

ADVANTECH

Stock Code:2395

Enabling an Intelligent Planet

Advantech Co., Ltd.
2023 ANNUAL REPORT



Printing date: April 1, 2024
Website <http://mops.twse.com.tw>

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Letter to Shareholders

Dear Shareholders,

Financial Performance

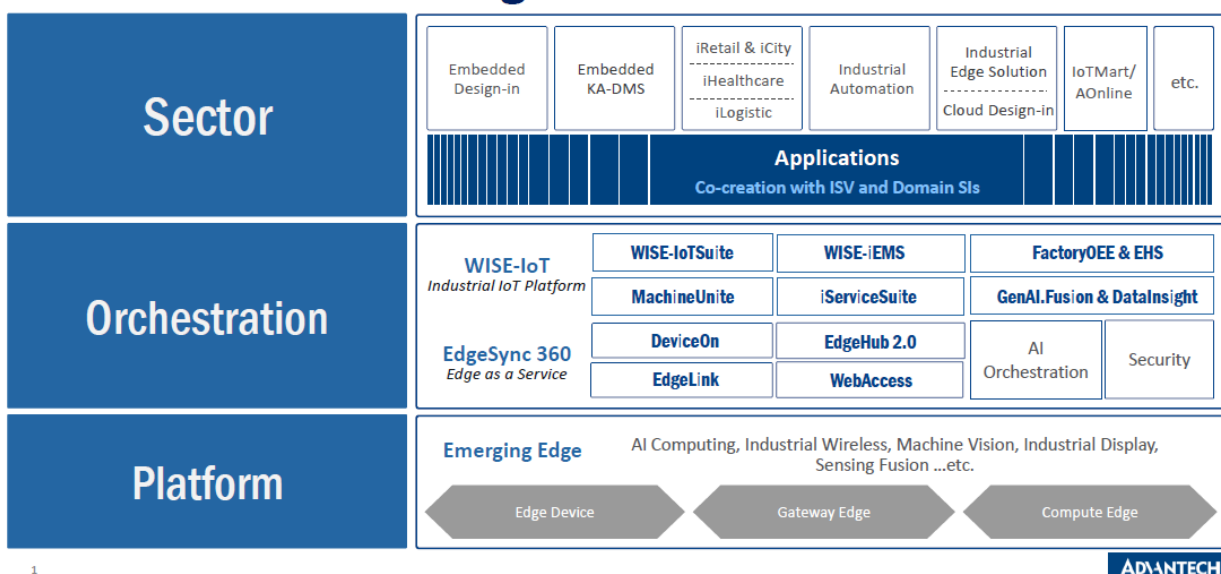
In 2023, Advantech achieved consolidated revenue of NT\$64.568 billion, a decline of 6% compared to 2022. The gross profits reached NT\$26.162 billion (gross margin of 40.5%), while consolidated net income after tax was NT\$10.838 billion, representing a 0.8% increase compared to the previous year. EPS for the year reached NT\$12.65. In US dollars, Advantech's 2023 revenue amounted to US\$2.074 billion, a decrease of 10% compared to the previous year. In terms of regional performance, the Japanese market performed the best with a 10% increase, while China, Taiwan, and Emerging markets experienced double-digit revenue declines. In terms of business units, only the Embedded-IoT Group (EIoT) and Applied Computing Group (ACG) maintained flat in YoY due to demand slowdown, while the rest of the business units generally experienced declined in YoY.

During the off-peak season, Advantech accelerated its strategic deployment in key technologies and regional markets, including expanding its production capacity to enhance manufacturing resilience in Malaysia; expanding its operational base in India and establishing a local software development center; completing the merger and acquisition of Bitflow, a North American Image Capturing Solution Provider, and improving its AI machine vision technology blueprint. Advantech continues to deepen its presence in the AIoT industry, speeding up the company's future development and growth.

Key Development Strategies

Advantech is committed to cultivating the AIoT + edge computing sector, with a long-term strategic framework that (Figure A) composed of three key components: Platform, Orchestration, and Sector.

Advantech Strategic Framework, Leading AIoT Sector Driven Orchestration



1

Figure.A : Advantech's Longterm Strategy Structure

Orchestration Business model:

Advantech's vision for the next decade is to integrate its existing AIoT + Edge Computing hardware platform products with the mature WISE-IoT software platform developed over the past eight years. This integration will be further enhanced by incorporating industry-specific AI solutions and domain knowledge, culminating in an "Orchestration business model" that facilitates industry-wide integration and application.

As shown in Figure A, the bottom layer represents the hardware platform, where Advantech has accumulated numerous mature products over decades of entrepreneurship. We will continue to cultivate and develop innovations in the listed areas to become the most comprehensive Edge Computing supplier. The top layer, Sector, represents the application market areas that Advantech will target, focusing on serving equipment manufacturers and integrators in these sectors.

The middle layer, Orchestration, signifies the synergy of Advantech's various sectors using the WISE-IoT and EdgeSync 360 software platforms. This enables customers to efficiently complete projects in the AIoT application development process with minimal development effort.

The next decade is expected to be a golden period of high development for AI/IoT/Edge Computing applications across various industries. We are prepared to embrace the new opportunities in AIoT + Edge Computing with the Sector Driven and Orchestration business concepts, further realizing the long-term corporate vision of Enabling an Intelligent Planet. While this operating model may pose challenges and require time to accumulate results, it is expected to be a sustainable and strongly defensible model, making significant long-term contributions to shareholders and society.

Platform: Industrial Edge Development Strategy

According to estimates from the international research firm Gartner, the AIoT industry's market value projected to reach USD 450 billion by 2025. In 2024, Advantech will focus on development in the AI + IoT + edge computing sector, with a particular emphasis on emerging edge computing platforms.

High-Performance Edge Computing

As 5G technology and infrastructure approach maturity, there's growing demand for high-performance edge computing platforms. This demand arises from 5G's low latency and high-speed transmission advantages, the ability to distribute workload from cloud data centers, and low data transfer risk. Currently, the market for CPU chip architectures is dominated by x86 and Arm/RISC, both of which produce high-performance computing (HPC) chips to meet the rapid computational needs of various industries (e.g., 5G, network communication, health care, transportation, automated equipment, and robots). Advantech co-develops high-performance edge computing platforms with mainstream chip manufacturers, but also launches them simultaneously, helping industries upgrade their systems for HPC applications.

Edge AI Computing

In the rapidly evolving world of AI and edge computing, Advantech's comprehensive edge computing platform holds a significant share of market across various industries. This fully integrated AI software platform features an AI acceleration module (AI On Module), an AI inference system, an AI large language model (LLM) training system, and an edge AI software development kit (SDK) that helps clients evaluate and validate the performance of their AI platforms, thereby accelerating their implementation of AI at the edge.

Advantech's existing hardware platform is compatible with all types of mainstream AI chips, contributing to the successful launch of high-performance edge AI computing solutions. Moreover, international research institutions such as Gartner highlight the rapid deployment of generative AI across multi-modal AI applications, including text, images, and video. Edge AI will thus present massive business opportunities that will not only greatly benefit Advantech but also refine our customization capabilities to meet demand for emerging AI applications.

Industrial Wireless Solutions

Wireless technology is a key component in IoT solutions, with protocols such as Wi-Fi 6, Wi-Fi 7, 5G, 6G, and Bluetooth/BLE commonly used to accelerate iterative development and meet various needs across the IoT domain. In considering our long-term strategy, Advantech has established the Industrial Wireless BU, a department dedicated to providing value-added services such as industrial wireless modules, industrial wireless antenna design planning, firmware optimization, and wireless testing and certification. Currently, we have consolidated our internal RF R&D resources and testing capacity to offer integrated wireless design-in services.

Industrial Display Solutions

Industrial displays are essential peripheral modules for various industrial application scenarios, such as electronic digital signage, industrial automation equipment, retail self-service systems, and medical device displays. Demand for contactless applications surged in the post-pandemic era, with industrial displays and touch screens showing great development potential. Thus, Advantech created the Industrial Display Solution Group, offering integrated supply chain and procurement system efficiency for industrial displays and design services. In Q12024, we plan to build a new industrial display production and testing facility at the Linkou Intelligent Campus, expanding both the capacity and quality of our services.

Sector Driven Approach

AI, IoT, and ESG are set to be the next growth drivers for the industrial IoT sector, with developments focused along two key directions: edge AI and sustainability. Edge AI is expected to push digital transformation across various sectors as the importance of visual and image testing applications grows, especially in medical imaging, industrial quality testing, machine motion control, and safety monitoring. With respect to sustainability, we will promote global energy transition and accelerate the deployment of infrastructures for energy management, renewable energy, energy storage, and electric vehicles. Advantech foresees the global market trend driven by AIoT and ESG emerging applications in the near future. For this reason, we will focus on eight sectors and achieve complete deployment through global strategic organization to cultivate these sectors and engage closely with clients and the market, thereby reinforcing our competitive advantage in the rapidly changing market.

The aforementioned sectors include four main ones, namely embedded design-in, embedded KA-DMS, industrial edge solution, and industrial automation; and four sub-sectors –iHealthcare, Retail & Hospitality, iLogistics, and IoTMart/AOnline. Embedded design-in/KA-DMS takes aim at the needs of major clients, providing deep technology services and customized product designs. Industrial edge solution uses AI, IoT, and edge computing as a stepping stone to providing innovative products for industrial and semiconductor facilities, intelligent transportation, edge cloud, and AI applications. Industrial automation aims to deepen customer relations with a focus on smart factories, energy, and ESG to establish a partner ecosystem for value co-creation. As for the four sub-sectors, we will provide total product solutions. Our IoTMart cross-border e-commerce model built in 2023 will effectively bring clients closer to us and secure long tail customers with transparent information and faster delivery services.

2024 Sector Driven & Domain Focus Business Structure

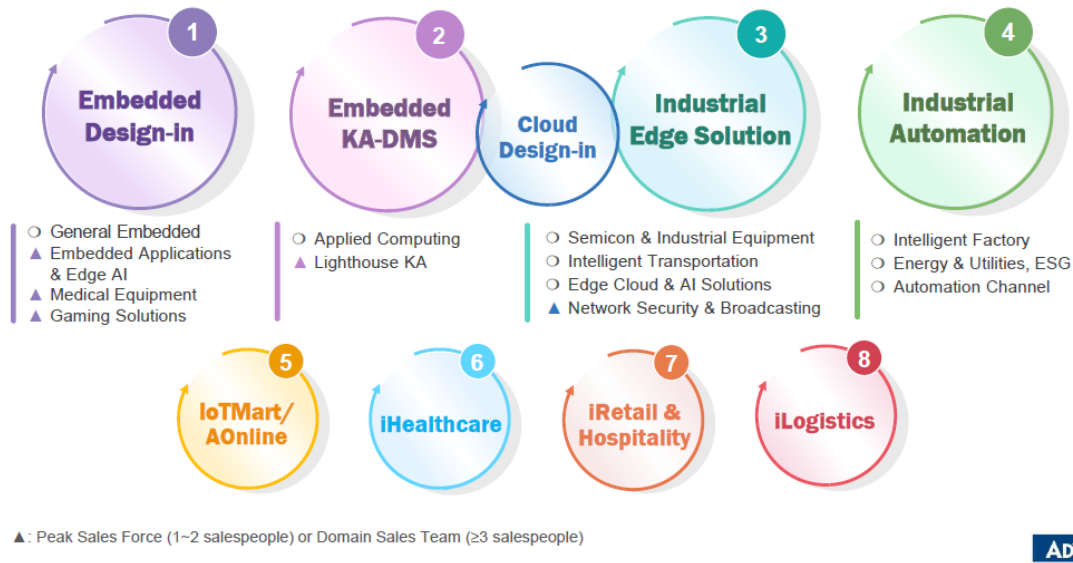


Figure B. Advantech's sector-driven focus

Plans to Push into Generative AI (Gen AI)

As a way of demonstrating the high level of importance that we attach to the future development of Gen AI, Advantech has established the AI Orchestration Center. The center is responsible for introducing external AI applications, applying use cases to promote AI in various application domains, and ensuring alignment with and fulfillment of the needs of AI technology units and application units. Our 2024 plan is to target Gen AI for rigorous development in three key areas: product development, marketing, and supply chain management. In the area of product marketing, we aim to use Gen AI to produce advertisement texts and materials as well as content translation to facilitate brand development, overcome language barriers, and increase customer reach, thereby enhancing brand impact and market share. In terms of supply chain management, Gen AI applications will be focused on improving supply chain transparency and flexibility to optimize inventory level. AI technology can automatically identify and predict latent problems in the supply chain, help employees make prompt responses, and subsequently improve overall operational efficiency.

Generally speaking, the introduction and internalization of Gen AI represent not only a technological revolution but also a significant change to the way we work. Making good use of this tool will enable us to focus on higher-value tasks and spend less time on repetitive tasks. This will greatly increase team productivity and creativity and sustain competitive advantages for the company.

Sustainability Achievements and Corporate Value

In 2023, Advantech achieved many breakthroughs in ESG, including its first-time inclusion as a constituent stock of the Dow Jones Sustainability World Index (DJSI-World); officially becoming a member of the RE100; moving up to the 12th place in the Excellence in Corporate Social Responsibility; and winning for the first time *Global Views Monthly's* ESG Award – Electronic Technology Award. These achievements show that Advantech's persistent commitment to sustainability has translated into a positive impact on society, its employees, and the IoT ecosystem.

In the future, our development in ESG will revolve around three pillars:

(1) Green operations and sustainable development:

Our medium- and long-term targets include achieving an A level rating in the 2025 CDP Climate Change Questionnaire, using 100% renewable energy by 2040, and achieving net zero emissions by 2050. We have comprehensive plans for addressing climate change, quantifying risks in accordance with TCFD recommendations, and achieving SBTs through carbon pricing and low-carbon transformation. Moreover, Advantech is committed to biodiversity risk assessments, AIoT for Biodiversity projects, smart agriculture and species identification, coastal forest restoration, and wetland adoption.

(2) IoT popularization:

By using the WISE-IoT Suite platform, Advantech nurtures innovative talents in the field of IoT and incubates innovative solutions to achieve the sustainability goal of “helping students find their future and connecting businesses with talented individuals.” Our 2025 target is to expand IoT education to 70 universities in 14 countries worldwide by providing Advantech’s industrial IoT technology and resources to assist worldwide colleges and universities in cultivating innovative talents. Regarding higher education curriculum and certification for IoT at AIoT Academy, we have collaborated with the NTUST Center For IOT Innovation, uniting scholars from other universities to co-create basic IoT courses. Our AIoT InnoWorks Program had 224 student teams and over 856 students participating from 34 schools and 7 countries.

(3) Mutual prosperity:

In 2023, Advantech Foundation focused on three main pillars of community development – sustainability education, IoT innovation, humanity, and cultural literacy – to promote intellectual well-being, and established a unique brand for which we pledged an investment of over NT\$74 million. Given the great level of importance we attach to diversity, equity, and inclusion (DEI), Advantech has completed a DEI strategic blueprint and announced its phased targets in 2023. Talents are a source of talent attraction and innovation. In 2023, we refined our talent development mechanisms, including talent recruitment/employment/training/retention, and launched digital transformation programs for talent and information management. These mechanisms and programs are aligned with the company’s long-term strategy to ensure talent sustainability at Advantech.

In 2023, Advantech celebrated not only its 40th anniversary but also the completion of the AIoT Co-Creation Campus, which took a decade to complete. For our 40th anniversary, we organized a series of cycling events in more than 40 cities around the world, bringing over 4,000 employees and partners of Advantech together to celebrate this special occasion. The post-pandemic Worldwide Partner Conference (WPC) was held to promote the formation of an AIoT ecosystem, attracting 3,000 partners and guests of Advantech from around the world. Regarding brand value, Advantech secured 5th place in the 2023 Best Taiwan Global Brand award with a brand value of US\$881 million and an impressive growth of 13%, consistently positioning the company among the top five Taiwan global brands for six consecutive years.

Outlook and Expectations

Looking ahead to 2024, business operators will face economic challenges and regional conflicts, but they will be presented with enormous business opportunities from energy transition and carbon management. Gen AI will also instigate a new wave of industrial revolution. As computing power increases, AI applications will slowly expand in scope, encompassing not only data centers but also the edge environment, including such domains as healthcare, retail, smart storage,

production testing, and factory automation. The popularization of edge AI and demand for widespread application will significantly propel the continued and rapid growth of the IoT industry.

Advantech has continuously optimized its SBU, RBU, and operations in response to emerging market trends and changes in industrial sectors. As a business entity, we actively adopt edge AI solutions, targeting high-growth applications such as equipment manufacturers, factory automation, energy management, and smart healthcare. In terms of regional business organizations, Advantech will slowly transform into an industry-focused organization and provide integrated software–hardware solutions that more closely meet industry demands. In terms of production, manufacturing, and logistics units, we implement lean management in key areas such as destocking of high-risk inventory, increased delivery of popular products, and material convergence. Looking ahead to our mid-/long-term development, Advantech’s overall operational growth will rebound as new applications, new projects, and organizational teams slowly take shape. Advantech has been upholding its belief over the past 40 years and will continue to do so to create new value for our customers, employees, shareholders, and society.



K.C. Lu
Chairman

Linda Tsai
President of Industrial
IoT

Eric Chen
President of General
Management

Miller Chang
President of Embedded
IoT

II. Company Profile

2.1 Date of incorporation: September 7, 1981

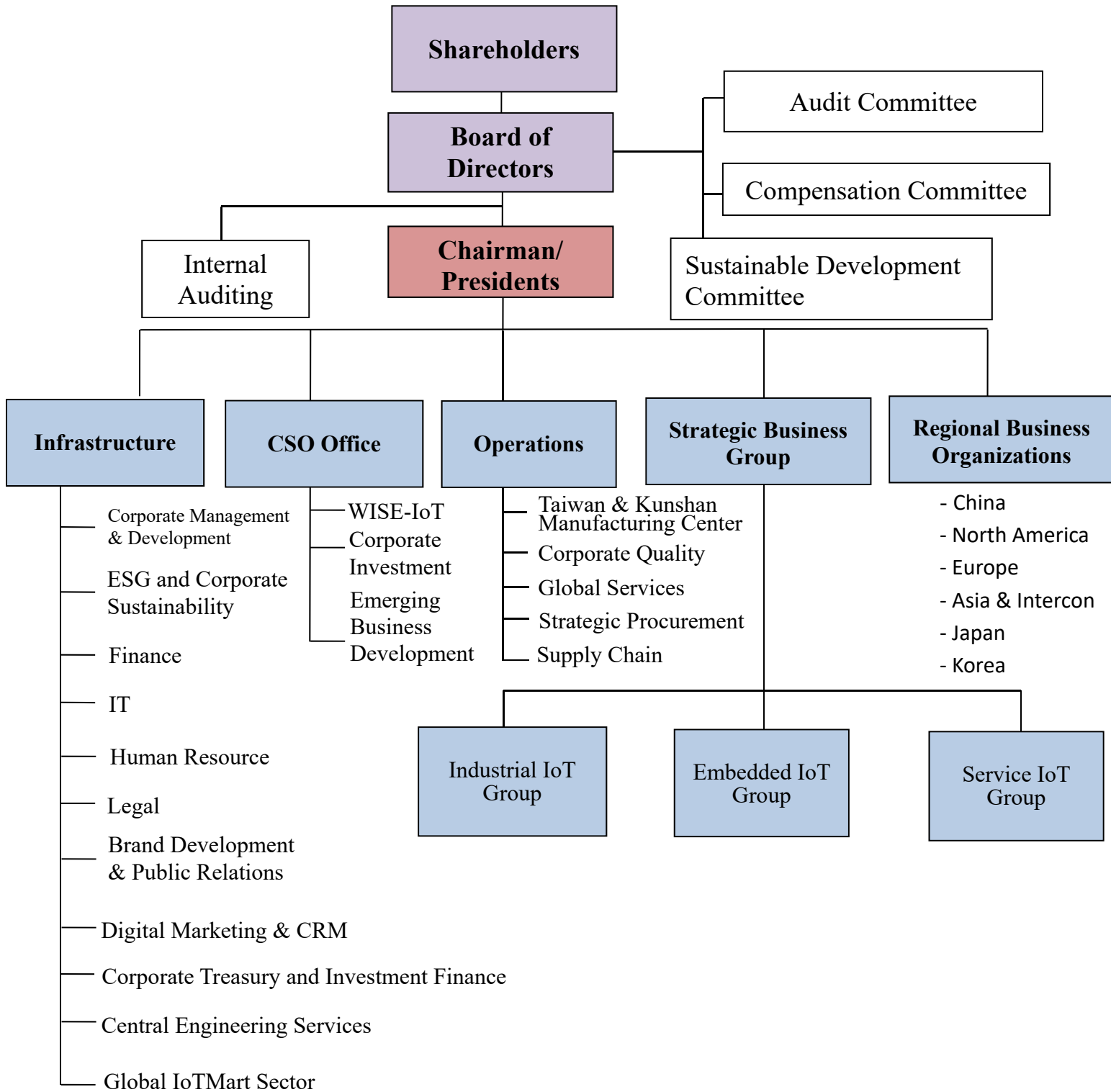
2.2 Company history

Year	Important Events
2022	<ul style="list-style-type: none"> ● Advantech ranked No. 5 (with brand value USD 776 Million) in the Taiwan Top 20 Global Brands Award, with a 23% growth in brand value. ● Received the "Electronics Technology Industry Group" Model Award in Corporate Social Responsibility (CSR) Excellence from Global View's CSR Awards. ● Awarded the Silver Prize in the Taiwan Corporate Sustainability Awards (TCSA) for its corporate sustainability report. ● Ranked in the Top 5% in the 8th Corporate Governance Evaluation by Taiwan Stock Exchange (TWSE). ● The 30th Symbol of Taiwan Excellence Winner for EPD-230 Wireless Electronic Paper Solution for Smart Factories and the EI-52 Miniature High-Efficiency Edge Intelligence System, both of which are authorized to use the Taiwan Excellence logo.
2023	<ul style="list-style-type: none"> ● Advantech ranked No. 5 (with brand value USD 881 Million) in the Taiwan Top 20 Global Brands Award with a 13% growth in brand value. ● Advantech achieved its debut ranking among the top 10% of companies in sustainable development on the Dow Jones Sustainability World Index (DJSI-World). ● Received the Dual Awards for Comprehensive Performance in ESG Corporate Sustainability and Outstanding Program in Education Promotion in the 19th Global View ESG Corporate Sustainability Awards in the Electronics Technology Industry category. ● Ranked in the Top 5% in the 9th Corporate Governance Evaluation by Taiwan Stock Exchange (TWSE). ● Advantech officially became a member of RE100 and has pledged to shift 50% of its energy usage to renewables in Advantech Taiwan and Advantech Kunshan by 2030, and aims to transition entirely to green energy in its global operational bases by 2040. ● The 31st Symbol of Taiwan Excellence Winner for the EPD-662 Smart Building Electronic Paper Solution, the CRV31-430JP 43-inch Curved LED Ambient Light Screen, and the POC-421/POC-424 Medical Computers. ● Advantech announced the cash acquisition of a 100% equity stake in BitFlow, Inc., a North American company dedicated to high-end image acquisition and AI machine vision technology.
2024	<ul style="list-style-type: none"> ● Advantech Wins a Place Among the World's Top 5% Benchmark Sustainable Companies of S&P Global Sustainability Yearbook. ● Winner of the 32nd Taiwan Excellence Awards 2024: Compact Industrial Computer System IPC-320, Fanless Edge AI Inference Systems MIC-770 V3/ MIC-75GF10/ SKY-MXM-A2000, USC-365 POS Computer Smart Retail Terminal. ● Received the 1st Prize in the "Comprehensive Performance - Electronics and Technology Industry" category at the 20th ESG Enterprise Sustainability Awards from Global View ● Ranked in the Top 5% in the 10th Corporate Governance Evaluation by Taiwan Stock Exchange (TWSE).

III. Corporate Government Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Responsibilities of major functions

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.
Corporate Management & Development	Design and manage corporate annual business plan development process. Assist management team to formulate annual business plans, set up organizational targets and continuously monitor the business performance indicators.
ESG and Corporate Sustainability	Design and promote the company's sustainable development policies, including "mutual benefit of employee & society", popularization of the AIoT, green operation, robust corporate governance, risk management, and information security.
Finance	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Information technology execution and management. 2. Crucial technology implementation and professional technical services. 3. Information security strategy planning, system maintenance and related task operations.
Human Resource	<ol style="list-style-type: none"> 1. Develop and execute human resource strategies that closely align with company and businesses' vision and direction.. 2. Promoting employee service and relationships, inspiring a platform for talent development, and creating a positive employee experience to enhance overall employee well-being, empower career development and elevate employer branding are integral aspects of our commitment. 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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. 5. Plan and launch global strategic corporate events (World Partner Conference, Anniversary Program, etc.)

Main Department	Main Responsibilities
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.
Corporate Treasury and Investment Finance	<ol style="list-style-type: none"> 1. Global Cash Management Integrate funding resources, maximize benefit and minimize cost between HQ and affiliate. Integrate Global guarantee, internal loan and bank borrowing. 2. FX Risk Management Set up FX Hedge policy for Advantech Group 3. Global Asset and Insurance Integration management 4. Investment company management 5. Investee company Portfolio tracking, preparation of management reports, and compliance with Advantech Group regulations.
Central Engineering Services	Provide relevant design/verification resources and services required for R&D of various business groups. Including: printed circuit board design (PCB Design), signal and power integrity simulation & validation (SI/PI Simulation & Validation), power circuit design, EDA electronic design automation (CAE), R&D collaborative management platform design and management, Engineering Process Management (EPM), Packaging Design.
WISE-IoT	WISE-IoT provides industrial IoT core service platform and tools, including cloud native service, device management, data integration & Visualization, and AI applications. It also builds IoT.SENSE (IoT Solution Enabling Services) team that assists industry partners and customers with technical services, solution architecture design and related training promotion, helps customers achieve digital transformation. Simultaneously, it cultivates Domain-focused SI partners and solution co-creation partners, provides diversified Solution Ready Packages (SRP's), and jointly explores huge business opportunities for digital transformation.
Corporate Investment	Develop corporate strategic investment roadmap and corporate partnership, and professionally manage the investment or partnership development projects. Proactively 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.
Emerging Business Development	Responsible for Advantech's product and business innovation regarding emerging opportunities. The team conveys the funnel of ideation, investigation, planning, to commercialization, and continuously reinforces the competence of corporate innovation. By working with internal teams of product division and corporate investment, and leveraging the strength from external co-creation partners of start-ups, universities, and research institutes, to plot new growth curves for the company in the emerging AIoT & Edge Computing market.
Manufacturing	<ol style="list-style-type: none"> 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.

Main Department	Main Responsibilities
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	<p>The Industrial IoT Business Organization is responsible for strategic product planning, product design and development, marketing, and manufacturing of Industrial IoT product portfolios. Our product solutions include data acquisition modules, industrial communication, gateways, machine vision, automation controllers, industrial edge computers and servers, edge AIoT platforms, network security, and video streaming products. The focused industry includes intelligent factories, industrial equipment, energy & utilities, transportation, network security, and video streaming markets. Through Advantech worldwide field sales teams, channel partners, and Advantech's cross-border e-commerce platform, IoTMart, we deliver comprehensive product solutions and services to system integrators and OEM customers.</p>
Embedded IoT Group	<p>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 from 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.</p> <p>Additionally, to meet the rising industrial Edge AI computing needs, we engage</p>

Main Department	Main Responsibilities
	<p>closely with various hardware, software, and application partners. Our aim is to optimize the ecosystem, establishing a versatile and open hardware-software integration AI platform to propel and expedite AI technology in Edge Computing applications. Continuously advancing the development of edge intelligence and IoT security software, AIoT cloud platform services, as well as diverse industrial peripheral storage, wireless, and panel display modules. We offer extensive and seamlessly integrated solutions, with a focus on customer-centric embedded design-in services to facilitate the global implementation of diverse AIoT applications.</p> <p>In line with our value-centric business approach, we capitalize on over 40 years of product expertise to target emerging industries such as 5G, green energy, robotics, autonomous mobile robots (AMR), electric vehicle infrastructure, and drones. We deliver application-focused embedded solutions to better serve our customers.</p>
<p>Service IoT Group</p>	<p>Service-IoT Business Group focuses on smart city technologies and provides product development, marketing, and sales of IoT solutions. Our wide-range product offering includes edge computing hardware, industrial tablets, and integrated solution suites that combine with industrial apps used in medical and healthcare, retail and hospitality, and logistics and mobility. Our smart city solutions promote the digital transformation of these vertical markets to bring a better, smarter, and healthier future life.</p>
<p>Regional Business Organizations</p>	<p>Develop global businesses and markets, and provide technical support and value-added services in the region. Consistently develop new markets and eco-partnerships, enhance our customer relations and customers' trust on our brand and solutions.</p>
<p>Global IoTMart Sector</p>	<p>The global IoTMart Sector business is committed to promoting the digital transformation of IoT product sales, using IoT technology and artificial intelligence to optimize and enhance the efficiency of digital commerce. We provide a global cross-border direct e-commerce platform and online and offline coordinated digital sales services.</p> <p>Main responsibilities are as follows:</p> <p>AI-enabled multiple business platforms: We use artificial intelligence technology to provide powerful support for multiple business platforms to enhance exclusive customer experience.</p> <p>Data-driven precision sales: We use customer data to conduct sales journey analysis to predict sales trends and changes of customer behaviors, and develop corresponding business and marketing strategies based on these analysis results to create precise digital marketing and services.</p> <p>Establishing sales transformation and cohesive industrial sales ecosystem: We are committed to promoting sales transformation to form an omnichannel (Omnichannel) service model and establishing a cohesive industrial eco-system to meet market changes and customer needs.</p> <p>User experience development: We study consumer experience and interactive behavior and apply it to e-commerce platforms to improve user experience and business efficiency.</p> <p>System optimization maintenance and AI intelligent services: We maintain and optimize the business platform to ensure its stable operation and effective and timely intelligent product recommendations, and provide AI intelligent customer services to enhance customer loyalty.</p>

3.2 Directors and Management Team

3.2.1 Directors

April 1, 2024

Title	Nationality	Name	Gender/Age	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	Male / 61-70	05.25.2023	3years	11.11.1985	25,620,886	3.66	27,993,951	3.25	4,701,052	0.55	0	0	Founder of Advantech; Former salesman of Instruments Dept. of Hewlett-Packard; Department of Telecommunications Engineering, National Chiao Tung University	Note 1	Director	K and M Investment Co., Ltd.	father-child	None
Director	ROC	Advantech Foundation.	-	05.25.2023	3years	05.26.2017	20,288,715	2.89	24,543,548	2.85	0	0	0	0	President of Le Wel Co.,Ltd. Tatung Institute of Technology,Taiwan	Note 2	None	None	None	None
		Representative Chaney Ho	Male / 61-70				0	0	167,615	0.02	53,482	0.01	0	0						
Director	ROC	K and M Investment Co., Ltd	-	05.25.2023	3years	05.28.2020	83,073,163	11.85	100,494,794	11.68	0	0	0	0	Director of Advantech Intelligent City Services Co., Ltd. Johns Hopkins University GMB A	Note 3	Chairman	K.C. Liu	father-child	None
		Representative: Wesley Liu	Male / 41-50				0	0	348,458	0.004	24,193	0	0	0						
Director	ROC	AIDC Investment Corp.	-	05.25.2023	3years	05.25.2023	82,097,182	11.71	99,314,136	11.54	0	0	0	0	Product Manager of Advantech Intelligent Imaging Business Unit. Master of Business Administration, National Taiwan University	Note 4	None	None	None	None
		Representative Tony Liu	Male / 31-40				0	0	175,980	0.02	159,482	0.02	0	0						
Director	ROC	Jeff Chen	Male / 61-70	05.25.2023	3years	05.25.2023	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
Director	ROC	Ji-Ren Lee	Male / 61-70	05.25.2023	3years	05.25.2023	0	0	0	0	0	0	0	0	Associate Dean, College of Management and Executive Director, EMBA Program, National Taiwan University Ph. D in Strategic Management, University of Illinois at Urbana Champaign	Note 5	None	None	None	None
Independent Director	ROC	Ming-Hui Chang	Male / 61-70	05.25.2023	3years	05.25.2023	0	0	0	0	0	0	0	0	Chairman of PricewaterhouseCoopers Management Consulting Co., Ltd. - CEO/Partner of PricewaterhouseCoopers Adjunct Professor, Ph.D. in Accounting, University of Maryland	Note 6	None	None	None	None
Independent Director	ROC	Benson Liu	Male / 71-80	05.25.2023	3years	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 7	None	None	None	None
Independent Director	ROC	Chan-Jane Lin	Female / 61-70	05.25.2023	3years	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 8	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. 、 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. 、 Advantech Europe B.V.(AEU) 、 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) 。

Note 2: Simultaneously act as the chairman of the following companies: Lung Lee Hing Trading Co., Ltd.

Simultaneously act as the director of the following companies:

Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd(ACN) 、Unabiz Pte Ltd., Prognosis Technology Inc.

Simultaneously act as the independent director of the following companies: GIANT MANUFACTURING CO., LTD.

Note 3: 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. Representative 、K and M Investment Co., Ltd. 、ChuanTing Investment Co.,Ltd. 、Winmate Inc. Representative 、Mildex Optical Inc. Representative 、Shanghai Advantech Intelligent Services Co.,Ltd 、Shanghai Yanle Co., Ltd. (AYL) 、Advantech Co. Singapore Pte Ltd.(ASG) 、Advantech Co.Malaysia Sdn.Bhd (AMY) 、Advantech Corporation (Thailand) Co.,Ltd.(ATH) 、Advantech Industrial Computing India Private Limited.(AIN) 、Advantech Electronics,S.De R.L.De C. (AMX) 、Advantech IOT Israel Ltd.(AIL) 、Advantech Raiser India Private Limited(ARI) 、Advantech Technology DMCC.(ADB) ◦

Note 4: Simultaneously act as the independent director of the following companies: CZ investment Co.,Ltd., K and M Investment Co., Ltd.

Yan Xu Green Electricity Co.,Ltd. 、ISAP SOLUTION CORPORATION 、Advantech Corporate Investment (ACI) 、Deneng Scientific Research CO., LTD. 、Spingence Technology 、Axiomtek Co., Ltd

Simultaneously act as the chairman of the following companies: Advantech Intelligent Services Co.,Ltd. (AiCS) 、Cermate Technologies Inc. 、Huan Yan Water Solution Co.,Ltd., Tran-Yan Development Co., Ltd 、Tran-Fei Development Co., Ltd 、Tran-Ting Development Co., Ltd 、Hsiung Yang Investment

Note 5: Simultaneously act as the independent director of the following companies: Airoha Technology 、DELTA ELECTRONICS,INC.

Simultaneously act as the director of the following companies: AXR Entrepreneurship and Business Consulting Co., Ltd., COMMONWEALTH EDUCATION MEDIA AND PUBLISHING CO., LTD.), Social Enterprise Insights, CommonWealth Magazine Co., Ltd. ,Longchen Paper & Packaging Co., Ltd.,Primax Electronics Ltd.

Simultaneously act as the chairman of the following companies: B Current Impact Investment

Note 6: Simultaneously act as the Independent Director of the following companies: UNI-PRESIDENT ENTERPRISES CORP.

Simultaneously act as the director of the following companies: HuiYu Architecture,CHERNG SHIN REFRIGERATING & AIRCONDITIONING ENGINEERING CO., LTD.

Note 7: Simultaneously act as the Independent Director of the following companies:Vanguard International Semiconductor Corporation, Chenbro Micom Co., Ltd.

Simultaneously act as the Director of the following companies: : Maywufa Company Ltd.

Note 8: Simultaneously act as the Independent Director of the following companies:FocalTech Systems Co., Ltd., Chief Telecom Inc.

(1) Major shareholders of the institutional shareholders

April 1, 2024 (stop transfer date)

Name of Institutional shareholders	Major shareholders
AIDC Investment Corp.	K.C. Liu (18.77%), Mary Chang (5.08%), Advantech Foundation (10.08%), Wesley Liu (1%)
K and M Investment Co., Ltd.	K.C. Liu (32.92%), Wesley Liu (1.38%), Tony Liu(1.35%), Mary Chang (32.92%)
Tran-Fei Development Co., Ltd	Tony Liu(5.32%), Li-Huai Huang(2.12%), Mary Chang(0.62%)
Asus Computer Co., Ltd.	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF (4.12%), Jonney Shih (4.05%), Cathay United Bank in Custody for Infinity No. 1 Company Investment Account (2.78%), ASUS's Certificate of Depository with CitiBank (Taiwan) (2.66%), Yuanta Taiwan High Dividend Fund Account (2.06%), New Labor Pension Fund (1.87%), Fubon Life Insurance Co., Ltd.(1.73%), Silchester International Investors International Value Equity Trust (1.45%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.30%), Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.27%)

Note: List of top 10 shareholders.

(2) Major shareholders of the major institutional: The Advantech Foundation is a non-profit organization, therefore it is not applicable.

3.2.1.2

A. Directors of information as professional qualifications and independent status of directors and independent directors

Qualification Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman K.C. Liu	Chairman Liu, as the founder of Advantech, has striven to direct Advantech towards the goal of globalization since the incorporation of the company through continuous development, innovation, and application. In view of the vigorous development of the global Internet of Things (IoT) in recent years, he has actively cooperated with partners to “create” an industrial ecosystem and to promote IoT software and hardware solutions with the industrial IoT cloud platform WISE-IoT as the core. Chairman Liu for the purpose of realizing the values based on altruism has led Advantech to implement ESG based on the core capabilities of the company, to expand its social influence, and to move towards the goal of sustainable development.	An employee of the Company.	0
Director Chaney Ho	Director Ho is the co-founder of Advantech with a focus on Advantech’s global business marketing, branding, and operation management, and plans to promote Advantech’s vision plan of “Enabling an Intelligent Planet” in order to accelerate Advantech’s entering the Internet of Things (IoT) industry. Therefore, Advantech has been awarded the honor of being ranked in the top 5 of “Branding Taiwan” since the year of 2004 to the present. Director Chaney Ho also serves as an independent director of Giant Group concurrently.	Not an employee of the Company or a subsidiary.	1
Director Jeff Chen	Director Chen was the former global vice president and Asia president of Stanley Black & Decker, Inc. who has management experience in large-scale international enterprises, M&A strategy execution, and a profound understanding of technology expertise.	Not an employee of the Company or a subsidiary.	0
Director Wesley Liu	Director Liu has experience in smart cities, smart retail system integration (SI) solutions, and Internet of Things (IoT) development, as well as experience in talent strategy development and comprehensive management.	An employee of a subsidiary.	0

Qualification Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director Tony Liu	Director Liu has the necessary work experience for commerce and business affairs, and is profession at operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market outlook, leadership, and decision-making capability.	An employee of a subsidiary.	0
Director Ji-Ren Lee	Director Lee worked at National Taiwan University from 2005 to 2020, and successively served as deputy dean of the School of Management and executive director of EMBA, deputy dean of teaching and resource development of the School of Management, and director of the Creativity & Entrepreneurship Program and Innovation Center. Director Li has been awarded the Honorary Professor of the Department of International Business, National Taiwan University after his retirement in 2020. Director Lee has expertise and experience in business strategy, talent development, risk management, and financial analysis; also, he has more than five years of work experience needed for the company's business. He was the Associate Executive Officer of Yulon Group in 1982, which is the kind of work experience related to the GICS industry.	Not an employee of the Company or a subsidiary.	2
Independent Director Ming-Hui Chang	Independent Director Chang was the former chairman of PwC Foundation and the director of PwC Taiwan who has professional accounting and financial knowledge; he also, has a profound understanding of the international market and sufficient experience in risk management. Professional certification and license: Certified Public Accountant of the Republic of China. Independent Director Chang serves as an independent director of Uni-President Enterprise Corp. He is currently serving as the chairman of the Association of Sustainable Social Enterprise of Taiwan (ASSET) with expertise in sustainability.	In the two years before the election and during the term of office, they have met the independence assessment conditions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	1

Qualification Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Benson Liu	Independent Director Liu has professional knowledge and skills in financial accounting, corporate governance, operation management, etc., and is familiar with relevant laws and regulations. Important experience: Chairman and President of Taiwan Bristol-Myers Squibb (Taiwan) Ltd., the sixth chairman of Taiwan Corporate Governance Association, and the current standing director. Serving as directors and independent directors concurrently: Director legal representative of The Maywufa Biopharma Group, and independent director of Vanguard International Semiconductor Corporation, and independent director of Chenbro Micom Co., Ltd.	In the two years before the election and during the term of office, they have met the independence assessment conditions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	2
Independent Director Chan-Jane Lin	Independent Director Lin has expertise in financial accounting, business management, and corporate governance. She is currently serving as a professor at the Accounting Department of National Taiwan University and an adjunct professor at the School of Management of National Taiwan University. She also serves as the convenor of supervisors of Taiwan Corporate Governance Association, and the supervisor of the Securities and Futures Investors Protection Center. Important experience: Independent director of Fubon Financial Holding Co., Ltd., independent director of Fubon Life Insurance Co., Ltd., and independent director of Fubon Securities Co., Ltd. Concurrently serving as an independent director: Independent director of FocalTech Systems Co., Ltd.	In the two years before the election and during the term of office, they have met the independence assessment conditions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	2

Note1: None of the directors of the Company has any circumstance under Article 30 of the Company Act.

Note2: All directors of the Company have not been elected on behalf of the government, corporate or representative in accordance with Article 27 of the Company Act.

B. Diversity and independence of the Board of Directors:

(I) Diversification of the Board of Directors:

In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Board of Directors of the Company has adopted and formulated the "Corporate Governance Best Practice Principles of Advantech

Co., Ltd.", in which Article 20 stipulates that the composition of the Board of Directors should consider diversification. Except that the directors who concurrently serve as the Company's managers should not exceed one-third of the number of directors, they should formulate appropriate diversification policies according to their own operation, operation type, and development needs. It should include but not be limited to basic conditions and values (gender, age, nationality, race or ethnic group and culture, in which the ratio of female directors should not be less than 10%, professional knowledge and skills (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience.

(II) Specific management objectives:

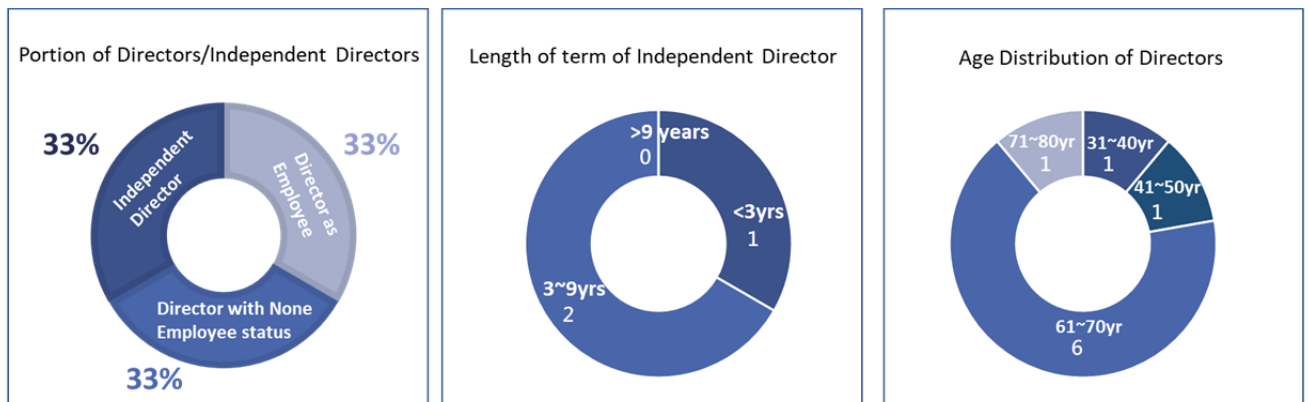
The company's board of directors guides the company's strategy planning, supervises the management, and is responsible to the company and shareholders. All operations and arrangements related to the corporate governance system are to ensure that the board of directors exercises its powers in accordance with laws and regulations, the company's articles of incorporation, and the resolutions of shareholders meetings. The company's directors all have the necessary knowledge, skills, literacy, and industrial decision-making and management capabilities for job responsibilities. The company continues to arrange diversified advanced education for board directors so to improve their decision-making quality and supervision capabilities in order to enhance the functions of the board of directors as a whole.

The company's 15th Board of Directors consists of nine directors, including three independent directors, who account for 33% of all board directors. Under the consideration of the principle of gender balance, the 15th Board of Directors with one female director (accounting for 11%) appointed to serve the office term, which is better than the minimum ratio of female directors specified in Advantech's "Corporate Governance Best Practice Principles," and it is expected to be enhanced and improved continuously in the future.

The Board of Directors composes of elites from the industries and academic circle, who own abundant personal insight, international market perspective, professional academic abilities, corporate operation and management, and risk management. The members make optimal and excellent contributions to the corporate operations and management, accomplishing the diversified and specific management objectives of the Board of Directors.

The specific management objectives of the board diversity policy and their achievement status are as follows:

- Composition of Board members



Diversity management objectives	Achievement status
It is advisable that the number of the directors who concurrently serve as the managers of the Company should not exceed one-third of the board seats.	Done
At least one female director.	Done
The number of independent directors exceeds one third of the board seats.	Done
The independent directors shall not hold office for more than 3 terms.	Done

(III) The implementation status of the board diversity policy is as follows:

Diversified core projects Director Name	Gender	Term			Ability to make Operational Judgement	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead	Ability to make policy decisions	Risk management	Sustainability Profession	Industry Experience (According to the Global Industry Classification Standard (GICS))
		Less than 3 years	3-9 year	More than 9 years											
K.C Liu	Male				V		V	V	V	V	V	V	V		Information Technology
Advantech Foundation: Representative Chaney Ho	Male				V		V	V	V	V	V	V	V		Information Technology and Industrials
K and M Investment Co., Ltd: Representative Wesley Liu	Male				V		V	V	V	V	V	V	V		Information Technology
AIDC Investment Corp: Representative Tony Liu	Male				V	V	V	V	V	V	V	V	V		Information Technology
Jeff Chen	Male				V	V	V	V	V	V	V	V	V		Industrials
Ji-Ren Lee	Male				V	V	V	V	V	V	V	V	V	V	Information Technology and Businss Management
Ming-Hui Chang	Male		V		V	V	V	V	V	V	V	V	V	V	Healthcare and Finance
Benson Liu	Male		V		V	V	V	V	V	V	V	V	V	V	-
Chan-Jane Lin	Female	V			V	V	V	V	V	V	V	V	V	V	

3.2.2 Management Team

March 27, 2023

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	27,993,951	3.25	4,701,052	0.55	0	0	Founder of Advantech Co., Ltd. Salesman of Instruments Dept. of Hewlett-Packard Department of Telecommunications Engineering, National Chiao Tung University	Note 1	None	None	None	None
President	ROC	Eric Chen	09.01.2017	299,178	0.03	219,975	0.03	0	0	Elitegroup Computer Systems Co., Ltd. Tai Sen Enterprise Co., Ltd. Department of Computer Science, Tamkang University	Note 2	None	None	None	None
President	ROC	Miller Chang	09.01.2017	45,261	0.01	0	0	0	0	Phoenix Technologies Ltd. EMBA, National Taiwan University of Science and Technology	Note 3	None	None	None	None
President	ROC	Linda Tsai	09.01.2017	305,581	0.04	106,688	0.01	0	0	QUANTA COMPUTER INC. Syracuse University Master of Information Resources	Note 4	None	None	None	None
Corporate governance officer (Note 5)	ROC	Jean Ko	03.05.2021	56,498	0.01	0	0	0	0	Departement of Business Administration, National Chung Hsing University Executive Assistant to CEO	None	None	None	None	None
Corporate governance officer (Note 5)	ROC	Grace Liao	09.20.2023	3,299	0	0	0	0	0	Investor Relations Manger of Sercom Corporation, Investor Relations Manager of Mitac Holdings Corporation Bachelor of Economics, National Chengchi University	None	None	None	None	None
Accounting Officer	ROC	Mandy Lin	08.01.2020	23,202	0	0	0	0	0	Advantech Co., Ltd. Senior Accountant Chinese Culture 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. epresentative., 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., ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SiOT(China)), Advantech Japan Co., Ltd. (AJP).

Simultaneously act as the director of the following companies:

AIDC Investment Corp., Advantech Europe B.V.(AEU), 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) 。

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

Advantech Corporate Investment (ACI) 、 Advanixs Corporation., Advantech Intelligent Services Co.,Ltd. (AiCS), 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), Advantech International PT (AID).

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

Advanixs Corporation.

Note 4: Simultaneously act as the director of the following companies: Advantech KR Co., Ltd.(AKR) 、 Advantech Czech s.r.o. (ACZ)

Note 5: Corporate governance officer Jean Ko had position adjustment on September 20, 2023, while Grace Liao assumed the replacement of the position on the same date.

3.2.3 Remuneration of Directors, Presidents, and Vice Presidents

Remuneration of Directors

Unit: NTS 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	2,625	2,625	0	0	0.0242%	0.0242%	6,300	6,300	0	0	0	0	0	0	0.0823%	0.0823%	0
Director	Advantech Foundation	0	0	0	0	2,000	2,000	0	0	0.0185%	0.0185%	0	0	0	0	0	0	0	0	0.0185%	0.0185%	0
	Representati Chaney Ho																					
Director	AIDC Investment Corp.	0	0	0	0	750	750	0	0	0.0069%	0.0069%	0	0	0	0	0	0	0	0	0.0069%	0.0069%	0
	Representati Donald Chang (note12)																					
Director	K and M Investment Co., Ltd.	0	0	0	0	1,000	1,000	0	0	0.0092%	0.0092%	3,680	3,680	106	106	0	0	0	0	0.0442%	0.0442%	0
	Representative Wesley.Liu																					
Director	AIDC Investment Corp:	0	0	0	0	500	500	0	0	0.0046%	0.0046%	3,391	3,391	95	95	0	0	0	0	0.0368%	0.0368%	0
	Representative Tony Liu																					
Director	Jeff Chen	0	0	0	0	2,775	2,775	0	0	0.0256%	0.0256%	0	0	0	0	0	0	0	0	0.0256%	0.0256%	0
Director	Ji-Ren Lee	0	0	0	0	1,125	1,125	0	0	0.0104%	0.0104%	0	0	0	0	0	0	0	0	0.0104%	0.0104%	0
Independen Director	Ming-Hui Chang	0	0	0	0	2,100	2,100	0	0	0.0194%	0.0194%	0	0	0	0	0	0	0	0	0.0194%	0.0194%	0
Independen Director	Benson Liu	0	0	0	0	3,500	3,500	0	0	0.0323%	0.0323%	0	0	0	0	0	0	0	0	0.0323%	0.0323%	0
Independen Director	Chan-Jane Lin	0	0	0	0	2,250	2,250	0	0	0.0208%	0.0208%	0	0	0	0	0	0	0	0	0.0208%	0.0208%	0

*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	AIDC Investment Corp. Representative : Donald Chang 、 AIDC Investment Corp. Representative : Tony Liu	AIDC Investment Corp. Representative : Donald Chang 、 AIDC Investment Corp. Representative : Tony Liu	AIDC Investment Corp. Representative : Donald Chang	AIDC Investment Corp. Representative : Donald Chang
NT\$1,000,000 – NT\$2,000,000	K and M Investment Co., Ltd. Representative : Wesley.Liu, Ji-Ren Lee	K and M Investment Co., Ltd. Representative : Wesley.Liu, Ji-Ren Lee	Ji-Ren Lee	Ji-Ren Lee
NT\$2,000,000 – NT\$3,500,000	K.C. Liu, Advantech Foundation. Representative : Chaney Ho,Jeff Chen, Ming-Hui Chang , Chan-Jane Lin	K.C. Liu, Advantech Foundation. Representative : Chaney Ho,Jeff Chen, Ming-Hui Chang , Chan-Jane Lin	Advantech Foundation. Representative : Chaney Ho, Jeff Chen, Chan-Jane Lin, Ming-Hui Chang	Advantech Foundation. Representative : Chaney Ho, Jeff Chen, Chan-Jane Lin, Ming-Hui Chang
NT\$3,500,000 – NT\$5,000,000	Benson Liu	Benson Liu	Benson Liu, K and M Investment Co., Ltd. Representative : Wesley.Liu, AIDC Investment Corp. Representative : Tony Liu	Benson Liu, K and M Investment Co., Ltd. Representative : Wesley.Liu, AIDC Investment Corp. Representative : Tony Liu
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	10	10	10	10

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 all the companies (including the Company) in the consolidated financial report.
- Note 10: 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 11: 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.
- Note 12: Director Donald Chang was the Director of 14th Board of Directors and was replaced by Tony Liu during the re-election on 2024/05/25. Tony Liu has become the 15th Board of Director regardingly.

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)
		Advantech	From All Consolidated Entities (Note5)	Advantech	From All Consolidated Entities (Note5)	Advantech	From All Consolidated Entities (Note5)	Advantech		From All Consolidated Entities (Note5)		Advantech	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman	K.C. Liu	182,00	182,00	366	366	16,388	16,388	6,300	0	6,300	0	0.381%	0.381%	0
President	Eric Chen													
President	Miller Chang													
President	Linda Tsai													

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	-	-
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,	K.C Liu,
NT\$10,000,001 – NT\$15,000,000	Eric Chen, Miller Chang, Linda Tsai	Eric Chen, Miller Chang, Linda Tsai
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	4	4

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 all the companies (including the Company) in the consolidated financial report.
- Note 8: 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 9 : 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

April 01, 2024

Unit: NTD

	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	6,919,611	6,919,611	0.064%
	President	Eric Chen				
	President	Miller Chang				
	President	Linda Tsai				
	Corporate governance officer (Note 5)	Jean Ko				
	Corporate governance officer	Grace Liao				
	Accounting Officer	Mandy Lin				

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: Corporate governance officer Jean Ko had position adjustment on September 20, 2023, while Grace Liao assumed the replacement of the position on the same date.

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 Directors	Ratio of 2023 total remuneration to net income (%)		Ratio of 2022 total remuneration to net income (%)	
	Advantech	All consolidated subsidiaries	Advantech	All consolidated subsidiaries
Directors	0.17%	0.17%	0.18%	0.21%
President, and Vice President	0.38%	0.38%	0.34%	0.34%
Net Income	10,837,529,686	10,837,529,686	10,757,076,798	10,757,076,798

Note: This pertains to the remuneration amount allocated to directors and executives approved by the board of directors in the most recent fiscal year.

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

(I) Remuneration policies, standards and package:

A.Compensation of directors :

If the Company makes profits, it shall allocate no more than 1% of the directors' remuneration in accordance with Article 20 of the articles of association. The Company regularly evaluates directors' remuneration in accordance with the "Performance Evaluation Measures of the Board of Directors" and the "Management Measures for Directors' Remuneration". The relevant performance evaluation and remuneration rationality are reviewed by the Remuneration Committee and the Board of Directors.

B.Transportation allowances :

According to the "Management Measures for Managers' Remuneration" and the salary level of the position in the industry market, the Company will pay the remuneration according to the scope of rights and responsibilities of the position in the Company and contributionjj to the Company's operating objectives. The Remuneration Committee will make suggestions and make payment after being approved by the Board of Directors.

(II)Compensation of President and Vice President :

The Company regularly evaluates the remuneration of directors and managers based on the evaluation results implemented by the Company's "Performance Evaluation Measures of the Board of Directors", "Management Measures for Directors' Remuneration" and "Management Measures for Managers' Remuneration". The performance measurement standards of the Chairman, President, and senior managers are based on important indicators of operation strategy (digital transformation, innovation contribution, etc.), business performance, and financial results. It also connects the overall operation performance of the Company, the future operation risk and development trend of the industry, and gives reasonable remuneration with reference to the achievement rate of individual performance and the contribution to the Company's performance. The relevant performance evaluation and remuneration

rationality are reviewed by the Remuneration Committee and the Board of Directors.

(III) Performance factor :

- A. The performance evaluation of the Board of Directors shall be conducted regularly every year, and the evaluation results shall be submitted for the report to the Board of Directors in the first quarter of each year in accordance with the provisions of the Performance Evaluation Measures of the Board of Directors of the Company, as a reference for review and improvement, as well as the basis for selecting or nominating directors or remuneration.
- B. For the remuneration of directors, president, and vice president, it has fully considered the professional ability and the operation and financial status of the Company, continuous learning, and measured other special contributions, while connecting the Company's performance and individual performance as the calculation standard of remuneration.
- C. The Company shall review future operational risks from time to time to ensure that possible risks within the scope of duties and responsibilities can be managed and prevented. In addition, the Company shall approve the rating results according to the actual performance, connect all relevant human resources and relevant remuneration systems and policies, as well as review the remuneration system at any time according to the actual operation status and relevant laws and regulations, so as to balance the sustainable operation and risk control of the Company.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 7 (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	Aattendance Rate (%) (B/A)	Remarks
Chairman	K.C. Liu	7	0	100%	
Director	Advantech Foundation: Representative: Chaney Ho	6	0	86%	
Director	K and M Investment Co., Ltd. Representative: Wesley.Liu	7	0	100%	
Director	AIDC Investment Corp. Representative: Tony Liu	7	0	100%	
Director	Jeff Chen	7	0	100%	
Director	Ji-Ren Lee	7	0	100%	
Independent Director	Ming-Hui Chang	7	0	100%	
Independent Director	Benson Liu	7	0	100%	
Independent Director	Chan-Jane Lin	7	0	100%	

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 listed in the Securities and Exchange Act §14-3: The Securities and Exchange Act §14-3 is not be applicable because the Company has established the Audit and Risk Committee. For relevant information, please refer to the "Audit and Risk Committee Meeting Status" in this Annual Report.
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, 2023 to December 31,2023	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, 2023 to December 31,2023	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, 2023 to December 31,2023	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, 2023 to December 31,2023	Compensation Committe	The performance of the Compensation Committe	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, 2023 to December 31,2023	Sustainable Development Committee	The performance of the Compensation Committe	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

4. 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.

