

**Stock Code: 6166**



# Annual Report

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<http://mops.twse.com.tw/mops/web/index>

<http://www.adlinktech.com>

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VI. Company's Website: <http://www.adlinktech.com>

## Table of Contents

Chapter I.	Letter to Shareholders .....	1
Chapter II.	Company Profile .....	4
	I. Date of Incorporation.....	4
	II. Company History .....	4
Chapter III.	Corporate Governance Report.....	6
	I. Organization .....	6
	II. Information on the Company's Directors, Supervisors, President, Vice Presidents, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Unit .....	9
	III. Implementation of Corporate Governanc .....	18
	IV. Information on CPA Professional Fee .....	38
	V. Information on Replacement of CPA.....	38
	VI. Company Chairperson, President, or Any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm .....	39
	VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Major Shareholder .....	40
	VIII. Relationships among the company's ten largest shareholder.....	41
	IX. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors, Supervisors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Company.....	42
Chapter IV.	Capital Overview.....	43
	I. Capital and Shares .....	44
	II. Corporate Bonds .....	51
	III. Preferred Shares: None. ....	51
	IV. Global Depository Receipts (GDRs): None. ....	52
	V. Employee Stock Options: None.....	52
	VI. New Restricted Employee Shares:.....	52
	VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.....	53
	VIII. mplementation of the Company's Capital Allocation Plans: None.....	53
Chapter V.	Operational Highlights .....	54
	I. Business Activities.....	54
	II. Analysis of Market and Production and Marketing Situation.....	58
	III. Employee information within the most recent two years .....	64
	IV. Environmental Protection Expenditure.....	64
	V. Labor Relations.....	65
	VI. Major Agreements .....	67
Chapter VI.	Financial Information .....	68
	I Condensed balance sheet and consolidated income statement information for the last five years .....	68
	II Most Recent 5-Year Financial Analysis.....	71

III	Audit Committee's report for the most recent year's financial statement .....	74
IV.	The audited financial statements for the 2020 annual report.....	75
V.	The audited parent-company only financial statements for the 2020 this annual report. ....	75
VI.	Effect on the Financial Position of Any Financial Difficulties Experienced by Aurora and Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.....	75
Chapter VII.	Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks .....	76
I.	Financial Position .....	76
II.	Financial Performance .....	76
III.	Cash Flow .....	77
IV.	Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None .....	77
V.	Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for Coming Year .....	77
VI.	Risk Analysis .....	78
VII.	Other Important Matters: None. ....	80
Chapter VIII.	Special Disclosure .....	81
I.	Information on Affiliates .....	81
II.	Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the following information shall be disclosed: .....	85
III.	Acquisition or Disposal of Catcher's Shares by Subsidiaries: None. ....	86
IV.	Other Supplementary Information: None. ....	86
V.	Situations Listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Securities, Occurring during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.....	86

## Chapter I. Letter to Shareholders

2020 was a challenging year. In addition to the ongoing impact of the U.S.-China trade war, the epidemic has caused a great deal of economic and social unrest throughout the world. ADLINK's revenue was NT\$9.64 billion, down 8% from last year, and net income was NT\$242 million with EPS of NT\$1.12. The net cash inflow from operating activities was \$650 million, and the financial income and expenses and profitability for 2020 are analyzed in the following table:

### Analysis of financial income and expenses and profitability

Unit: NT\$ thousand

Item		2020	2019
Financial income	Consolidated net sales revenue	9,635,678	10,497,070
	Consolidated net income before tax	350,812	616,220
Profitability	Consolidated Return on Assets	3%	6%
	Consolidated return on shareholders' equity	5%	10%
	Consolidated operating income to paid-in capital	22%	35%
	Consolidated net income before income tax to paid-in capital	16%	28%
	Consolidated net income ratio	3%	4%
	Earnings Per Share (NT\$)	1.12	2.04

### Research and development status

ADLINK continues to excel in product innovation and R&D, especially in machine vision-related products, including the NEON-1000-MDX AI industrial camera series and Vizi-AI, which won the Compass Intelligence 2020 IoT Machine Vision Technology Innovation Award. The NEON-1000-MDX AI Smart Industrial Camera combines industrial machine vision with ADLINK Edge™ visual analytics software to help customers deploy AI machine vision applications into new and existing environments. In addition, as the first company in Asia to possess real-time edge communication system DDS technology, ADLINK has been actively developing an open source market strategy for three years and has been actively contributing to open source DDS projects. Eclipse Cyclone DDS was adopted as the key software for the second generation robot operating system (ROS2, Robot Operating System 2).

### Business plan and development strategies

In the face of the uncertainty of the overall environment in 2020, we are still committed to improving the management efficiency and performance of the company. In terms of operations, in order to be able

to respond to global operations, to improve the accuracy and precision of management reports and analysis data, and to improve the ability to respond and time flexibility, we have implemented a high-end SAP ERP system to integrate the company's information systems. In addition, we established the Group's corporate headquarters in Taiwan, purchased real estate in the Hwa-Asia Park, and consolidated the leased factories and offices in various locations to improve employee communication and management efficiency, optimize production line and quality performance, and meet the needs of the Company's future operations.

ADLINK focuses on edge computing and aims to be the catalyst for artificial intelligence. In the future, we believe that the development trend of the industry must move from automation to intelligence and further to autonomy in order to achieve the best operational efficiency, cost reduction and revenue generation.

In the short-term strategic direction, we focus on the implementation of edge computing solutions, linking intelligent devices and operators in various fields to provide solutions such as edge computing smart manufacturing or smart medical solutions. In the medium term, we are optimistic about the development potential and applications of Autonomous Mobile Robot (AMR), which will be widely used in various fields and move forward to the development of autonomy. The long-term development strategy focuses on self-driving technologies and applications.

In 2020, AU Optronics became the largest corporate shareholder of Synerchip. After a year's hard work, our solution with AU Optronics has become more concrete and has accelerated our deployment of industrial-grade display systems. There have been concrete results in the medical field with public health computers, multimedia displays and 5G smart factories.

In the AMR segment, FARobot®, a joint venture between ADLINK and Hon Hai Precision, will provide next-generation software platforms using Swarm Autonomy real-time data distribution service (DDS) technology and products and services such as Autonomous Mobile Robot (AMR) for mobile carrier applications in manufacturing, warehousing, retail and medical industries. We will provide next-generation software platforms using Swarm Autonomy, Data Distribution Service (DDS) technology, and Autonomous Mobile Robot (AMR) products and services to accelerate the introduction of AMR for enterprise customers, improve process efficiency, and create a competitive advantage.

ADLINK's long-term development focus - Automated Driving. In addition to being a key member of the Autware Association, a development platform for autonomous driving, ADLINK has partnered with Tier IV, an autonomous driving software developer, and AutoCore, a smart car platform, to create innovative autonomous driving intermediary software and applications. As an official sponsor of the Indy Automated Driving Challenge (IAC) in 2020, ADLINK provided IAC university teams with rugged AI devices, technical resources, and support for in-vehicle computing and engineering

validation, which were widely adopted and recognized by the participating university teams. ADLINK has also joined the MIH Alliance open platform for electric vehicles organized by Hon Hai, and will continue to develop and commercialize self-driving software and hardware systems on the MIH platform with various research institutes in the future.

Finally, we hope that our shareholders will continue to provide their support and guidance. In the face of the challenges of the global environment, ADLINK will continue to strengthen its industry-leading technological advantages and better implement its products and technologies to meet the needs and applications of its customers, transforming itself into a more competitive and valuable company.

ADLINK Technology Inc.

Chairman: Chun (Jim) Liu

President: Cheng-I (Daniel) Yang

Accounting Supervisor: Yu-Ting (Samantha) Lin

## Chapter II. Company Profile

### I. Date of Incorporation

August 29, 1995

### II. Company History

Date	Important Event
2001.01	Nupro-800 Wins Internet Telephony's 2000 Product of the Year
2001.03	Taichung office established
2001.04	Subsidiary in Shenzhen established
2001.04	Signed motor technology cooperation with Mitsubishi Japan
2001.10	Signed a strategic alliance contract with Motorola USA
2001.12	Subsidiary in Shanghai established
2002.03	Signed communication network technology cooperation agreement with Sun Microsystems
2002.03	Stock officially listed on the stock exchange
2002.04	Subsidiary in Beijing Receives ISO-9001 Certification
2002.06	Shenzhen Receives ISO-9001 Certification
2002.07	Asia's first NMS-certified industrial computer manufacturer for the entire CompactPCI product line
2002.07	Appointed Mr. Jeff Munch, the current Chairman of PICMG 3.0 Committee, as Chief Technology Officer
2002.08	Established R&D center in Monterey, California, USA
2002.10	Established Technical Consulting Center in Shenzhen, China
2003.01	cPCIS-3300BLS and cPCI-6860 won the "11th Taiwan Excellence Award".
2003.03	Developed the world's first Intel® IXP2400-based CompactPCI board
2003.06	Become an Associate Member of the Intel® Communications Alliance
2003.08	Join Intel® Modular Communications Platforms, one of Intel's top eight partners in the global CompactPCI and AdvancedTCA space
2003.09	NuPRO-900A won the "Best Choice of Computex 2003" award in Taiwan
2003.09	Obtained TL9000 Certification
2003.12	Subsidiary ADLINK Technology (China) Co., Ltd. established
2004.01	PXI measurement products DAQStreaming, PCI-9820, PXIS-2700, PXI-3710, CompactPCI network computer and communication products cPCI-6240, cPCI-6820, cPCI-6840, NuPRO-900A won the 12th Taiwan Excellence Award
2004.01	Received Intel ® Award "Year 2003 Best Customer Award"
2004.02	The world's first Pentium® M-class 855GME chipset and Intel® 6300ESB I/O Controller Hub for CompactPCI blade type single board computer cPCI-6840
2004.02	Leading the development of the world's first 90nm process that supports Hyper Threading technology, Pentium® 4 class Intel®875P chipset, Intel®6300ESB I/O Controller Hub, PICMG 1.2 cPCI-X single board computer NuPRO-850
2004.06	PXI Measurement Product DAQStreaming Receives Silver Award from Ministry of Economic Affairs for National Product Image Award
2004.11	TWSE public listing
2005.01	Winner of the 13th Taiwan Excellence Award-cPCI-3840, NuPRO-850, ATCA-6890, cPCIS-6418U, BX-410
2005.01	Promoted to the highest level of membership in PXISA and became a member of the Board of Directors
2005.03	ADLINK and Wind River form strategic alliance to represent Taiwan sales
2005.09	Subsidiary in Singapore established India Office
2005.10	Established European business office in Düsseldorf, Germany
2006.02	Jointly promoted Micro ETXExpress specification with Kontron
2006.07	Established Seoul Office in Korea
2006.12	Allied with Toshiba Teli Japan and became the first official authorized distributor in Taiwan
2007.05	Established a joint venture with E-Gloabedge Corporation in Japan.
2007.07	ADLINK received Information Application Exemplar Award from Ministry of Economic Affairs
2008.04	Combined with the Ampro brand marketing channel to expand the U.S. market, ADLINK acquired 100% of Ampro Computers Inc.
2008.05	Established France Office
2009.03	ADLINK and Kontron launch nanoETXexpress version 1.0
2009.05	ADLINK and Nidec formally launched a product marketing partnership
2009.05	ADLINK increased Investment in ADLINK Japan and acquired operating rights

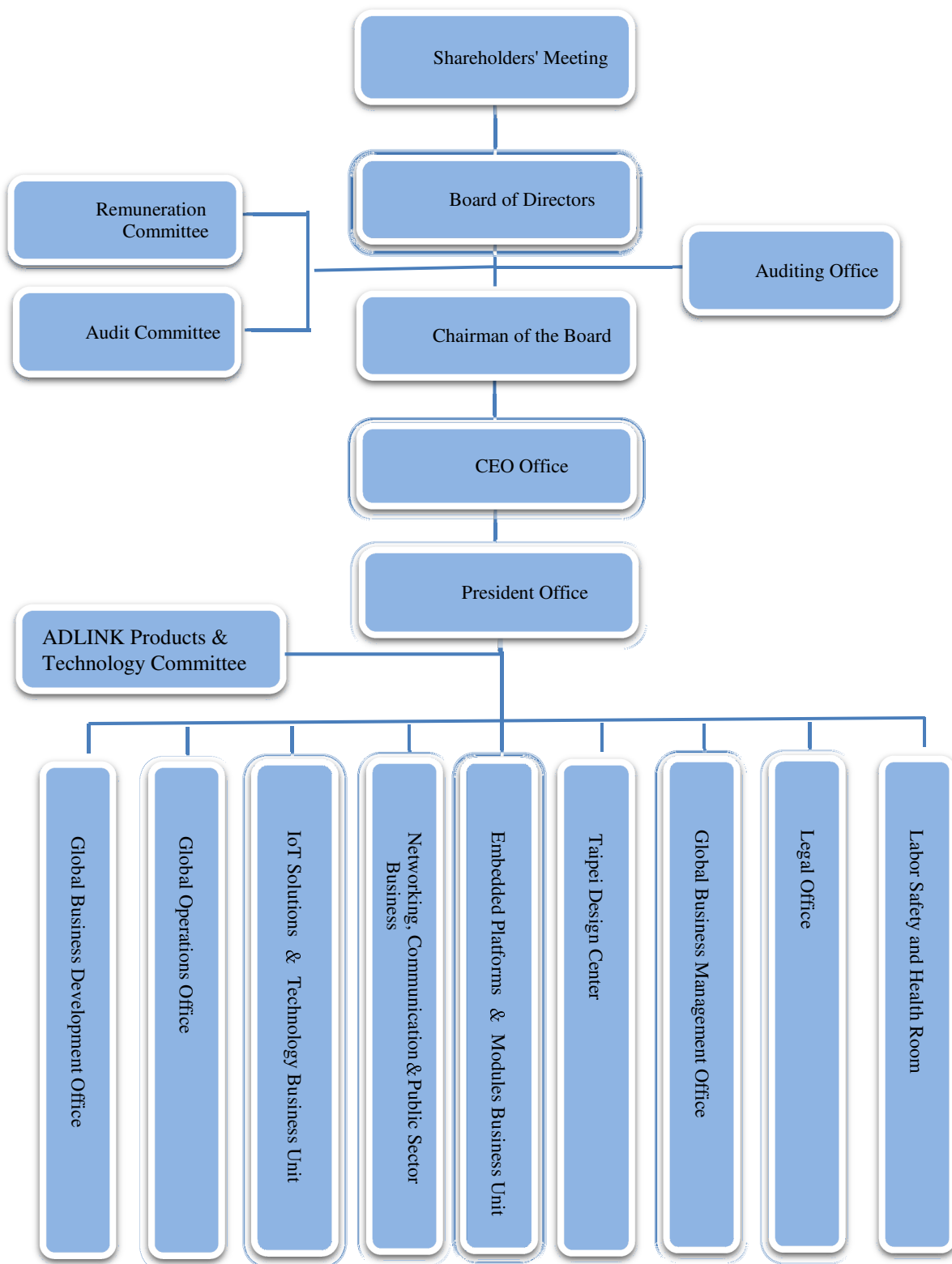


Date	Important Event
2009.08	ADLINK's Matrix Series Fanless Computers Make World Debut at Automation Fair
2009.11	ADLINK showcased Full Range of Power over Cable Video Capture Cards at AOI Forum
2009.12	Liquidated ADLINK USA to consolidate U.S. subsidiaries
2010.06	ADLINK's Shanghai Operations Center opened to provide manufacturing and project development services
2010.08	ADLINK Technology (Europe) GmbH established
2011.08	Subsidiary Dong Guan Ling Yao established
2012.01	ADLINK acquires 100% of LiPPERT's shares
2012.01	Subsidiary ADLINK (China) acquired ISO 14001 and OHSAS 18001 Certification
2012.03	Subsidiary ADLINK (China) acquired TL 9000 Certification
2012.04	Subsidiary ADLINK (China) acquired TL 9001 Certification
2012.12	Taipei Head Office acquired OHSAS 18001 Certification
2013.01	Introduced Agilent's capital, Agilent became approximately 7.39% shareholder of Synerchip
2014.02	ADLINK became top member of Intel Intelligent Systems Alliance
2014.03	ADLINK acquires 100% of the shares of PENTA, a German embedded computer manufacturer.
2016.01	ADLINK acquires 100% stake in UK software company PrismTech Group Ltd.
2016.03	Liquidated Shanghai subsidiary to consolidate China subsidiaries
2016.05	Liquidated Beijing subsidiary to consolidate China subsidiaries
2016.06	ADLINK (China) invested in JYTEK, a China-based measurement products company and acquired 45.45% stake
2018.02	Joined the ROS-Industrial Consortium as the first member in Asia Pacific
2019.01	Subsidiary Adlink Technology Korea Ltd. established
2019.10	ADLINK (China) invested in JYTEK, a China-based measurement products company and its shareholding changed to 38.38%
2019.10	Subsidiary AATI acquired real estate as the basis for the Group's business promotion and operations in the United States
2020.03	AU Optronics Corp. became a shareholder of approximately 19.45% of ADLINK by publicly acquiring shares of the Company's common stock
2020.07	ADLINK acquired real estate from investors with significant influence to serve as the Group's management headquarters and main operating base
2020.07	Jointly established FARobot Inc. with Hongyang Venture Capital Investment (Stock) Company (a subsidiary of Hon Hai Group), with a 49% stake
2020.09	Liquidated PrismTech Group Limited and PrismTech Holdings Limited subsidiaries to consolidate UK regional subsidiaries
2020.11	Liquidated Shenzhen subsidiary to consolidate China subsidiary
2020.12	Cyclone DDS developed by the Company was announced as the default RMW (Robotic Middleware) for ROS 2 in ROS Association

## Chapter III. Corporate Governance Report

### I. Corporate Organization

#### (I) Organization Chart



## (II) Department Functions

Department	Functions
CEO Office	Responsible for planning the development and implementation of company-wide objectives and the formulation of strategies and guidelines.
Auditing Office	Assist in the updating of the Company's internal control system; responsible for reviewing and evaluating the Company's internal control system to provide reasonable assurance of its continued effective implementation.
President Office	Develop, promote, execute, communicate, and coordinate the Company's overall operational objectives.
Labor Safety and Health Room	ISO14001 and OHSAS 18001 system guidance and system maintenance management, the establishment of the company's environmental safety and health policy and system, to protect employee safety and health, maintenance and audit of the company's environmental safety and health system in all departments. Formulate occupational disaster prevention plans and guide the relevant departments in the implementation, planning and supervision of labor safety and health management, inspection and examination of safety and health facilities, guidance and supervision of relevant personnel in the implementation of inspections, regular inspections, key inspections and measurement of operating environment, planning of labor health examination and implementation of health management.
Legal Office	Legal risk control and advice, contract review, formulation and management, legal practice planning, litigation control and intellectual property management necessary for the Company's operations.
ADLINK Products & Technology Committee	Responsible for ADLINK's product and technology planning, investment and development of new technologies, application of emerging technologies, and promotion of the Group's overall R&D technology.
Global Business Development Office	Asia Pacific Regional Sales Unit: Responsible for Asia Pacific (including Taiwan) market business. Europe Business Area Unit: Responsible for the European market. AATI: Responsible for the U.S. regional market. ADLINK (China): Responsible for the China regional market. ATG: Responsible for the European regional market. ATL: Responsible for the global marketing of DDS (Data Distributed Software). Customer Care Center: Customer support services, customer quality management, after-sales maintenance services and order management, etc. Global Marketing Center: Increase brand awareness and brand market value of ADLINK to internal and external customers.
Taipei Design Center	Software research and development, software testing and validation, hardware specification development, hardware circuit production, graphic management, technical information management, component testing and selection, test tool development, product design validation, PCB design for product development support, green product policy promotion and process planning, environmental testing and safety certification and data reporting.
Networking, Communication & Public Sector Business	Planning and execution of marketing strategies and overall business performance for products related to network communications, rail transportation and defense industry, decision, notification and management of sales prices, advice on new product development, market development and marketing channel development, market demand survey and analysis, product specification development, product and project development schedule management, design changes, drawing management, technical information management, customer technical support and service.
Embedded Platforms & Modules Business Unit	Planning of product marketing strategy and overall business performance, sales price resolution, notification and management, new product development advice, market development and marketing channel development, market demand survey analysis, product specification development, product and project development schedule management, design changes, graphic management, technical information management, customer technical support and services, customized products, hardware circuit production, organization design, software development, test tool development and product testing and validation, technical evaluation to accelerate and enhance pre-business opportunities, and ensure that customers receive high-quality technical services with domain expertise.

Department	Functions
IoT Solutions & Technology Business Unit	Planning and execution of marketing strategies and overall business performance for intelligent industrial products and strategic solutions, sales price decisions and notifications, new product development proposals, market development and marketing channel development, market demand survey analysis, product specification development, product and project development schedule management, design changes, graphic management, technical information management, customer technical support and services.
Global Operations Office	<p>Taipei Production Manufacturing Center:</p> <ul style="list-style-type: none"> <li>✓ Quality Assurance Department: quality management operations such as supplier management, material inspection, finished product inspection and product quality control.</li> <li>✓ Manufacturing Department: The overall production system of the Company.</li> <li>✓ Production Engineering Department: R&amp;D technology transfer to factory production technology, repair of defective products in production and after-sales repair operations.</li> <li>✓ Planning Department: Production scheduling, material planning, and planning and management of raw materials and finished goods storage.</li> <li>✓ Manufacturing Engineering Department:: Develop and issue work instructions and technical documents for manufacturing operations, and assist production lines in improving quality yields and equipment cranking rates.</li> <li>✓ Advanced Process Technology Center: Process optimization and innovation to enhance manufacturing process capability.</li> </ul> <p>Global Operations Quality Assurance Division: responsible for quality strategy planning, quality and environmental safety and health system management and planning, customer quality project improvement and customer complaint report processing.</p> <p>Advanced Manufacturing Technology Center: New process technology research introduction and global technology resource capability enhancement.</p> <p>Materials Management Division: responsible for supplier and price management, procurement of production components, search for third parties, recognition and management of parts (including environmental parts), etc.</p> <p>Supply Chain Planning &amp; Management Division: Integrate the supply chain and product departments to work together on strategies to ultimately achieve the company's business objectives.</p>
Global Business Management Office	<p>Information Technology Division: Planning, construction, integration and maintenance of information infrastructure and related hardware and software, enterprise application systems and related data management and business analysis systems, establishment and implementation of information technology management processes and systems, and management of information security.</p> <p>Human Resources Management Division: Human resources strategy and work planning such as talent selection, training, employment and retention, establishment and implementation of administrative and personnel management system, compensation system, overseas personnel coordination, global HR-related and corporate culture projects, general procurement, fixed asset management and plant operations, etc.</p> <p>Finance Department: financial statement operation analysis, capital planning and banking transactions, long and short-term investment evaluation, foreign exchange hedging operations, stock operations, etc.</p> <p>Accounting Department: Accounting and tax processing, budget creation, financial statement preparation, etc.</p>

II. Information on the Company's Directors, Supervisors, President, Vice Presidents, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Units

