,087	15,690	6,082	Subsidiary (Note A)
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	251,915	251,915	1,004,310	16.08	248,138	(8,426)	(1,601)	Equity-method investee
	ARU	Moscow	Production and sale of industrial automation products	44,676	23,822	1	100.00	12,493	(17,642)	(17,642)	Subsidiary (Note A)
	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	323,130	323,130	500,000	50.00	393,161	34,819	13,225	Subsidiary
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	58,482	260,870	60.00	43,750	13,525	5,054	Subsidiary (Note A)
	AIL	Israel	Sale of industrial network communications systems	8,653	8,653	100	100.00	8,688	(52)	(52)	Subsidiary (Note A)
	Huan Yan Water Solution Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	27,000	-	2,700,000	100.00	27,000	-	-	Subsidiary (Note A)
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	-	3,719	-	-	-	-	-	Equity-method investee (Note A)
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	-	55,579	-	-	-	(15,281)	-	Subsidiary (Note A)
AJP	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	184,649	184,649	286,100	28.61	232,055	34,819	9,962	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
Advantech Corporate Investment	Cermate Taiwan	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	\$ 71,500	\$ 71,500	5,500,000	55.00	\$ 125,754	\$ 19,106	\$ 10,641	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	12,788	(3,087)	(1,225)	Equity-method investee (Note A)
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	151,529	(29,031)	(5,184)	Equity-method investee (Note A)
	AzureWave Technologies, Inc.	Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.67	551,457	304,098	59,830	Equity-method investee
	Huan Yan, Jhih-Lian Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	-	5,000	-	-	-	(6)	(3)	Subsidiary (Note A)
	Yun Yan, Wu-Lian Co., Ltd.	Taipei, Taiwan	Industrial equipment networking in Greater China	5,000	5,000	500,000	50.00	2,593	1	-	Subsidiary (Note A)
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,302	(8,426)	-	Equity-method investee
	i-Link Co., Ltd.	Taichung, Taiwan	Intelligent medical integration	9,091	9,237	845,000	20.13	4,290	(11,858)	(2,614)	Equity-method investee (Note A)
	DotZero Co., Ltd.	Taichung, Taiwan	Intelligent metal processing integration	8,100	8,100	490,000	27.00	4,507	(6,414)	(1,732)	Equity-method investee (Note A)
	Mildex Optical Inc.	Kaohsiung, Taiwan	Manufacturing of electronic parts	202,948	202,948	15,710,000	15.37	164,589	(117,945)	(15,793)	Equity-method investee (Note A)
	Information Technology Total Service Co., Ltd.	Taipei, Taiwan	Service of electronic information	147,444	147,444	5,084,273	18.61	156,544	66,307	12,338	Equity-method investee (Note A)
	ACI IOT Investment Fund-1 Corporation	Taipei, Taiwan	Investment holding company	238,000	238,000	23,800,000	79.33	279,711	48,147	38,196	Subsidiary (Note A)
	ACISM	Samoa	General investment	18,214	18,214	1	100.00	9,904	(3,847)	(3,847)	Subsidiary (Note A)
	Smasoft Technology Co., Ltd.	Taipei, Taiwan	Manufacture and sale of electronics equipment	15,000	15,000	170,455	20.00	11,033	(20,042)	(4,008)	Equity-method investee (Note A)
	Impelex Data Transfer Co., Ltd.	Taichung, Taiwan	Manufacture and sale of electronics equipment	10,000	-	2,500,000	20.00	10,659	3,184	659	Equity-method investee (Note A)
	VSO	Taipei, Taiwan	Manufacture and sale of electronics equipment	120,000	-	28,000,000	14.29	130,940	101,476	14,497	Equity-method investee (Note A)
	Hwacom Systems Inc.	Taipei, Taiwan	Computer systems service	10,000	-	1,492,852	34.83	10,000	(3,346)	-	Equity-method investee (Note A)
	IISI	Taipei, Taiwan	Service of software	357,119	357,119	24,575,000	20.73	376,666	(13,476)	(2,794)	Equity-method investee (Note A)
	Isap Solution Corp.	Taipei, Taiwan	Service of software	243,086	-	14,299,205	19.68	263,747	169,947	37,707	Equity-method investee (Note A)
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	4,214,597	135,534	133,355	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	4,672,783	435,735	435,456	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,595,995	455,444	461,942	Subsidiary
	ADB	Dubai	Sale of industrial network communications systems	-	-	-	100.00	2,687	409	409	Subsidiary (Note A)
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US\$ 50,000	US\$ 50,000	30,000,000	100.00	2,073,239	239,337	281,732	Subsidiary (Note A)
SIoT (Cayman)	B+B	Delaware, USA	Sale of industrial network communications systems	-	-	-	-	-	(117,357)	12,563	Subsidiary (Note A)
	A-SIoT	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	522,719	522,719	1	100.00	500,910	(32,262)	(28,755)	Subsidiary (Note A)
	AIH	Taipei, Taiwan	Service of software	12,254	7,700	1,100,000	100.00	3,115	(6,597)	(6,164)	Subsidiary (Note A)
	ANA	Delaware, USA	Sale of industrial network communications systems	-	1,328,004	-	100.00	1,053,978	(117,357)	(46,679)	Subsidiary
AEUH	BBIE	Ireland	Sale of industrial network communications systems	US\$ 39,481	-	-	100.00	62,275	-	-	Subsidiary
	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	1,016,133	(106,114)	(103,131)	Subsidiary
ASG	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	7,030	100.00	39,769	5,961	5,824	Subsidiary (Note A)
	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	55,735	9,577	4,693	Subsidiary (Note A)
Cermate Taiwan	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	9,172	(285)	604	Subsidiary (Note A)
	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	138,684	29,289	29,879	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
LNC	Better Auto	BVI	General investment	\$ 244,615	\$ 244,615	7,425,000	100.00	\$ 59,709	\$ 33,515	\$ 32,600	Subsidiary
Better Auto	Famous Now	Hong Kong	General investment	US\$ 4,000	US\$ 4,000	1	100.00	65,130	33,515	33,515	Subsidiary
B+B	BBIE	Ireland	Sale of industrial network communications systems	-	US\$ 39,481	-	-	-	(3,959)	(3,965)	Subsidiary
BBIE	ACZ	Czech Republic	Manufacturing automation	-	-	-	100.00	300,348	30,553	30,553	Subsidiary

Note A: The respective entity is an immaterial subsidiary; its financial statements have not been audited, which does not result in a significant impact on the Group’s consolidated financial statements.