2023 Attendance Records

◎: In person ☆ : Delegate to attend * : Not present

2023	Feb. 24 th	April. 28 th	May, 25 th	Jun. 8 th	Aug. 1 st	Sep. 20 th	Oct. 30 th
Jeff Chen (*Note 1)	◎	◎	-	-	-	-	-
Ming-Hui Chang	-	-	◎	◎	◎	◎	◎
Benson Liu	◎	◎	◎	◎	◎	◎	◎
Chan-Jane Lin	◎	◎	◎	◎	◎	◎	◎

Note 1: The re-election of Board of Member on May 25th 2023, Jeff Chen has resigned from the position of independent director for the fourteenth term of Board of Director, while Ming-Hui Chang was appointed as the new independent director for the fifteenth term of Board of Director.

3.3.2 Audit Committee :

A total of 5 (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	Benson Liu	5	0	100	2023.05.25 Reelected
Independent Director	Ming-Hui Chang	3	0	100	Note 1
Independent Director	Chan-Jane Lin	5	0	100	2023.05.25 Reelected
Independent Director	Jeff Chen	2	0	100	Note 1

Note 1: Jeff Chen resigned from the position of independent director and audit committee member upon the expiration of his term on May 24, 2023, and was subsequently appointed as a general director. Mr. Chang was elected as the new independent director and audit committee member on May 25, 2023.

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 12 th meeting of the 14 th session on Feb 24, 2023	<ol style="list-style-type: none"> 1. Approval of the Company's 2022 consolidated financial statements. 2. Approval of the Company's 2022 annual business report, and the surplus earnings distribution proposal 3. Approval of the Company's 2022 Statement of Internal Control System 4. Assessment of Independence of Certified Public Accountants 5. Approval of 2022 and 2023 Certified Public Accountant's audit fees. 6. Approval of the Company's transfer of surplus earning to capital increase. 7. Status report of the activities regarding derivative commodities, fund loaning, endorsements/guarantees, and new regulations related to disguised financing transactions in 2022Q4 8. Approval of the Company's issuance of guarantee to Citibank for subsidiaries' application of bank loan or foreign exchange quota. 9. Approval of the Company's offering endorsement/guarantee to the subsidiaries for applying for bank credit line. 10. Approval of the Company's loan to subsidiary Advantech KR Co., Ltd, with amount limited to NT\$160million. 11. Approval of the Company's offering endorsement/guarantee to the subsidiary, Yan Xu Green Electricity Co., Ltd, for applying for bank SinoPac credit line, amounting to NT\$526.68Million. 12. Approval of the Company's issuance of employee stock option and stock granting policy. 13. Approval of the subsidiary, Advantech Corp's leasing of land for its construction of new plant and office and the its plan to opt for purchase of the land in 2034 with estimated discounted present value of US\$36.4million (around NT\$1,000million) in accordance with the land leasing agreement. 14. Approval of the subsidiary, Advantech Corp's construction of new plant and office with costs limited to US\$72million (around NT\$2,100million). 15. Approval of the subsidiary (AiSC)'s investment in a joint venture, Tianying Hehua (Ningbo) Venture Investment Partnership, located in Ningbo Meishan Free Trade Port. The investment amounted to RMB 99million. 	Approved by all Independent Directors

Audit Committee	Subjects	Resolution results
The 13 th meeting of the 14 th session on April 28, 2023	<ol style="list-style-type: none"> 1. Approval of the Company's 2023Q1 consolidated financial statements. 2. Status report of the activities regarding derivative commodities, fund loaning, endorsements/guarantees, and major assets transaction in 2023Q1. 3. Revision of the internal control policy- Information Processing Cycle . 	Approved by all Independent Directors
The 1 st meeting of the 15 th session on August 01, 2023	<ol style="list-style-type: none"> 1. Approval of the Company's 2023Q2 consolidated financial statements. 2. Status report of activities regarding derivative commodities, fund loaning, endorsements/guarantees, and major assets transaction in 2023Q2. 3. Approval of the restructuring of the subsidiaries' (Advantech Automation Corp. (HK) Ltd., and Advantech Corporate Investment Ltd), shareholding structure. 4. Approval of the Company's re-domiciliation of the subsidiary, Advantech Automation Corp. (HK) Ltd. 5. Approval of the Company's revision of 2023 employee stock option granting policy 	Approved by all Independent Directors
The 2 nd meeting of the 15 th session on September 20, 2023	<ol style="list-style-type: none"> 1. Approval of the list of stock option granted to non-management level employees. 	Approved by all Independent Directors
The 3 rd meeting of the 15 th session on October 30, 2023	<ol style="list-style-type: none"> 1. Approval of the Company's 2023Q3 consolidated financial statements. 2. Status report of the activities regarding derivative commodities, fund loaning, endorsements/guarantees, and major assets transaction in the 2023Q3. 3. Approval of the subsequent ratification of the company's co-development of Hwa Ya area land parcel#9 in Guishan District, Taoyuan City, with AIDC Investment Corp., the corporation (安鳳實業有限公司), and individuals(楊錦成、張喜珍), and the company's agreement with Taoyuan City for changing Type B Industrial Zone as the 5th Commercial / Manufacturing Zone. 4. Approval of the Company's plan to purchase Hwa Ya area land parcel#9 from related party, AIDC Investment Corp. 5. Approval of the Company's construction of Hwa Ya Manufacturing center. 6. Approval of the Company's revision of delegation of authority ("DOA"). 7. Approval of the Company's plan to sell the land and building located at Donghu area. 8. Approval of the Company's plan to sell by batches the equity investment in ASUS. 9. Approval of 2024 internal audit plan. 	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 2023, 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 2023, there was no special circumstance mentioned above. The CPA communicated well with Audit Committee.

(3) The Company's 2023 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 12 th meeting of the 14 th session on Feb 24, 2023	<ul style="list-style-type: none"> • Reviewed 2022Q4 internal audit report. • Reviewed the Company's 2022 Statement of Internal Control System. 	<ul style="list-style-type: none"> • Discussed the audit results of 2022 financial statements, including problems or challenges and management's responses (in a closed-door meeting) • Reported changes in laws and regulations
The 13 th meeting of the 14 th session on April 28, 2023	<ul style="list-style-type: none"> • Reviewed 2023Q1 internal audit report. 	<ul style="list-style-type: none"> • Discussed the review results of Q1 2023 financial statements, including problems or challenges and management's responses (in a closed-door meeting) • Reported changes in laws and regulations
The 1 st meeting of the 15 th session on August 01, 2023	<ul style="list-style-type: none"> • Reviewed 2023Q2 internal audit report 	<ul style="list-style-type: none"> • Discussed the review results of Q2 2023 financial statements, including problems or challenges and management's responses (in a closed-door meeting) • Reported changes in laws and regulations

<p>The 3rd meeting of the 15th session on October 30, 2023</p>	<ul style="list-style-type: none"> • Reviewed 2023Q3 internal audit report. • Reviewed 2024 audit plan. 	<ul style="list-style-type: none"> • Discussed the review results of Q3 2023 financial statements, including problems or challenges and management’s responses (in a closed-door meeting) • Discussed audit plan for 2023 financial statements
<p>Result: The above matters have been reviewed or approved by Audit Committee without any objection raised by independent directors.</p>		

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?	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.	None
(2) Does the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?	V		(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) Does the Company establish and implement the risk control and firewall mechanism with the related parties?	V		(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) Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	V		(4) The company has established "Prevention of Insider Trading Management Measures" and "Procedures for Handling Material inside information" and related legal	

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>education and promotion. At least once a year, we provide 10-minute E-learning online education and training to current directors, managers, and all employees, totaling 3,386 people. They are required to read the digital materials on preventing insider trading and related penalties thoroughly. The content of the course covers the definition including , purpose, and essential elements of internal major information and prevention of insider trading, including the subjects, abnormal situations, and violation handling. The video also includes storytelling of practical cases to deepen the understanding of the importance of internal major information and prevention of insider trading among all employees and directors. Furthermore, in response to the amendments to Article 10 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" by the competent authority, the Company has amended Article 10 of the "Corporate Governance Best Practice Principles" on February 25, 2022, stipulating that directors may not trade the Company's stock during the closed period within 30 days of announcing the annual financial reports and within 15 days of announcing the quarterly financial reports.</p>	
<p>3.Composition and Responsibilities of the Board of Directors (1) Does the Board of Directors develop and implement a policy to promote diversity in the composition of its members?</p>	V		<p>(1) The Company has the board directors diversification policy defined in the “Corporate Governance Best-Practice Principles.” The incumbent nine (9) board directors are with professional abilities in the fields of</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	
(2) Does the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	V		<p>finance, accounting, legal affairs, leadership, decision-making, management, marketing, and sustainability, which are helpful to the company’s long-term strategic development and are in compliance with the diversity policy (See Director Diversity and Independence). The company’s board of directors is composed of 33% board directors who are also employees of the company, 33% external board directors, and 33% independent directors.</p> <p>(2) According to July 29th ,2022 resolution, the Board of directors approved the establishment of the Corporate Sustainability Committee responsible for formulating sustainability policies, decisions, and talent development, as well as the enterprise succession plan. The Sustainable Development Committee will implement from environment, society, and governance(ESG) aspects including communication and information disclosure and report to board of directors.</p>	
(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?	V		<p>(3) Advantech implements internal self-evaluation and external evaluation of the performance of board of directors in accordance with the “Rules for Performance Evaluation of Board of Directors.”</p> <p>Self-evaluation: The 2023 internal self-evaluation of the performance of the board of directors has been completed with the evaluation scope defined as follows: The overall board performance, board director performance, and functional committee performance (remuneration</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	
			<p>committee, audit committee, and sustainable development committee). The evaluation results were fully reported at the 7th meeting of the 15th Board of Directors on February 27, 2024, including a full explanation of the suggestions of each individual director and future improvement plans. The overall evaluation result is rated “excellent.” The company will strive to improve the operational effectiveness of the board of directors and to promote directors’ participation and communication in the company’s operations continuously in the future.</p> <p>External evaluation: The company had entrusted an external independent organization “The Taiwan Institute of Ethical Business (TIEB)” to carry out an effectiveness evaluation on the board of directors and functional committees in September - December 2023. The TIEB is not affiliated with Advantech and has no business relationship established; therefore, TIEB operates independently from the company. The four aspects of the board of directors, including professional functions, decision-making effectiveness, attitude toward sustainable development, and internal control and supervision, were evaluated with questionnaires and on-site inspections. The company had the said evaluation results fully reported at the 7th meeting of the 15th Board of Directors on February 27, 2024 so as to enhance the functions of the board of directors (please visit the official website for the evaluation report in detail) continuously.</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	
(4) Does the Company have the independence of the public accountant evaluated regularly?	V		(4) The company’s audit committee evaluates the independence and competency of the certified public accountants (CPAs) every year, and requires the CPAs to provide the “Declaration of Independence” and “Audit Quality Indicators (AQIs);” also, perform evaluations in accordance with the standards stated in Note 1. It has been confirmed that the CPAs have no other financial interests or business relationships with the company except for collecting the attestation and taxation fees from the company; also, the CPAs do not violate the independence requirements. The evaluation results of the most recent year have been resolved and approved by the board of directors on February 27, 2024. Regarding the evaluation results of the most recent year, the board of directors resolved to pass the evaluation of the CPAs’ independence and competency on February 27, 2024.	
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		The company’s board of directors appointed Grace Liao, senior manager of the chairman’s office, as the dedicated corporate governance officer in compliance with the laws and regulations, and whose job responsibilities include corporate governance related affairs: <ul style="list-style-type: none"> ● Handle matters related to the meetings of the board of directors and shareholders lawfully. ● Assist in planning matters related to the meetings of the board of directors, comprehensive board of directors, and shareholders. ● Assist in matters related to directors’ appointment and continuing education. ● Assist in providing directors with the information needed 	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	
			for business execution. <ul style="list-style-type: none"> ● Assist directors in complying with statutory regulations. ● Assist in the execution of other matters stipulated in the company’s articles of incorporation or contracts. ● “Corporate Governance Management Platform:” Base on the evaluation indexes of the “Corporate Governance Evaluation” issued by Taiwan Stock Exchange, and regularly review and optimize the implementation with each responsible unit. 	
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		(1) The Company has a spokesperson, investor relations manager, and stock affairs supervisor 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. (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.	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) Does the Company have a website setup and the	V		(1) The company profile and business information is	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	
financial business and corporate governance information disclosed? (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.)? (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		disclosed in the 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) 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) The Company announces and reports annual financial statements Within two 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) Employee interests and rights and employee care: Provide all employees with a salary that is higher than the minimum wage under the Labor Standards Act, provide employee with benefits that are better than those offered in the industry; provide various insurance benefits and pension provisions lawfully, provide additional group insurance and overseas business trips insurance so to protect the work and life safety of colleagues; clearly define labor safety and health best practice principle, implement equality in employment, provide a healthy, safe, and harassment-free working	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>environment and culture, and obtain ISO-14001 (Environmental Management International Standards) and ISO-45001 (Occupational Health and Safety Management Systems) certification; moreover, the interim and annual performance evaluation of all colleagues in the company are conducted to achieve the overall operating plan and to serve as a reference for personnel promotion, employee training and development, and salary payment. Ensure and protect the “Collective Bargaining Agreement” of all employees through labor-management meetings, department meetings, symposiums, Suggestion Box, and other communication channels.</p> <p>(2) Supplier relations: In terms of supplier management, Advantech has introduced the “Responsible Business Alliance (RBA)” management system since 2010, has environmental protection principles strictly incorporated into the supplier management mechanism so to establish a “Green Supply Chain” management system, to carry out supplier management through the SRM (Supplier Relationship Management) platform, and to conduct supplier code of conduct reviews/factory inspections on important suppliers, including the addition/change of suppliers and the supplier evaluation process, which are all clearly defined and standardized in the company’s management document (M-001_Procurement Procedure). The “Advantech Procurement Code of Conduct” is stipulated internally to clearly regulate procurement act.</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	
			<p>Also, suppliers are required to sign a letter of undertaking of integrity to have themselves committed to complying with the principles of ethical conduct jointly.</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: In the 2023, each director received an average of 12.0 hours of training, exceeding the regulatory recommended hours of 6 hours. The Company encourages directors to continuously pursue further education and stay abreast of professional fields and international trends. In addition to regularly disseminating information about governance courses organized by professional institutions such as the Chinese Corporate Governance Association, the Securities and Futures Institute, and the Taiwan Directors Association for directors to consider and enroll in, the company also holds periodic director training seminars. The topics for these seminars are selected based on references from the comprehensive operational risk map and significant issues. The Company actively encourages directors to participate in continuing education as scheduled below.</p> <p>(5) Customer Policy: The Company maintains close communication with customers through online/telephone customer service and the Account</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	
			<p>Manager system on a regular basis to understand their needs. Additionally, customer feedback is actively collected through annual customer satisfaction surveys, serving as the basis for Advantech's product and service optimization efforts. Throughout the year, we also hold periodic product or solution briefings for customers to engage with Advantech more directly. Furthermore, the company provides product solutions, technical support, and after-sales services on its online platform, ensuring product reliability and quality.</p> <p>(6) The acquisition of liability insurance for directors : According to Article 39 of our company's Corporate Governance Practices Guidelines, the Company has acquired liability insurance for directors and supervisors . Renewal matters are reported to the board of directors in the second quarter of each year, including important details such as the insured amount, coverage scope, and premium rates.</p>	
<p>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)</p> <p>1.The company was awarded the highest level of evaluation for corporate governance in the top 5% ranking in the 2023 (10th) corporate governance assessment. The company will strengthen the disclosure of relevant information on the company's official website to comply with corporate governance regulations.</p> <p>2.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.</p>				

Note 1: Assessment criteria of accountant's Independence

Evaluation items	2023 Assessment Result (Y/N)	Independence (Y/N)
1. Does the CPA have a direct or indirect financial interest in Advantech.	Y	Y
2. Does the CPA have a significant-close business relationship with Advantech.	Y	Y
3. Is the CPA concerned about the possibility of losing significant clients.	Y	Y
4. Is the CPA entering into potential employment negotiations with Advantech.	Y	Y
5. Is the CPA entering into a contingent fee arrangement relating to an audit engagement.	Y	Y
6. 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
7. The non-assurance service performed by the CPA for an audit client would affect directly a material item of the assurance engagement.	Y	Y
8. Does the CPA promote or broker shares or other securities issued by Advantech.	Y	Y
9. Does the CPA act as an advocate on behalf of Advantech in litigation or disputes with third parties.	Y	Y
10. 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
11. Does the CPA accept gifts or preferential treatment from Advantech, or the director, supervisor, officer, or major stockholder of Advantech.	Y	Y
12. Is the CPA being threatened with litigation by Advantech.	Y	Y
13. 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
14. Is the firm being threatened with dismissal from Advantech engagement.	Y	Y
15. Is the accounting firm being pressured to reduce inappropriately fees, to compel the firm to reduce the extent of work performed.	Y	Y
16. Was the CPA pressured to agree with controversial issues due to Advantech's employee having more expertise on the matter in question.	Y	Y
17. 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

■ Training and Educational Status of Directors and Supervisors of the Company:

Title	Name	Date		Education Sponsors:	Education Courses	Education Hours
		Start	Ends			
Director	K.C Liu	2023/08/12	2023/08/12	Taiwan Institute of Directors	Succession Strategies for Centennial Enterprises	3
		2023/12/05	2023/12/05	Taiwan Institute of Directors	Generative AI Leading Industry Transformation and Enterprise Transformation	3
Director	Chaney Ho	2023/08/12	2023/08/12	Taiwan Institute of Directors	Succession Strategies for Centennial Enterprises	3
		2023/11/10	2023/11/10	Industrial Technology Research Institue	Domestic and International Climate Governance and Corporate Carbon Risk	3
		2023/12/05	2023/12/05	Taiwan Institute of Directors	Generative AI Leading Industry Transformation and Enterprise Transformation	3
Director	Wesley Liu	2023/08/12	2023/08/12	Taiwan Institute of Directors	Succession Strategies for Centennial Enterprises	3
		2023/12/05	2023/12/05	Taiwan Institute of Directors	Generative AI Leading Industry Transformation and Enterprise Transformation	3
Director	Tony Liu	2023/06/07	2023/06/07	Taiwan Institute of Directors	The Future of Enterprises Under War: Strategic Shift & Strategic Transformation	3
		2023/08/12	2023/08/12	Taiwan Institute of Directors	Succession Strategies for Centennial Enterprises	3
		2023/12/05	2023/12/05	Taiwan Institute of Directors	Generative AI Leading Industry Transformation and Enterprise Transformation	3
Director	Jeff Chen	2023/08/12	2023/08/12	Taiwan Institute of Directors	Succession Strategies for Centennial Enterprises	3
		2023/12/05	2023/12/05	Taiwan Institute of Directors	Generative AI Leading Industry Transformation and Enterprise Transformation	3

Title	Name	Date		Education Sponsors:	Education Courses	Education Hours
		Start	Ends			
Director	Ji-Ren Lee	2023/03/16	2023/03/16	Corporate Governance Association of the Republic of China	Global Economic Outlook for 2023	1.5
		2023/05/04	2023/05/04	Corporate Governance Association of the Republic of China	Global Future Risks and Sustainable Transformation Opportunities	1.5
		2023/07/31	2023/07/31	Corporate Governance Association of the Republic of China	Technology, Applications and Socioeconomic Impacts of Artificial Intelligence	3
		2023/08/12	2023/08/12	Taiwan Institute of Directors	Succession Strategies for Centennial Enterprises	3
		2023/08/14	2023/08/14	Corporate Governance Association of the Republic of China	Corporate Response and Countermeasures Under the Changing Global Financial and Economic Situation	3
		2023/12/05	2023/12/05	Taiwan Institute of Directors	Generative AI Leading Industry Transformation and Enterprise Transformation	3
Independent Director	Ming-Hui Chang	2023/08/12	2023/08/12	Taiwan Institute of Directors	Succession Strategies for Centennial Enterprises	3
		2023/12/05	2023/12/05	Taiwan Institute of Directors	Generative AI Leading Industry Transformation and Enterprise Transformation	3
		2023/6/30	2023/6/30	Securities and Futures Institute	(Lectured) Analysis and Application of Corporate Financial Information for Decision Making	1
		2023/5/26	2023/5/26	Securities and Futures Institute	(Lectured) Financial Information Most Easily Overlooked by Directors	1
		2023/04/27	2023/04/27	Taiwan Institute of Directors	Taiwan's Economic Outlook Under International Changes	3
		2023/2/17	2023/2/17	Securities and Futures Institute	(Lectured) Corporate Financial Crisis Warning and Classification Analysis	1

Title	Name	Date		Education Sponsors:	Education Courses	Education Hours
		Start	Ends			
Independent Director	Benson Liu	2023/03/10	2023/03/10	Corporate Governance Association of the Republic of China	The Bizarre Global Economic Situation in 2023	1
		2023/03/29	2023/03/29	Corporate Governance Association of the Republic of China	Climate Change Response Act Analysis and Corporate Response Strategies Workshop	2
		2023/04/27	2023/04/27	Taiwan Stock Exchange	Listed Companies' Sustainable Development Action Plan Promotion Meeting	3
		2023/05/25	2023/05/25	Corporate Governance Association of the Republic of China	Strengthening ESG Drive from the Board of Directors - Case Sharing on Linking Senior Executive Compensation to ESG Performance	1
		2023/07/04	2023/07/04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance Season Climate Change Summit	6
		2023/07/20	2023/07/20	Corporate Governance Association of the Republic of China	Management Rights and Directors' Responsibilities Workshop	3
		2023/07/26	2023/07/26	Corporate Governance Association of the Republic of China	Board Performance Evaluation Practice Sharing Workshop	3
		2023/08/12	2023/08/12	Taiwan Institute of Directors	Succession Strategies for Centennial Enterprises	3
		2023/08/30	2023/08/30	Corporate Governance Association of the Republic of China	The Impact of ChatGPT on Industries and Countermeasures	1
		2023/12/05	2023/12/05	Taiwan Institute of Directors	Generative AI Leading Industry Transformation and Enterprise Transformation	3
		2023/12/08	2023/12/08	Corporate Governance Association of the Republic of China	The Development of Artificial Intelligence and the Application of Third-Generation Semiconductors in Servers	3

Title	Name	Date		Education Sponsors:	Education Courses	Education Hours
		Start	Ends			
Independent Director	Chan-Jane Lin	2023/03/10	2023/03/10	Corporate Governance Association of the Republic of China	The Bizarre Global Economic Situation in 2023	1
		2023/03/29	2023/03/29	Corporate Governance Association of the Republic of China	Climate Change Response Act Analysis and Corporate Response Strategies Workshop	2
		2023/08/12	2023/08/12	Taiwan Institute of Directors	Succession Strategies for Centennial Enterprises	3
		2023/10/04	2023/10/04	Taipei Bar Association	2023 Corporate Governance Forum - Workshop on Governance of Group Enterprises	3
		2023/12/12	2023/12/12	Corporate Governance Association of the Republic of China	19th (2023) International Corporate Governance Summit - Creating a New Governance Landscape to Enhance Corporate Value	3
		112/12/25	112/12/25	Corporate Governance Association of the Republic of China	The Role and Responsibilities of the Board of Directors/Senior Management in ESG Governance	3
		112/12/28	112/12/28	Corporate Governance Association of the Republic of China	Wangdao Accounting and Corporate Governance	1

■ 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.	153,700,000	2023/04/01-2024/04/01

3.3.4 Functional Committees

3.3.4.1 The composition of the Remuneration Committee, responsibilities, and operation:

Remuneration Committee members:

Qualification Name	Professional qualifications and experience (note 1)	Independent status (note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Convener Ming-Hui Chang	<p>Independent Director Chang was the former chairman of PwC Foundation and the director of PwC Taiwan who has professional accounting and financial knowledge; he also, has a profound understanding of the international market and sufficient experience in risk management.</p> <p>Professional certification and license: Certified Public Accountant of the Republic of China.</p> <p>Independent Director Chang serves as an independent director of Uni-President Enterprise Corp.</p> <p>He is currently serving as the chairman of the Association of Sustainable Social Enterprise of Taiwan (ASSET) with expertise in sustainability.</p>	<p>In the two years before the election and during the term of office, they have met the independence assessment conditions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".</p>	<p>1</p>
Independent Director Benson Liu	<p>Independent Director Liu has professional knowledge and skills in financial accounting, corporate governance, operation management, etc., and is familiar with relevant laws and regulations.</p> <p>Important experience: Chairman and President of Taiwan Bristol-Myers Squibb (Taiwan) Ltd., the sixth chairman of Taiwan Corporate Governance Association, and the current standing director.</p> <p>Serving as directors and independent directors concurrently: Director legal representative of The Maywufa Biopharma Group ,independent director of Vanguard International Semiconductor Corporation ,and independent director of Chenbro Micom Co., Ltd.</p>	<p>In the two years before the election and during the term of office, they have met the independence assessment conditions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".</p>	<p>2</p>

Independent Director Chan-Jane Lin	Independent Director Lin has expertise in financial accounting, business management, and corporate governance. She is currently serving as a professor at the Accounting Department of National Taiwan University and an adjunct professor at the School of Management of National Taiwan University. She also serves as the convenor of supervisors of Taiwan Corporate Governance Association, and the supervisor of the Securities and Futures Investors Protection Center. Important experience: Independent director of Fubon Financial Holding Co., Ltd., independent director of Fubon Life Insurance Co., Ltd., and independent director of Fubon Securities Co., Ltd. Concurrently serving as an independent director: Independent director of FocalTech Systems Co., Ltd.	In the two years before the election and during the term of office, they have met the independence assessment conditions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	2
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Note1: None of the directors of the Company has any circumstance under Article 30 of the Company Act.

Note2: All directors of the Company have not been elected on behalf of the government, corporate or representative in accordance with Article 27 of the Company Act.

The operation of Remuneration Committee

1. There are three members in Remuneration Committee of the Company.
2. Current term of office: May 25, 2023 ~ May 24, 2026. In 2023, The Compensation Committee held 4 meetings, including the 14th session of remuneration committee 2 times and 15th session of remuneration committee 2 times (A), and 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
Independent director Convener	Jeff Chen	2	0	100%	The 14 th Session
Independent director	Benson Liu	2	0	100%	The 14 th Session
Independent director	Joseph Yu	2	0	100%	The 14 th Session
Independent director Convener	Ming-Hui Chang	2	0	100%	The 15 th Session
Independent director	Benson Liu	2	0	100%	The 15 th Session
Independent director	Chan-Jane Lin	2	0	100%	The 15 th Session

Remuneration Committee	Subject	Resolution results	Company reaction base on the opinion of Compensation Committee
The 11th meeting of the 14th session (January 17, 2023)	Review the Senior Executives' Y2022 achievement results	Committee members agreed with the report and suggested : 1. In the Compensation Committee, review the compensation and KPIs of the CEO/President and all direct reports to him/her (Executive Level; regardless of whether the compensation is paid in Taiwan). 2. Add Insights to the Operational Analysis to understand key drivers.	Implemented according to the conclusion
	Review the Senior Executives' Y2023 KPIs & goals	Committee members agreed with the report and suggested : 1. If TSR-related indicators are to be established, it is necessary to consider whether they are in line with Advantech's culture. 2. ESG KPIs can be included in the Long-Term Incentive Program through PSOP.	1. Annual KPIs exclude the TSR 2. Implemented according to the conclusion
	Present the results of the self-evaluation of the performance of the Compensation Committee	Committee members agreed with the report. All self-evaluation items met or exceeded the expectations.	Implemented according to the conclusion
	Comparison and Analysis of Compensation of Directors of Advantech and Benchmark Companies. Review of Director of the Board compensation against Taiwan-related companies	Committee members agreed with the report and suggested : 1. In addition to the regular annual review of Directors' compensation, it is proposed to review the Directors' compensation competitiveness against the market every three years at the Compensation Committee's meeting prior to the re-election of Directors and make recommendations. 2. The fixed pay amount for independent directors should remain unchanged, but the payment will be changed to a monthly or quarterly basis starting the next term.	1. Implemented according to the conclusion 2. Had a further discussion and decided to maintain the one-time payment yearly
	Review the proposed Employee Stock Option Program (ESOP) to be issued in 2023	Agreed by all members	Approved by the Board of Directors
	Review the Y2022 Directors' compensation		
Propose the Senior Executives' Bonus (Year-End Bonus, Performance, etc.) and the Y2023 Salary Adjustment Plan			

Remuneration Committee	Subject	Resolution results	Company reaction base on the opinion of Compensation Committee
The 12th meeting of the 14th session (April 28, 2023)	Middle Manager/ Young Talent Development Plan	Committee members agreed with the report and suggested : Planning globally and in the headquarters' view and to ensure management points by different competencies.	Implemented according to the conclusion
	HCM (Human Capital Management) - Workday System - HR Strategy Platform Report	Committee members agreed with the report and suggested : Reconsidering the Workday roll-out plan priorities.	Implemented according to the conclusion
	Review the Directors' Compensation Management Policy	Agreed by all members	Approved by the Board of Directors
The 1st meeting of the 15th session (August 1, 2023)	Election of the Convenor of the Compensation Committee	All members elected Mr. Ming-Hui Chang, an independent director, as the convenor	Approved by the Board of Directors
	Pay Structure and Competitiveness Analysis	Committee members agreed with the report and suggested : Presenting financial data in thousands or millions of dollars in the report	Implemented according to the conclusion
	Review the relevant policies 1. Organizational Procedures of the Compensation and Compensation Committee 2. Regulations on Directors' Compensation 3. Regulations for the Senior Executives' Compensation Management	Committee members agreed with the report	Implemented according to the conclusion
	Review the Employee Stock Option Certificates Policy	Agreed by all members	Approved by the Board of Directors
The 2nd meeting of the 15th session (September 20, 2023)	Review the number of Stock Options granted to the Senior Executives and employees holding directorships	Agreed by all members	Approved by the Board of Directors In response to the Directors' proposal to expand participation in the 2023 employee stock option plan, if there are any changes in the list of employees, it will be submitted to the Committees in accordance with the law.

3.3.4.2 Sustainable Development Committee (SDC)

To actively promote and strengthen corporate governance related to the corporate sustainability, ESG development, and corporate social responsibility, the Advantech established the "Sustainable Development Committee" (SDC) under the board of directors on July 29, 2022.

1. The company's Sustainability Development Committee consists of three members.
2. Tenure of the Corporate Sustainability Committee : May 27, 2023 to May 27, 2026 °

Name	Professional qualifications and experience
Chairman K.C. Liu	Chairman K.C Liu is the founder of Advantech Co., Ltd., who constantly develops innovation and applications since the foundation of the company, pushing Advantech towards global objectives. In recent years, in view of the thriving development of global IoT, the Company actively co-establishes the industry ecology circle with partners, and carries forward the software/hardware solutions based on WISE-PaaS/IoT. Driven by altruism-based value, Advantech implements ESG from the core expertise based on the industry and thereby expands its social impact, shifting towards sustainability objectives.
Director Jeff Chen	Director Chen was the former global vice president and Asia president of Stanley Black & Decker, Inc. who has management experience in large-scale international enterprises, M&A strategy execution, and a profound understanding of technology expertise.
Director Ji-Ren Lee	Director Lee worked at National Taiwan University from 2005 to 2020, and successively served as deputy dean of the School of Management and executive director of EMBA, deputy dean of teaching and resource development of the School of Management, and director of the Creativity & Entrepreneurship Program and Innovation Center. Director Li has been awarded the Honorary Professor of the Department of International Business, National Taiwan University after his retirement in 2020. Director Lee has expertise and experience in business strategy, talent development, risk management, and financial analysis; also, he has more than five years of work experience needed for the company's business. He was the Associate Executive Officer of Yulon Group in 1982, which is the kind of work experience related to the GICS industry.

The Sustainable Development Committee held 3 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
Chairman Convener	K.C. Liu	3	0	100%	The Sustainable Development Committee (SDC) mechanism has incorporates external consultant experts' opinions, foster internal consensus, and drive change. In 2023, the SDC invited five internationally renowned experts and scholars to provide diverse perspectives (enhancing decision quality, without voting rights), facilitating collective knowledge implementation.
Independent director	Jeff Chen	3	0	100%	
Committee Member	Ji-Ren Lee	3	0	100%	

Date	Meeting Minutes	Resolution	Follow Up
The 2 th meeting of the 14th session on February 11th	<ol style="list-style-type: none"> 1. Advantech NEG Structure and Mechanism Design & Subsequent Implementation Planning 2. Summary of NEG Closure Highlights and 2023 Action Plan Endorsement Program for Pioneer Sectors 3. Organization Establishment and Key Actions for Region MD & Crop Management & Development 4. Executive Development, Succession Policy Planning, and Corporate Development Structure 5. Strategic Missions of the Corporate Development Team (Using Schneider as an Example) 6. Suggestions for Advantech's Succession Mechanism 	No objection from all the members present.	The chairman of Corporate Sustainability Committee reports implementation plans and results to the board of directors.
The 3th meeting of the 14th session on	<ol style="list-style-type: none"> 1. Recommendations for the Executives Partner (EP) Committee Model and Corporate Development Mechanism 2. Sharing the Outcomes of Implementing a Corporate Governance Committee Structure in Global Large and Medium-sized Enterprises, and Providing Recommendations for Advantech 	No objection from all the members present.	The chairman of Corporate Sustainability Committee reports implementation plans

Date	Meeting Minutes	Resolution	Follow Up
May 24th	3. Concept of Using the EP Committee as a Vital Mechanism for Succession 4. Sector Driven & Region Development 5. Emerging Business Development (EBD) Layout and Planning		and results to the board of directors.
The 1th meeting of the 15th session on August 12th.	1. Inheritance strategy of Centennial Corporation 2. Merck's Century-Long Development Experience and Partnership System 3. Discussion on Advantech's EP Committee Mechanism	No objection from all the members present.	The chairman of Corporate Sustainability Committee reports implementation plans and results to the board of directors.

3.3.5 Corporate Governance Implementation Status and Deviations from the " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Has the Company established a ESG unit (full- or part time), with a senior manager authorized by the Board of Directors to handle and report related activities to the Board of Directors?	V		Since 2013, Advantech has been releasing its Corporate Social Responsibility (CSR) report, and the general manager reports the summary of the issuance of the report and CSR work focus at the annual board meeting. The board of directors is responsible for reviewing the CSR Report and Sustainability related important topics , and the CSR-related important projects are led by the chairman of the board. Advantech's SDC (Sustainable Development Committee) comprises members including the Chairman (Founder) and two directors (Director Jeff Chen and Director Ji-Ren Lee). They oversee projects related to governance,	None

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>environment, and social aspects of corporate sustainability. Quarterly meetings invite external sustainability consultants, the General Manager of Integrated Operations Management, the Chief Auditor, the Deputy General Manager of Quality Audit, the Associate Manager of Human Resources, the Associate Manager of Employee Relations, and the Corporate Governance Manager to attend. Industry experts are also invited to provide guidance on relevant topics.</p> <p>The ESG office develops an annual plan and reports major ESG issues and project progress to the committee at quarterly meetings. Once new projects are confirmed by the committee, responsible teams take action, and the ESG office regularly monitors effectiveness and proposes improvement plans.</p> <p>In 2023, the ESG office presented three reports to the board of directors, covering progress on initiatives such as the RE100 campaign, stakeholder engagement, Advantech's global greenhouse gas inventory progress, biodiversity conservation issues, and annual ESG performance reporting.</p> <p>The ESG office held four quarterly meetings, discussing topics including but not limited to workplace inclusion (DEI), Advantech's annual sustainability performance assessment and gap analysis, EHS organizational evolution planning, biodiversity planning, Advantech's response measures to the EU CBAM, and the ISSB International Sustainability Disclosure Standards.</p>	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
2. Does the company follow principles of materiality in evaluating the risks of environmental, social, and corporate governance, and establish relevant policies or strategies?	V		<ol style="list-style-type: none"> 1. Please refer to the 2023 report. (2.3 Risk Management)Sustainability Report -ESG (Advantech.com) 2. Please refer to Advantech's official website - Risk Management: Risk Management - Investor Relations - Advantech (advantech.com). 3. Advantech identifies and prioritizes significant topics according to the latest GRI guidelines, following the requirements for significant topic identification and management policies. These significant topics are closely related to the company's operations and are ranked by significance. Advantech identifies the positive and negative impacts of each significant topic on the environment, society (including human rights), and the economy, and further takes preventive, mitigative, or compensatory measures. For more information, please refer to the 2023 Sustainability Report, Chapter 1.3 on Sustainability Goals and Significant Topics, as well as the content within each chapter on significant topics. Sustainability Report - ESG (advantech.com). 	None
3. Environmental issues (1) Does the company establish proper environmental	V		(1) The Company has established ESH Management Committee and ISO14001 environmental	None

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
management systems based on the characteristics of their industries?			<p>management system, which includes the following items:</p> <p>In terms of environmental management, Advantech not only complies with relevant laws and regulations regarding sewage and waste management but also has developed an "EHS Management System Manual" as a guiding principle for operational management. Regular inspections and implementation of management practices are carried out. All sewage meets emission standards and is reported as required, while industrial waste is cleared and processed by qualified vendors.</p> <p>A. We are committed to incorporating green design principles into our product and service activities, pledging to practice the 3R (Reuse, Recycle, Reduce) approach to achieve energy conservation, waste reduction, emission reduction, and circular economy, thus minimizing our products' and production activities' environmental impact.</p> <p>B. We continuously monitor global climate change and environmental issues, adhering to domestic and international environmental protection laws, energy and resource efficiency regulations, and standards. We evaluate risks and opportunities, develop management plans, and strive for energy conservation and waste reduction.</p>	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		<p>C. We actively collaborate with customers, suppliers, and outsourcing partners to establish a green production supply chain from design, manufacturing, to product delivery and services.</p> <p>D. We operate with integrity and diligence, aiming to comply with EHS/hazardous substance regulations and meet customer requirements. Through education and training on EHS/hazardous substance knowledge and activities, we involve all employees to achieve the goal of zero accidents, zero occupational diseases, zero pollution, and continuous improvement.</p> <p>E. We continuously promote improvement through management systems, ingraining a culture of corporate environmental, safety, and health risk management. We reinforce the important responsibilities and awareness of all employees, stakeholders, and joint venture companies towards sustainable development. When engaging in mergers and acquisitions, we adhere to this policy for due diligence investigations.</p> <p>(2) The Company is committed to enhancing the efficiency of resource utilization and utilizes recycled materials with low environmental impact. From source management, we have established the Advantech Green Ecological Design Standard Guidelines for products in four major aspects: (1)</p>	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(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		<p>Green Materials, (2) Green Packaging Materials, (3) Product Recycling, and (4) Energy-saving Products. We evaluate the environmental impact of products at each stage, from production and manufacturing to transportation, consumer use, recycling, and disposal, in accordance with international regulations and customer requirements. For example, the use of recycled fibers, recycled plastics, and the development of innovative green products designed to reduce environmental toxicity hazards and enhance energy efficiency. In 2023, the Advantech team developed packaging materials using paper and plastics to replace Expanded Polystyrene (EPE), achieving a rate of 79% reduction in products weighing less than five kilograms, contributing to Scope 3 carbon reduction performance.</p> <p>(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. From 2021, We promote the TCFD project (Task Force on Climate-related Financial Disclosures) and evaluated the list of climate change risks, including potential risks and opportunities, and corresponding measures. In addition, in 2021, Advantech obtained the international SBT target announcement, hoping to take practical actions to reduce carbon emissions through the SBT plan. The 2022 Sustainability Report</p>	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(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		<p>the Advantech Green Ecological Design Standard Guidelines for products in four major aspects: (1) Green Materials, (2) Green Packaging Materials, (3) Product Recycling, and (4) Energy-saving Products. We evaluate the environmental impact of products at each stage, from production and manufacturing to transportation, consumer use, recycling, and disposal, in accordance with international regulations and customer requirements. Particularly, there are specific requirements for "Green Materials" and "Green Packaging Materials." For example, the use of recycled fibers, recycled plastics, and the development of innovative green products designed to reduce environmental toxicity hazards and enhance energy efficiency. In 2023, the Advantech team developed packaging materials using paper and plastics to replace Expanded Polystyrene (EPE), achieving a rate of 79% reduction in products weighing less than five kilograms, contributing to Scope 3 carbon reduction performance.</p> <p>(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. From 2021, We promote the TCFD project (Task Force on Climate-related Financial Disclosures) and evaluated the list of climate change risks, including potential risks and opportunities, and corresponding</p>	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(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		<p>outlines the sustainability goals: achieving RE50 by 2030 (Taiwan and Kunshan manufacturing centers in China to reach a 50% renewable energy usage rate), RE100 by 2040 (Advantech Group to achieve a 100% renewable energy usage rate), achieving net-zero carbon emissions by 2050, and planning to update the Science Based Targets initiative (SBTi) science-based reduction targets by 2025 to ensure that global warming does not exceed 1.5 degrees Celsius.</p> <p>(4) Advantech, in terms of environmental management, not only adheres to relevant regulations for sewage and waste management but also establishes the "Environmental Health and Safety Management System Manual" as a guiding principle for system operation. Regular inspections are conducted to ensure effective management. All sewage meets emission standards and is reported as required. Business waste is entrusted to qualified vendors for clearance and treatment. For detailed information, please refer to the Chapter 4.4 Environmental Management of the 2023 Sustainability Report - ESG (advantech.com). Annually, Advantech discloses greenhouse gas emissions, water usage, and total waste weight. Reduction targets are set, specific action plans are devised, and the effectiveness is regularly reviewed. To ensure the credibility of greenhouse gas emission data, since 2019, third-party onsite verification of ISO 14064 has been conducted by Taiwan Inspection Technology Co., Ltd. (SGS), with annual certification maintenance.</p>	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Starting from 2022, the sustainability report has included disclosure of SASB sustainability accounting standards and related significant indicators. Advantech has also established greenhouse gas reduction targets and plans to achieve SBT carbon reduction goals. It has designed short, medium, and long-term carbon reduction processes and is progressing with greenhouse gas inventories ahead of regulatory requirements. From 2024 to 2026, Advantech plans to gradually complete inventories of significant overseas operational sites. For relevant disclosures, please refer to Chapter Four of the 2023 Sustainability Report: Sustainability Report -ESG (Advantech.com)	
6. 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?	V		(1) Advantech has established the "Advantech Human Rights Policy" reviewed and approved by the highest management level to safeguard the fundamental human rights of all employees, suppliers, customers, and stakeholders. We consider international human rights frameworks, company development strategies, and external trends, including the Universal Declaration of Human Rights, the United Nations Global Compact, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We comply with local laws and regulations and formulate human rights policies based on the United Nations Guiding Principles on Business and Human Rights Advantech has also implemented a human rights	None

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>risk investigation process, conducting regular impact assessments and managing improvements for relevant stakeholders. The investigation is carried out by relevant internal audit committees, selecting relevant risk issues (including "human rights risks") and reviewing risk ratings, identifying high-risk groups for management. Additionally, Advantech employees are required to adhere to the "Employee Code of Conduct," which covers labor standards, humane treatment, prohibition of child labor, and discrimination prevention, prohibiting any discriminatory or other human rights-violating behavior. To ensure all employees understand and comply with the above policies, the company conducts annual integrity and legal compliance training, including providing legitimate reporting channels for employees to report and discipline, ensuring confidentiality of the reporter's identity and report content. Furthermore, for direct employees, Advantech's Taiwan Manufacturing Center (plant) holds annual education and training sessions on the "Employee Code of Conduct," which includes anti-discrimination and anti-harassment measures. For further details, please refer to the "Advantech Human Rights Policy and Commitment" document and Chapter Five of the 2023 Sustainability Report: Sustainability Report - ESG Advantech.com.</p>	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(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?	V		<p>(2) Advantech's core value of "Putting People First" and the motto of "Work, Learn, Love" drive the growth of Advantech employees. Through the "ABLE Club," which integrates employee relations, foundations, and welfare committees, colleagues are encouraged to innovate, learn, experience life, and contribute to society outside of work. Advantech also prioritizes the physical and mental well-being of employees by providing sports facilities, professional counseling services by psychologists, and other wellness initiatives. In terms of vacation benefits, Advantech offers fourteen types of leave, including special leave, sick leave, menstrual leave, occupational injury leave, personal leave, family care leave, marriage leave, maternity leave, paternity leave, bereavement leave, public holidays, pregnancy leave for bed rest, prenatal check-up leave, and volunteer leave. Various welfare schemes are provided, such as marriage subsidies, childbirth subsidies, hospitalization condolences allowances, bereavement condolences subsidies, emergency assistance funds, and festival benefits (Dragon Boat Festival/Mid-Autumn Festival/Birthday). Additionally, the company legally provides insurance benefits, including retirement benefits, group insurance, to ensure the safety of employees' work and life.</p> <p>The company follows the Labor Standards Act and related regulations to establish various salary and welfare measures for employees and provides</p>	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company provide employee with a safe and healthy working environment, and provide safety and health education to employees regularly?	V		<p>competitive benefits to motivate employees. Performance bonuses, group bonuses, and profit-sharing are also provided to share the company's success with employees. Moreover, Advantech has a comprehensive retirement system, employee stock ownership plan, and ESG KPI reward system.</p> <p>The average salary for full-time employees not in supervisory positions at the company is NT\$1,232 (thousand New Taiwan Dollars), and the median salary for full-time employees not in supervisory positions is NT\$1,059 (thousand New Taiwan Dollars). For further information, please refer to the ESG website and Chapter Five of the 2023 Sustainability Report - ESG Advantech.com</p>	
			(3) The company provides employees with a safe and healthy working environment, certified through the Occupational Health and Safety Management System (ISO 45001:2018), aiming for zero workplace accidents. We offer employees annual health check-ups that exceed the requirements of labor laws. Safety and health education content is incorporated into new employee training held every two months and regular in-service education conducted annually. Fire drills are held every six months, and relevant occupational safety and health data are disclosed publicly, including safety and health performance indicators and Advantech	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company set up effective career development and training programs for its employees?	V		<p>employee absenteeism statistics. For comprehensive information, please refer to Chapter Five of the 2023 Sustainability Report - ESG Advantech.com</p> <p>(4)Advantech offers a range of physical training courses, including LEAP Camp, Elite LEAP Workout, book clubs, and other developmental activities. The company continually strengthens its comprehensive digital learning platform, "Advantech Academy," aiming for continuous improvement. The digital platform offers diverse content, including skill development courses at various levels, the transmission and sharing of business philosophies, and training for mid to senior-level management. In 2023, Advantech increased its investment in human resource education and training, such as the 3M Talent Program and APEX Program. These initiatives integrate talent development with the company's business development strategy, focusing on the digital transformation of talent information and planning human resources work with the long-term career development of employees in mind. For more information, please refer to the <u>Industry Talent Cultivation and Development - ESG page on the Advantech website</u>, as well as Chapter Five of the 2023 Sustainability Report - ESG (Advantech.com)</p>	
(5) Does the company comply with relevant regulations and international standards in customer health and	V		(5)The company adheres to relevant regulations and international standards for customer health and	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?			<p>safety, marketing, and labeling of products and services. This includes compliance with CE and FCC electromagnetic compatibility regulations and safety requirements for various product categories (such as information technology, industrial control, medical, automotive, marine, etc.), with product information available on the company's website. For more details, please refer to the Advantech 3C Quality Policy website and Chapter Four of the 2023 Sustainability Report: Sustainability Report - ESG on the Advantech website.</p> <p>For customers (including but not limited to employees, clients, suppliers, and other users of this website, online services, and other services), relevant privacy protection policies have been formulated and are publicly available on the company's website: Advantech Creating a Future World of IoT.</p> <p>Our products indeed comply with internationally published environmental protection regulations, from the efficient use of natural resources to the prohibition of hazardous substances, in accordance with international green product standards. Advantech promotes green products based on safety, energy efficiency, and environmental protection, with details available in Chapter Four of the 2023 Sustainability Report: Sustainability Report - ESG on the Advantech website.</p> <p>The company has established a consumer rights</p>	

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(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		<p>protection policy and complaint procedures, along with a quality feedback system, customer service platform, and repair operation manual to ensure proper handling. Please refer to the company's explanation of its quality commitment: Advantech Creating a Future World of IoT. For feedback and complaints, you can contact the ESG website: Contact Us - ESG on the Advantech website.</p> <p>(6) In 2010, the company established a green supply chain management system. 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. Please refer to Supply Chain Sustainability Management. And with details available in Chapter two of the 2023 Sustainability Report: Sustainability Report - ESG on the Advantech website.</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 a third party verification unit?	V		The 2023 Sustainability Report follows the GRI Standards' referencing option to disclose Advantech's strategies, management policies, projects, and performance in corporate sustainability. It aims to transparently present the company's governance, environmental, and social strategies, management policies, practices,	None

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>achievements, and future improvement directions to stakeholders and the general public.</p> <p>Published in June 2024, the report highlights annual work based on GRI requirements and the Financial Supervisory Commission's request for specific industries to disclose sustainability indicators (industry: computer and peripheral equipment industry), as well as SASB Hardware and AA1000 reporting standards. The report underwent verification by a third party, Taiwan Inspection Technology Co., Ltd., and had limited assurance performed by PricewaterhouseCoopers Taiwan in accordance with the Republic of China Assurance Standards No. 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" for selected key performance indicators. The limited assurance report is attached to the report's appendix.</p> <p>For complete information, please refer to the 2023 Sustainability Report: Sustainability Report - ESG on the Advantech website.</p>	
<p>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:</p> <p>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. Fully comply with and implement these policies. We adhere to the practical guidelines for corporate social responsibility of listed and over-the-counter companies.</p>				
<p>7. Other important information helpful in understanding the Company's corporate social responsibility operations:</p> <ul style="list-style-type: none"> ● Environmental: <ul style="list-style-type: none"> A. Renewable Energy Development: Establishing a global RE100 promotion task force to set annual targets and implementation measures for each business unit, including but not limited to direct procurement of green electricity, installation of solar power generation facilities, purchase of green energy certificates, and investment in solar 				

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
<p>energy power plants for self-consumption. The goal is to achieve 100% renewable energy usage globally by 2040.</p> <p>B. Climate Change Strategy and Carbon Management: Setting a net-zero carbon emissions target for 2050. In 2023, completing the progress of greenhouse gas inventory for Taiwanese subsidiaries, initiating a carbon pricing project, completing the declaration of the carbon footprint of the first product, and gradually establishing internal methodologies and databases for product carbon footprint within Advantech.</p> <p>C. Green Products: Enhancing the performance of green products in four dimensions: raw materials, packaging materials, energy conservation, and recycling. Completing the tracking of 36 product modules, with 24 achieving internal silver-level performance, and generating 10% of revenue from green products.</p> <p>D. Resource Management: Clearly establishing reduction targets and implementation measures for various types of resources including water, electricity, waste, and VOCs to effectively reduce carbon emissions.</p> <p>E. Biodiversity: Planning and implementing biodiversity risk analysis for Advantech locations and supply chains, organizing volunteer activities for biodiversity conservation, donating to support forest conservation activities in Taiwan's mountainous areas, and collaborating with Taiwan University's experimental forest to monitor bird calls and species identification using Advantech's AIoT expertise, significantly reducing conservation costs and advancing intelligent forest conservation.</p> <ul style="list-style-type: none"> ● Social: <ul style="list-style-type: none"> A. Employee Well-being Enhancement Plan: In 2023, with Advantech's 40th anniversary, Advantech allocated a budget of USD 1,000 per employee worldwide to plan activities in various locations, aiming for Advantech employees and their families to experience and to initiate employees' happiness. In response to challenges such as labor shortages, declining birth rates, and an aging workforce, Advantech optimized flexible work schedules, facilitated easier work-life balance for employees with family responsibilities, introduced a one-day WFH policy per week, and provided enhanced maternity and paternity leave benefits surpassing legal requirements. B. Employee Talent Cultivation and Development: Advantech is committed to creating a workplace that maximizes employee potential and offers long-term career choices. It provides diverse career development opportunities such as international rotations, internal transfers, and a variety of physical training courses including management training programs, APEX Program, book clubs, seminars on labor laws and regulations, career sharing sessions, and technical forums. Advantech also continuously strengthens its comprehensive digital learning platform, Advantech Academy. For middle and senior managers, programs such as the Bookworm Project, leadership coaching programs, and labor law education and training for managers are provided. C. IoT and Industry-Academia Collaboration in Education: Under the framework of industry-academia collaboration, Advantech, by injecting industrial resources, develops three main axes to cultivate IoT talents and bridge the gap between industry and academia. Through the "Co-Creation" value chain operation, Advantech connects academia, internal employees, and industry ecosystem partners to jointly develop applications and solutions, integrating Advantech's core capabilities and resources to contribute to society, fostering the thriving development of the IoT industry, and providing opportunities for academic research to be applied in industry development, thereby creating more employment opportunities. Initiatives like the AIoT Innworks Developer Program and AIoT Academy IoT higher education and certification courses have been launched, involving participation from students across 34 schools in 7 countries, resulting in the completion of 224 projects. Moreover, Elite100 Internship program, with an investment exceeding 8.06 million, recruited 59 interns who extended their internships beyond the summer break. 				

Evaluation Item	Implementation Status			Deviations from " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
<p>D. Sustainable Innovation Education and Arts Support: The Advantech Education Foundation is committed to sponsoring arts, innovative education, and sports development. In 2023, expenditures for arts promotion amounted to a total of NT\$16,168,423, while expenditures for sustainable education and public welfare totaled NT\$11,871,885 and NT\$31,065,044 respectively.</p> <p>E. Creating a DEI (Diversity, Equity, and Inclusion) Workplace: In 2023, Advantech unveiled its DEI workplace strategy blueprint, which includes goals and action plans for employee engagement and belonging, fostering DEI awareness within the company, promoting diversity in employee composition, implementing family-friendly policies, reducing gender pay gaps, facilitating career advancement for women in technology, and increasing the percentage of female executives. For further social performance aspects, please refer to Chapter 5 and Chapter 6 of the 2023 Sustainability Report. Sustainability Report - ESG (advantech.com)</p> <p>● Governance:</p> <p>F. Advantech Succession Plan Initiation: In 2023, Advantech officially launched its Executive Succession Plan, assessing at the level of the chairman and CEO, with a focus on implementing a "professional manager system" and fostering a growth mindset of "internal development alongside external opportunities". Internally, the implementation of the Human Capital Management (HCM) system has been introduced to strengthen global talent attraction, development, and retention mechanisms, complemented by an employee stock option plan to enhance the company's core competitiveness. Externally, in collaboration with professional consulting firms, Advantech targets talent, opportunities, and cooperative synergies, designing long-term performance and incentive mechanisms to encourage external talent to contribute to the company's long-term development and construction, actively explore opportunities in emerging industries, and maximize synergies in mergers, acquisitions, and external partnerships.</p> <p>G. ESG KPI Incentive Mechanism: Advantech continues to advance towards its vision of being a driving force for sustainable development on Earth. In 2022, it established and implemented a senior management ESG KPI mechanism, integrating environmental, social, and governance (ESG) sustainability indicators as important performance evaluation criteria for the chairman, co-CEO, senior executives, relevant accountable managers, and members of the ESG office for the years 2023 and 2024. The incentive rewards primarily consist of Employee Stock Option Plans (ESOP), supplemented by performance bonuses, with settlement scheduled annually in November and payouts made in April 2023. Moreover, in conjunction with annual significant sustainability issues such as renewable energy development, climate change and carbon management, green product development, biodiversity, employee welfare systems, and talent cultivation and development enhancement, targets, indicators, and promotion plans are established and regularly evaluated.</p> <p>H. Benchmarking EU Taxonomy for Refined Sustainability Activity Classification: Advantech has refined its classification of sustainable activities, voluntarily disclosing sustainable-related revenue and expenditures. In 2023, utilizing the reporting framework of the EU Taxonomy, Advantech calculated that under the classification of climate change mitigation indicators and climate change adaptation indicators, sustainable smart solution revenue accounted for 39.9% of total revenue, equivalent to NT\$25,766,635 thousand.</p>				

3.3.6 Climate-Related Information of TWSE/TPEX Listed Company

1. Implementation of Climate-Related Information

Item Implementation status	Item Implementation status
<p>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p>	<p>For detailed information, please refer to Chapter Four of the 2023 Sustainability Report available at ESG (advantech.com) and the TCFD report in the appendix.</p> <p>1. The Board of Directors and management oversee and govern climate-related risks and opportunities. It serves as the highest supervisory for risk management, including climate risks. It is responsible for reviewing significant climate-related goals, approving budgets, and overseeing the management of climate risks and the outcomes of strategy implementation.</p>
<p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p>	<p>2. Identified Climate Risks and Opportunities Impact the Company's Business, Strategy, and Finance (Short-term, Medium-term, Long-term): Referring to the TCFD guidance on risk and opportunity themes and their financial impact cases, integrated with operational regions and industry analysis, six significant risks and five opportunities relevant to Advantech were identified. These are defined in the short, medium, and long term, spanning within 3 years, 3 to 5 years, and over 5 years, respectively. For further details, please refer to the TCFD disclosure section in the Sustainability Report. For reference, please visit the Sustainability Report - ESG (advantech.com).</p>
<p>3. Describe the financial impact of extreme weather events and transformative actions.</p>	<p>3. The analysis of transformation risks includes scenarios such as WB2DS (voluntary emission reduction scenario</p>

Item Implementation status	Item Implementation status
	<p>under SBT), green electricity procurement (PPA), and I-REC purchasing costs increasing by NT\$57,706,595. In the 1.5DS scenario (Net Zero scenario), the financial impact includes an increase in green electricity procurement (PPA) and I-REC purchasing costs by NT\$58,764,963. In the regulatory implementation scenario, the assessment includes interruptions in water and electricity supply due to China's energy transition/power restriction policies, increased equipment damage and maintenance costs for uninterrupted power supply systems, decreased revenue due to operational production interruptions, and increased costs of NT\$315,557,546. In the STEPS scenario (existing policy implementation scenario), operating costs increase due to payments for renewable energy and carbon fees, amounting to NT\$8,868,638. Physical analysis scenarios include SSP5-8.5. In the high compulsion pathway scenario, the financial impact includes increased operating costs of 379,400 yuan due to equipment damage at the factory and delays or inability of personnel to commence work. In the SSP2-4.5 (middle pathway scenario), the financial impact includes increased operating costs of NT\$189,700 due to equipment damage at the factory and delays or inability of personnel to commence work.</p>
<p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system</p>	<p>4. Please refer to Chapter Two of the Sustainability Report for Advantech's risk management system, which identifies environmental, social, and governance issues. Taking into account Advantech's actual</p>

Item Implementation status	Item Implementation status
	operational situation and the identification of climate risks, senior executives are invited to discuss and plan response actions, with progress regularly monitored and improvements made accordingly.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	5. If using scenario analysis to assess resilience to climate change risks, it's essential to elucidate the scenario, parameters, assumptions, analysis factors, and primary financial impacts. Referring back to the third question, the scenario, parameters, assumptions, analysis factors, and primary financial impacts should be detailed in the context of the scenario analysis used to evaluate resilience to climate change risks.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	6. In response to operational transformation risks related to carbon regulations and policies, Advantech implements measures such as replacing high-energy-consuming equipment, establishing an iEMS (intelligent Energy Management System) for energy management, investing in green energy equipment, setting carbon reduction KPIs, and implementing ISO 50001 Energy Management System. For transformation risks related to products and supply chains, Advantech establishes a Green Design Committee, strengthens specifications for green and sustainable products, and sets targets for green and sustainable products.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	7. In 2023, Advantech initiated an Internal Carbon Pricing (ICP) project with the aim of incorporating the cost of carbon emissions into internal pricing mechanisms. The goal is to integrate carbon costs into

Item Implementation status	Item Implementation status
	<p>organizational cost-benefit evaluations to guide low-carbon investments, promote low-carbon production across departments, enhance Advantech's carbon management effectiveness, and achieve SBT carbon reduction targets. The project will initially use the Shadow Price method for calculation and assessment, referencing carbon trading regulations and market prices in various countries to set prices. It is anticipated that the internal carbon pricing framework will be established by 2024 to strengthen decision-making regarding carbon reduction investments within business units.</p>
<p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p>	<p>8. Advantech has established medium- to long-term climate goals, including: By 2030, achieving SBT targets, with a 60% reduction in carbon intensity for Scope 1 and 2 emissions and a 49% reduction in carbon intensity for Scope 3 product usage. Also aim for a 50% renewable energy usage rate for manufacturing centers in Taiwan and Kunshan. By 2040, Advantech targets a 100% renewable energy usage rate across all global locations. By 2050, in addition to reductions in Scope 1 and 2 emissions, Advantech plans to enhance reduction plans and execution for Scope 3 emissions, develop and design green products, collaborate with supply chain partners to cultivate low-carbon products and transformation, apply future low-carbon technologies, purchase carbon credits, and undertake other measures to achieve net-zero carbon emissions.</p>

1-1. Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO₂e), intensity (metric tons CO₂e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.