(I) Information on Directors and Independent Directors

May 6, 2021																				
Title (Note 1)	Nationality/ Place of Registration	Name	Gender	Date Elected	Term	Date of First Election (Note 2)	Shares Held When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major (Education) Experience (Note 3)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark(s)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relatio n	
Chairman of the Board	R.O.C.	Chun (Jim) Liu	Male	2019.06.19	3 years	2001.05.07	10,479,124	4.82%	10,311,124	4.74%	4,514,586	2.08%	0	0	Institute of Computer Management Decision Research, National Tsing Hua University Institute for Information Industry	Chief Executive Officer of the Company Chairman, ADLINK International Co., Ltd. Chairman, ADLINK Technology (HK) Co., Ltd. Chairman, ADLINK Technology (China) Co., Ltd. Director, ADLINK Technology Japan Co. Chairman, Ampro ADLINK Technology, Inc. Chairman, ADLINK Technology holding GmbH Chairman, Dongguan Lingyao Director, ADLINK Technology GmbH Director, ADLINK Technology Limited Independent Director, Zenitron Corporation Director, ADLINK Technology Korea Ltd.	Consultant, President's Office	Harn-Fen (Dianne) Ni	Spouse	Note 4
Director	R.O.C.	Tien-Sung (Richard) Lin	Male	2019.06.19	3 years	2001.05.07	968,077	0.45%	968,077	0.45%	884,054	0.41%	0	0	Department of Information Engineering, Chung Yuan University Engineer, INKU Technology Co., Ltd. Vice President, Adlink Technology Inc.	None	None	None	None	
Director	R.O.C.	You-Yi Chou	Male	2019.06.19	3 years	2007.06.15	1,332,672	0.61%	1,332,672	0.61%	434,573	0.20%	0	0	Asia Academy of Management MDP Class (Complete) Department of Electrical Engineering, Tatung University of Technology Director of Electronic Design, Tatung Company	Chairman, Zenitron Corporation Chairman of Zenitron (Hong Kong) Corporation - Legal Representative of Zenitron Corporation Chairman of SUPERTRONIC - Legal Representative of Zenitron Corporation Chairman, Zeniboss Corporation Director of Cordial Investment Corporation - Legal Representative of Zenitron Corporation Director of Nu Inc. - Legal Representative of Zenitron Corporation Director of Jiarui (Holdings) Investment Limited - Legal Representative of SUPERTRONIC Director, Adlink Technology Inc., I sheng Electric Wire & Cable Co Ltd., You Zeng Investment Supervisor, Zeng De Investment Co., Ltd.	None	None	None	None
Director	R.O.C.	Chroma ATE Inc.	Female	2019.06.19	3 years	2001.05.07	24,502,253	11.27%	24,492,253	11.26%	0	0	0	0	Department of Accounting, Tunghai University	Director of Finance Division, Chroma ATE Inc. Supervisor, Chroma Investment Co., Ltd. Director, Chroma New Material Corp. Supervisor, Testar Electronics Corporation Supervisor, MAS Automation Corporation Supervisor, ADIVIC Technology Co. ,Ltd. Supervisor, Innovate Nanotech Incorporated Supervisor, Touch Cloud Inc. Director, Taiwan Advanced Nanotech Inc. Supervisor, TFBS Bioscience, Inc.	None	None	None	None
Representative Director		Hsiu-miao Huang							12,028	0.01%	200,000	0.09%	0	0						
Director	R.O.C.	AU Optronics Corporation	Male	2020.06.22	3 years	2020.06.22	42,310,407	19.45%	42,310,407	19.45%	0	0	0	0	PhD, Science in Optoelectronics, National Chiao Tung University Chairman and CEO, E Ink Holdings	President & COO, AU Optronics Corporation Precisions Corp	None	None	None	Note 5
Representative Director		Frank Ko							0	0	0	0	0	0	Vice President, Strategic Planning Division, AU Optronics Corporation Vice President of TV Business Group AU Optronics Corporation					
Independent Director	R.O.C.	Wei-Chien Li	Female	2019.06.19	3 years	2016.06.20	0	0	0	0	0	0	0	0	M.A., Graduate Institute of Sociology, National Taiwan University Director, Kai Jun Investment Co., Ltd. Representative Director, Etron Technology Co., Ltd.	Vice President, Coretronic Corporation Director, Kai Jun Investment Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Ching-Tsung Lin	Male	2019.06.19	3 years	2019.06.19	0	0	0	0	0	0	0	0	M.B.A., University of Washington (Seattle), USA International Trade Division, Department of Commerce, National Taiwan University Managing Director and Taiwan Regional President, Barclays Bank Senior Vice President and Head of Risk Management, Wan Tai Bank Managing Director and Taiwan Regional President, Bank of America Senior Vice President and Head of Risk Control, Taishin Financial Holding	None	None	None	None	

Title (Note 1)	Nationality/ Place of Registration	Name	Gender	Date Elected	Term	Date of First Election (Note 2)	Shares Held When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major (Education) Experience (Note 3)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark(s)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relatio n	
Independent Director	R.O.C.	Hsiang-Yi Lien	Male	2019.06.19	3 years	2019.06.19	0	0	0	0	0	0	0	0	M.S., Department of Information Engineering, National Taiwan University EMBA, National Taiwan University President of Strategic Technology Partnership Group, Google Asia Independent Director, 104 Corporation Independent Director, 104 Corporation Vice President, Shiningvision Inc. Vice President, Yam Digital Technology Co., Ltd.	President of Strategic Technology Partnership Group, Google Asia Independent Director, 104 Corporation Director, SMCA Foundation Director, FARobot Inc.	None	None	None	None

Note 1: The institutional shareholder shall be identified by name and representative (in the case of institutional representative, please specify the institutional shareholder's name) and also complete the following Table 1.

Note 2: Please also specify if the initial term of office for the Company's director or supervisor is interrupted.

Note 3: Refers to experiences related to the current post. If the officer once assumed a post in a CPA Office or an affiliate of the Company, please specify the job title and responsibilities.

Note 4: The Chairman and CEO of the Company are responsible for the development and implementation of the Company's objectives and the formulation of strategies and policies. The Chairman and CEO are the same person in response to external business needs and there is no division of authority within the Company. Meanwhile, none of the remaining directors of the Company is an employee or manager in order to strengthen the independence of the Board of Directors.

Note 5: Frank Ko, the representative Director of AU Optronics Corp., was newly-elected on June 22, 2020.

(1) The names of the top ten shareholders and their percentage of shareholding in the Company

Name of Corporate Shareholder (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
Chroma ATE Inc.	Chin-Ming Huang (Shareholding of 4.95%), Stichting Depository APG Emerging Market Equity Mutual Fund held by JPMorgan Chase Bank, Taipei Branch (Shareholding of 4.31%), Chun-Sheng Chen (Shareholding of 3.58%), Progeny International Selection Fund trusted by J.P. Morgan Chase Bank, N.A., Taipei Branch -Asia Absolute Return Investment Account (Shareholding of 3.10%), Yu-Mei Hsueh (Shareholding of 2.63%), HSBC Custodian First Source Investors - Stewart Investors Asia Pacific Leadership Sustainability Fund (Shareholding of 2.24%), Shu-Chuan Chen (Shareholding of 2.20%), Nan Shan Life Insurance Co. Ltd. (Shareholding of 2.05%), Chase Custodianship International Selection Fund - Global Climate Change Equity Account (Shareholding of 1.94%), Citi Custodianship Government of Singapore - GOS-EFM C (Shareholding 1.75%)
AU Optronics Corporation	Qisda Corporation (Shareholding of 6.90%), Quanta Computer Incorporated (Shareholding of 4.61%), AUO Employee Stock Ownership Trust Management Committee Trust Property Account entrusted by Wing Fung Commercial Bank (Shareholding 4.58%), the Depository Deed dated May 29, 2002 and entered into by Hong Kong Mercantile Financial Services Limited, in its capacity as joint representative of the Depository and nominee of the Depository, in accordance with the Depository Deed entered into by Citibank, N.A., the Depository, AU Optronics Corp. and the Depository (Shareholding of 4.19%) Fubon Life Insurance Co. Ltd. (Shareholding of 3.93%), Tong Hwei Enterprise Co., Ltd. (Shareholding of 1.58%), J.P. Morgan Chase Bank, N.A., Taipei Branch is entrusted with the custody of the Vanguard Total International Equity Index Fund, a series of funds of Vanguard Starlight Fund, Inc. (Shareholding of 1.26%), Custody of the investment account of the Central Bank of Norway entrusted by Citibank Taiwan (Shareholding of 0.97%), JPMorgan Chase Bank, Taipei Branch is entrusted with the custody of the Van Gard Emerging Markets Equity Index Fund managed by Van Gard Group, Inc. (Shareholding of 0.94%), New Labor Pension Fund (Shareholding 0.79%)

Note 1: For director or supervisor who acts as a corporate shareholder's representative, please specify the corporate shareholder's name.

Note 2: Please specify names of the major shareholders of the given corporate shareholder (top ten shareholders) and the ratio of shareholding. Where the major shareholder is a corporation, please complete the following Table 2.

Note 3: If the legal person shareholder is not organized as a company, the "names of shareholders" and the "ratio of shareholding" in the preceding paragraph shall be "names of funders or donors" and the "ratio of fund or donation".

(2) Major Shareholders of Major Corporate Shareholder:

Name of Institutional Shareholder	Major Shareholder of Institutional Shareholder
Nan Shan Life Insurance Co., Ltd	Trust Account of Juncheng Investment Co., Ltd. in First Commercial Bank (Shareholding of 60.0083%), Juncheng Investment Co., Ltd. (Shareholding of 29.5415%), Ying-Tsung Tu (Shareholding of 2.8953%), Ruentex Hsing Co., Ltd. (Shareholding of 0.2983%), Ruen Hua Dyeing & Weaving Co., Ltd. (Shareholding of 0.2733%), Ruentex Development Co., Ltd. (Shareholding of 0.2319%), Ruentex Industries Co., Ltd. (0.2133%), Stock, Trust and Property Account of Nan Shan Life in Taishin Bank (Shareholding of 0.2059%), Hsintou Investment Co., Ltd. (Shareholding of 0.1563%), Ruentex Leasing Co., Ltd. (Shareholding of 0.1321%) Note: The source of the data comes from the data collected as at the company's ex-dividend date on April 30, 2020.
Qisda Corporation	AU Optronics Corporation (Shareholding of 17.04%), Cathay Life Insurance Co., Ltd. (Shareholding of 4.46%), Acer Incorporated (Shareholding of 4.15%), Darfon Electronics Corp. (Shareholding of 1.86%), CitiBank (Taiwan) in Custody for Norwegian Central Bank (Shareholding of 1.56%), CitiBank (Taiwan) in Custody for Polunin Development National Fund (Shareholding of 1.24%), JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard International Equity Index Fund, a series of funds of Vanguard Starlight Fund, Inc. (Shareholding of 1.19%), JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard FTSE Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (Shareholding of 0.94%), Taishin International Commercial Bank in Custody for Clio Investment Co., Ltd. (Shareholding of 0.87%), CitiBank (Taiwan) in Custody for Subdivision Emerging Markets Valuation Fund Investment (Shareholding of 0.69%) Note: The source of the data comes from the data collected as at the company's ex-dividend date on July 26, 2020.
Quanta Computer, Inc.	Qianyu Investment Co., Ltd. (Shareholding of 14.82%), Pai-Li, Lin (Shareholding of 10.76%), Citibank (Taiwan) in Custody for Singapore Government Investment (Shareholding of 3.14%), Cathay Life Insurance Company, Ltd. (Shareholding of 3.08%), New Labor Pension Fund (Shareholding of 2.53%), Fubon Life Insurance Co., Ltd. (Shareholding of 2.20%), Tzu-Chen, Liang (Shareholding of 2.14%), Nan Shan Life Insurance Co., Ltd. (Shareholding of 2.10%). Mega International Commercial Bank in Custody for He Sha Trust Property (Shareholding of 2.07%), Yi Jia   Xin Investment Co., Ltd. (Shareholding of 1.71%) Note: The source of the data comes from the data collected as at the company's ex-dividend date on April 21, 2020.

(II) Information on Directors and Supervisors																			
Name (Note 1)	Qualifications	Meeting One of the Following Professional Qualification Requirements, Together with At Least Five Years of Work Experience			Independence Criteria (Note 2)												Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director		
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business	1	2	3	4	5	6	7	8	9	10	11	12			
	Chun (Jim) Liu			✓						✓	✓	✓	✓	✓	✓	✓	1		
	Tien-Sung (Richard) Lin			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0		
	You-Yi Chou			✓		✓	✓	✓		✓	✓		✓	✓	✓	✓	0		
	Chroma ATE Inc. Representative: Hsiu-Miao Huang			✓		✓	✓		✓	✓			✓	✓	✓	✓	0		
	Representative of AU Optronics Corporation: Frank Ko			✓		✓	✓		✓	✓			✓	✓	✓	✓	0		
	Wei-Chien Li			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0		
	Ching-Tsung Lin			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0		
	Hsiang-Yi Lien			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1		

Note 1: The number of spaces shall be adjusted subject to the actual circumstances.

Note 2: Please check “✓” the corresponding boxes if the directors meet the following conditions during the two years prior to the nomination and during the term of office.✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5%or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, president, or person holding an equivalent position of the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(III) Information on President, Vice Presidents, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Units

May 6, 2021

Job Title (Note 1)	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major (Education) Experience (Note 2)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark(s)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation	
CEO	R.O.C.	Chun (Jim) Liu	Male	2001.05.07	10,311,124	4.74%	4,514,586	2.08%	0	0	Institute of Computer Management Decision Research, National Tsing Hua University Institute for Information Industry	Chairman, ADLINK International Co., Ltd. Chairman, ADLINK Technology (HK) Co., Ltd. Chairman, ADLINK Technology (China) Co., Ltd. Director, ADLINK Technology Japan Co. Chairman, Ampro ADLINK Technology, Inc.. Chairman, ADLINK Technology holding GmbH Chairman, Dong Guan Ling Yao Director, ADLINK Technology GmbH Director, ADLINK Technology Limited Independent Director, Zenitron Corporation Director, ADLINK Technology Korea Ltd.	Consultant, President's Office	Harn-Fen (Dianne) Ni	Spouse	Note 3
Managing Director	R.O.C.	Cheng-I (Daniel) Yang	Male	2009.07.01	82,547	0.04%	0	0	0	0	Institute of Computer Management Decision Research, National Tsing Hua University President, Mentor Graphics Asian Region President, AAEON Technology Inc. General Manager, COO Business Group, Hewlett-Packard Technology Taiwan	None	None	None	None	None
Global Chief Financial Officer	R.O.C.	Ta-Chih (Jeff) Chou	Male	2006.06.01	311,951	0.14%	3,694	0.00%	0	0	M.A., State University of New York at Albany, USA Vice President, RITI Technology Inc.	Director, ADLINK Technology Singapore Pte Ltd. Director, ADLINK Technology (China) Co., Ltd. Director, Ampro ADLINK Technology Inc. Director, ADLINK Technology Limited Director, ADLINK Technology Japan Co.	None	None	None	None
Global Chief Operating Officer	R.O.C.	Chen-Chiu (Joseph) Teng	Male	2017.09.15	189,315	0.09%	0	0	0	0	M.S. in Electrical Engineering, University of Southern California, USA Intel Engineering Director	None	None	None	None	None
Deputy Managing Director of Embedded Platform and Module Business Unit	R.O.C.	Yi-Nan (Edgar) Chen	Male	2007.11.1	316,743	0.15%	10,940	0.01%	0	0	Institute of Mechanical Research, National Taiwan University Chief Director, ADLINK Technology Inc.	Director, ADLINK Technology Holding GmbH Director, ADLINK Technology GmbH	None	None	None	None
Regional Chief Director, Europe	R.O.C.	Shih-Hao (Roy) Wan	Male	2010.10.01	245,916	0.11%	157,878	0.07%	0	0	Department of Electrical Engineering, National Taiwan University Chief Director, ADLINK Technology Inc.	Director, ADLINK Technology GmbH	None	None	None	None
Regional Chief Director, China	R.O.C.	Kuo-Wei (Michael) Lo	Male	2013.05.01	0	0	0	0	0	0	Department of Business Administration, National Chung Hsing University Senior Vice President, Leadtek Research, Inc. Vice President, Far EasTone Telecommunications Co., Ltd.	None	None	None	None	None
Senior Director, Asia Pacific Business Area	R.O.C.	Jen-Te (Vincent) Tseng	Male	2017.09.15	0	0	0	0	0	0	EMBA, International Business Institute, National Taiwan University Department of Finance and Cooperative Business, National Taipei University Senior Assistant Manager, Subsidiary of ADLINK Technology in U.S. Asia Pacific Sales Manager, Advantech Co., Ltd.	None	None	None	None	None
Senior Director of Network Communications and Public Construction Division	R.O.C.	Fu-Yao (Eric) Kao	Male	2020.12.01	101,882	0.05%	71,802	0.03%	0	0	M.S. in Electrical Engineering, National Taiwan University Director, ADLINK Technology Inc.	None	None	None	None	None
Director of Finance Department	R.O.C.	Shu-Fen (Iris) Chen	Female	2003.07.01	73,337	0.03%	0	0	0	0	M.B.A., University of Illinois Manager of Investment Research Department, Taiwan Life Asset Management	None	None	None	None	None
Senior Manager of Accounting Department	R.O.C.	Yu-Ting (Samantha) Lin	Female	2006.06.15	794	0.00%	0	0	0	0	B.S. in Accounting, Soochow University Finance Manager, VBEST Electronics Co., Ltd.	None	None	None	None	None

Note 1: It shall include information of president, vice president, associate managers, supervisors of various departments and branches; any position equivalent to president, vice president, associate managers, regardless of job title, shall also be disclosed.

Note 2: For the experience related to holding the current position, if one has worked in the CPA firm conducting the auditing and attesting business or related company, he/she shall state the job title and responsible position. Assistant vice president, regardless of job title, should also be disclosed.

Note 3: The Chairman and CEO of the Company are responsible for the development and implementation of the Company's objectives and the formulation of strategies and policies. The Chairman and CEO are the same person in response to external business needs and there is no division of authority within the Company. Meanwhile, none of the remaining directors of the Company is an employee or manager in order to strengthen the independence of the Board of Directors.



(IV) Remuneration Paid During the Most Recent Fiscal Year to Directors, Supervisors, President, and Vice Presidents  
1. Remuneration to Director and Independent Director (Summarized in accordance with the Range of Remuneration disclosed)

Unit: thousand shares/ NT\$ thousands

Title	Name	Remuneration Paid to Directors								The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 10)		Relevant Remuneration Received by Directors who Are Also Employees								Ratio of Total Remuneration (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 subsidiaries or parent company (Note 11)
		Remuneration (A) (Note 2)		Severance Pay and Pension (B)		Directors Compensation (C) (Note 3)		Professional service fees (D) (Note 4)				Salaries, bonus and special subsidies (E) (Note 5)		Severance Pay and Pension (F)		Remuneration of Employee (G) (Note 6)						
		The Company	All companies included into the financial statement (Note 7)	The Company	All companies included into the financial statement (Note 7)	The Company	All companies included into the financial statement (Note 7)	The Company	All companies included into the financial statement (Note 7)	The Company	All Companies in Consolidated Financial Statements	The Company	All companies included into the financial statement (Note 7)	The Company	All companies included into the financial statement (Note 7)	The Company		All companies included into the financial statement (Note 7)		The Company	All Companies in Consolidated Financial Statements	
Chairman of the Board	Chun (Jim) Liu	0	0	0	0	5,500	5,500	260	260	2.36%	2.38%	3,380	4,125	73	73	0	0	0	0	3.78%	4.12%	None
Director	Kai Sheng Investment Corporation																					
Director	Tien-Sung (Richard) Lin																					
Director	You-Yi Chou																					
Director	Chih-Hua Feng																					
Director	Wei-Chien Li																					
Director	Shih-Hao Hung																					
Director	Chroma ATE Inc. Representative: Hsiu-Miao Huang																					
Director	Representative of AU Optronics Corporation: Frank Ko																					
Independent Director	Wei-Chien Li	0	0	0	0	2,925	2,925	290	290	1.32%	1.33%	0	0	0	0	0	0	0	1.32%	1.33%	None	
Independent Director	Ching-Tsung Lin																					
Independent Director	Hsiang-Yi Lien																					
<div>1. Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working time. In accordance with Article 26 of the Company's Articles of Incorporation, not more than 3% of the Company's annual net income before tax shall be set aside as remuneration to directors. The Company shall pay remuneration to directors mainly, while independent directors shall be paid by salary, and shall pay their transportation allowance at each board meeting. There was no significant change in the remuneration paid to the directors and supervisors of the Company in the last two years.</div> <div>2. Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: None.</div> <div>3. Directors Kai Sheng Investment Corporation, Chih-Hua Feng, Wei-Chien Li, Shih-Hao Hung were dismissed on June 18, 2019.</div> <div>4. Frank Ko, the representative Director of AU Optronics Corp., was newly-elected on June 22, 2020.</div>																						

Range of Remuneration Paid to Directors	Name of Director			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included into the financial statement (Note 9) H	The Company (Note 8)	All companies included into the financial statement (Note 9) I
Less than NT\$1,000,000	Kai Sheng Investment Corporation, Tien-Sung (Richard) Lin, Yu-I Chou, Chih-Hua Feng, Shih-Hao Hung, Hsiu-Miao Huang (Representative of Chroma ATE Inc.), Fu-Jen Ke (Representative of AU Optronics Corporation)	Kai Sheng Investment Corporation, Tien-Sung (Richard) Lin, Yu-I Chou, Chih-Hua Feng, Shih-Hao Hung, Hsiu-Miao Huang (Representative of Chroma ATE Inc.), Fu-Jen Ke (Representative of AU Optronics Corporation)	Kai Sheng Investment Corporation, Tien-Sung (Richard) Lin, Yu-I Chou, Chih-Hua Feng, Shih-Hao Hung, Hsiu-Miao Huang (Representative of Chroma ATE Inc.), Fu-Jen Ke (Representative of AU Optronics Corporation)	Kai Sheng Investment Corporation, Tien-Sung (Richard) Lin, Yu-I Chou, Chih-Hua Feng, Shih-Hao Hung, Hsiu-Miao Huang (Representative of Chroma ATE Inc.), Fu-Jen Ke (Representative of AU Optronics Corporation)
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Chun (Jim) Liu, Wei-Chien Li, Ching-Tsung Lin, Hsiang-Yi Lien	Chun (Jim) Liu, Wei-Chien Li, Ching-Tsung Lin, Hsiang-Yi Lien	Wei-Chien Li, Ching-Tsung Lin, Hsiang-Yi Lien	Wei-Chien Li, Ching-Tsung Lin, Hsiang-Yi Lien
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	None	None	None	None
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	None	None	None	None
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	None	None	Chun (Jim) Liu	Chun (Jim) Liu
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	None	None	None	None
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	None	None	None	None
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	None	None	None	None
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	11	11	11	11

Note 1: Directors' names shall be identified one by one (corporate shareholders shall be identified by the corporate shareholder's name and representative individually), and shall list the general directors and independent directors separately and disclose the amount of various payments in summary. If a director also serves as a General Manager or Deputy General Manager, this form and form (3-1) or form (3-2-1) or (3-2-2) below should be filled.

Note 1: Remunerations to the directors in the current year include director's salary, directors' allowances, severance pay, various bonuses, incentive payments, etc.

Note 2: The remuneration to directors approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year.

Note 3: Professional service fees paid to the director (including traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc.). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.

Note 5: It means the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) in the most recent year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.

Note 6: If the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) received employee bonus (including stock dividend and cash dividend) in the most recent year, please disclose the employee bonus approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year, and please also specify the table 1-3.

Note 7: The aggregate of the remuneration to directors in the Company from the companies included into the consolidated financial reports (including the Company) should be disclosed.

Note 8: The aggregate of the remuneration to each director by the Company shall include the director's name disclosed in the relevant space of the following table.

Note 9: The aggregate of the remuneration paid to each of the Company's directors by the companies included into the consolidated financial reports (including the Company) shall include the director's name disclosed in the relevant space of the following table.

Note 10: The earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

Note 11: a. To specify whether the Company's directors have received remuneration from investees beyond subsidiaries (If there is none, please fill in "none").

b. If the Company's directors have received remuneration form investees beyond subsidiaries, please include the same into Section J in the following table and changed the name of the section into "all investees".

c. The remuneration shall refer to the remuneration, compensation, employee bonus and professional professional service fees received by the Company's directors who acted as the directors, supervisors or managerial officers of investees other than subsidiaries.

\* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

## 2. Compensation of Supervisors

Unit: NT\$ thousand

Title	Name	Remuneration						Total A,B,C as % of EAIT		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		Base Compensation (A)		Bonus to Supervisors (B)		Professional service fees (C)				
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	None
Supervisor	Lien-Fa Kuo	0	0	500	500	0	0	0.21%	0.21%	
Supervisor	Chih-Hsien Chang									

Note: Supervisor Chroma ATE Inc., Lien-Fa Kuo, Chih-Hsien Chang was dismissed on June 18, 2019.