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

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

(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (E.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. ("AKMC")	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note F)	Indirect	\$ 1,062,304 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,062,304 (US\$ 37,300 thousand)	\$ 144,951	100	\$ 133,356	\$ 4,214,599	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	151,855 (US\$ 5,332 thousand)	-	-	151,855 (US\$ 5,332 thousand)	461,170	100	467,667	1,938,541	319,887 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US\$ 8,000 thousand	Indirect	227,840 (US\$ 8,000 thousand)	-	-	227,840 (US\$ 8,000 thousand)	(8,514)	100	(8,515)	631,059	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	48	100	48	29,344	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	90,965 (US\$ 3,194 thousand)	-	-	90,965 (US\$ 3,194 thousand)	33,515	100	33,351	64,966	-
Shenzhen Cermate Technologies Inc.	Production and sale of human machine interface	RMB 2,000 thousand	Indirect	8,772 (US\$ 308 thousand)	-	-	8,772 (US\$ 308 thousand)	23,020	90	20,851	99,939	39,364 (US\$ 717 thousand) (RMB 4,328 thousand)

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (E.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Cermate Technologies (Shanghai) Inc.	Sale of human machine interface	US\$ 520 thousand	Indirect	\$ 16,291 (US\$ 572 thousand)	\$ -	\$ -	\$ 16,291 (US\$ 572 thousand)	\$ 8,571	100	\$ 8,571	\$ 42,742	\$ -
Advantech Service-IoT (Shanghai) Co., Ltd.	Development, consulting and services in intelligent technology	RMB 15,000 thousand	Indirect	(Note F)	-	-	(Note F)	2,902	100	2,902	39,756	-
Shanghai Yanlo Co., Ltd.	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	(4,092)	100	(3,176)	5,193	-
Tianjin Anjie IOT Science And Technology Co., Ltd. (“Anjie”)	Operation and maintenance for intelligent general equipment 、 consulting services for comprehensive energy issues	RMB 3,000 thousand	Other	(Note G)	-	-	(Note G)	(1)	20	-	2,625	-
GSD Environmental Technology Co., Ltd. (“GSD”)	Development consulting, and services in the field of environmental technology	RMB 10,000 thousand	Indirect	16,604 (US\$ 583 thousand)	-	-	16,604 (US\$ 583 thousand)	(9,618)	40	(3,847)	9,904	-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,580,326 (US\$55,489 thousand) (Note D)	\$2,255,046 (US\$79,180 thousand)	\$21,027,854 (Note I)

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated from trading between the Company and its investees in mainland China are described in Tables 5.

Note C: Remittance by ACN.

Note D: Included is the outflow of US\$200 thousand on the investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. located in a free trade zone in Guangzhou. 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 reduction in the accumulated investment amount by the return amount.

(Continued)

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

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

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

Note H: The exchange rate was US\$1=NT\$28.48 and RMB1=NT\$4.377.

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

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

(Concluded)

TABLE 10**ADVANTECH CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
ASUSTek Computer Inc.	110,677,983	14.33
K&M Investment Co., Ltd.	91,369,108	11.83
AIDC Investment Corp.	90,295,663	11.69

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

TABLE 11**ADVANTECH CO., LTD. AND SUBSIDIARIES****SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Advantech Co., Ltd.	AAU	1	Sales revenue	\$ 285,049	Normal	1
		ACN	1	Sales revenue	7,835,620	Normal	15
		ACN	1	Receivables from related parties	1,825,651	45 days EOM	4
		AEU	1	Sales revenue	4,142,031	Normal	8
		AEU	1	Receivables from related parties	755,893	60-90 days	2
		AJP	1	Sales revenue	713,830	Normal	1
		AKR	1	Sales revenue	989,056	Normal	2
		ANA	1	Sales revenue	9,841,226	Normal	19
		ANA	1	Receivables from related parties	1,473,318	45 days EOM	3
		B+B	1	Sales revenue	276,204	Normal	1
		SIoT (Cayman)	1	Sales revenue	945,755	Normal	2
		Advanixs Corp.	1	Sales revenue	592,897	Normal	1
1	AKMC	The Company	2	Receivables from related parties	1,751,018	60 days EOM	3
		The Company	2	Sales revenue	11,047,054	Normal	22
		ACN	3	Sales revenue	419,091	Normal	1
2	SIoT (Cayman)	AEU	3	Sales revenue	283,159	Normal	1
		ANA	3	Sales revenue	515,983	Normal	1
		A-SIoT	3	Sales revenue	317,234	Normal	1
3	LNC	LNC Dong Guan	3	Sales revenue	375,439	Normal	1

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

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

Note B: The flow of related-party transactions is as follows:

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of December 31, 2020, while revenue, costs and expenses are shown as a percentage to consolidated total operating revenue for the year ended December 31, 2020.

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

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Advantech Co., Ltd.

K.C. Liu , Chairman



ADVANTECH

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