- In 2022, the average greenhouse gas emissions (Scope 1 and Scope 2) per million NTD of revenue for Advantech's main operating locations and manufacturing facilities were 0.508 tons CO₂e, representing a 13.1% reduction compared to the average emissions of 0.585 tons CO₂e per million NTD of revenue in 2021.
- In 2023, the company's overall (including main operating locations and manufacturing facilities) greenhouse gas emissions per unit of revenue decreased by 9.0% compared to 2022, and decreased by 24.3% compared to 2019.
- In 2022, Advantech's main operational bases and production facilities emitted a total of 34,951.3741 metric tons of CO₂e in Scope 1 and Scope 2 categories. The Taiwan facility emitted a total of 643.8407 metric tons of CO₂e in Scope 1, while the Kunshan facility emitted 2,826.57 metric tons of CO₂e in Scope 1. For Scope 2 emissions, the Taiwan facility only used purchased electricity, with carbon emissions calculated using the carbon emission factor of electricity announced by the Ministry of Economic Affairs Energy Bureau for the year 2021, which is 0.509 kg CO₂e, totaling 9,872.1888 metric tons of CO₂e. The Kunshan facility's Scope 2 emissions, including purchased electricity and steam, amounted to 20,035.73 metric tons of CO₂e. The carbon emissions from electricity were calculated using the emission factors from the "Average Carbon Dioxide Emission Factors of Regional Power Grids in China for 2011 and 2012", with the emission factor for the East China regional grid in 2012 being 0.7035 kgCO₂e. The emission factor for steam was referenced from the "Guidelines for Greenhouse Gas Emission Accounting and Reporting for Industries and Other Enterprises", with the emission factor for steam being 110 kg CO₂/GJ. For the Japan facility's Scope 2 emissions, only purchased electricity was used, and the carbon emissions were calculated using Japan's announced electricity coefficient of 0.365 kgCO₂e, totaling 1,056.9904 metric tons of CO₂e. Similarly, for the Korea, US, and European facilities, Scope 2 emissions were solely from purchased electricity, with carbon emissions calculated using the electricity coefficients obtained from the public website (Low Carbon Power), resulting in 0.4208 kgCO₂e, 0.3641 kgCO₂e, and 0.3665 kgCO₂e, respectively. For Scope 3 emissions, please refer to page 117, Table 4.3.3 of the 2022 Sustainability Report for Advantech Taiwan and Kunshan facilities' identification and emission data for greenhouse gas Scope 3 emissions.
- In 2023, Advantech's Scope 3 greenhouse gas emissions per unit revenue decreased by 8.71% compared to 2022. This decline was primarily attributed to a reduction in Category 11 (Product Use), with a reduction rate of 14.31% (resulting in a carbon reduction of 173,769.64 metric tons of CO₂e), which was the most relevant factor. In the future, Advantech will continue to reduce Scope 3 emissions by promoting internal energy-saving initiatives, designing products for energy efficiency, improving power efficiency, and implementing internal carbon pricing measures.
- In 2023, Advantech's main operational bases and production facilities emitted a total of 29,866.6190 metric tons of CO₂e (Market-based) in Scope 1 and Scope 2 categories. The Scope 1 emissions from Advantech totaled 3,228.2779 metric tons of CO₂e. For Scope 2 emissions, the Taiwan facility solely used purchased electricity, with carbon emissions calculated using the electricity carbon emission factor announced by the Ministry

Describe the emission volume (metric tons CO₂e), intensity (metric tons CO₂e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.

of Economic Affairs Energy Bureau for the year 2022, which is 0.495 kg CO₂e, totaling 9,723.0184 metric tons of CO₂e. The Kunshan facility's Scope 2 emissions, including purchased electricity and steam, amounted to 15,399.91 metric tons of CO₂e (Market-based). The carbon emissions from electricity were calculated using the emission factors from the "Average Carbon Dioxide Emission Factors of Regional Power Grids in China for 2011 and 2012", with the emission factor for the East China regional grid in 2012 being 0.7035 kgCO₂e. The emission factor for steam was referenced from the "Guidelines for Greenhouse Gas Emission Accounting and Reporting for Industries and Other Enterprises", with the emission factor for steam being 110 kg CO₂/GJ. Additionally, for the Japan, Korea, US, and European facilities, Scope 2 emissions were solely from purchased electricity. The electricity emission factors for Japan, Korea, and the US were obtained from their respective national announcements, resulting in 0.3650 kgCO₂e/kWh, 0.4781 kgCO₂e/kWh, and 0.2079 kgCO₂e/kWh, respectively. For the European facility, which uses 100% renewable energy, the electricity emission factor was 0 kgCO₂e/kWh.

The scope of data includes important operational locations and major manufacturing sites, namely: Advantech Taiwan (ACL), consisting of Rui Guang, Yang Guang, Dong Hu, and Linkou, along with Advantech Kunshan Manufacturing Center (AKMC). Overseas operational locations disclosed include: Advantech Corporation (ANA), Advantech Europe B.V. (AEU), Advantech Japan Co., Ltd (AJP), Advantech KR Co., Ltd (AKR), and Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd

Note 1: Direct emissions (scope 1, i.e., emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e., indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e., emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$ 1 million) shall be disclosed

1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

In the past two years, the assurance engagements on selected key performance indicators have been conducted independently with limited assurance by PricewaterhouseCoopers Taiwan in accordance with the Assurance Standard No. 3000 of the Republic of China ("Limited Assurance Engagements on Non-Historical Financial Information"). The limited assurance reports are included in the appendices of the sustainability reports.

The subject matters of assurance include:

Advantech has a capital of 7 billion, making it subject to the fourth phase (2027) regulations of the Financial Supervisory Commission (FSC).

Currently, it is not required to disclose assured information, but it has voluntarily assured and disclosed it.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. If the Company has not obtained a complete greenhouse gas assurance opinion by the date of printing of the annual report, it shall note that "Complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it shall note that "Complete assurance information will be disclosed on the Market Observation Post System (MOPS)," and shall disclose the complete assurance information in the annual report of the following fiscal year.

Note 2: The assurance institutions shall meet the directions regarding assurance of sustainability reports prescribed by the TWSE and the TPEX.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

In 2021, Advantech established Science-Based Targets (SBT), aiming to reduce carbon intensity by 60% in Scope 1 and Scope 2 emissions and by 49% in Scope 3 product use emissions from 2019 to 2030. The targets are as follows: achieving SBT goals by 2030, transitioning to 100% renewable energy (RE100) by 2040, and reaching net-zero carbon emissions by 2050.

The strategy roadmap is outlined as follows:

- Phase One (2019-2025): Continuously expand manufacturing capacity, leading to increased energy usage. However, carbon emissions will be reduced through the implementation of energy-saving projects.
- Phase Two (2026-2040): Focus on increasing the use of renewable energy at major production sites, resulting in a gradual decline in overall carbon emissions year by year.
- Phase Three (2041-2050): Implement greenhouse gas substitution solutions and acquire carbon credits to further mitigate carbon emissions.

In 2023, Advantech implemented the following reduction strategies and achieved the following results:

- By committing to the RE100 goal, Advantech actively promoted the use of renewable energy across its global business units (RBUs), resulting in a renewable energy usage rate of 5.34% in 2023.
- The Board of Directors approved linking executive compensation to ESG performance, effectively enhancing ESG performance. Achievements include: rising to the 12th position in the Commonwealth Sustainable Corporate Citizenship Awards, winning the Global View ESG Corporate Sustainability Award for the electronics and technology industry, making it to the CDP B List, and achieving a top 5% performance in the DJSI. Additionally, an effective financial incentive mechanism (employee stock options) was adopted to continuously improve sustainability performance.
- Initiated a greenhouse gas inventory and verification project for subsidiaries: Completed the ISO 14064 greenhouse gas inventory and verification for six subsidiaries in Taiwan, the parent company in Taiwan, and the Kunshan subsidiary in 2023.
- Initiated data collection for electricity usage at major operational sites in Taiwan and Kunshan using iEMS.
- The Taiwan facility obtained Green Factory certification, and both the Taiwan and Kunshan operational sites obtained ISO 50001 certification.
- Achieved ISO 14067 certification for the first product carbon footprint.
- Initiated a carbon pricing project: Advantech launched an Internal Carbon Pricing (ICP) project in 2023, aiming to introduce internal pricing by calculating and assessing carbon costs, incorporating them into cost-benefit evaluations within the organization. This is intended to guide low-carbon investments, promote low-carbon production across departments, enhance Advantech's carbon management efficiency, and achieve SBT carbon reduction goals. The project prioritizes calculations and assessments through the shadow price method and sets prices by referencing carbon trading regulations and market prices in various countries. The internal carbon pricing is expected to be finalized in 2024 to strengthen decision-making regarding carbon reduction investments by business units.
- Overall, greenhouse gas emissions per unit revenue decreased by 9.0% in 2023 compared to 2022.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. For example, under the order issued under Article 10, paragraph 2 of the Regulations, a company with capital of NT\$10 billion shall complete the inventory for its fiscal 2024 annual consolidated financial report in 2025, so the base year will be 2024. If a company has disclosed its inventory in its consolidated financial report in an earlier year, it may take the earlier fiscal year as its base year. Also, the data for the base year may be calculated based on a single fiscal year or the average of multiple fiscal years.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

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</p>	V		<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 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> <p>(3)The Ethical Corporate Management Best Practice</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	
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?			Principles explicitly stipulate procedures and guidelines for preventing unethical conduct. The Whistle-blowing Handling Guidelines have also been established for implementation.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		(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 may terminate the transactions or rescind the contracts.	None
(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 against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		(2)The company collaborates among the IT department, Human Resources department, and Legal department to internally communicate and sign the Code of Conduct, establishing an effective system for ethical conduct and regulatory compliance. The Legal department head reports on the implementation status to the Board of Directors in the fourth quarter of each year. Externally, the Purchasing department invites external suppliers to participate in the	

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>Supplier Conference held by our company. In the future, we plan to invite external suppliers to participate in the online Supplier Relationship Management (SRM) system, where we will advocate for our company's integrity and ethical business practices. The Legal department will be notified of the implementation status, and it will report on relevant operations to the Board of Directors annually. Under the supervision of the Board of Directors, the Legal department ensures that all company operations comply with legal requirements and adhere to the standards of the Code of Conduct.</p> <p>A. Human Resources Department In 2023, the new employee training program was adjusted to an online mandatory course, totaling 270 minutes. A total of 344 new employees completed this education and training. Additionally, the total number of personnel/hours for labor safety and health education training across all factory areas was 1,258 people/1,258 hours.</p> <p>B. Procurement Department External Supplier Advocacy: In line with Advantech's supply chain management policy, the Procurement Department uniformly conducts advocacy for Advantech's integrity operation and sunshine procurement</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	
			<p>principles to suppliers through online platforms integrated with Supplier Relationship Management (SRM) system. Additionally, the Integrity Pledge is set as one of the essential documents in procurement contracts to ensure suppliers understand and comply with Advantech's integrity clauses, green design and manufacturing, international environmental declarations, and other related policy provisions.</p> <p>Report on Signing Status in 2023:</p> <ul style="list-style-type: none"> • There are a total of 1,729 qualified suppliers for Advantech. Signing the Integrity Pledge is a mandatory requirement for becoming a qualified supplier, hence the target for signing is 100%. • Currently, there are 1,690 suppliers who have signed back via the SRM management system, resulting in a signing rate of 98%. <p>C. Audit Department Establishment of a reporting channel and conducting investigation management:</p> <ul style="list-style-type: none"> • Reported cases: 3 • Investigation completion: 2 cases have been fully investigated, and necessary actions have been taken by the management. In the remaining case, the reporter lacked sufficient actual evidence. <p>D. Legal Department Responsible for regulatory compliance and conducting online training courses on ethical</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	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		business practices. In the year 2023, a total of 4,912 individuals worldwide completed the training, achieving a completion rate of 98.7%. Additionally, the execution status of each department is reported to the Board of Directors annually to ensure that all company operations comply with legal requirements and adhere to the standards of ethical business conduct. (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 appropriate reporting channels are also provided in the Company's whistleblower guidelines.	
(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?	V		(4)The Company has effective accounting and internal control systems in place to implement ethical corporate management, and 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.	
(5)Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5)The Company has published regulations and policies on the website for all employees’ access. They are also included in the employee orientation and user manuals; in addition, the	

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	
			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.	
<p>3. Operation of the integrity channel</p> <p>(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?</p> <p>(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?</p>	V		<p>(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.</p> <p>(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</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	
(3) Does the company provide proper whistleblower protection?	V		investigation. To fully protect whistleblowers, an independent code will be assigned to each case reported. (3)The Company has the “Advantech Whistleblower Report Processing Guideline” 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.	
4. Strengthening information disclosureDoes the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		The Company has a website in Chinese and English and a CSR website established; also, the “Ethical Management Best-Practice Principles” is published on the MOPS.	None
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.				

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>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.</p>				

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: Feb 27, 2023

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 2022:

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, 2022, it has maintained, in all material respects, and 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 February 24, 2023, with all of the seven attending directors all affirming the content of this Statement.

Advantech Co.,Ltd.

K.C. Liu
Chairman

Eric Chen
Corporate President

Linda Tsai
Corporate President

Miller Chang
Corporate President


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 2023 general shareholders' meeting held at the Neihu Headquarters on May 25, 2023. The resolutions reached in the shareholders' meeting and their implementations are as follows:

1. Approved the acknowledgement of the 2022 business report and financial statements
 Implementation: Resolved and acknowledged.
2. Approved the acknowledgement of the Company's 2022 earnings distribution.
 Implementation: Scheduled the distribution date on July 10, 2023 and the payment date on August 08, 2023 (Cash dividend: NT\$ 9.98771552, Stock dividend: NT\$0.99877155)
3. Approved the company's issuance of new shares for capitalization from earnings.
 Implementation: Resolved and acknowledged.
4. Approved the company's proposed issuance of employee stock warrants below the market price.
 Implementation: Resolved and acknowledged.
5. Approved the company's re-election of all board directors.
 Implementation: Resolved and acknowledged.
6. Approved the proposal for lifting non-compete clause on newly elected directors and their representatives.
 Implementation: Resolved and acknowledged.

■ Important resolutions of the Board of Directors

The important resolutions of the Board of Directors in 2023 and up to the printing date of the annual report are summarized as follows:

1. General board meeting on February 24, 2023:
 - Approved the company's 2023 operating budget and operating plan.
 - Approved the company's 2022 business report, standalone financial statements, and consolidated financial statements.
 - Approved the company's 2022 distribution of employee remuneration and director remuneration.
 - Approved the company's 2022 earnings distribution plan.
 - Approved the company's issuance of new shares for capitalization from earnings.
 - Approved the company's proposed issuance of employee stock warrants below the market price.
 - Approved Advantech Corp. (ANA), the subsidiary, to construct a new headquarters factory office park on a leased land; also, plans to exercise the option of purchasing the land and assets in 2034 based on the lease contract.
 - Approved Advantech Corp., the subsidiary, to construct a new headquarters factory office building on a leased land.
 - Approved the investment of AiSC, the subsidiary of the company, in Tianying Hehua Venture Capital Partnership Enterprise (Limited Partnership) located in Ningbo

Meishan Bonded Logistics Park for an amount of RMB 99 million.

- Approved the company's 2022 managerial officer's benefit packages (year-end, performance, and employee remuneration) and salary adjustment proposal.
 - Approved the company's 2023 regular shareholders meeting related matters.
 - Approved the company's re-election of all board directors.
 - Approved the proposal for nominations and review of candidates for directors (including independent directors).
 - Approved the proposal for lifting non-compete clause on newly elected directors and their representatives.
 - Approved the mandate of certified public accounts of PwC Taiwan and assessment of their independence and suitability for the year of 2023.
 - Approved the remuneration to the certified public accounts of the company for the year of 2023.
 - Approved the company's making of endorsements/guarantees for the subsidiary's bank loans or foreign exchange lines.
 - Approved the company's filing an application for 2023 bank credit line, and authorized the chairman to apply to the bank for loan renewal on the expiry date within the approved credit line based on business needs.
 - Approved the company's proposed capital loan to Advantech KR Co., Ltd. (hereinafter referred to as AKR), the subsidiary, for a total amount not exceeding NT\$160 million.
 - Approved the company's making of endorsements/guarantees additionally for the credit loan of NT\$526,680,000 acquired by Yanxu Green Power Co., Ltd., the subsidiary, from Bank SinoPac.
 - Approved the company's 2022 "Internal Control Statement" completed.
 - Approved the company's 2023 project audit plan.
 - Approved the amendments to the company's "Taxation Policy."
 - Approved the company's 2018 employee stock option executed in the 4th quarter with new shares issued for the common stock shares subscribed.
 - Approved the company's 2020 employee stock option executed in the 4th quarter with new shares issued for the common stock shares subscribed.
2. General board meeting on April 28, 2023:
- Approved the company's 2023Q1 consolidated financial statements.
 - Approved the company's formulation of the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises."
 - Approved the amendments to the company's "Regulations Governing Procedure for Board of Directors Meetings."
 - Approved the amendments to the company's "Ethical Corporate Management Best Practice Principles."
 - Approved the amendments to the company's "Advantech Code of Conduct."
 - Approved the amendments to the company's "Reporting and Handling Guidelines."
 - Approved the amendments to the company's "Internal Control System - Information Processing Cycle."
 - Approved the amendments to the company's "Regulations Governing the Remuneration of Directors."

- Approved the company's 2018 employee stock option executed in the 1st quarter with new shares issued for the common stock shares subscribed.
 - Approved the company's 2020 employee stock option executed in the 1st quarter with new shares issued for the common stock shares subscribed.
3. General board meeting on May 25, 2023:
- Approved the election of the company's chairman for the 15th term of office.
 - Approved the amendments to the company's "Sustainability Development Committee Charter."
 - Approved the mandate of the Remuneration Committee Members of the company board of directors for the 15th term of office.
 - Approved the mandate of the Sustainability Development Committee of the company's board of directors for the 15th term of office.
4. General board meeting on June 8, 2023:
- Approved the company's 2023Q2 consolidated financial statements.
 - Approved the equity structure adjustment proposal of Advantech Automation Corp. (HK) Limited, an invested company of the company.
 - Approved the equity structure adjustment proposal of Advantech Corporate Investment Ltd., an invested company of the company.
 - Approved the changes in the reregistration of Advantech Automation Corporation, an invested company of the company.
 - Approved the amendments to the company's "Regulations Governing the Issuance of Employee Stock Warrants and Stock Subscription for 2023."
 - Approved the company's 2018 employee stock warrants executed in the 2nd quarter with new shares issued for the common stock shares subscribed.
 - Approved the company's 2020 employee stock warrants executed in the 2nd quarter with new shares issued for the common stock shares subscribed.
5. General board meeting on September 20, 2023:
- Approved the number of employees and number of employee stock warrants issued by the company in 2023
 - Approved the replacement of the company's corporate governance officer.
6. General board meeting on October 30, 2023:
- Approved the company's 2023Q3 consolidated financial statements.
 - Approved the joint land development in Huaya Section of Guishan District, Taoyuan City, by the company, Yanben Investment Co., Ltd., Anfeng Industrial Co., Ltd., and natural persons Jincheng Yang and Shizhen Zhang; also, the matters related to the agreement signed by the company with Taoyuan City Government for the rezoning of Class B Industrial Park as Class Five Special Industrial Zones.
 - Approved the proposed purchase of land located at No. 9, Huaya Section, Guishan District, Taoyuan City from Yanben Investment Co., Ltd., the related party of the company.
 - Approved the company's investment in the construction project of Advantech Huaya Manufacturing Center.
 - Approved the company's proposed disposal of land and building of the Donghu factory.
 - Approved the company's plan to have ASUS equity dispose of in the market gradually.

- Approved the company's 2024 compliance with the audit plan.
- Approved the amendments to the company's "Corporate Governance Best Practice Principles."
- Approved the company's 2018 employee stock warrants executed in the 3rd quarter with new shares issued for the common stock shares subscribed.
- Approved the company's 2020 employee stock warrants executed in the 3rd quarter with new shares issued for the common stock shares subscribed.

7. General board meeting on February 2, 2024:

- Approved the updates on employees' list and quantities of ESOP warrants for year 2022

8. General board meeting on February 27, 2024:

- Approved the company's 2024 operating budget and operating plan.
- Approved the company's 2023 business report, standalone financial statements, and consolidated financial statements.
- Approved the company's 2023 earnings distribution plan.
- Approved the company's 2023 distribution of employee remuneration and director remuneration.
- Approved the company's 2023 managerial officer's benefit packages (year-end, performance, and employee remuneration) and salary adjustment proposal.
- Approved the company's 2024 regular shareholders meeting related matters.
- Approved the mandate of certified public accounts of PwC Taiwan and assessment of their independence and suitability for the year of 2024.
- Approved the company's proposed loaning of funds to Advantech KR Co., Ltd., the subsidiary.
- Approved the company's filing an application for 2024 bank credit line, and authorized the chairman to apply to the bank for loan renewal on the expiry date within the approved credit line based on business needs.
- Approved the company's 2023 "Internal Control Statement."
- Approved the company's 2024 project audit plan.
- Approved the amendments to the company's internal control system: Sales and collection cycle.
- Approved the company's 2018 employee stock warrants executed in the 4th quarter with new shares issued for the common stock shares subscribed.
- Approved the company's 2020 employee stock warrants executed in the 4th quarter with new shares issued for the common stock shares subscribed.

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 Office, Internal Audit Director, and R&D Director in the most recent year or up to the publication of the annual report: None

3.4 Information Regarding the Company's Audit Fee and Independence

3.5 Audit Fee

Monetary unit: NT\$ Thousand

CPA Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fees	Total	Remarks
Pricewaterhouse Coopers Taiwan	Hua-Ling, Liang	2023.1.1-20 23.12.31	13,950	17,197	31,147	Non-audit fees: ESG and reorganization consultant fee
	Yi-Fan, Lin					

- 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 10% less than the year before, please disclose the audit fee amount and ratio reduced and the root cause of the fee reduction: None

3.6 Replacement of CPAs: None.

3.6.1 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

3.7 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:

(1) Changes in equity:

April 1, 2024

Title	Name	2023		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	(3,000,000)			
Director	Advantech Foundation				
Representative	Chaney Ho	(49,938)		160,000	
Director	AIDC Investment Corp.				
Representative	Donald Chang (note1)				
Director	K and M Investment Co., Ltd.				
Representative	Wesley.Liu	(9,000)		(11,000)	
Director	AIDC Investment Corp.				
Representative	Tony Liu (note1)				
Director	Jeff Chen				
Director	Ji-Ren Lee				
Independent director	Ming-Hui Chang				
Independent director	Benson Liu				
Independent director	Chan-Jane Lin				

Title	Name	2023		As of March 31	
		Increase (decrease) of shareholding	Increase (decrease) of shares pledged	Increase (decrease) of shareholding	Increase (decrease) of shares pledged
President	Eric Chen	(34,160)			
President	Miller Chang	188,288		(234,000)	
President	Linda Tsai	49,000		54,000	
Corporate governance officer	Jean Ko (note2)				
Corporate governance officer	Grace Liao (note2)				
Accounting Officer	Mandy Lin	3,000		1,000	
Major shareholder	Asus Computer Co., Ltd.				
Major shareholder	K and M Investment Co., Ltd.				

Note 1: Director Donald Chang was the representative of AIDC Investment Corp. of Director of 14th Board of Directors and was replaced by the re-election on 2024/05/25. Tony Liu, the representative of AIDC Investment Corp. has become the 15th Board of Director regardingly.

Note 2: Corporate governance officer Jean Ko had position adjustment on September 20, 2023, while Grace Liao assumed the replacement of the position on the same date.

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

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

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

April 1, 2024
Unit: Shares; %

Name (note 1)	Current Shareholding		Spouse's/minor's Shareholding (note 2)		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (note 3)		Remark
	Shares	(%)	Shares	(%)	Shares	(%)	Title	Relations	
ASUSTEK COMPUTER Inc. Representative: Jonney Shih	113,483,106	13.19%	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	100,494,794	11.68%	0	0	0	0	AIDC Investment Corp.	Director	None
	27,993,951	3.25%	4,701,052	0.55%	0	0	Advantech Foundation	Director	
AIDC Investment Corp. Representative: Mary Chang	99,314,136	11.54%	0	0	0	0	K and M Investment Co., Ltd	Director	None
	4,701,052	0.55%	28,179,467	3.62%	0	0	Advantech Foundation	Director	
K.C. Liu	27,993,951	3.25%	4,701,052	0.55%	0	0	K and M Investment Co., Ltd.	Director	None
							AIDC Investment Corp.	Director	
							Advantech Foundation	Director	
Advantech Foundation Representative: K.C. Liu	24,543,548	2.85%	0	0	0	0	K and M Investment Co., Ltd.	Director	None
	27,993,951	3.25%	4,701,052	0.55%	0	0	AIDC Investment Corp.	Director	None
Tran-Fei Development Co., Ltd	20,459,028	2.38%	0	0	0	0	None	None	None
Yong-Shun Zhuang	19,365,594	2.25%	0	0	0	0	None	None	None
First Sentier Investors ICVC - Stewart Investors Asia Pacific Leaders Sustainability Fund	16,498,157	1.92%	0	0	0	0	None	None	None
The Overlook Partners Fund L.P	17,400,875	2.02%	0	0	0	0	None	None	None
New Labor Pension Fund	9,366,134	1.09%	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.

3.9 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)	11,126,887	100	--	--	11,126,887	100
02	Advantech Automation Corp.(HK) Limited	AAC(HK)	15,230,001	100	--	--	15,230,001	100
03	Advantech Corporation	ANA	--	--	10,952,616	100	10,952,616	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.	ACI CN	--	--	--	100	--	100
08	Shanghai Yanle Co., Ltd.	AYL	--	--	--	100	--	100
09	Xi'an Advantech Software Ltd.	AXA	--	--	--	100	--	100
10	Advantech Corporate Investment Ltd.	ACI KY	100,000,000	100	--	--	100,000,000	100
11	Advantech Service-IoT (Shanghai) Co., Ltd.	SIoT (China)	--	--	--	100	--	100
12	Advantech Intelligent Health Co., Ltd.	AIH	--	--	1,100,000	100	1,100,000	100
13	Advantech Technology DMCC.	ADB	50	100	--	--	50	100
14	Advantech Europe Holding B.V.	AEUH	12,075	100	--	--	12,075	100
15	Advantech Europe B.V.	AEU	--	--	32,315,215	100	32,315,215	100
16	Advantech Poland Sp z.o.o	APL	--	--	2,000	100	2,000	100
17	Advantech Co. Singapore Pte, Ltd.	ASG	1,450,000	100	--	--	1,450,000	100
18	PT Advantech International .	AID	30	1	2,970	99	3,000	100
19	Advantech Corporation (Thailand) Co.,Ltd.	ATH	510,000	51	490,000	49	1,000,000	100
20	Advantech Technology Co.,Ltd.	ATC	40,850,000	100	--	--	40,850,000	100
21	HK AdvantechTechnology Co.,Limited	ATC(HK)	--	--	57,890,679	100	57,890,679	100
22	Advantech Technology (China) Company Ltd.	AKMC	--	--	--	100	--	100
23	Advantech Brazil Ltda	ABR	15,373,031	100	--	--	15,373,031	100

Item	Affiliated Enterprises	Abbreviation	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
			Shares	(%)	Shares	(%)	Shares	(%)
24	Advantech Australia Pty Ltd.	AAU	500,204	100	--	--	500,204	100
25	ADVANTECH IOT ISRAEL LTD	AIL	100	100	--	--	100	100
26	Advantech Industrial Computing India Pvt. Ltd.	AIN	4,999,999	99.99	1	0.01	5,000,000	100
27	Advantech Japan Co.,Ltd.	AJP	1,200	100	--	--	1,200	100
28	Advantech KR Co., Ltd.	AKR	600,000	100	--	--	600,000	100
29	ADVANTECH ELECTRONICS, S.A.P.I. DE C.V.	AMX	16,650,003	99.9	16,667	0.1	16,666,670	100
30	Advantech Co.,Malaysia Sdn.Bhd.	AMY	2,000,000	100	--	--	2,000,000	100
31	Advantech Technology Limited Liability Company.	ARU	1	100	--	--	1	100
32	Advantech Turkey Technology A.S.	ATR	370,335	80.1	--	--	370,335	80.1
33	Advantech Vietnam Technology Company Limited.	AVN	--	60	--	--	--	60
34	Advantech Corporate Investment	ACI	330,000,000	100	--	--	300,000,000	100
35	Cermate Technologies Inc.	Cermate	4,500,000	45	5,500,000	55	10,000,000	100
36	LandMark Co.,Ltd.	LandMark	--	--	972,284	100	972,284	100
37	Cermate Technologies (Shanghai) Inc.	Cermate Shanghai	--	--	--	100	--	100
38	Shenzhen Cermate Technologies Inc.	Shenzhen Cermate	--	--	--	90	--	90
39	Advantech Intelligent Services Co., Ltd.	AiCs	1,000,000	100	--	--	1,000,000	100
40	LNC Technology Co., Ltd.	LNC	13,380,000	44.6	--	--	13,380,000	44.6
41	LNC Dong Guan Co., Ltd.	LNC Dong Guan	--	--	--	100	--	100
42	Better Auto Holdings Limited	Better Auto	--	--	7,425,000	100	7,425,000	100
43	Famous Now Limited	Famous Now	--	--	4,906,096	100	4,906,096	100
44	Advanixs Corporation	Advanixs	10,000,000	100	--	--	10,000,000	100
45	Huan Yan Water Solution Co., Ltd.	Huan Yan	2,700,000	90	--	--	2,700,000	90
46	Advantech Raiser India Private Limited	ARI	-	-	1,237,500	55	1,237,500	55
47	NANOMAC Co.,Ltd	NANOMAC	--	--	7,208,965	66.32	7,208,965	66.32
48	BEST PLC LTD.	BEST PLC	--	--	1	100	1	100
49	BEST SERVO LTD.	BEST SERVO	--	--	1	100	1	100
50	BEST MACHINE LTD.	BEST MACHINE	--	--	700,000	100	700,000	100
51	BEST AUTOMATION LTD.	BEST AUTOMATION	--	--	--	--	--	--

Item	Affiliated Enterprises	Abbreviation	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
			Shares	(%)	Shares	(%)	Shares	(%)
52	Yan Xu Green Electricity Co.,Ltd	Yan Xu Green Electricity	--	--	8,332,500	82.50	8,332,500	82.50
53	Cermate Software Inc.	CSI	--	--	--	100	--	100
54	LNCMac DONG GUAN Technology Co Ltd.	LNCMac DONG GUAN	--	--	--	100	--	100
55	LNCMac Furniture Co., Ltd.	LNCMac Furniture	--	--	--	100	--	100
56	BitFlow, Inc.	ABO	--	--	210,000	100	210,000	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	5,652,058	Conversion of stock option	12,080	None	Note 24
08.2013	10	600,000	6,000,000	565,627	5,656,271	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	7,560	None	Note 35
01.2017	10	800,000	8,000,000	633,074	6,330,741	Conversion of stock option	4,650	None	Note 36
04.2017	10	800,000	8,000,000	633,254	6,332,541	Conversion of stock option	1,800	None	Note 37

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
07.2017	10	800,000	8,000,000	696,611	6,966,115	Capitalization by earnings	633,574	None	Note 38
11.2017	10	800,000	8,000,000	697,032	6,970,325	Conversion of stock option	4,210	None	Note 39
03.2018	10	800,000	8,000,000	697,282	6,972,825	Conversion of stock option	2,500	None	Note 40
05.2018	10	800,000	8,000,000	697,457	6,974,575	Conversion of stock option	1,750	None	Note 41
08.2018	10	800,000	8,000,000	697,544	6,975,445	Conversion of stock option	870	None	Note 42
11.2018	10	800,000	8,000,000	698,227	6,982,275	Conversion of stock option	6,830	None	Note 43
03.2019	10	800,000	8,000,000	698,695	6,986,955	Conversion of stock option	4,680	None	Note 44
05.2019	10	800,000	8,000,000	699,075	6,990,755	Conversion of stock option	3,800	None	Note 45
08.2019	10	800,000	8,000,000	699,140	6,991,405	Conversion of stock option	650	None	Note 46
11.2019	10	800,000	8,000,000	699,923	6,999,230	Conversion of stock option	7,825	None	Note 47
04.2020	10	800,000	8,000,000	700,410	7,004,100	Conversion of stock option	4,870	None	Note 48
05.2020	10	800,000	8,000,000	700,870	7,008,700	Conversion of stock option	4,600	None	Note 49
08.2020	10	1,000,000	10,000,000	771,350	7,713,500	Conversion of stock option	4,390	None	Note 50
						Capitalization by earnings	700,410		
11.2020	10	1,000,000	10,000,000	771,945	7,719,455	Conversion of stock option	5,955	None	Note 51
03.2021	10	1,000,000	10,000,000	772,254	7,722,545	Conversion of stock option	3,090	None	Note 52
05.2021	10	1,000,000	10,000,000	772,640	7,726,405	Conversion of stock option	3,860	None	Note 53
08.2021	10	1,000,000	10,000,000	772,729	7,727,295	Conversion of stock option	890	None	Note 54
11.2021	10	1,000,000	10,000,000	773,822	7,738,228	Conversion of stock option	10,933	None	Note 55
03.2022	10	1,000,000	10,000,000	774,463	7,744,638	Conversion of stock option	6,410	None	Note 56
06.2022	10	1,000,000	10,000,000	775,837	7,758,374	Conversion of stock option	13,736	None	Note 57
08.2022	10	1,000,000	10,000,000	776,366	7,763,662	Conversion of stock option	5,288	None	Note 58
11.2022	10	1,000,000	10,000,000	777,843	7,778,434	Conversion of stock option	14,772	None	Note 59
03.2023	10	1,000,000	10,000,000	777,976	7,779,769	Conversion of stock option	1,335	None	Note 60
05.2023	10	1,000,000	10,000,000	778,487	7,784,871	Conversion of stock option	5,102	None	Note 61
07.2023	10	1,000,000	10,000,000	856,284	8,562,848	Conversion of stock option	777,977	None	Note 62
08.2023	10	1,000,000	10,000,000	856,731	8,567,315	Conversion of stock option	4,467	None	Note 63
11.2023	10	1,000,000	10,000,000	857,779	8,577,794	Conversion of stock option	10,479	None	Note 64
03.2024	10	1,000,000	10,000,000	858,449	8,584,493	Conversion of stock option	6,699	None	Note 65

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
 Note 52: MOEA.So.Sun.Tzi No. 11001044890 Letter dated March 24, 2021
 Note 53: MOEA.So.Sun.Tzi No. 11001085980 Letter dated May 20, 2021
 Note 54: MOEA.So.Sun.Tzi No. 11001148320 Letter dated August 31, 2021
 Note 55: MOEA.So.Sun.Tzi No. 11001208470 Letter dated November 11, 2021
 Note 56: MOEA.So.Sun.Tzi No. 11101042110 Letter dated March 16, 2022
 Note 57: MOEA.So.Sun.Tzi No. 11001208470 Letter dated June 02, 2022
 Note 58: MOEA.So.Sun.Tzi No. 11101156460 Letter dated August 29, 2022
 Note 59: MOEA.So.Sun.Tzi No. 11101261540 Letter dated November 10, 2022
 Note 61: MOEA.So.Sun.Tzi No. 11230083560 Letter dated May 25, 2023
 Note 62: MOEA.So.Sun.Tzi No. 11230137990 Letter dated July 26, 2023
 Note 63: MOEA.So.Sun.Tzi No. 11230159070 Letter dated August 21, 2023
 Note 64: MOEA.So.Sun.Tzi No. 11230218870 Letter dated November 27, 2023
 Note 65: MOEA.So.Sun.Tzi No. 11330040790 Letter dated March 25, 2024

Share Type	Authorized capital			Remarks
	Issued Shares	Un-issued shares	Total	
Order common stock	860,447,558	139,552,442	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 April 1, 2024.

Information of shelf registration: NA

4.1.2 Shareholder structure:

April 1, 2024. (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	101	14,682	1,180	16,023
Shareholding	8	16,435,067	393,230,728	88,856,751	361,925,004	860,447,558
Shareholding ratio	0	1.91%	45.7%	10.32%	42.07%	100.00%

4.1.3 Status of Ownership Dispersion:

NT\$10 Par

April 1, 2024. (Ex-transfer date)

Shareholding class	Number of shareholders	Shareholding	Shareholding ratio
1 ~ 999	10,189	1,603,963	0.19
1,000 ~ 5,000	3,870	7,337,419	0.85
5,001 ~ 10,000	550	3,959,761	0.46
10,001 ~ 15,000	239	2,947,236	0.34
15,001 ~ 20,000	130	2,265,502	0.26
20,001 ~ 30,000	155	3,911,537	0.45
30,001 ~ 40,000	92	3,222,780	0.37
40,001 ~ 50,000	79	3,549,242	0.41
50,001 ~ 100,000	188	13,194,518	1.53
100,001 ~ 200,000	174	25,096,488	2.92
200,001 ~ 400,000	136	39,010,570	4.53
400,001 ~ 600,000	72	35,310,974	4.10
600,001 ~ 800,000	34	23,735,718	2.76
800,001 ~ 1,000,000	23	21,098,156	2.45
1,000,001 or over	92	674,203,694	78.38
Total	16,023	860,447,558	100.00

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

4.1.4 List of major shareholders:

April 1, 2024. (Ex-transfer date) Unit: Shares

Name of major shareholders	Shares	Shareholding	Shareholding ratio
	ASUSTEK COMPUTER Inc.		113,483,106
K and M Investment Co., Ltd.		100,494,794	11.68%
AIDC Investment Co., Ltd.		99,314,136	11.54%
K.C. Liu		27,993,951	3.25%
Advantech Foundation		24,543,548	2.85%
Tran-Fei Development Co., Ltd.		20,459,028	2.38%
Yong-Shun Zhuang		19,365,594	2.25%
First Sentier Investors ICVC - Stewart Investors Asia Pacific Leaders Sustainability Fund		17,400,875	2.02%
The Overlook Partners Fund L.P.		16,498,157	1.92%
New Labor Pension Fund		9,366,134	1.09%

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

Unit: NT\$

Item	Year		2022	2023	As of March 29, 2024
	Market price per share	Max.		407	430
	Min.		269	321.5	388.5
	Average		343.49	363.84	389.5
Net worth per share	Before distribution		56.32	56.45	-
	After distribution		(Note 4)	(Note 4)	-
Earnings per share	Weighted average shares		776,407,715	856,842,527	-
	Earnings per share	Before adjustment	13.85	12.65	-
		After adjustment	(Note 4)	(Note 4)	-
Dividend per share	Cash dividend		10	9.5	-
	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)		24.8	28.76	-
	Price / Dividend Ratio (Note 2)		34.35	38.30	-
	Cash Dividend Yield Rate (Note 3)		2.91	2.61	-

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 2023 earnings distribution has not yet been resolved in the shareholders' meeting.

4.1.6 Dividend Policy and Execution Status:

A. The company's dividend policy is determined in accordance with the company's articles of association, which involves assessing the operational status, capital requirements, capital expenditure budgets, internal and external environmental changes, and considering shareholder interests, as set by the board of directors. Under normal circumstances, the annual distributable profits shall allocate not less than 30% for shareholder dividends. Cash dividends shall account for no less than 20% of the total dividends distributed for the year, and the distribution of stock dividends shall not exceed 75% of the total dividends proposed for distribution.

The amounts of NT\$8,155,268,901 (cash dividends) out of the 2023 earnings are appropriated for distribution as cash dividends and share dividends to shareholders, respectively. The company will distribute a cash dividend of NT\$9.5 per share to shareholders. This matter will be processed after being approved at the Annual Shareholder's Meeting on May 30th, 2024.

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\$8,155,268,901 (cash dividends) out of the 2023 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 858,449,358 shares of common stock outstanding on December 31, 2023 that are entitled to the distribution of shareholder's dividend at NT\$9.5 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 2024 shareholders' meeting; also the Company is not required to publish the 2023 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 February 27, 2024, the Board of Advantech approved that the payment of employees'

cash compensation for the year 2023 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 the 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 February 27, 2024, according to the revised charter based on the resolution, the company will disburse annual profit sharing:
Employee bonuses : NT\$740,000,000.
Remuneration to directors and supervisors : NT\$18,625,000
Payments will be made in cash. The above amounts accurately reflect 2023 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 2022 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\$740,000,000
Remuneration to directors and supervisors: NT\$14,100,000
 - (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 : NA

4.5 Employee Stock Options

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

April 1, 2024

Types of employee stock option certificate	2018 Employ stock option	2020 Employ stock option	2022 Employ stock option
The effective date of declaration	June 14, 2018	July 23, 2020	July 19, 2023
Issuing date	July 27, 2018	July 31, 2020	September 20, 2023
The number of units issued	8,000 units	7,500 units	8,000 units
Ratio of the number of shares available for subscription to the total number of shares issued	1.03%	0.96%	0.93%
Duration of subscription	7/27/2020 ~ 7/26/2024	7/31/2022 ~ 7/30/2026	9/20/2025~9/19/2029
Method of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restrictive subscription period and ratio (%)	50% of the granted stock option certificate is exercisable after 2 years, 50% after 3 years, 100%	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
Number of shares subscribed	1,544,910	1,129,780	0
Amount of shares subscribed	238,511,502	201,064,530	0
Number of shares yet to be subscribed	5,070,190	5,633,660	0
Subscription price per share for the unsubscribed shares	148.20	169.30	200.00
Ratio of the unsubscribed shares to the total number of shares issued (%)	0.59%	0.66%	0
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 1.03% 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 0.96% 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 0.93% of the number of shares issued, which will not have significant impact on shareholders' equity.

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

April 1, 2024

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			
						Price of shares subscribed	Number of shares subscribed	Price of shares subscribed	Number of shares subscribed	Price of shares subscribed	Number of shares subscribed	Price of shares subscribed	Number of shares subscribed
Manager	President	Eric Chen	2018 employee stock option certificate	1,400,000	0.175	638,000	148.2	94,552	0.080	762,000	148.2	112,928	0.095
	President	Miller Chang											
	President	Linda Tsai											
	Corporate governance officer	Jean Ko											
	Accounting Officer	Mandy Lin											
	President	Eric Chen	2020 employee stock option certificate	540,000	0.072	57,840	169.3	9,792	0.008	482,160	169.3	81,630	0.064
	President	Miller Chang											
	President	Linda Tsai											
	Corporate governance officer	Grace Liao											
	Corporate governance officer	Jean Ko (note 2)											
	Accounting Officer	Mandy Lin											
	President	Eric Chen	2023 employee stock option certificate	452,000	0.0565	0	200	0	0	452,000	200	90,400	0.0565
President	Miller Chang												
President	Linda Tsai												
Corporate governance officer	Grace Liao												
Accounting Officer	Mandy Lin												
Employee	Top-10 employee (note 1)		2018 employee stock option certificate	1,450,000	0.181	527,250	148.2	78,138	0.066	922,750	148.2	136,752	0.115
			2020 employee stock option certificate	230,000	0.031	88,000	169.3	14,898	0.012	142,000	169.3	24,041	0.019
			2023 employee stock option certificate	150,000	0.019	0	200	0	0	150,000	200	30,000	0.019

Note 1: Based on the company's salary confidentiality policy, individual names and positions are not disclosed.

Note 2: Corporate governance officer Jean Ko had position adjustment on September 20, 2023, while Grace Liao assumed the replacement of the position on the same date.

4.6 New Restricted Employee Shares: NA

4.7 Status of new Shares Issuance in Connection with Mergers and Acquisitions: NA

4.8 Financing Plans and Implementation : 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	2023	
	Sales Amount	%
Embedded boards and Chassis	34,679,628	54
Industrial computer and industrial control	22,911,585	35
After-sales service and others	6,976,484	11
Total	64,567,697	100

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

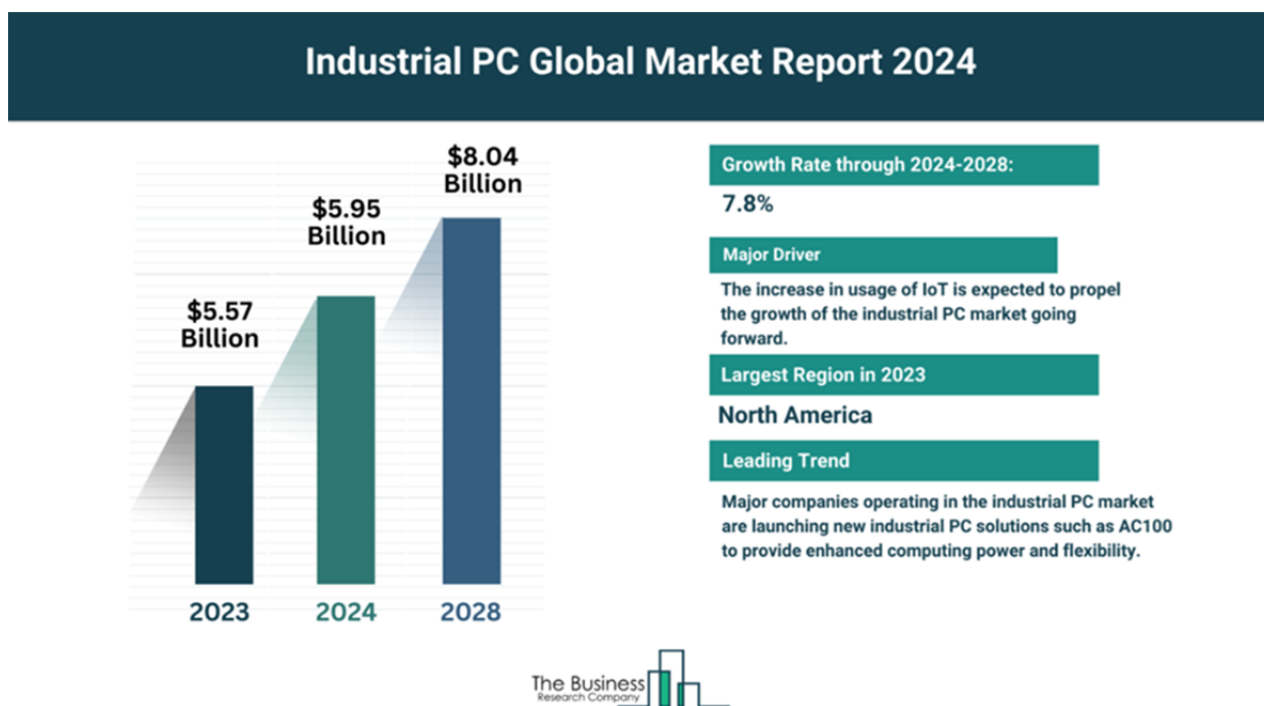
D. New product development plan of the Company:

- (1) Wireless IoT gateway and sensing devices
- (2) Edge AI computing platforms
- (3) Industrial connectivity and network security appliances
- (4) Industrial video platforms and solutions
- (5) Industrial 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 the industry report of The Business Research Company issued in January 2024, the global IPC market scale will grow from US\$5.57 billion in 2023 to US\$5.95 billion in 2024, and is expected to reach US\$8.06 billion by the year of 2028. The projected CAGR from 2024 to 2028 will be approximately 7.8% (see the fig. below), which is slightly higher than the historical momentum on record. It indicates that the growth of overall IPC industry is accelerating under the general trend of AI technology iteration and the popular application of Internet of Things.

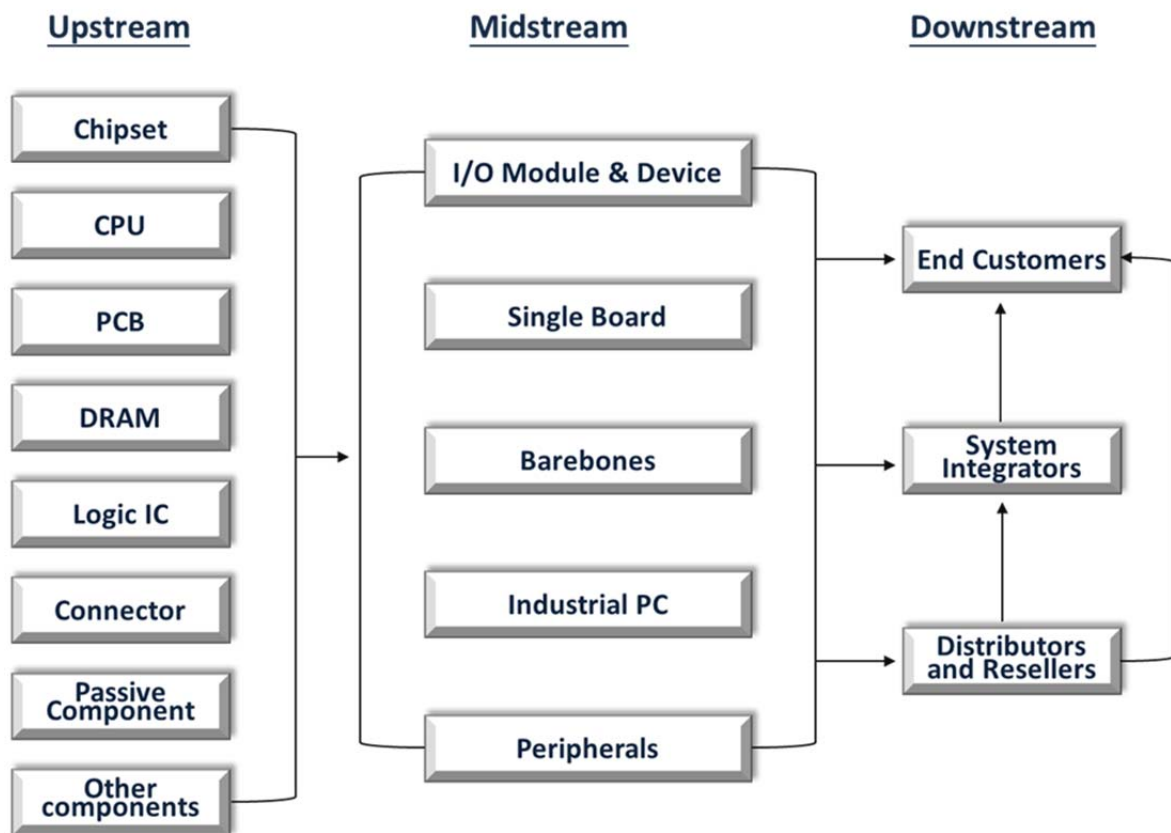


Sources : The Business Research Company, 2024 Jan.

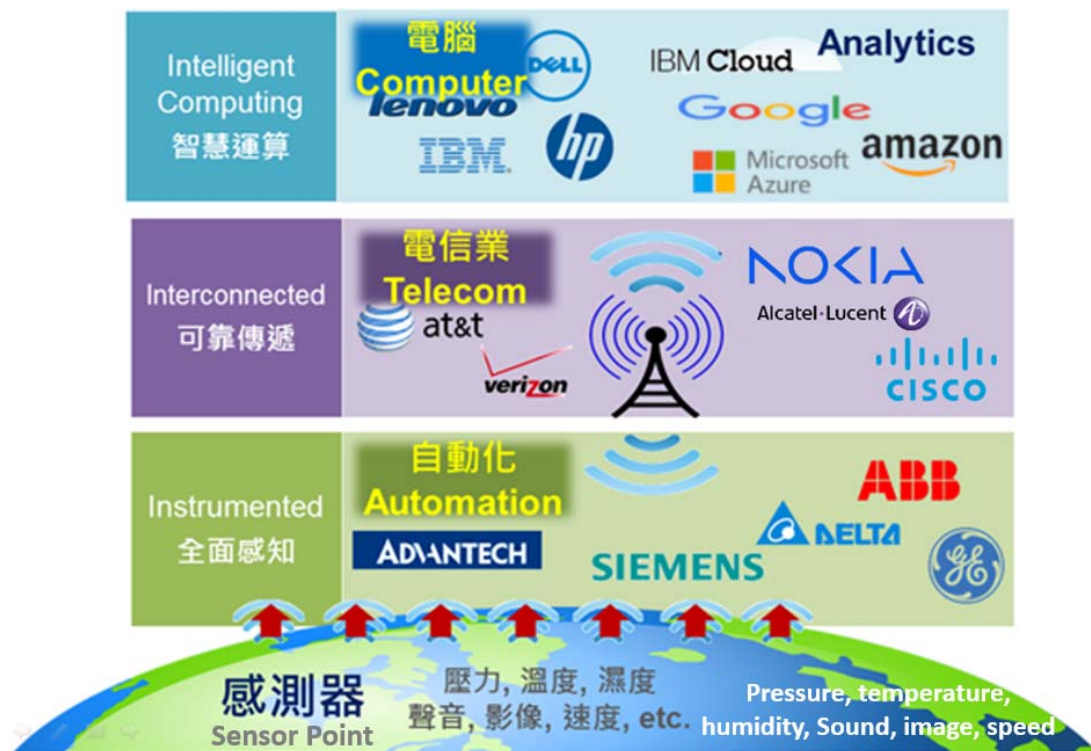
However, benefiting from the rise of AI and IoT systems since 2010, IPCs and embedded systems have become a key element for infrastructure in IoT ecosystems. The market consensus views that IoT systems will dominate the technology transition , transform the market landscape, and change the lifestyle of humankind in the coming 10 to 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, which progressively evolving into an Internet of Things (IoT) industry ecosystem.



C. The industry development

AIoT has promoted the huge demand from the manufacturing industry in the upstream, middle and downstream of the global technology industry chain. Advantech has been dedicated to the development of IoT Edge Computing & Platforms since its inception. In terms of core product development, we have established long-term partnerships with global computer chip leaders such as Intel, AMD, Nvidia, NXP, and Rockchip, and have been at the forefront of the market in launching various intelligent computer computing platforms. Our product line includes industrial modular computers, embedded single-board computers, industrial motherboards, intelligent edge computing computers, high-efficiency modular computers, industrial servers, and more. We cover x86 and ARM architectures, and platforms with AI computing and acceleration analysis capabilities. We provide a variety of reliable hardware platforms and intelligent integration services, facilitating system integrators in different vertical fields worldwide to apply them to various intelligent applications, including smart homes, smart healthcare, smart factories, autonomous vehicles, traffic management, cyber security services, and more.

There are huge business opportunities for the application of the industrial Internet of things, but the market is very fragmented. Especially in the field of industrial Internet of things, most equipment and machines adopt closed specifications and do not communicate with other brands, which is an industry practice for many years. In the face of such a fragmented market, Advantech is committed to promoting the three-stage growth momentum of the development of AIoT with the concept of co-creation, so as to achieve the business model development of the AIoT industry.

In 2015, Advantech outlined the "AIoT development blueprint" in three stages, which is also the most important R&D technology and business model innovation of Advantech in recent ten years. It set the tone of Artificial Intelligence and Internet of things (AI & IoT) as the driving force of future industrial growth, and launched many plans for organizational and physical transformation. Dozens of business units originally classified solely by products have been integrated into a business model based on business groups, and three business groups have been established, including Industrial-IoT, Embedded-IoT, and Service-IoT. The Company's product development concept has also gradually led to the

strategy of industrial transformation and promoting industrial development from the standard of technology and specification.