Range of Remuneration	Name of Supervisors	
	Total Remuneration (A+B+C)	
	The Company	All Companies in Consolidated Financial Statements
Less than NT\$1,000,000	Lien-Fa Kuo, Chih-Hsien Chang	Lien-Fa Kuo, Chih-Hsien Chang
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	None	None
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	2	2

## 3. Remuneration to President and Vice President (Summarized in accordance with the Range of Remuneration disclosed)

Unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonus and special expense (C) (Note 3)		Employee compensation (D) (Note 4)				The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 8)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company (Note 9)
		The Company	All companies included into the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	The Company		All companies included into the financial statement (Note 5)		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
CEO	Chun (Jim) Liu	19,746	20,491	397	397	11,400	11,400	0	0	0	0	12.95%	13.36%	None
General manager	Cheng-I (Daniel) Yang													
Global Chief Financial Officer	Ta-Chih (Jeff) Chou													
Global Chief Operating Officer	Chen-Chiu (Joseph) Teng													

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company (Note 6)	All companies included into the financial statement (Note 7) E
Less than NT\$1,000,000	None	None
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Chun (Jim) Liu	None
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	None	Chun (Jim) Liu
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Ta-Chih (Jeff) Chou	Ta-Chih (Jeff) Chou
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	Cheng-I (Daniel) Yang, Chen-Chiu (Joseph) Teng	Cheng-I (Daniel) Yang, Chen-Chiu (Joseph) Teng
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	4	4

#### 4. Employee bonus amount paid to managerial officers

Unit: NT\$ thousand

	Title	Name	Stock	Cash	Total	Proportion to Earnings After Tax (%)
Managers	CEO	Chun (Jim) Liu	0	0	0	0%
	Managing Director	Cheng-I (Daniel) Yang				
	Global Chief Financial Officer	Ta-Chih (Jeff) Chou				
	Global Chief Operating Officer	Chen-Chiu (Joseph) Teng				
	Deputy Managing Director	Yi-Nan (Edgar) Chen				
	Chief Director	Shih-Hao (Roy) Wan				
	Chief Director	Kuo-Wei (Michael) Lo				
	Senior Director	Jen-Te (Vincent) Tseng				
	Senior Director	Fu-Yao (Eric) Kao				
	Director of Finance Department	Shu-Fen (Iris) Chen				
	Senior Manager of Accounting Department	Yu-Ting (Samantha) Lin				

Note 1: Please disclose the name and job title individually, while the allocation of earnings may be summarized and then disclosed.

Note 2: Please specify the employee bonus (including stock and cash) to be allocated to the managerial officers as approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year. The earnings after tax refers to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

Note 3: The scope of managerial officers shall be defined in the following manner, as per the Board's decree under Tai-Tsai-Cheng-3-Tze No. 0920001301 dated March 27, 2003:

- (1) President and equivalents;
- (2) Vice president and equivalents;
- (3) Assistant vice president and equivalents;
- (4) Chief of Financial Dept.;
- (5) Chief of Accounting Dept.;

(6) Any other persons in charge of the Company's affairs and entitled to sign instruments on behalf of the Company.

Note 4: If any director, president or vice president has received employee bonus (including stock dividend and cash dividend), please complete table 1-2 and also this table.

(V) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company-only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements During the Past Two Fiscal Years to Directors, Supervisors, the President, and Vice Presidents, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Link

Title	Ratio of Total Remuneration Paid to Net Income in 2019		Ratio of Total Remuneration Paid to Net Income in 2020	
	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements
Director	1.61%	1.78%	5.10%	5.45%
Supervisor	0.20%	0.20%	0.21%	0.21%
President and Vice President	6.97%	7.14%	12.95%	13.36%

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

a. Remunerations to Directors:

In accordance with Article 26 of the Company's Articles of Incorporation, not more than 3% of the Company's annual net income before tax shall be set aside as remuneration to directors. The Company shall pay remuneration to directors mainly, while independent directors shall be paid by salary, and shall pay their transportation allowance at each board meeting. There was no significant change in the remuneration paid to the directors and supervisors of the Company in the last two years.

b. Remuneration of the President and Vice President: In accordance with the Compensation and Incentive Plan for Employees established by the Company, the President and Vice President shall be paid a fixed salary on a monthly basis at the time of appointment, taking into consideration the level of compensation for similar positions in the industry. The variable part is performance-based compensation, which is proposed to the Compensation Committee and approved by the Board of Directors, depending on the results of the current year's operating performance and individual performance.

c. Future Risks: The remuneration of the Directors, President and Vice President of the Company is linked to performance, and has been handled in accordance with the relevant regulations of the competent authorities to minimize the possibility of future risks and correlations, and to review the remuneration system at any time in accordance with the actual operating conditions and relevant laws and regulations in order to strike a balance between sustainable management and risk control of the Company.

### III. Status of Corporate Governance

#### (1) Board of Director

A total of 6 (A) Board meetings were held in 2020. The attendance of the Directors was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remark(s)
Chairman of the Board	Chun (Jim) Liu	6	0	100.00%	
Director	Tien-Sung (Richard) Lin	6	0	100.00%	
Director	You-Yi Chou	6	0	100.00%	
Director	Chroma ATE Inc. Representative: Hsiu-Miao Huang	5	0	83.33%	
Director	AU Optronics Corporation Representative: Frank Ko	3	0	100.00%	Appointed on June 22, 2020
Independent Director	Wei-Chien Li	6	0	100.00%	
Independent Director	Ching-Tsung Lin	6	0	100.00%	
Independent Director	Hsiang-Yi Lien	6	0	100.00%	

Other matters to be recorded:

- 一、 With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:
- (I) Matters included in Article 14-3 of the Securities and Exchange Act: Regulations from Article 14-3 is not applicable since the Company has already established an Audit Committee. Refer to the Operations of the Audit Committee for a description of matters listed in Article 14-5 of the Securities and Exchange Act.
- (II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.
- 二、 Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.
- 三、 The evaluation cycles, evaluation periods, scope and method of evaluation, and contents of evaluation for evaluating the performance of the board members (on themselves or peers). The implementation of evaluation for the Board of Directors:

Frequency	Period	Scope	Method	Content
Once a year	January 2020 to December 2020	Board of Directors, Functional Committees (including Audit Committee) and individual members.	Internal evaluation of the Board of Directors, Functional Committees (including Audit Committee) and individual members.	The evaluation of the performance of the Board of Directors and its individual members covers five major areas: The degree of participation in the Company's operations, improvement of the quality of board decisions, board composition and structure, selection and continuing education of directors, and internal control. The evaluation of the performance of the functional committees and its individual members covers five major areas: The degree of participation in the Company's operations, improvement of the quality of board decisions, board composition and structure, selection and continuing education of directors, and internal control.

- 四、 Measures taken to strengthen the functionality of the Board (e.g. the establishment of Audit Committee, or the improvement of information transparency) during the year: In order to improve corporate governance and strengthen the functions of the Board of Directors, the Company established a Compensation Committee in December 2011 to evaluate the remuneration policies and systems for directors and managers and make recommendations to the Board of Directors for their reference in making decisions. Audit committee was scheduled to be established in June 2019. These two committees have been composed of all independent directors and report regularly to the Board of Directors. The Company complies with the relevant laws and regulations to announce reporting to enhance the transparency of information.

(II) The function of Audit Committee participation in the function of Board of Directors

A total of 6 Audit Committee meetings were held in 2020. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remark(s)
Independent Director	Wei-Chien Li	6	0	100.00%	
Independent Director	Ching-Tsung Lin	6	0	100.00%	
Independent Director	Hsiang-Yi Lien	6	0	100.00%	

Other matters to be recorded:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

(I) Circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Audit Committee Meeting Date	Term	Major Resolutions	Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
2020.2.14	The 3rd meeting of the first term	Approval of the public acquisition of the Company's common shares by AU Optonics Corp.	Approved by all Independent Directors
2020.03.19	The 4th meeting of the first term	Approval of the Company's 2019 Business Report and Financial Statement. The internal audit report of the internal audit officer. Approval of the 2019 Statement of Internal Control System. Approval of the adoption of the proposal for distribution of 2019 earnings. Approval of the proposal for the cash distribution from capital surplus. Approval of the appointment of CPA and the CPA independence and competency evaluation Approval of the application for credit (external debt) financing from financial institutions for working capital needs of the Company's reinvested subsidiaries, and guaranteed by the Company.	Approved by all Independent Directors
2020.04.30	The 5th meeting of the first term	Approval of the consolidated financial statements for the first quarter of 2020. The internal audit report of the internal audit officer. Approval of the capital loans for wholly-owned overseas subsidiaries Approval of the Bank's credit line application to a bank. Approval of the application for credit financing from financial institutions for working capital needs of the Company's reinvested subsidiaries, and guaranteed by the Company.	Approved by all Independent Directors
2020.07.03	The 6th meeting of the first term	Approval of the Company's proposal to acquire real estate from an investor with significant influence, Chi Mao Electronics Co. Approval of the proposed real estate renovation project of the U.S. subsidiary - AATI.	Approved by all Independent Directors
2020.08.06	The 7th meeting of the first term	The internal audit report of the internal audit officer. Consolidated financial statements for the first half of 2020. Proposal of the capital loans for wholly-owned overseas subsidiaries Proposal of the Company's bank credit facilities and foreign exchange and derivative financial instruments trading lines. Proposal of the Company's reinvested subsidiaries application for credit (external debt) financing from financial institutions for working capital needs, which is guaranteed by the Company. Proposal to release the newly elected directors from non-competition restrictions	Approved by all Independent Directors
2020.10.30	The 8th meeting of the first term	The internal audit report of the internal audit officer. 2021 Audit Plan. Consolidated financial statements for the third quarter of 2020. Proposal of the Company's bank credit facilities and foreign exchange and derivative financial instruments trading lines.	Approved by all Independent Directors



- (II) Except for the aforementioned matters, other resolutions which were not being approved by the Audit Committee but resolved by more than two-thirds of all the Directors: None.
- II. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.
- III. Communication between Independent Directors, the internal audit officer, and the CPAs:
  - (I) The Company regularly convenes Audit Committee meetings. Where necessary, CPAs, the head of internal audit and relevant executives are also invited to the meeting.
  - (II) The audit officer submits audit reports to the independent directors on a regular basis and gives internal audit reports at the quarterly audit committee meetings. The Company's audit committee has good communication with the audit officer .
  - (III) The Company's CPA report the results of the audit or review of the current year's financial statements and other communication matters required by the relevant laws and regulations at the annual audit committee meeting, and arrange time to fully communicate with KAM before the meeting to report on critical audit matters.
- IV. The work focus and operation of the Audit Committee.
  - (I) Annual Work Highlights: The Audit Committee of the Company consists of three independent directors. The Committee operates for the primary purpose of overseeing the following matters.
    - I. Fair presentation of the financial reports of the Company.
    - II. Appointment (dismissal), independence and performance of the Certified Public Accountants (CPAs);
    - III. Effective implementation of the Company's internal control;
    - IV. The Company's compliance with relevant laws and regulations;
    - V. Management of the existing or potential risks of the Company.
  - (II) 2020 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee without objection.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established a "Corporate Governance Best-practice Principles" which is available on the Market Observation Post System or the Company's website.	No deviation
II. Shareholding structure & shareholders' rights (一) Does the Company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigation?	V		The Company has formulated and followed the "Rules of Procedures for Shareholders' Meetings" to establish a good governance system for the Company's shareholders' meetings. A spokesperson and proxy spokesperson system has been established in accordance with the regulations, and a dedicated person and email address are available to handle shareholders' suggestions, questions, disputes and litigation matters.	No deviation
(二) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		The Company has appointed dedicated personnel to manage related information and is able to keep abreast of the list of major shareholders which have actual control over the Company and the ultimate controllers of these major shareholders., and have a good relationship with major shareholders and can keep control at all times.	
(三) Does the Company establish and execute a risk management and firewall system within its affiliates?	V		The Company has established and followed the "Regulations Governing the Supervision of Subsidiaries" so that its subsidiaries have clear strategies and specific operating rules to establish risk control and firewall mechanisms with its subsidiaries.	
(四) Does the Company establish internal rules against insiders using undisclosed information to trade in securities?	V		The Company has established and follows a "Code of Ethical Conduct" to guide the ethical conduct of our insiders, prevent conflicts of interest, avoid self-interest, and fulfill our duty of confidentiality.	
III. Composition and responsibilities of the Board of Directors (一) Is the composition of the Board of Directors determined by taking appropriate policy based on diversity and ensure the actual implementation?	V		The Company has established a "Code of Corporate Governance" which stipulates that the composition of the Board of Directors should consider diversity. The Company has five directors and three independent directors, of which one director and one independent director are female, with professional backgrounds ranging from business management, information engineering, finance and legal affairs, professional skills and industry experience, etc., to implement and establish a good and effective corporate governance structure.	No deviation
(二) Does the Company voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee?	V		The company has established remuneration and audit committee as required, the establishment of other functional committees will be evaluated as needed in the future.	
(三) Does the Company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	V		The Remuneration Committee of the Company establishes and regularly reviews the policies, systems, standards and structures for performance evaluation and remuneration of directors, supervisors and managers, and submits its recommendations to the Board of Directors for discussion.	
(四) Does the Company regularly evaluate the independence of the CPAs?	V		The Company periodically evaluates the independence of the accountant in accordance with the regulations. The main evaluation criteria are that the accountant and his or her spouse or dependent relatives do not hold any positions as directors, supervisors, or positions with significant influence on audit cases, are not shareholders of the Company, do not receive salary from the Company, and do not engage in any other business that may lose their independence. The accounting department will report the evaluation results to the Company's board of directors. The results of the 2020 assessment were reported to the Board of Directors on March 25, 2021. (Note I)	
IV. Does the company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	V		The Company's management office has designated personnel responsible for corporate governance-related matters (including the provision of information necessary for directors and independent directors to carry out their business, the conduct of meetings of the board of directors and shareholders' meetings in accordance with the law, the registration of companies and changes in registration, and the preparation of minutes of board meetings and shareholders' meetings, etc.).	No deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
V. Does the Company establish communication channels and a dedicated section on the company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		The Company has established multiple channels of communication with each stakeholder and has prepared a CSR report for the stakeholders' reference. Download website: <a href="https://emb.adlinktech.com/tw/CorporateSocialResponsibility.aspx">https://emb.adlinktech.com/tw/CorporateSocialResponsibility.aspx</a>	No deviation
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The company has appointed Taishin International Bank Stock-Affairs Agency Dept., a professional agency to deal with shareholders' meeting affairs.	No deviation
VII. Information disclosure (I) Does the Company have a website to disclose the financial operations and corporate governance status?	V		An investor section is set up on the Company's website in both English and Chinese, and information on finance, business and corporate governance is updated regularly. Enquiry website: <a href="https://emb.adlinktech.com/tw/InvestorRelations.aspx">https://emb.adlinktech.com/tw/InvestorRelations.aspx</a>	No deviation
(II) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)?	V		The Company has a spokesperson and a deputy spokesperson, and a person in charge of collecting and disclosing corporate information. The Company has set up websites in Chinese (both traditional and simplified) and English, and has set up an investor's garden to fully disclose financial, business and corporate information, which is updated regularly.	No deviation
(III) Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?	V		The Company announced and filed its annual financial report before the prescribed deadline, and announced and filed its first, second and third quarterly financial reports well in advance of the prescribed deadline for the announcement.	Early announcement only before the specified deadline
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors and Supervisors)?	V		<ol style="list-style-type: none"> <li>In addition to providing the basic welfare protection under the Labor Standards Law, the Company holds quarterly labor-management meetings to care for its employees. For details, please refer to the Labor Relations section of this annual report.</li> <li>In addition to setting up a dedicated e-mail address and spokesperson, the Company also holds corporate presentations and has good relations with major investors.</li> <li>We have a long-term relationship with our suppliers to ensure that there is no shortage of raw materials for our production.</li> <li>The directors and independent directors of the Company attend professional development courses in finance, business and commerce from time to time, and the information is disclosed on the Market Observation Post System.</li> <li>The Company's directors attend and the independent directors attend the board meetings in good condition and present their operating opinions in a timely manner.</li> <li>Up to now, the Company has not made any motion in relation to the interest of the directors.</li> <li>The Company has taken out liability insurance for its directors and independent directors after considering the significance of their responsibilities.</li> <li>The Company attaches great importance to the interaction between overall corporate operation and social responsibility, and has set up the ADLINK Education Foundation <a href="http://www.adlinktech.org">www.adlinktech.org</a> to cooperate with local government authorities and actively participate in its activities to give back to the community.</li> <li>Products sold by the Company and its affiliates are covered by product liability insurance.</li> </ol>	No deviation
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.			<ol style="list-style-type: none"> <li>Improvements made in the most recent year: <ol style="list-style-type: none"> <li>Every matter in the 2018 annual shareholders' meeting were resolved by voting. The results of every resolution are recorded within the meeting minutes.</li> <li>Electronic voting was adopted for the 2018 annual shareholders' meeting.</li> <li>Enhanced disclosure of corporate governance-related information on the Company's website.</li> </ol> </li> </ol>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			(4) The Company has established an audit committee and adopted a candidate nomination system for the election of directors and supervisors in 2019. (5) Stipulated a whistle-blowing system and disclosed the said system on the Company's website. (6) Information security policies and specific management plans are posted on the Company's website. 2. Prioritised matters and measures yet to be improved: (1) To establish a policy and specific goals for diversity of board members. (2) The Corporate Governance Officer will be installed in May 2021. Other outstanding matters will be improved gradually depending on the company's planning.	

**Note 1: Accountants' independence evaluation criteria**

CPA firm:		Deloitte & Touche	
CPAs:		(Former) CPA Wen-Chi Kuo and CPA Chen-Ming Li (New) CPA I-Wen Wang and CPA Wen-Qing Lin	
Evaluation Items		Results of Examination	
		Yes	No
1	The appointed CPAs have no material financial interest in the Company.	V	
2	The appointed CPAs do not have any improper relationship with the Company.	V	
3	The CPA shall ensure that his/her assistants are honest, fair and independent.	V	
4	The CPAs do not and had not served as the Company's director, supervisor, managerial officer, or positions that may have significant impact on the audit in the most recent two years.	V	
5	During the audit period, the appointed accountant and his or her spouse or dependent family members did not hold any positions as directors, supervisors, or managers of the Company or positions that directly and materially affected the audit. If a close relative of the CPA within the fourth degree of kinship serves as a director, supervisor, or managerial officer of the Company or positions that may directly and significantly affect the audit during the audit period, the breach of independence must be reduced to an acceptable level.	V	
6	The CPA did not receive gifts or presents of significant value (where their values have not exceeded the general etiquette standards) from the Company or directors, supervisors, or managerial officers of the Company.	V	
7	The CPA may not permit others to practice under his/her name.	V	
8	The appointed CPA shall not have any pecuniary borrowing with the Company.	V	
9	The CPA may not concurrently engage in other businesses that may lead to loss of independence.	V	
10	The CPA shall not receive any commission in connection with the business.	V	
11	The CPA shall not hold any shares of the Company.	V	
12	The CPA shall not be paid a fixed salary for the regular work of the Company.	V	
13	The CPA shall not be paid a fixed salary for the regular work of the Company.	V	
14	The CPA shall not involve the establishment of management functions of the Company in making decisions.	V	
15	If the Company has not replaced the CPA for seven consecutive years or the CPA has been disciplined or the Company has suffered any loss or damage to its independence, the Company shall evaluate whether it is necessary to replace the CPA.		
	Results of Examination	In order to maintain the independence of the accountants and to implement the internal rotation mechanism of the accounting firm, the Company changed its accountants starting from the first quarter of 2021.	
Rating	We have assessed that both CPA I-Wen Wang and CPA Wen-Qing Lin, they both meet the Company's independence evaluation criteria and are qualified to serve as our certified public accountants.		

(IV) Establishment, functions, and operations of Remuneration Committee:

1. Professional Qualifications and Independence Analysis of the Remuneration Committee Members

Identity (Note 1)	Qualifications	Meeting One of the Following Professional Qualification Requirements, Together with At Least Five Years of Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remark(s)
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Wei-Chien Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Ching-Tsung Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Hsiang-Yi Lien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: For the title, please fill in director, independent director, or others.

Note 2: Please check “✓” the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, president, or person holding an equivalent position of the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not under any of the categories stated in Article 30 of the Company Act.

2. Responsibilities

- (1) Establishing and regularly reviewing the Directors, Supervisors and Managerial Officers' performance evaluation in conjunction with the remuneration policies, systems, standards, and structure.
- (2) Periodically evaluating and adopting the compensation for the directors, supervisors, and managerial officers of the Company

The Committee shall perform the functions referred to in the preceding paragraph in the following manners:

- (1) Performance evaluations and compensation levels of directors, supervisors, and managerial officers of the Company shall take into account the general pay levels in the industry and the reasonableness of the correlation between the individual's performance and the Company's business performance and future risk exposure.
- (2) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of this Corporation.
- (3) For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of this Corporation's business.

### 3. Operation Status of the Remuneration Committee:

In accordance with Article 13 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, and in accordance with the Company's Remuneratino Committee Organization Regulations, at least two meetings shall be held annually.

- (1) There are a total of 3 members in the Remuneration Committee.
- (2) Current Remuneration Committee Term: June 27, 2019 to June 18, 2022. A total of 3 (A) Remuneration Committee meetings were held in 2020. The information and attendance of the members was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance rate (%) (B)/(A)	Remark(s)
Convener	Wei-Chien Li	3	0	100%	
Committee Member	Ching-Tsung Lin	3	0	100%	
Committee Member	Hsiang-Yi Lien	3	0	100%	
Other matters to be recorded:					
一、 If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.					
二、 If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.					

(V) Implementation of Corporate Social Responsibility and Deviation from the Corporate Social Responsibility Best-Practice Principles for the TWSE/GTSM Listed Companies and reasons thereof:

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 3)	V		The Company has formulated a Corporate Social Responsibility Best Practice Principles, and prepares a biennial CSR report for disclosure on the Company's website.	No deviation
II. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		The committee meets from time to time each year to set goals and review the effectiveness of implementation, to consolidate the results of CSR implementation in each department, and to report regularly to the senior management authorized by the board of directors.	
III. Environmental issues (I) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		We have established our own environmental safety and health management policy based on the characteristics of our industry. 1. Save energy and resources and establish resource regeneration. 2. Use low-pollution and environmentally friendly materials. 3. Establish a safe, healthy and environmentally friendly working environment with the goal of zero occupational accidents. 4. Comply with environmental safety and health related regulations and other organizational requirements of the organization to comply with the commitment. 5. Continuous improvement, occupational disaster and pollution prevention.	No deviation
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		1. The Company has passed ISO-14001 and ISO-45001 certification. 2. The Company continues to promote various pollution reduction and waste recycling measures every year. 3. The Company has been promoting the concept of water conservation and electricity saving measures for a long time. 4. The materials used in the products shall comply with environmental regulations and be managed in accordance with the Company's green supply chain management software.	

Evaluation Item		Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
		Yes	No	Description	
(III)	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		Based on the concept of global citizenship, the Company pays attention to the impact of energy resources and climate change. The Company's specific measures are to inventory, manage and use energy resources more efficiently, and to initiate various carbon reduction projects.  1. Reuse incoming pallets to reduce the number of newly purchased pallets in the warehouse by at least 10% 2. Reduce system testing time by 30% with EVT energy-saving automated testing 3. Introduce power supply with No load power consumption to reduce Adapter No load power consumption by 10%.	
(IV)	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		Annual greenhouse gas emissions, water consumption and the total weight of waste in the past two years: 1. The water consumption were 11,267 kWh in 2019 and 11,152 kWh in 2020. 2. Greenhouse gas emissions were 2244.29 metric tons in 2019 and 2148.69 metric tons in 2020. 3. The total weight of waste were 2.422 metric tons in 2019 and 1.832 metric tons in 2020.	
IV. Social issues					No deviation
(一)	Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Company complies with the relevant labor laws and regulations and the principles of respecting basic labor human rights in accordance with international human rights conventions, employing employees on a pluralistic and equal basis, and protecting the legal rights of employees, etc., and formulating relevant management policies and procedures.	
(二)	Does the Company formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits) and appropriately reflect operating performance or results in employee compensation?	V		The Company has internal regulations such as "Salary Management Regulations", "Project Evaluation and Performance Assessment", and "Performance Bonus Management Regulations" to provide employees with reasonable salary and compensation policies, and to establish clear and effective incentive and disciplinary systems. In addition to taking care of	



Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			our employees and providing a comprehensive compensation structure, we have integrated our employee performance appraisal system with our corporate social responsibility policy and incorporated integrity management into our employee education and training, performance appraisal and human resources policies.	
(三) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		We have established a comprehensive complaint channel and attach importance to the physical and mental health of our employees: We have a complaint channel for sexual harassment and workplace violence, and we have qualified doctors and nurses to provide medical consultation and care for our employees. We regularly hold online occupational safety and health training courses every year to establish occupational safety and health-compliant work environment.	
(四) Has the Company established effective career development training plans?	V		The Company invests in employee training and development, including functional training, potential talent development, and employee development subsidy programs. We establish effective career development training programs through a variety of learning resources such as the "Education and Training Advisory Network" online learning system, ADLINK online KM platform, internal training courses, and outplacement and external training opportunities.	
(五) Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	V		The Company has established customer service management procedures, standardized DOA and customer complaint management, management of returned products, and regular and irregular customer satisfaction surveys, etc., to provide all aspects of R&D, procurement, production, operation and service processes to ensure consumer rights and complaint procedures, and our company has set up a customer project management and customer care center to make correct and rapid overall solutions to customer problems and feedback. For the initial evaluation of new product projects and the provision of new services and related marketing and labeling, the Company follows relevant laws and regulations and international standards.	

Evaluation Item	Implementation Status		Description	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
(六) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? How is the implementation?	V		In order to meet the requirements of corporate social responsibility and to sign the relevant documents for all suppliers simultaneously, the Company has included the selection of relevant clauses in the supplier evaluation in the contract terms. To ensure that suppliers comply with the CSR regulations.	
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	V		The Company uses the GRI Standards published by the Global Reporting Initiative (GRI) for disclosure purposes, but does not perform third-party verification.	
VI. If the company has established corporate social responsibility best-practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: The Company has established a "Corporate Social Responsibility Best Practice Principles " covering environmental management, social welfare, labor safety and health management, etc. Please refer to the Company's website for related regulations.				
VII. Other important information to facilitate a better understanding of corporate social responsibility practices: 1. The Company attaches great importance to the interaction between overall corporate operation and social responsibility, and has been sponsoring the ADLINK Education Foundation <a href="http://www.adlinktech.org">www.adlinktech.org</a> for a long time, cooperating with local government agencies and actively participating in their activities in order to give back to the society. 2. If the Company has prepared a CSR report, please download it from the Company's website at: <a href="https://www.adlinktech.com/tw/CorporateSocialResponsibility.aspx">https://www.adlinktech.com/tw/CorporateSocialResponsibility.aspx</a>				

Note 1: If Implementation Status is specified "Yes," please explain the key policies, strategies and measures taken and the current progress; if Implementation Status is specified "No," please provide reasons and explain any policy, strategy and measure planned for the future.

Note 2: If the Company has prepared a CSR report, Implementation Status may be completed by providing page references to the CSR report instead.

Note 3: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

(VI) Implementation Status of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				No deviation
(一) Does the Company have policies and practices for ethical corporate management passed by the Board of Directors and clearly state them in regulations and publicly available documents? Do the Board of Directors and senior management make commitments to actively implement those business policies?	V		<p>In order to develop a sound system of good corporate governance, the following corporate governance-related regulations have been established:</p> <ol style="list-style-type: none"> <li>1. Rules of Procedure for Shareholders' Meetings</li> <li>2. Rules and Procedures of the Board of Directors' Meeting</li> <li>3. Rules for Director and Supervisor Elections</li> <li>4. Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises</li> <li>5. The exercise of the rights and participation in the resolution of the shareholders with control over the legal entity</li> <li>6. Standards of Ethical Conduct</li> </ol> <p>The Company declares its ethical corporate management policies and procedures in its guidelines and external documents, and do the board of directors and management work proactively to implement their commitment to those management policies.</p>	
(二) Does the Company establish an evaluation mechanism for the risk of unethical conduct that regularly analyzes and evaluates business activities with higher risks of unethical conduct in the business scope? Does the Company formulate a plan to prevent unethical conducts, which at least covers the precautionary measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		The Company has established and follows a "Code of Ethical Conduct", which sets out preventive programs including prevention of conflicts of interest, avoidance of opportunities for personal gain, duty of confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, and encouragement of reporting any illegal or unethical conduct, etc. The Company has also established a reporting system to implement preventive and disciplinary measures.	
(三) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequences of violation and complaint procedures in such policies?	V		In order to enforce compliance with the law, the Company has specified anti-corruption and secrecy clauses in the employment contracts of all employees, and from time to time each year, we hold employee education and training on respect for intellectual property rights, gender equality in the workplace, respect for the environment and ecology, personal data protection, occupational safety, etc., so that employees are aware of relevant operating procedures, guidelines, penalties for non-compliance,	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			and the complaint system; and we sign integrity pledges to our suppliers in the hope of preventing dishonest behavior from internal and external actions.	
II. Fulfillment of ethical corporate management (一) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	V		The Company requires the suppliers to sign an integrity and honesty pledge, which strictly prohibits conflict of interest, bribery, or other misconduct.	No deviation
(二) Has the Company established an exclusively (or concurrently) dedicated unit under the BOD to implement ethical corporate management, and report to the BOD on a regular basis (at least once per year) on ethnic operation policies as well as precautionary measures against unethical conduct and their implementation information?	V		The Company has a legal office, which not only handles general legal affairs or litigation, but also includes matters concerning the rights and obligations of interested parties and the legality of business practices, and disseminates them immediately so that employees can grasp the information and reduce the risk of violating the law; in the future, the Company will handle the revision, implementation, explanation, consultation services and the registration of notification contents and other related operations and supervise the implementation of these regulations, and report to the Board of Directors on a regular basis.	No deviation
(三) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	V		Conflicts of interest can be reported to your immediate supervisor and the Company's dedicated unit (Legal Office), or provided anonymously to the suggestion box or sent to the dedicated Email address.	No deviation
(四) To implement relevant policies on ethical conduct, has the Company established effective accounting and internal control systems and assign an internal audit unit to develop relevant auditing plans according to the assessment results of unethical conduct risks? Does the Company inspect the implementation of such auditing plans or assign CPAs to implement the auditing?	V		The Company has established an effective accounting system and internal control system, which are regularly audited by the internal audit unit and reported to the Board of Directors on the operation of the internal control system on a regular basis in accordance with the regulations, and appointed an accountant to perform the review/inspection on a quarterly basis.	No deviation
(五) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		The ethics course is given and evaluated for new colleagues, and the course is held regularly every 2~3 months for about 30 minutes. Regularly, we hold seminars for supervisors, covering ethics and justice, work discipline, prevention of sexual harassment, prohibition of competition, and other aspects of honest management, so as to achieve the implementation of self-regulation and management of subordinates. The contract between the Company and the vendor stipulates the terms	No deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			and conditions for conducting business activities in good faith, and the terms and conditions are followed in accordance with the law.	
III. Operation of the whistle-blowing system (一) Does the Company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	V		To promote the promotion of ethical concepts in the education and training of new employees, and to encourage the reporting of any illegal or unethical behavior. The Company will set up a clear reporting and rewarding system in the employment contract and employee performance appraisal and human resources policy of the internal staff of the integrity management, which can be reported through convenient reporting channels (suggestion box and email) and handled directly by the company's dedicated staff. Unless otherwise provided by law, the personal information of the whistleblowers will be kept confidential, and the whistleblowers will be protected in accordance with the law.	No deviation
(二) Does the Company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms?				
(三) Does the Company provide protection for whistle-blowers against receiving improper treatment?				
IV. Enhanced disclosure of ethical corporate management information Does the company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS?	V		The related information has been uploaded to the MOPS or the Company's website.	No deviation
V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: No deviation.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies. (e.g., review and amend its policies): None.				

(VII) If the Company has adopted corporate governance best practice principles or related bylaws, the inquiry method shall be disclosed: MOPS or the Company's website.

(VIII) Other Important Information Regarding Corporate Governance: None.

(IX) Protective measures for work environment and employees' personal safety:

Item	Summary
Access Control Security	<ol style="list-style-type: none"> <li>1. In addition to the security management of the campus, we have also set up the security gate to strengthen the security protection of the Company. All offices are monitored by a strict access control system, and employees are required to use identification cards to enter the office.</li> <li>2. Contract with security company to maintain office security.</li> </ol>
Disaster prevention measures and responses	<ol style="list-style-type: none"> <li>1. Comprehensive safety and health education and training includes regular safety and health training and on-the-job colleague training are provided to newcomers upon arrival. We also regularly conduct emergency response training, chemical spill drills, familiarize ourselves with escape routes, the configuration and use of firefighting equipment on each floor, disaster prevention and response drills, and send staff for external training to obtain licenses to operate special equipment.</li> <li>2. Implement regular inspection and maintenance of equipment: maintenance of low voltage electrical equipment, public safety inspection of buildings, annual inspection of fire fighting equipment, and maintenance and inspection of all process equipment.</li> <li>3. Environmental hygiene inspection: the working environment is neat, clean, lighted and illuminated, and the working environment is monitored every six months, water dispenser maintenance and water quality inspection is carried out every three months, and the air conditioning equipment is maintained annually.</li> </ol>
Physical Health	<ol style="list-style-type: none"> <li>1. The Company provides medical checkups for new recruits once, regular health checkups for serving employees once every two years, and annual health checkups for special items for those who perform special hazard operations, and medical consultation for health and mental health to medical personnel according to personal preference.</li> <li>2. Every month, we have an occupational medicine doctor's clinical service for our colleagues to do health consultation.</li> <li>3. The office area requires a total ban on smoking, regular environmental cleaning and disinfection, and the setting of alcohol disinfectors at regular intervals to ensure a clean and tidy environment.</li> <li>4. In order to enhance the health awareness of our colleagues, we hold health seminars and activities from time to time every year.</li> <li>5. In order to enhance the convenience of breastfeeding for working women, breastfeeding rooms and refrigerators are set up in each building for colleagues to collect and store breast milk.</li> </ol>

	6. In case of emergencies, AEDs were installed in the medical room.
Mental Health	<p>1. Education and training: We implement education and health promotion seminars from time to time, providing employees with psychological adjustment, strengthening knowledge seminars and E-learning training.</p> <p>2. Expression of opinions: We hold regular quarterly labor-management meetings and maintain good labor-management relations.</p> <p>3. Sexual harassment prevention and control: We establish a complaint mechanism and timely intervention to understand the situation.</p>
Insurance and Medical Compensation	<p>1. Obtain labor insurance (including occupational disaster insurance), health insurance, employee group insurance and other mechanisms in accordance with the law.</p> <p>2. Provide preferential relief to employees in the event of illness or death and to employees' spouses and children in the event of injury or death.</p>

(X) Implementation of internal control system: Please refer to page 38 of this annual report.

(XI) Penalties Imposed upon the Company and the Company's Employees According to Law, Penalties Imposed by the Company upon Employees for the Violation of the Internal Control System Policy, Principal Deficiencies, and Improvement Status during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

(XII) Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report:

1. Important resolutions made by shareholders' meeting

Date	Major Resolutions
2020.06.22	<p><b>2020 Annual General Meeting</b></p> <p>1. Approval of the ratification of the Company's 2019 business report and financial statements. Implementation: Passed with no objection by all shareholders present</p> <p>2. Approval of the ratification of the distribution of earnings for 2019. Implementation: On the basis of the ex-dividend date as of July 20, 2020, cash dividends (NT\$0 per share) will be distributed on August 7, 2020.</p> <p>3. Approval of the distribution of cash dividends from capital surplus. Implementation: On the basis of the ex-dividend date as of July 20, 2020, cash dividends (NT\$1.6 per share) will be distributed on August 7, 2020.</p> <p>4. By-election of one seat of Director Implementation: Execute according to the resolution.</p> <p>5. The proposal for lifting the non-competition restriction for newly elected Directors and their representatives. Implementation: Execute according to the resolution.</p>

## 2. Important resolutions made by the Board of Directors

Date	Major Resolutions
2020.02.14	1. Approval of the public acquisition of the Company's common shares by AU Optronics Corp.
2020.03.19	<ol style="list-style-type: none"> <li>1. Approval of Compensation distribution to employees and directors and supervisors of the Company in 2019.</li> <li>2. Approval of the Company's 2019 Business Report and Financial Statement.</li> <li>3. Approval of the 2019 Statement of Internal Control System.</li> <li>4. Approval of the Company's Business Plan.</li> <li>5. Approval of the adoption of the proposal for distribution of 2019 earnings.</li> <li>6. Approval of the proposal for the cash distribution from capital surplus.</li> <li>7. Approval of by-election of one seat of Director</li> <li>8. Approval of the proposal for the waiver of non-competition clauses for newly elected Directors and their representatives.</li> <li>9. Approval of the Company's 2020 Annual General Meeting of Shareholders</li> <li>10. Approval of the appointment of CPA and the CPA independence and competency evaluation</li> <li>11. Approval of the application for credit (external debt) financing from financial institutions for working capital needs of the Company's reinvested subsidiaries, and guaranteed by the Company.</li> <li>12. Approval of the salary adjustment for the managerial officers in 2020.</li> <li>13. Approval of the adjustment of the 2019 Manager Performance Bonus and the 2020 KPI performance evaluation system of the Company.</li> </ol>
2020.04.30	<ol style="list-style-type: none"> <li>1. Approval of the consolidated financial statements for the first quarter of 2020.</li> <li>2. Approval of the nomination of director candidates.</li> <li>3. Approval of the proposal for the waiver of non-competition clauses for newly elected Directors and their representatives.</li> <li>4. Approval of the capital loans for wholly-owned overseas subsidiaries</li> <li>5. Approval of the Bank's credit line application to a bank.</li> <li>6. Approval of the application for credit financing from financial institutions for working capital needs of the Company's reinvested subsidiaries, and guaranteed by the Company.</li> <li>7. The criteria for evaluating the performance of the Company's managerial officers in 2020.</li> </ol>
2020.07.03	<ol style="list-style-type: none"> <li>1. Approval of the Company's proposal to acquire real estate from an investor with significant influence, Chi Mao Electronics Co.</li> <li>2. Approval of the proposed real estate renovation project of the U.S. subsidiary - AATI.</li> </ol>
2020.08.06	<ol style="list-style-type: none"> <li>1. Consolidated financial statements for the first half of 2020.</li> <li>2. Proposal of the capital loans for wholly-owned overseas subsidiaries</li> <li>3. Proposal of the Company's bank credit facilities and foreign exchange and derivative financial instruments trading lines.</li> <li>4. Proposal of the Company's reinvested subsidiaries application for credit (external debt) financing from financial institutions for working capital needs, which is guaranteed by the Company.</li> <li>5. Proposal to release the newly elected directors from non-competition restrictions</li> </ol>
2020.10.30	<ol style="list-style-type: none"> <li>1. 2021 Audit Plan.</li> <li>2. Consolidated financial statements for the third quarter of 2020.</li> <li>3. Proposal of the Company's bank credit facilities and foreign exchange and derivative financial instruments trading lines.</li> <li>4. Discussion on the proposed amendments to to the Key Performance Indicators (KPIs) of the senior management level for 2020.</li> <li>5. Proposal of the fixed salary payment proposal for managerial officers of 2021 of the Company.</li> <li>6. The system for evaluating the performance of managerial officers in 2021.</li> <li>7. 2020 year-end bonus of the Company's managerial officers.</li> </ol>
2021.03.25	<ol style="list-style-type: none"> <li>1. Proposal for the Company's distribution of remuneration for employees, Directors and Supervisors for 2020.</li> <li>2. Proposal of the Company's 2020 Business Report and Financial Statement.</li> <li>3. Proposal of 2020 Statement of Internal Control.</li> <li>4. The Company's Business Plan.</li> <li>5. Proposal for amendment to the Company's Articles of Incorporation.</li> <li>6. Proposal for amendment to the Company's Endorsement/ Guarantee Operating Procedures</li> <li>7. Proposal of the distribution of earnings for 2020.</li> </ol>



Date	Major Resolutions
	8. Proposal for the cash distribution from capital surplus. 9. The convention of 2021 general shareholders' meeting and the related matters 10. CPA independence and competency evaluation. 11. Proposal of the Company's bank credit facilities and foreign exchange and derivative financial instruments trading lines. 12. Proposal of the application for credit financing from financial institutions for working capital needs of the Company's reinvested subsidiaries, and guaranteed by the Company. 13. Proposal of adjustment of the newly establishment of the company in response to the organizational restructuring 14. Managerial officers' salary adjustment for the period from April 2021 to the end of March 2022. 15. 2020 Manager Performance Bonus.

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors during the most recent year and up to the date of publication of this annual report: None

(XIII) Summary of resignation and removal of key individuals related to the Company, including chairman, general manager, head of accounting, head of finance, head of internal audit, and head of research and development departments, during the current fiscal year and as of the date of the Annual Report: None

ADLINK Technology Inc.  
Statement on Internal Control

Date: March 25, 2021

The Company makes the following statement according to the self-evaluation conducted of the internal control system in 2020:

- I. TH's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the 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 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. In accordance with the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2020, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.
- VI. This statement is an integral part of the Company'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.
- VII. This statement has been approved on March 23, 2021, by the Board of Directors, and out of the 8 Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

ADLINK Technology Inc.

Chairman: Chun (Jim) Liu

President: Cheng-I (Daniel) Yang

#### IV. Information About CPA Professional Fee

Unit: NT\$ thousands

Name of CPA Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Remark(s)
			System Design	Company Registration	Human Resources	Others	Subtotal		
Deloitte & Touche	Wen-chi, Kuo Cheng-Ming Lee	6,120				742	742	2020.01.01~2020.12.31	Tax compliance audit, review of TP reports, etc.

Unit: NT\$ thousands

Range		Category of Fees	Audit Fees	Non-audit Fees	Total
1	Less than NT\$2,000,000			V	V
2	NT\$2,000,000 (inclusive)~NT\$4,000,000				
3	NT\$4,000,000 (inclusive)~NT\$6,000,000				
4	NT\$6,000,000 (inclusive)~NT\$8,000,000		V		V
5	NT\$8,000,000 (inclusive)~NT\$10,000,000				
6	More than NT\$10,000,000 (inclusive)				

- (I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts, percentage, and reason of the decrease shall be disclosed: Not applicable.
- (II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not applicable.
- (III) Disclosure of the amount, percentage and reasons of decrease where the audit fees are lower than the previous fiscal year by 10% or more: N/A.

#### V. Information on Replacement of CPAs:

##### (I) Former CPAs

Date of Replacement	Approved by Board of Directors on March 25, 2021		
Replacement Reasons and Explanations	Due to the internal rotation of the accounting firm, the original CPA of this Corporation (CPAs Wen-Chi Kuo and Chen-Ming Li) shall be replaced by CPAs I-wen Wang and Wen-chi Kuo effective from the 1st Quarter of 2021.		
Termination by the Company or the CPAs	Party		CPA
	Condition		Client
	Termination by the Company		N/A
	Termination by the CPAs		N/A
Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons	None		
Deviation form the Issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None		V
	Description		
Other Revealed Matters (Additional Disclosures under Subparagraphs 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines)	N/A		

(II) Successive CPAs

Name of CPA Firm	Deloitte & Touche
Name of CPA	I-Wen Wang and Wen-Qing Lin
Date of Appointment	Approved by Board of Directors on March 25, 2021
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	N/A
Succeeding CPA's written opinion of disagreement toward the former CPA	N/A

(III) Former CPAs' Reply to Disclosures under Items 1 and 2-3, Subparagraph 6, Article 10 of the Guidelines: None.

**VI. Company Chairperson, President, or Any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm: None.**

**VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Major Shareholder**

**(I) Change of equity**

Title	Name	2020		Current Year As of April 26	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Chairman and CEO	Chun (Jim) Liu	(156,000)	0	0	0
Managing Director	Cheng-I (Daniel) Yang	0	0	0	0
Director	Tien-Sung (Richard) Lin	0	0	0	0
Director	You-Yi Chou	0	0	0	0
Representative Director	Chroma ATE Inc.	(10,000)	0	0	0
Representative Director	Hsiu-miao Huang	(65,000)	0	(8,000)	0
Independent Director	Wei-Chien Li	0	0	0	0
Independent Director	Ching-Tsung Lin	0	0	0	0
Independent Director	Hsiang-Yi Lien	0	0	0	0
Global Chief Financial Officer	Ta-Chih (Jeff) Chou	0	0	0	0
Deputy Managing Director of Embedded Platform and Module Business Unit	Yi-Nan (Edgar) Chen	0	0	0	0
Regional Chief Director, Europe	Shih-Hao (Roy) Wan	(19,000)	0	0	0
Global Chief Operating Officer	Chen-Chiu (Joseph) Teng	0	0	0	0
Director Manager of Finance Department	Shu-Fen (Iris) Chen	(52,000)	0	0	0
Senior Manager of Accounting Department	Yu-Ting (Samantha) Lin	(62,000)	0	0	0
Regional Chief Director, China	Kuo-Wei (Michael) Lo	(205,000)	0	0	0
Senior Director,, Asia Pacific Business Area	Jen-Te (Vincent) Tseng	0	0	0	0
Major Shareholder	AU Optronics Corporation	42,310,407	0	0	0

(II) Transfer of Equity Interests: The parties to the above-mentioned equity transfer are not related parties.

(III) Pledge of Equity Interests: The parties to the above-mentioned equity transfer are not related parties.

# VIII. Relationships among the company's ten largest shareholders

April 26, 2021

NAME (NOTE 1)	CURRENT SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		SHAREHOLDING BY NOMINEES		INFORMATION ON TOP 10 SHAREHOLDERS IN PROPORTION OF SHAREHOLDINGS, WHO ARE RELATED TO ONE ANOTHER, OR ARE KIN AT THE SECOND TIER UNDER THE CIVIL CODE RELATED TO ONE ANOTHER, THEIR NAMES AND RELATIONSHIP (NOTE 3)		REMARK(S)
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Name	Relation	
AU Optronics Corporation Shuang-Lang (Paul) Peng	42,310,407	19.45%	0	0	0	0	ADLINK Technology Inc.	Director	None
	0	0					AU Optronics Corporation	Chairman of the Board	Representative of AU Optronics
Chroma ATE Inc. Leo Huang Chin-ming	24,492,253	11.26%	0	0	0	0	ADLINK Technology Inc.	Director	None
	0	0	0	0	0	0	Chroma ATE Inc.	Chairman of the Board	Representative of Chroma ATE Inc.
Custody of the investment account of the British Kaiser Technology Co., Ltd. entrusted by Citibank Taiwan	14,707,559	6.76%	0	0	0	0	None	None	None
Zenitron Corporation You-Yi Chou	13,344,592	6.14%	0	0	0	0	You-Yi Chou	Chairman of Zenitron Corporation	None
	1,332,672	0.61%	434,573	0.20%	0	0	ADLINK Technology Inc.	Director	Representative of Zenitron Corporation
Chun (Jim) Liu	10,311,124	4.74%	4,514,586	2.08%	0	0	ADLINK Technology Inc. Harn-Fen (Dianne) Ni	Chairman of the Board Spouse	None
Zhong Sheng Investment Co., Ltd. Ming-Hsiung Chang	8,313,628	3.82%	0	0	0	0	None	None	None
	6,437	0.00%	4,243	0.00%	0	0	Zhong Sheng Investment Co., Ltd.	Chairman of the Board	Representative of Zhong Sheng Investment Co., Ltd.
Kai Sheng Investment Corporation Chun-Luan Chang Lin	7,132,808	3.28%	0	0	0	0	None	None	None
	4,243	0.00%	6,437	0.00%	0	0	Kai Sheng Investment Corporation	Chairman of the Board	Representative of Kai Sheng Investment Corporation
Cheng-Yang Hu	6,103,000	2.81%	0	0	0	0	None	None	None
Fubon Life Insurance Co., Ltd.	4,941,000	2.27%	0	0	0	0	None	None	None
Harn-Fen (Dianne) Ni	4,514,586	2.08%	10,311,124	4.74%	0	0	Chun (Jim) Liu	Spouse	None

Note 1: The top ten shareholders' names shall be identified separately (in the case of corporate shareholders, the corporate shareholders' names and representatives' names shall be identified separately).

Note 2: The ratio of shareholding is calculated in terms of own shareholdings, shares held by spouse & children under age or shareholdings under the title of a third party.

Note 3: Relationship between the aforementioned shareholders (including juristic and natural persons) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**IX. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Company**

March 31, 2021; Unit: thousand shares; %

Investee business	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
ADLINK International Co., Ltd.	61,872	100%	0	0	61,872	100%
ADLINK Technology Singapore Pte Ltd.	659	100%	0	0	659	100%
ADLINK Japan	Note 2	100%	0	0	Note 2	100%
ADLINK Technology (HK) Co., Ltd.	0	0	24,255	100%	24,255	100%
ADLINK Technology Korea Ltd.	Note 1	100%	0	0	Note 1	100%
JYTEK Korea Co., Ltd.	67	28.2%	0	0	67	28.2%
FARobot Inc.	9,800	49%	0	0	9,800	49%
Ampro ADLINK Technology Inc	0	0	39,743	100%	39,743	100%
ADLINK Technology Holding GmbH	0	0	12,609	100%	12,609	100%
ADLINK Technology (China) Co., Ltd.	0	0	Note 1	100%	Note 1	100%
JYTEK (Shanghai) Co., Ltd.	0	0	Note 3	38.4%	Note 3	38.4%
ADLINK Technology GmbH	0	0	750	100%	750	100%
Dongguan Lingyao	0	0	Note 1	100%	Note 1	100%
ADLINK Technology Limited	36,483	100%	0	0	36,483	100%
ADLINK Technology Canada Inc.	0	0	Note 4	100%	Note 4	100%
ADLINK Technology Corporation	0	0	1	100%	1	100%
ADLINK Technology SARL	0	0	Note 5	100%	Note 5	100%
ADLINK Technology BV	0	0	Note 6	100%	Note 6	100%

Note 1: This is a limited company with no issued shares.