Advantech has been deeply rooted in the AIoT + Edge Computing field for the long term. The next stage of the corporate strategic framework will be composed of three key dimensions: Platform, Orchestration, and Sector:

Advantech Strategic Framework, Leading AIoT Sector Driven Orchestration

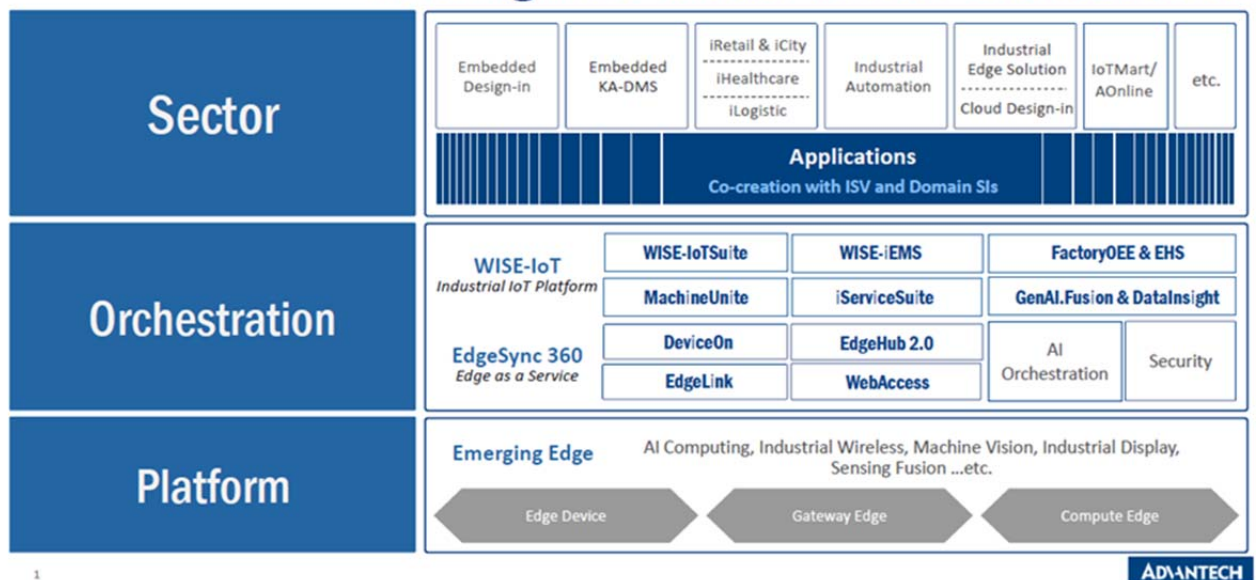


Fig.: Advantech’s long-term strategic framework

Orchestration

Advantech's important development vision for the next decade is to form the “Orchestration” (collaboration) business model of industrial integration application by combining the existing AIoT + Edge Computing product group, WISE-IoT software platform that has been developed for eight years and gradually matured, and industrial AI solutions and industry know-how.

As shown in the figure above - Advantech Strategic Framework, the “Platform” for hardware at the bottom of the framework, Advantech has accumulated many mature products over the decades since its incorporation, and we will continue to work hard and develop in the innovation fields as listed above in order to become the most comprehensive Edge Computing supplier. The “Sector” at the top of the framework refers to the application market aimed by Advantech, and we will serve the equipment manufacturers and integrators in these areas profoundly.

The “Orchestration” in the middle of the framework represents the intention of Advantech’s various sectors to take advantage of the synergistic functions of the two series of software platforms, WISE-IoT and EdgeSync 360, so that customers can quickly complete plans in the AIoT application development process with the minimum development manpower invested to have jobs done.

The next decade is expected to be a golden period for the rapid development of AI/IoT/edge computing applications in various industries. We are ready to embrace the new business opportunities of AIoT + Edge Computing with the business concepts of Sector Driven (industry market drive) and Orchestration; also, further realize the long-term corporate vision of Enabling an Intelligent Planet.

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:

Total R&D expense amounted to NT\$4,829,783 thousand in 2023.

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 launched an average of more than 6 new products to the market each year. As of the end of 2023, the Company has obtained a total of 41 domestic and international patents

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 recent years, Advantech has made great strides towards the goal of the international company. In addition to its main markets of total 27 countries such as Japan, South Korea, Vietnam, India, Malaysia, Italy, Australia, New Zealand. At the same time, in response to the transformation of the business model, Advantech will build Advantech Service Plus (AS+) in the future. In addition to maintaining the existing customized assembly and RMA service functions, we will also extend to onsite services, leasing services, system integration services, and even one-stop industrial peripheral procurement and other services.
- Advantech has substantiated globalization policies to improve operational resilience and accelerates the deployment of key technologies and regional markets with the following achievements realized in 2023: The expansion of production capacity and improvement of manufacturing resilience completed in Malaysia; the expansion of the operating base and the establishment of a local software R&D center completed in India; the merger of Bitflow, a company engaged in advanced frame grabber business, completed in North America, and the refinement of AI machine vision technology blueprint completed. Advantech continues to make in-depth deployment in the AIoT industry and to accelerate future development and growth.

◆ 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, represented the Industry 4.0 smart manufacturing processes and entered mass production in 2017. The company's Building U in Linkou Smart Park was officially completed in August 2023 in response to the rapid growth of the overall operation. The Donghu factory has been relocated to Building U in Linkou Smart Park so as to achieve synergy in production integration and to exercise the Niche BU cluster operating model; also, it serves as the headquarters of the Service Internet of Things Business Group (SIoT). It is indeed the demonstration ground for substantial realization of the emerging applications of smart IoT, including:

smart cities, smart healthcare, smart retail solutions, smart vehicles, etc. (see the updated figure below).



Figure: The completion and inauguration of Advantech's Linkou AIoT Smart Campus Phase III, serving as a demonstrative site for emerging applications in the realm of smart Internet of Things.

- Starting from the Intelligent Energy Management System (iEMS) business unit, Advantech is undergoing an important transformation towards subscription-based management in the WISE-IoT field.

Advantech has been investing in the WISE-IoT field for many years, with a wealth of experience in integrating and implementing IoT hardware products, software platforms, and industry-specific modules. In order to embrace the high-speed growth of AIoT in the next decade, Advantech's WISE-IoT will actively transform into a software "low-code subscription model" as its major development strategy. It will adopt the Annual Recurring Revenue (ARR) business model to enhance the stability and predictability of its revenue sources, making its overall operating structure more robust. At the same time, it will leverage its core software advantages to support the development of industry software and collaborate with external partners to develop industrial applications.

To fully develop its subscription-based business and meet the global net-zero energy trend, Advantech will increase its investment in the Intelligent Energy Management System (iEMS) business and launch a complete No Code/ Low Code solution to meet the needs of corporate customers in energy consumption monitoring, carbon reduction performance, net-zero path, energy-saving costs, and plant management. It also serves as a smart energy demonstration base with global operational hubs and manufacturing centers to showcase its ambition in entering the smart energy field. In addition, for the customized requirements of a few large-scale benchmark customers, Advantech will leverage its group resources to establish the IoT.SENSE team and selectively undertake benchmark projects to deepen its collaboration and subcontracting cooperation with system integrators.

Subscription Model + Customization Project-base

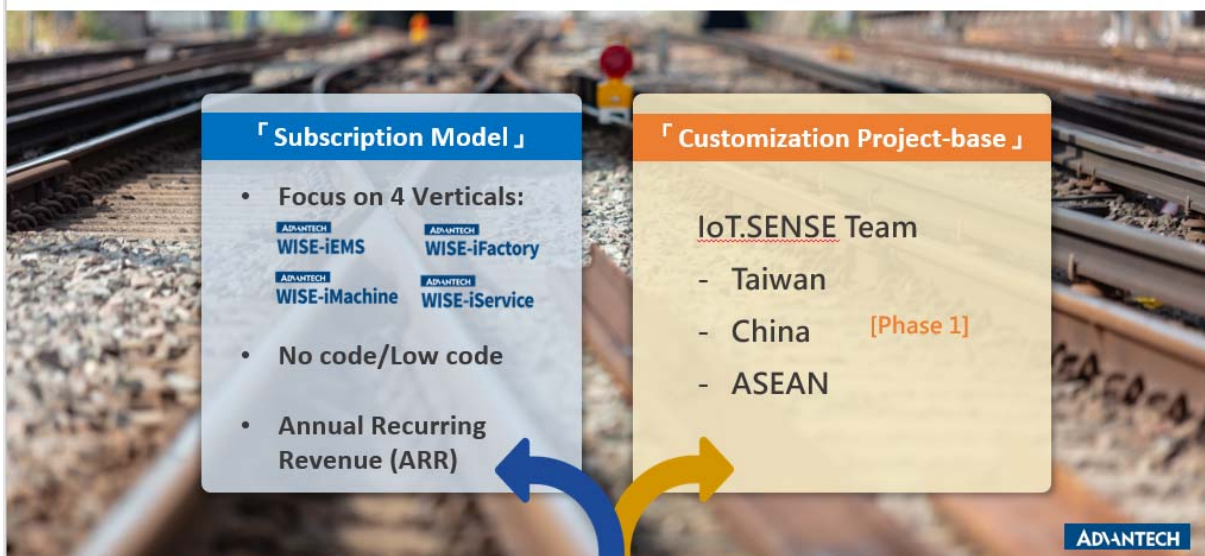


Figure: Advantech's entry into the iEMS (Intelligent Energy Management System) subscription service marks an important transformation towards WISE-IoT.

- To optimize procurement processes and controls and build a resilient supply chain Advantech will prioritize achieving customer satisfaction and improving order fulfillment rates by continuously strengthening supply chain management in response to geopolitical and industry changes. Specific actions include strengthening high-level strategic management of global suppliers, accelerating the adoption of diverse strategic suppliers, segmenting the supply chain system for branded products and large DMS project customers, introducing TSU co-design into the R&D system and enhancing component material selection and risk management, and improving flexibility in alternative material verification and design changes. In the future, Advantech will respond to industry risks and supply chain challenges with a more robust and flexible system.

5.2.1 Market, Production, and Sales Review

A. Market Analysis

1. Main product and main market:

Unit: NT\$ Thousand

Area	2023	%
Asia (including Taiwan)	25,356,232	39
America	21,150,806	33
Europe	12,068,545	19
Other	5,992,114	9
Total	64,567,697	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.

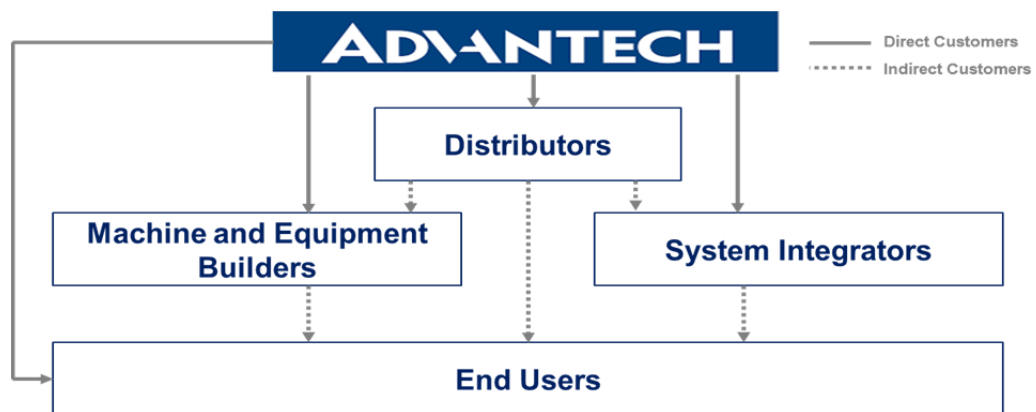


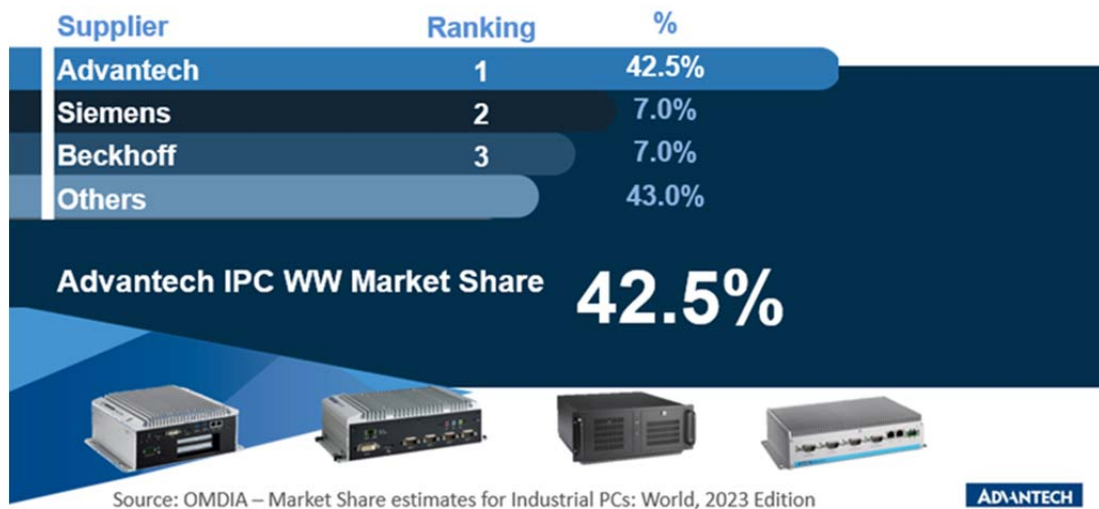
Figure : Advantech has multiple selling channels

With the development of computer technology and communication infrastructure, the application scope of embedded boards and industrial computers has gradually expanded beyond industrial applications to include sectors such as retail, logistics, buildings, hospitals, and other smart city applications. The market share for traditional industrial PC.

■ World Market share of Industrial PCs

According to the international research and investigation institute – OMDIA, Advantech Co., Ltd. shows a stable and increasing share in the global industrial computer IPC market, as the leader in the industry reaching 42.5% by 2023. In response to ESG trends, energy transformation and the subsidiary policies offered by governments worldwide, the robust demand for infrastructure deployment particularly in Europe, North America and China will show double-digit growth in the next 3~5 years. Advantech focus on green energy, EV battery, charging station, energy storage equipment and services in its marketing strategy. Moving forward, Advantech will deepen its Sector-Driven industry market-driven strategy and Orchestration collaborative model, accelerating system integration and application implementation, aiming to maintain its leadership position in the industry.

World Market Share Industrial PCs



Advantech is the world's leading industrial computer factory, accounting for 41% of the global market

■ Supply, demand, and product competition

In 2023, the company has faced multiple challenges including global high inflation, geopolitical conflicts, and uncertain recovery in China economic. As a result, Advantech's overall revenue declined by 6% YoY. However, the company maintained a steady profit structure through operational efficiency optimization and effective inventory management, resulting a new record high in net income. Advantech is optimistic about the global trends of energy transition and iterative development of AI technology. Which have significant achievements made in key applications such as factory automation, renewable energy infrastructure, EV batteries equipments and charging station equipment, as well as Edge AI upgrades, effectively consolidating its competitive advantages in economic moats.

- Advantech has acquired extreme success in two critical transformations in its development history that drive the company to scale up into an international corporation and expand robustly through a matrix-based organization. In the future, Advantech will be driven by a Sector Driven strategy direction, leveraging mergers and acquisitions, as well as emerging businesses as diversified growth engines to propel the company's next stage of growth. Additionally, Advantech places a high emphasis on the future development potential of generative AI. Internally, the establishment of the "AI Orchestration Center" underscores this commitment, with a focus on the integration of external AI technologies, promoting AI use cases across various application domains, and facilitating alignment and implementation between AI technology units and application units' needs. The plan for 2024 is to actively deploy Gen AI in three key areas: product development, marketing operations, and supply chain management. The integration of Gen AI technology represents not only a technological innovation but also a significant shift in work patterns. By harnessing this tool effectively, we can concentrate more on high-value tasks while reducing time spent on routine repetitive tasks. This will greatly enhance team productivity and creativity, providing the company with long-term competitive advantages.



Figure: Advantech Co., Ltd. strengthens strategic marketing for key application fields in IoT

5.1.3 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 Headquarter will assist the branches worldwide to safeguard Advantech's trademark's rights.

3. Copyright protection

According to Advantech's development strategy, the hardware will enter the stage of combining both software and hardware. Advantech will fully promote the WISE-PaaS platform. Software copyrights derived from the WISE-PaaS platform are protected through licensing contracts with users and software developers and/or software suppliers.

4. Protection of business secrets

Complete the confidentiality requirements through the provisions in the employment contract and reminders during the training of new employees. It also sorted out the possible outflow of business secrets in the R&D process with external firms, and formulated classification methods and control measures for confidential documents to prevent them from being disclosed. Advantech plans to introduce File Protection Software to Improve the control of confidential documents.

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 patents in accordance with the Patent Administration Measures, and apply for registered trademarks in major branch countries around the world in accordance with the Trademark Administration Measures. The Industrial Bureau of the Ministry of Economic Affairs announced the results of the "2022 Taiwan's Best International Brand Value" survey, and the brand value of Advantech (2395), a major industrial computer maker, increased to US\$776 million, ranking fifth in R.O.C., ranked among the top 5 international brands in Taiwan for 5 consecutive years
2. Establish an online patent application and inquiry platform (PLM/EPM Portal) to provide R&D, industry representatives, PMs, factories and colleagues in need to inquire about relevant patent status online. In addition to avoiding patent risks, it can further form patent barriers for competitors' products to enter.
3. In response to the development of Advantech products from hardware to both software and hardware, legal affairs have formulated various authorization contracts to protect software copyrights derived from products. Hope to enhance the competitiveness of hardware products through copyright protection.
4. Sign confidentiality contracts with employees and establish document confidentiality classification and import into the Data Lost Prevention Project system to control and manage confidential documents to prevent the company's business secrets from leaking out.

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
2024	<ul style="list-style-type: none"> • Advantech Wins a Place Among the World's Top 5% Benchmark Sustainable Companies of S&P Global Sustainability Yearbook. • Winner of the 32nd Taiwan Excellence Awards 2024: Compact Industrial Computer System IPC-320, Fanless Edge AI Inference Systems MIC-770 V3/ MIC-75GF10/ SKY-MXM-A2000, USC-365 POS Computer Smart Retail Terminal. • Received the 1st Prize in the "Comprehensive Performance - Electronics and Technology Industry" category at the 20th ESG Enterprise Sustainability Awards from Global View • Ranked in the Top 5% in the 10th corporate Governance Evaluation by Taiwan Stock Exchange (TWSE).
2023	<ul style="list-style-type: none"> • Advantech ranked No. 5 (with brand value USD 776 Million) in the Taiwan Top 20 Global Brands Award, with a 23% growth in brand value. • Received the "Electronics Technology Industry Group" Model Award in Corporate Social Responsibility (CSR) Excellence from Global View's CSR Awards. • Awarded the Silver Prize in the Taiwan Corporate Sustainability Awards (TCSA) for its corporate sustainability report. • Ranked in the Top 5% in the 8th Corporate Governance Evaluation by Taiwan Stock Exchange (TWSE). • The 30th Symbol of Taiwan Excellence Winner for EPD-230 Wireless Electronic Paper Solution for Smart Factories and the EI-52 Miniature High-Efficiency Edge Intelligence System, both of which are authorized to use the Taiwan Excellence logo.
2022	<ul style="list-style-type: none"> • Advantech ranked No. 5 (with brand value USD 776 Million) in the Taiwan Top 20 Global Brands Award, with a 23% growth in brand value. • Received the "Electronics Technology Industry Group" Model Award in Corporate Social Responsibility (CSR) Excellence from Global View's CSR Awards. • Awarded the Silver Prize in the Taiwan Corporate Sustainability Awards (TCSA) for its corporate sustainability report. • Ranked in the Top 5% in the 8th Corporate Governance Evaluation by Taiwan Stock Exchange (TWSE). • The 30th Symbol of Taiwan Excellence Winner for EPD-230 Wireless Electronic Paper Solution for Smart Factories and the EI-52 Miniature High-Efficiency Edge Intelligence System, both of which are authorized to use the Taiwan Excellence logo. • Selected for the Taiwan Sustainability Index, Taiwan Corporate Governance 100 Index, and Taiwan Stock Exchange and GreTai Securities Market Friendly Environment Index. • Received the Innovation for Wellbeing Award from the Taipei Overseas Chinese Business Association.

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.

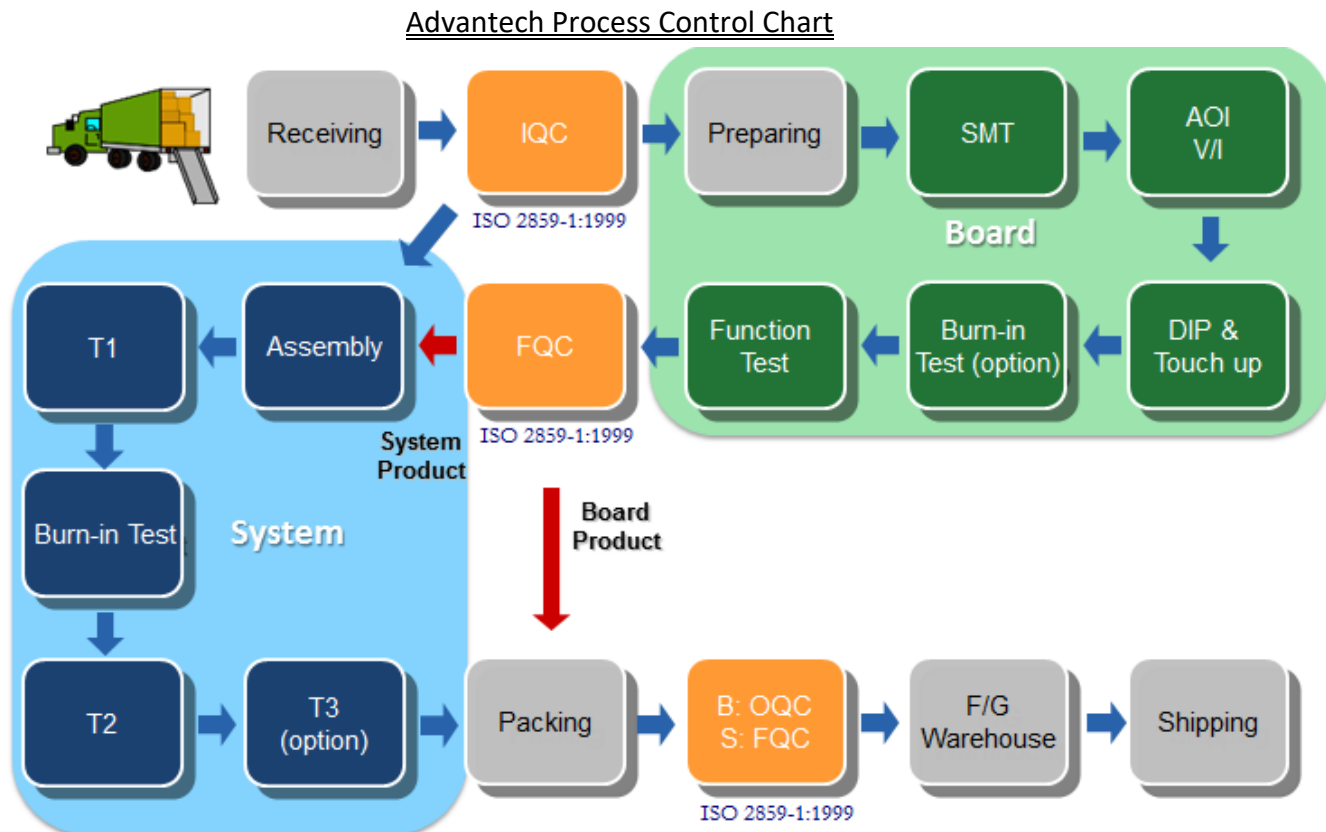
(3) Intelligent System

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:



(1) Board Level Production Flow

After the warehouse receives material from vendors, well-trained IQC personal will do the sampling inspection for the incoming material, only accepted material will be stored and follow the FIFO mechanism for materials preparation under work order requests. Advantech adopts the RoHS standard to perform lead-free solder printing for the SMT process, followed by 100% AOI and homemade AI AOI plus visual inspection for double quality check, followed by machine and manual insertion for the DIP process. Lastly, performing a full function test to ensure the quality is in accord with industrial standards. After packing, OFQC inspection will be performed before shipping worldwide.

(2) System Level Production Flow

Similar to board products, only accepted material will be stored and follow the FIFO mechanism for materials preparation under work order requests. The well-trained operators will follow SOP to assemble the system product with homemade AI AOI and 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 moving to the 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

Items	2022				2023			
	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer
1	Vendor A	5,217,048	13.93	None	Vendor A	3,998,951	14.4	None
2	Others	32,239,647	86.07		Others	23,775,555	85.6	
3	Total	37,456,695	100.00		Total	27,774,506	100	

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

Unit: NT\$ Thousand

Item	2022				2023			
	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer
1	Others (Note)	68,744,701	100.00	None	Others (Note)	64,567,697	100.00	None
	Net sales amount	68,744,701	100.00		Net sales amount	64,567,697	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		2022			2023		
		Production capacity	Production quantity	Production Value	Production capacity	Production quantity	Production Value
Main Products							
Embedded boards and Chassis		3,713,122	3,375,728	19,184,867	4,328,927	3,592,503	17,740,882
Industrial computer and industrial control		3,585,087	3,305,673	14,815,490	3,178,354	2,457,342	10,407,014
After-sales service and others		700,312	628,162	104,956	904,044	643,340	442,894
Total		7,998,521	7,309,563	34,105,313	8,411,325	6,693,185	28,590,790

5.2.6 Sales Volume and Value of the last two years

Unit: Unit/PC; NT\$ Thousand

Shipments & Sales Year		2022				2023			
		Domestic Sales		Export Sales		Domestic sales		Export Sales	
Main Products		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Embedded boards and Chassis		232,653	1,690,147	3,498,836	32,697,530	199,725	1,239,679	3,519,970	33,439,949
Industrial computer and industrial control		304,733	1,651,392	3,114,848	25,048,025	210,625	1,393,108	2,487,505	21,518,477
After-sales service and others		8,663	893,672	89,546	6,763,935	3,528	994,034	133,942	5,982,450
Total		546,049	4,235,211	6,703,230	64,509,490	413,878	3,626,821	6,141,417	60,940,876

5.3 Employee information

March 31, 2024

Year		2022	2023	As of March 31, 2024
No. of Employee	Direct staff	3,186	2,658	2,628
	Indirect staff	6,292	6,171	6,210
	Total	9,478	8,829	8,838
Average age		38.2	38.9	39.3
Average seniority		6.5	7.1	7.8
Academy Ratio	Ph.D	0.3	0.4	0.4
	Master	16.0	18.7	19.0
	College	49.8	42.2	44.1
	Senior High School	26.6	30.9	28.8
	Below Senior High School	7.4	7.8	7.8

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 2023, no issues on environmental protection required amendment, and our per unit revenue for greenhouse gas emissions was reduced by 16.5% 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 1,025,900 in 2023, as shown in the table.

2023 Advantech Environmental Protection Investment Expenses List

Item	Cost NT\$ Thousand
ISO 14001/ ISO 45001 Environmental Safety Management System Certification Fees and Pollution Source Monitoring Fees 、 ISO14064 Certification Fees	1,025.9

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), and starting from 2023, a comprehensive inventory of all scope 3 items (other indirect greenhouse gas emissions) will be conducted.

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.
- Replacement of high-efficiency lighting fixtures: Advantech is gradually replacing old fluorescent tubes with energy-efficient ones in various areas. All new Advantech buildings are equipped exclusively with energy-saving light tubes.
- 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

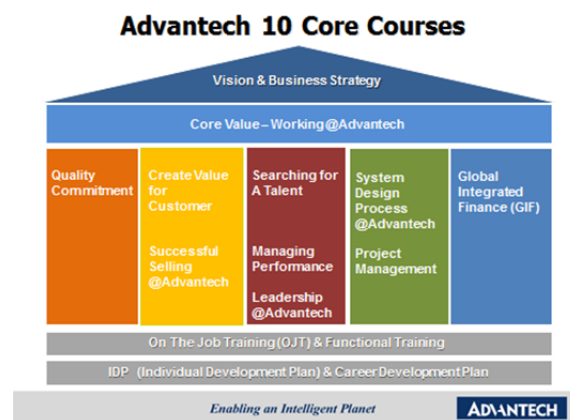
2. Education, training system, and its implementation

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, LEAP Camp and Elite LEAP Workout. 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's executive decision-making levels selects themes critical to Advantech's future overall development. Domain experts and academic professors are invited to discuss Advantech's case, proposing theoretical frameworks and suggestions, and compiling them into 'Advantech Case Studies.' Through discussions and interactions

among colleagues and experts in various fields, the company collectively devises future directions and strategies, and completes individual cases. Through case discussions, not only are colleagues' innovative thinking and reflection stimulated, but the company's business model and strategies are also refined, effectively inheriting Advantech's business philosophy and strategic direction. Additionally, with few commercial cases available domestically, the enterprise case studies produced through Advantech's industry-academia collaboration not only serve as teaching materials for academia but also enable students to integrate theory with practice. Simultaneously, they facilitate mutual observation and exchange within the industry, serving as a means of experience transmission

■ e-Learning

To embody Advantech's wisdom, core values, and culture, and to disseminate important company messages and activities, as well as to impart professional knowledge and skills, we have established the Advantech Academy online learning platform. This platform enables global employees to engage in online learning, understand Advantech's business philosophy and corporate culture, and acquire the latest learning information according to their needs, thereby ensuring that learning is not constrained by geographical or time limitations. Within the exclusive Knowledge Hub, employees can access information from around the world, effectively broadening Advantech employees' global perspectives and depth of understanding. This ensures that learning resources achieve the benefits of collaboration, integration, and leverage.



■ 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.

■ Advantech Executive Talk

In order to enable the strategies formulated by the Company to be seamlessly, accurately, and immediately communicated to Advantech personnel around the world, Advantech began to prepare its internal platform Advantech Executive Talk in 2015, hoping to reduce the information asymmetry caused by the time and distance difference between the headquarters and the frontline through streamlined video information. In February 2016, the platform officially began to transmit videos to Advantech personnel all over the world, and invited internal senior management according to the topics to present 5-10 minutes of essential information content description in Chinese or English. Topics range from annual strategic development, financial trend, pre-merger and post-merger explanation, and industry direction explanation. Advantech hopes that in the future, it can develop more customized video information to create real-time and accurate information transmission content for each region, unit and even each employee. The platform has uploaded 49 videos of Advantech Executive Talk series, and will continuously progressing the program.

■ Elite LEAP Workout

Outstanding talents with great potential will be assigned to participate in cross-functional

and cross-departmental projects that are highly relevant to the company's strategy with the support received from senior managers and mentors. The Elite LEAP Workout program is intended to accelerate the personal performance of such talents and to support such talents in advancing their capabilities required for higher positions. At the same time, the concept of promotion within the company is implemented to nurture the next generation of leaders for Advantech.

■ APEX Program

Talent is the source of power for enterprises' continuing innovation and growth. Advantech while celebrating the 40th anniversary has launched the "Advantech People of Excellence (APEX) Program," which has been activated by the headquarters in 2023Q4 and will be held routinely in both Chinese and English languages, and then expanded to overseas subsidiaries in order to deepen talent cultivation and the management's passing on to future generations.

The APEX training program based on the "Advantech core competencies" to conduct communications and passing on to future generations, and to initiate the proposal discussion on "Advantech practical issues." A total of 40 colleagues from various units across business units and different units within the Group for interaction in the current "APEX Program." Three Presidents, Miller, Linda, & Eric, and Vice President MC are to serve as the Group's mentors. Also, Advantech's senior executives and board directors, external experts, and consultants are invited to serve as lecturers to give keynote speeches and experience sharing. In addition to providing diverse and profound courses, the sections of morning exercise, Team building, and others are also arranged to allow all students interact easily while recharging mentally. The current APEX Program had come to an end successfully on December 23. Hopefully, those talented colleagues with great potentials will be able to accumulate practical experience through decision-making discussions and interactions on major subjects and be ready for the future to come, and continue to create infinite possibilities with Advantech.

Average training hours of employees

Year of data: take 2023 as an example	Male	Female	Total
Total hours of E-Learning training	557,990	329,403	887,393
Total number of employees	4,843	3,536	8,379
Average hours of E-Learning training per employee	115.2	93.2	105.9
Data coverage	Taiwan headquarters, (including headquarters business units, logistics units, and Advantech Taiwan), China, Japan,(excluding AJMC Advantech Japan),South Korea, Europe and North America exceeded 80% of global employees in 2023. The total training hours of online courses and physical sessions were 887,392 hours, and the average training hours per person was 105.9 hours.		

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.

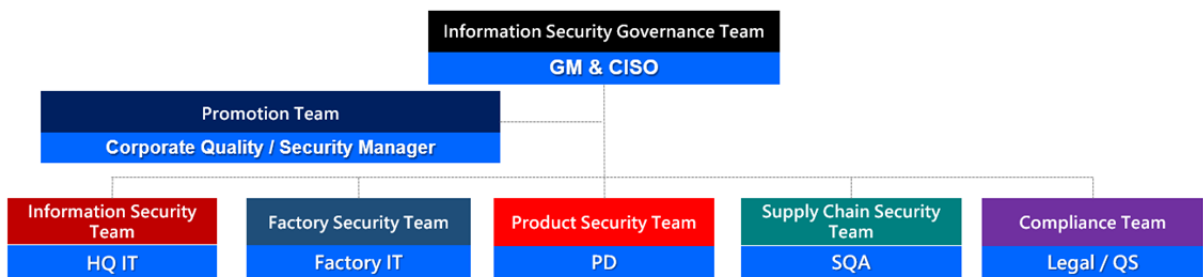
5.6 Information Security management

5.6.1 The Company's Cyber security management framework, Cyber security policies, management plan and investments in resources for cyber security

A. Information Security Governance Organization

Advantech has established an Information Security Governance Team to strengthen the company's information security management and ensure data, system and network security. The team is led by the general manager, and includes IT security, OT security, product security, supplier information and regulatory compliance groups. The Information Security Governance Team convenes a meeting every six months and regularly reports the information security status to regularly report the implementation status to the Risk Management Committee.

Organization Chart of the Information Security Governance Team



- Information Security Team
 - Plan the security strategy and guidelines for the company's overall information architecture
 - Establish and maintain the information security protection mechanism of the IT environment of the company
 - IT cybersecurity incident response and handling
- Factory Security Team
 - Plan and implement information security management procedures in the factory
 - Establish and maintain the company's OT environment information security protection mechanism
 - OT cybersecurity incident response and handling
- Product Security Team
 - Plan and implement security measures in the product development life cycle
 - Respond to product's security issues
- Supply Chain Security Team
 - Identify security risks in the production supply chain
 - Plan and implement security measures for related risks
- Compliance Team
 - Ensure that the company's operations and products meet the requirements of information security and privacy protection laws and regulations

B. Information Security Policy and Architecture

1. Information Security Strategy

Advantech has obtained the “Information Security Management System (ISMS) ISO/IEC 27001:2013” certification with the scope of application expanded to the head office information department computer room management and skeleton network in 2022. Advantech’s information operations in Europe and the United States also passed ISO/IEC 27001:2013 IEC 27001:2013 certification in 2022. Advantech continues to refine and maintain the company’s information security management system in accordance with the Plan-Do-Check-Act (PDCA) mechanism.

In terms of information security protection and deployment, Advantech refer to the NIST Cybersecurity Framework (CSF) information security framework to create a multi-level information security protection mechanism. Covers the five aspects of information security, Identify, Protect, Detect, Respond and Recover, and can correspond to the before, during and after the event when managing security risks, providing management strategies for the network security life cycle.

2. Information Security Protection Plan

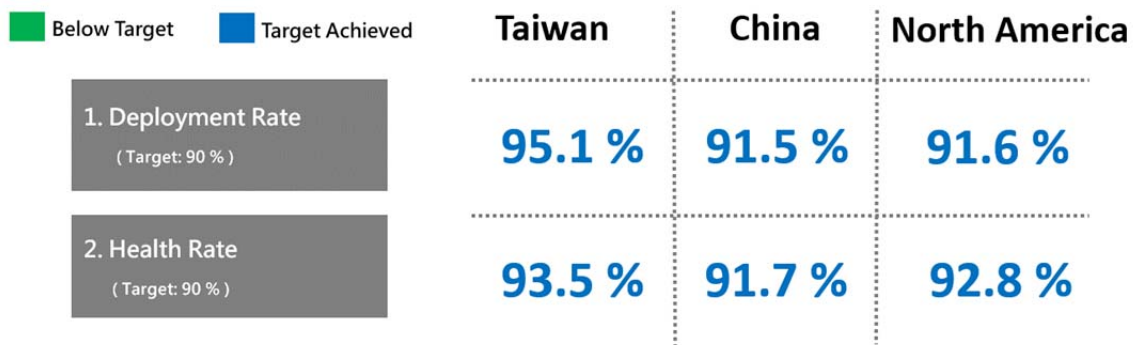
Category	Measure
Network Security Enhancement	<ul style="list-style-type: none"> • Deploy network firewalls and strengthen network segment isolation • Firewall rules are regularly reviewed for appropriateness • Enhance domain server protection • Deploy MFA to enhance user authentication • Compliance control of device connections to the intranet
Endpoint Protection	<ul style="list-style-type: none"> • Deploy endpoint protection and antivirus software • Abnormal behavior monitoring and analysis
System Vulnerability Fixing	<ul style="list-style-type: none"> • Regularly conduct system vulnerability scans • Continued system updates and bug fixes
Server Security Enhancement	<ul style="list-style-type: none"> • Deploy new generation VM systems • Deploy server logon protection mechanism
System Recovery and Data Backup Mechanism	<ul style="list-style-type: none"> • Critical system data backup • Establish a remote system backup mechanism and conduct regular disaster recovery drills
Security Risk Assessment	<ul style="list-style-type: none"> • Regularly conduct security risk assessment and treatment • Conduct cybersecurity red team drill • Incorporate supplier management into information security risk evaluation
Awareness Training	<ul style="list-style-type: none"> • Conduct security awareness training • Regular social engineering drills • Distribute information security e-newsletter on a quarterly basis. • Arrange information security incentive activities
Information Security Management System	<ul style="list-style-type: none"> • Establish an information security management system in accordance with ISO/IEC 27001 and pass external verification. • Introduce product safety development system IEC 62443-4-1 and IEC 62443-4-2.

3. 2023 Major Achievements of Information Security

The focus of the current strategy is on easing the attack, improving information security risk visibility, increasing information security governance and risk awareness, and enhancing information security resilience. The 2023 information security-related action plans and key work achievements are explained as below:

- **Reducing the attack surface**

The system software used by enterprises includes operating systems and business applications that help complete various daily operations. Every software vendor releases de-bugging programs and security updates to fix software loopholes occasionally and to mitigate the risk of attacks. Advantech had introduced the endpoint management and security solution project “Endpoint Central” in 2023 to enhance system vulnerability and loophole management; also, to assist in debugging operations. Currently, there are around 9,000 computer devices deployed with the coverage expanded continuously.



In nowadays, enterprises face variety of security threats, such as security vulnerabilities caused by external personnel’s equipment, visitors or employees working from home evading physical security restrictions, traditional network infrastructure failed to prevent the link of untrustworthy equipment, etc. Advantech has introduced the network equipment management and control and network segmentation tools this year, the network connection policies for the protection of enterprises’ various information equipment security, and free from the attack of malicious programs and virus.

In addition, the company has completed the “Breach and Attack Simulation (BAS)” to verify the effectiveness of security protection mechanisms by simulating the threat vectors such as external and internal, lateral movement, and data leakage through automation, and by simulating attacks against various assets continuously. An information security vendor has been mandated to conduct vulnerability scanning and penetration testing on Salesforce IoTMart this year. There is not any information security weaknesses above low risk identified in the said test.

- **Improve information security risk visibility**

The traditional concept of information security protection is to examine the deficiencies of information security protection capabilities from an internal perspective of the company, but there remains the risk of overlooking some information such as application

security risks, Cubit Score, hacker information exchange, account and password information leakage, etc.; therefore, it is relatively easy to have blind spots in evaluation emerged. Therefore, Advantech introduces an information security risk scoring tool to review the company's overall security status externally, to identify existing information security protection mechanisms deficiencies, and to assist security personnel in making improvements with the proprietary and open data sources of information provided by information security vendors, and by using advanced machine learning algorithms and analysis technologies.

In addition, hacker organizations have begun to breach and attack enterprises in recent years by breaching and attacking suppliers or outsourced manufacturers first, causing risks in the supply chain security ecosystem. Advantech also applies the information security risk scoring tool to supplier information security risk management, which helps grasp the information security status of business partners in order to identify and respond to the risks in real time.

- **Improve Information Security Governance and Risk Awareness**

Advantech has included information security into annual core courses and has provided e-Learning teaching and online tests to help enhance employees' awareness of information security. Advantech in response to the increasingly frequent phishing email attacks has employees' information security risk awareness tested through social media engineering drills and simulation of hacker phishing emails attack. In addition, information security e-newsletters are released on a quarterly basis, including the latest information security trends, recent major domestic and international information security incidents, important announcements, etc., so to enhance colleagues' information security awareness and alertness.



Information security awareness course

In 2023, for general employees, through online courses or face-to-face sessions, the main course content covers common cybersecurity risks and responses, Advantech's cybersecurity policies and regulations, prevention of ransomware and phishing emails, software security controls, and reporting of cybersecurity incidents. A total of 8,442 employees completed 4,221 hours of information security training courses company-wide.



Social Engineering Drills

Through simulating company announcements, system notifications, or enticing messages, a total of two rounds (initial and follow-up) of phishing email simulation tests were conducted on employees, with a total of 13,689 test emails sent. The test results still showed a certain percentage of employees opening the test emails, indicating the ongoing need to strengthen employee awareness of phishing emails.



Cybersecurity Newsletter and Cybersecurity Incentive Program

Starting from the second quarter of 2023, a cybersecurity newsletter was sent to global employees every quarter, with a total of 23,718 distributions.

An incentive program for cybersecurity was organized to encourage proactive participation from colleagues in the IT department to strengthen information security and showcase creativity. A total of 10 teams registered for the competition, with 3 teams winning awards.

- **Enhance Information Security Resilience**

Advantech in consideration of the possible impact of internal or external accidental disasters or human errors on information service has planned the off-site backup at the Linkou plant so to provide mutual off-site backup and off-site backup copies between

Neihu computer room and Linkou computer room with the use of the virtual machine Nutanix. When the service provided by Neihu computer room is interrupted, the critical information system can continue to provide services through the off-site backup mechanism in the Linkou computer room. Advantech's information department completed two disaster recovery drills this year to verify the integrity of the overall structure and system for disaster response and recovery procedures after establishing the off-site backup mechanism.

In addition, Advantech has introduced the information service event management platform "Statuspage" this year, which can visually and centrally display the service efficiency status of each system, enhance tracking and reporting of the performance and availability of information services, and optimize the reporting and handling process upon the occurrence of information service abnormalities.

C. Information Security Incident Impact and Response

During this fiscal year, there have been no significant cybersecurity incidents that meet the criteria for disclosure under stock exchange regulations.

5.7 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

Item	Year	Financial Data within the last 5 years (Note 1)				
		2023	2022	2021	2020	2019
Current Assets		41,385,737	41,747,348	35,121,490	30,287,536	27,372,911
Property, plant, and equipment		11,326,045	11,039,395	10,246,751	9,916,896	9,732,490
Intangible assets		2,750,414	2,789,279	2,665,425	3,147,346	980,061
Other assets		13,594,076	10,808,916	9,794,571	6,847,607	9,130,617
Total assets		69,056,272	66,384,938	57,828,237	50,199,385	47,216,079
Current Liabilities	Before distribution	16,026,807	18,480,816	16,503,678	12,096,208	11,744,458
	After distribution	(Note 2)	26,260,586	22,699,388	17,577,021	17,207,656
Noncurrent liabilities		4,219,887	3,620,108	2,961,768	3,056,754	2,740,161
Total liabilities	Before distribution	20,246,694	22,100,924	19,465,446	15,152,962	14,484,619
	After distribution	(Note 2)	29,880,694	25,661,156	20,633,775	19,947,817
Shareholder's equity attributable to parent company		48,461,152	43,814,702	37,852,527	34,410,156	32,154,099
Capital stock		8,584,494	7,779,769	7,744,638	7,722,545	7,004,100
Additional paid-in capital		9,753,806	9,110,280	8,388,886	7,913,754	7,397,029
Retained earnings	Before distribution	29,229,547	26,858,094	22,274,796	19,605,707	18,598,963
	After distribution	(Note 2)	19,078,324	16,079,086	14,124,894	13,135,765
Other equity		893,305	66,559	(555,793)	(831,850)	(845,993)
Treasury stock		-	-	-	-	-
Non-controlling equity		348,426	469,312	510,264	636,267	577,361
Total equity	Before distribution	893,305	66,559	(555,793)	(831,850)	(845,993)
	After distribution	(note 2)	36,504,244	32,167,081	29,565,610	27,268,262

Note 1: The 2019~2023 financial data were audited by the CPA.

Note 2: Cash dividend of \$8,155,269 thousand was approved by the board of directors on February 27, 2024.

Condensed Balance Sheet – Proprietary

Item		Year	Financial Data within the last 5 years (Note 1)				
			2023	2022	2021	2020	2019
Current assets			25,856,601	23,802,917	19,101,465	15,720,953	13,854,690
Property, plant, and equipment			7,680,793	7,329,547	6,926,491	6,549,679	6,597,256
Intangible assets			196,961	250,455	247,722	219,585	106,637
Other assets			30,131,486	28,873,448	26,501,643	23,580,252	22,208,881
Total assets			63,865,841	60,256,367	52,777,321	46,070,469	42,767,464
Current liabilities	Before distribution		13,060,411	13,451,860	12,372,885	8,991,700	8,473,785
	After distribution		(Note 2)	20,231,630	18,568,595	14,472,513	13,936,983
Noncurrent liabilities			2,344,278	2,989,805	2,551,909	2,668,613	2,139,580
Total liabilities	Before distribution		15,404,689	16,441,665	14,924,794	11,660,313	10,613,365
	After distribution		(Note 2)	24,221,435	21,120,504	17,141,126	16,076,563
Capital stock			8,584,494	7,779,769	7,744,638	7,722,545	7,004,100
Additional paid-in capital			9,753,806	9,110,280	8,388,886	7,913,754	7,397,029
Retained earnings	Before distribution		29,229,547	26,858,094	22,274,796	19,605,707	18,598,963
	After distribution		(Note 2)	19,078,324	16,079,086	14,124,984	13,135,765
Other equity			893,305	66,559	(555,793)	(831,850)	(845,993)
Total equity	Before distribution		48,461,152	43,814,702	37,852,527	34,410,156	32,154,099
	After distribution		(Note 2)	36,034,932	31,656,817	28,929,343	26,690,901

Note 1: The 2019~2023 financial data were audited by the CPA.

Note 2: Cash dividend of \$8,155,269 thousand was approved by the board of directors on February 27, 2024.

Condensed Income Statement

Item	Financial Data within the last 5 years (Note 1)				
	2023	2022	2021	2020	2019
Operating income	64,567,697	68,744,701	58,622,050	51,119,408	54,144,662
Gross Profit	26,161,814	26,113,103	22,131,576	20,396,261	21,099,362
Operating profit or loss	12,128,250	12,532,177	9,800,423	9,036,553	9,233,502
Non-Operating income and expense	1,138,449	910,683	454,919	91,808	74,378
Net income before tax	13,266,699	13,442,860	10,255,342	9,128,361	9,307,880
Net income of continuing operations	10,789,333	10,742,559	8,307,363	7,302,987	7,392,855
Net income	10,789,333	10,742,559	8,307,363	7,302,987	7,392,855
Other comprehensive profit and loss (net)	1,053,348	659,439	228,482	(28,913)	(93,275)
Total current comprehensive profit and loss	11,842,681	11,401,998	8,535,845	7,274,074	7,299,580
Net income attributable to parent company's shareholders	10,837,530	10,757,077	8,250,224	7,247,955	7,351,220
Net income attributable to non-controlling equity	(48,197)	(14,518)	57,139	55,032	41,635
Total comprehensive profit and loss attributable to parent company's shareholders	11,894,582	11,417,894	8,510,806	7,231,759	7,265,801
Total comprehensive profit and loss attributable to non-controlling equity	(51,901)	(15,896)	25,039	42,315	33,779
Earnings per share	12.65	12.60	10.67	9.40	9.56

Note 1: The 2019-2023 financial data were audited by the CPA.

Condensed Income Statement – Proprietary

Item	Year	Financial Data within the last 5 years (Note 1)				
		2023	2022	2021	2020	2019
Operating income		44,603,097	49,346,940	41,159,286	34,391,042	36,632,047
Gross profit		14,809,774	14,555,025	12,408,421	11,314,452	11,728,635
Operating profit or loss		9,797,231	8,791,441	7,386,275	6,971,890	7,241,356
Non-Operating income and expense		2,875,828	3,906,475	2,326,525	1,768,750	1,637,061
Net income before tax		12,673,059	12,697,916	9,712,800	8,740,640	8,878,417
Net income		10,837,530	10,757,077	8,250,224	7,247,955	7,351,220
Other comprehensive profit and loss (net)		1,057,052	660,817	260,582	(16,196)	(85,419)
Total current comprehensive profit and loss		11,894,582	11,417,894	8,510,806	7,231,759	7,265,801
Earnings per share		12.65	12.60	10.67	9.40	9.56

Note 1: The 2019~2023 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
2023	PricewaterhouseCoopers Taiwan	CPA Hua-Ling Liang/CPA Yi-Fan Lin	Standard Unqualified opinion
2022	PricewaterhouseCoopers Taiwan	CPA Hua-Ling Liang/CPA Yi-Fan Lin	Standard Unqualified opinion
2021	PricewaterhouseCoopers Taiwan	CPA Hua-Ling Liang/CPA Yi-Fan Lin	Standard Unqualified opinion
2020	Deloitte & Touche	CPA Jr Shian Ke / CPA Kwan-Chung Lai	Standard Unqualified opinion
2019	Deloitte & Touche	CPA Jr Shian Ke / CPA Meng Chieh Chiu	Standard Unqualified opinion

6.2 Financial Analysis within the last 5 years

(I) Financial Analysis – consolidated

Analysis item (Note 3)		Year (Note 1)	Financial analysis within the last 5 years				
			2023	2022	2021	2020	2019
Finance structure (%)	Debt to assets ratio		29.32	33.29	33.66	30.19	30.68
	Long term funds to property, plant, and equipment ratio		468.21	433.94	403.29	384.22	364.47
Solvency (%)	Current ratio (%)		258.23	225.90	222.29	250.39	233.93
	Quick ratio (%)		192.08	143.78	141.41	181.79	161.80
	Interest coverage ratio		29,223.02	49,904.97	65,554.06	45,343.66	37,270.56
Operating ability	Receivables turnover (times)		6.34	6.42	6.15	5.81	6.30
	Accounts receivable collecting days		57.57	56.85	59.34	62.82	57.93
	Inventory turnover (times)		3.23	3.21	3.59	3.94	4.31
	Payables turnover (times)		5.81	5.83	6.18	6.67	6.23
	Average inventory turnover on sales		113.00	113.70	101.67	92.63	84.68
	Property, plant, and property turnover (times)		5.77	6.46	5.81	5.20	5.55
	Total asset turnover (times)		0.95	1.11	1.09	1.05	1.19
Profitability	Return on assets (%)		15.99	17.33	15.40	15.03	16.26
	Return on equity (%)		23.18	26.00	22.63	21.55	23.74
	Ratio of net income before tax to paid-in capital (%) (Note 7)		154.54	172.79	132.42	118.20	132.89
	Profit margin (%)		16.71	15.63	14.17	14.29	13.65
	Earnings Per Share (NT\$)		12.65	12.60	9.70	8.55	8.69
Cash flow	Cash Flow Ratio (%)		60.30	52.66	55.33	66.79	52.75
	Cash Flow Adequacy Ratio (%)		104.36	102.96	90.04	102.90	93.16
	Cash Flow Re-investment Ratio (%)		3.88	7.72	8.92	6.88	4.13
Leverage	Operating leverage		1.49	1.30	2.65	2.58	2.68
	Financial leverage		1.00	1.00	1.00	1.00	1.00

Please explain the reasons for the changes in various financial ratios in the past two fiscal years. (Analysis may be exempted if the change does not exceed 20%.)

1. Quick Ratio: The increase in the quick ratio is primarily attributable to the favorable impact of economic expansion. This has led to heightened demand for our products, facilitating improved inventory turnover compared to the prior year. Additionally, certain raw material costs have declined, resulting in reduced accounts payable relative to the same period last year.
2. Interest Coverage Ratio: The decline in the interest coverage ratio can be attributed to heightened borrowing by our subsidiaries to support operational activities. Consequently, interest expenses have increased compared to the corresponding period last year.
3. Cash Reinvestment Ratio: The decrease in the cash reinvestment ratio is mainly due to heightened investment activities in financial instruments by our subsidiaries. This has resulted in a lower proportion of available cash being allocated for reinvestment purposes.

Note 1: The 2019~2023 financial data were audited by the CPA.

Note 2: At the end of this table in the annual report, the following calculation formulas should be provided:

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) Interest coverage ratio = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
 - (1) Receivables turnover = Net Sales / Average Trade Receivables
 - (2) Accounts receivable collecting days = 365 / Average Collection Turnover
 - (3) Inventory turnover = Cost of Sales / Average Inventory
 - (4) Payables turnover = Cost of Sales / Average Trade Payables
 - (5) Average inventory turnover on sales = 365 / Inventory turnover
 - (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 Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
 - (2) Return on Equity = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent
 - (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
 - (4) Profit margin = Net Income / Net Sales
 - (5) 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

Analysis item		Year	Financial analysis within the last 5 years				
		2023	2022	2021	2020	2019	
Finance structure (%)	Debt to assets ratio	24.12	27.29	28.28	25.31	24.77	
	Long term funds to property, plant, and equipment ratio	661.46	638.57	583.33	566.12	521.05	
Solvency (%)	Current ratio (%)	197.98	176.95	154.38	174.84	163.50	
	Quick ratio (%)	161.28	127.66	99.73	133.11	120.12	
	Interest coverage ratio	1,858,319.79	1,075,283.40	4,808,416.83	1,231,176.06	387,296.55	
Operating ability	Receivables turnover (times)	4.88	6.03	6.01	5.43	5.32	
	Accounts receivable collecting days	74.79	60.53	60.73	67.21	68.60	
	Inventory turnover (times)	5.54	5.50	5.64	6.31	6.87	
	Payables turnover (times)	4.72	5.58	5.49	5.51	4.99	
	Average inventory turnover on sales	65.88	66.36	64.71	57.84	53.12	
	Property, plant, and property turnover (times)	5.94	6.92	6.11	5.23	5.49	
	Total asset turnover (times)	0.72	0.87	0.83	0.77	0.87	
Profitability	Return on assets (%)	17.46	19.04	16.69	16.32	17.53	
	Return on equity (%)	23.49	26.34	22.83	21.78	23.89	
	Ratio of net income before tax to paid-in capital (%) (Note 7)	114.13	163.22	125.41	113.18	126.76	
	Profit margin (%)	24.30	21.80	20.04	21.08	20.07	
	Earnings Per Share (NT\$)	12.65	12.60	9.70	8.55	8.69	
Cash flow	Cash flow ratio (%)	29.10	54.74	66.29	63.39	67.72	
	Cash Flow Adequacy Ratio (%)	80.08	85.62	77.55	80.10	72.02	
	Cash Flow Re-investment Ratio (%)	(7.93)	2.47	6.79	0.63	2.84	
Leverage	Operating leverage	2.94	3.25	3.10	2.95	3.05	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

Please explain the reasons for the changes in various financial ratios in the past two fiscal years. (Analysis may be exempted if the change does not exceed 20%.)

1. Quick Ratio: The increase in the quick ratio is primarily attributable to the favorable impact of economic expansion, leading to an increase in sales orders. This, coupled with improved inventory turnover and a decline in certain raw material procurement costs, has resulted in a reduction in accounts payable compared to the same period last year, thus increasing the quick ratio.
2. Interest Coverage Ratio: The increase in the interest coverage ratio is primarily due to the absence of bank borrowings in the current period, leading to a reduction in interest expenses compared to the same period last year.
3. Average Collection Period: The increase in the average collection period is attributed to a decline in revenue compared to the same period last year, coupled with outstanding payments at the year-end.
4. Profit Before Tax to Capital Ratio: The decrease in the profit before tax to capital ratio is mainly due to the issuance of stock dividends in the fiscal year 2022, resulting in an increase in issued share capital.
5. Cash Flow Ratio: The decrease in the cash flow ratio is primarily due to a reduction in cash flow from operating activities compared to the same period last year. This is because the payment of corporate income tax for the fiscal year 2021 was staggered in 2022 due to the application of special infectious disease regulations, which did not apply in 2023.

6. Cash Reinvestment Ratio: The decrease in the cash reinvestment ratio is primarily due to the staggered payment of corporate income tax for the fiscal year 2021 in 2022, as per the special infectious disease regulations. In contrast, there was no application of such regulations in 2023, resulting in an outflow of cash from operating activities after deducting cash dividends distributed.

Note 1: The 2019~2023 financial data were audited by the CPA.

Note 2: At the end of this table in the annual report, the following calculation formulas should be provided:

*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) Receivables turnover = Net Sales / Average Trade Receivables

(2) Accounts receivable collecting days = 365 / Average Collection Turnover

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

(4) Payables turnover = Cost of Sales / Average Trade Payables

(5) Average inventory turnover on sales = 365 / Inventory turnover

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

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

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

(4) Profit margin = Net Income / Net Sales

(5) 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)

6.3 Audit Committee's Report for the Most Recent Year

Audit Committee's Review Report

The Company's 2023 Financial Statements have been agreed by Audit Committee members of the Company and approved by the Board of Directors. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements.

The Board of Directors has prepared the Company's 2023 Business Report and proposal for allocation of profits. The 2023 Business Report and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company.