Note 2: 1,960 shares.

Note 3: Investment using the equity method.

Note 4: 100 shares.

Note 5: The Company's license only recognizes the amount of its investment, and there is no record of the number of shares.

Note 6: 180 shares.

## Chapter IV. Capital Overview

### I. Capital and Shares

#### (I) Source of Capital

##### 1. Type of shares

May 6, 2021

Type of shares	Authorized capital			Remark(s)
	Outstanding shares (Issued)	Unissued shares	Total	
Registered common shares	202,789,698 shares	77,210,302 shares	280,000,000 shares	The retained capital of 5,000,000 shares is used for the issuance of employee stock subscription warrants. The total number of issued shares is 217,497,257 (including 14,707,559 common shares through private replacement).

##### 2. Historical Information of Capitalization

Unit: share, NT\$

Year/Month	Par Value	Authorized capital		Paid-in Capital		Remark(s)		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1995.08	10	500,000	5,000,000	500,000	5,000,000	Establishment of the Company with NT\$5,000,000	None	None
1996.04	10	800,000	8,000,000	800,000	8,000,000	Capital increase by cash NT\$3,000,000.	None	None
1998.07	10	2,800,000	28,000,000	2,800,000	28,000,000	Capital increase by cash NT\$20,000,000.	None	None
1998.10	10	5,000,000	50,000,000	5,000,000	50,000,000	Capital increase by cash NT\$22,000,000.	None	None
1999.05	10	10,750,000	107,500,000	10,750,000	107,500,000	Capital increase by retained earnings NT\$23,000,000. Capital increase by employee bonus NT\$2,000,000. Capital increase by cash NT\$32,500,000.	None	None
2000.06	10	19,800,000	198,000,000	19,800,000	198,000,000	Capital increase by retained earnings NT\$31,175,000. Capital increase by employee bonus NT\$3,259,000. Capital increase by cash NT\$56,066,000.	None	None
2001.06	10	57,000,000	570,000,000	29,300,000	293,000,000	Capital increase by retained earnings NT\$41,580,000. Capital increase by employee bonus NT\$4,420,000. Capital increase by cash NT\$49,000,000.	None	Note I
2002.10	10	57,000,000	570,000,000	37,260,000	372,600,000	Capital increase by retained earnings NT\$58,014,000. Capital increase by employee bonus NT\$6,350,000. Capital increase by capital surplus NT\$15,236,000.	None	Note II
2003.05	10	57,000,000	570,000,000	37,265,420	372,654,200	Convertible bonds converted into ordinary shares in the amount of NT\$54,200.	None	None
2003.08	10	64,000,000	640,000,000	47,467,725	474,677,250	Capital increase by retained earnings NT\$63,351,214. Capital increase by employee bonus NT\$11,720,000. Capital increase by capital	None	Note 3



Year/Month	Par Value	Authorized capital		Paid-in Capital		Remark(s)		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
						surplus NT\$11,179,626. Convertible bonds converted into ordinary shares in the amount of NT\$15,772,210.		
2003.10	10	64,000,000	640,000,000	48,189,558	481,895,580	Convertible bonds converted into ordinary shares in the amount of NT\$7,218,330.	None	None
2004.02	10	64,000,000	640,000,000	48,454,450	484,544,500	Convertible bonds converted into ordinary shares in the amount of NT\$2,648,920.	None	None
2004.04	10	64,000,000	640,000,000	48,672,985	486,729,850	Convertible bonds converted into ordinary shares in the amount of NT\$2,185,350.	None	None
2004.06	10	100,000,000	1,000,000,000	62,580,485	625,804,850	Capital increase by retained earnings NT\$100,806,000. Capital increase by employee bonus NT\$17,340,000. Capital increase by capital surplus NT\$20,929,000.	None	Note 4
2004.07	10	100,000,000	1,000,000,000	63,059,112	630,591,120	Convertible bonds converted into ordinary shares in the amount of NT\$4,786,270.	None	None
2004.10	10	100,000,000	1,000,000,000	63,335,707	633,357,070	Convertible bonds converted into ordinary shares in the amount of NT\$2,765,950.	None	None
2005.01	10	100,000,000	1,000,000,000	63,974,003	639,740,030	Convertible bonds converted into ordinary shares in the amount of NT\$6,382,960.	None	None
2005.05	10	100,000,000	1,000,000,000	64,268,884	642,688,840	Convertible bonds converted into ordinary shares in the amount of NT\$1,063,810. Employee stock option exercise of NT\$1,885,000	None	None
2005.07	10	100,000,000	1,000,000,000	72,166,884	721,668,840	Capital increase by retained earnings NT\$70,700,000. Capital increase by employee bonus NT\$7,900,000. Employee stock option exercise of NT\$380,000	None	Note 5
2005.10	10	100,000,000	1,000,000,000	73,457,957	734,579,570	Convertible bonds converted into ordinary shares in the amount of NT\$10,574,140. Employee stock option exercise of NT\$2,336,590	None	None
2006.02	10	100,000,000	1,000,000,000	74,664,542	746,645,420	Convertible bonds converted into ordinary shares in the amount of NT\$11,865,850. Employee stock option exercise of NT\$200,000	None	None
2006.04	10	100,000,000	1,000,000,000	76,364,737	763,647,370	Convertible bonds converted into ordinary shares in the amount of NT\$15,454,450. Employee stock option exercise of NT\$1,547,500	None	None
2006.07	10	100,000,000	1,000,000,000	93,846,024	938,460,240	Capital increase by retained earnings NT\$168,200,000. Convertible bonds converted into ordinary shares in the amount of NT\$6,267,870.	None	Note VI

Year/Month	Par Value	Authorized capital		Paid-in Capital		Remark(s)		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
						Employee stock option exercise of NT\$345,000		
2006.10	10	150,000,000	1,500,000,000	96,585,272	965,852,720	Convertible bonds converted into ordinary shares in the amount of NT\$27,017,480. Employee stock option exercise of NT\$375,000	None	None
2007.01	10	150,000,000	1,500,000,000	96,983,731	969,837,310	Convertible bonds converted into ordinary shares in the amount of NT\$3,859,590. Employee stock option exercise of NT\$125,000	None	None
2007.04	10	150,000,000	1,500,000,000	98,065,837	980,658,370	Convertible bonds converted into ordinary shares in the amount of NT\$9,473,560. Employee stock option exercise of NT\$1,347,500	None	None
2007.07	10	150,000,000	1,500,000,000	99,646,695	996,466,950	Convertible bonds converted into ordinary shares in the amount of NT\$15,438,580. Employee stock option exercise of NT\$370,000	None	None
2007.07	10	150,000,000	1,500,000,000	105,526,695	1,055,266,950	Capital increase by retained earnings NT\$58,800,000.	None	Note VII
2007.10	10	150,000,000	1,500,000,000	105,554,195	1,055,541,950	Employee stock option exercise of NT\$275,000	None	None
2008.01	10	150,000,000	1,500,000,000	105,644,195	1,056,441,950	Employee stock option exercise of NT\$900,000	None	None
2008.03	10	150,000,000	1,500,000,000	103,694,195	1,036,941,950	Treasury stock cancellation of NT\$19,500,000	None	Note VIII
2008.04	10	150,000,000	1,500,000,000	103,767,945	1,037,679,450	Employee stock option exercise of 73,750 shares	None	None
2008.07	10	150,000,000	1,500,000,000	103,856,945	1,038,569,450	Employee stock option exercise of 89,000 shares	None	None
2008.07	10	150,000,000	1,500,000,000	114,155,495	1,141,554,950	Capital increase by retained earnings NT\$102,985,500.	None	Note 9
2008.10	10	150,000,000	1,500,000,000	114,174,495	1,141,744,950	Employee stock option exercise of 19,000 shares	None	None
2009.02	10	150,000,000	1,500,000,000	114,224,495	1,142,244,950	Employee stock option exercise of 50,000 shares	None	None
2009.04	10	150,000,000	1,500,000,000	114,344,495	1,143,444,950	Employee stock option exercise of 120,000 shares	None	None
2009.08	10	150,000,000	1,500,000,000	119,947,720	1,199,477,200	Capital increase by retained earnings NT\$56,032,250.	None	Note X
2009.10	10	150,000,000	1,500,000,000	119,957,720	1,199,577,200	Employee stock option exercise of 10,000 shares	None	None
2010.03	10	150,000,000	1,500,000,000	120,158,970	1,201,589,700	Employee stock option exercise of 201,25 shares	None	None
2011.06	10	150,000,000	1,500,000,000	138,053,870	1,380,538,700	Capital increase by retained earnings NT\$178,949,000.	None	Note XI
2011.12	10	150,000,000	1,500,000,000	137,478,870	1,374,788,700	Treasury stock cancellation of NT\$5,750,000	None	Note XII
2012.07	10	200,000,000	2,000,000,000	158,100,700	1,581,007,000	Capital increase by retained earnings NT\$206,218,300.	None	Note XIII
2013.01	10	200,000,000	2,000,000,000	170,709,394	1,707,093,940	Private placement of	None	Note

Year/Month	Par Value	Authorized capital		Paid-in Capital		Remark(s)		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
						additional common shares of 12,608,694 shares		XIV
2013.10	10	200,000,000	2,000,000,000	170,780,894	1,707,808,940	Employee stock option exercise of 71,500 shares	None	None
2014.01	10	200,000,000	2,000,000,000	170,922,394	1,709,223,940	Employee stock option exercise of 141,500 shares	None	None
2014.04	10	200,000,000	2,000,000,000	170,987,394	1,709,873,940	Employee stock option exercise of 65,000 shares	None	None
2014.08	10	200,000,000	2,000,000,000	171,066,394	1,710,663,940	Employee stock option exercise of 79,000 shares	None	None
2014.08	10	200,000,000	2,000,000,000	183,055,964	1,830,559,640	Capital increase by retained earnings NT\$119,895,700.	None	Note XV
2014.10	10	200,000,000	2,000,000,000	183,290,464	1,832,904,640	Employee stock option exercise of 234,500 shares	None	None
2015.03	10	200,000,000	2,000,000,000	183,433,464	1,834,334,640	Employee stock option exercise of 143,000 shares	None	None
2015.04	10	200,000,000	2,000,000,000	183,542,464	1,835,424,640	Employee stock option exercise of 109,000 shares	None	None
2015.06	10	250,000,000	2,500,000,000	183,802,464	1,838,024,640	Employee stock option exercise of 260,000 shares	None	None
2015.07	10	250,000,000	2,500,000,000	183,833,464	1,838,334,640	Employee stock option exercise of 31,000 shares	None	None
2015.08	10	250,000,000	2,500,000,000	200,397,834	2,003,978,340	Capital increase by retained earnings NT\$165,643,7000.	None	Note XVI
2015.10	10	250,000,000	2,500,000,000	200,482,834	2,004,828,340	Employee stock option exercise of 85,000 shares	None	None
2015.11	10	250,000,000	2,500,000,000	201,702,834	2,017,028,340	New restricted employee shares of 1,220,000 shares	None	None
2015.12	10	250,000,000	2,500,000,000	201,758,834	2,017,588,340	Employee stock option exercise of 56,000 shares	None	None
2016.02	10	250,000,000	2,500,000,000	216,758,834	2,167,588,340	Capital increase by cash NT\$15,000,000.	None	Note XVII
2016.02	10	250,000,000	2,500,000,000	216,898,834	2,168,988,340	New restricted employee shares of 140,000 shares	None	None
2016.03	10	250,000,000	2,500,000,000	217,074,834	2,170,748,340	Employee stock option exercise of 176,000 shares	None	None
2016.06	10	250,000,000	2,500,000,000	217,214,834	2,172,148,340	New restricted employee shares of 140,000 shares	None	None
2016.06	10	250,000,000	2,500,000,000	217,129,834	2,171,298,340	Capital Reduction by New restricted employee shares of 85,000 shares	None	None
2016.06	10	250,000,000	2,500,000,000	217,280,334	2,172,803,340	Employee stock option exercise of 150,500 shares	None	None
2016.09	10	250,000,000	2,500,000,000	217,557,834	2,175,578,340	Employee stock option exercise of 277,500 shares	None	None
2016.12	10	250,000,000	2,500,000,000	217,561,834	2,175,618,340	Employee stock option exercise of 4,000 shares	None	None
2017.03	10	250,000,000	2,500,000,000	217,567,834	2,175,678,340	Employee stock option exercise of 6,000 shares	None	None
2017.05	10	250,000,000	2,500,000,000	217,505,834	2,175,058,340	Capital Reduction by New restricted employee shares of 62,000 shares	None	None
2017.09	10	250,000,000	2,500,000,000	217,482,634	2,174,826,340	Capital Reduction by New restricted employee shares of 23,200 shares	None	None
2018.01	10	250,000,000	2,500,000,000	217,523,134	2,175,231,340	Employee stock option exercise of 40,500 shares	None	None
2019.04	10	250,000,000	2,500,000,000	217,520,449	2,175,204,490	Capital Reduction by New restricted employee shares	None	None

Year/Month	Par Value	Authorized capital		Paid-in Capital		Remark(s)		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
						of 2,685 shares		
2019.11	10	280,000,000	2,800,000,000	217,497,257	2,174,972,570	Capital Reduction by New restricted employee shares of 23,192 shares	None	None

Note I: Approved No. (90) Tai Cai Zheng Zi (1) 002683.

Note II: Approved No. (91) Tai Cai Zheng Zi (1) 0910147385.

Note III: Approved No. Tai Cai Zheng Zi (1) 0920125431 on June 10, 2003.

Note IV: Approved No. Tai Cai Zheng Zi (1) 0930115165 on April 26, 2004.

Note V: Approved No. Jin Guan Zheng Zi (1) 0940121716 on May 31, 2005.

Note VI: Approved No. Jin Guan Zheng Zi (1) 0950123298 on June 9, 2006.

Note VII: Approved No. Jin Guan Zheng Zi (1) 0960032383 on June 27, 2007.

Note VIII: Approved No. Jin Guan Zheng Zi (3) 0970008212 on February 26, 2008.

Note IX: Approved No. Jin Guan Zheng Zi (3) 09700249051 on August 22, 2008.

Note X: Approved No. Jin Guan Zheng Fa Zi 0980032524 on June 30, 2009.

Note XI: Approved No. Jin Guan Zheng Fa Zi 1000029083 on June 24, 2011.

Note XII: Approved No. Tai Zheng Shang Zi (1) 10000390651 on December 20, 2011.

Note XIII: Approved No. Jin Guan Zheng Fa Zi 1010029277 on July 3, 2012.

Note XIV: Approved No. Jin Shou Shang Zi 10201002650 on January 8, 2013.

Note XV: Approved No. Jin Guan Zheng Fa Zi 1030024515 on June 27, 2014.

Note XVI: Approved No. Jin Guan Zheng Fa Zi 1040024448 on June 29, 2015.

Note XVII: Approved No. Jin Guan Zheng Fa Zi 1040050050 on December 14, 2015.

### 3. Information for Shelf Registration: None.

#### (II) Shareholders' Structure (Including Private placement of common stock)

April 26, 2021

Shareholders' Structure	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions & Foreign Persons	Total
Item						
Number of shareholders	1	9	41	7,159	64	7,274
Shares Held	181,000	8,526,596	110,211,064	77,900,074	20,678,523	217,497,257
%	0.08%	3.92%	50.67%	35.82%	9.51%	100.00%

#### (III) Shareholding Distribution Status (Including Treasury Stock)

April 26, 2021

Shareholding Range	Number of Shareholders	Shares Held	%
1 to 999	2,372	489,829	0.22%
1,000 to 5,000	3,835	7,354,529	3.38%
5,001 to 10,000	444	3,459,173	1.59%
10,001 to 15,000	152	1,926,817	0.89%
15,001 to 20,000	115	2,068,935	0.95%
20,001 to 30,000	83	2,099,266	0.96%
30,001 to 40,000	49	1,696,873	0.78%
40,001 to 50,000	31	1,401,438	0.64%
50,001 to 100,000	84	6,091,366	2.80%
100,001 to 200,000	34	4,802,884	2.21%
200,001 to 400,000	26	7,129,800	3.28%
400,001 to 600,000	12	5,996,202	2.76%
600,001 to 800,000	7	4,784,382	2.20%
800,001 to 1,000,000	8	7,494,652	3.45%
Over 1,000,001	22	160,701,111	73.89%
Total	7,274	217,497,257	100.00%

(Note) The Company has not issued any preferred shares.

#### (IV) List of Major Shareholders (List of major shareholders includes shareholders with 1% or more share ownership and/or the top 10 largest shareholders.)

April 26, 2021

Shareholding	Shares Held	%
Name of Major Shareholders		
AU Optronics Corporation	42,310,407	19.45%
Chroma ATE Inc.	24,492,253	11.26%
Custody of the investment account of the British Kaiser Technology Co., Ltd. entrusted by Citibank Taiwan	14,707,559	6.76%
Zenitron Corporation	13,344,592	6.14%
Chun (Jim) Liu	10,311,124	4.74%
Zhong Sheng Investment Co., Ltd.	8,313,628	3.82%
Kai Sheng Investment Co., Ltd.	7,132,808	3.28%
Cheng-Yang Hu	6,103,000	2.81%
Fubon Life Insurance Co., Ltd.	4,941,000	2.27%
Harn-Fen (Dianne) Ni	4,514,586	2.08%

(V) Share prices for the past two fiscal years, with company net worth per share, earnings per share, dividends per share, and related information

Unit: NT\$/ thousand shares

Year		2019	2020	As of March 31, 2021 (Note 8)
Item				
Market Price Per Share (Note 1)	Highest	54.40	92.60	73.10
	Lowest	30.70	43.70	53.10
	Average	43.81	65.42	61.59
Net Value per Share (Note 2)	Before distribution	21.50	20.76	*
	After distribution	19.90	(Note 9)	*
Earnings per Share (Note 3)	Weighted Average Shares (thousand shares)	217,460	217,497	*
	Earnings per Share Before Adjustment	2.04	1.12	0.01 (Note 10)
	After Adjustment	2.04	(Note 9)	*
Dividends Per Share	Cash dividends	0	(Note 9)	*
	Stock dividends	Stock dividends appropriated from earnings	0	*
		Stock dividends appropriated from capital surplus	1.6	*
	Accrued Unpaid Dividends (Note 4)		0	*
Return on Investment	P/E Ratio (Note 5)	21.48	58.41	*
	Price/Dividend Ratio (Note 6)	27.38	(Note 9)	*
	Cash Dividend Yield (Note 7)	3.7%	(Note 9)	*

\*\* In the case of retained shares distribution or capital surplus shares distribution, please also disclose the information about the market value and cash dividend adjusted retroactively based on the quantity of shares as distributed.

Note 1: Please identify the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: Please apply the quantity of shares already issued at the end of the year and identify the status of distribution according to the resolution made by the shareholders' meeting held in the following year.

Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 4: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 5: Price-Earnings Ratio=Average Closing Price Per Share in current year/Earnings Per Share

Note 6: Dividend Yield=Average Closing Price Per Share in current year/Cash Dividend Per Share

Note 7: Cash Dividend Yields=Cash Dividend Per Share/Average Closing Price Per Share in current year

Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information reviewed by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

Note 9: The distribution of earnings for 2020 will be resolved at the 2021 Shareholders' Meeting.

Note 10: 2021 Q1 information reviewed by CPAs.

(VI) Dividends policy and Implementation Status:

1. Dividend policy in the Articles of Incorporation:

When the Company allocates its annual earnings, if there is net income after tax at the end of a fiscal year, the Company shall compensate the cumulative deficit first. If there are still earnings left, the Company shall set aside 10% of the balance for the legal reserve unless the legal reserve has reached the amount of the Company's paid-in capital, and set aside the special reserves from the remaining balance according to laws and regulations. If there is a balance, together with the cumulative undistributed earnings, the Board of Directors shall put forth an earnings distribution proposal, which shall be submitted to the shareholders' meeting for resolution before distribution of dividends to shareholders.

Dividend payout shall be implemented according to the Company's operating conditions, consideration of future capital budget and capital requirements for the Company's future development plans, and the interests of shareholders. The Board of Directors shall formulate the category and sum of dividend payout which shall, by principle, be no less than 60% of the net income after tax (NIAT) of the year. Cash dividends paid annually shall not be less than 10% of the total cash and stock dividends paid in the year.

2. Distribution of dividends proposed in the shareholders' meeting:

For 2021 shareholding's meeting (2020 Earning Distribution), it is expected to distribute cash dividends of NT\$0 per share and NT\$1 per share in cash from capital surplus, for a total of NT\$1 per share.

The proposed dividend distribution information for 2021 is as follows (approved by the board of directors on March 25, 2021 for submission to the shareholders' meeting)

Unit: NT\$

Distribution items	Amount	Remark(s)
Capital surplus - cash dividends	217,497,257	NT\$1 per share

Note: On March 25, 2021, the Board of Directors approved the appropriation of NT\$217,497,257 from the capital surplus from the issuance of shares in excess of par value and the allotment of NT\$1 per share in cash based on the shareholders and shares held as recorded in the shareholders' register on the base date of the issuance

(VII) Effect of allocation of Free-Gratis Dividends proposed at the shareholders' meeting on the operational performance of the Company and the Earnings Per Share:

The Company paid dividends for the year in accordance with its dividend policy. No stock dividends or employee stock bonus were distributed, so it has no significant impact on the company's operating performance and earnings per share.

(VIII) Compensation of employees, directors, and supervisors

1. Percentage or range of the remuneration of employees, directors and independent directors as set forth in the Articles of Incorporation:

In accordance with the Articles of Incorporation, if the Company has earnings, it shall set aside 3% to 20% of the balance as remuneration to the employees and no greater than 3% of the balance as remuneration to directors and independent directors. In case of accumulated loss, the Company shall retain figures to make up for the loss, and then allocate incentives specified above. The aforementioned employee remuneration may be in the form of stock or cash, and may include the employees of the affiliated companies who meet certain conditions; the terms of the distribution shall be decided by the Board of Director

When the Company allocates its annual earnings, if there is net income after tax at the end of a fiscal year, the Company shall compensate the cumulative deficit first. If there are still earnings left, the Company shall set aside 10% of the balance for the legal reserve unless the legal reserve has reached the amount of the Company's paid-in capital, and set aside the

special reserves from the remaining balance according to laws and regulations. If there is a balance, together with the cumulative undistributed earnings, the Board of Directors shall put forth an earnings distribution proposal, which shall be submitted to the shareholders' meeting for resolution before distribution of dividends to shareholders.

2. The basis for estimating the amount of employee and director remunerations, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The estimated amount of employee compensation of NT\$49,000,000 and director and independent director compensation of NT\$2,600,000 for 2020 is based on the amount that may be paid based on past experience. If there is a significant change in the amount approved by the Board of Directors after the end of the year, the expenses for the year in which they were originally provided shall be adjusted. If there is still a change in the amount after the annual financial report is approved, the change in the accounting estimate will be treated as an adjustment in the following year. If the Board of Directors decides to issue employee compensation in the form of shares, the number of shares that will be distributed as a share-based compensation is determined by dividing the amount of the shares as resolution by the fair value of the shares. The fair value of the shares shall be the closing price of the shares on the day prior to the resolution of the Shareholders' Meeting, and the impact of the ex-dividend shall be the basis for calculation. The amount of directors' remuneration is estimated with reference to the salary level in the industry, recommended by the Remuneration Committee, and approved by the Board of Directors.

3. Employee Compensation Distribution Proposals adopted in Board of Directors Meeting:
  - (1) On March 25, 2021, the Board of Directors of the Corporation has approved cash distributions of NT\$49,000,000 and NT\$2,600,000 for employee rewards and directors' rewards, respectively, totaling NT\$51,600,000. There is no difference with the estimated amount of the recognized expenses in the year.
  - (2) Resolution on the amount of stock-based compensation distributed to employees and its proportion to the total amount of net income after tax and total compensation to employees for the period: Not applicable.
4. The actual allotment of employees' and directors' remuneration from prior year's earnings (including the number of shares distributed, the amount and the price of the shares), the difference between the allotment and the recognition of employees' and directors' remuneration, and the amount of the difference, the reasons for the difference and the treatment of the difference:

The company's FY2019 employees cash bonus was NT\$96,383,000 and directors compensation was NT\$6,000,000. There was no difference between the actual distribution amount and the recognized amount.

(IX) Buyback of Treasury Stock: None.

## **II. Corporate Bonds**

1. Corporate Bonds: None.
2. Convertible Corporate Bonds: None.
3. Status of Self-Registration: None.
4. Bonds with Warrants: None.

## **III. Preferred Shares: None.**

**IV. Global Depository Receipts (GDRs): None.****V. Employee Stock Options: None.****VI. New Restricted Employee Shares:****(I) Status of New Restricted Employee Shares:**

As of May 6, 2021

Type of new restricted employee shares	First new restricted employee shares		
Declaration Effective Date	2015.08.27		
Issue Date	2015.11.02	2016.02.18	2016.06.30
Number of new restricted employee shares issued (shares)	1,220,000	140,000	140,000
Par Value	0	0	0
Ratio of new restricted employee shares Issued to total shares issued (%)	0.56%	0.06%	0.06%
Vested Conditions of New Restricted Employee Shares	<p>An employee must be employed for a period of one year after subscribing to the new restricted employee shares and at the maturation of every vesting period. The employee must also fulfill overall financial performance of this Corporation and personal performance assessment indicators. The proportion of shares that may be issued according to the fulfillment of respective vesting conditions shall be distributed according to regulations for the issuance of new restricted employee shares.</p> <p>The following provides the proportion of shares to be issued for various vesting conditions:</p> <p>Expiration of 1 year: 15%</p> <p>Expiration of 2 years: 30%</p> <p>Expiration of 3 years: 55%</p>		
Restricted Rights of New Restricted Employee Shares	<ol style="list-style-type: none"> <li>1 An employee may not sell, pledge, transfer, provide as a gift to other party, set up or using other means to dispose the new restricted employee shares.</li> <li>2 New restricted employee shares may partake in dividend payouts and cash capital increase subscriptions. Dividend payout that may be acquired is not subject to vesting period restrictions. Dividend payout to be issued shall be remitted from a trust account to a personal bank account of the employee on the date of issuance without any surcharge.</li> <li>3 For an employee who has yet to meet the vesting conditions, attendance, proposal, speech, voting rights, and other matters related to shareholder equity in the Shareholders' Meeting shall be commissioned to a trust custodian shall be commissioned to exercise matters related to attendance, proposal, speech, voting rights, as well as other matters related to shareholder equity in the Shareholders' Meeting on behalf of the employee.</li> <li>4 After the issuance of new restricted employee shares, they should be transferred to a trust, and prior to the fulfillment of the vesting conditions, the employee shall not request the trustee to return the new restricted employee shares for any reason or in any manner.</li> </ol>		
Custodianship of New Restricted Employee Shares	<ol style="list-style-type: none"> <li>1. Once issued, the new restricted employee shares shall be submitted to a trust for custody.</li> <li>2. When new shares for RSA are under the trust agreements, the Company can fully represent its employees in dealing with the stock trust agency concerning the following transactions(including but not limited) to the negotiation, signing, amendment, extension, cancellation, termination of trust contracts, as well as instructions on the transfer, use and disposal of trust property.</li> </ol>		
Handling of employees who have not met the vesting conditions after being allotted or subscribed new shares	<ol style="list-style-type: none"> <li>1. Before meeting the vesting conditions, the Corporation may buy back new restricted employee shares that have been issued and cancel the shares in accordance with the law.</li> <li>2. Dividend allotment received during the vesting period: The Company gives the dividend to employees unconditionally.</li> <li>3. In the event that an employee terminates or terminates the Company's agency authorization in violation of this Section 7 and Section 8 before the vested conditions are fulfilled, the Company shall recover from the employee unconditionally.</li> </ol>		



Number of new restricted employee shares recalled or bought back	170,200	2,685	23,192
Number of new restricted employee shares with restrictions lifted	1,049,800	137,315	116,808
Number of new restricted employee shares without restrictions lifted	0	0	0
Ratio of new restricted shares not yet released to total number of issued shares (%)	0%	0%	0%
Impact on shareholder equity	Based on the overall assessment, there is no material impact on the dilution of the Company's earnings per share in future years and on the existing shareholders' equity.		

(II) Names and status of managerial officer and the top ten employees holding new restricted employee shares:

May 6, 2021

	Title	Name	Number of new restricted employee shares obtained	Ratio of new restricted employee shares obtained to total number of issued shares (%)	With restrictions lifted				With restrictions not lifted			
					Number of shares with restrictions lifted	Par Value	Issue amount	Ratio of number of shares with restrictions lifted to total number of issued shares	Number of shares with restrictions not lifted	Par Value	Issue amount	Ratio of number of shares without restrictions lifted to total number of issued shares
Managers	Global Chief Financial Officer	Ta-Chih (Jeff) Chou	500,000	0.23%	500,000	-	-	0.23%	0	-	-	0%
	Global Chief Operating Officer	Chen-Chiu (Joseph) Teng										
	Deputy Managing Director	Yi-Nan (Edgar) Chen										
	Chief Director	Shih-Hao (Roy) Wan										
	Chief Director	Kuo-Wei (Michael) Lo										
Employee	Top Ten Employees (Note 1)		620,000	0.29%	620,000	-	-	0.29%	0	-	-	0%

Note 1: Due to the principle of salary confidentiality, we do not disclose individual names and job titles.

Note 2: The total number of issued shares refers to the number of shares listed in the Ministry of Economic Affairs' change of registration data (217,497,257 registered shares as of April 30, 2020)

**VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None**

**VIII. Implementation of the Company's Capital Allocation Plans: None**

## Chapter V. Operational Highlights

### I. Business Activities

#### (I) Scope of Business

##### 1. Principal Businesses Activities

- (1) Wired Communication Equipment and Apparatus Manufacturing
- (2) Telecommunication Equipment and Apparatus Manufacturing
- (3) Electronics Components Manufacturing
- (4) Computer and Peripheral Equipment Manufacturing
- (5) General Instrument Manufacturing
- (6) Computer Equipment Installation
- (7) Instrument and Meters Installation Engineering
- (8) Software Design Services
- (9) Data Processing Services
- (10) Digital Information Supply Services
- (11) Restrained Telecom Radio Frequency Equipments and Materials Import
- (12) Energy Technical Services
- (13) Electrical Appliances and Audiovisual Electronic Products Manufacturing
- (14) Wholesale of Household Appliance
- (15) Retail Sale of Household Appliance
- (16) Retail Sale of Computer Software
- (17) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Proportion of consolidated business

Unit: NT\$ thousand

Product Division	2020	Proportion
IoT Solution and Technology Business Unit	1,516,555	16%
Embedded Platforms & Modules Business Unit	4,949,924	51%
Network Communications and Public Construction Business Unit	2,812,787	29%
C Others	356,412	4%
u Total	9,635,678	100%

r

rent product line

##### (1) IoT Solution and Technology Business Unit

- a. ADLINK Edge Industrial IoT Data Acquisition and Control Solution
- b. Legacy Device Connectivity and Data Acquisition Solutions
- c. Machine Condition Monitoring Solution
- d. Edge AI Machine Vision Solutions
- e. EtherCAT Solutions
- f. Advanced Motion Control Card
- g. Compact Vision Platform and x86 Smart Camera
- h. Digital Frame Capture Card
- i. Various types of data acquisition cards and application software
- j. PXI/PXIe Modular Platforms and Instruments
- k. Vortex DDS

- l. Smart Edge
  - m. Vortex OpenSplice
  - n. ROS Open Source Robotics Solutions
  - o. ROS2 Controller
- (2) Networking, Communications, Public Sector Business Unit
- a. Advanced TCA High Performance Network Communications Computing Platform
  - b. Network Security and Network Services Platform (Network Appliances)
  - c. Intelligent Surveillance Management Server (Media Cloud Servers)
  - d. Artificial intelligence real-time image analysis platform (AI-enabled Video Analytics Platforms)
  - e. 5G MEC Server (Multi-access Edge Computing Servers)
  - f. Military Standard Rugged Small Form Factor High Performance Extreme Rugged Computers
  - g. CompactPCI, PC/104 and VPX Industrial Standardized High Reliability Single Board Computers and Systems
  - h. Driver Machine Interface Panel PC and Fanless Rugged System Computing Platform for railway onboard and wayside applications
  - i. Autonomous Driving In-vehicle Computers
  - j. ODM/Customized Modules & Systems
- (3) Embedded Platforms & Modules Business Unit
- a. Embedded module solutions
  - b. Military and industrial grade embedded modular computers
  - c. Mini-ITX single board computers
  - d. Fanless embedded computer
  - e. Industrial and medical certified grade panel computers
  - f. Embedded graphics and deep learning acceleration platforms
4. Development of new products
- (1) IoT Strategy Solutions and Technology Business Unit
- a. We provide data collection, streaming and control solutions for industrial IoT, integrating software, hardware and data control to provide a comprehensive solution. Helping customers create new business models and value in the IoT space. In terms of software, we will launch the Edge Image Analysis Software Development Kit (EVA SDK), which, together with the AI imaging platform, will enable customers to realize AI image analysis in smart factories faster.
  - b. We provide operational readiness solutions such as networking of old machines and monitoring of rotating machine status for smart factories.
  - c. For the field of machine vision, we provide products such as plug-and-play AI image capture cards and server-grade AI image platforms.
  - d. Continued development of various data-acquisition edge computing platforms.
  - e. Continuously launching medium-, high- and low-order PXI/PXIe controllers and platforms.
- (2) Networking, Communications, Public Sector
- a. Leveraging our extensive experience in AIoT, edge computing, and military-grade reliability and ruggedness, we continue to expand our self-driving technology ecosystem and deepen strategic partnerships with leading companies, research institutions, and government agencies to accelerate the development, testing, and launch of self-driving solutions across the board.
  - b. Accelerate the development of ruggedized VPX single board computers and systems

that meet Modular Open Systems Approach (MOSA) and Sensor Open Systems Architecture (SOSA) design criteria and standards for a wide variety of defense and aerospace applications.

- c. We continue to expand our family of fanless, ruggedized, onboard computing platforms for rail transit, especially with the introduction of GPU-enabled artificial intelligence products, which will enable rail customers to achieve smarter, safer and more reliable rail transit operations and accelerate the digitalization of rail.
- d. We continue to consolidate our leading position in the market and are committed to providing high performance single board computers and systems that comply with CompactPCI and PC/104 open standard technology specifications to meet the stringent requirements of operating environment, reliability and product lifecycle for industrial applications such as factory automation, railroad transportation and military industries.
- e. Accelerate the launch of the Open Compute Carrier-grade Edge Reference Architecture (OCCERA) based network security platform family to meet different levels of system requirements for applications and accelerate customer application time-to-market.
- f. We further improve the product portfolio of telecom edge servers and core network servers to meet the application requirements of low latency, high bandwidth, rich I/O expansion, high deployment flexibility, and accelerated computing capabilities, helping customers accelerate the transformation of communication networks, develop 5G base stations, enterprise private networks, and 5G Multi-access Edge Computing (MEC) applications.
- g. To meet the market demand for artificial intelligence and machine learning technologies, we are accelerating the development of GPU-equipped products on various existing industrial single-board computer specification architectures, enabling customers to quickly upgrade their technologies and drive next-generation heterogeneous computing applications.

### (3) Embedded Platforms & Modules Business Unit

- a. We grasp the future trend of artificial intelligence. Through Deep-Learning Profiling Consultancy Service, we recommend the most optimized hardware platform for users' applications.
- b. As a core member of PICMG, we work with Kontron, Advantech, MSC, Congatec and other members to develop the latest COM-HPC specification.
- c. As a core member of SGET (Standardization Group for Embedded Technologies), we define the latest SMARC2.1 (Smart Mobility the latest SMARC 2.1 specification to meet the market demand and customer applications with other members.
- d. We continue to provide embedded modular including ETX, COM Express, SMARC, Qseven and other specifications with more than seven years warranty.
- e. Our embedded modules, fanless embedded PCs, SBCs, and application-ready platforms are mainly used in multi-signal media, gaming, medical and industrial applications.

## (II) Industry Overview:

Edge Autonomy, AI, Autonomous vehicles, Robotics and IoT applications are driving significant

growth across ADLINKs product range and geographic/vertical markets. While 2020 was obviously impacted by the global pandemic in terms of spending, the number of projects initiated

in ADLINK's target markets continued to grow. Forecasts for the next 5 years for markets such as IoT and AI are 12% and 46% CAGR respectively. ADLINKs historic embedded markets continue to show growth albeit at less dramatic levels (embedded systems forecast CAGR for

the

same period is 6%).

Increasingly customers are looking for ecosystems of partner networks to support ever more complex applications. ADLINK has invested considerable resource in developing strategic partnerships with companies like AUO, Foxconn, Intel, NVIDIA, AWS and SAS.

### (III) Research and Development Achievements and Plans

1. Costs of research and development during the current fiscal year and as of the date of the annual report

Unit: NT\$1,000

Item	Year	2020	As of March 31, 2021
Consolidated research and development expenses		1,452,997	367,575

2. Technology and products successfully developed

ADLINK is a global leader in the design and manufacturing of products and solutions for Edge

computing with the vision to “be the catalyst for a world empowered by artificial intelligence”. Our range of products includes (but is not limited to) embedded modules, computer-on-modules, AI-on-Modules, industrial motherboards, software (for robotic operating systems, middleware protocols, API standards), deep learning accelerators, platforms and servers, Panel PCs and Monitors, Industrial PCs, IoT solutions, smart cameras (AI vision solutions) and gaming platforms.

ADLINK has >1,800 colleagues in manufacturing, customization, customer service, sales and marketing teams in 21 countries.

ADLINK and our partner network supports customers in many industry verticals, some examples being; automotive, manufacturing, healthcare, military, aerospace, transportation and gaming.

In any 12-month period, ADLINK has over 100 new products under development. In relative terms ADLINK continues to invest in new products at levels well above industry averages. Our drive to build new products cuts across both our historic embedded computing markets and on developing new offers that support our corporate vision, equally we have focused in communications technologies, software solutions for robotics, AI and IoT applications and the industrial hardware to enable these systems.

ADLINK has consistently developed and launched new products since its inception. R&D investment within ADLINK is (in relative terms) significantly above the industry average. Further, ADLINK is actively developing new technologies through our partner ecosystem and is supporting global technology development through a number of open-source software initiatives.

### (IV) Long-term and Short-term Business Development Plan:

ADLINK, historically an embedded computing organisation has evolved to be a global leader in edge computing by developing solutions such as our AIoM (Artificial Intelligence on Module) offers.

In January of 2021 we launched our new strategic vision which states: “The future of Edge Computing is Edge Autonomy”. The premise behind this statement is that the move from embedded to edge represents a switch from automation to autonomy. As Jim Liu our CEO and founder stated in January “Individual devices are getting smarter, but it’s not enough. We need to integrate these smart devices together – make the device, the infrastructure and the operator work together. This is an IoT concept, but today, most IoT applications just think about how to collect the data from the sensor and send it from the edge to the cloud” This requires a new level of connectivity between edge devices. These devices should be enabled to act on incoming data at the right time, which requires real-time infrastructure distributed amongst the edge devices themselves”

ADLINK’s strategy in the short term is to focus on AI applications for healthcare and manufacturing, moving to AMRs (Autonomous Mobile Robots) in the medium term, with autonomous vehicles as a long-term focus. “You need to consider the swarm -swarm autonomy. The devices need awareness of each other’s status and, they need to have a small intelligence to make sure they can collaborate”.

To support this strategy, in the last year ADLINK has announced two key strategic partnerships with AUO and Foxconn. With AUO becoming a significant shareholder in ADLINK, we will leverage their global scale and operations to develop further our smart manufacturing solutions. With Foxconn we have set up a joint venture (FARobot) to develop AMRs for manufacturing, warehousing, retail and medical markets.

## II. Analysis of Market and Production and Marketing Situation

### (I) Market Analysis

#### 1. Sales regions of major products

Unit: NT\$ thousand

Region	2020	Proportion
Asia	4,372,265	45%
America	3,262,582	34%
Europe	1,888,082	20%
Others	112,749	1%

#### 2. Main product applications, market share, future market supply and demand, and future growth, as well as favorable and unfavorable factors and countermeasures for the competitive niche and development prospect

ADLINK’s business is global with a range of customers, technology and partnerships that ensures we are not dependent on and one region or vertical. In regional terms in 2020 34% of ADLINK’s revenue came from the Americas, 21% from the Asia-Pacific region, 20% from EMEA and 24% from China. In terms of technology 51% of revenue is derived from our historic “embedded” products.

ADLINK will continue to increase market share in our core historic markets for embedded (industrial) computers and related devices. We will also seek to use new technologies, offers and our partner ecosystem to penetrate new market segments. ADLINK is the 3rd largest of the main 10 suppliers in our space with a market share of over 5%. The market though is extremely complex with no two vendors having identical product, geographic or industry vertical sales mixes.

Growth forecasts for the next few years vary significantly by technology, region and market vertical and are subject to many factors affecting the relative speed of emergence and recovery following the pandemic. ADLINK is forecasting a 12% revenue growth in 2021. This reflects our strengths arising from a 25-year history of success in embedded computing, our current position as a Leader in Edge computing and our partnerships and vision the future and Edge Autonomy.

## (II) Usage and Manufacturing Processes for Main Products

### 1. Key applications of the primary products

- Edge Computing Platform: A hardware and software integrated application-ready platform for public network 5G telecom mini-base stations, 5G enterprise private networks, and 5G Multi-access Edge Computing (MEC) applications.
- Network Security Platform: Based on the Open Compute Carrier-grade Edge Reference Architecture (OCCERA), it is mainly applied to medium and large enterprises and telecommunication providers for network security and network communication applications.
- Rugged Intelligent Transportation Fanless Computer: Highly reliable platform for railroad control center control, onboard signaling system, and image analysis system.
- VPX and HPERC military-specific platforms: targeting radar, digital signal processing, unmanned and ground vehicles, electronic warfare, and other military applications.
- Artificial Intelligence AI Automotive Computer: Edge AI autonomous driving hardware platform to realize various next-generation intelligent autonomous driving applications such as autonomously controllable and reliable mass transit vehicles, unmanned delivery vehicles, unmanned aircraft and autonomous mobile robots.
- The key operational smart platform for building smart factories and Industry 4.0: for example, the operational smart platform for industrial Internet of Things developed for connecting unconnected machine equipment, including data acquisition system, equipment monitoring and diagnostic system, edge computing platform and server, and application software for mediating various transmission and communication.
- Industrial artificial intelligence cameras: Suitable for vision-guided robots, labor safety enhancement, production standardization process control, defect detection, logistics and other smart manufacturing-related applications.
- Automated solutions for measurement in electronic manufacturing lines: Suitable for motion control, image acquisition and positioning recognition, I/O control, functional testing, pressure testing, and factory inspection of automated machines and equipment, which play an important role in the production process of electronic manufacturing and semiconductor packaging and testing industries.
- PXI platforms and modular instruments: Suitable for high-end measurement applications such as automated production testing, radar signal acquisition, vibration test equipment and RF signal measurement, etc.
- A dedicated intelligent platform for gaming industry and information logistics applications.
- Advanced medical touch computers and displays: mainly used in demanding medical environments such as operating rooms, medical image storage systems, etc.
- Intelligent industrial computing platforms: including fanless rugged embedded computers, PICMG 1.x SBCs and industrial motherboards, and industrial grade chassis. Suitable for industrial environment and other special needs of the computer, can withstand high temperature, high humidity, vibration of the harsh environment.
- Computer on modules (COM): including COM Express, SMARC, Qseven and ETX specifications. In recent years, COM related products are widely used in medical, gaming,

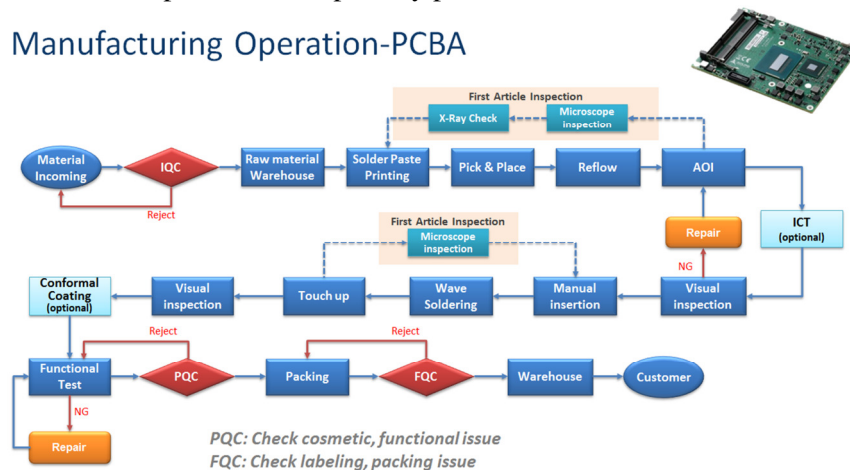


automation control and transportation fields.

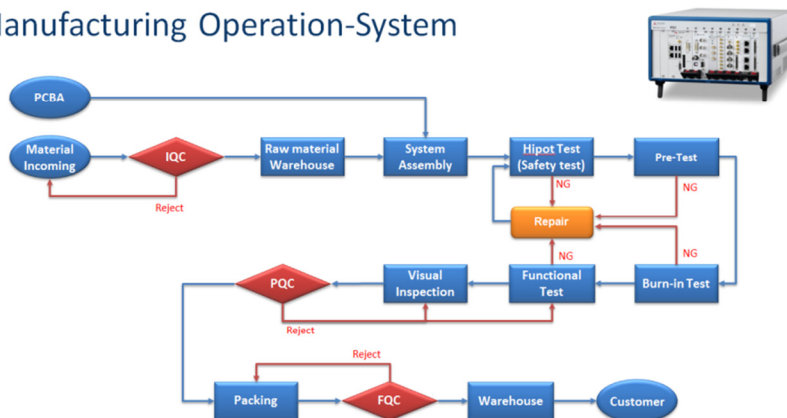
- ADLINK's Smart Embedded Management Agent (SEMA): monitors CPU temperature, humidity, fan operation, and other product conditions.
- Embedded GPU products are widely used in artificial intelligence related applications, including medical, transportation, smart city, retail, smart manufacturing and inspection, military and security.

## 2. Production process of the primary products

### Manufacturing Operation-PCBA



### Manufacturing Operation-System



(III) Supply of key materials

Name of the material	Major supplier	Supply status
CPU / Chipset / Computer Peripherals	Synnex	Good
PCB	Plotech, Zhuhai, Elex, Yi-Bo, High-tech, TTM(OPC HY), Fang-Zheng, Suntak, Shennan	Good
Single-board computer	Advanixs, Nextronics, Avnet, Netio	Good
IC	Arrow, Morrihan, Avnet, Macnica Galaxy, WT Microelectronics, Answer Technology, Alltek, World Peace	Good
Machine Box	Jinchya, Sherry, Hung Lyang, Cheng Fwa, Synnex, Xingwei, Cherry Chief	Good
Connector	Avnet, MetaTech, World Peace, Helm, Switchlab, Xin Han Men, Xin Heng Guang, Skyworth	Good
Iron / Heatsink	Cashi, Rittal, Darwin, Asiacrystal, He Xin, Chia Cherne, Rittal, Chi Ting, Quadrep, USE Electronics, Yau Feng, Xingwei, SETT, Wei Han	Good
RAM MODULE	Innodisk, Transcend, World Peace, ATP, Chuang Xin, Hua Teng Wei	Good

The sources of purchase are all well-known domestic and foreign manufacturers, and they have a stable relationship with the Company, so the supply is stable and sufficient.