According with Article 14-4 of the securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Advantech Co., Ltd. 2023 Shareholders' Meeting

Convener : Benson Liu

February 27, 2024

- 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	2023	2022	Difference	
			Amount	%
Current assets	41,385,737	41,747,348	(361,611)	-1%
Property, plant, and equipment	11,326,045	11,039,395	286,650	3%
Intangible assets	2,750,414	2,789,279	(38,865)	-1%
Other assets	13,594,076	10,808,916	2,785,160	26%
Total assets	69,056,272	66,384,938	2,671,334	4%
Current liabilities	16,026,807	18,480,816	(2,454,009)	-13%
Noncurrent liabilities	4,219,887	3,620,108	599,779	17%
Total liabilities	20,246,694	22,100,924	(1,854,230)	-8%
Capital stock	8,584,494	7,779,769	804,725	10%
Additional paid-in capital	9,753,806	9,110,280	643,526	7%
Retained earnings	29,229,547	26,858,094	2,371,453	9%
Other equity	893,305	66,559	826,746	1,242%
Non-controlling equity	348,426	469,312	(120,886)	-26%
Total equity	48,809,578	44,284,014	4,525,564	10%

The reasons and impacts of significant changes in assets, liabilities, and shareholders' equity over the past two years (with changes exceeding 20% and amounting to more than NT\$10 million) should be explained, along with future response plans for significant impacts, if any:

1. Other Assets: The significant increase in other assets is primarily due to the recognition of newly acquired financial assets measured at fair value through profit or loss, such as corporate bonds. Additionally, the recognition of right-of-use assets by a subsidiary in the United States has contributed to this increase.
2. Other Equity: The significant increase in other equity is primarily attributed to the recognition of fair value gains on financial assets measured at fair value through other comprehensive income, driven by the recovery in stock prices.

7.2 Analysis of Financial Status

Unit: NT\$ Thousand

Item \ Year	2023	2022	Increased or decreased amount	Ratio change (%)
Operating income	64,567,697	68,744,701	(4,177,004)	-6%
Operating cost	38,405,883	42,631,598	(4,225,715)	-10%
Gross profit	26,161,814	26,113,103	48,711	0%
Operating expense	14,033,564	13,580,926	452,638	3%
Operating profit	12,128,250	12,532,177	(403,927)	-3%
Non-operating income and expense	1,138,449	910,683	227,766	25%
Net income before tax	13,266,699	13,442,860	(176,161)	-1%
Income tax expense	2,477,366	2,700,301	(222,935)	-8%
Net income	10,789,333	10,742,559	46,774	0%
Annual other comprehensive profit and loss (Net)	1,053,348	659,439	393,909	60%
Annual total comprehensive net income	11,842,681	11,401,998	440,683	4%
Net income attributable to the shareholder's equity of the parent company	10,837,530	10,757,077	80,453	1%
Total comprehensive profit and loss attributable to the shareholder's equity of the parent company	11,894,582	11,417,894	476,688	4%

The main reasons for significant changes in operating revenue, operating profit, and pre-tax profit over the past two years (with changes exceeding 20% and amounting to more than NT\$10 million) are as follows:

1. The increase is primarily attributed to: Higher interest income from increased participation in US dollar deposits. Recognition of fair value gains on financial assets, particularly due to the rise in stock prices of investment financial instruments.
2. Increase in Other Comprehensive Income for the Current Year Compared to the Previous Year: The increase mainly results from the recognition of fair value gains on financial assets measured at fair value through other comprehensive income, particularly due to the rise in stock prices of these financial assets.

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
12,029,785	9,664,660	(10,682,865)	11,011,580	--	--

Note: Explanation of changes

- Operating activities generated a cash flow of NTD\$9,664,660 thousand: This fiscal year's consolidated pre-tax net income was NTD\$13,266,699 thousand; excluding changes in assets and liabilities, cash outflows for income taxes paid amounted to NTD\$3,315,259 thousand.
- A net cash outflow of NTD\$10,682,865 thousand was recorded for investment and financing activities throughout the year. This included continued investment in construction projects for office buildings and factories at the Linkou plant site, with a cash outflow of NTD \$1,197,587 thousand for fixed asset acquisitions. Additionally, cash dividends of NTD\$7,779,770 thousand were distributed, and cash outflows of NTD\$706,721 thousand were incurred for new investments in financial instruments and other investments.

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
11,011,580	11,948,753	(9,913,775)	13,046,558	--	--

Note: Explanation of changes:

- Net cash inflow from operating activities amounted NTD\$11,948,753 thousand, primarily attributable to the profitability in the year 2023.
- The net cash outflow for the year totaled NTD\$9,913,775, primarily due to the net impacts of cash dividend distributions, investments, and capital expenditures.

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			
				2024	2025	2026	2027
Plant purchase (construction) –Linkou Campus Phase 3	Advantech's Capital	2023.6	1,410,000	132,000	-	-	-
Right-of-use assets-Land-ANA	Advantech's Capital	2023~2034	3,400,000	162,500	162,500	162,500	162,500
Plant purchase (construction) –ANA	Advantech's Capital	2023~2034	1,000,000	558,250	569,400	580,790	592,410
Plant Purchase (Construction) of Plant- ANA	Advantech's Capital	The contract remains unsigned.	2,100,000	The contract remains unsigned.			

- 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 2023, the profits of Advantech reinvestment of equity method reached NT\$388,513 thousands, with a decrease of NT\$ 58,891 thousands, 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 /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/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.
- (4) WISE/IoTSuite supports easy and flexible development of domain-application. By working with domain experts, Advantech is dedicated in expanding domain focused solution and application to deliver concrete business outcome.

2. The projected R&D investment: 7% of the annual turnover.

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

There had not any significant changes in domestic and foreign policies and law that had a significant impact on the Company in the most recent year. In addition to irregularly collect and assess the impact of significant changes in domestic and foreign policies and law on the Company's finance and business operation, the Company will consult relevant professionals to take countermeasures in a timely manner.

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

According to Gartner¹, The sale of IoT platforms represents an opportunity growing at a 5 year CAGR of 33% to reach \$11.3 billion in 2025. However, the buyer demand will shift from seeing IoT platform as "a set of integrated software capabilities (that) improve(s) product or asset management decision making, and operational visibility and control" to domain and process applications enabled by IoT platforms with concrete business outcomes. The implications for IoT platform providers, including Advantech, are,

- A **repositioning** of platforms to clients
 - The development or **partnership** with providers of applications enabled by the platform
 - A challenge around **data interoperability** in which applications are designed around data models
 - A possible **change in pricing models** from stand-alone platform sales to app-led sales
- Ecosystem plays critical role to the success of Application-led IIoT Market. Unlike traditional one-to-one partnership, Gartner has defined the IIoT ecosystem as a complex and dynamic network of entities interacting with each other. Among four types of ecosystem defined by Gartner(application-centric, vertical-centric, platform-centric and data-centric), Application-centric and vertical-centric ecosystems are now dominant in the market. And the key is whether the vendor provides whole product integrating various IIoT modules

and provide the clients with clear business outcome. Therefore, Advantech has recently been devoted in building IIoT ecosystems through investment, alliances and co-creation, in domains of smart manufacturing, smart city and etc.. We aim to provide clients with domain focused whole product by integrating the capabilities of system integrators, solution providers and professional consultants. As for new product and technologies, we implement emerging business opportunity (EBO) process and introduce external R&D resources by working with universities, aiming to build key modules, innovative business models and development roadmaps of IIoT platform.

- (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: None.

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

The manufacturing centers in Taipei and Kunshan faced a challenging operational environment in 2023. So we have adopted a conservative equipment investment strategy to address uncertain market conditions. We kept production capacity flexible, and adjusted production schedule promptly according to orders and business development. We continued to introduce process automation and lean manufacturing to maintain our competitiveness.

In 2023, the Kunshan manufacturing center implemented energy-saving initiatives and responded to global environmental trends by ceasing the use of the high-energy-consuming and environmentally harmful liquid painting process. We comprehensively adopted the safer and more environmentally friendly powder coating process. This move has significantly reduced energy consumption and enhanced environmental protection while ensuring the occupational health and safety of our employees. Additionally, to be in line with capacity changes, we actively managed headcount and implanted APS 2.0 to optimize intelligent production scheduling. This continuously improved throughput per manpower.

Towards the end of 2023, we completed the third phase of the Taipei manufacturing center, positioning it as the headquarters for the IoT business group while also serving as a co-creation partner office area. Furthermore, the Donghu manufacturing center has been consolidated into the Linkou manufacturing center, leveraging production integration synergies, further enhancing production efficiency and reducing costs.

Based on our long-term development plan, we have decided to expand our manufacturing base in Taiwan by building the Huaya manufacturing center in 2023. This decision was made after conducting a thorough site evaluation and cost assessment, taking into account geopolitical risks and our global manufacturing strategy. We believe this expansion will meet our long-term capacity requirements.

To address potential economic risks in 2024, we will adopt an agile and flexible production response strategy, closely monitoring market conditions and competition dynamics, and adjusting investments and expansion plans as needed. We will review workflows, optimize efficiency through a subtraction strategy, enhance energy usage efficiency through the "iEMS" smart energy management solution platform, and anticipate further improvements in production efficiency through AI applications in Taipei and Kunshan manufacturing centers. We believe these measures will build a solid foundation for the company's long-term development.

- (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.

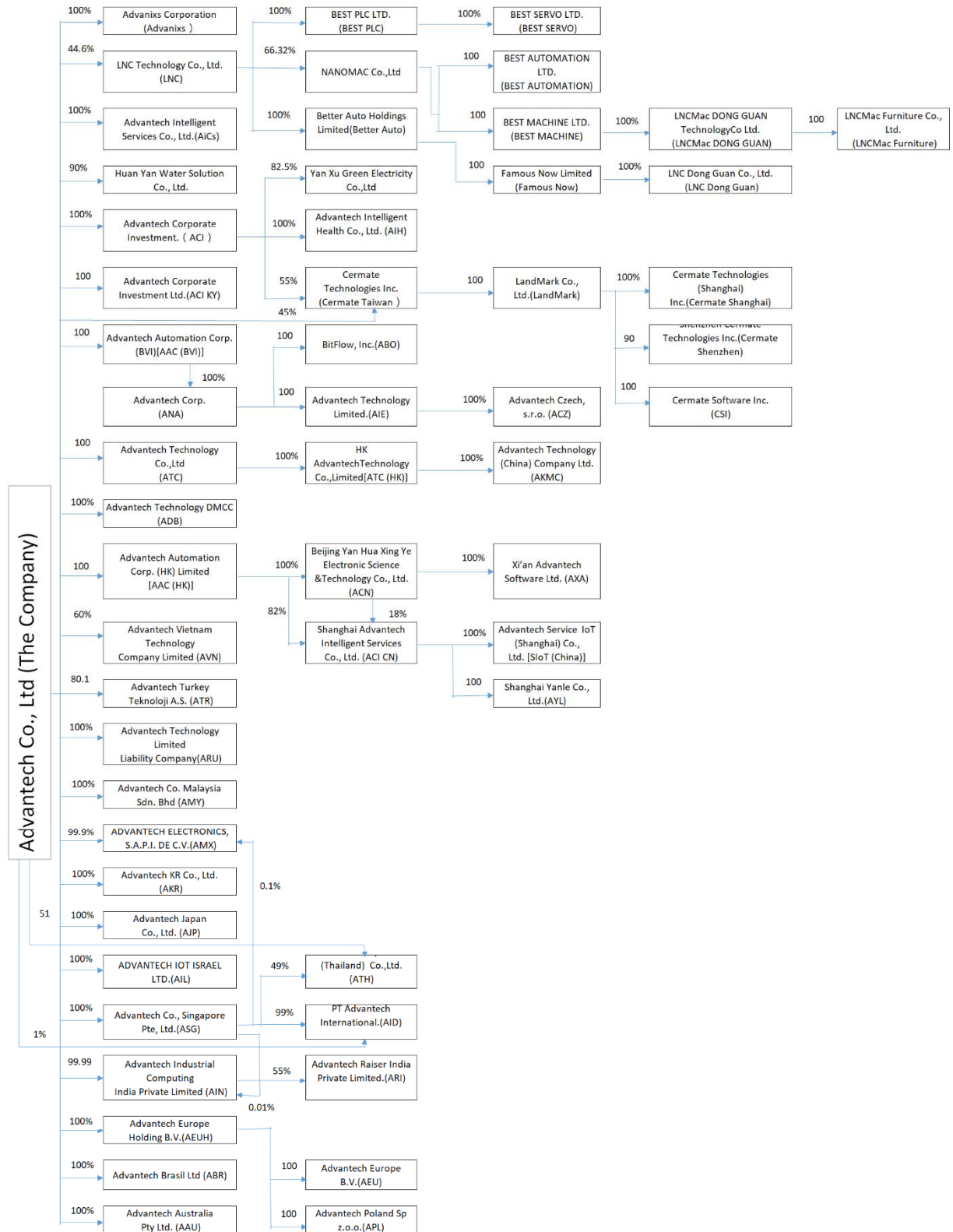
VII. Other Important matters: None.

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: in Thousands

No.	Name	Establishing Date	Address	Paid-in capital	Main Business or Production Items
1	Advantech Corporation (ANA)	Aug 1987	Milpitas, U.S.	USD66,650	Assembly, marketing and trading of industrial PC
2	BitFlow Inc	Jul 1993	Woburn, MA, USA	US43	Marketing and trading of industrial PC
3	Advantech Europe Holding B.V. (AEUH)	Dec 1995	Eindhoven, The Netherlands	EUR25,961	Overseas investment in manufacturing and services industries
4	Advantech Europe B.V.(AEU)	Jun 1998	Eindhoven, The Netherlands	EUR32,315	Marketing and trading of industrial PC
5	Advantech Poland Sp.z.o.o(APL)	Nov 2005	Warsaw, Poland	PLN1,000	Marketing and trading of industrial PC
6	Advantech Technology Limited (AIE)	May 1998	Galway, Ireland	EUR13	Industrial Network Communication
7	Advantech Czech s.r.o. (ACZ)	Aug 2011	Usti, Czech Republic	CZK300	Marketing and trading of industrial PC
8	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd. (ACN)	Apr 1994	Beijing City	USD4,230	Manufacturing of automation control, Marketing and trading of industrial PC
9	Advantech Technology (China) Company Ltd. (AKMC)	Nov 2000	Jiangsu Province	USD56,750	Marketing and trading of industrial PC
10	Shanghai Advantech intelligent Services Co.,Ltd (AiSC)	Sep 2008	Shanghai City	RMB66,618	Marketing and trading of industrial PCInvestment
11	Shanghai Yanle Co., Ltd.(AYL)	May 2018	Shanghai City	RMB 2,200	Oversea Investment
12	Xi'an Advantech Software Ltd. (AXA)	Sep 2008	Xi'an	RMB6,831.1	Marketing and trading of industrial PC
13	Advantech Service IoT (Shanghai) Co., Ltd. (SIoT(China))	May 2018	Shanghai City	RMB15,000	Marketing and trading of industrial PC
14	Advantech Automation Corp. (AACBVI)	Mar 2000	British Virgin Islands	USD11,127	Marketing and trading of industrial PC
15	Advantech Automation Corp.(HK) Limited. (AAC HK)	Dec 2007	Hong Kong	USD15,230	Overseas investment
16	Advantech Technology Co., Ltd. (ATC)	Sep 1998	British Virgin Islands	USD33,850	Marketing and trading of industrial PC
17	HK Advantech Technology Co.,Limited.(ATC HK)	Apr 2008	Hong Kong	USD57,891	Marketing and trading of industrial PC
18	Advantech Japan Co., Ltd. (AJP)	May 1997	Tokyo, Japan	JPY60,000	Marketing and trading of industrial PC
19	Advantech KR Co., Ltd. (AKR)	Feb 2009	Seoul, Korea	KRW300,000	Marketing and trading of industrial PC
20	Advantech Australia Pty Ltd. (AAU)	Apr 1983	Melbourne, Australia	AUD500	Marketing and trading of industrial PC
21	Advantech Co. Singapore Pte, Ltd. (ASG)	Oct 1995	Singapore	SGD1,450	Marketing and trading of industrial PC
22	Advantech Co. Malaysia Sdn Bhd (AMY)	Dec 2005	Penang, Malaysia	MYR2,000	Marketing and trading of industrial PC
23	Advantech Corporation (Thailand) Co., Ltd.(ATH)	Aug 2004	Bangkok, Thailand	THB100,000	Marketing and trading of industrial PC
24	PT Advantech International (AID)	Mar 2012	Jakarta, Indonesia	USD300	Marketing and trading of industrial PC
25	Advantech Vietnam Technology Company Limited(AVN)	Mar 2018	Hanoi, Vietnam	VND13,500,000	Marketing and trading of industrial PC

No.	Name	Establishing Date	Address	Paid-in capital	Main Business or Production Items
26	Advantech Industrial Computing India Pvt. Ltd. (AIN)	Jul 2012	Bangalore, India	INR50,000	Marketing and trading of industrial PC
27	Advantech Raiser India Private Limited (ARI)	May 2021	Bangalore, India	INR22,500	Marketing and trading of industrial PC
28	Advantech Turkey Technology A.S. (ATR)	Sep 2011	Istanbul, Turkiye	TRY462	Wholesale of Computers and Peripheral Equipment
29	Advantech IoT Israel Ltd. (AIL)	Jul 2020	Tel Aviv, Israel	ILS1,000	Marketing and trading of industrial PC
30	Advantech Technology DMCC. (ADB)	Nov 2015	Dubai, UAE	AED50	Marketing and trading of industrial PC
31	Advantech Brazil Ltda. (ABR)	Apr 2000	Sao Paulo, Brazil	BRL15,921	Marketing and trading of industrial PC
32	Advantech Electronics, S.A.P.I. de C.V. (AMX)	May 2012	Guadalajara, Mexico	MXN52,652	Marketing and trading of industrial PC
33	Advantech Technology Limited Liability Company (ARU)	Jul 2018	Moscow, Russia	RUB33,200	Marketing and trading of industrial PC
34	Advantech Corporate Investment (ACI)	Feb 2000	Taipei City	NTD3,300,000	Investment in marketable securities
35	Cermate Technologies Inc.	Mar 2003	Taipei City	NTD100,000	Electronic Components Manufacturing Industry
36	LandMark Co.,Ltd.(LandMark)	June 2007	Samoa	USD977	Investment company
37	Cermate Technologies (Shanghai) Inc.	Aug 2007	Shanghai City	RMB3,903	Networking Electronic Equipment for industrial use
38	Cermate Technologies (Shenzhen) Inc.	Nov 2003	Shenzhen City	RMB2,000	The production of LCD touch screen, USB data cable, and industrial use PC
39	Advantech Intelligent Services Co.,Ltd. (AiCS)	Dec 2002	Taipei City	NTD10,000	Marketing and trade of industrial use PC
40	LNC Technology Co.,Ltd.	Aug 2007	Taichung City	NT300,000	manufacturing and trading of controllers
41	LNC Dong Guan Co.,Ltd.	Sep 2009	Dongguan City	USD4,000	The manufacturing and trading of controllers
42	Better Auto Holdings Limited (Better Auto)	Jul 2007	British Virgin Islands	USD7,425	Holding company
43	Famous Now Limited (Famous Now)	Nov 2007	Hong Kong	USD 4,906	Holding company
44	BEST PLC LTD. (BEST PLC)	Feb 2022	British Virgin Islands	USD 0.001	Holding company
45	BEST SERVO LTD. (BEST SERVO)	Feb 2022	British Virgin Islands	USD 0.001	Holding company
46	NANOMAC Co., Ltd.	Mar 2022	Taichung City	NT108,700	System integration and application, system furniture intelligent design,
47	BEST MACHINE LTD. (BEST MACHINE)	Jul 2022	British Virgin Islands	USD700	Holding company
48	BEST AUTOMATION LTD. (BEST AUTOMATION)	Nov 2022	Samoa	-	Holding company
49	LNCMac DONG GUAN Technology Co., Ltd. (LNCMac DONG GUAN)	Nov 2022	Dongguan City	USD700	System integration
50	LNCMac Furniture Co., Ltd. (LNCMac Furniture)	Apr 2023	Dongguan City	RMB1,400	System furniture intelligent design, manufacturing and sales
51	Advanixs Corporation	Jan 2006	Taipei City	NTD100,000	Manufacturing, marketing, and trade of industrial use PC

No.	Name	Establishing Date	Address	Paid-in capital	Main Business or Production Items
52	Yan Xu Green Electricity Co.,Ltd.	Mar 2022	Hsinchu City	NTD101,000	Green energy power plant development
53	Huan Yan Water Solution Co.,Ltd.	Dec 2020	Taipei City	NT30,000	Service plan for combination of related technologies of water treatment and AIoT
54	Cermate Software Inc. (CSI)	Feb 2010	Canada	CAD 10	Software development
55	Advantech Corporate Investment Ltd. (ACI KY)	Jan 2018	Cayman	USD50,000	Investment Company
56	Advantech Intelligent Health Co.,Ltd. (AIH)	Jun 2019	Taipei	NTD11,000	Service of software

8.1.3 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.

8.1.4 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

8.1.5 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 Corporation.(ANA)	Director GM	K.C. Liu Ween Niu	AAC BVI invests US\$66,650	100
02	Bitflow Inc	Director	Avner A. Butnaru, Reynold J. Dodson	ACL holds 210,000 shares	100
03	Advantech Europe Holding B.V. (AEUH)	Director	K.C. Liu	ACL holds 12,075 shares	100
04	Advantech Europe B.V. (AEU)	Director GM	K.C. Liu Jash Bansidhar	AEUH holds 32,315,215 shares	100
05	Advantech Poland Sp. z.o.o (APL)	Director	Jeff Shih	AEUH invests PLN1,000	100
06	Advantech Technology Limited (AIE)	Director	Jerry Martin O Gorman, Linda Tsai	ANA holds 500,000 shares	100
07	Advantech Czech s.r.o. (ACZ)	Director	Linda Tsai	AIE invests CZK 300	100
08	Beijing Yan Hua Xing Ye Electronics Science &Technology Co., Ltd (ACN)	Director President	K.C. Liu, Chaney Ho, Allan.Tsai Paul Lo	AAC HK invests USD4,230	100
09	Advantech Technology (China) Company., Ltd. (AKMC)	Director Supervisor	K.C. Liu, Shun-Long Chen, Jamie Lin Eric Chen	ATC HK invests USD56,750	100
10	Shanghai Advantech Intelligent Services Co., Ltd.(ACI CN)	Director	K.C. Liu, Wesley Liu, Paul Lo	AAC HK invests RMB54,618	82
		Supervisor	Eric Chen	ACN invests RMB12,000	18
11	Shanghai Yanle Co., Ltd.	Director	Wesley Liu	ACI CN invests RMB2,200	100
		Supervisor	Peng Lin		
		GM	Chou Yi Chin		
12	Xi'An Advantech Software Co., Ltd.(AXA)	Director	K.C. Liu	ACN invests RMB6,831.1	100
		Supervisor	Shi Jun		
13	ADVANTECH SERVICE-IOT (SHANGHAI) CO., LTD. (SIoT(China))	Chairman	K.C. Liu	ACI CN invests RMB15,000	100
		Supervisor	Paul Lo		
		GM	MC Chiang		
14	Advantech Automation Corporation (AAC BVI)	Director	Jash Bansidhar Advantech Co., Ltd.(Linda Tsai as the representative)	ACL invests US11,127	100
15	Advantech Automation Corp. (HK) Limited (AAC HK)	Director	K.C. Liu	ACL invests US15,230	100
16	Advantech Technology Co., Ltd. (ATC)	Director	K.C. Liu	ACL holds 33,850,000 Shares	100
17	HK Advantech Technology Co.,Limited (ATC HK)	Director	K.C. Liu	ATC(BVI) holds 57,890,679 shares	100
18	Advantech Japan Co., Ltd. (AJP)	Director	K.C. Liu, Takahiro Ishida, Eric Chen	ACL holds 1,200 Shares	100
		Supervisor	May Tang		

No	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount	Shareholding or investment ratio (%)
19	Advantech KR Co., Ltd. (AKR)	Director Supervisor	K.C. Liu, Linda Tsai , Charlie Chung Eric Chen	ACL holds 600,000 Shares	100
20	Advantech Australia Pty Ltd. (AAU)	Director	Wesley Liu, William Ho	ACL holds 500,204 Shares	100
21	Advantech Co. Singapore Pte, Ltd. (ASG)	Director	Wesley Liu , Irene Foo	ACL holds 1,450,000 Shares	100
22	Advantech Co. Malaysia Sdn Bhd (AMY)	Director	Wesley Liu , Elvin Ng	ACL holds 2,000,000 Shares	100
23	Advantech Corporation (Thailand) Co.,Ltd. (ATH)	Director	MC Chiang, Matrix Choong	ACL holds 510,000shares ASG holds 490,000shares	51 49
24	PT Advantech International .(AID)	Director	Wesley Liu, Vincent Chang	ASG holds 2,970 shares ACL holds 30 shares	99 1
		Supervisor	Eric Chen		
25	Advantech Vietnam Technology Company Limited (AVN)	Director	Vincent Chang, Eric Chen, Do Duc Hau	ACL invests USD 360 Do Duc Hau invests USD 240	60 40
26	Advantech Industrial Computing India Pvt. Ltd. (AIN)	Director	Wesley Liu, B.N. Vijayakumar	ACL holds 4,999,999 Shares ASG holds 1 Share	99.99 0.01
27	Advantech Raiser India Private Limited (ARI)	Director	Wesley Liu, Mark Yang, Amit Singh	AIN holds 1,237,500 shares	55
28	Advantech Turkey Technology A.S. (ATR)	Director	Vincent Chang, Eric Chen, Stefanie Chang	ACL holds 370,335 shares Cem Celik holds 92,200 shares	80.1 19.9
29	Advantech IoT Israel Ltd. (AIL)	Director	Wesley Liu, Ilan Bercovich	ACL holds 100 shares	100
30	Advantech Technology DMCC. (ADB)	Director	Uwe Hohmann, Wesley Liu	ACL holds 50 shares	100
31	Advantech Brazil Ltda. (ABR)	Representative	Rosane Roverelli	ACL invest BRL15,921shares	100
32	Advantech Electronics, S.A.P.I. de C.V. (AMX)	Director	Wesley Liu, Vincent Chang	ACL holds 16,650,003 shares ASG holds 16,667 shares	99.9 0.1
33	Advantech Technology Limited Liability Company (ARU)	Director	Eleonora Tovmash	ACL invests RUB 33,200	100
34	Advantech Corporate Investment Ltd. (ACI KY)	Director	Advantech Co.,Ltd.	ACL holds 100,000,000 shares	100
35	Advantech Intelligent Health Co.,Ltd. (AIH)	Director	Representatives of SIoT: MC Chiang , HS Su, Wesley Liu	ACI holds 1,100,000 shares	100
		Supervisor	Representative of ACL : Tony Liu		

No	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount	Shareholding or investment ratio (%)
36	Advantech Corporate Investment (ACI)	Director	Representatives of ACL : K.C. Liu, Tony Liu, Eric Chen	ACL holds 330,000,000	100
		Supervisor	Representatives of ACL : Jessica Tsai		
37	Cermate Technology Inc.	Director	Representatives of Advantech Corporate Investment : Tony Liu	ACI holds 5,500,000 shares	55
		Supervisor	Juana Chiu		
38	LandMark Co.,Ltd. (LandMark)	Director	Cermate Technology Inc.	Cermate holds 972,284 shares	100
39	Cermate Technologies (Shanghai) Inc.	Director	Sunny Lee	LandMark invests USD520	100
		Supervisor	Shi Jun		
40	Cermate Technologies (Shenzhen) Inc.	Director	Sunny Lee	LandMark invests CNY1,800	90
		Supervisor	Chris Chiang		
41	Advantech Intelligent Service. (AiCs)	Director	Representatives of ACL: Tony Liu	ACL holds 1,000,000 shares	100
42	LNC Technology Co., Ltd	Director	Michael Kuo, Cheng Hui Hsieh, Representatives of ACL: May Tang 、 Chih Ping Chu 、 Cynthia Wang 、 Ming Ru Hong	ACL holds 13,380,000 shares	44.6
43	LNC DONG GUAN CO., LTD.	Director	Wei Che Chen, Leo Liang, Chih Hung Cheng	Famous Now invests USD4,000	100
		Supervisor	Jessica Lin		
44	Better Auto Holdings Limited (Better Auto)	Director	Jessica Lin	LNC holds 7,425,000 shares	100
45	Famous Now Limited (Famous Now)	Director	Michael Kuo	Better Auto holds 4,906,096 shares	100
46	BEST PLC LTD. (BEST PLC)	Director	Michael Kuo	LNC holds 1shares	100
47	BEST SERVO LTD. (BEST SERVO)	Director	Jessica Lin	BEST PLC holds 1shares	100

No	Company Name	Title	Name or representative	Shareholding	
				Shares or investment amount	Shareholding or investment ratio (%)
48	LNCMac Technology Corp. (LNCMac)	Director	Michael Kuo 、 Wei Che Chen 、 Jessica Lin 、 Ellen Lu 、 Xiao Ting Lin	LNC holds 7,208,965 shares	66.32
		Supervisor	Tom Cheng		
49	BEST MACHINE LTD. (BEST MACHINE)	Director	Michael Kuo	LNCMAC holds 450,000 shares	100
50	BEST AUTOMATION LTD. (BEST AUTOMATION)	Director	Michael Kuo	-	
51	LNCMac DONG GUAN Technology Co., Ltd. (LNCMac DONG GUAN)	Director	Wei Che Chen 、 Leo Liang 、 Tom Cheng	USD1,000	100
52	LNCMac Furniture Co.,Ltd	Director	Wei Che Chen 、 Leo Liang 、 Tom Cheng	CNY5,000	100
53	Advanix Corporation	Director	Representatives of ACL: K.C. Liu, Miller Chang, Eric Chen	ACL holds 10,000,000 shares	100
		Supervisor	Representative of ACL : Jessica Tsai		
54	Yan Xu Green Electricity Co.,Ltd.	Director	Representatives of ACI: Tony Liu, Michael Huang RFD Micro Electricity Co., Ltd. Representative: Mindi Wang	ACI holds 8,332,500 shares	82.5
		Supervisor	Juana.Chiu		
55	Huan Yan Water Solution Co.,Ltd.	Director	Representatives of ACL : Tony Liu	ACL holds 2,700,000 shares	90
		Supervisor	Juana.Chiu		
56	Cermate Software Inc.	Director	Chiang,Chris Shih-Chian	LandMark invests CAD 10	100

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	7,902,291	0	7,902,291	0	0	969,357	87.12
02	Advantech Technology(HK) Co., Limited.(ATC HK)	461,088	1,183,358	9,413	1,173,945	38,304	(945)	(181,753)	(11.93)
03	Advantech Corporation.(ANA)	337,232	12,235,538	4,343,766	7,891,772	20,556,485	1,192,880	1,047,225	95.61
04	Advantech Technology Limited (AIE)	1,273,262	88,661	2,387	86,274	18,196	2,588	24,968	-
05	Advantech Czech s.r.o (ACZ)	-	308,196	42,115	266,081	297,254	7,561	14,315	-
06	Beijing Yan Hua Xing Ye Electronic Science &Technology Co., Ltd.	164,856	4,703,641	4,749,333	(45,692)	12,357,796	(328,129)	(299,079)	-
07	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	252,065	2,058,523	11,220	2,047,303	0	(39,166)	141,445	-
08	Shanghai Yanle Co., Ltd.	9,476	1,911	0	1,911	0	(6)	(6)	-
09	Xi'an Advantech Software Ltd.	31,589	29,508	80	29,427	0	(718)	109	-
10	Advantech Coporate Investment Ltd.,	1,366,780	2,083,045	0	2,083,045	0	(239)	(57,954)	(1.93)
11	Advantech Service-IoT (Shanghai) Co., Ltd.	70,184	53,356	1,392	51,964	0	(84)	650	-
12	Advantech Intelligent Health Co., Ltd.	11,000	6,280	58	6,221	6,950	4,214	4,276	3.89
13	Advantech Technology DMCC.	-	7,659	3,865	3,794	14,279	511	416	-
14	Advantech Europe Holding B.V.	1,013,325	1,925,826	2,327	1,923,499	0	(432)	137,579	5.30
15	Advantech Europe B.V.	1,138,092	4,100,229	2,281,179	1,819,050	11,615,804	344,990	136,260	4.22
16	Advantech Poland Sp z.o.o	10,145	70,442	9,810	60,632	132,678	9,020	1,750	248.98
17	Advantech Co. Singapore Pte, Ltd.	32,959	348,556	109,988	238,568	647,303	54,991	55,939	38.58
18	PT Advantech International .	5,465	31,963	18,778	13,185	107,103	7,062	5,040	1,680.02
19	Advantech Corporation (Thailand) Co.,Ltd.	93,215	137,473	27,882	109,592	186,942	11,876	10,821	108.21
20	Advantech Technology Co.,Ltd.	964,739	5,322,625	0	5,322,625	0	(130)	434,730	12.84
21	HK Advantech Technology Co.,Limited	1,790,224	5,321,234	0	5,321,234	0	0	434,863	7.51
22	Advantech Technology (China) Company Ltd.	1,475,414	7,821,623	2,683,460	5,138,163	13,719,230	421,950	434,863	
23	Advantech Brazil Ltda	153,549	144,403	26,620	117,783	274,704	(6,591)	16,994	1.07
24	Advantech Australia Pty Ltd.	14,846	116,202	62,424	53,778	464,204	32,771	25,289	50.56
25	Advantech IoT Israel Ltd. (AIL)	8,653	12,655	2,410	10,244	28,567	778	99	990.33

No.	Company Name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net Income (Loss)	EPS (Loss) / NT\$ (after tax)
26	Advantech Industrial Computing India Pvt. Ltd. (AIN)	39,747	84,289	59,159	25,129	216,150	(2,363)	(9,475)	(1.89)
27	Advantech Japan Co.,Ltd. (AJP)	657,493	1,963,035	855,411	1,107,624	4,149,165	345,296	234,585	195,487.85
28	Advantech KR Co., Ltd. (AKR)	7,800	1,390,681	738,645	652,036	2,428,278	125,010	83,343	138.90
29	ADVANTECH ELECTRONICS, S.A.P.I. DE C.V. (AMX)	103,299	164,110	55,164	108,946	271,735	24,422	12,796	0.77
30	Advantech Co., Malaysia Sdn.Bhd (AMY)	18,138	146,065	55,242	90,822	325,912	32,624	22,147	11.07
31	Advantech Technology Limited Liability Company (ARU)	44,676	2,734	177	2,557	531	(5,198)	(5,237)	(5,237,265.00)
32	Advantech Turkey Technology A.S. (ATR)	2,502	47,307	5,919	41,387	161,283	12,347	21,739	47.00
33	Advantech Vietnam Technology Company Limited(AVN)	17,550	66,890	36,383	30,507	184,256	16,612	12,957	95.98
34	Advantech Corporate Investment	3,300,000	4,249,432	17,839	4,231,593	0	(494)	277,834	0.84
35	Cermate Technologies Inc.	100,000	264,729	54,451	210,277	182,976	29,393	39,776	3.98
36	LandMark Co.,Ltd.	27,057	144,889	0	144,889	0	0	17,451	17.95
37	Cermate Technologies (Shanghai) Inc.	18,760	28,526	399	28,127	59,630	6,441	6,846	-
38	Shenzhen Cermate Technologies Inc.	9,320	145,886	21,364	124,522	242,757	10,586	12,110	-
39	Advantech Intelligent Services Co., Ltd. (AiCs)	10,000	10,636	1,668	8,968	25,720	11,294	11,371	11.37
40	LNC Technology Co., Ltd.	300,000	550,605	312,285	238,320	417,820	(23,906)	(83,501)	(2.78)
41	LNC Dong Guan Co., Ltd.	122,820	330,393	264,851	65,542	624,259	(4,624)	(6,409)	-
42	Better Auto Holdings Limited	227,985	65,629	-	65,629	-	-	(6,408)	(0.86)
43	Famous Now Limited.	150,642	65,548	-	65,548	-	-	(6,409)	(1.31)
44	Advanixs Corporation.	100,000	274,765	94,980	179,786	626,487	66,715	54,786	5.48
45	Huan Yan Water Solution Co., Ltd.	30,000	25,403	1,361	24,042	00	(2,058)	(1,778)	(0.59)
46	Advantech Raiser India Private Limited(ARI)	8,456	96,375	99,499	(3,124)	195,153	(8,685)	(13,436)	(5.97)
47	NANOMAC Co.,Ltd	108,700	206,520	155,579	50,941	23,621	(51,546)	(72,797)	(0.89)
48	BEST PLC LTD.	-	-	-	-	-	-	-	-
49	BEST SERVO LTD.	-	-	-	-	-	-	-	-
50	BEST MACHINE LTD.	21,494	4,760	-	4,760	-	-	(16,880)	(1.65)
51	BEST AUTOMATION LTD.	-	-	-	-	-	-	-	-

No.	Company Name	Capital stock	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Net Income (Loss)	EPS (Loss) / NT\$ (after tax)
52	Yan Xu Green Electricity Co.,Ltd	101,000	98,080	126	97,954	0	(2,500)	(2,394)	(0.24)
53	Cermate Software Inc.	229	2,959	142	2,817	35,716	(451)	(294)	-
54	"LNCMac DONG GUAN Technology Co., Ltd. (LNCMac DONG GUAN)"	21,379	19,475	14,715	4,760	25,333	(9,767)	(16,880)	-
55	LNCMac Furniture Co.,Ltd	6,059	9,830	11,204	(1,374)	605	(7,293)	(7,548)	-
56	BitFlow Inc(ABO)	10,972	42,295	3,012	39,282	11,070	(8,272)	(8,272)	(39.39)

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

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

Opinion

We have audited the accompanying parent company only balance sheets of ADVANTECH CO., LTD. as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of ADVANTECH CO., LTD. as at December 31, 2023 and 2022, and 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of ADVANTECH CO., LTD. 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 judgement, were of most significance in our audit of ADVANTECH CO., LTD.'s 2023 financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for ADVANTECH CO., LTD.'s 2023 financial statements are stated as follows:

Valuation of inventories

Description

Refer to Note 4(13) for the accounting policies on the valuation of inventories, Note 5 for the uncertainty of accounting estimations and assumptions for evaluation of inventories, and Note 6(6) for the details of inventories. The balances of ADVANTECH CO., LTD.'s inventories and allowance for inventory valuation as at December 31, 2023 are \$4,940,373 thousand and \$467,942 thousand, respectively.

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

How our audit addressed the matter

Our audit procedures performed in ADVANTECH CO., LTD. and its subsidiaries (recognized as investments accounted for under equity method) for the above matter are as follows:

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

Recognition of sales revenue from the Embedded-IoT and the Applied Computing Business Group

Description

Refer to Note 4(31) for the related accounting policies on sales revenue and Note 6(19) for the details of revenues.

The Company operates in a highly competitive industrial computer industry. Moreover, the overall industry was impacted by the global economic environment in 2023, increasing the risk associated with recognizing revenue. Therefore, we considered the recognition of sales revenue from the Embedded-IoT and the Applied Computing Business Group, which showed an increasing trend in sales revenue, as one of the key audit matters.

How our audit addressed the matter

Our audit procedures performed in ADVANTECH CO., LTD. and its subsidiaries (recognized as investments accounted for under equity method) for the above matter are as follows:

1. Obtained an understanding of and assessed the internal controls in relation to sales revenue, and validated the operating effectiveness of those abovementioned internal controls.
2. Tested the details of sales revenue of the Embedded-IoT and Applied Computing Business Group for the entire year, and selected samples of sales revenue transactions and related documents to confirm the appropriateness of revenue recognition.
3. Inspected significant abnormal sales returns and allowances after the balance sheet date.
4. Performed accounts receivable confirmation procedure to significant customers.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement,

whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability of ADVANTECH CO., LTD. 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 ADVANTECH CO., LTD. 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 financial reporting process of ADVANTECH CO., LTD.

Independent auditors' responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 internal control of ADVANTECH CO., LTD.
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 ability of ADVANTECH CO., LTD. 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 parent company only 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 ADVANTECH CO., LTD. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within ADVANTECH CO., LTD. to express an opinion on the parent company only 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liang, Hua-Ling

Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2024

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

Assets	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,313,907	5	\$ 5,657,737	9
1110	Financial assets at fair value through profit or loss - current	6(2)	7,737,029	12	2,682,957	4
1136	Financial assets at amortised cost - current	6(4)	61,410	-	-	-
1150	Notes receivable, net	6(5)	21,366	-	29,392	-
1170	Accounts receivable, net	6(5)	1,377,036	2	1,557,919	3
1180	Accounts receivable - related parties	7	8,140,307	13	7,165,182	12
1200	Other receivables		39,889	-	59,442	-
1210	Other receivables - related parties	7	134,117	-	20,334	-
130X	Inventories	6(6)	4,472,431	7	6,286,776	10
1460	Non-current assets held for sale	6(11)	238,341	-	-	-
1470	Other current assets	7	320,768	1	343,178	1
11XX	Total current assets		<u>25,856,601</u>	<u>40</u>	<u>23,802,917</u>	<u>39</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	367,172	1	101,050	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	2,163,316	4	1,394,345	2
1535	Financial assets at amortised cost - non-current	6(4)	61,410	-	-	-
1550	Investments accounted for under equity method	6(7)	26,928,848	42	26,804,475	45
1600	Property, plant and equipment	6(8) and 7	7,680,793	12	7,329,547	12
1755	Right-of-use assets	6(9)	18,483	-	4,627	-
1780	Intangible assets	6(10)	196,961	-	250,455	1
1840	Deferred income tax assets	6(24)	552,226	1	499,008	1
1915	Prepayments for business facilities		21,045	-	53,240	-
1990	Other non-current assets		18,986	-	16,703	-
15XX	Total non-current assets		<u>38,009,240</u>	<u>60</u>	<u>36,453,450</u>	<u>61</u>
1XXX	Total assets		<u>\$ 63,865,841</u>	<u>100</u>	<u>\$ 60,256,367</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2120	Financial liabilities at fair value	6(2)			
	through profit or loss - current		\$ 635	\$ 21,634	-
2130	Contract liabilities - current	6(19)	272,975	455,619	1
2170	Notes and accounts payable		3,073,612	3,937,922	6
2180	Accounts payable - related parties	7	3,458,790	2,144,907	4
2200	Other payables	6(12)	2,909,479	3,411,536	6
2220	Other payables - related parties	7	49,732	90,664	-
2230	Current income tax liabilities		3,140,539	3,188,785	5
2250	Provision for liabilities - current		60,078	72,773	-
2280	Lease liabilities - current	6(9)(26)	5,701	3,355	-
2300	Other current liabilities		88,870	124,665	-
21XX	Total current liabilities		<u>13,060,411</u>	<u>13,451,860</u>	<u>22</u>
Non-current liabilities					
2560	Current income tax liabilities - non-current		219,989	659,969	1
2570	Deferred income tax liabilities	6(24)	1,898,738	2,110,111	4
2580	Lease liabilities - non-current	6(9)(26)	12,251	506	-
2600	Other non-current liabilities	6(13)	213,300	219,219	-
25XX	Total non-current liabilities		<u>2,344,278</u>	<u>2,989,805</u>	<u>5</u>
2XXX	Total liabilities		<u>15,404,689</u>	<u>16,441,665</u>	<u>27</u>
Equity					
	Share capital	6(15)			
3110	Common share		8,577,795	7,778,434	13
3140	Advance receipts for share capital		6,699	1,335	-
	Capital surplus	6(16)			
3200	Capital surplus		9,753,806	9,110,280	15
	Retained earnings	6(17)			
3310	Legal reserve		9,630,127	8,552,226	14
3320	Special reserve		-	555,794	1
3350	Unappropriated retained earnings		19,599,420	17,750,074	30
	Other equity	6(18)			
3400	Other equity		893,305	66,559	-
3XXX	Total equity		<u>48,461,152</u>	<u>43,814,702</u>	<u>73</u>
	Significant contingent liabilities and unrecognized contract commitments	9			
	Significant events after the balance sheet date	11			
3X2X	Total liabilities and equity		<u>\$ 63,865,841</u>	<u>\$ 60,256,367</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

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

Items	Notes	For the years ended December 31,				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19) and 7	\$ 44,603,097	100	\$ 49,346,940	100
5000	Operating costs	6(6)(8)(9)(10)(13)				
		(14)(23) and 7	(29,793,323)	(67)	(34,791,915)	(70)
5900	Gross profit		14,809,774	33	14,555,025	30
5910	Unrealized profit from sales		(904,977)	(2)	(1,071,832)	(2)
5920	Realized profit from sales		1,071,832	3	691,983	1
5950	Gross profit		14,976,629	34	14,175,176	29
	Operating expenses	6(8)(9)(10)(13)(14)				
		(23) and 7				
6100	Selling expenses		(772,810)	(2)	(826,677)	(2)
6200	General and administrative expenses		(1,177,821)	(3)	(1,204,322)	(2)
6300	Research and development expenses		(3,228,072)	(7)	(3,346,921)	(7)
6450	Expected credit impairment loss		(695)	-	(5,815)	-
6000	Total operating expenses		(5,179,398)	(12)	(5,383,735)	(11)
6900	Operating profit		9,797,231	22	8,791,441	18
	Non-operating income and expenses					
7100	Interest income	7	57,441	-	6,299	-
7010	Other income	6(20) and 7	249,791	1	346,749	1
7020	Other gains and losses	6(2)(21)	138,783	-	285,920	-
7050	Finance costs	6(9)(22)	(682)	-	(1,181)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		2,430,495	5	3,268,688	7
7000	Total non-operating income and expenses		2,875,828	6	3,906,475	8
7900	Profit before income tax		12,673,059	28	12,697,916	26
7950	Income tax expense	6(24)	(1,835,529)	(4)	(1,940,839)	(4)
8200	Profit for the year		\$ 10,837,530	24	\$ 10,757,077	22

(Continued)

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

Items	Notes	For the years ended December 31,				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income						
Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311	(Loss) gain on remeasurements of defined benefit plans	6(13)	(\$ 814)	-	\$ 30,796	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(18)	973,975	2 (586,892)	(1)
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss	6(18)	195,778	-	362,096	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	163	-	(6,159)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>1,169,102</u>	<u>3</u>	<u>(200,159)</u>	<u>(1)</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(18)	(134,482)	-	1,010,517	2
8380	Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for under equity method that will be reclassified to profit or loss	6(18)	(5,580)	-	65,703	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(24)	<u>28,012</u>	-	<u>(215,244)</u>	-
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		<u>(112,050)</u>	-	<u>860,976</u>	<u>2</u>
8300	Total other comprehensive income for the year		<u>\$ 1,057,052</u>	<u>3</u>	<u>\$ 660,817</u>	<u>1</u>
8500	Total comprehensive income for the year		<u>\$ 11,894,582</u>	<u>27</u>	<u>\$ 11,417,894</u>	<u>23</u>
Basic earnings per share						
9750	Profit for the year	6(25)	<u>\$ 12.65</u>		<u>\$ 12.60</u>	
9850	Diluted earnings per share Profit for the year	6(25)	<u>\$ 12.52</u>		<u>\$ 12.46</u>	

The accompanying notes are an integral part of these parent company only financial statements.

ADVANTECH CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Share Capital			Retained Earnings			Other Equity Interest			Total equity
		Common share	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned employee benefits compensation	
For the year ended December 31, 2022											
Balance at January 1, 2022		\$ 7,738,228	\$ 6,410	\$ 8,388,886	\$ 7,737,236	\$ 831,850	\$ 13,705,710	(\$ 1,575,937)	\$ 1,018,667	\$ 1,477	\$ 37,852,527
Profit for the year		-	-	-	-	-	10,757,077	-	-	-	10,757,077
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	31,990	860,976	(232,149)	-	660,817
Total comprehensive income (loss) for the year		-	-	-	-	-	10,789,067	860,976	(232,149)	-	11,417,894
Appropriations of 2021 earnings											
Legal reserve	6(17)	-	-	-	814,990	-	(814,990)	-	-	-	-
Reversal of special reserve		-	-	-	-	(276,056)	276,056	-	-	-	-
Cash dividends		-	-	-	-	-	(6,195,710)	-	-	-	(6,195,710)
Recognition of employee share options	6(14)(15)	40,206	(5,075)	401,139	-	-	-	-	-	-	436,270
Compensation costs recognized for employee share options	6(14)(23)	-	-	233,442	-	-	-	-	-	-	233,442
Changes in associates and joint ventures accounted for under equity method	6(16)(18)	-	-	78,071	-	-	(6,403)	-	-	(5,517)	66,151
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(16)	-	-	8,428	-	-	(4,614)	-	-	-	3,814
Changes in ownership interests in subsidiaries	6(16)	-	-	314	-	-	-	-	-	-	314
Disposal of financial assets at fair value through other comprehensive income owned by associates	6(18)	-	-	-	-	-	958	-	(958)	-	-
Balance at December 31, 2022		\$ 7,778,434	\$ 1,335	\$ 9,110,280	\$ 8,552,226	\$ 555,794	\$ 17,750,074	(\$ 714,961)	\$ 785,560	(\$ 4,040)	\$ 43,814,702
For the year ended December 31, 2023											
Balance at January 1, 2023		\$ 7,778,434	\$ 1,335	\$ 9,110,280	\$ 8,552,226	\$ 555,794	\$ 17,750,074	(\$ 714,961)	\$ 785,560	(\$ 4,040)	\$ 43,814,702
Profit for the year		-	-	-	-	-	10,837,530	-	-	-	10,837,530
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	2,242	(112,050)	1,166,860	-	1,057,052
Total comprehensive income (loss) for the year		-	-	-	-	-	10,839,772	(112,050)	1,166,860	-	11,894,582
Appropriations of 2022 earnings											
Legal reserve	6(17)	-	-	-	1,077,901	-	(1,077,901)	-	-	-	-
Reversal of special reserve		-	-	-	-	(555,794)	555,794	-	-	-	-
Cash dividends		-	-	-	-	-	(7,779,770)	-	-	-	(7,779,770)
Stock dividends		777,977	-	-	-	-	(777,977)	-	-	-	-
Recognition of employee share options	6(14)(15)	21,384	5,364	412,829	-	-	-	-	-	-	439,577
Compensation costs recognized for employee share options	6(14)(23)	-	-	255,971	-	-	-	-	-	-	255,971
Changes in associates and joint ventures accounted for under equity method	6(16)(18)	-	-	(36,411)	-	-	110,320	-	(110,320)	3,671	(32,740)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(16)	-	-	-	-	-	(142,307)	-	-	-	(142,307)
Changes in ownership interests in subsidiaries	6(16)	-	-	11,137	-	-	-	-	-	-	11,137
Disposal of financial assets at fair value through other comprehensive income	6(3)(18)	-	-	-	-	-	112,115	-	(112,115)	-	-
Disposal of financial assets at fair value through other comprehensive income owned by associates	6(18)	-	-	-	-	-	9,300	-	(9,300)	-	-
Balance at December 31, 2023		\$ 8,577,795	\$ 6,699	\$ 9,753,806	\$ 9,630,127	\$ -	\$ 19,599,420	(\$ 827,011)	\$ 1,720,685	(\$ 369)	\$ 48,461,152

The accompanying notes are an integral part of these parent company only financial statements.

ADVANTECH CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		\$ 12,673,059	\$ 12,697,916
Adjustment items			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(23)	261,654	252,051
Amortisation	6(10)(23)	97,401	111,609
Expected credit impairment loss	12(2)	695	5,815
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(2)(21)	(33,127)	32,934
Finance costs	6(9)(22)	682	1,181
Interest income		(57,441)	(6,299)
Dividend income	6(20)	(79,854)	(206,257)
Compensation costs of employee share options	6(14)(23)	255,971	233,442
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		(2,430,495)	(3,268,688)
Loss on disposal of property, plant and equipment	6(21)	-	18
Derecognize expense of prepayments for business facilities		14,625	-
Unrealized profit from sales		904,977	1,071,832
Realized profit from sales		(1,071,832)	(691,983)
Changes in assets and liabilities related to operating activities			
Changes in assets related to operating activities			
Financial assets at fair value through profit or loss		(5,023,893)	(1,635,874)
Notes receivable		8,026	35,837
Accounts receivable		180,188	(154,936)
Accounts receivable - related parties		(975,125)	(1,038,006)
Other receivables		6,483	(9,718)
Other receivables - related parties		(5,691)	(2,368)
Inventories		1,814,345	209,675
Other current assets		(12,825)	(69,349)
Changes in liabilities related to operating activities			
Financial liabilities at fair value through profit or loss		(20,999)	18,947
Contract liabilities - current		(182,644)	346,723
Notes and accounts payable		(864,310)	(660,408)
Accounts payable - related parties		1,313,883	220,315
Other payables		(502,057)	336,050
Other payables - related parties		(40,932)	(32,372)
Provision for liabilities - current		(12,695)	1,914
Other current liabilities		(35,795)	(7,085)
Other non-current liabilities		(1,717)	1,130
Net defined benefit liabilities		(5,016)	(93,331)
Cash inflow generated from operations		6,175,541	7,700,715
Dividends received		79,854	206,257
Interest received		51,590	6,299
Income tax paid		(2,506,015)	(549,175)
Interest paid		-	(1,091)
Net cash flows provided by operating activities		<u>3,800,970</u>	<u>7,363,005</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		(263,174)	(100,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income		267,104	-
Acquisition of financial assets at amortised cost - current		(675,510)	-
Acquisition of financial assets at amortised cost - non-current		(61,410)	-
Proceeds from disposal of financial assets at amortised cost		614,100	-
Increase in loans to related parties		(107,170)	-
Acquisition of investments accounted for under equity method		(236,126)	(34,740)
Dividends received from subsidiaries and associates		2,524,587	1,328,036
Proceeds from disposal of subsidiaries		-	43,875
Cash received from liquidation of subsidiaries		13,300	-
Acquisition of property, plant and equipment	6(8)	(812,953)	(642,067)
Proceeds from disposal of property, plant and equipment		18	121
Acquisition of intangible assets	6(10)	(43,907)	(114,342)
Increase in prepayments for business facilities		(13,125)	(21,937)
Increase in refundable deposits		(1,361)	(6,852)
Increase in other non-current assets		(922)	-
Net cash flows provided by investing activities		<u>1,203,451</u>	<u>452,094</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities	6(9)(26)	(8,058)	(6,840)
Payments of cash dividends	6(17)	(7,779,770)	(6,195,710)
Employee share options exercised		439,577	436,270
Net cash flows used in financing activities		<u>(7,348,251)</u>	<u>(5,766,280)</u>
Net (decrease) increase in cash and cash equivalents		(2,343,830)	2,048,819
Cash and cash equivalents at beginning of year		5,657,737	3,608,918
Cash and cash equivalents at end of year		<u>\$ 3,313,907</u>	<u>\$ 5,657,737</u>

The accompanying notes are an integral part of these parent company only financial statements.

ADVANTECH CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

1. HISTORY AND ORGANIZATION

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

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

These parent company only financial statements were authorised for issuance by the Board of Directors on February 27, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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

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

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC[®] Interpretations, and SIC[®] Interpretations that came into effect as endorsed by the FSC (“IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in “New Taiwan Dollars (NTD)”, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

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

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

Otherwise they are classified as non-current assets.

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

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

Otherwise they are classified as non-current liabilities.

(5) Cash equivalents

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

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

For financial assets at amortised cost including accounts and notes receivable that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts and notes receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Leasing arrangements (lessor) - operating leases

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

(13) Inventories

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

(14) Non-current assets held for sale

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

(15) Investments accounted for using equity method

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized profit (loss) arising from the transactions between the Company and subsidiaries have been offset. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- J. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

- L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- M. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings

Main buildings	20 ~ 51 years
Electronic equipment	5 years
Engineering systems	5 years
Machinery and equipment	2 ~ 8 years
Office equipment	2 ~ 8 years
Other equipment	2 ~ 10 years

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

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

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

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

(18) Intangible assets

A. Goodwill

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

- B. Intangible assets, except for goodwill, are mainly software and technology licencing, and are amortised on a straight-line basis over their estimated useful lives of 1 ~ 8 years.

(19) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer

exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Notes and accounts payable

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

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

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

(22) Derecognition of financial liabilities

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

(23) Offsetting financial instruments

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

(24) Non-hedging derivatives

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

loss.

(25) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of

redundancy benefits in exchange for the termination of employment. The Company recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

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

(27) Employee share-based payment

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

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business

combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(29) Share capital

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

(30) Dividends

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

(31) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells embedded computing boards, industrial automation products, applied computers and industrial computers. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied. When the material is removed for processing, the control of the ownership of the processed product is not transferred, so the income is not

recognized when the material is removed.

- (b) The Company's obligation to provide a repair for faulty products under the standard warranty terms is recognized as a provision.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Revenue from rendering services

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

(32) Government grants

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

(33) Business combinations

- A. The Company uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Company measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

A. Evaluation of inventories

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

As of December 31, 2023, the carrying amount of inventories was \$4,472,431.

B. Impairment assessment of goodwill

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

As of December 31, 2023, the Company recognized goodwill, net of impairment loss, amounting to \$111,599.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 135	\$ 135
Checking accounts and demand deposits	3,190,952	5,260,882
Cash equivalents (time deposits with original maturities less than three months)	122,820	396,720
	<u>\$ 3,313,907</u>	<u>\$ 5,657,737</u>

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

B. The Company has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Mandatorily measured at fair value through profit or loss		
Derivative instruments (not under hedge accounting)		
Forward foreign exchange contracts	\$ 17,160	\$ 936
Non-derivative financial assets		
Convertible corporate bonds	34,965	29,100
Beneficiary certificates	7,684,904	2,652,921
	<u>\$ 7,737,029</u>	<u>\$ 2,682,957</u>
<u>Financial assets - non-current</u>		
Mandatorily measured at fair value through profit or loss		
Corporate bonds	\$ 257,988	\$ 101,050
Convertible corporate bonds	109,184	-
	<u>\$ 367,172</u>	<u>\$ 101,050</u>
<u>Financial liabilities - current</u>		
Mandatorily measured at fair value through profit or loss		
Derivative instruments (not under hedge accounting)		
Forward foreign exchange contracts	<u>\$ 635</u>	<u>\$ 21,634</u>

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Non-derivative instruments	\$ 72,787	(\$ 472)
Derivative instruments	(39,660)	(32,462)
	<u>\$ 33,127</u>	<u>(\$ 32,934)</u>

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

Derivative financial assets:

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

Derivative financial liability:

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

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Listed and OTC stocks	\$ 2,163,316	\$ 1,394,345

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 973,975	(\$ 586,892)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	\$ 112,115	\$ -

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Dividend income recognized in profit or loss		
Held at end of year	\$ 69,354	\$ 206,257
Derecognized during the year	10,500	-
	<u>\$ 79,854</u>	<u>\$ 206,257</u>

C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$2,163,316 and \$1,394,345, respectively.

D. The Company had no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits	<u>\$ 61,410</u>	<u>\$ -</u>
Non-current items:		
Time deposits	<u>\$ 61,410</u>	<u>\$ -</u>

A. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$122,820 and \$0, respectively.

B. The Company had no financial assets at amortised cost pledged to others as collateral.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 21,366	\$ 29,392
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 21,366</u>	<u>\$ 29,392</u>
Accounts receivable	\$ 1,391,236	\$ 1,572,953
Less: Allowance for uncollectible accounts	(14,200)	(15,034)
	<u>\$ 1,377,036</u>	<u>\$ 1,557,919</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 1,191,282	\$ 1,374,851
Less than 90 days past due	200,141	210,224
Between 91 to 180 days past due	8,005	2,037
Over 181 days past due	13,174	15,233
	<u>\$ 1,412,602</u>	<u>\$ 1,602,345</u>

The above aging analysis was based on past due date.

B. Except for the balance shown above, the balance of notes and accounts receivable from contracts with customers was \$1,483,663 as at January 1, 2022.

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

D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represent the Company's notes receivable were \$21,366 and \$29,392, respectively. The maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$1,377,036 and \$1,557,919, respectively.

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

(6) Inventories

	<u>December 31, 2023</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,473,693	(\$ 335,105)	\$ 2,138,588
Work in progress	750,309	(40,006)	710,303
Finished goods	1,543,157	(92,831)	1,450,326
Inventory in transit	173,214	-	173,214
	<u>\$ 4,940,373</u>	<u>(\$ 467,942)</u>	<u>\$ 4,472,431</u>
	<u>December 31, 2022</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,996,743	(\$ 318,090)	\$ 2,678,653
Work in progress	1,181,828	(54,777)	1,127,051
Finished goods	2,453,366	(86,380)	2,366,986
Inventory in transit	114,086	-	114,086
	<u>\$ 6,746,023</u>	<u>(\$ 459,247)</u>	<u>\$ 6,286,776</u>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	\$ 29,264,772	\$ 34,394,613
Loss on decline in market value	8,695	50,916
Others	519,856	346,386
	<u>\$ 29,793,323</u>	<u>\$ 34,791,915</u>

(7) Investments accounted for under equity method

	December 31, 2023		December 31, 2022	
	Book Value	Ownership (%)	Book Value	Ownership (%)
Subsidiaries:				
Advantech Automation Corp. (BVI) [AAC (BVI)]	\$ 7,552,379	100.00	\$ 11,937,107	100.00
Advantech Technology Co., Ltd. (ATC)	5,296,267	100.00	4,925,151	100.00
Advantech Corporate Investment (ACI)	4,231,347	100.00	3,898,859	100.00
Advanixs Corporation	242,717	100.00	328,785	100.00
Advantech Europe Holding B.V. (AEUH)	1,496,793	100.00	1,396,820	100.00
LNC Technology Co., Ltd. (LNC)	205,818	44.60	232,125	44.60
Advantech KR Co., Ltd. (AKR)	587,874	100.00	518,506	100.00
Advantech Japan Co., Ltd. (AJP)	1,158,037	100.00	998,261	100.00
Advantech Co., Singapore Pte, Ltd. (ASG)	220,706	100.00	155,576	100.00
Advantech Brasil Ltd. (ABR)	114,713	100.00	103,280	100.00
Advantech Automation Corp. (HK) Limited [AAC (HK)]	1,173,945	100.00	-	-
Advantech Corporate Investment Ltd. (ACI KY)	2,083,045	100.00	-	-
Cermate Technologies Inc. (Cermate Taiwan)	94,743	45.00	-	-
Others	526,118	-	465,795	-
	<u>24,984,502</u>		<u>24,960,265</u>	

	December 31, 2023		December 31, 2022	
	Book Value	Ownership (%)	Book Value	Ownership (%)
Associates:				
Axiomtek Co., Ltd. (Axiomtek)	1,077,036	27.63	1,004,985	27.97
Winmate Inc. (Winmate)	663,771	15.32	610,406	16.39
Nippon RAD Inc. (Nippon RAD)	207,835	16.08	212,247	16.08
AIMobile Co., Ltd. (AIMobile)	(4,296)	27.00	16,572	27.00
	1,944,346		1,844,210	
	\$ 26,928,848		\$ 26,804,475	

A. Subsidiaries

- (a) Information on the Company's subsidiaries is provided in Note 4(3) of the 2023 consolidated financial statements.
- (b) In the first quarter of 2022, Advantech Co., Technologies Japan, Corp. merged with AJP, with AJP as the surviving company and ATJ as the dissolved company.
- (c) In the second quarter of 2023, the Company made additional investments in ATR, which resulted to an increase in ownership from 60% to 62.40%. In the fourth quarter of 2023, the Company acquired equity interest in ATR, which resulted to an increase in ownership from 62.4% to 80.10%.
- (d) In the third quarter of 2023, the Company adjusted its investment structure, and accordingly, the Company held equity interest in AAC (HK).
- (e) In the third quarter of 2023, the Company adjusted its investment structure, and accordingly, the Company held equity interest in ACI KY.
- (f) In the third quarter of 2023, the Company acquired 45% equity interest in Cermate Taiwan.

B. Associates

- (a) The summary of financial information of share attributable to the Company on the associates that are not individually material to the Company is as follows:

	For the years ended December 31,	
	2023	2022
Profit for the year	\$ 261,824	\$ 236,447
Other comprehensive (loss) income for the year (net of income tax)	(6,067)	26,433
Total comprehensive income for the year	\$ 255,757	\$ 262,880

- (b) In 2023, employees of Axiomtek executed the transfer of employee stock options, which resulted to a decrease in the Company's equity interest from 27.97% to 27.63%.
- (b) In 2023, employees of Winmate executed the transfer of employee stock options, which resulted to a decrease in the Company's equity interest from 16.39% to 15.32%.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value of associates	\$ 4,068,507	\$ 2,589,410

D. The Company is the single largest shareholder of Axiomtek and Winmate, given that other shareholders hold more shares than the Company and the degree of other shareholders involvement in prior shareholders' meeting and record of voting rights for major proposals, which indicates that the Company has no substantial ability to direct the relevant operating and financial activities, the Company has no control, but only has significant influence, over the said companies.

(8) Property, plant and equipment

	<u>Freehold land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance at January 1, 2023							
Cost	\$ 2,619,900	\$ 4,162,789	\$ 1,121,344	\$ 368,352	\$ 855,198	\$ 958,288	\$ 10,085,871
Accumulated depreciation and impairment	-	(875,543)	(875,498)	(311,897)	(693,386)	-	(2,756,324)
	<u>\$ 2,619,900</u>	<u>\$ 3,287,246</u>	<u>\$ 245,846</u>	<u>\$ 56,455</u>	<u>\$ 161,812</u>	<u>\$ 958,288</u>	<u>\$ 7,329,547</u>
Balance at January 1, 2023	\$ 2,619,900	\$ 3,287,246	\$ 245,846	\$ 56,455	\$ 161,812	\$ 958,288	\$ 7,329,547
Additions	-	416,464	100,075	20,658	75,220	200,536	812,953
Disposals	-	-	-	(18)	-	-	(18)
Depreciation	-	(92,368)	(68,892)	(28,084)	(64,699)	-	(254,043)
Reclassifications	(144,820)	863,560	18,747	-	8,716	(953,849)	(207,646)
Balance at December 31, 2023	<u>\$ 2,475,080</u>	<u>\$ 4,474,902</u>	<u>\$ 295,776</u>	<u>\$ 49,011</u>	<u>\$ 181,049</u>	<u>\$ 204,975</u>	<u>\$ 7,680,793</u>
Balance at December 31, 2023							
Cost	\$ 2,475,080	\$ 5,360,401	\$ 1,139,276	\$ 353,294	\$ 877,223	\$ 204,975	\$ 10,410,249
Accumulated depreciation and impairment	-	(885,499)	(843,500)	(304,283)	(696,174)	-	(2,729,456)
	<u>\$ 2,475,080</u>	<u>\$ 4,474,902</u>	<u>\$ 295,776</u>	<u>\$ 49,011</u>	<u>\$ 181,049</u>	<u>\$ 204,975</u>	<u>\$ 7,680,793</u>

	Freehold land	Buildings	Machinery and equipment	Office equipment	Other equipment	Construction in progress	Total
Balance at January 1, 2022							
Cost	\$ 2,619,900	\$ 4,162,789	\$ 1,122,701	\$ 387,989	\$ 830,892	\$ 447,577	\$ 9,571,848
Accumulated depreciation and impairment	-	(794,380)	(883,520)	(315,700)	(651,757)	-	(2,645,357)
	<u>\$ 2,619,900</u>	<u>\$ 3,368,409</u>	<u>\$ 239,181</u>	<u>\$ 72,289</u>	<u>\$ 179,135</u>	<u>\$ 447,577</u>	<u>\$ 6,926,491</u>
Balance at January 1, 2022	\$ 2,619,900	\$ 3,368,409	\$ 239,181	\$ 72,289	\$ 179,135	\$ 447,577	\$ 6,926,491
Additions	-	-	70,499	18,945	37,146	515,477	642,067
Disposals	-	-	(18)	(121)	-	-	(139)
Depreciation	-	(81,163)	(69,606)	(34,658)	(60,535)	-	(245,962)
Reclassifications	-	-	5,790	-	6,066	(4,766)	7,090
Balance at December 31, 2022	<u>\$ 2,619,900</u>	<u>\$ 3,287,246</u>	<u>\$ 245,846</u>	<u>\$ 56,455</u>	<u>\$ 161,812</u>	<u>\$ 958,288</u>	<u>\$ 7,329,547</u>
Balance at December 31, 2022							
Cost	\$ 2,619,900	\$ 4,162,789	\$ 1,121,344	\$ 368,352	\$ 855,198	\$ 958,288	\$ 10,085,871
Accumulated depreciation and impairment	-	(875,543)	(875,498)	(311,897)	(693,386)	-	(2,756,324)
	<u>\$ 2,619,900</u>	<u>\$ 3,287,246</u>	<u>\$ 245,846</u>	<u>\$ 56,455</u>	<u>\$ 161,812</u>	<u>\$ 958,288</u>	<u>\$ 7,329,547</u>

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

(9) Lease agreements - lessee

- A. The Company's lease subjects include building, machinery and equipment and office equipment. Rental contracts are typically made for periods of 1 to 7 years. The lease contract is negotiated individually and contains various terms and conditions. Except for the leased assets which cannot be used as security for borrowing purposes, there are no other restrictions on the lease.
- B. Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amount		
Buildings and structures	\$ 11,886	\$ 2,960
Machinery and equipment	1,583	1,211
Office equipment	5,014	456
	<u>\$ 18,483</u>	<u>\$ 4,627</u>
	For the years ended December 31,	
	2023	2022
Depreciation		
Buildings and structures	\$ 4,506	\$ 4,340
Machinery and equipment	736	762
Office equipment	2,369	987
	<u>\$ 7,611</u>	<u>\$ 6,089</u>

C. Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount		
Current	\$ 5,701	\$ 3,355
Non-current	12,251	506
	<u>\$ 17,952</u>	<u>\$ 3,861</u>

D. In 2023 and 2022, the additions to right-of-use assets arising from the renewal of the lease were \$21,467 and \$3,175, respectively.

E. Other lease information

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	<u>\$ 682</u>	<u>\$ 90</u>
Total cash outflow for leases	<u>\$ 8,058</u>	<u>\$ 6,840</u>

(10) Intangible assets

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2023			
Cost	\$ 111,599	\$ 484,109	\$ 595,708
Accumulated amortisation and impairment	-	(345,253)	(345,253)
	<u>\$ 111,599</u>	<u>\$ 138,856</u>	<u>\$ 250,455</u>
Balance at January 1, 2023	\$ 111,599	\$ 138,856	\$ 250,455
Additions	-	43,907	43,907
Amortisation	-	(97,401)	(97,401)
Balance at December 31, 2023	<u>\$ 111,599</u>	<u>\$ 85,362</u>	<u>\$ 196,961</u>
Balance at December 31, 2023			
Cost	\$ 111,599	\$ 482,275	\$ 593,874
Accumulated amortisation and impairment	-	(396,913)	(396,913)
	<u>\$ 111,599</u>	<u>\$ 85,362</u>	<u>\$ 196,961</u>

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2022			
Cost	\$ 111,599	\$ 377,464	\$ 489,063
Accumulated amortisation and impairment	-	(241,341)	(241,341)
	<u>\$ 111,599</u>	<u>\$ 136,123</u>	<u>\$ 247,722</u>
Balance at January 1, 2022	\$ 111,599	\$ 136,123	\$ 247,722
Additions	-	114,342	114,342
Amortisation	-	(111,609)	(111,609)
Balance at December 31, 2022	<u>\$ 111,599</u>	<u>\$ 138,856</u>	<u>\$ 250,455</u>
Balance at December 31, 2022			
Cost	\$ 111,599	\$ 484,109	\$ 595,708
Accumulated amortisation and impairment	-	(345,253)	(345,253)
	<u>\$ 111,599</u>	<u>\$ 138,856</u>	<u>\$ 250,455</u>

A. The details of goodwill are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Industrial-IoT Group	<u>\$ 111,599</u>	<u>\$ 111,599</u>

B. Impairment assessment of goodwill

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

(11) Non-current assets held for sale

The land and buildings of the Donghu Plant have been reclassified as assets held for sale following the approval of the Board of Directors on October 30, 2023 for the disposal of such assets for the purpose of optimizing asset utilization.

A. Assets of disposal group held for sale:

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

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

(12) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and salaries and bonuses payable	\$ 2,383,907	\$ 2,826,960
Employee benefits payable	64,417	60,312
Others	<u>461,155</u>	<u>524,264</u>
	<u>\$ 2,909,479</u>	<u>\$ 3,411,536</u>

(13) Pensions

A. Defined benefit pension plan

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 377,335	\$ 374,178
Fair value of plan assets	(220,966)	(213,607)
Net defined benefit liability (recognized as “other non-current liabilities”)	<u>\$ 156,369</u>	<u>\$ 160,571</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2023			
Balance at January 1	\$ 374,178	(\$ 213,607)	\$ 160,571
Current service cost	1,259	-	1,259
Interest expense (income)	<u>5,613</u>	<u>(3,269)</u>	<u>2,344</u>
	<u>381,050</u>	<u>(216,876)</u>	<u>164,174</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(980)	(980)
Change in financial assumptions	8,880	-	8,880
Experience adjustments	<u>(7,086)</u>	<u>-</u>	<u>(7,086)</u>
	<u>1,794</u>	<u>(980)</u>	<u>814</u>
Pension payment	(5,509)	5,509	-
Pension fund contribution	<u>-</u>	<u>(8,619)</u>	<u>(8,619)</u>
	<u>(5,509)</u>	<u>(3,110)</u>	<u>(8,619)</u>
Balance at December 31	<u>\$ 377,335</u>	<u>(\$ 220,966)</u>	<u>\$ 156,369</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
Balance at January 1	\$ 402,001	(\$ 117,303)	\$ 284,698
Current service cost	2,347	-	2,347
Interest expense (income)	2,513	(760)	1,753
	<u>406,861</u>	<u>(118,063)</u>	<u>288,798</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(10,057)	(10,057)
Change in demographic assumptions	246	-	246
Change in financial assumptions	(15,479)	-	(15,479)
Experience adjustments	(5,506)	-	(5,506)
	<u>(20,739)</u>	<u>(10,057)</u>	<u>(30,796)</u>
Pension payment	(11,944)	11,944	-
Pension fund contribution	-	(97,431)	(97,431)
	<u>(11,944)</u>	<u>(85,487)</u>	<u>(97,431)</u>
Balance at December 31	<u>\$ 374,178</u>	<u>(\$ 213,607)</u>	<u>\$ 160,571</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2023	2022
Discount rate	<u>1.250%</u>	<u>1.500%</u>
Future salary increases rate	<u>3.750%</u>	<u>3.750%</u>

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 8,880)	\$ 9,187	\$ 8,816	(\$ 8,569)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 9,375)	\$ 9,718	\$ 9,349	(\$ 9,070)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$8,619.
 - (g) As of December 31, 2023, the weighted average duration of that retirement plan is 9.5 years.
- B. Defined contribution pension plan
- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
 - (b) The pension costs under defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were \$171,553 and \$156,112, respectively.

(14) Share-based payment

- A. Qualified employees of the Company were granted 8,000,000 options in 2023, 7,500 options in 2020 and 8,000 options in 2018. Each option entitles the holder to subscribe for one, one thousand and one thousand ordinary shares of the Company, respectively. The holders of these shares include employees who meet certain criteria set by the Company from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in 2023, 2020 and 2018 are all valid for six years. All options are exercisable at certain

percentages after the second anniversary year from the grant date. The exercise price of options granted in 2023 and 2020 were \$200 (in dollars) per share. The options issued in 2018 were granted at an exercise price equal to the share price at the grant date. For any subsequent changes in the Company's common shares, the exercise price and the number of options will be adjusted accordingly.

B. Information on employee share options is as follows:

	For the years ended December 31,			
	2023		2022	
	No. of shares (thousands)	Weighted- average exercise price (in dollars)	No. of shares (thousands)	Weighted- average exercise price (in dollars)
Options outstanding at the beginning of the year	13,379	\$ 179.19	17,022	\$ 172.74
Options granted	8,000	200.00	-	-
Options exercised	(2,675)	164.35	(3,513)	124.18
Options forfeited	-	-	(130)	-
Options outstanding at the end of the year	<u>18,704</u>	176.71	<u>13,379</u>	179.19
Options exercisable at the end of the year	<u>9,204</u>	157.68	<u>10,378</u>	175.77

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

D. Information on outstanding options on balance sheet date is as follows:

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

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

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

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

F. The Company recognized compensation cost of \$255,971 and \$233,442 for the years ended December 31, 2023 and 2022, respectively.

(15) Share capital

As of December 31, 2023, the Company's authorised capital was \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock (including 50,000 thousand shares reserved for employee share options and corporate bonds with warrant), and the paid-in capital was \$8,584,494 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The change in the number of the Company's common shares outstanding at the beginning and end of the year are as follows (in thousand shares):

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

(16) Capital surplus

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Premium on issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238
Premium on conversion of bonds	1,636,499	1,636,499
Premium on exercise of ordinary shares for employee share options	4,172,821	3,580,335
Difference between consideration and carrying amount of subsidiaries acquired or disposed	31,556	31,556
Changes in equity of associates accounted for under equity method	674	674
Employees' share compensation	78,614	78,614
<u>May be used to offset a deficit only</u>		
Changes in ownership interests in subsidiaries	11,666	529
Changes in equity of associates accounted for under equity method	71,068	107,479
Employee share options forfeited	96,258	96,258
<u>Not to be used for any purpose</u>		
Employee share options	962,412	886,098
	<u>\$ 9,753,806</u>	<u>\$ 9,110,280</u>

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

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside or reversed from the legal reserve where such legal reserve amounts has reached the Company's paid-in capital, it may no longer be appropriated. The remainder, if any, shall be distributed as dividends to be proposed by the Board of Directors. The distribution of cash dividends shall be resolved by the Board of Directors while stock dividends shall be resolved by the shareholders during their meeting.
- B. The Company's dividend policy which takes into consideration the Company's future funding requirements and long-term financial planning as well as the interest of shareholders is to distribute at least 30% of the available profits as dividends to shareholders annually. The distribution of cash dividends shall not be less than 20% of the total dividends distributed. The Company operates in an industry related to high technology computers and network servers with significant potential for growth in the enterprise life cycle. Thus, in formulating its dividends policy, the Company takes into account the overall business and industry conditions and trends,

its objective of enhancing the shareholders' long-term interests, and the sustainability of the Company's growth. The policy also requires that share dividends shall be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.
- E. The appropriations of earnings for 2022 and 2021 have been approved by the shareholders during their meeting on May 25, 2023 and May 26, 2022, respectively. Details are summarized as follows:

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

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

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

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

(18) Other equity items

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

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

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

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ 785,560	\$ 1,018,667
Recognized for the year		
Unrealized gain or loss		
Equity instrument	973,975	(586,892)
Share of profit of subsidiaries and associates accounted for under equity method	82,565	354,743
	1,056,540	(232,149)
Transfer of valuation adjustments to retained earnings		
Equity instrument	(62,100)	-
Subsidiary	(50,015)	-
Share of loss of associates accounted for under equity method	(9,300)	(958)
	(121,415)	(958)
Balance at December 31	\$ 1,720,685	\$ 785,560

C. Unearned employee benefits compensation

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

(19) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 44,603,097	\$ 49,346,940

A. Disaggregation of revenue from contracts with customers

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

For the year ended December 31, 2023

	Industrial-IoT Group (IIoT)	Embedded-IoT Group (EIoT)	Applied Computing Group (ACG)	Industrial Cloud & Video Group (ICVG)	Service-IoT Group (SIoT)	Advantech Service Plus and Others (AS+and Others)	Total
Timing of revenue recognition							
At a point in time	\$ 12,174,253	\$ 12,229,762	\$ 6,574,933	\$ 6,162,293	\$ 5,115,606	\$ 2,346,250	\$ 44,603,097

For the year ended December 31, 2022

	Industrial-IoT Group (IIoT)	Embedded-IoT Group (EIoT)	Applied Computing Group (ACG)	Industrial Cloud & Video Group (ICVG)	Service-IoT Group (SIoT)	Advantech Service Plus and Others (AS+and Others)	Total
Timing of revenue recognition							
At a point in time	\$ 14,535,679	\$ 12,541,146	\$ 6,234,229	\$ 7,486,060	\$ 5,498,994	\$ 3,050,832	\$ 49,346,940

B. Contract liabilities

The Company recognized contract liabilities related to the contract revenue from sales and warranty amounting to \$272,975, \$455,619 and \$108,896 as of December 31, 2023, December 31, 2022 and January 1, 2022, respectively.

(20) Other income

	For the years ended December 31,	
	2023	2022
Rental income	\$ 1,704	\$ 1,684
Dividend income	79,854	206,257
Others	168,233	138,808
	\$ 249,791	\$ 346,749

(21) Other gains and losses

	For the years ended December 31,	
	2023	2022
Losses on disposal of property, plant and equipment	\$ -	(\$ 18)
Currency exchange gains	106,955	318,986
Gains (losses) on financial assets / liabilities at fair value through profit or loss	33,127	(32,934)
Other losses	(1,299)	(114)
	<u>\$ 138,783</u>	<u>\$ 285,920</u>

(22) Finance costs

	For the years ended December 31,	
	2023	2022
Bank loan interest	\$ -	\$ 1,091
Interest expense on lease liabilities	682	90
	<u>\$ 682</u>	<u>\$ 1,181</u>

(23) Expenses by nature

A. Depreciation and amortisation expenses

	For the years ended December 31,	
	2023	2022
Depreciation categorised by function		
Operating costs	\$ 86,280	\$ 85,588
Operating expenses	175,374	166,463
	<u>\$ 261,654</u>	<u>\$ 252,051</u>
Amortisation of intangible assets categorised by function		
Operating costs	\$ 131	\$ 1,356
Operating expenses	97,270	110,253
	<u>\$ 97,401</u>	<u>\$ 111,609</u>

B. Employee benefit expense

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 3,944,256	\$ 4,407,972
Post-employment benefits		
Defined contribution plan	171,553	156,112
Defined benefit plan	3,603	4,100
	<u>175,156</u>	<u>160,212</u>
Share-based payment		
Equity-settled	255,971	233,442
Other employee benefits	327,625	182,172
Total employee benefit expense	<u>\$ 4,703,008</u>	<u>\$ 4,983,798</u>

	For the years ended December 31,	
	2023	2022
An analysis of employee benefits expense by function		
Operating costs	\$ 1,141,092	\$ 1,096,641
Operating expenses	3,561,916	3,887,157
	<u>\$ 4,703,008</u>	<u>\$ 4,983,798</u>

- (a) Under the Articles of Incorporation of the Company, the Company accrues employees' compensation at the rate of no less than 5% and directors' remuneration at the rate of no higher than 1%, of net profit before income tax. For the years ended December 31, 2023 and 2022, employees' compensation and directors' remuneration were accrued based on a certain percentage of net profit after income tax. The aforementioned amounts were recognized in salary expense.

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

- (b) Employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors on February 24, 2023 were in agreement with those amounts recognized in the 2022 financial statements.
- (c) Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income taxes

A. Income tax expense

- (a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current income tax:		
Current income tax on profits for the year	\$ 2,261,742	\$ 2,023,998
Additional tax on unappropriated earnings	84,958	70,763
Difference between prior year's income tax estimation and assessed results	(274,755)	(153,922)
Total current tax	2,071,945	1,940,839
Deferred income tax:		
Origination and reversal of temporary differences	(236,416)	-
Income tax expense	<u>\$ 1,835,529</u>	<u>\$ 1,940,839</u>

(b) Income tax recognized in other comprehensive income

	For the years ended December 31,	
	2023	2022
Translation of foreign operations	(\$ 28,012)	\$ 215,244
Remeasurement of defined benefit plan	(163)	6,159
	<u>(\$ 28,175)</u>	<u>\$ 221,403</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2023	2022
Income tax calculated based on profit before tax and statutory tax rate	\$ 2,534,612	\$ 2,539,583
Tax exempt income by tax regulation	(128,841)	(141,002)
Taxable temporary differences associated with investment in foreign subsidiaries not recognized as deferred tax liability	(209,445)	(224,583)
Effect from investment tax credits	(171,000)	(150,000)
Additional tax on unappropriated earnings	84,958	70,763
Difference between prior year's income tax estimation and assessed results	(274,755)	(153,922)
	<u>\$ 1,835,529</u>	<u>\$ 1,940,839</u>

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

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred income tax assets:</u>				
Temporary differences:				
Unrealized profit from sales	\$ 189,323	(\$ 8,327)	\$ -	\$ 180,996
Unrealized decline in value of inventories	91,849	1,739	-	93,588
Unrealized provisions for warranty	14,555	(2,539)	-	12,016
Unutilized vacation bonus	-	33,349	-	33,349
Bonus payable	-	821	-	821
Exchange differences on translation of the financial statements of foreign operations	178,741	-	28,012	206,753
Remeasurement of defined benefit obligation	24,540	-	163	24,703
	<u>\$ 499,008</u>	<u>\$ 25,043</u>	<u>\$ 28,175</u>	<u>\$ 552,226</u>
<u>Deferred income tax liabilities</u>				
Temporary differences:				
Unappropriated earnings of subsidiaries	\$ 2,101,163	(\$ 226,851)	\$ -	\$ 1,874,312
Defined benefit pension plan	3,362	1,003	-	4,365
Remeasurement of defined benefit obligation	3,990	-	-	3,990
Financial assets at fair value through profit or loss	1,596	7,847	-	9,443
Unrealized foreign exchange gain	-	6,628	-	6,628
	<u>\$ 2,110,111</u>	<u>(\$ 211,373)</u>	<u>\$ -</u>	<u>\$ 1,898,738</u>

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred income tax assets:</u>				
Temporary differences:				
Unrealized profit from sales	\$ 141,009	\$ 48,314	\$ -	\$ 189,323
Unrealized decline in value of inventories	81,666	10,183	-	91,849
Defined benefit pension plan	15,304	(15,304)	-	-
Unrealized provisions for warranty	14,172	383	-	14,555
Impairment loss	43,013	(43,013)	-	-
Unrealized foreign exchange losses	563	(563)	-	-
Exchange differences on translation of the financial statements of foreign operations	393,985	-	(215,244)	178,741
Remeasurement of defined benefit obligation	30,699	-	(6,159)	24,540
	<u>\$ 720,411</u>	<u>\$ -</u>	<u>(\$ 221,403)</u>	<u>\$ 499,008</u>
<u>Deferred income tax liabilities</u>				
Temporary differences:				
Undistributed earnings of subsidiaries	\$ 2,104,525	(\$ 3,362)	\$ -	\$ 2,101,163
Defined benefit pension plan	-	3,362	-	3,362
Remeasurement of defined benefit obligation	3,990	-	-	3,990
Financial assets at fair value through profit or loss	1,596	-	-	1,596
	<u>\$ 2,110,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,110,111</u>

- D. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary differences unrecognized as deferred tax liabilities were \$3,885,555 and \$2,838,330, respectively.
- E. Refer to Note 6(27) in the consolidated financial statements for the year ended December 31, 2023 with relevant information of exposure to income taxes arising from the Pillar Two legislation for the Company and its subsidiaries.
- F. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(25) Earnings per share

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

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

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

	For the years ended December 31,	
	2023	2022
Earnings used in the computation of basic earnings per share	\$ 10,837,530	\$ 10,757,077
Earnings used in the computation of diluted earnings per share	\$ 10,837,530	\$ 10,757,077

Unit: expressed in thousand shares

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

(26) Changes in liabilities from financing activities

	2023	2022
	Lease liabilities	Lease liabilities
At January 1	\$ 3,861	\$ 7,436
Changes in cash flow from financing activities	(8,058)	(6,840)
Others changes in non-cash flow (Note)	22,149	3,265
At December 31	\$ 17,952	\$ 3,861

Note: Due to lease modification.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

Names of related parties	Related Party Category
Advantech Automation Corp. (HK) [AAC (HK)]	Subsidiary
Advantech Australia Pty Ltd. (AAU)	Subsidiary

Names of related parties	Related Party Category
Advantech Brasil Ltd. (ABR)	Subsidiary
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Subsidiary
Advantech CZech, s.r.o. (ACZ)	Subsidiary
Advantech Technology DMCC (ADB)	Subsidiary
Advantech Europe B.V. (AEU)	Subsidiary
PT. Advantech International (AID)	Subsidiary
ADVANTECH IOT ISRAEL LTD. (AIL)	Subsidiary
Advantech Industrial Computing India Private Limited (AIN)	Subsidiary
Advantech Japan Co., Ltd. (AJP)	Subsidiary
Advantech Technology (China) Company Ltd. (AKMC)	Subsidiary
Advantech KR Co., Ltd. (AKR)	Subsidiary
Advantech Electronics, S.A.P.I. DE C. V. (AMX)	Subsidiary
Advantech Co., Malaysia Sdn. Bhd (AMY)	Subsidiary
Advantech Corp. (ANA)	Subsidiary
Advantech Poland Sp z o.o. (APL)	Subsidiary
Advantech Co., Singapore Pte, Ltd. (ASG)	Subsidiary
Advantech Corporation (Thailand) Co., Ltd. (ATH)	Subsidiary
Advantech Turkey Teknoloji A.S. (ATR)	Subsidiary
Advantech Vietnam Technology Company Limited (AVN)	Subsidiary
Advantech Technology Limited (AIE)	Subsidiary
Advantech Technology Limited Liability Company (ARU)	Subsidiary
Advantech Intelligent Health Co., Ltd. (AIH)	Subsidiary
Cermate Technologies Inc. (Cermate Taiwan)	Subsidiary
Advantech Corporate Investment (ACI)	Subsidiary
Advantech Raiser India Private Limited (ARI)	Subsidiary
Advantech Intelligent Services Co., Ltd. (AiCS)	Subsidiary
LNC Technology Co., Ltd. (LNC)	Subsidiary
Advanixs Corporation	Subsidiary
Huan Yan Water Solution Co., Ltd.	Subsidiary
BitFlow, Inc. (ABO)	Subsidiary
Nippon RAD Inc.	Associate
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
DotZero Co., Ltd.	Associate
I-Link Co., Ltd.	Associate (Note)

Names of related parties	Related Party Category
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
Feng Sang Enterprise Co., Ltd.	Associate
Expotech Co., Ltd.	Associate
Freedom System Inc.	Associate
RFD Micro Electricity Co., Ltd.	Associate
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party
Tran-Fei Development Co., Ltd.	Other related party

Note: In March 2022, the Company's subsidiary-Advantech Corporate Investment disposed a portion of its investment and lost significant influence. Accordingly, the entity was not anymore considered an associate after the disposal.

(3) Significant related party transactions

A. Operating revenue

	For the years ended December 31,	
	2023	2022
Subsidiaries		
ANA	\$ 13,916,598	\$ 15,461,711
ACN	8,688,311	9,672,117
AEU	7,998,103	7,665,788
Others	4,897,008	6,176,957
Associates	51,324	125,284
Other related parties	3,217	3,896
	<u>\$ 35,554,561</u>	<u>\$ 39,105,753</u>

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

B. Purchases and operating costs

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Purchases of goods:		
Subsidiaries		
AKMC	\$ 13,130,799	\$ 15,905,787
Others	350,089	459,086
Associates	219,177	322,486
Purchases of services:		
Subsidiaries		
AiCS	24,820	41,095
Others	-	2,137
Associates	1	2,169
Other related parties	-	30
	<u>\$ 13,724,886</u>	<u>\$ 16,732,790</u>

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable - related parties		
Subsidiaries		
ACN	\$ 3,588,179	\$ 1,407,243
ANA	2,364,350	1,997,591
AEU	928,943	1,954,777
Others	1,247,223	1,776,680
Associates	11,612	28,791
Other related parties	-	100
	<u>8,140,307</u>	<u>7,165,182</u>
Other receivables - related parties		
Subsidiaries	25,727	19,444
Associates	922	-
Other related parties	-	890
	<u>26,649</u>	<u>20,334</u>
	<u>\$ 8,166,956</u>	<u>\$ 7,185,516</u>

Receivables due from related parties are unsecured and no allowance for uncollectible accounts was recognized. Other accounts receivable arise from dividends receivable, service revenue and payments on behalf of related parties.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes and accounts payable - related parties		
Subsidiaries		
AKMC	\$ 3,304,361	\$ 2,085,674
Others	118,961	17,913
Associates	<u>35,468</u>	<u>41,320</u>
	<u>3,458,790</u>	<u>2,144,907</u>
Other payables - related parties		
Subsidiaries		
AEU	11,222	57,505
AIL	10,147	11,253
ANA	7,629	4,909
AMY	7,012	616
ADB	5,235	4,421
Others	4,950	2,413
Associates	3,537	2,732
Other related parties	-	6,815
	<u>49,732</u>	<u>90,664</u>
	<u>\$ 3,508,522</u>	<u>\$ 2,235,571</u>

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

E. Prepayments to related parties

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

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

F. Acquisitions of property, plant and equipment

	<u>Purchase Price</u>	
	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Associates	\$ 659	\$ 484
Other related party		
AIDC Investment Corp. (Note)	200,000	-
	<u>\$ 200,659</u>	<u>\$ 484</u>

Note: The Board of Directors during its meeting on October 30, 2023 adopted a resolution to purchase the land located at the Hwa Ya Technology Park from AIDC Investment Corp. for the purpose of plant construction. The land purchase agreement was signed on November 27, 2023, with a total price of \$1,873,080. The Company has already paid the first

installment of \$200,000 on December 12, 2023, with the remaining payment expected to be made within thirty days after the transfer of ownership of the land to the Company.

G. Disposals of property, plant and equipment

<u>Category of related party</u>	<u>For the year ended December 31, 2022</u>
	<u>Disposal proceeds</u>
Subsidiaries	<u>\$ 127</u>

There was no property, plant and equipment transaction with related parties for the year ended December 31, 2023.

H. Loans to /from related parties

Loans to related parties:

(a) Outstanding balance:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary		
AKR	<u>\$ 107,468</u>	<u>\$ -</u>

(b) Interest income

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiary		
AKR	<u>\$ 2,003</u>	<u>\$ -</u>

The loans to subsidiary are repayable over 1 year and carry interest at 3.5% per annum for the year ended December 31, 2023.

I. Other transactions with related parties

(a) Operating expenses

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Selling expense		
Subsidiaries	\$ 60,275	\$ 46,749
Associates	194	44
	<u>\$ 60,469</u>	<u>\$ 46,793</u>
General and administration expense		
Associates	<u>\$ 44,146</u>	<u>\$ 8,422</u>
Research and development expense		
Subsidiaries	\$ 124,802	\$ 139,388
Associates	7,639	8,838
	<u>\$ 132,441</u>	<u>\$ 148,226</u>

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

(b) Interest income

	For the years ended December 31,	
	2023	2022
Interest income		
Associates	\$ <u>2</u>	\$ <u>72</u>

(c) Other income

	For the years ended December 31,	
	2023	2022
Rental income		
Subsidiaries	\$ 36	\$ 36
Other related parties	1,431	1,431
	\$ <u>1,467</u>	\$ <u>1,467</u>
Other income		
Subsidiaries	\$ 135,701	\$ 112,572
Associates	96	64
Other related parties	10,426	10,434
	\$ <u>146,223</u>	\$ <u>123,070</u>

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

(d) Dividend income

	For the years ended December 31,	
	2023	2022
Dividend income (shown as “Investments accounted for using equity method subtraction”)		
Subsidiaries		
AAC (BVI)	\$ 2,009,386	\$ 811,453
ACI	117,538	206,288
Others	276,154	177,683
Associates	122,431	132,612
	\$ <u>2,525,509</u>	\$ <u>1,328,036</u>

(4) Key management compensation

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

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Refer to Note 7(3).6.

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

C. As of December 31, 2023, the Company has signed a contract for the acquisition of land at the Hwa Ya Technology Park from AIDC Investment Corp., but which has not yet been incurred amounting to \$1,673,080.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. Refer to Note 6(17). 6.

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

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the parent only

balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet.

During the year ended December 31, 2023, the Company’s strategy, which was unchanged from 2022, was to maintain the gearing ratio within reasonable range.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 8,104,201	\$ 2,784,007
Financial assets at amortised cost (Note 1)	13,167,505	14,506,708
Financial assets at fair value through other comprehensive income		
Equity instruments	2,163,316	1,394,345
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	635	21,634
Financial liabilities at amortised cost (Note 2)	9,491,613	9,585,029
Lease liabilities	17,952	3,861

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

Note 2: The balances included notes and accounts payable, accounts payable - related parties, other payables and other payables - related parties, etc.

B. Financial risk management policies

(a) The Company’s major financial instruments included equity investments, accounts receivable, notes and accounts payable and lease liabilities. The Company’s Corporate treasury provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

- (b) The Company aims to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company'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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
 - (c) The Corporate Treasury reports quarterly to the Board of Directors on the Company's current derivative instrument management.
- C. Significant financial risks and degrees of financial risks

(a) Market risk

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

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

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

Exchange rate risk

- i. The Company undertook operating activities and investments in 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 entering into forward foreign exchange contracts, which allow the Company to mitigate but not fully eliminate the effect.
- ii. The maturities of the Company's forward foreign exchange contracts were less than six months. These forward foreign exchange contracts did not meet the criteria for hedge accounting and were recognized in financial assets or liabilities at fair value through profit or loss. Refer to Note 6(2).

iii. The 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:

	For the year ended December 31, 2023		
	Foreign currency amount	Exchange rate	Book value
	(in thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 206,784	30.705	\$ 6,349,289
CNY:NTD	956,471	4.327	4,138,651
EUR:NTD	22,004	33.98	747,699
<u>Non-monetary items</u>			
USD:NTD	524,528	30.705	16,105,636
EUR:NTD	44,049	33.98	1,497,793
JPY:NTD	6,294,341	0.217	1,365,872
KRW:NTD	24,804,852	0.0237	587,874
SGD:NTD	9,476	23.29	220,706
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	112,465	30.705	3,453,225
CNY:NTD	473,990	4.327	2,050,954
EUR:NTD	77	33.98	2,613

For the year ended December 31, 2022			
(Foreign currency: functional currency)	Foreign currency		Book value (NTD)
	amount (in thousands)	Exchange rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 255,723	30.71	\$ 7,853,263
CNY:NTD	605,680	4.408	2,669,836
EUR:NTD	51,929	32.72	1,699,104
<u>Non-monetary items</u>			
USD:NTD	549,080	30.71	16,862,258
EUR:NTD	42,690	32.72	1,396,820
JPY:NTD	5,217,707	0.232	1,210,508
KRW:NTD	21,337,695	0.0243	518,506
SGD:NTD	6,800	22.88	155,576
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	108,996	30.71	3,347,276
CNY:NTD	344,771	4.408	1,519,751
EUR:NTD	126	32.72	4,132

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains were \$106,955 and \$318,986, 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 Company.

- iv. The Company was mainly exposed to the exchange rate fluctuation of USD, EUR and CNY.

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

	For the year ended December 31, 2023		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 63,493	\$ -
CNY:NTD	1%	41,387	-
EUR:NTD	1%	7,477	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	34,532	-
CNY:NTD	1%	20,510	-
EUR:NTD	1%	26	-

	For the year ended December 31, 2022		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 78,533	\$ -
CNY:NTD	1%	26,698	-
EUR:NTD	1%	16,991	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	33,473	-
CNY:NTD	1%	15,198	-
EUR:NTD	1%	41	-

Interest rate risk

- i. The Company is exposed to interest rate risk because the Company maintains both floating and fixed interest rates of bank deposits. The Company does not operate hedging instruments for interest rates. The Company's management monitors the market interest rates regularly. If it is needed, the management might perform necessary procedures for

significant interest rate risks to control the risks from fluctuations in market interest rates.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
- Financial assets	\$ 245,640	\$ 396,720
- Financial liabilities	17,952	3,861
Cash flow interest rate risk		
- Financial assets	3,190,952	5,260,882

- iii. The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole reporting period. A 50-basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.
- iv. If interest rates had been 50 basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased by \$15,955 and \$26,304, 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 deposits.

Other price risk

- i. The Company was exposed to equity price risk through its investments in listed and OTC equity securities. The Company manages this exposure by maintaining a portfolio of investments with different risks. The Company's equity price risk was mainly concentrated on equity instruments trading in Taiwan.
- ii. If equity prices had been 1% higher, pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased by \$21,633 and \$13,943, respectively, as a result of the changes in fair value of financial assets at fair value through other comprehensive income. Had equity prices been 1% lower for the same year, the pre-tax other comprehensive income would have decreased by the same respective amounts.
- iii. The Company's sensitivity to equity prices increased or decreased because of volatility of stock price.

(b) Credit risk

- i. Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. As at balance sheet date, the Company's maximum exposure to credit risk which will 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.
- ii. Accounts receivable consisted of a large number of customers, spread across diverse industries and geographical areas and, thus, no concentration of credit risk was observed. According to the Company's credit policy, each department in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risks limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.
- iii. The average credit period of the sales of goods was 30-90 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the 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 balance sheet date 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.
- iv. The Company measures the loss allowance for accounts receivable at an amount that equals to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, expected economic growth rate and industry trends at the same time. Based on the Company's historical experience of credit loss, there is no significant loss difference between customer types, thus the provision matrix was not based on classification of customer types, but was based on the past due date to estimate expected credit losses.
- v. If there is evidence to prove that counterparties have a material financial difficulty and the recoverable amount cannot be estimated reliably, for example, the default occurs when counterparties are processing the liquidation or the debt has been past due over 1 year, the Company will provide impairment loss in full. However, the Company will continue executing the recourse procedures to secure their rights, the recovered amount arising from the recourse procedures will be recognized in profit or loss.

vi. The Group refers to the forecast ability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of notes and accounts receivable from general credit conditions customers. The provision matrix as of December 31, 2023 and 2022 is as follows:

	Not past due	1~90 days past due	91~180 days past due	181~360 days past due	Over 360 days past due	Total
<u>December 31, 2023</u>						
Expected credit loss rate	-	0~5%	20%	40%	100%	
Total book value	\$ 1,191,282	\$ 200,141	\$ 8,005	\$ 1,084	\$ 12,090	\$ 1,412,602
Loss allowance (lifetime expected credit losses)	-	(76)	(1,601)	(433)	(12,090)	(14,200)
Amortised cost	<u>\$ 1,191,282</u>	<u>\$ 200,065</u>	<u>\$ 6,404</u>	<u>\$ 651</u>	<u>\$ -</u>	<u>\$ 1,398,402</u>
	Not past due	1~90 days past due	91~180 days past due	181~360 days past due	Over 360 days past due	Total
<u>December 31, 2022</u>						
Expected credit loss rate	-	0~5%	20%	40%	100%	
Total book value	\$ 1,374,851	\$ 210,224	\$ 2,037	\$ 2,206	\$ 13,027	\$ 1,602,345
Loss allowance (lifetime expected credit losses)	-	(718)	(407)	(882)	(13,027)	(15,034)
Amortised cost	<u>\$ 1,374,851</u>	<u>\$ 209,506</u>	<u>\$ 1,630</u>	<u>\$ 1,324</u>	<u>\$ -</u>	<u>\$ 1,587,311</u>

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

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ 15,034	\$ 9,636
Impairment loss	695	5,815
Amounts written off (Note)	(1,529)	(417)
Balance at December 31	<u>\$ 14,200</u>	<u>\$ 15,034</u>

Note: The Company wrote off accounts receivable and related loss allowance for the years ended December 31, 2023 and 2022 amounting to \$1,529 and \$417, respectively, as the customers' accounts receivable have been aged more than 2 years and the legal attest letters were served but no subsequent collection of such receivables has been received.

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

	December 31, 2023			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 122,820	\$ -	\$ -	\$ 122,820
Financial assets at fair value through profit or loss				
- Convertible corporate bonds	\$ 144,149	\$ -	\$ -	\$ 144,149
- Corporate bonds	257,988	-	-	257,988
	<u>\$ 402,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,137</u>
	December 31, 2022			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at fair value through profit or loss				
- Convertible corporate bonds	\$ 29,100	\$ -	\$ -	\$ 29,100
- Corporate bonds	101,050	-	-	101,050
	<u>\$ 130,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,150</u>

The financial assets at amortised cost held by the Company are all time deposits in banks with original maturity period of more than three months. The financial assets at fair value through profit or loss held by the Company are convertible corporate bonds issued by OTC companies and ordinary corporate bonds issued by public companies. The credit risk rating has no significant abnormal situation.

(c) Liquidity risk

- i. 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.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured borrowing facilities		
- Amount used (Note)	\$ 73,470	\$ 381,330
- Amount unused	<u>6,577,650</u>	<u>5,623,070</u>
	<u>\$ 6,651,120</u>	<u>\$ 6,004,400</u>

Note: The amount used on December 31, 2023 and 2022 is the amount of endorsements and guarantees provided by the Company to subsidiaries.

- iii. 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 of bank credit facilities and continuously monitoring projected and actual cash flows.
- iv. Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company'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 Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on agreed repayment dates.

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

December 31, 2023

	<u>On demand or less than 1 month</u>	<u>1-3 months</u>	<u>Over 3 months to 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 7,721,063	\$ 498,792	\$ 1,271,758	\$ -
Lease liabilities	671	1,294	4,802	12,479
	<u>\$ 7,721,734</u>	<u>\$ 500,086</u>	<u>\$ 1,276,560</u>	<u>\$ 12,479</u>

December 31, 2022

	<u>On demand or less than 1 month</u>	<u>1-3 months</u>	<u>Over 3 months to 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 7,095,608	\$ 1,419,416	\$ 1,070,005	\$ -
Lease liabilities	304	607	2,733	511
	<u>\$ 7,095,912</u>	<u>\$ 1,420,023</u>	<u>\$ 1,072,738</u>	<u>\$ 511</u>

v. Liquidity tables for derivative financial liabilities

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

December 31, 2023

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

December 31, 2022

	<u>On demand or less than 1 month</u>	<u>1-3 months</u>	<u>Over 3 months to 1 year</u>	<u>Over 1 year</u>
<u>Gross settled</u>				
Forward foreign exchange contracts				
- Inflows	\$ 292,245	\$ 552,494	\$ 212,319	\$ 1,057,058
- Outflows	(298,977)	(563,211)	(215,568)	(1,077,756)
	<u>(\$ 6,732)</u>	<u>(\$ 10,717)</u>	<u>(\$ 3,249)</u>	<u>(\$ 20,698)</u>

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, other receivables - related parties, financial assets at amortised cost (current and non-current) refundable deposits, notes and accounts payable, accounts payable - related parties, other payables, other payables - related parties, other current liabilities, guarantee deposits received and lease liabilities are approximate to their fair values.

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

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

December 31, 2023

Assets - recurring fair value measurements	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 17,160	\$ -	\$ 17,160
Fund beneficiary certificates	7,684,904	-	-	7,684,904
Convertible corporate bonds	34,965	109,184	-	144,149
Corporate bonds	257,988	-	-	257,988
	<u>7,977,857</u>	<u>126,344</u>	<u>-</u>	<u>8,104,201</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Listed, OTC and emerging stocks	\$ 2,163,316	\$ -	\$ -	\$ 2,163,316
<u>Assets - recurring fair value measurements</u>				
Non-current assets held for sale (Note)	-	-	495,124	495,124
	<u>\$ 10,141,173</u>	<u>\$ 126,344</u>	<u>\$ 495,124</u>	<u>\$ 10,762,641</u>
<u>Liabilities - recurring fair value measurements</u>				
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 635	\$ -	\$ 635

December 31, 2022

Assets - recurring fair value measurements	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 936	\$ -	\$ 936
Fund beneficiary certificates	2,652,921	-	-	2,652,921
Convertible corporate bonds	29,100	-	-	29,100
Corporate bonds	<u>101,050</u>	<u>-</u>	<u>-</u>	<u>101,050</u>
	<u>2,783,071</u>	<u>936</u>	<u>-</u>	<u>2,784,007</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Listed, OTC and emerging stocks	\$ <u>1,394,345</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,394,345</u>
	<u>\$ 4,177,416</u>	<u>\$ 936</u>	<u>\$ -</u>	<u>\$ 4,178,352</u>
Liabilities - recurring fair value measurements				
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	\$ <u>-</u>	\$ <u>21,634</u>	\$ <u>-</u>	\$ <u>21,634</u>

Note: According to International Financial Reporting Standard (IFRS) 5, when the fair value less costs to sell of assets held for sale is less than their carrying amount, they should be measured at the lower of the carrying amount and fair value less costs to sell.

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed and OTC stocks</u>	<u>Open-end fund</u>	<u>Corporate bond</u>
Market quoted price	Closing price	Net asset value	Closing price

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

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

- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using the valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- D. There were no transfers between Levels 1, 2 and 3 for the years ended December 31, 2023 and 2022.
- E. The change in Level 3 for the year 2023 was due to the planned disposal of the land and buildings at the Donghu Plant as resolved by the Board of Directors on October 30, 2023. Therefore, the land and buildings at the Donghu Plant were reclassified as non-current assets held for sale. There were no changes in Level 3 in 2022.
- F. Valuation techniques and inputs applied for Level 2 fair value measurement
- Derivatives held by the Company were forward foreign exchange contracts, whose fair values were calculated using discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. Convertible bonds are evaluated using a binomial tree model. Parameters utilized in the calculation include: stock price, conversion price, stock price volatility, remaining term, risk-free interest rate, and number of periods to maturity. Discounting is performed based on the time of maturity and risk discount rate.
- G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Non-current assets held for sale	\$ 495,124	Comparative approach and income approach	Not applicable	Not applicable	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 10.
- B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas:
Any of the significant transactions with investee companies in mainland China, either directly or

indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
Refer to tables 6, 7 and 8.

(4) Major shareholders information

Major shareholders information: Refer to table 11.

14. SEGMENT INFORMATION

Not applicable.

ADVANTECH CO., LTD.
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash on hand and revolving funds		\$ 135
Checking accounts		2,260
Deposit account	NTD	1,126,878
	FCY (Note 1)	2,061,814
Demand deposits	FCY (Note 2)	122,820
		<u>\$ 3,313,907</u>

Note 1: USD 53,169 thousand @30.705 ; EUR 4,169 thousand @33.98 ; JPY 216,906 thousand @0.217 ; CNY 55,243 thousand @4.327 ; GBP 38 thousand @39.15.

Note 2: CNY 4,000 thousand @30.705.

ADVANTECH CO., LTD.
DETAILS OF CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 2

Investee	Abstract	Number of units	Acquisition cost	Fair value		Collateral or pledge
				Unit price (in dollars)	Total amount	
Mega Diamond Money Market	Open-end Funds	42,642,722	\$ 550,001	\$ 12.8995	\$ 550,070	None
Capital Money Market	Open-end Funds	142,874,321	2,356,784	16.5869	2,369,842	None
FSITC Taiwan Money Market	Open-end Funds	127,399,045	2,000,007	15.7385	2,005,070	None
CTBC Hua Win Money Market Fund	Open-end Funds	177,439,819	2,000,006	11.3152	2,007,767	None
Fubon Chi-Hsiang Money Market Fund	Open-end Funds	46,707,871	750,003	16.1034	752,155	None
PHISON Electronics Corp.	Corporate bonds	300,000	30,300	116.55	34,965	None
Forward foreign exchange contract	-	-	-	-	17,160	None
			<u>\$ 7,687,101</u>		<u>\$ 7,737,029</u>	

ADVANTECH CO., LTD.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 3

Client Name	Amount	Note
Client A	\$ 149,084	
Client B	140,448	
Others	1,101,704	The balance of individual customers is under 5% of this account's balance.
	<u>1,391,236</u>	
Less: Allowance for uncollectible accounts	(14,200)	
	<u>\$ 1,377,036</u>	

ADVANTECH CO., LTD.
DETAILS OF INVENTORIES
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 4

Item	Amount	
	Net Amount	Market Price (Note)
Raw materials	\$ 2,138,588	\$ 2,456,473
Work in progress	710,303	1,149,193
Finished goods	1,450,326	2,248,224
Inventory in transit	173,214	173,214
Total	<u>\$ 4,472,431</u>	<u>\$ 6,027,104</u>

Note: Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated cost to complete the sale.

ADVANTECH CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 5

Name	Beginning Balance			Addition			Decrease			Investment (loss) gain	Others (Note 3)	Shares	Ending Balance		Unit Price (dollar)	Total Amount	Guarantee or collateral	Note
	Shares	Ownership	Amount	Shares	Amount	Shares	Amount	Ownership	Amount				Amount	Net Assets Value				
Axiometek	25,542,984	27.97%	\$ 1,004,985	-	\$ -	-	\$ 192,635	\$ (120,584)	28,080,142	27.63%	\$ 1,077,036	\$ 88.00	\$ 2,471,052	None				
Winmate	12,000,000	16.39%	610,406	-	-	-	79,404	(26,039)	12,000,000	15.32%	663,771	122.50	1,470,000	None				
Nippon RAD	850,000	16.08%	212,247	-	-	-	10,816	(15,228)	850,000	16.08%	207,835	149.95	127,455	None				
Advantech Intelligent Services Co., Ltd.	1,000,000	100.00%	74,288	-	-	-	11,371	-	1,000,000	100.00%	85,659	-	8,968	None				
Advantix Corporation	10,000,000	100.00%	328,785	-	-	-	54,786	(140,854)	10,000,000	100.00%	242,717	-	179,786	None				
ACI	330,000,000	100.00%	3,898,859	-	-	-	277,654	54,834	330,000,000	100.00%	4,231,347	-	4,231,593	None				
LNC	13,380,000	44.60%	232,125	-	-	-	(37,180)	10,873	13,380,000	44.60%	205,818	26.93	360,323	None				
Huan Yam Water Solution Co., Ltd.	2,700,000	90.00%	23,238	-	-	-	(1,601)	-	2,700,000	90.00%	21,637	-	24,042	None				
AKR	600,000	100.00%	518,506	-	-	-	82,844	(13,476)	600,000	100.00%	587,874	-	652,036	None				
AMY	2,000,000	100.00%	68,641	-	-	-	22,105	(720)	2,000,000	100.00%	90,026	-	90,822	None				
AJP	1,200	100.00%	998,261	-	-	-	229,308	(69,532)	1,200	100.00%	1,158,037	-	1,107,624	None				
AAU	500,204	100.00%	38,214	-	-	-	25,179	(15,726)	500,204	100.00%	47,667	-	53,778	None				
ABR	17,616,777	100.00%	103,280	-	(13,300)	-	16,691	8,042	15,373,031	100.00%	114,713	-	117,783	None				
AIN	4,999,999	99.99%	18,965	-	-	-	(7,149)	3,367	4,999,999	99.99%	15,183	-	25,129	None				
AMX	16,650,003	99.90%	79,924	-	-	-	12,523	14,252	16,650,003	99.90%	106,699	-	108,946	None				
AAC (BVI)	126,592,273	100.00%	11,937,107	-	(3,627,939)	-	971,088	(1,727,877)	11,126,887	100.00%	7,552,379	-	7,902,288	None				
ATC	40,850,000	100.00%	4,925,151	-	-	-	452,660	(81,544)	40,850,000	100.00%	5,296,267	-	5,322,583	None				
ASG	1,450,000	100.00%	155,576	-	-	-	55,666	9,464	1,450,000	100.00%	220,706	-	235,166	None				
AEUH	25,961,250	100.00%	1,396,820	-	-	-	133,714	(33,741)	25,961,250	100.00%	1,496,793	-	1,923,527	None				
AIMobile	2,970,000	27.00%	16,572	-	-	-	(21,031)	163	2,970,000	27.00%	(4,296)	-	(15,910)	None				
ATH	51,000	51.00%	53,953	-	-	-	5,446	(4,167)	51,000	51.00%	55,232	-	109,592	None				
AVN	81,000	60.00%	63,497	-	-	-	7,522	(6,301)	81,000	60.00%	64,718	-	30,507	None				
ADB	50	100.00%	3,390	-	-	-	416	(13)	50	100.00%	3,793	-	3,794	None				
ARU	1	100.00%	8,969	-	-	-	(5,237)	(1,176)	1	100.00%	2,556	-	2,557	None				
ATR	260,870	60.00%	22,341	109,465	47,126	-	13,280	(60,043)	370,335	80.10%	22,704	-	41,387	None				
AIL	100	100.00%	10,375	-	-	-	99	(230)	100	100.00%	10,244	-	10,244	None				
AAC (HK)	-	-	-	15,230,001	1,471,031	-	-	(135,559)	(161,727)	15,230,001	100.00%	-	-	1,173,945	None			
ACI (KY)	-	-	-	100,000,000	2,156,908	-	(25,142)	(48,721)	100,000,000	100.00%	2,083,045	-	2,083,045	None				
Cermate Taiwan	-	-	-	4,500,000	189,000	-	7,987	(102,244)	4,500,000	45.00%	94,743	-	210,277	None				
			\$ 26,804,475		\$ 3,864,065		\$ 2,430,495	\$ (2,528,948)			\$ 26,928,848							

Note 1: The increase in investment in this period was \$3,864,065.