(IV) Information on customers who have accounted for more than 10% of the total amount of purchase (sales) in any of the most recent 2 years and the reasons for the change

1. List of major suppliers in the most recent 2 years

Unit: NT\$ thousand

Item	2019				2020				2021 (As of the previous quarter)			
	Name	Amount	Percentage in total net supply (%)	Relationship with the issuer	Name	Amount	Percentage in total net supply (%)	Relationship with the issuer	Name	Amount	Percentage in total net supply (%)	Relationship with the issuer
1	Synnex	1,715,459	33%	None	Synnex	1,674,436	33%	None	Synnex	308,228	22%	None
2	Others	3,452,440	67%	-	Others	3,467,403	67%	-	Others	1,067,222	78%	-
	Net purchase	5,167,899	100%	-	Net purchase	5,141,839	100%	-	Net purchase	1,375,450	100%	-

2. List of major clients in the most recent 2 years

Unit: NT\$ thousand

Item	2019				2020				2021 (As of the previous quarter)			
	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the issuer	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the issuer	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the issuer
1	Other (Note 1)	10,497,070	100.00	-	Other (Note 1)	9,635,678	100.00	-	Other (Note 1)	2,097,421	100.00	-
	Net sales	10,497,070	100.00		Net sales	9,635,678	100.00		Net sales	2,097,421	100.00	

Note 1: The Company has no single customer with more than 10% of net sales.

## (V) Production volume within the most recent two years

Unit: piece/unit; NT\$ thousand

Year	2019			2020		
Production volume and value Divisions	Production capacity (Note 1)	Production Volume	Production Value	Production capacity (Note 1)	Production Volume	Production Value
IoT Solution and Technology Business Unit	-	165,576	721,441	-	183,700	739,972
Network Communications and Public Construction Business Unit	-	56,848	1,243,605	-	59,959	1,614,541
Embedded Platforms & Modules Business Unit	-	574,587	3,366,820	-	436,861	2,676,705
Others	-	80	145	-	381	776
Total	-	797,091	5,332,011	-	680,901	5,031,994

Note 1: The Company and its subsidiaries adopt a flexible production mode of "small quantity and large variety", which is different from the general evaluation of production capacity utilization. The flexible and diversified manufacturing mode is to respond to the market demand of various products, and adjust the appropriate production capacity to optimize the quality of finished products and resources, so as to provide customers with various industrial customized products on time and within the delivery schedule.

## (VI) Sales volume within the most recent two years

Unit: piece/unit; NT\$ thousand

Year	2019				2020			
Sales Volume/Value Divisions	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
IoT Solution and Technology Business Unit	30,484	307,977	215,385	1,412,947	35,793	333,783	217,982	1,182,772
Embedded Platforms & Modules Business Unit	8,170	141,068	760,155	6,067,495	8,327	154,211	607,063	4,795,713
Network Communications and Public Construction Business Unit	1,186	77,746	110,209	2,238,096	15,393	49,029	115,208	2,763,758
Others	2,795	2,828	53,824	248,913	948	16,116	132,276	340,296
Total	42,634	529,619	1,139,572	9,967,451	60,461	553,139	1,072,529	9,082,539

### III. Employee information within the most recent two years

Year		2019	2020	As of March 31, 2021
Number of Employees	Direct personnel	303	322	321
	Indirect personnel	1,430	1,504	1,527
	Total	1,733	1,826	1,848
Average Age		40.30	39.52	39.74
Average Service Year		5.53	5.88	5.95
Academic distribution ratio	PhD	1.60%	1.40%	1.52%
	Master's	36.70%	35.60%	35.80%
	Bachelor's	53.30%	55.40%	55.38%
	High school	6.53%	6.40%	6.20%
	Below high school	1.87%	1.20%	1.10%

### IV. Environmental Protection Expenditure

For the most recent year and up to the publication date of the annual report, the losses (including compensation) and punishments, future countermeasures, and possible expenses incurred by the Company due to environmental pollution: none.

In May 2004, ADLINK started to promote green procurement and manufacturing of green products in response to international environmental laws and regulations and to protect the global environment. Environmental protection has become an important consideration in ADLINK's business management, and providing products with less impact on the environment is an important implementation measure. In addition to its own active environmental protection policy, ADLINK also asks its suppliers to cooperate fully and give priority to purchasing parts and raw materials that comply with environmental protection principles to ensure that the parts and raw materials used do not contain substances that are harmful to the environment, in order to achieve sustainable business operation and enhance its corporate image.

ADLINK's specific actions for environmental protection:

- Waste management and resource recovery

The main axis of waste management is "process reduction and resource recovery", and the priority of waste treatment is recycling. We hope to improve the efficiency of waste management by recovering the reusable part of waste, and to reduce the burden on the environment caused by waste treatment. The Company also advocates green packaging, which not only requires safety, reliability and environmental protection, but also has the benefits of human body harmlessness, recyclability, environmental load reduction and resource saving. ADLINK's solution for replacing cardboard boxes with reusable electrostatic black boxes is gradually gaining acceptance and expanding adoption by customers. The packaging, cartons, foam boards and other cushioning materials used in the transportation process are sorted and reused in product shipments by ADLINK. The packaging materials are recycled and reused by upstream manufacturers to achieve resource recycling and to reduce waste disposal costs and carbon emissions of paper.

- Environmental protection management

In the era of energy crisis, in addition to energy saving and carbon reduction, it is necessary to recycle and recreate green energy in order to save the earth's environment from being destroyed. Based on the concept of global citizenship, ADLINK supports "environmental friendliness"; therefore, ADLINK's specific measures are: inventory, management, and more efficient use of energy resources, as well as the initiation of various reduction actions.

The following is a list of environmental management programs and expenditures for 2021:

EHS Policy	Target	Object	Management approach	Estimated completion date	Budget
Save energy and resources, establish resource regeneration	Warehouse environmental waste reduction	Reduce the number of pallet applications by at least 10%	Reuse incoming pallets to reduce the number of new purchases	January 1, 2021 to December 31, 2021	5,000
Save energy and resources, establish resource regeneration	Provide real-time intelligent management services to save energy consumption and improve energy efficiency	Save NT\$250,000 on electricity in 2021	Smart meter intelligent regulation to save electricity	January 1, 2021 to December 31, 2021	0
Save energy and resources, establish resource regeneration	Energy-saving design of our products	Reduce system test time by 30%	EVT Energy Saving Automation Test	January 1, 2021 to June 30, 2021	0
Save energy and resources, establish resource regeneration	Product design for energy saving	Reduces Adapter No load power consumption by 10%	Low No load power consumption for power supply import	January 1, 2021 to December 31, 2021	0

● Water use and management

Since no water is used in the production process, ADLINK's water is used for domestic purposes, with the exception of water used in the air-conditioning cooling towers. Since the Company is located in a public park and not a private plant, it is difficult to recycle and reuse. Due to the above objective environmental constraints, ADLINK's water policy at this stage is focused on conservation.

ADLINK's water source is provided entirely by the water company, with no other sources. As for the use of water resources, all of them are for domestic use, as mentioned above. The Far Eastern Century Plaza Management Committee of the Park is responsible for the centralized treatment and discharge of the discharge.

In order to reduce the use of water resources, ADLINK's has been promoting the concept of water conservation for a long time. Cooperate with the Management Committee in implementing various water conservation measures.

- Faucet installed with water saver.
- The water dispenser is changed from a pure water process to a filtered system, which saves 2/3 of the water used in the production process.
- Daily inspection of faucet switch on each floor.

## V. Labor Relations

(I) Employee welfare measures, further education, training and retirement systems and their implementation, as well as agreements between employers and employees and measures to protect the rights and interests of employees.

1. Employee welfare measures: In addition to providing the basic welfare protection for employees under the Labor Standards Law, the Company also provides medical insurance and regular health checkups for employees. Free coffee, leisure publications and video programs are available on each floor of the Company for employees' free use. The welfare committee is established in accordance with the law and holds quarterly committee meetings to review welfare projects, and monthly meetings are held to implement welfare projects. 8~10 seminars, various sporting events, Christmas activities for all employees, domestic one-day trips, domestic two-day trips, overseas trips, spring festival activities, three festival gifts and movie activities, etc. are planned for the whole year, and various welfare measures to improve the quality of life, such as physical and mental health, and cooperate with the Ling Wah

Education Foundation to cultivate volunteers to fulfill social enterprise responsibilities.

2. Employee training and development system: The Company has a comprehensive training and development system and invests in employee training and development, including functional training, new employee orientation programs, potential talent development, and employee training subsidy programs, etc. Through a variety of learning resources such as ADLINK online learning platform, internal training and development courses, outplacement and external training opportunities, we have established an effective talent development training program.

In 2020, education and training will be implemented in PM, R&D, manufacturing and logistic units, and the total number of hours of internal and external training will be more than 1,420, and the cost of education and training will be \$1,675,361.

3. Employee Retirement System: The Company has a defined benefit retirement plan (old system) for regular employees in accordance with the Labor Standards Law. In accordance with the Regulations, the employee's pension is calculated based on the length of service and the average salary of the six months prior to retirement. The Company contributes 2% of employees' monthly salaries to the pension fund, which is entrusted to the Labor Pension Fund Supervisory Committee and deposited in the name of the Committee in a special account at the Bank of Taiwan to be used for interest generation. The retirement plan under the Labor Pension Act is a defined contribution retirement plan (new system). For employees who choose or apply the new system, the Company contributes 6% of their monthly salaries to a pension account set up by the Bureau of Labor Insurance.

4. Set up measures to protect other rights and interests of employees

- (1) We have established a comprehensive complaint channel and attach importance to the physical and mental health of our employees: We have a complaint channel for sexual harassment and workplace violence, and we have qualified doctors and nurses to provide medical consultation and care for our employees. We regularly hold online occupational safety and health training courses every year to establish occupational safety and health-compliant work environment.
- (2) Fair and equitable reward system: The company's incentives and assessment measures are set up on the principle of fairness and reasonableness, and annual salary adjustments and profit sharing are applied to share the operating results with employees.
- (3) AOP meeting is held every year, where the management supervisor explains the company's operation overview and future direction to all employees and answers their questions.
- (4) The Company attaches great importance to the opinions of each employee and has set up an opinion proposal area in the public affairs section of the intranet, and senior executives also communicate management strategies to each department from time to time, depending on demand, and conduct two-way communication.
- (5) Publication of e-newsletter to keep employees informed of the activities of our domestic and overseas subsidiaries.
- (6) The Company's various incentive, assessment and compensation systems are set up in a fair and reasonable manner, and annual salary adjustments and profit sharing are made to share the results of operations with employees.

5. Agreement between labor and management and various measures to protect employees' rights and interests: Our company has harmonious labor relations and considers employees as the company's biggest business partners and human assets.

6. Specific measures to enhance employee benefits or interests compared to the previous year:

- (1) Dependents can join the Company's group insurance
- (2) One day of birthday leave per person per year
- (3) Five days of fully paid sick leave per person per year
- (4) No need to make up shifts on extra days

(II) Estimated amount of current and potential future losses due to labor disputes and measures to address them for the most recent year and up to the printing date of the annual report: The Company has harmonious labor relations and considers employees as the Company's largest business partners and human assets, and spares no effort to maintain harmonious labor relations.

## VI. Major Agreements

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Distribution Contract	EURESYS	From May 1, 2005	EURESYS-related products	Area limited to Greater China
Agency Contract	Wind River	From March 22, 2005	The Company is the Taiwan distributor of Wind River	Area limited to Taiwan
Agency Contract	Toshiba Teli Corporation	From December 7, 2006	Representation of Teli's industrial CCD camera business	Distributor for Taiwan; Also available in Singapore, Malaysia, South Korea and China with ADLINK's own products.

## Chapter VI. Financial Information

### I Condensed balance sheet and consolidated income statement information for the last five years

#### 1. International Financial Reporting Standards

##### Condensed Balance Sheet

Unit: NT\$ thousand

Year		Consolidated					
		2016	2017	2018	2019	2020	As of March 31, 2021 (Note II)
Item							
Current assets		\$5,803,542	\$5,633,199	\$6,199,027	6,173,992	6,194,938	5,619,414
Property, plant and equipment, net		1,024,813	889,272	837,172	1,074,831	1,168,220	4,246,152
Intangible assets, net		974,314	911,594	844,064	648,452	404,677	376,928
Other Assets		267,293	365,604	399,009	532,247	974,592	792,966
Total Assets		8,069,962	7,799,669	8,279,272	8,429,522	8,742,427	11,035,460
Current liabilities	Before distribution	3,131,454	3,083,453	3,410,591	3,543,250	3,757,121	4,038,357
	After distribution	3,523,965	3,409,737	3,693,371	3,891,245	Note I	Note I
Non-current liabilities		252,476	90,237	300,195	199,057	469,260	2,477,210
Total Liabilities	Before distribution	3,383,930	3,173,690	3,710,786	3,742,307	4,226,381	6,515,567
	After distribution	3,776,441	3,499,974	3,993,566	4,090,302	Note I	Note I
Equity attributable to owners of parent		4,677,193	4,616,183	4,558,002	4,676,253	4,516,046	4,519,893
Share capital		2,175,619	2,175,232	2,175,232	2,174,973	2,174,973	2,174,973
Capital surplus	Before distribution	1,575,678	1,575,041	1,553,448	1,515,716	1,167,721	1,167,721
	After distribution	1,575,678	1,553,289	1,509,943	1,167,721	Note I	Note I
Retained earnings	Before distribution	1,033,721	1,024,411	965,217	1,166,414	1,406,353	1,408,522
	After distribution	641,210	719,879	725,942	1,166,414	Note I	Note I
Other equity		(107,825)	(158,501)	(135,895)	(180,850)	(233,001)	(231,323)
Treasury Stock		0	0	0	0	-	-
Non-controlling interest		8,839	9,796	10,484	10,962	-	-
Total equity	Before distribution	4,686,032	4,625,979	4,568,486	4,687,215	4,516,046	4,519,893
	After distribution	4,293,521	4,299,695	4,285,706	4,339,220	Note I	Note I



# Condensed Statements of Comprehensive Income

Unit: NT\$ thousands (EPS: NT\$)

Item \ Year	Consolidated					
	2016	2017	2018	2019	2020	As of March 31, 2021 (Note II)
Sales Revenue	9,569,741	10,667,894	10,477,108	10,497,070	9,635,678	2,097,421
Gross profit	4,166,485	3,963,470	3,726,867	4,288,795	3,814,646	869,975
Operating Income	595,891	474,986	289,877	767,190	474,846	44,298
Non-operating income and expenses	(64,349)	30,613	12,152	(150,970)	(124,034)	(29,649)
Net income before tax	531,542	505,599	302,029	616,220	350,812	14,649
Income from Continuing Operations	431,149	390,215	244,609	443,747	241,648	2,169
Loss from Discontinued Operations	0	0	0	0	0	0
Net Income (Loss)	431,149	390,215	244,609	443,747	241,648	2,169
Other comprehensive income or loss for the period (Net amount after tax)	(188,055)	(85,674)	20,531	(48,408)	(54,960)	1,678
Total comprehensive income for the year	243,094	304,541	265,140	395,339	186,688	3,847
Net profit attributable to parent company	430,896	388,858	244,442	443,171	243,665	2,169
Net profit attributable to non-controlling equity	253	1,357	167	576	(2,017)	0
Comprehensive Income Attributable to Owners of the Parent	242,770	303,584	264,452	394,861	188,726	3,847
Comprehensive Income Attributable to Non-controlling Interests	324	957	688	478	(2,038)	0
Earnings per Share	2.00	1.79	1.12	2.04	1.12	0.01

Note 1: The earnings distribution for 2020 has not been approved by the shareholders' general meeting, so it is not shown.

Note 2: Financial information as of 2021 Q1 has been reviewed by CPAs.

## Condensed Balance Sheet

Unit: NT\$ thousand

Year		Parent company only				
		2016	2017	2018	2019	2020
Item						
Current assets		3,647,957	3,340,052	3,945,047	4,281,295	4,060,040
Property, plant and equipment, net		379,298	324,742	346,367	296,941	274,076
Intangible assets, net		42,863	37,713	32,963	38,581	30,561
Other Assets		2,544,506	2,423,831	2,208,617	2,095,382	2,384,662
Total Assets		6,614,624	6,126,338	6,532,994	6,712,199	6,749,339
Current liabilities	Before distribution	1,690,921	1,427,173	1,689,114	1,901,654	1,883,256
	After distribution	2,083,432	1,753,457	1,971,894	2,249,649	Note I
Non-current liabilities		246,510	82,982	285,878	134,292	350,037
Total Liabilities	Before distribution	1,937,431	1,510,155	1,974,992	2,035,946	2,233,293
	After distribution	2,329,942	1,836,439	2,257,772	2,383,941	Note I
Equity attributable to owners of parent		4,677,193	4,616,183	4,558,002	4,676,253	4,516,046
Share capital		2,175,619	2,175,232	2,175,232	2,174,973	2,174,973
Capital surplus	Before distribution	1,575,678	1,575,041	1,553,448	1,515,716	1,167,721
	After distribution	1,575,678	1,553,289	1,509,943	1,167,721	Note I
Retained earnings	Before distribution	1,033,721	1,024,411	965,217	1,166,414	1,406,353
	After distribution	641,210	719,879	725,957	1,166,414	Note I
Other equity		(107,825)	(158,501)	(135,895)	(180,850)	(233,001)
Treasury Stock		0	0	0	0	-
Non-controlling interest		0	0	0	0	-
Total equity	Before distribution	4,677,193	4,616,183	4,558,002	4,676,253	4,516,046
	After distribution	4,284,682	4,289,899	4,275,222	4,328,258	Note I

## Condensed Statements of Comprehensive Income

Unit: NT\$ thousands (EPS: NT\$)

Year		Parent company only				
		2016	2017	2018	2019	2020
Item						
Sales Revenue		6,679,858	7,989,898	7,853,796	7,399,729	6,081,925
Gross profit		2,180,432	2,190,148	2,036,218	2,247,149	1,901,828
Operating Income		426,277	469,040	421,320	603,511	305,770
Non-operating income and expenses		88,939	(6,950)	(139,129)	(51,055)	(6,220)
Pre-Tax Profit (Loss)		515,216	462,090	282,191	552,456	299,550
Income from Continuing Operations		430,896	388,858	244,442	443,171	243,665
Loss from Discontinued Operations		0	0	0	0	0
Net Income (Loss)		430,896	388,858	244,442	443,171	243,665
Other comprehensive income or loss for the period (Net amount after tax)		(188,126)	(85,274)	20,010	(48,310)	(54,939)
Total comprehensive income for the year		242,770	303,584	264,452	394,861	188,726
Earnings per Share		2.00	1.79	1.12	2.04	1.12

Note 1: The earnings distribution for 2019 has not been approved by the shareholders' general meeting, so it is not shown.

## 2. Names and auditing opinions of CPA in recent five years

Year	Name of CPA Firm	CPA	Audit Opinion
2016	Deloitte & Touche	Chien-Liang Liu, Wen-Chin Lin	Unmodified opinion
2017	Deloitte & Touche	Chien-Liang Liu, Wen-Chin Lin	Unmodified opinion
2018	Deloitte & Touche	Wen-Chi Kuo, Wen-Chin Lin	Unmodified opinion
2019	Deloitte & Touche	Wen-Chi Kuo, Chen-Ming Li	Unmodified opinion
2020	Deloitte & Touche	Wen-Chi Kuo, Chen-Ming Li	Unmodified opinion

## II Most Recent 5-Year Financial Analysis

### 1. International Financial Reporting Standards

Analysis Item \ Year		Consolidated					
		2016	2017	2018	2019	2020	As of March 31, 2021 (Note I)
Financial structure (%)	Debt ratio	41.93	40.69	44.82	44.40	48.34	59.04
	Ratio of long-term capital to property, plant, and equipment	473.60	520.20	569.59	440.28	411.59	160.59
Debt service ability (%)	Current ratio	185.33	182.69	181.76	174.25	164.89	139.15
	Quick ratio	124.17	105.42	102.58	115.92	113.17	84.04
	Interest coverage ratio	34.95	29.09	19.05	21.42	22.31	3.59
Operating Ability	Accounts receivable turnover rate (times)	5.48	5.67	5.48	5.19	4.72	4.47
	Average days for cash receipts	66.61	64.37	66.60	70.32	77.33	81.66
	Inventory turnover rate (times)	3.11	3.35	2.77	2.70	3.04	2.50
	Accounts payable turnover rate (times)	4.18	4.57	4.32	4.16	4.45	3.48
	Average days for sale of goods	117.36	108.95	131.76	135.18	120.06	146.00
	Property, plant, and equipment turnover rate (times)	8.77	11.15	12.14	10.98	8.59	3.10
	Total assets turnover rate (times)	1.22	1.34	1.30	1.26	1.12	0.85
Profitability	Return on total assets (%)	5.67	5.11	3.21	5.60	2.97	0.27
	Return on equity (%)	10.03	8.38	5.32	9.59	5.25	0.19
	Pre-tax profit to paid-in capital (%) (Note 7)	24.43	23.24	13.88	28.33	16.13	2.69
	Net profit margin (%)	4.51	3.66	2.33	4.23	2.51	0.10
	Earnings per share (NT\$)	2.00	1.79	1.12	2.04	1.12	0.01
Cash Flows	Cash flow ratio (%)	21.97	13.17	4.74	43.26	17.39	6.37
	Cash flow adequacy ratio (%)	129.14	90.68	65.62	94.23	85.21	45.65
	Cash reinvestment ratio (%)	3.50	0.29	(3.32)	24.29	5.50	3.38
Leverage	Operating leverage	1.49	1.63	1.96	1.45	1.70	2.63
	Financial leverage	1.03	1.04	1.06	1.04	1.04	1.15
Reasons for changes in financial ratios for the last two years (variance up to 20%).							
1. The decrease in overall profitability was due to the decrease in pre-tax income and net income as a result of the decline in profitability for the year.							
2. The decrease in the overall cash flow ratio was mainly due to the decrease in cash inflows from operations.							

Analysis Item \ Year		Parent company only				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio	29.29	24.65	30.23	30.33	33.09
	Ratio of long-term capital to property, plant, and equipment	1,277.28	1,421.49	1,373.69	1,589.96	1,744.42
Debt service ability (%)	Current ratio	215.74	234.03	233.56	225.14	215.59
	Quick ratio	171.04	153.83	157.10	173.55	165.15
	Interest coverage ratio	196.31	200.43	204.16	525.15	241.80
Operating Ability	Accounts receivable turnover rate (times)	5.49	5.64	4.70	3.95	3.57
	Average days for cash receipts	66.48	64.72	77.66	92.41	102.24
	Inventory turnover rate (times)	6.33	6.12	4.77	4.58	4.49
	Accounts payable turnover rate (times)	5.76	6.64	6.13	4.63	3.87
	Average days for sale of goods	57.66	59.64	76.52	79.69	81.29
	Property, plant, and equipment turnover rate (times)	16.69	22.70	23.41	23.01	21.30
	Total assets turnover rate (times)	1.06	1.25	1.24	1.12	0.90
Profitability	Return on total assets (%)	6.87	6.13	3.88	6.70	3.63
	Return on equity (%)	10.05	8.37	5.33	9.60	5.30
	Pre-tax profit to paid-in capital (%) (Note 7)	23.68	21.24	12.97	25.40	13.77
	Net profit margin (%)	6.45	4.87	3.11	5.99	4.01
	Earnings per share (NT\$)	2.00	1.79	1.12	2.04	1.12
Cash Flows	Cash flow ratio (%)	21.36	18.94	8.63	68.86	35.95
	Cash flow adequacy ratio (%)	129.65	90.80	68.64	101.39	91.97
	Cash reinvestment ratio (%)	(3.08)	(2.43)	(3.49)	20.06	6.29
Leverage	Operating leverage	1.32	1.35	1.38	1.25	1.46
	Financial leverage	1.01	1.00	1.00	1.00	1.00
Reasons for changes in financial ratios for the last two years (variance up to 20%).						
1. The decrease in interest coverage ratio was due to the decrease in pre-tax benefit.						
2. The decrease in overall profitability was due to the decrease in income before income taxes and net income as a result of the decline in profitability for the year.						
3. The decrease in the overall cash flow ratio was mainly due to the decrease in cash inflows from operations.						

Note 1: Financial information as of 2021 Q1 has been reviewed by CPAs.

Note 2: The calculation formulas adopted are as follows:

1. Financial structure
  - (1) Debt ratio = Total liabilities/Total assets.
  - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
  - (1) Current ratio = Current assets/Current liabilities.
  - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
  - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
  - (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
  - (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
  - (3) Inventory turnover rate = Cost of goods sold/Average inventories.
  - (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
  - (5) Average days for sale of goods = 365/Inventory turnover rate.
  - (6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
  - (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
  - (1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.
  - (2) Return on equity = Income after tax/Average total equity.