Note 2: The decrease in investment was \$3,641,239 in the current period.

Note 3: Accumulated exchange adjustments of \$(140,063), unrealized sales gains and losses of \$(166,855), changes in capital reserves of \$(25,274), unrealized gains and losses of financial assets measured at fair value through other comprehensive gains and losses of \$(38,850), changes in retained earnings of \$89,428, cash dividends of \$(2,525,509) and other adjustments of \$(55,535).

Note 4: The net equity value is based on the net equity value of each unlisted counter company audited by independent auditors.

ADVANTECH CO., LTD.
DETAILS OF NOTES AND ACCOUNTS PAYABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 6

Supplier Name	Amount	Note
Manufacturer C	\$ 469,533	
Manufacturer D	173,538	
Others	2,430,541	The balance of individual supplier is under 5% of this account's balance.
Total	<u>\$ 3,073,612</u>	

ADVANTECH CO., LTD.
SUMMARY OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 7

Item	Quantities (thousand pieces)	Amount	Note
Net sales			
Embedded computer boards and systems	3,098	\$ 24,452,089	
Industrial computers and automation products	2,053	17,030,114	
After-sales service and others	33	<u>2,033,683</u>	
		43,515,886	
Other operating income		<u>1,087,211</u>	
		<u>\$ 44,603,097</u>	

ADVANTECH CO., LTD.
SUMMARY OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 8

Item	Amount
Beginning raw materials (Total cost \$3,014,940, Allowance for valuation loss \$318,090)	\$ 3,014,940
Add: Raw materials purchased	7,657,195
Inventory surplus	2,173
Less: Ending raw materials	(2,498,266)
Transfers to operating expenses	(76,570)
Sale of materials	(327,916)
Losses on write-off	(91,581)
Direct materials used	7,679,975
Direct labor	574,122
Manufacturing expense	974,166
Manufacturing cost	9,228,263
Add: Beginning work in progress (Total cost \$1,221,261, Allowance for valuation loss \$54,777)	1,221,261
Work in progress put in storage	1,859,920
Less: Ending work in progress	(761,407)
Transfers to operating expenses	(65,513)
Work in progress out of storage	(609,409)
Inventory shorts	(7)
Losses on write-off	(30,513)
Cost of finished goods	10,842,595
Add: Beginning finished goods (Total cost \$2,509,822, Allowance for valuation loss \$86,380)	2,509,822
Acquisition of finished goods	16,866,369
Transfers to manufacturing expense	16,101
Less: Ending finished goods	(1,680,700)
Transfers to operating expenses	(198,996)
Inventory shorts	(1)
Losses on write-off of inventories	(27,454)
Finished goods inventories cost	28,327,736
Raw materials and work in progress inventories cost	937,036
Cost of services and maintenance	372,473
Loss on decline in market value	8,695
Losses on write-off of inventories	149,548
Inventory surplus	(2,165)
Total operating costs	<u>\$ 29,793,323</u>

ADVANTECH CO., LTD.
SUMMARY OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 9

Items	Selling expense	General and administration expense	Research and development expense	Total
Employee benefit expense	\$ 618,498	\$ 644,749	\$ 2,298,669	\$ 3,561,916
Research expense	8,462	11,968	520,085	540,515
Depreciation and amortisation expenses	3,423	188,646	80,575	272,644
Marketing expenses	67,657	69,645	23,452	160,754
Professional service fee	1,840	122,090	15,194	139,124
Freight expenses	40,905	889	13,486	55,280
Others (Note)	32,025	139,834	276,611	448,470
	<u>\$ 772,810</u>	<u>\$ 1,177,821</u>	<u>\$ 3,228,072</u>	<u>\$ 5,178,703</u>

Note: Balance of individual accounts is under 5% of this account's balance.

ADVANTECH CO., LTD.
SUMMARY OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION EXPENSE INCURRED IN CURRENT PERIOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 10

Function Nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Salary expense	\$ 892,687	\$ 2,934,672	\$ 3,827,359	\$ 909,339	\$ 3,414,776	\$ 4,324,115
Labour and health insurance fees	105,137	249,106	354,243	90,412	212,787	303,199
Pension expense	38,506	136,650	175,156	35,885	124,327	160,212
Directors' remuneration	-	18,625	18,625	-	14,100	14,100
Other employee benefit expense	104,762	222,863	327,625	61,005	121,167	182,172
Depreciation Expense	86,280	175,374	261,654	85,588	166,463	252,051
Amortization Expense	131	97,270	97,401	1,356	110,253	111,609
	1,227,503	3,834,560	5,062,063	1,183,585	4,163,873	5,347,458

Note:

1. The number of employees for this year and the previous year was 3,506 and 3,327, respectively, among which the number of directors who were not concurrently employees was 6 and 5, respectively.
2. A company whose stock is listed on a stock exchange or traded on an OTC securities trading center shall additionally disclose the following information:
 - (1) The average employee benefit expense for the year was \$1,338. The average employee benefit expense for the prior year was \$1,496.
 - (2) The average employee salary cost for the year was \$1,094. The average employee salary cost for the previous year was \$1,302.
 - (3) The average employee salary adjustment changed by (15.98%).
3. The company adopts the audit committee to replace the supervisor system.
4. The company's directors, managers and employees' remuneration policies are as follows:
 - (1) Directors: According to the company's profit status, each director's participation in and contribution to the company's affairs, the chairman of the board of directors proposes a salary proposal, which is reviewed by the compensation committee and approved by the board of directors.
 - (2) Managers: Based on salary survey and analysis results, peer adjustment, company manager salary structure and standards, company profit status and manager performance, and reviewed by the compensation committee and approved by the board of directors.
 - (3) Employees: According to the salary survey and analysis results, the Company's operating conditions and the achievement of individual performance, it will be proposed by the top supervisor of the unit and approved by the general manager.

ADVANTECH CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	Financial Statement Account	Related Parties	Maximum Balance for the period (Note D)	Ending Balance (Note D)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted (Note B)
													Item	Value		
0	ADVANTECH CO., LTD.	AKR	Other receivable - related parties	Yes	\$ 162,125	\$ 153,525	\$ 107,468	3%~4%	Short-term financing	\$ -	Operating need	\$ -	None	-	\$ 4,846,115 (Note B)	\$ 9,692,230 (Note B)
1	LNC	LNC Dong Guan	Other receivable - related parties	Yes	30,000	30,000	-	-	Short-term financing	-	Operating need	-	None	-	95,328 (Note C)	95,328 (Note C)
1	LNC	LNCMac	Other receivable - related parties	Yes	60,000	60,000	60,000	Note E	Short-term financing	-	Operating need	-	None	-	95,328 (Note C)	95,328 (Note C)

Note A: Investee companies are numbered sequentially from 0.

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

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
For the year ended December 31, 2023

Table 2

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

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

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

Note C: The exchange rates as of December 31, 2023 were USD\$1= NT\$30.705, EUR\$1= NT\$33.98, and JPY\$1=NT\$0.217.

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

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

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Holding Company Name	Marketable Securities		Relationship with the securities issuer	General ledger account	As of December 31, 2023				Footnote
	Type	Name			Number of shares	Book value	Ownership (%)	Fair value	
ADVANTECH CO., LTD.	Stock	ASUSTek Computer Inc.	None	Financial assets at fair value through other comprehensive income or loss - non-current	4,039,461	\$ 1,977,316	0.54	\$ 1,977,316	Note A
ADVANTECH CO., LTD.	Stock	Allied Circuit Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	1,200,000	186,000	2.34	186,000	Note A
ADVANTECH CO., LTD.	Bond	PHISON Electronics Corp.	None	Financial assets at fair value through profit or loss - current	300,000	34,965	-	34,965	Note A
ADVANTECH CO., LTD.	Bond	Taiwan Power Company	None	Financial assets at fair value through profit or loss - non-current	1,000,000	100,959	-	100,959	Note A
ADVANTECH CO., LTD.	Bond	AURES TECHNOLOGIES Convertible Bonds	None	Financial assets at fair value through profit or loss - non-current	800,000	109,184	-	109,184	Note A
ADVANTECH CO., LTD.	Bond	NVIDIA Corporation	None	Financial assets at fair value through profit or loss - non-current	-	157,029	-	157,029	Note A
ADVANTECH CO., LTD.	Beneficiary certificates	FSITC Taiwan Money Market	None	Financial assets at fair value through profit or loss - current	127,399,045	2,005,070	-	2,005,070	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss - current	-	550,070	-	550,070	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Capital Money Market Fund	None	Financial assets at fair value through profit or loss - current	142,874,321	2,369,842	-	2,369,842	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Fubon Chi-Hsiang Money Market Fund	None	Financial assets at fair value through profit or loss - current	46,707,871	752,155	-	752,155	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	CTBC Hua Win Money Market Fund	None	Financial assets at fair value through profit or loss - current	177,439,819	2,007,767	-	2,007,767	Note B
ACI	Stock	GSD Technologies Co., Ltd.	None	Financial assets at fair value through profit or loss - non-current	2,568,358	112,237	6.94	112,237	Note A
ACI	Stock	RFD Micro Electricity Co., Ltd.	None	Financial assets at fair value through profit or loss - non-current	464,695	56,000	0.65	56,000	Note C
ACI	Stock	TXC CORPORATION	None	Financial assets at fair value through profit or loss - non-current	300,000	29,580	0.10	29,580	Note A
ACI	Stock	PHISON Electronics Corp.	None	Financial assets at fair value through profit or loss - non-current	85,000	44,200	0.04	44,200	Note A
ACI	Stock	Allied Circuit Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	1,951,000	302,405	3.81	302,405	Note A
ACI	Stock	BroadTec System Inc.	None	Financial assets at fair value through other comprehensive income or loss - non-current	225,000	3,758	7.50	3,758	Note C
ACI	Stock	BiosenseTek Corp.	None	Financial assets at fair value through other comprehensive income or loss - non-current	37,500	-	1.50	-	Note C
ACI	Stock	Juguar Technology	None	Financial assets at fair value through other comprehensive income or loss - non-current	500,000	8,509	10.33	8,509	Note C
ACI	Stock	i-Link	None	Financial assets at fair value through other comprehensive income or loss - non-current	616,938	-	15.42	-	Note C
ACI	Beneficiary certificates	Taishin 1699 Money Market	None	Financial assets at fair value through profit or loss - current	50,071,292	698,119	-	698,119	Note B
ACI	Mutual Fund	CBC Capital	None	Financial assets at fair value through profit or loss - non-current	-	83,496	4.38	83,496	Note B
Advantix Corporation	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	7,446,420	113,591	-	113,591	Note B
AiCS	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	614,183	9,369	-	9,369	Note B
Huan Yan Water Solution Co., Ltd.	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	1,569,353	23,940	-	23,940	Note B
AIH	Beneficiary certificates	Capital Money Market	None	Financial assets at fair value through profit or loss - current	367,047	6,088	-	6,088	Note B
Cermate	Beneficiary certificates	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	1,683,528	21,717	-	21,717	Note B
Yan Xu Green Electricity Co., Ltd.	Beneficiary certificates	Taishin 1699 Money Market	None	Financial assets at fair value through profit or loss - current	657,980	9,174	-	9,174	Note B
ACIKY	Beneficiary certificates	Momenta DIF III L.P.	None	Financial assets at fair value through profit or loss - non-current	-	848,924	-	848,924	Note B
ACIKY	Beneficiary certificates	Esquarre IoT Landing Fund L.P.	None	Financial assets at fair value through profit or loss - non-current	-	678,807	-	678,807	Note B
ACICN	Stock	Shanghai Shanghuang Xinwei Investment Management Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	-	473,246	8.33	473,246	Note C
ACICN	Beneficiary certificates	Tianying Heyan (Hengqin) Investment Management Partnership (Limited Partnership)	None	Financial assets at fair value through profit or loss - non-current	-	471,852	-	471,852	Note B
ACICN	Beneficiary certificates	Tianying Hehua (Ningbo) Venture Investment Partnership (Limited Partnership)	None	Financial assets at fair value through profit or loss - non-current	-	214,152	-	214,152	Note B

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

Note B: Includes gain (loss) on valuation and effect of exchange rate changes.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Payment Status	Counterparty	Relationship	Information on previous title transfer, if counterparty is a related party					Purpose of Acquisition	Other Property Terms
							Property Terms	Owner	Relationship	Transfer date	Amount		
ADVANTECH CO., LTD.	Real estate	2020.10.30	\$ 1,410,000	Based on percentage of construction completed; as of December 31, 2023, a total of \$1,277,908 had been paid.	Chung-Lin General Contractors, Ltd.	None	-	-	-	\$ -	Contract price	For the Company's expansion	None
ADVANTECH CO., LTD.	Real estate	2023.10.30	\$ 1,873,080	As of December 31, 2023, a total of \$200,000 had been paid.	AIDC Investment Corp.	Other related party	-	-	-	\$ -	Market conditions and valuation reports	For operational use	None

ADVANTECH CO., LTD. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Note: All intercompany transactions have been eliminated during consolidation.

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

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Company Name	Counterparty	Relationship	Ending balance	Turnover rate	Overdue receivables		Amounts received in subsequent period	Allowance for doubtful accounts
					Amount	Actions taken		
ADVANTECH CO., LTD.	ACN	Subsidiary	\$ 3,588,179	3.48	\$ 1,433,639	Monthly reconciliation and collection	\$ 843,765	\$ -
ADVANTECH CO., LTD.	ANA	Subsidiary	2,371,849	6.36	-	-	1,133,313	-
ADVANTECH CO., LTD.	AEU	Subsidiary	936,611	5.52	23,411	Monthly reconciliation and collection	667,279	-
ADVANTECH CO., LTD.	AKR	Subsidiary	455,082	4.43	-	-	82,593	-
ADVANTECH CO., LTD.	AKMC	Subsidiary	427,718	Note	137,394	Monthly reconciliation and collection	287,349	-
AKMC	ADVANTECH CO., LTD.	Parent company	3,055,694	5.37	1,071,469	Monthly reconciliation and collection	1,328,406	-
ANA	ADVANTECH CO., LTD.	Parent company	112,302	4.84	77,990	Monthly reconciliation and collection	15,980	-
LNC	LNC Dong Guan	Sub-subsidiary	170,124	1.89	5,859	Received after the reporting period	21,505	-

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note A)	Company Name	Counterparty	Relationship (Note B)	Transaction			Percentage of consolidated total operating revenues or total assets (Note C)
				General ledger account	Amount	Transaction terms	
0	ADVANTECH CO., LTD.	AAU	1	Sales revenue	\$ 271,303	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ABR	1	Sales revenue	122,983	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ACN	1	Receivables from related parties	3,588,179	90 days after month-end	5%
0	ADVANTECH CO., LTD.	ACN	1	Sales revenue	8,688,311	Usual trade terms	13%
0	ADVANTECH CO., LTD.	AEU	1	Receivables from related parties	928,943	45 days after month-end	1%
0	ADVANTECH CO., LTD.	AEU	1	Sales revenue	7,998,103	Usual trade terms	12%
0	ADVANTECH CO., LTD.	AIN	1	Sales revenue	140,008	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ARI	1	Sales revenue	108,327	Usual trade terms	0%
0	ADVANTECH CO., LTD.	AJP	1	Sales revenue	1,226,360	Usual trade terms	2%
0	ADVANTECH CO., LTD.	AKMC	1	Receivables from related parties	427,718	45 days after month-end	1%
0	ADVANTECH CO., LTD.	AKR	1	Receivables from related parties	345,230	90 days after month-end	0%
0	ADVANTECH CO., LTD.	AKR	1	Sales revenue	1,393,401	Usual trade terms	2%
0	ADVANTECH CO., LTD.	AKR	1	Other receivables from related parties	109,852	90 days after month-end	0%
0	ADVANTECH CO., LTD.	AMX	1	Sales revenue	156,350	Usual trade terms	0%
0	ADVANTECH CO., LTD.	AMY	1	Sales revenue	199,960	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ANA	1	Receivables from related parties	2,364,350	60 days after month-end	3%
0	ADVANTECH CO., LTD.	ANA	1	Sales revenue	13,916,598	Usual trade terms	22%
0	ADVANTECH CO., LTD.	ASG	1	Sales revenue	282,245	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ATH	1	Sales revenue	105,204	Usual trade terms	0%
0	ADVANTECH CO., LTD.	AVN	1	Sales revenue	101,034	Usual trade terms	0%
0	ADVANTECH CO., LTD.	Advaniix Corporation	1	Sales revenue	553,493	Usual trade terms	1%
1	AKMC	ADVANTECH CO., LTD.	2	Receivables from related parties	3,055,694	90 days after month-end	4%
1	AKMC	ADVANTECH CO., LTD.	2	Sales revenue	13,135,470	Usual trade terms	20%
2	ANA	ADVANTECH CO., LTD.	2	Receivables from related parties	112,302	30 days from the invoice date	0%
2	ANA	ADVANTECH CO., LTD.	2	Sales revenue	309,859	Usual trade terms	0%
3	ACZ	AEU	3	Sales revenue	198,704	Usual trade terms	0%
4	APL	AEU	3	Sales revenue	139,394	Usual trade terms	0%
1	AKMC	ACN	3	Sales revenue	457,106	Usual trade terms	1%
5	LNC	LNC Dong Guan	3	Receivables from related parties	170,124	150 days after month-end	0%
5	LNC	LNC Dong Guan	3	Sales revenue	333,889	Usual trade terms	1%

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

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

Note B: The flow of related-party transactions is as follows:(If it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need for repeated disclosure. For example, if the parent company has disclosed the transaction

between the parent company and the subsidiary company, the subsidiary part does not need to be disclosed repeatedly ; Subsidiary-to-subsidiary transactions, if one of its subsidiaries has been disclosed, the other subsidiary does not need to disclose repeatedly) :

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of December 31, 2023, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2023.

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
Information on investees (excluding information on investments in Mainland china)
For the year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by the Company for the year ended December 31, 2023 (Note C)	Footnote
				Balance as at December 31, 2023	Balance as at January 1, 2023	Shares	Ownership (%)	Carrying Value			
ADVANTECH CO., LTD.	AAC (BVI)	British Virgin Islands	Overseas investment in manufacturing and services industries	\$ 247,275	\$ 3,875,214	11,126,887	100.00	\$ 7,552,379	\$ 969,357	\$ 971,088	Subsidiary
ADVANTECH CO., LTD.	ATC	British Virgin Islands	Overseas investment in manufacturing and services industries	998,788	998,788	40,850,000	100.00	5,296,267	434,730	452,660	Subsidiary
ADVANTECH CO., LTD.	Advanix Corporation	Taiwan	Manufacturing, marketing and trade of industrial use computers	100,000	100,000	10,000,000	100.00	242,717	54,786	54,786	Subsidiary
ADVANTECH CO., LTD.	ACI	Taiwan	Investment in marketable securities	3,300,000	3,300,000	330,000,000	100.00	4,231,347	277,834	277,654	Subsidiary
ADVANTECH CO., LTD.	Axiomtek	Taiwan	Manufacturing, marketing and trade of industrial use computers	511,372	511,372	28,080,142	27.63	1,077,036	727,121	192,635	Investments accounted for under equity method
ADVANTECH CO., LTD.	LNC	Taiwan	Manufacturing and trade of controllers	188,826	188,826	13,380,000	44.60	205,818	(83,501)	(37,180)	Subsidiary
ADVANTECH CO., LTD.	AMX	Mexico	Marketing and trade of industrial use computers	93,338	93,338	16,650,003	99.90	106,699	12,796	12,523	Subsidiary
ADVANTECH CO., LTD.	AEUH	Netherlands	Overseas investment in manufacturing and services industries	1,655,383	1,655,383	25,961,250	100.00	1,496,793	137,579	133,714	Subsidiary
ADVANTECH CO., LTD.	ASG	Singapore	Marketing and trade of industrial use computers	27,134	27,134	1,450,000	100.00	220,706	55,928	55,666	Subsidiary
ADVANTECH CO., LTD.	ATH	Thailand	Manufacturing of computer products	47,701	47,701	51,000	51.00	55,232	10,821	5,446	Subsidiary
ADVANTECH CO., LTD.	AAU	Australia	Marketing and trade of industrial use computers	40,600	40,600	500,204	100.00	47,667	25,289	25,179	Subsidiary
ADVANTECH CO., LTD.	AJP	Japan	Marketing and trade of industrial use computers	651,685	651,685	1,200	100.00	1,158,037	234,585	229,308	Subsidiary
ADVANTECH CO., LTD.	AMY	Malaysia	Marketing and trade of industrial use computers	35,140	35,140	2,000,000	100.00	90,026	22,147	22,105	Subsidiary
ADVANTECH CO., LTD.	AKR	Korea	Marketing and trade of industrial use computers	156,668	156,668	600,000	100.00	587,874	83,343	82,844	Subsidiary
ADVANTECH CO., LTD.	ABR	Brazil	Marketing and trade of industrial use computers	89,846	103,146	15,373,031	100.00	114,713	16,994	16,691	Subsidiary
ADVANTECH CO., LTD.	AiCS	Taiwan	Design, research and develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	85,659	11,371	11,371	Subsidiary
ADVANTECH CO., LTD.	AiN	India	Marketing and trade of industrial use computers	39,747	39,747	4,999,999	99.99	15,183	(9,475)	(7,149)	Subsidiary
ADVANTECH CO., LTD.	AIMobile	Taiwan	Design, manufacturing, service and trade of industrial use wireless hand-held mobile systems	180,000	180,000	2,970,000	27.00	(4,296)	(77,893)	(21,031)	Investments accounted for under equity method
ADVANTECH CO., LTD.	Winmate	Taiwan	Embedded System Modules	540,000	540,000	12,000,000	15.32	663,771	507,322	79,404	Investments accounted for under equity method
ADVANTECH CO., LTD.	AVN	Vietnam	Marketing and trade of industrial use computers	76,092	76,092	81,000	60.00	64,718	12,957	7,522	Subsidiary
ADVANTECH CO., LTD.	Nippon RAD	Japan	Integration of IoT intelligent system	251,915	251,915	850,000	16.08	207,835	51,091	10,816	Investments accounted for under equity method
ADVANTECH CO., LTD.	ARU	Russia	Manufacturing, marketing and trade of industrial use computer	72,416	72,416	1	100.00	2,556	(5,237)	(5,237)	Subsidiary
ADVANTECH CO., LTD.	ATR	Turkey	Wholesale of computers and peripheral devices	105,608	58,482	370,335	80.10	22,704	21,739	13,280	Subsidiary
ADVANTECH CO., LTD.	AiL	Israel	Trading of industrial network communications systems	8,653	8,653	100	100.00	10,244	99	99	Subsidiary
ADVANTECH CO., LTD.	Huan Yan Water Solution Co., Ltd.	Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	27,000	27,000	2,700,000	90.00	21,637	(1,778)	(1,601)	Subsidiary
ADVANTECH CO., LTD.	ADB	United Arab Emirates	Trading of industrial network communications systems	3,312	3,312	50	100.00	3,793	416	416	Subsidiary
ADVANTECH CO., LTD.	AiD	Indonesia	Marketing and trade of industrial use computers	48	48	30	1.00	-	-	-	Subsidiary
ADVANTECH CO., LTD.	AAC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	1,471,031	-	15,230,001	100.00	1,173,945	(181,753)	(135,359)	Subsidiary
ADVANTECH CO., LTD.	ACI KY	Cayman Islands	Design, research and development and trade of IoT intelligent system services	2,156,908	-	100,000,000	100.00	2,083,045	(57,954)	(25,142)	Subsidiary
ADVANTECH CO., LTD.	Cermate (Taiwan)	Taiwan	Manufacturing of electronic components, computers, and peripheral devices	189,000	-	4,500,000	45.00	94,743	39,776	7,987	Subsidiary
ACI	Cermate (Taiwan)	Taiwan	Manufacturing of electronic components, computers, and peripheral devices	71,500	71,500	5,500,000	55.00	148,262	39,776	-	Subsidiary
ACI	Demeng	Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	13,354	(645)	-	Investments accounted for under equity method
ACI	CDIB	Taiwan	Investment in marketable securities	150,000	150,000	16,976,999	17.86	286,793	20,458	-	Investments accounted for under equity method
ACI	AzureWave	Taiwan	Wireless communication and digital image module manufacturing and trading	502,837	578,563	29,555,000	19.37	775,429	355,668	-	Investments accounted for under equity method
ACI	Nippon RAD	Japan	Integration of IoT intelligent system	49,733	49,733	154,310	2.92	44,774	51,091	-	Investments accounted for under equity method
ACI	DoiZero	Taiwan	Intelligent metal processing integration	10,928	10,928	415,245	10.38	(14)	(20,662)	-	Investments accounted for under equity method
ACI	Mildex	Taiwan	Electronic component manufacturing	202,948	202,948	11,947,313	15.37	178,362	31,141	-	Investments accounted for under equity method
ACI	ITTS	Taiwan	Electronic Information Service	123,867	147,444	4,271,273	15.63	140,237	77,100	-	Investments accounted for under equity method
ACI	Smasoft	Taiwan	Manufacturing and trade of electronic and mechanical devices	33,270	33,270	561,955	25.63	16,123	(23,775)	-	Investments accounted for under equity method
ACI	Impelex	Taiwan	Manufacturing and trade of electronic and mechanical devices	10,000	10,000	500,000	16.67	7,789	(7,706)	-	Investments accounted for under equity method
ACI	VSO	Taiwan	Manufacturing and trade of electronic and mechanical devices	116,400	116,400	4,694,800	12.51	177,684	124,234	-	Investments accounted for under equity method
ACI	Hwacom	Taiwan	Computer system integration service	357,119	357,119	24,575,000	17.54	458,363	(14,004)	-	Investments accounted for under equity method
ACI	AiH	Taiwan	Servicing of information software and data processing	15,369	15,369	1,100,000	100.00	6,221	4,276	-	Subsidiary
ACI	Feng Sang	Taiwan	Computer system integration service	109,219	109,219	6,088,750	36.24	124,293	33,457	-	Investments accounted for under equity method
ACI	iSAP	Taiwan	Information software service	10,000	10,000	1,492,852	34.83	7,840	-	-	Investments accounted for under equity method
ACI	HSI	Taiwan	Computer system integration service	243,086	243,086	14,299,205	19.61	278,221	99,877	-	Investments accounted for under equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by the Company for the year ended December 31, 2023 (Note C)	Footnote
				Balance as at December 31, 2023	Balance as at January 1, 2023	Shares	Ownership (%)	Carrying Value			
				\$	\$			\$			
ACI	Freedom Systems	Taiwan	Electronic information service	37,500	37,500	1,653,750	20.00	38,909	3,219	-	Investments accounted for under equity method
ACI	Yan Xu Green Electricity Co., Ltd.	Taiwan	Green energy power plant development	83,325	83,325	8,332,500	82.50	80,812	(2,394)	-	Subsidiary
ACI	Expotech Co., Ltd.	Taiwan	Computer system integration service	40,000	40,000	4,000,000	43.01	34,970	(5,688)	-	Investments accounted for under equity method
ACI	Encore Med	Malaysia	Wise Information Technology of med cloud service	54,274	-	66,700	30.00	53,295	(3,446)	-	Investments accounted for under equity method
ATC	ATC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	1,212,730	1,212,730	57,890,679	100.00	5,339,204	434,863	-	Subsidiary
AAC (BVI)	ANA	USA	Marketing, trade and assembly of industrial use computers	504,179	504,179	10,952,616	100.00	7,901,509	1,047,225	-	Subsidiary
AAC (BVI)	AAC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	-	539,146	-	-	431	(181,753)	-	Subsidiary
AAC (BVI)	ACI KY	Cayman Islands	Design, research and development and trade of IoT intelligent system services	-	1,535,500	-	-	-	(57,954)	-	Subsidiary
AAC (BVI)	AMX	Mexico	Marketing and trade of industrial use computers	-	85	-	-	-	12,796	-	Subsidiary
AEUH	AEU	Netherlands	Marketing and trade of industrial use computers	868,222	868,222	32,315,215	100.00	1,815,917	136,260	-	Subsidiary
AEUH	APL	Poland	Marketing and trade of industrial use computers	14,176	14,176	7,030	100.00	61,361	1,750	-	Subsidiary
ASG	ATH	Thailand	Manufacturing of computers products	7,537	7,537	49,000	49.00	54,365	10,821	-	Subsidiary
ASG	AID	Indonesia	Marketing and trade of industrial use computers	4,749	4,749	2,970	99.00	13,228	5,040	-	Subsidiary
ASG	AMX	Mexico	Marketing and trade of industrial use computers	98	-	16,667	0.10	96	12,796	-	Subsidiary
Cermate (Taiwan)	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	141,347	17,451	-	Subsidiary
LandMark	Cermate Software Inc.	Canada	Software development	229	229	-	100.00	2,817	(294)	-	Subsidiary
LNC	Better Auto	British Virgin Islands	Holding company	229,907	229,907	7,425,000	100.00	54,604	(6,940)	-	Subsidiary
LNC	LNCMac	Taiwan	System integration and application, system furniture intelligent design, production, and sales	72,090	28,800	7,208,965	66.32	33,784	(72,797)	-	Subsidiary
LNC	BEST PLC	British Virgin Islands	Holding company	-	-	1	100.00	-	-	-	Subsidiary
Better Auto	Famous Now	Hong Kong	Holding company	150,663	150,663	4,906,096	100.00	65,016	(6,941)	-	Subsidiary
BEST PLC	BEST SERVO	British Virgin Islands	Holding company	-	-	1	100.00	-	-	-	Subsidiary
LNCMac	BEST MACHINE	British Virgin Islands	Holding company	21,900	-	700,000	100.00	4,777	(16,864)	-	Subsidiary
LNCMac	BEST AUTOMATION	Samoa	Holding company	-	-	-	-	-	-	-	Subsidiary
LNCMac	Eli	Taiwan	Boutique furniture and decoration sales, interior design services	6,000	-	600,000	20.00	4,302	(11,749)	-	Investments accounted for under equity method
ANA	AIE	Ireland	Trading of industrial network communications systems	1,212,462	1,212,462	-	100.00	352,358	24,968	-	Subsidiary
ANA	ABO	USA	High-end image acquisition and AI machine vision technology, and core technologies in high speed image acquisition	108,360	-	210,000	100.00	95,016	(8,272)	-	Subsidiary
AIE	ACZ	Czech Republic	Manufacturing of automation control	-	-	-	100.00	304,567	14,315	-	Subsidiary
AIN	ARI	India	Marketing and trade of industrial use computers	4,651	4,651	1,237,500	55.00	(1,065)	(13,436)	-	Subsidiary

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

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

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

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

Table 10

Expressed in thousands of NTD and foreign currencies
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated Outflow of Investment from Taiwan as of January 1, 2023		Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023		Net profit (loss) of the investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect) (%)	Investment net profit (loss)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
				Outflow	Inflow	Outflow	Inflow							
Advantech Technology (China) Company Ltd. (AKMC) (Note D)	Manufacturing and trade of interface cards and PC cases, plastic cases and accessories	\$ 1,343,344 USD 43,750	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	\$ 1,145,297 USD 37,300	\$ -	\$ -	\$ 1,145,297 USD 37,300	\$ 434,863	\$ 434,863	100.00	\$ 439,626	\$ 5,325,997	\$ -	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Marketing and trade of industrial use computers	129,882 USD 4,230	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	163,719 USD 5,332	-	-	163,719 USD 5,332	(299,079)	(299,079)	100.00	(300,136)	(46,452)	USD 3,167,221 103,150	
Shanghai Advantech Intelligent Services Co., Ltd. (ACI CN) (Note G)	Manufacturing, marketing and trade of industrial use computers	288,256 CNY 66,618	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	245,640 USD 8,000	-	-	245,640 USD 8,000	141,446	141,446	100.00	141,381	2,047,247	-	
Xi'an Advantech Software Ltd. (AXA)	Development and manufacturing of software products	30,705 USD 1,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	Note C	-	-	Note C	109	109	100.00	109	29,427	-	
LNC Dong Guan Co., Ltd. (LNC Dong Guan)	Manufacturing and trade of controllers	122,820 USD 4,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	98,072 USD 3,194	-	-	98,072 USD 3,194	(6,409)	(6,409)	100.00	(6,940)	65,010	-	
Shenzhen Cermate Technologies Inc. (Cermate Shenzhen)	Production of LCD touch screen, USB data cables, and industrial use computers	8,654 CNY 2,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	9,457 USD 308	-	-	9,457 USD 308	12,110	12,110	90.00	10,798	108,964	CNY 79,794 18,441	
Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Networking electronic equipment for industrial use	15,967 USD 520	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	17,563 USD 572	-	-	17,563 USD 572	6,846	6,846	100.00	6,747	32,779	CNY 39,224 9,065	
Advantech Service-IoT (Shanghai) Co., Ltd. [IoT (China)]	Technology development, consulting and services in the field of intelligent technology	64,905 CNY 15,000	Other	Note E	-	-	Note E	650	650	100.00	650	51,964	-	
Shanghai Yanle Co., Ltd.(AYL)	Application and retail of intelligent technology	9,519 CNY 2,200	Other	Note F	-	-	Note F	(6)	(6)	100.00	(6)	5,092	-	
Tianjin Anjie IOT Science and Technology Co., Ltd. (Anjie)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	12,981 CNY 3,000	Other	Note F and L	-	-	Note F and L	-	-	-	-	-	-	
Foshan Technology Co., Ltd. (Foshan Technology)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	34,616 CNY 8,000	Other	Note F	-	-	Note F	33,862	33,862	21.88	7,139	14,639	-	
LNCMac DONG GUAN Technology Co., Ltd. (LNCMac DONG GUAN)	System integration	21,494 USD 700	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	-	21,494 USD 700	-	21,494 USD 700	16,880	16,880	100.00	(16,864)	4,776	-	
LNCMac Furniture Co.,Ltd. (LNCMac Furniture)	System furniture intelligent design, production, and sales	6,058 CNY 1,400	Other	Note I	-	-	Note I	(7,548)	(7,548)	100.00	(7,473)	(1,299)	-	
Suzhou AIHT Intelligent Technology Co., Ltd (AAY)	Smart operating room total solution.	42,789 CNY 9,889	Other	Note F	-	-	Note F	(16,433)	(16,433)	20.00	(3,287)	104,924	-	
Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	\$ 1,725,283 (USD 56,189 thousand) (Note H)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	\$ 2,438,898 (USD 79,430 thousand) (Note J)										

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

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

Note C: Remittance by ACN.

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

Note E: Remittance by AAC (BVI) and ACI CN.

Note F: Remittance by ACI CN.

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

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

Note I: Remittance by LNCMac DONG GUAN.

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

Note K: The exchange rate was US\$1=NT\$30.705 and CNY\$1=NT\$4.327.

Note L: All shares of Tianjin Anjie IoT Science and Technology Co., Ltd. (Anjie) have been disposed of in the first quarter of 2023.

ADVANTECH CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 11

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

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

In connection with the Consolidated Financial Statements of Affiliated Enterprises of ADVANTECH CO., LTD. (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2023 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of ADVANTECH CO., LTD. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, ADVANTECH CO., LTD. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,
ADVANTECH CO., LTD.
By

K.C. Liu , Chairman
February 27, 2024

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheets of ADVANTECH CO., LTD. and its subsidiaries (the “Group”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgements, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Valuation of inventories

Description

Refer to Note 4(14) for the accounting policies on the valuation of inventories, Note 5 for the uncertainty of accounting estimations and assumptions for the valuation of inventories, and Note 6(6) for the details of inventories. The balances of the Group's inventories and allowance for inventory valuation as at December 31, 2023 are \$10,863,248 thousand and \$1,059,452 thousand, respectively.

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

How our audit addressed the matter

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

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

Recognition of sales revenue from the Embedded-IoT and the Applied Computing Business Group

Description

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

The Group operates in a highly competitive industrial computer industry. Moreover, the overall industry was impacted by the global economic environment in 2023, increasing the risk associated with recognizing revenue. Therefore, we considered the recognition of sales revenue from the Embedded-IoT and the Applied Computing Business Group, which showed an increasing trend in sales revenue, as one of the key audit matters.

How our audit addressed the matter

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

1. Obtained an understanding of and assessed the internal controls in relation to sales revenue, and validated its operating effectiveness.
2. Tested the details of sales revenue of the Embedded-IoT and Applied Computing Business Group for the entire year, and selected samples of sales revenue transactions and related documents to confirm the appropriateness of revenue recognition.
3. Inspected significant abnormal sales returns and allowances after the balance sheet date.
4. Performed accounts receivable confirmation procedure to significant customers.

Other matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary

to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including Audit Committee, are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Liang, Hua-Ling

Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

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

(Continued)

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

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

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

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

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

(Continued)

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent											Non-controlling interest	Total equity
	Share Capital			Retained Earnings				Other Equity Interest					
	Notes	Common shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned employee benefits compensation	Total		
For the year ended December 31, 2022													
Balance at January 1, 2022		\$ 7,738,228	\$ 6,410	\$ 8,388,886	\$ 7,737,236	\$ 831,850	\$ 13,705,710	(\$ 1,575,937)	\$ 1,018,667	\$ 1,477	\$ 37,852,527	\$ 510,264	\$ 38,362,791
Consolidated profit for the year		-	-	-	-	-	10,757,077	-	-	-	10,757,077	(14,518)	10,742,559
Other comprehensive income (loss) for the year	6(20)(21)	-	-	-	-	-	31,990	860,976	(232,149)	-	660,817	(1,378)	659,439
Total comprehensive income (loss) for the year		-	-	-	-	-	10,789,067	860,976	(232,149)	-	11,417,894	(15,896)	11,401,998
Appropriations of 2021 earnings													
Legal reserve	6(19)	-	-	-	814,990	-	(814,990)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(276,056)	276,056	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(6,195,710)	-	-	-	(6,195,710)	-	(6,195,710)
Cash dividends distributed by subsidiaries	6(21)	-	-	-	-	-	-	-	-	-	-	(40,607)	(40,607)
Recognition of employee share options	6(16)(17)	40,206	(5,075)	401,139	-	-	-	-	-	-	436,270	-	436,270
Compensation costs recognized for employee share options	6(16)	-	-	233,442	-	-	-	-	-	-	233,442	-	233,442
Changes in associates and joint ventures accounted for under equity method	6(20)	-	-	78,071	-	-	(6,403)	-	-	(5,517)	66,151	-	66,151
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(29)	-	-	8,428	-	-	(4,614)	-	-	-	3,814	-	3,814
Changes in non-controlling interest	6(21)(29)	-	-	-	-	-	-	-	-	-	-	17,675	17,675
Changes in ownership interests in subsidiaries	6(21)(29)	-	-	314	-	-	-	-	-	-	314	(2,124)	(1,810)
Disposal of financial assets at fair value through other comprehensive income owned by associates	6(20)	-	-	-	-	-	958	-	(958)	-	-	-	-
Balance at December 31, 2022		\$ 7,778,434	\$ 1,335	\$ 9,110,280	\$ 8,552,226	\$ 555,794	\$ 17,750,074	(\$ 714,961)	\$ 785,560	(\$ 4,040)	\$ 43,814,702	\$ 469,312	\$ 44,284,014
For the year ended December 31, 2023													
Balance at January 1, 2023		\$ 7,778,434	\$ 1,335	\$ 9,110,280	\$ 8,552,226	\$ 555,794	\$ 17,750,074	(\$ 714,961)	\$ 785,560	(\$ 4,040)	\$ 43,814,702	\$ 469,312	\$ 44,284,014
Consolidated profit for the year		-	-	-	-	-	10,837,530	-	-	-	10,837,530	(48,197)	10,789,333
Other comprehensive income (loss) for the year	6(20)(21)	-	-	-	-	-	2,242	(112,050)	1,166,860	-	1,057,052	(3,704)	1,053,348
Total comprehensive income (loss) for the year		-	-	-	-	-	10,839,772	(112,050)	1,166,860	-	11,894,582	(51,901)	11,842,681
Appropriations of 2022 earnings													
Legal reserve	6(19)	-	-	-	1,077,901	-	(1,077,901)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(555,794)	555,794	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(7,779,770)	-	-	-	(7,779,770)	-	(7,779,770)
Stock dividends		777,977	-	-	-	-	(777,977)	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	6(21)	-	-	-	-	-	-	-	-	-	-	(19,989)	(19,989)
Recognition of employee share options	6(16)(17)	21,384	5,364	412,829	-	-	-	-	-	-	439,577	-	439,577
Compensation costs recognized for employee share options	6(16)	-	-	255,971	-	-	-	-	-	-	255,971	-	255,971
Changes in associates and joint ventures accounted for under equity method	6(20)	-	-	(36,411)	-	-	110,320	-	(110,320)	3,671	(32,740)	-	(32,740)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(29)	-	-	-	-	-	(142,307)	-	-	-	(142,307)	(93,819)	(236,126)
Changes in ownership interests in subsidiaries	6(21)(29)	-	-	11,137	-	-	-	-	-	-	11,137	44,823	55,960
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	-	-	-	-	-	112,115	-	(112,115)	-	-	-	-
Disposal of financial assets at fair value through other comprehensive income owned by associates	6(20)	-	-	-	-	-	9,300	-	(9,300)	-	-	-	-
Balance at December 31, 2023		\$ 8,577,795	\$ 6,699	\$ 9,753,806	\$ 9,630,127	\$ -	\$ 19,599,420	(\$ 827,011)	\$ 1,720,685	(\$ 369)	\$ 48,461,152	\$ 348,426	\$ 48,809,578

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 27, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

May 23, 2023

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

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

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity

when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	Advantech Automation Corp. (BVI) [AAC (BVI)]	Overseas investment in manufacturing and services industries	100.00	100.00	
	Advantech Technology Co., Ltd. (ATC)	Overseas investment in manufacturing and services industries	100.00	100.00	

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	Advanixs Corporation	Manufacturing, marketing and trade of industrial use computers	100.00	100.00	
	Advantech Corporate Investment (ACI)	Investment in marketable securities	100.00	100.00	
	Advantech Europe Holding B.V. (AEUH)	Overseas investment in manufacturing and services industries	100.00	100.00	
	Advantech Co., Singapore Pte, Ltd. (ASG)	Marketing and trade of industrial use computers	100.00	100.00	
	Advantech Australia Pty Ltd. (AAU)	Marketing and trade of industrial use computers	100.00	100.00	
	Advantech Japan Co., Ltd. (AJP)	Marketing and trade of industrial use computers	100.00	100.00	Note 3
	Advantech Co., Malaysia Sdn. Bhd (AMY)	Marketing and trade of industrial use computers	100.00	100.00	
	Advantech KR Co., Ltd. (AKR)	Marketing and trade of industrial use computers	100.00	100.00	
	Advantech Brasil Ltd. (ABR)	Marketing and trade of industrial use computers	100.00	100.00	
	Advantech Industrial Computing India Private Limited (AIN)	Marketing and trade of industrial use computers	99.99	99.99	
	LNC Technology Co., Ltd. (LNC)	Manufacturing and trade of controllers	44.60	44.60	Note 2
	Advantech Electronics, S.A.P.I DE C. V. (AMX)	Marketing and trade of industrial use computers	99.90	99.90	Note 8

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	Advantech Intelligent Services Co., Ltd. (AiCS)	Design, research and development and sales of intelligent services	100.00	100.00	
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Manufacturing of computer products	51.00	51.00	
	PT. Advantech International (AID)	Manufacturing, marketing and trade of industrial use computers	1.00	1.00	
	Advantech Vietnam Technology Company Limited (AVN)	Marketing and trade of industrial use computers	60.00	60.00	
	Advantech Technology Limited Liability Company (ARU)	Manufacturing, marketing and trade of industrial use computers	100.00	100.00	
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	80.10	60.00	Note 16
	ADVANTECH IOT ISRAEL LTD. (AIL)	Trading of industrial network communications systems	100.00	100.00	
	Huan Yan Water Solution Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	90.00	90.00	
	Advantech Technology DMCC (ADB)	Trading of industrial network communication systems	100.00	100.00	Note 12
	Advantech Autornation Corp. (HK) Limited [ACC (HK)]	Oversea investment in manufacturing and services industries	100.00	-	Note 17

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

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

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
Advantech Europe Holding B.V. (AEUH)	Advantech Europe B.V. (AEU)	Marketing and trade of industrial use computers	100.00	100.00	
	Advantech Poland Sp z o.o. (APL)	Marketing and trade of industrial use computers	100.00	100.00	
Advantech Co., Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Manufacturing of computer products	49.00	49.00	
	PT. Advantech International (AID)	Marketing and trade of industrial use computers	99.00	99.00	
	Advantech Electronics, S.A.P.I. DE C.V. (AMX)	Marketing and trade of industrial use computers	0.10	-	Notes 8 and 21
Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Networking electronic equipment for industrial use	100.00	100.00	
	Shenzhen Cermate Technologies Inc. (Cermate Shenzhen)	Production of LCD touch screen, USB data cables, and industrial use computers	90.00	90.00	
	Cermate software Inc. (CSI)	Software development	100.00	100.00	Note 5
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	Holding company	100.00	100.00	
	LNCMac Technology Corp. (LNCMac)	System integration and application, system furniture intelligent design, manufacturing and sales	66.32	87.27	Note 7

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

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

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

single largest shareholder of LNC. Given the degree of other shareholders involvement in prior shareholders' meeting and record of voting rights for major proposals, which indicates that the Group still has substantial ability to direct the relevant activities, the Group has control over LNC.

- Note 3: In the first quarter of 2022, Advantech Technologies Japan Corp. (ATJ) merged with AJP, with AJP as the surviving company and ATJ as the dissolved company.
- Note 4: In the first quarter of 2022, ACN acquired 18% equity interest in ACI CN, which resulted to a decrease in AAC (HK)'s equity interest in ACI CN to 82%.
- Note 5: In the first quarter of 2022, the Group established a wholly-owned subsidiary, Cermate Software Inc.
- Note 6: In the first quarter of 2022, the Group established Yan Xu Green Electricity Co., Ltd., and the Group held 82.5% equity interest in Yan Xu Green Electricity Co., Ltd.
- Note 7: In the first quarter of 2022, the Group established a wholly-owned subsidiary, LNCMac Technology Corp., and in the third quarter of 2022, the first, second and fourth quarter of 2023, the Group did not participate in the capital increase proportionally to its interest, which resulted to a decrease in ownership from 100% to 66.32%.
- Note 8: In the first quarter of 2022, the Group acquired 40% equity interest in AMX, which resulted to an increase in ownership from 60% to 100%.
- Note 9: In the second quarter of 2022, the Group adjusted its investment structure. Accordingly, ACI CN held 100% equity interest in SIoT (China).
- Note 10: In the second quarter of 2022, the Group established a wholly-owned subsidiary, BEST PLC.
- Note 11: In the second quarter of 2022, the Group established a wholly-owned subsidiary, BEST SERVO.
- Note 12: In the fourth quarter of 2022, the Group adjusted its investment structure, and accordingly, the Company held 100% equity interest in ADB.
- Note 13: In the fourth quarter of 2022, the Group established a wholly-owned subsidiary, BEST MACHINE.
- Note 14: In the fourth quarter of 2022, the Group established a wholly-owned subsidiary, BEST AUTOMATION.
- Note 15: In the first quarter of 2023, the Group established a wholly-owned subsidiary, LNCMac DONG GUAN Technology Co., Ltd.
- Note 16: In the second quarter of 2023, the Group made additional investments in ATR, which resulted to an increase in ownership from 60% to 62.4%, and in the fourth quarter of 2023, the Group acquired equity interest in ATR from non-controlling interest, which resulted to an increase in ownership from 62.4% to 80.1%.
- Note 17: In the third quarter of 2023, the Group adjusted its investment structure, and accordingly, the Company held equity interest in AAC (HK).

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

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

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

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

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

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.Otherwise they are classified as non-current assets.
- B. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;

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

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

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

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

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

(11) Impairment of financial assets

For financial assets at amortised cost including accounts and notes receivable that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

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

(13) Leasing arrangements (lessor) - operating leases

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

(14) Inventories

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

(15) Non-current assets held for sale

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

(16) Investments accounted for under equity method - associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(17) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings

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

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

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

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

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

(19) Intangible assets

A. Goodwill

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

B. Customer relationship and trademarks

Customer relationship and trademarks acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and customer relationship have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 1 to 3 years and 2 to 15 years, respectively.

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

Technology licenses	5 ~ 8 years
Others	1 ~ 5 years

(20) Impairment of non-financial assets

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

(21) Borrowings

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

(22) Notes and accounts payable

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

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

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

(24) Derecognition of financial liabilities

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

(25) Offsetting financial assets and liabilities

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

(26) Non-hedging derivatives

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

(27) Provisions for liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(28) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit

obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

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

D. Employees' compensation and directors' remuneration

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

(29) Employee share-based payment

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

(30) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive

income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred income tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(31) Share capital

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

(32) Dividends

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

(33) Revenue recognition

A. Sales of goods

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

B. Revenue from rendering services

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

(34) Government grants

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

(35) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent

liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

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

(36) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

A. Evaluation of inventories

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

As of December 31, 2023, the carrying amount of inventories was \$9,803,796.

B. Impairment assessment of goodwill

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

As of December 31, 2023, the Group recognized goodwill, net of impairment loss, amounting to \$2,288,276.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 608	\$ 1,212
Checking accounts and demand deposits	9,134,599	10,578,869
Cash equivalents (time deposits with original maturities less than three months)	1,876,373	1,449,704
	<u>\$ 11,011,580</u>	<u>\$ 12,029,785</u>

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

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Mandatorily measured at fair value through profit or loss		
Derivative instruments (not under hedge accounting)		
Forward foreign exchange contracts	\$ 17,160	\$ 936
Non-derivative financial assets		
Beneficiary certificates	8,566,902	3,181,146
Convertible corporate bonds	34,965	29,100
	<u>\$ 8,619,027</u>	<u>\$ 3,211,182</u>
<u>Financial assets - non-current</u>		
Mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
Listed and OTC stocks	\$ 186,017	\$ 187,708
Unlisted and non-OTC stocks	139,496	143,264
Beneficiary certificates	2,213,735	2,271,409
Ordinary corporate bonds	257,988	101,050
Convertible corporate bonds	109,184	-
	<u>\$ 2,906,420</u>	<u>\$ 2,703,431</u>

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

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Non-derivative instruments	\$ 127,473	(\$ 156,952)
Derivative instruments	(39,660)	(32,463)
	<u>\$ 87,813</u>	<u>(\$ 189,415)</u>

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

Derivative financial assets:

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

<u>December 31, 2022</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward foreign exchange	CNY/NTD	2023.01~2023.02	CNY 37,000/NTD 164,020
	JPY/NTD	2023.01	JPY 20,000/NTD 4,652

Derivative financial liabilities:

<u>December 31, 2023</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (in thousands)</u>
Sell forward foreign exchange	EUR/NTD	2024.02	EUR 1,500/NTD 50,744
	JPY/NTD	2024.01~2024.02	JPY 50,000/NTD 10,646
	USD/NTD	2024.02	USD 1,000/NTD 30,500

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

C. The Group entered into forward foreign exchange contracts to manage exposure to exchange rate fluctuations of foreign-currency denominated assets and liabilities. However, those contracts did

not meet the criteria of hedge effectiveness and therefore were not accounted for under hedge accounting.

D. The Group had no financial assets at fair value through profit or loss pledged to others as collateral.

E. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Listed and OTC stocks	\$ 2,465,721	\$ 1,648,197
Unlisted and non-OTC stocks	485,513	551,359
	<u>\$ 2,951,234</u>	<u>\$ 2,199,556</u>

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

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 1,136,167	(\$ 310,640)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	\$ 112,115	\$ -
Dividend income recognized in profit or loss		
Held at end of year	\$ 199,584	\$ 234,879
Derecognized during the year	12,496	-
	<u>\$ 212,080</u>	<u>\$ 234,879</u>

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

(4) Financial assets at amortised cost

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

- A. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were \$1,630,578 and \$139,910, respectively.
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that probability of counterparty default is remote.

(5) Notes and accounts receivable

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 8,220,242	\$ 10,067,584
Less than 90 days past due	978,515	986,491
Between 91 to 180 days past due	55,847	55,963
Over 181 days past due	153,765	89,640
	<u>\$ 9,408,369</u>	<u>\$ 11,199,678</u>

The above aging analysis was based on past due date.

- B. Except for the balances shown above, the balance of notes and accounts receivable from contracts with customers was \$10,328,870 at January 1, 2022.
- C. The Group does not hold collateral as security for accounts receivable.
- D. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposures to credit risk in respect of the amounts that best represent the Group's notes receivable were \$1,293,317 and \$1,434,823, respectively. The maximum exposures to credit risk in respect of the amount that best represents the Group's accounts receivable were \$7,961,226 and \$9,641,564, respectively.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,526,797	(\$ 776,460)	\$ 4,750,337
Work in progress	637,874	(8,294)	629,580
Finished goods	3,534,808	(274,698)	3,260,110
Inventory in transit	1,163,769	-	1,163,769
	<u>\$ 10,863,248</u>	<u>(\$ 1,059,452)</u>	<u>\$ 9,803,796</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 7,407,878	(\$ 687,919)	\$ 6,719,959
Work in progress	1,210,965	(27,894)	1,183,071
Finished goods	5,176,003	(282,156)	4,893,847
Inventory in transit	1,210,888	-	1,210,888
	<u>\$ 15,005,734</u>	<u>(\$ 997,969)</u>	<u>\$ 14,007,765</u>

The cost of inventories recognized as expense for the year:

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

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

(7) Investments accounted for under equity method

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Associates that are not individually material</u>		
<u>Listed and OTC companies</u>		
Axiomtek Co., Ltd. (Axiomtek)	\$ 1,077,036	\$ 1,004,985
Winmate Inc. (Winmate)	663,771	610,406
AzureWave Technologies, Inc. (AzureWave)	775,429	697,753
Nippon RAD Inc. (Nippon RAD)	252,609	257,187
Mildex Optical Inc. (Mildex)	178,362	164,948
Hwacom Systems Inc. (Hwacom)	458,363	456,377
Information Technology Total Services Co., Ltd. (ITTS)	140,237	160,480
<u>Unlisted and non-OTC companies</u>		
International Integrated Systems, Inc. (IISI)	278,221	286,522
CDIB Innovation Accelerator Co., Ltd. (CDIB)	286,793	286,711
VSO Electronics Co., Ltd. (VSO)	177,684	185,187
Feng Sang Enterprise Co., Ltd. (Feng Sang)	124,293	115,820
Others	291,835	156,862
	<u>\$ 4,704,633</u>	<u>\$ 4,383,238</u>

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

- (a) In the fourth quarter of 2022, Foshan Technology made a cash capital increase. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased to 25.36%. In the third quarter of 2023, Foshan Technology made a cash capital increase. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 25.36% to 21.88%.
- (b) In the first quarter of 2022, the Group invested in Spingence Technology Co., Ltd. ("Smasoft") for a cash consideration of \$13,050, which resulted to an increase in its equity interest from 24.07% to 25.63%.
- (c) In the fourth quarter of 2022, Dotzero Co., Ltd. ("Dotzero") made a cash capital increase. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 25.71% to 10.38%. However, the Group continues to hold significant influence over Dotzero as the Group remains as one of its directors.
- (d) In the first quarter of 2022, the Group disposed 4.71% equity interest in I-Link Co., Ltd. ("i-Link") for a cash consideration of \$940, which resulted to a decrease in its equity interest from 20.13% to 15.42%. As the Group lost significant influence, the investment in i-Link accounted for under equity method was reclassified as financial assets at fair value through other comprehensive income - non-current.

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

- (n) In the fourth quarter of 2023, Impelex Data Transfer Co., Ltd. (Impelex) made a capital increase. As the Group did not subscribe to the capital increase in proportion to its shareholding percentage, its equity interest decreased from 20.00% to 16.67%. However, the Group continues to hold significant influence over Impelex as the Group remains as one of its directors.
- (o) During 2023, Axiomtek converted employee share options into common shares, which resulted to a decrease in its equity interest from 27.97% to 27.63%.
- (p) During 2023, Winmate converted employee share options into common shares, which resulted to a decrease in its equity interest from 16.39% to 15.32%.
- B. The summary of financial information of share attributable to the Group on the associates that are not individually material to the Group is as follows:

	For the years ended December 31,	
	2023	2022
Profit for the year from continuing operations	\$ 388,513	\$ 447,404
Other comprehensive income after tax	26,602	136,008
Total comprehensive income	<u>\$ 415,115</u>	<u>\$ 583,412</u>

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

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

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

(8) Property, plant and equipment

	Freehold land	Buildings	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment pending acceptance	Total
Balance at January 1, 2023							
Cost	\$ 3,078,714	\$ 8,444,047	\$ 2,283,830	\$ 954,826	\$ 2,190,489	\$ 991,827	\$ 17,943,733
Accumulated depreciation and impairment	-	(3,153,349)	(1,445,966)	(769,670)	(1,535,353)	-	(6,904,338)
	<u>\$ 3,078,714</u>	<u>\$ 5,290,698</u>	<u>\$ 837,864</u>	<u>\$ 185,156</u>	<u>\$ 655,136</u>	<u>\$ 991,827</u>	<u>\$ 11,039,395</u>
Balance at January 1, 2023	\$ 3,078,714	\$ 5,290,698	\$ 837,864	\$ 185,156	\$ 655,136	\$ 991,827	\$ 11,039,395
Additions	-	452,221	205,765	76,897	176,560	286,144	1,197,587
Acquired from business combinations	-	-	-	315	424	-	739
Disposals	-	(2,117)	(485)	(4,698)	(990)	-	(8,290)
Depreciation	-	(226,532)	(153,687)	(76,774)	(209,311)	-	(666,304)
Reclassifications	(144,820)	863,507	41,392	951	28,457	(955,427)	(165,940)
Net exchange differences	(12,670)	(34,622)	(10,427)	(790)	(11,393)	(1,240)	(71,142)
Balance at December 31, 2023	<u>\$ 2,921,224</u>	<u>\$ 6,343,155</u>	<u>\$ 920,422</u>	<u>\$ 181,057</u>	<u>\$ 638,883</u>	<u>\$ 321,304</u>	<u>\$ 11,326,045</u>
Balance at December 31, 2023							
Cost	\$ 2,921,224	\$ 9,569,679	\$ 2,397,115	\$ 871,739	\$ 2,228,038	\$ 321,304	\$ 18,309,099
Accumulated depreciation and impairment	-	(3,226,524)	(1,476,693)	(690,682)	(1,589,155)	-	(6,983,054)
	<u>\$ 2,921,224</u>	<u>\$ 6,343,155</u>	<u>\$ 920,422</u>	<u>\$ 181,057</u>	<u>\$ 638,883</u>	<u>\$ 321,304</u>	<u>\$ 11,326,045</u>
	Freehold land	Buildings	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment pending acceptance	Total
Balance at January 1, 2022							
Cost	\$ 2,967,968	\$ 8,242,253	\$ 2,143,173	\$ 924,897	\$ 1,977,872	\$ 447,704	\$ 16,703,867
Accumulated depreciation and impairment	-	(2,912,359)	(1,414,794)	(734,793)	(1,395,170)	-	(6,457,116)
	<u>\$ 2,967,968</u>	<u>\$ 5,329,894</u>	<u>\$ 728,379</u>	<u>\$ 190,104</u>	<u>\$ 582,702</u>	<u>\$ 447,704</u>	<u>\$ 10,246,751</u>
Balance at January 1, 2022	\$ 2,967,968	\$ 5,329,894	\$ 728,379	\$ 190,104	\$ 582,702	\$ 447,704	\$ 10,246,751
Additions	73,465	144,342	198,013	71,875	207,419	625,335	1,320,449
Disposals	-	-	(3,764)	(3,339)	(3,378)	-	(10,481)
Depreciation	-	(216,245)	(138,619)	(78,783)	(193,575)	-	(627,222)
Reclassifications	20,133	(15,214)	47,593	938	49,670	(81,211)	21,909
Net exchange differences	17,148	47,921	6,262	4,361	12,298	(1)	87,989
Balance at December 31, 2022	<u>\$ 3,078,714</u>	<u>\$ 5,290,698</u>	<u>\$ 837,864</u>	<u>\$ 185,156</u>	<u>\$ 655,136</u>	<u>\$ 991,827</u>	<u>\$ 11,039,395</u>
Balance at December 31, 2022							
Cost	\$ 3,078,714	\$ 8,444,047	\$ 2,283,830	\$ 954,826	\$ 2,190,489	\$ 991,827	\$ 17,943,733
Accumulated depreciation and impairment	-	(3,153,349)	(1,445,966)	(769,670)	(1,535,353)	-	(6,904,338)
	<u>\$ 3,078,714</u>	<u>\$ 5,290,698</u>	<u>\$ 837,864</u>	<u>\$ 185,156</u>	<u>\$ 655,136</u>	<u>\$ 991,827</u>	<u>\$ 11,039,395</u>

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

(9) Lease agreements - lessee

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

B. Right-of-use assets

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

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

D. Lease liabilities

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

E. Other lease information

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

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

(10) Intangible assets

	Trademarks	Customer relationships	Technology licenses	Goodwill	Others	Total
Balance at January 1, 2023						
Cost	\$ 501,520	\$ 569,759	\$ 418,813	\$ 2,913,175	\$ 682,508	\$ 5,085,775
Accumulated amortization and impairment	(429,534)	(346,051)	(393,770)	(665,939)	(461,202)	(2,296,496)
	<u>\$ 71,986</u>	<u>\$ 223,708</u>	<u>\$ 25,043</u>	<u>\$ 2,247,236</u>	<u>\$ 221,306</u>	<u>\$ 2,789,279</u>
Balance at January 1, 2023	\$ 71,986	\$ 223,708	\$ 25,043	\$ 2,247,236	\$ 221,306	\$ 2,789,279
Acquired separately	-	-	-	-	52,069	52,069
Acquired through business combinations	4,289	6,192	-	30,816	19,866	61,163
Disposals	-	-	-	-	(10)	(10)
Amortization	(829)	(34,526)	(25,405)	-	(113,202)	(173,962)
Reclassifications	-	-	-	-	(467)	(467)
Net exchange differences	2,579	(1,709)	362	10,224	10,886	22,342
Balance at December 31, 2023	<u>\$ 78,025</u>	<u>\$ 193,665</u>	<u>\$ -</u>	<u>\$ 2,288,276</u>	<u>\$ 190,448</u>	<u>\$ 2,750,414</u>
Balance at December 31, 2023						
Cost	\$ 508,306	\$ 572,904	\$ 422,615	\$ 2,954,215	\$ 693,325	\$ 5,151,365
Accumulated amortization and impairment	(430,281)	(379,239)	(422,615)	(665,939)	(502,877)	(2,400,951)
	<u>\$ 78,025</u>	<u>\$ 193,665</u>	<u>\$ -</u>	<u>\$ 2,288,276</u>	<u>\$ 190,448</u>	<u>\$ 2,750,414</u>
Balance at January 1, 2022						
Cost	\$ 456,060	\$ 530,820	\$ 383,119	\$ 2,758,549	\$ 557,405	\$ 4,685,953
Accumulated amortization and impairment	(387,154)	(292,834)	(337,975)	(665,939)	(336,626)	(2,020,528)
	<u>\$ 68,906</u>	<u>\$ 237,986</u>	<u>\$ 45,144</u>	<u>\$ 2,092,610</u>	<u>\$ 220,779</u>	<u>\$ 2,665,425</u>
Balance at January 1, 2022	\$ 68,906	\$ 237,986	\$ 45,144	\$ 2,092,610	\$ 220,779	\$ 2,665,425
Acquired separately	-	-	-	-	124,429	124,429
Amortization	-	(33,402)	(24,304)	-	(126,260)	(183,966)
Net exchange differences	3,080	19,124	4,203	154,626	2,358	183,391
Balance at December 31, 2022	<u>\$ 71,986</u>	<u>\$ 223,708</u>	<u>\$ 25,043</u>	<u>\$ 2,247,236</u>	<u>\$ 221,306</u>	<u>\$ 2,789,279</u>
Balance at December 31, 2022						
Cost	\$ 501,520	\$ 569,759	\$ 418,813	\$ 2,913,175	\$ 682,508	\$ 5,085,775
Accumulated amortization and impairment	(429,534)	(346,051)	(393,770)	(665,939)	(461,202)	(2,296,496)
	<u>\$ 71,986</u>	<u>\$ 223,708</u>	<u>\$ 25,043</u>	<u>\$ 2,247,236</u>	<u>\$ 221,306</u>	<u>\$ 2,789,279</u>

A. The details of goodwill are as follows:

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

B. Goodwill impairment assessment

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

(11) Non-current assets held for sale

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

A. Assets of disposal group held for sale:

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

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

(12) Short-term borrowings

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

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

(13) Other payables

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

(14) Long-term borrowings

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

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

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

(15) Pension

A. Defined benefit pension plans

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

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 459,822	\$ 467,637
Fair value of plan assets	(221,700)	(214,346)
Net defined benefit liability ("recognized as other non-current liabilities")	<u>\$ 238,122</u>	<u>\$ 253,291</u>

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

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

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and Cermate Taiwan's defined benefit pension plans in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and Cermate Taiwan have no right to participate in managing and operating that fund and hence the Company and Cermate Taiwan are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used are as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.11%~1.25%</u>	<u>0.64%~7.56%</u>
Future salary increases rate	<u>3.75%~10.00%</u>	<u>3.75%~7.31%</u>

Future mortality rate was estimated based on actuarial advice in accordance with published statistics and experiences from 6th Taiwan Standard Ordinary Experience Mortality Table, Abridged Life Tables for Japan (2022) and Indian Assured Lives Mortality.

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

	<u>Discount rate</u>		<u>Future salary increases rate</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2023				
Effect on present value of defined benefit obligation	<u>(\$ 11,256)</u>	<u>\$ 11,690</u>	<u>\$ 9,022</u>	<u>(\$ 8,761)</u>
December 31, 2022				
Effect on present value of defined benefit obligation	<u>(\$ 12,101)</u>	<u>\$ 12,581</u>	<u>\$ 9,536</u>	<u>(\$ 9,126)</u>

The sensitivity analysis above was determined based on the change of one assumption while the other conditions remain unchanged. In practice, the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method of

analysing sensitivity and the method of calculating net pension liability in the balance sheets are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$16,292.

(g) As of December 31, 2023, the weighted average duration of the retirement plans is 9.5~25.53 years.

B. Defined contribution pension plans

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

(b) Overseas subsidiaries contribute pension in accordance with local government regulations, and recognize pension expenses at the time of contribution.

(c) The pension costs under the defined contribution pension plans of the Group were \$439,382 and \$411,324 for the years ended December 31, 2023 and 2022, respectively.

(16) Share-based payment

A. Employee share options granted by the Company

(a) Qualified employees of the Company were granted 8,000,000 options in 2023, 7,500 options in 2020 and 8,000 options in 2018. Each option entitles the holder to subscribe for one, one thousand and one thousand ordinary shares of the Company, respectively. The holders of these shares include employees who meet certain criteria set by the Company from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in 2023, 2020 and 2018 are all valid for six years. All options are exercisable at certain percentages after the second anniversary year from the grant date. The exercise price of options granted in 2023 and 2020 were \$200 (in dollars) per share. The options issued in 2018 were granted at an exercise price equal to the share price at the grant date. For any subsequent changes in the Company’s common shares, the exercise price and the number of options will be adjusted accordingly.

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

	For the years ended December 31,			
	2023		2022	
	Unit of options (in thousand shares)	Weighted- average exercise price (in dollars)	Unit of options (in thousand shares)	Weighted- average exercise price (in dollars)
Options outstanding at the beginning of the year	13,379	\$ 179.19	17,022	\$ 172.74
Options granted	8,000	200.00	-	-
Options exercised	(2,675)	164.35	(3,513)	124.18
Options forfeited	-	-	(130)	-
Options outstanding at the end of the year	<u>18,704</u>	176.71	<u>13,379</u>	179.19
Options exercisable at the end of the year	<u>9,204</u>	157.68	<u>10,378</u>	175.77

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

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

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

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

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

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

(f) Compensation cost recognized for the years ended December 31, 2023 and 2022 were \$255,971 and \$233,442, respectively.

B. Employee share options granted by the subsidiary - LNC

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

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

	For the years ended December 31,			
	2023		2022	
	Unit of options	Weighted-average exercise price (in dollars)	Unit of options	Weighted-average exercise price (in dollars)
Options outstanding at the beginning of the year	20	\$ 20	636	\$ 20
Options expired	(20)	20	(616)	20
Options outstanding at the end of the year	-	-	20	20
Options exercisable at the end of the year	-	-	20	20

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

	December 31, 2023		December 31, 2022	
	Exercise price (in dollars)	Weighted-average remaining contractual life (in years)	Exercise price (in dollars)	Weighted-average remaining contractual life (in years)
Issuance in 2018	\$ -	-	\$ 20	0.33

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

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

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

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

Issuance in 2018

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

Issuance in 2017

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

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

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

(17) Share capital

As of December 31, 2023, the Company's authorised capital was \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock (including 50,000 thousand shares reserved for employee share options and corporate bonds with warrant), and the paid-in capital was \$8,584,494 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The change in the number of the Company's common shares outstanding at the beginning and end of the year are as follows (in thousand shares):

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

(18) Capital surplus

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Premium on issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238
Premium on conversion of bonds	1,636,499	1,636,499
Premium on issuance of ordinary shares for employee share options	4,172,821	3,580,335
Difference between consideration and carrying amount of subsidiaries acquired or disposed	31,556	31,556
Changes in equity of associates accounted for under equity method	674	674
Employees' share compensation	78,614	78,614
<u>May be used to offset a deficit only</u>		
Changes in ownership interests in subsidiaries	11,666	529
Changes in equity of associates accounted for under equity method	71,068	107,479
Employee share options forfeited	96,258	96,258
<u>Not to be used for any purpose</u>		
Employee share options	962,412	886,098
	<u>\$ 9,753,806</u>	<u>\$ 9,110,280</u>

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

(19) Retained earnings

- A. Under the earnings distribution policy of the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside or reversed from the legal reserve. Where such legal reserve amounts has reached the company's paid-in capital, it may no longer be appropriated. The remainder, if any, shall be distributed as dividends to be proposed by the Board of Directors. The distribution of cash dividends shall be resolved by the Board of Directors while stock dividends shall be resolved by the shareholders during their meeting.
- B. The Company's dividend policy which takes into consideration the Company's future funding requirements and long-term financial planning as well as the interest of shareholders is to distribute at least 30% of the available profits as dividends to shareholders annually. The distribution of cash dividends shall not be less than 20% of the total dividends distributed. The Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividends policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interests, and the sustainability of the Company's growth. The policy also requires that share dividends shall be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.
- E. The appropriations of 2022 and 2021 earnings had been approved by the shareholders on May 25, 2023 and May 26, 2022, respectively.

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

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

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

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

(20) Other equity items

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

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

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

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

C. Unearned employee benefits compensation

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

(21) Non-controlling interest

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

(22) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

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

For the year ended December 31, 2023

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

For the year ended December 31, 2022

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

B. Contract liabilities

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

(23) Other income

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

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

(24) Other gains and losses

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

(25) Finance costs

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

(26) Expenses by nature

A. Depreciation and amortisation expenses

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

B. Employee benefit expense

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

- (a) The Company accrues employees' compensation at the rate of no less than 5% and directors' remuneration at the rate of no higher than 1%, of net profit before income tax. For the years ended December 31, 2023 and 2022, employees' compensation and directors' remuneration were accrued based on a certain percentage of net profit after income tax. The aforementioned amounts were recognized in salary expense.

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

- (b) Employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors on February 24, 2023 were in agreement with those amounts recognized in the 2022 financial statements.
- (c) Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income taxes

A. Income tax expense:

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

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

(b) Income tax recognized in other comprehensive income

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

B. Reconciliation between income tax expenses and accounting profit:

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

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

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

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

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

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

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

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

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

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

F. The Group did not recognize taxable temporary differences associated with investments in subsidiaries as deferred income tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary differences unrecognized as deferred income tax liabilities were \$3,885,555 and \$2,838,330, respectively.

G. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

H. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

I. The Group's exposure to Pillar Two income taxes arising from the Pillar Two legislation is as follows:

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

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

(28) Earnings per share

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

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

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

	For the years ended December 31,	
	2023	2022
Earnings used in the computation of basic earnings per share	\$ 10,837,530	\$ 10,757,077
Earnings used in the computation of diluted earnings per share	\$ 10,837,530	\$ 10,757,077

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

(29) Transactions with non-controlling interest

A. Acquisition of additional interests in subsidiaries:

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

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

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

	<u>For the year ended December 31, 2023</u>		
	<u>ATR</u>	<u>Cermate Taiwan</u>	<u>Total</u>
Consideration paid	(\$ 47,126)	(\$ 189,000)	(\$ 236,126)
Proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>6,242</u>	<u>87,577</u>	<u>93,819</u>
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>(\$ 40,884)</u>	<u>(\$ 101,423)</u>	<u>(\$ 142,307)</u>
<u>Line items adjusted for equity transactions</u>			
Unappropriated retained earnings	<u>(\$ 40,884)</u>	<u>(\$ 101,423)</u>	<u>(\$ 142,307)</u>
		<u>For the year ended December 31, 2022</u>	
		<u>AMX</u>	
Consideration paid		(\$ 31,508)	
Proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests		<u>26,894</u>	
Difference between consideration and carrying amount of subsidiaries acquired or disposed		<u>(\$ 4,614)</u>	
<u>Line items adjusted for equity transactions</u>			
Unappropriated retained earnings		<u>(\$ 4,614)</u>	

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

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

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

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

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

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

(30) Business combinations

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

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

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

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

(31) Changes in liabilities from financing activities

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

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

Note: Including exchange differences and lease modification.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

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

Names of related parties	Relationship with the Group
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
Nippon RAD Inc.	Associate
i-Link Co., Ltd.	Associate (Note)
DotZero Co., Ltd.	Associate
Mildex Optical Inc.	Associate
Information Technology Total Services Co., Ltd.	Associate
Hwacom Systems Inc.	Associate
Smasoft Technology Co., Ltd.	Associate
Impelex Data Transfer Co., Ltd.	Associate
VSO Electronics Co., Ltd.	Associate
VSO Electronics (Jian) Co., Ltd.	Associate
VSO Electronics (Suzhou) Co., Ltd.	Associate
International Integrated System, Inc.	Associate
Freedom System Inc.	Associate
Expotech Co., Ltd.	Associate
Honghua Electronic Technology (Shanghai) Co., Ltd.	Associate

Names of related parties	Relationship with the Group
Feng Sang Enterprise Co., Ltd.	Associate
RFD Micro Electricity Co., Ltd.	Associate
Suzhou AIIST Intelligent Technology Co., Ltd.	Associate
LNC Rich investment Co., Ltd.	Other related party
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party
Tran-Fei Development Co., Ltd.	Other related party
OYALIN Co., Ltd.	Other related party
Oya System Furniture Design Ltd.	Other related party

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

(3) Significant related party transactions

A. Operating revenue

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

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

B. Purchases and other operating costs

	For the years ended December 31,	
	2023	2022
Purchases of goods:		
Associates	\$ 314,294	\$ 458,963
Purchases of services:		
Associates	1	2,169
Other related parties	-	30
	<u>\$ 314,295</u>	<u>\$ 461,162</u>

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable - related parties		
Associates	\$ 15,551	\$ 32,300
Other related parties	<u>1,183</u>	<u>100</u>
	<u>\$ 16,734</u>	<u>\$ 32,400</u>
Other receivables - related parties		
Associates	\$ 922	\$ -
Other related parties	<u>-</u>	<u>890</u>
	<u>\$ 922</u>	<u>\$ 890</u>

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

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

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

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

E. Prepayments to related parties

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

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

F. Property transactions

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

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

G. Other related party transactions

(a) Operating expenses

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

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

(b) Interest income

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

(c) Other income

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

Lease contracts between the Group and its associates were based on market rental prices and had normal payment terms. Revenue contracts for technical services between the Group and its associates were based on market prices and had payment terms as stipulated in the contracts.

For other transactions with related parties, since normal payment terms with related parties were not stipulated, the payment terms were based on mutual agreement.

(d) Dividend income

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

(4) Key management compensation

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Refer to Note 7(3) 6.

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

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

to \$1,673,080.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. Refer to Note 6(19) 6.

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

12. OTHERS

(1) Capital management

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

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

(2) Financial instruments

A. Financial instruments by category

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

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

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

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

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

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

Exchange rate risk

- i. The Group undertook operating activities and investments in foreign operations denominated in foreign currencies, which exposed the Group to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by entering into forward foreign exchange contracts, which allow the Group to mitigate but not fully eliminate the effect.

- ii. The maturities of the Group's forward foreign exchange contracts were less than six months. These forward foreign exchange contracts did not meet the criteria for hedge accounting and were recognized in financial assets or liabilities at fair value through profit or loss. Refer to Note 6(2).
- iii. The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2023			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 213,207	30.705	\$ 6,546,507
CNY:NTD	998,274	4.327	4,319,531
EUR:NTD	22,004	33.980	747,699
USD:CNY	85,547	7.0961	2,626,731
USD:EUR	30,701	0.9036	942,688
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	115,131	30.705	3,535,111
CNY:NTD	475,588	4.327	2,057,868
USD:CNY	29,198	7.0961	896,537
USD:EUR	11,776	0.9036	361,592

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

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains were \$28,832 and \$222,576, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

- iv. The Group is mainly exposed to the exchange rate fluctuation of USD, EUR and CNY.

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

For the year ended December 31, 2023			
Sensitivity Analysis			
Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 65,465	\$ -
CNY:NTD	1%	43,195	-
EUR:NTD	1%	7,477	-
USD:CNY	1%	26,267	-
USD:EUR	1%	9,427	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	35,351	-
CNY:NTD	1%	20,579	-
USD:CNY	1%	8,965	-
USD:EUR	1%	3,616	-
For the year ended December 31, 2022			
Sensitivity Analysis			
Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 81,550	\$ -
CNY:NTD	1%	28,557	-
EUR:NTD	1%	16,991	-
USD:CNY	1%	19,351	-
USD:EUR	1%	11,468	-
CNY:USD	1%	136	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	34,890	-
CNY:NTD	1%	15,394	-
USD:CNY	1%	11,591	-
USD:EUR	1%	4,854	-
EUR:NTD	1%	41	-

Interest rate risk

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

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

- iii. The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole period. A 50-basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.
- iv. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased by \$44,877 and \$51,288, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank deposits and borrowings.

Other price risk

- i. The Group is exposed to equity price risk through its investments in listed and OTC equity securities. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments trading in Taiwan.
- ii. If equity prices had been 1% higher, pre-tax profit for the years ended December 31, 2023 and 2022 would have increased by \$3,255 and \$3,310, respectively, as a result of the changes in fair value of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would

have increased by \$29,512 and \$21,996, respectively, as a result of the changes in fair value of financial assets at fair value through other comprehensive income. Had equity prices been 1% lower for the same year, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.

iii. The Group's sensitivity to equity prices increased or decreased because of volatility of stock price.

(b) Credit risk

i. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation provided by the Group could arise from the carrying amount of the respective recognized financial assets, as stated in the balance sheets.

ii. Accounts receivable consisted of a large number of customers, spread across diverse industries and geographical areas and, thus, no concentration of credit risk was observed. According to the Group's credit policy, each entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risks limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.

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

iv. The Group measures the loss allowance for accounts receivable at an amount that equals to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, expected economic growth rate and industry trends at the same time. As there were various loss patterns for different customer geographical segments, the Group adopts respective approaches to prepare the provision matrix for loss allowance based on past due status of the Group's different geographical customer base, and sets out the expected credit loss rate for accounts receivable that are

overdue and based on geographical economic conditions.

- v. If there is evidence to prove that counterparties have a material financial difficulty and the recoverable amount cannot be estimated reliably, for example, the default occurs when counterparties are processing the liquidation or the debt has been past due over 1 year, the Group will provide impairment loss in full. However, the Group will continue executing the recourse procedures to secure their rights, the recovered amount arising from the recourse procedures will be recognized in profit or loss.
- vi. The Group refers to the forecast ability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of notes and accounts receivable from general credit conditions customers. The provision matrix as of December 31, 2023 and 2022 is as follows:

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

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

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

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

Note: The Group wrote off accounts receivable and related loss allowance for the years ended December 31, 2023 and 2022 amounting to \$1,648 and \$2,260, respectively, as the customers' accounts receivable have aged more than 2 years and the legal attest letters were served without receivables collected.

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

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

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

(c) Liquidity risk

- i. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.
- ii. The Group relies on bank borrowings as one of the significant source of liquidity. As of December 31, 2023 and 2022, the Group's undrawn bank borrowing facilities are as follows:

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

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

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

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

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

December 31, 2023

	<u>On demand or less than 1 month</u>	<u>1-3 months</u>	<u>Over 3 months to 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 7,395,636	\$ 1,766,642	\$ 1,321,606	\$ -
Lease liability	22,603	44,935	181,001	1,916,489
Floating rate instruments	60,015	50,350	50,969	-
Fixed rate instruments	118,815	65,197	12,930	-
	<u>\$ 7,597,069</u>	<u>\$ 1,927,124</u>	<u>\$ 1,566,506</u>	<u>\$ 1,916,489</u>

December 31, 2022

	<u>On demand or less than 1 month</u>	<u>1-3 months</u>	<u>Over 3 months to 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 7,440,717	\$ 3,297,444	\$ 1,534,918	\$ -
Lease liability	22,229	36,220	172,830	186,837
Floating rate instruments	165,178	95,639	63,276	-
Fixed rate instruments	46,734	163,017	2,679	121,764
	<u>\$ 7,674,858</u>	<u>\$ 3,592,320</u>	<u>\$ 1,773,703</u>	<u>\$ 308,601</u>

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

v. Liquidity tables for derivative financial liabilities

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

December 31, 2023

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

December 31, 2022

	<u>On demand or less than 1 month</u>	<u>1-3 months</u>	<u>Over 3 months to 1 year</u>	<u>Total</u>
<u>Gross settled</u>				
Forward foreign exchange contracts				
- Inflows	\$ 292,245	\$ 552,494	\$ 212,319	\$ 1,057,058
- Outflows	(298,977)	(563,211)	(215,568)	(1,077,756)
	<u>(\$ 6,732)</u>	<u>(\$ 10,717)</u>	<u>(\$ 3,249)</u>	<u>(\$ 20,698)</u>

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

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

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets - recurring fair value measurements				
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ -	\$ 17,160	\$ -	\$ 17,160
Listed and OTC stocks	186,017	-	-	186,017
Unlisted and non-OTC stocks	-	-	139,496	139,496
Convertible corporate bonds	34,965	109,184	-	144,149
Ordinary corporate bonds	257,988	-	-	257,988
Fund beneficiary certificates	<u>8,566,902</u>	<u>-</u>	<u>2,213,735</u>	<u>10,780,637</u>
	<u>9,045,872</u>	<u>126,344</u>	<u>2,353,231</u>	<u>11,525,447</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Listed and OTC stocks	2,465,721	-	-	2,465,721
Unlisted and non-OTC stocks	<u>-</u>	<u>-</u>	<u>485,513</u>	<u>485,513</u>
	<u>2,465,721</u>	<u>-</u>	<u>485,513</u>	<u>2,951,234</u>
Assets - non-recurring fair value measurements				
Non-current assets held for sale (Note)	<u>-</u>	<u>-</u>	<u>495,124</u>	<u>495,124</u>
	<u>\$ 11,511,593</u>	<u>\$ 126,344</u>	<u>\$ 3,333,868</u>	<u>\$ 14,971,805</u>
Liabilities - recurring fair value measurements				
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	<u>\$ -</u>	<u>\$ 635</u>	<u>\$ -</u>	<u>\$ 635</u>

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

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

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

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

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

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.

- iii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- D. There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.
- E. Reconciliation of Level 3 fair value measurements of financial instruments:

For the year ended December 31, 2023

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

For the year ended December 31, 2022

<u>Financial assets</u>	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1	\$ 1,378,520	\$ 120,017	\$ 1,498,537
Purchase	716,583	-	716,583
Disposal / transfer	-	327	327
Recognized in profit or loss	87,070	-	87,070
Recognized in other comprehensive income	-	431,015	431,015
Balance at December 31	<u>\$ 2,182,173</u>	<u>\$ 551,359</u>	<u>\$ 2,733,532</u>

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

Derivatives held by the Group were forward foreign exchange contracts, whose fair values were calculated using discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties; Convertible bonds are evaluated using a binomial tree model. Parameters utilized in the calculation include: stock price, conversion price, stock price volatility, remaining term, risk-free interest rate, and number of periods to maturity. Discounting is performed based on the time of maturity and risk discount rate.

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

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

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

(4) Others

Description of overall operating conditions

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

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

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Refer to table 1.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 10.

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

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

(4) Major shareholders information

Major shareholders information: Refer to table 11.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Measurement of segment information

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

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

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

For the year ended December 31, 2023

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

For the year ended December 31, 2022

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

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

(3) Revenue from major products and services

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

	For the years ended December 31,	
	2023	2022
Embedded boards and chassis	\$ 34,679,628	\$ 34,387,678
Industrial computer and industrial control	22,911,585	26,699,417
After-sales service and others	6,976,484	7,657,606
	<u>\$ 64,567,697</u>	<u>\$ 68,744,701</u>

(4) Geographical information

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

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

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

(5) Major customer information

No single customer contributed 10% or more to the Group's revenue for the years ended December 31, 2023 and 2022.

ADVANTECH CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	Financial Statement Account	Related Parties	Maximum Balance for the period (Note D)	Ending Balance (Note D)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted (Note B)
													Item	Value		
0	ADVANTECH CO., LTD.	AKR	Other receivable - related parties	Yes	\$ 162,125	\$ 153,525	\$ 107,468	3%~4%	Short-term financing	\$ -	Operating need	\$ -	None	-	\$ 4,846,115 (Note B)	\$ 9,692,230 (Note B)
1	LNC	LNC Dong Guan	Other receivable - related parties	Yes	30,000	30,000	-	-	Short-term financing	-	Operating need	-	None	-	95,328 (Note C)	95,328 (Note C)
1	LNC	LNCMac	Other receivable - related parties	Yes	60,000	60,000	60,000	Note E	Short-term financing	-	Operating need	-	None	-	95,328 (Note C)	95,328 (Note C)

Note A: Investee companies are numbered sequentially from 0.

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

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
For the year ended December 31, 2023

Table 2

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

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

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

Note C: The exchange rates as of December 31, 2023 were USD\$1= NT\$30.705, EUR\$1= NT\$33.98, and JPY\$1=NT\$0.217.

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

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

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Holding Company Name	Marketable Securities		Relationship with the securities issuer	General ledger account	As of December 31, 2023				Footnote
	Type	Name			Number of shares	Book value	Ownership (%)	Fair value	
ADVANTECH CO., LTD.	Stock	ASUSTek Computer Inc.	None	Financial assets at fair value through other comprehensive income or loss - non-current	4,039,461	\$ 1,977,316	0.54	\$ 1,977,316	Note A
ADVANTECH CO., LTD.	Stock	Allied Circuit Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	1,200,000	186,000	2.34	186,000	Note A
ADVANTECH CO., LTD.	Bond	PHISON Electronics Corp.	None	Financial assets at fair value through profit or loss - current	300,000	34,965	-	34,965	Note A
ADVANTECH CO., LTD.	Bond	Taiwan Power Company	None	Financial assets at fair value through profit or loss - non-current	1,000,000	100,959	-	100,959	Note A
ADVANTECH CO., LTD.	Bond	AURES TECHNOLOGIES Convertible Bonds	None	Financial assets at fair value through profit or loss - non-current	800,000	109,184	-	109,184	Note A
ADVANTECH CO., LTD.	Bond	NVIDIA Corporation	None	Financial assets at fair value through profit or loss - non-current	-	157,029	-	157,029	Note A
ADVANTECH CO., LTD.	Beneficiary certificates	FSITC Taiwan Money Market	None	Financial assets at fair value through profit or loss - current	127,399,045	2,005,070	-	2,005,070	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss - current	-	550,070	-	550,070	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Capital Money Market Fund	None	Financial assets at fair value through profit or loss - current	142,874,321	2,369,842	-	2,369,842	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	Fubon Chi-Hsiang Money Market Fund	None	Financial assets at fair value through profit or loss - current	46,707,871	752,155	-	752,155	Note B
ADVANTECH CO., LTD.	Beneficiary certificates	CTBC Hua Win Money Market Fund	None	Financial assets at fair value through profit or loss - current	177,439,819	2,007,767	-	2,007,767	Note B
ACI	Stock	GSD Technologies Co., Ltd.	None	Financial assets at fair value through profit or loss - non-current	2,568,358	112,237	6.94	112,237	Note A
ACI	Stock	RFD Micro Electricity Co., Ltd.	None	Financial assets at fair value through profit or loss - non-current	464,695	56,000	0.65	56,000	Note C
ACI	Stock	TXC CORPORATION	None	Financial assets at fair value through profit or loss - non-current	300,000	29,580	0.10	29,580	Note A
ACI	Stock	PHISON Electronics Corp.	None	Financial assets at fair value through profit or loss - non-current	85,000	44,200	0.04	44,200	Note A
ACI	Stock	Allied Circuit Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	1,951,000	302,405	3.81	302,405	Note A
ACI	Stock	BroadTec System Inc.	None	Financial assets at fair value through other comprehensive income or loss - non-current	225,000	3,758	7.50	3,758	Note C
ACI	Stock	BiosenseTek Corp.	None	Financial assets at fair value through other comprehensive income or loss - non-current	37,500	-	1.50	-	Note C
ACI	Stock	Juguar Technology	None	Financial assets at fair value through other comprehensive income or loss - non-current	500,000	8,509	10.33	8,509	Note C
ACI	Stock	i-Link	None	Financial assets at fair value through other comprehensive income or loss - non-current	616,938	-	15.42	-	Note C
ACI	Beneficiary certificates	Taishin 1699 Money Market	None	Financial assets at fair value through profit or loss - current	50,071,292	698,119	-	698,119	Note B
ACI	Mutual Fund	CBC Capital	None	Financial assets at fair value through profit or loss - non-current	-	83,496	4.38	83,496	Note B
Advantix Corporation	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	7,446,420	113,591	-	113,591	Note B
AiCS	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	614,183	9,369	-	9,369	Note B
Huan Yan Water Solution Co., Ltd.	Beneficiary certificates	Jih Sun Money Market	None	Financial assets at fair value through profit or loss - current	1,569,353	23,940	-	23,940	Note B
AIH	Beneficiary certificates	Capital Money Market	None	Financial assets at fair value through profit or loss - current	367,047	6,088	-	6,088	Note B
Cermate	Beneficiary certificates	Mega Diamond Money Market	None	Financial assets at fair value through profit or loss - current	1,683,528	21,717	-	21,717	Note B
Yan Xu Green Electricity Co., Ltd.	Beneficiary certificates	Taishin 1699 Money Market	None	Financial assets at fair value through profit or loss - current	657,980	9,174	-	9,174	Note B
ACIKY	Beneficiary certificates	Momenta DIF III L.P.	None	Financial assets at fair value through profit or loss - non-current	-	848,924	-	848,924	Note B
ACIKY	Beneficiary certificates	Esquarre IoT Landing Fund L.P.	None	Financial assets at fair value through profit or loss - non-current	-	678,807	-	678,807	Note B
ACICN	Stock	Shanghai Shanghuang Xinwei Investment Management Co., Ltd.	None	Financial assets at fair value through other comprehensive income or loss - non-current	-	473,246	8.33	473,246	Note C
ACICN	Beneficiary certificates	Tianying Heyan (Hengqin) Investment Management Partnership (Limited Partnership)	None	Financial assets at fair value through profit or loss - non-current	-	471,852	-	471,852	Note B
ACICN	Beneficiary certificates	Tianying Hehua (Ningbo) Venture Investment Partnership (Limited Partnership)	None	Financial assets at fair value through profit or loss - non-current	-	214,152	-	214,152	Note B

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

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

Note B: Includes gain (loss) on valuation and effect of exchange rate changes.

ADVANTECH CO., LTD. AND SUBSIDIARIES
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Payment Status	Counterparty	Relationship	Information on previous title transfer, if counterparty is a related party					Purpose of Acquisition	Other Property Terms
							Property Terms	Owner	Relationship	Transfer date	Amount		
ADVANTECH CO., LTD.	Real estate	2020.10.30	\$ 1,410,000	Based on percentage of construction completed; as of December 31, 2023, a total of \$1,277,908 had been paid.	Chung-Lin General Contractors, Ltd.	None	-	-	-	\$ -	Contract price	For the Company's expansion	None
ADVANTECH CO., LTD.	Real estate	2023.10.30	\$ 1,873,080	As of December 31, 2023, a total of \$200,000 had been paid.	AIDC Investment Corp.	Other related party	-	-	-	\$ -	Market conditions and valuation reports	For operational use	None

ADVANTECH CO., LTD. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Note: All intercompany transactions have been eliminated during consolidation.

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

Table 7

Expressed in thousands of NTD
 (Except as otherwise indicated)

Company Name	Counterparty	Relationship	Ending balance	Turnover rate	Overdue receivables		Amounts received in subsequent period	Allowance for doubtful accounts
					Amount	Actions taken		
ADVANTECH CO., LTD.	ACN	Subsidiary	\$ 3,588,179	3.48	\$ 1,433,639	Monthly reconciliation and collection	\$ 843,765	\$ -
ADVANTECH CO., LTD.	ANA	Subsidiary	2,371,849	6.36	-	-	1,133,313	-
ADVANTECH CO., LTD.	AEU	Subsidiary	936,611	5.52	23,411	Monthly reconciliation and collection	667,279	-
ADVANTECH CO., LTD.	AKR	Subsidiary	455,082	4.43	-	-	82,593	-
ADVANTECH CO., LTD.	AKMC	Subsidiary	427,718	Note	137,394	Monthly reconciliation and collection	287,349	-
AKMC	ADVANTECH CO., LTD.	Parent company	3,055,694	5.37	1,071,469	Monthly reconciliation and collection	1,328,406	-
ANA	ADVANTECH CO., LTD.	Parent company	112,302	4.84	77,990	Monthly reconciliation and collection	15,980	-
LNC	LNC Dong Guan	Sub-subsidiary	170,124	1.89	5,859	Received after the reporting period	21,505	-

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note A)	Company Name	Counterparty	Relationship (Note B)	Transaction			Percentage of consolidated total operating revenues or total assets (Note C)
				General ledger account	Amount	Transaction terms	
0	ADVANTECH CO., LTD.	AAU	1	Sales revenue	\$ 271,303	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ABR	1	Sales revenue	122,983	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ACN	1	Receivables from related parties	3,588,179	90 days after month-end	5%
0	ADVANTECH CO., LTD.	ACN	1	Sales revenue	8,688,311	Usual trade terms	13%
0	ADVANTECH CO., LTD.	AEU	1	Receivables from related parties	928,943	45 days after month-end	1%
0	ADVANTECH CO., LTD.	AEU	1	Sales revenue	7,998,103	Usual trade terms	12%
0	ADVANTECH CO., LTD.	AIN	1	Sales revenue	140,008	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ARI	1	Sales revenue	108,327	Usual trade terms	0%
0	ADVANTECH CO., LTD.	AJP	1	Sales revenue	1,226,360	Usual trade terms	2%
0	ADVANTECH CO., LTD.	AKMC	1	Receivables from related parties	427,718	45 days after month-end	1%
0	ADVANTECH CO., LTD.	AKR	1	Receivables from related parties	345,230	90 days after month-end	0%
0	ADVANTECH CO., LTD.	AKR	1	Sales revenue	1,393,401	Usual trade terms	2%
0	ADVANTECH CO., LTD.	AKR	1	Other receivables from related parties	109,852	90 days after month-end	0%
0	ADVANTECH CO., LTD.	AMX	1	Sales revenue	156,350	Usual trade terms	0%
0	ADVANTECH CO., LTD.	AMY	1	Sales revenue	199,960	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ANA	1	Receivables from related parties	2,364,350	60 days after month-end	3%
0	ADVANTECH CO., LTD.	ANA	1	Sales revenue	13,916,598	Usual trade terms	22%
0	ADVANTECH CO., LTD.	ASG	1	Sales revenue	282,245	Usual trade terms	0%
0	ADVANTECH CO., LTD.	ATH	1	Sales revenue	105,204	Usual trade terms	0%
0	ADVANTECH CO., LTD.	AVN	1	Sales revenue	101,034	Usual trade terms	0%
0	ADVANTECH CO., LTD.	Advantix Corporation	1	Sales revenue	553,493	Usual trade terms	1%
1	AKMC	ADVANTECH CO., LTD.	2	Receivables from related parties	3,055,694	90 days after month-end	4%
1	AKMC	ADVANTECH CO., LTD.	2	Sales revenue	13,135,470	Usual trade terms	20%
2	ANA	ADVANTECH CO., LTD.	2	Receivables from related parties	112,302	30 days from the invoice date	0%
2	ANA	ADVANTECH CO., LTD.	2	Sales revenue	309,859	Usual trade terms	0%
3	ACZ	AEU	3	Sales revenue	198,704	Usual trade terms	0%
4	APL	AEU	3	Sales revenue	139,394	Usual trade terms	0%
1	AKMC	ACN	3	Sales revenue	457,106	Usual trade terms	1%
5	LNC	LNC Dong Guan	3	Receivables from related parties	170,124	150 days after month-end	0%
5	LNC	LNC Dong Guan	3	Sales revenue	333,889	Usual trade terms	1%

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

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

Note B: The flow of related-party transactions is as follows:(If it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need for repeated disclosure. For example, if the parent company has disclosed the transaction

between the parent company and the subsidiary company, the subsidiary part does not need to be disclosed repeatedly ; Subsidiary-to-subsidiary transactions, if one of its subsidiaries has been disclosed, the other subsidiary does not need to disclose repeatedly) :

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of December 31, 2023, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2023.

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

ADVANTECH CO., LTD. AND SUBSIDIARIES
Information on investees (excluding information on investments in Mainland china)
For the year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by the		Footnote
				Balance as at December 31, 2023	Balance as at January 1, 2023	Shares	Ownership (%)	Carrying Value		Company for the year ended December 31, 2023 (Note C)		
ADVANTECH CO., LTD.	AAC (BVI)	British Virgin Islands	Overseas investment in manufacturing and services industries	\$ 247,275	\$ 3,875,214	11,126,887	100.00	\$ 7,552,379	\$ 969,357	\$ 971,088	Subsidiary	
ADVANTECH CO., LTD.	ATC	British Virgin Islands	Overseas investment in manufacturing and services industries	998,788	998,788	40,850,000	100.00	5,296,267	434,730	452,660	Subsidiary	
ADVANTECH CO., LTD.	Advanix Corporation	Taiwan	Manufacturing, marketing and trade of industrial use computers	100,000	100,000	10,000,000	100.00	242,717	54,786	54,786	Subsidiary	
ADVANTECH CO., LTD.	ACI	Taiwan	Investment in marketable securities	3,300,000	3,300,000	330,000,000	100.00	4,231,347	277,834	277,654	Subsidiary	
ADVANTECH CO., LTD.	Axiomtek	Taiwan	Manufacturing, marketing and trade of industrial use computers	511,372	511,372	28,080,142	27.63	1,077,036	727,121	192,635	Investments accounted for under equity method	
ADVANTECH CO., LTD.	LNC	Taiwan	Manufacturing and trade of controllers	188,826	188,826	13,380,000	44.60	205,818	(83,501)	(37,180)	Subsidiary	
ADVANTECH CO., LTD.	AMX	Mexico	Marketing and trade of industrial use computers	93,338	93,338	16,650,003	99.90	106,699	12,796	12,523	Subsidiary	
ADVANTECH CO., LTD.	AEUH	Netherlands	Overseas investment in manufacturing and services industries	1,655,383	1,655,383	25,961,250	100.00	1,496,793	137,579	133,714	Subsidiary	
ADVANTECH CO., LTD.	ASG	Singapore	Marketing and trade of industrial use computers	27,134	27,134	1,450,000	100.00	220,706	55,928	55,666	Subsidiary	
ADVANTECH CO., LTD.	ATH	Thailand	Manufacturing of computer products	47,701	47,701	51,000	51.00	55,232	10,821	5,446	Subsidiary	
ADVANTECH CO., LTD.	AAU	Australia	Marketing and trade of industrial use computers	40,600	40,600	500,204	100.00	47,667	25,289	25,179	Subsidiary	
ADVANTECH CO., LTD.	AJP	Japan	Marketing and trade of industrial use computers	651,685	651,685	1,200	100.00	1,158,037	234,585	229,308	Subsidiary	
ADVANTECH CO., LTD.	AMY	Malaysia	Marketing and trade of industrial use computers	35,140	35,140	2,000,000	100.00	90,026	22,147	22,105	Subsidiary	
ADVANTECH CO., LTD.	AKR	Korea	Marketing and trade of industrial use computers	156,668	156,668	600,000	100.00	587,874	83,343	82,844	Subsidiary	
ADVANTECH CO., LTD.	ABR	Brazil	Marketing and trade of industrial use computers	89,846	103,146	15,373,031	100.00	114,713	16,994	16,691	Subsidiary	
ADVANTECH CO., LTD.	AiCS	Taiwan	Design, research and develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	85,659	11,371	11,371	Subsidiary	
ADVANTECH CO., LTD.	AiN	India	Marketing and trade of industrial use computers	39,747	39,747	4,999,999	99.99	15,183	(9,475)	(7,149)	Subsidiary	
ADVANTECH CO., LTD.	AIMobile	Taiwan	Design, manufacturing, service and trade of industrial use wireless hand-held mobile systems	180,000	180,000	2,970,000	27.00	(4,296)	(77,893)	(21,031)	Investments accounted for under equity method	
ADVANTECH CO., LTD.	Winmate	Taiwan	Embedded System Modules	540,000	540,000	12,000,000	15.32	663,771	507,322	79,404	Investments accounted for under equity method	
ADVANTECH CO., LTD.	AVN	Vietnam	Marketing and trade of industrial use computers	76,092	76,092	81,000	60.00	64,718	12,957	7,522	Subsidiary	
ADVANTECH CO., LTD.	Nippon RAD	Japan	Integration of IoT intelligent system	251,915	251,915	850,000	16.08	207,835	51,091	10,816	Investments accounted for under equity method	
ADVANTECH CO., LTD.	ARU	Russia	Manufacturing, marketing and trade of industrial use computer	72,416	72,416	1	100.00	2,556	(5,237)	(5,237)	Subsidiary	
ADVANTECH CO., LTD.	ATR	Turkey	Wholesale of computers and peripheral devices	105,608	58,482	370,335	80.10	22,704	21,739	13,280	Subsidiary	
ADVANTECH CO., LTD.	AiL	Israel	Trading of industrial network communications systems	8,653	8,653	100	100.00	10,244	99	99	Subsidiary	
ADVANTECH CO., LTD.	Huan Yan Water Solution Co., Ltd.	Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	27,000	27,000	2,700,000	90.00	21,637	(1,778)	(1,601)	Subsidiary	
ADVANTECH CO., LTD.	ADB	United Arab Emirates	Trading of industrial network communications systems	3,312	3,312	50	100.00	3,793	416	416	Subsidiary	
ADVANTECH CO., LTD.	AiD	Indonesia	Marketing and trade of industrial use computers	48	48	30	1.00	-	-	-	Subsidiary	
ADVANTECH CO., LTD.	AAC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	1,471,031	-	15,230,001	100.00	1,173,945	(181,753)	(135,359)	Subsidiary	
ADVANTECH CO., LTD.	ACI KY	Cayman Islands	Design, research and development and trade of IoT intelligent system services	2,156,908	-	100,000,000	100.00	2,083,045	(57,954)	(25,142)	Subsidiary	
ADVANTECH CO., LTD.	Cermate (Taiwan)	Taiwan	Manufacturing of electronic components, computers, and peripheral devices	189,000	-	4,500,000	45.00	94,743	39,776	7,987	Subsidiary	
ACI	Cermate (Taiwan)	Taiwan	Manufacturing of electronic components, computers, and peripheral devices	71,500	71,500	5,500,000	55.00	148,262	39,776	-	Subsidiary	
ACI	Demeng	Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	13,354	(645)	-	Investments accounted for under equity method	
ACI	CDIB	Taiwan	Investment in marketable securities	150,000	150,000	16,976,999	17.86	286,793	20,458	-	Investments accounted for under equity method	
ACI	AzureWave	Taiwan	Wireless communication and digital image module manufacturing and trading	502,837	578,563	29,555,000	19.37	775,429	355,668	-	Investments accounted for under equity method	
ACI	Nippon RAD	Japan	Integration of IoT intelligent system	49,733	49,733	154,310	2.92	44,774	51,091	-	Investments accounted for under equity method	
ACI	DoiZero	Taiwan	Intelligent metal processing integration	10,928	10,928	415,245	10.38	(14)	(20,662)	-	Investments accounted for under equity method	
ACI	Mildex	Taiwan	Electronic component manufacturing	202,948	202,948	11,947,313	15.37	178,362	31,141	-	Investments accounted for under equity method	
ACI	ITTS	Taiwan	Electronic Information Service	123,867	147,444	4,271,273	15.63	140,237	77,100	-	Investments accounted for under equity method	
ACI	Smasoft	Taiwan	Manufacturing and trade of electronic and mechanical devices	33,270	33,270	561,955	25.63	16,123	(23,775)	-	Investments accounted for under equity method	
ACI	Impelex	Taiwan	Manufacturing and trade of electronic and mechanical devices	10,000	10,000	500,000	16.67	7,789	(7,706)	-	Investments accounted for under equity method	
ACI	VSO	Taiwan	Manufacturing and trade of electronic and mechanical devices	116,400	116,400	4,694,800	12.51	177,684	124,234	-	Investments accounted for under equity method	
ACI	Hwacom	Taiwan	Computer system integration service	357,119	357,119	24,575,000	17.54	458,363	(14,004)	-	Investments accounted for under equity method	
ACI	AiH	Taiwan	Servicing of information software and data processing	15,369	15,369	1,100,000	100.00	6,221	4,276	-	Subsidiary	
ACI	Feng Sang	Taiwan	Computer system integration service	109,219	109,219	6,088,750	36.24	124,293	33,457	-	Investments accounted for under equity method	
ACI	iSAP	Taiwan	Information software service	10,000	10,000	1,492,852	34.83	7,840	-	-	Investments accounted for under equity method	
ACI	HSI	Taiwan	Computer system integration service	243,086	243,086	14,299,205	19.61	278,221	99,877	-	Investments accounted for under equity method	

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by the Company for the year ended December 31, 2023 (Note C)	Footnote
				Balance as at December 31, 2023	Balance as at January 1, 2023	Shares	Ownership (%)	Carrying Value			
				\$	\$			\$			
ACI	Freedom Systems	Taiwan	Electronic information service	37,500	37,500	1,653,750	20.00	38,909	3,219	-	Investments accounted for under equity method
ACI	Yan Xu Green Electricity Co., Ltd.	Taiwan	Green energy power plant development	83,325	83,325	8,332,500	82.50	80,812	(2,394)	-	Subsidiary
ACI	Expotech Co., Ltd.	Taiwan	Computer system integration service	40,000	40,000	4,000,000	43.01	34,970	(5,688)	-	Investments accounted for under equity method
ACI	Encore Med	Malaysia	Wise Information Technology of med cloud service	54,274	-	66,700	30.00	53,295	(3,446)	-	Investments accounted for under equity method
ATC	ATC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	1,212,730	1,212,730	57,890,679	100.00	5,339,204	434,863	-	Subsidiary
AAC (BVI)	ANA	USA	Marketing, trade and assembly of industrial use computers	504,179	504,179	10,952,616	100.00	7,901,509	1,047,225	-	Subsidiary
AAC (BVI)	AAC (HK)	Hong Kong	Overseas investment in manufacturing and services industries	-	539,146	-	-	431	(181,753)	-	Subsidiary
AAC (BVI)	ACI KY	Cayman Islands	Design, research and development and trade of IoT intelligent system services	-	1,535,500	-	-	-	(57,954)	-	Subsidiary
AAC (BVI)	AMX	Mexico	Marketing and trade of industrial use computers	-	85	-	-	-	12,796	-	Subsidiary
AEUH	AEU	Netherlands	Marketing and trade of industrial use computers	868,222	868,222	32,315,215	100.00	1,815,917	136,260	-	Subsidiary
AEUH	APL	Poland	Marketing and trade of industrial use computers	14,176	14,176	7,030	100.00	61,361	1,750	-	Subsidiary
ASG	ATH	Thailand	Manufacturing of computers products	7,537	7,537	49,000	49.00	54,365	10,821	-	Subsidiary
ASG	AID	Indonesia	Marketing and trade of industrial use computers	4,749	4,749	2,970	99.00	13,228	5,040	-	Subsidiary
ASG	AMX	Mexico	Marketing and trade of industrial use computers	98	-	16,667	0.10	96	12,796	-	Subsidiary
Cermate (Taiwan)	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	141,347	17,451	-	Subsidiary
LandMark	Cermate Software Inc.	Canada	Software development	229	229	-	100.00	2,817	(294)	-	Subsidiary
LNC	Better Auto	British Virgin Islands	Holding company	229,907	229,907	7,425,000	100.00	54,604	(6,940)	-	Subsidiary
LNC	LNCMac	Taiwan	System integration and application, system furniture intelligent design, production, and sales	72,090	28,800	7,208,965	66.32	33,784	(72,797)	-	Subsidiary
LNC	BEST PLC	British Virgin Islands	Holding company	-	-	1	100.00	-	-	-	Subsidiary
Better Auto	Famous Now	Hong Kong	Holding company	150,663	150,663	4,906,096	100.00	65,016	(6,941)	-	Subsidiary
BEST PLC	BEST SERVO	British Virgin Islands	Holding company	-	-	1	100.00	-	-	-	Subsidiary
LNCMac	BEST MACHINE	British Virgin Islands	Holding company	21,900	-	700,000	100.00	4,777	(16,864)	-	Subsidiary
LNCMac	BEST AUTOMATION	Samoa	Holding company	-	-	-	-	-	-	-	Subsidiary
LNCMac	Eli	Taiwan	Boutique furniture and decoration sales, interior design services	6,000	-	600,000	20.00	4,302	(11,749)	-	Investments accounted for under equity method
ANA	AIE	Ireland	Trading of industrial network communications systems	1,212,462	1,212,462	-	100.00	352,358	24,968	-	Subsidiary
ANA	ABO	USA	High-end image acquisition and AI machine vision technology, and core technologies in high speed image acquisition	108,360	-	210,000	100.00	95,016	(8,272)	-	Subsidiary
AIE	ACZ	Czech Republic	Manufacturing of automation control	-	-	-	100.00	304,567	14,315	-	Subsidiary
AIN	ARI	India	Marketing and trade of industrial use computers	4,651	4,651	1,237,500	55.00	(1,065)	(13,436)	-	Subsidiary

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

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

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

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

Table 10

Expressed in thousands of NTD and foreign currencies
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated Outflow of Investment from Taiwan as of January 1, 2023		Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023		Net profit (loss) of the investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect) (%)	Investment net profit (loss)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
				Outflow	Inflow	Outflow	Inflow							
Advantech Technology (China) Company Ltd. (AKMC) (Note D)	Manufacturing and trade of interface cards and PC cases, plastic cases and accessories	\$ 1,343,344 USD 43,750	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	\$ 1,145,297 USD 37,300	\$ -	\$ -	\$ -	\$ 1,145,297 USD 37,300	\$ 434,863	100.00	\$ 439,626	\$ 5,325,997	\$ -	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Marketing and trade of industrial use computers	129,882 USD 4,230	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	163,719 USD 5,332	-	-	-	163,719 USD 5,332	(299,079)	100.00	(300,136)	(46,452)	USD 3,167,221 103,150	
Shanghai Advantech Intelligent Services Co., Ltd. (ACI CN) (Note G)	Manufacturing, marketing and trade of industrial use computers	288,256 CNY 66,618	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	245,640 USD 8,000	-	-	-	245,640 USD 8,000	141,446	100.00	141,381	2,047,247	-	
Xi'an Advantech Software Ltd. (AXA)	Development and manufacturing of software products	30,705 USD 1,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	Note C	-	-	-	Note C	109	100.00	109	29,427	-	
LNC Dong Guan Co., Ltd. (LNC Dong Guan)	Manufacturing and trade of controllers	122,820 USD 4,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	98,072 USD 3,194	-	-	-	98,072 USD 3,194	(6,409)	100.00	(6,940)	65,010	-	
Shenzhen Cermate Technologies Inc. (Cermate Shenzhen)	Production of LCD touch screen, USB data cables, and industrial use computers	8,654 CNY 2,000	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	9,457 USD 308	-	-	-	9,457 USD 308	12,110	90.00	10,798	108,964	CNY 79,794 18,441	
Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Networking electronic equipment for industrial use	15,967 USD 520	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	17,563 USD 572	-	-	-	17,563 USD 572	6,846	100.00	6,747	32,779	CNY 39,224 9,065	
Advantech Service-IoT (Shanghai) Co., Ltd. [IoT (China)]	Technology development, consulting and services in the field of intelligent technology	64,905 CNY 15,000	Other	Note E	-	-	-	Note E	650	100.00	650	51,964	-	
Shanghai Yanle Co., Ltd.(AYL)	Application and retail of intelligent technology	9,519 CNY 2,200	Other	Note F	-	-	-	Note F	(6)	100.00	(6)	5,092	-	
Tianjin Anjie IOT Science and Technology Co., Ltd. (Anjie)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	12,981 CNY 3,000	Other	Note F and L	-	-	-	Note F and L	-	-	-	-	-	
Foshan Technology Co., Ltd. (Foshan Technology)	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	34,616 CNY 8,000	Other	Note F	-	-	-	Note F	33,862	21.88	7,139	14,639	-	
LNCMac DONG GUAN Technology Co., Ltd. (LNCMac DONG GUAN)	System integration	21,494 USD 700	Through investing in an existing company in the third region, which then invested in the investee in Mainland China	-	21,494 USD 700	-	-	21,494 USD 700	16,880	100.00	(16,864)	4,776	-	
LNCMac Furniture Co.,Ltd. (LNCMac Furniture)	System furniture intelligent design, production, and sales	6,058 CNY 1,400	Other	Note I	-	-	-	Note I	(7,548)	100.00	(7,473)	(1,299)	-	
Suzhou AIHT Intelligent Technology Co., Ltd (AAY)	Smart operating room total solution.	42,789 CNY 9,889	Other	Note F	-	-	-	Note F	(16,433)	20.00	(3,287)	104,924	-	
Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA											
\$ 1,725,283 (USD 56,189 thousand) (Note H)	\$ 2,438,898 (USD 79,430 thousand)	\$ 29,076,691 (Note J)												

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

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

Note C: Remittance by ACN.

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

Note E: Remittance by AAC (BVI) and ACI CN.

Note F: Remittance by ACI CN.

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

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

Note I: Remittance by LNCMac DONG GUAN.

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

Note K: The exchange rate was US\$1=NT\$30.705 and CNY\$1=NT\$4.327.

Note L: All shares of Tianjin Anjie IoT Science and Technology Co., Ltd. (Anjie) have been disposed of in the first quarter of 2023.

ADVANTECH CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 11

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

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



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