- (3) Net profit margin = Income after tax/Net sales.
- (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued. (Note 4)
5. Cash flows
- (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
- (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
- (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 5)
6. Leverage
- (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 6).
- (2) Financial leverage = Operating income/(Operating income - Interest expenses).
- Note 3: Special attention shall be paid to the following matters when using the calculation formula of earning per share above:
1. Shares outstanding is based on weighted average shares, and not based on year end shares outstanding.
  2. Cash offerings or treasury stock transactions are considered in calculating weighted average shares.
  3. Any capital increase from earnings or capital surplus should be adjusted retroactively in proportion to the capital increase in calculating prior years' and semiannual earnings per share, without regard to the issuance period of such capital increase.
  4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are paid out in dividends), from after tax net profit. If preferred shares are non-cumulative, in the event of net profits, preferred shares shall be subtracted after tax, but no adjustments needed if there are losses.
- Note 4: Special attention should be paid to the following when measuring cash flow analysis:
1. Cash flows from operating activities refers to operating cash flows.
  2. Capital expenditures are from the annual cash flow statements on capital expenditure outflows.
  3. Inventory increases are from period end balance greater than period beginning balances, if inventories are less, then zero is applied.
  4. Cash dividends includes common stock and preferred shares dividends.
  5. Property, plant, and machinery balance is after subtracting accumulative depreciation.
- Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable as per their nature. If it involves estimation or subjective judgment, they are classified based on rationality and consistency.
- Note 6: Where Corporation shares have no par value or where the par value per share is not NTD 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent Corporation of the asset balance sheet.

### **III Audit Committee's report for the most recent year's financial statement**

#### **ADLINK Technology Inc.** Audit Committee's Review Report

The Board of Directors prepared the Company's individual financial statements and consolidated financial statements for 2020, which have been jointly audited by Wen-Chi Kuo and Chen-Ming li, CPAs at Deloitte & Touche, as well as the business report and an earnings distribution proposal, which have been audited, and submitted said documents to us. We have completed the review and found no discrepancies; therefore, we hereby issue this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your review.

Respectfully submitted to

ADLINK Technology Inc.

2021 Annual Shareholders' Meeting

Convener of the Audit Committee: Wei-Chien Li

March 25, 2021

- IV. The audited financial statements for the 2020: Please refer to pages 87 to 154 of this annual report.**
- V. The audited parent-company only financial statements for the 2020: Please refer to pages 155 to 216 of this annual report.**
- VI. Effect on the Financial Position of Any Financial Difficulties Experienced by Aurora and Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.**

## Chapter VII. Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

### I. Financial Position

Unit: NT\$ thousand

Item	Year	2020	2019	Difference	
				Amount	%
Current assets		6,194,938	6,173,992	20,946	0.34%
Property, plant and equipment, net		1,168,220	1,074,831	93,389	8.69%
Intangible assets, net		404,677	648,452	(243,775)	(37.59%)
Other Assets		974,592	532,247	442,345	83.11%
Total Assets		8,742,427	8,429,522	312,905	3.71%
Current liabilities		3,757,121	3,543,250	213,871	6.04%
Non-current liabilities		469,260	199,057	270,203	135.74%
Total Liabilities		4,226,381	3,742,307	484,074	12.94%
Capital		2,174,973	2,174,973	0	0.00%
Capital surplus		1,167,721	1,515,716	(347,995)	(22.96%)
Retained earnings		1,406,353	1,166,414	239,939	20.57%
Other equity		(233,001)	(180,850)	(52,151)	28.84%
Non-controlling interest		0	10,962	(10,962)	(100.00%)
Total equity		4,516,046	4,687,215	(171,169)	(3.65%)

For the last two years, an analysis of the change in the percentage of increase or decrease of 20% and over NT\$10 million:

1. The decrease in intangible assets was mainly due to the impairment.
2. The increase in other assets was mainly due to the increase in prepayments for the purchase of premises and equipment.
3. The increase in non-current liabilities was mainly due to the increase in long-term borrowings.
4. The decrease in capital surplus was mainly due to the appropriation of earnings from capital surplus.
5. The increase in retained earnings was mainly due to the increase in unappropriated earnings.
6. The increase in other equity was mainly due to the conversion of the financial statements of foreign operating companies.
7. The difference in non-controlling interests is the full repurchase of ADJ shares in 2019.

### II. Financial Performance

Comparative Analysis of Financial Performance

Unit: NT\$ thousand

	2020	2019	Change, by Amount	Increase (Decrease), by %
Sales Revenue	9,635,678	10,497,070	(861,392)	(8.21%)
Operating costs	5,821,032	6,208,275	(387,243)	(6.24%)
Gross profit	3,814,646	4,288,795	(474,149)	(11.06%)
Operating Expenses	3,339,800	3,521,605	(181,805)	(5.16%)
Operating Profit	474,846	767,190	(292,344)	(38.11%)
Non-operating income and expenses	(124,034)	(150,970)	26,936	(17.84%)
Finance costs	(16,460)	(30,171)	13,711	(45.44%)
Net profit (loss) before tax	350,812	616,220	(265,408)	(43.07%)
Income tax expense	109,164	172,473	(63,309)	(36.71%)
Net Income	241,648	443,747	(202,099)	(45.54%)
Other comprehensive income (loss) after tax	(54,960)	(48,408)	(6,552)	(13.53%)
Total comprehensive income	186,688	395,339	(208,651)	(52.78%)
Net income attributable to owners of the Company	243,665	443,171	(199,506)	(45.02%)
Total consolidated profit or loss attributable to owners of the parent company	188,726	394,861	(206,135)	(52.20%)

For the last two years, an analysis of the change in the percentage of increase or decrease of 20% and over NT\$10 million:

1. The decrease in operating income compared to the previous period was mainly due to the increase in operating costs and expenses.
2. The decrease in finance costs compared with the previous period was mainly due to the decrease in interest on bank loans.
3. The decrease in net income before income tax/income tax expense/net income for the year was mainly due to the decrease in gross operating profit.
4. The decrease in total consolidated profit or loss/net income attributable to owners of the parent company/ total consolidated profit or loss attributable to owners of the parent company was mainly due to the decrease in gross operating profit.



### III. Cash Flow

#### (I) Liquidity analysis for the most recent two years

Item \ Year	2020	2019	Increase (decrease) ratio %
Cash Flow Ratio	17.39	43.26	(59.80%)
Cash Flow Sufficiency Ratio	85.21	94.23	(9.58%)
Cash Reinvestment Ratio	5.50	24.29	(77.36%)
Analysis if variations exceed 20%:			
1. The decrease in cash flow ratio and cash reinvestment ratio was mainly due to the decrease in cash inflow from operations.			

#### (II) Cash liquidity analysis for the upcoming year

Unit: NT\$ thousand

Cash balance at the beginning of year A	Expected net cash flows from operating activities B	Expected cash flows used C	Expected cash surplus (inadequacy) A + B - C	Measures for managing cash deficit	
				Investment Plan	Financial Plan
1,997,488	750,000	(1,065,000)	1,682,488	0	0
I. Analysis of variance in cash flows:					
Operating activities: Mainly due to the cash inflows from operating activities.					
Investment activities: Mainly due to the anticipated acquisition of real estate in the Hwa Ya Technology Park and establishment of the Group's corporate headquarters.					
Financing activities: Mainly due to the cash outflow from cash dividends and cash inflow from bank borrowings.					
II. Remedial Measures and Analysis of Liquidity Shortfalls: None.					

#### IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None

#### V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for Coming Year

##### (I) Reinvestment Policy

The Company's reinvestment policy is to establish alliances with distributors who are familiar with the local industry environment or have strong sales and service capabilities through the establishment of overseas subsidiaries, offices or technical service centers to establish complete marketing channels and provide quick after-sales service to meet the unique needs of each regional market, develop potential new customers and increase market share. In addition, the Company is actively seeking partners related to the Company's products and industries, and does not rule out the possibility of investing in or purchasing beneficial targets for the Company's future development.

##### (II) Profit or loss analysis of reinvestment

For the profit and loss of each investee company, please refer to page 151 of this annual report for information on the operations of the investees. In 2020, the Company recognized a loss of NT\$45,952 thousand in investment in ATL, a subsidiary of the Company, but the loss has been gradually reduced. It is expected that through the combination of hardware and software, its products can be practically applied to the future development of autonomous mobile robots and self-driving vehicles to introduce more sales sources in order to gain and develop.

##### (III) Investment plan for the coming year

In recent years, the Company's investment policy has been based on the principle of increasing investment in existing businesses and marketing channel deployment, and actively and prudently seeking potential investment targets related to the industry.

## VI. Risk Analysis

- (I) Effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future
1. Changes in interest rates: The Company adopts a conservative and prudent approach to capital planning, emphasizing safety and liquidity, and regularly evaluates money market interest rates and financial information. The Company is currently borrowing from banks to meet its capital needs due to increased capital expenditures and dividend payments, and expects to gradually repay the loans with future operating cash inflows to reduce the risk of interest rate increases.
  2. Changes in exchange rates: The Company not only increases quotations and receipts in U.S. dollars, but also makes price adjustments in response to changes in exchange rates; and accounts payable are changed from local currency to foreign currency for major importers in order to diversify currencies and reduce exchange rate risks, and engages in forward exchange transactions to hedge exchange rate risks in a timely manner. The Group's corporate trade receivables are also diversified into different currencies, such as Renminbi, Singapore dollar and Euro, and are offset by foreign currency assets and liabilities, resulting in a natural hedge.
  3. Inflation: The Company adjusts its selling prices and terms of purchase and sale from time to time in accordance with market conditions, which does not have a negative impact on the Company.
- (II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.
1. High-risk, highly leveraged investments in the most recent year: None.
  2. The most recent year in which the funds were loaned to others: Please refer to page 143.
  3. The most recent annual endorsement and guarantee: Please refer to page 144.
  4. Derivative trading policies, main reasons for profit or loss, and future measures: In principle, the Company does not engage in derivative transactions except for exchange rate hedging, and will comply with the Company's "Procedures for the Acquisition or Disposal of Assets".
- (III) Future R&D Plans and Expected R&D Expenses:

R&D Project	Current progress	Estimated Completion Time	Estimated Investment
New generation robotic operating system with 5G communication for future factory development project	Design verification phase	Q2 2021	6.5 million
Commercialization and business development of autonomous mobile industrial robots combined with ROS2, a new generation robotic operating system	Design verification phase	Q2 2021	3.14 million
Unmanned Vehicle Technology Demonstration Grant Program	Design verification phase	Q4 2022	20 million

- (IV) Impact on the Company's Financial Operations and Contingency Action Regarding Recent Changes in Domestic and International Policies and Regulations:

The Company's financial operations are conducted in accordance with applicable regulations and so far there has been no material impact to the Company due to government policy changes.

- (V) Effect on the Financial Operations of Developments in Science and Technology and Industrial Change, and Measures to Be Taken in Response: None.

- (VI) Effect on corporate crisis management of changes in its corporate image, and measures to be taken in response:

The Company has a good corporate image and does not have any corporate image damage. Corporate presentations are held from time to time to report on the Company's operating results and future operating strategies and are announced on the Market Observation Post System and the official website.

- (VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response:

The Company has no recent plans to engage in any mergers and acquisitions.

- (VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response:

Factory building expansions allow this Corporation and its subsidiaries to increase its productivity, gain the ability to receive more purchase orders, improve revenue and profitability, and increase market share. Factory building expansion undertaken by this Corporation and its subsidiaries have been carefully reviewed to ensure that customers' requirements are met while achieving optimal use of corporate capital.

- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken: None.

- (X) The impact, risk and response measures on the Company in the event of a significant transfer or change in shareholding of directors, supervisors or substantial shareholders of more than 10%: None

- (XI) Impact and risk associated with changes in management rights, and countermeasures: None.

- (XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.

- (XIII) Other important risks, and mitigation measures being or to be taken:

Information security risk response and countermeasures:

1. Information Security Committee:

In order to reduce the loss of corporate assets due to information security incidents and to ensure the sustainable operation of the company and protect the rights of customers, the Company has established an "Information Security Committee" within the corporate organization, and the Executive Office provides guidance and decisions on information security in accordance with the core vision and management strategy of the company. The committee will coordinate with various organizations to evaluate and control the effectiveness of information security strategies according to the needs of different levels,

and regularly adopt policies and regulations and introduce corresponding information security systems or services.

2. Information security policy and risk management.

To ensure the confidentiality, integrity and availability of the Company's information services, systems and data. The Company identifies and implements different levels of information security protection through risk level management to avoid disruption of the Company's operations due to information security threats. The information security policy and management area will take a proactive approach and update the information security policy and management content on a regular basis to meet the different legal requirements around the world and to ensure that the policy and regulation content is up-to-date and appropriate.

3. Employee information security concept construction:

In addition to the risk level and the introduction of corresponding information security software and hardware to help reduce the enterprise's information security risk, improving the concept of employee information security is also an important part of reducing information security threats. We will regularly collect news about information threats and information security and disclose the information by e-mail, and recommend the implementation of corresponding practices to enhance the alertness of our employees to suspicious behavior and reduce information security risks simultaneously.

4. For the most recent year and as of the printing date of the annual report, the Company has not experienced any significant information security incidents that would affect the Company's operations.

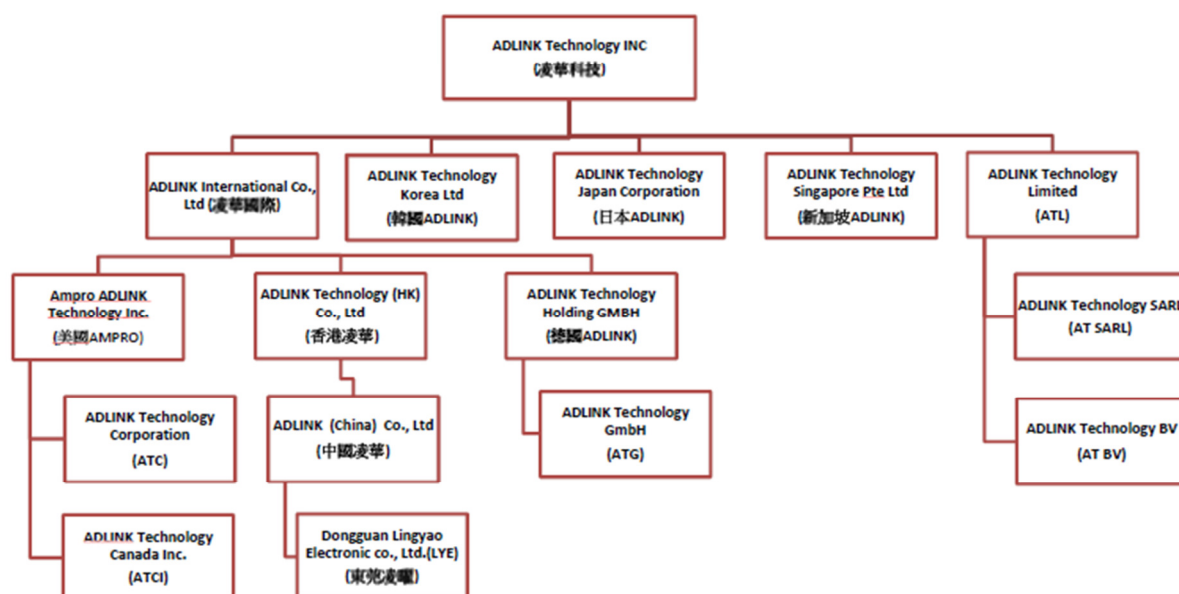
**VII. Other Important Matters: None.**

## Chapter VIII. Special Disclosure

### I. Information on Affiliates

#### (I) The Consolidated Operating Report

##### 1. Related Business Organization Chart (May 6, 2021)



## 2. Basic information of affiliates

May 6, 2021

Name of Affiliate	Abbreviation	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Products
ADLINK International Co., Ltd	Adlink International	2001.03	Offshore Chamber, P.O. Box 217, Apia, Samoa	USD61,872,494	General investment
ADLINK Technology Singapore Pte Ltd	ADLINK Singapore	1997.05	84 Genting Lane#07-02A, Cityneon Design Centre, Singapore	SGD659,200	Sales of industrial automatic control cards and industrial motherboards
Adlink Technology Japan Corporation	ADLINK Japan	2007.04	KANDA374 Bldg. 4F, 3-7-4 Kanda Kajicho, Chiyoda-ku, Tokyo 101-0045, Japan	JPY98,000,000	Sales of industrial automatic control cards and industrial motherboards
ADLINK Technology Korea Ltd	ADLINK Korea	2019.1	A-1503, U-TOWER, 767 Sinsu-ro, Suji-gu, Yongin-si, Gyeonggi-do, Republic of Korea, 16827	USD300,000	Sales of industrial automatic control cards and industrial motherboards
ADLINK Technology (HK) Co., Ltd	ADLINK Hong Kong	2001.03	1501 Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.	USD24,255,369	General investment
ADLINK Technology (China) Co., Ltd.	ADLINK China	2004.04	No. 300 Fangchun Road, Zhangjiang Hi-Tech Park, Shanghai	USD26,656,178	Research and development, manufacturing and sales of industrial automatic control cards and industrial motherboards
Ampro ADLINK Technology Inc.	Ampro ADLINK	72.07	5215 Hellyer Avenue, #110, San Jose, CA 95138, U.S.A.	USD25,237,657	Research and development and sales of industrial automatic control cards and industrial motherboards
ADLINK Technology Holding GmbH	ADLINK Germany	2010.08	Hans-Thoma-Str. 11, 68163 Mannheim, Germany	EUR12,609,356	Sales of industrial automatic control cards and industrial motherboards
Dongguan Lingyao Technology Co., Ltd.	Dongguan Lingyao	2011.08	Room 2303, Unit 1, No. 555 Meijing Middle Road, Dalang Town, Dongguan City, China	CNY2,000,000	Sales of chassis and computer and peripheral equipment
ADLINK Technology GmbH	ATG Germany	2012.02	Hans-Thoma-Str. 11, 68163 Mannheim, Germany	EUR750,000	Manufacture and sale of industrial automation cards, industrial motherboards, etc. and design, manufacture and sale of medical embedded PC systems and displays
ADLINK Technology Limited	ATL	1991.11	5th Avenue Business Park Team Valley, Gateshead Tyne and Wear, NE11 0NG United Kingdom	GBP12,978,808	Software design and sales
ADLINK Technology Canada Inc.	ATCI	2010.07	104 Windance Crescent Kanata, Ontario K2W0A7	CAD100,000	Software development and design
ADLINK Technology Corporation	ATC	1997.04	400 TradeCenter, Suite 5900 Woburn MA, 01801 USA	USD500,900	Software sales
ADLINK Technology SARL	AT SARL	1993.03	28 rue Jean Rostand, 91400 Orsay France	EUR94,178	Software design and sales
ADLINK Technology BV	ATBV	2011.08	Amarilstraat 30 7554TV Hengelo (OV) Netherlands	EUR18,000	Software development and design

## 3. Information for Common Shareholders of Treated-as Controlled Companies and Affiliates: None.

#### 4. Businesses of Affiliated Companies and Their Relationships

Industry	Name of Affiliated Companies (Abbreviation)	Business relationships with affiliated companies
Trader	ADLINK Singapore	Sales of products of the Company
	ADLINK Japan	Sales of products of the Company
	ADLINK Korea	Sales of products of the Company
	Dongguan Lingyao	Sales of products of the Company
	ATC	Sales of ATL products
Trading and manufacturing business	ADLINK China	Manufacture and sale of the Company's products
	Ampro ADLINK	Sales of the Company and AMPRO's products
	ATG Germany	Manufacture and sale of the Company's products
Software development and sales	ATL	Software design and sales
	ATCI	Software development and design
	AT SARL	Software design and sales
	AT BV	Software development and design
Investment	Adlink International	None
	ADLINK Hong Kong	None
	ADLINK Germany	None

#### 5. Directors and Presidents of Affiliated Companies

May 6, 2021

Name of Affiliate (Abbreviation)	Title	Name or Representative	Shareholding	
			Number of shares (thousand shares)	%
ADLINK Singapore	Director	ADLINK (Representative: Ta-Chih (Jeff) Chou)	659	100%
Adlink International	Director	ADLINK (Representative: Chun (Jim) Liu)	61,872	100%
ADLINK Korea	Director	ADLINK (Representative: Chun (Jim) Liu)	Note I	100%
ADLINK Hong Kong	Director	ADLINK International (Representative: Chun (Jim) Liu)	Note II/ 24,255	100%
ADLINK China	Director Director Director	ADLINK Hong Kong (Representative: Chun (Jim) Liu) Harn-Fen (Dianne) Ni Ta-Chih (Jeff) Chou	Note I/ Note III	100%
Ampro ADLINK	Chairman of the Board Director	ADLINK International (Representative: Chun (Jim) Liu) Ta-Chih (Jeff) Chou	Note II/ 39,743	100%
ADLINK Japan	Director	Chun (Jim) Liu Ta-Chih (Jeff) Chou Mikio Hattori Takehiko Wakimoto	Note 4	100%
ADLINK Germany	Director Director Director	ADLINK International (Representative: Chun (Jim) Liu) Harn-Fen (Dianne) Ni Yi-Nan (Edgar) Chen	Note II/ 12,609	100%
Dongguan Lingyao	Director	ADLINK China (Representative: Chun (Jim) Liu) Harn-Fen (Dianne) Ni Ta-Chih (Jeff) Chou Sheng-Chih Liu	Note I/ Note V	100%
ATG Germany	Director	Chun (Jim) Liu Harn-Fen (Dianne) Ni Yi-Nan (Edgar) Chen	Note VI/ 750	100%

Name of Affiliate (Abbreviation)	Title	Name or Representative	Shareholding	
			Number of shares (thousand shares)	%
		Shih-Hao (Roy) Wan		
ATL	Director	Chun (Jim) Liu Ta-Chih (Jeff) Chou Mimi Han Elizabeth Waters	36,483	100%
ATCI.	Director	Elizabeth Campbell Tobin Mcclean Mimi Han	Note VII/ Note IX	100%
ATC	Director	Elizabeth Campbell Mimi Han	Note VII	100%
AT SARL	Director	Angelo Corsaro	Note VIII/ Note X	100%
AT BV	Director	Hans van't Hag	Note VIII. Note XI	100%

Note 1: This is a limited company with no issued shares.

Note 2: Held by ADLINK International.

Note 3: Held by ADLINK Hong Kong.

Note 4: 1,960 shares.

Note 5: Held by ADLINK China.

Note 6: Held by ADLINK Germany.

Note 7: Held by Ampro ADLINK.

Note 8: Held by ATL.

Note 9: 100 shares.

Note 10: The Company's license only recognizes the amount of its investment, and there is no record of the number of shares.

Note 11: 180 shares.



## 6. Operating status of affiliates

Unit: NT\$ thousands (EPS: NT\$)

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Operating (loss) profit	Net Income after tax	Earnings (loss) per share after tax (NT\$)
ADLINK Singapore	14,667	215,255	65,617	149,638	309,313	4,303	9,084	13.78
Adlink International	1,762,129	1,814,521	0	1,814,521	0	(34)	153,374	2.48
ADLINK Korea	8,870	80,010	66,354	13,656	262,940	3,926	3,808	Note I
ADLINK Hong Kong	690,793	1,240,987	0	1,240,987	0	(48)	245,168	10.11
ADLINK Shenzhen	36,197	0	0	0	0	(7)	(1,357)	Note I
ADLINK China	722,099	2,358,523	1,205,843	1,152,680	3,742,444	167,182	237,228	Note I
Ampro ADLINK	718,768	1,299,326	726,409	572,917	2,311,956	(31,815)	(11,642)	(0.29)
ATCI	2,225	3,493	2,989	504	0	(7,167)	419	4,228.90
ATC	14,266	13,282	27,838	(14,556)	20,856	(3,755)	(3,930)	(3,932.76)
ADLINK Japan	27,077	216,602	155,406	61,196	422,270	(10,712)	(12,482)	(6,368.14)
ADLINK Germany	441,580	(338,492)	7	(338,499)	0	(54)	(90,449)	(7.17)
Dongguan Lingyao	8,720	52,894	25,697	27,197	101,935	2,632	2,435	Note I
ADLINK Technology GmbH (Germany)	26,265	455,356	795,088	(339,732)	1,398,059	(89,142)	(90,410)	(0.12)
ATL UK (Note IV)	374	113,743	504,440	(390,697)	191,674	(42,417)	(25,996)	(0.41)

Note 1: This is a limited company with no issued shares.

Note 2: The balance sheet exchange rate is the average of the Bank of Taiwan's buy and sell rates on the current date of December 31, 2020.

Note 3: The exchange rate for the income statement is the average of the Bank of Taiwan's purchase and sale rates for each month in 2020.

Note 4: ATL, AT SARL, and AT BV are included in the consolidated financial statements because each entity is a sales or R&D office within ATL.

### (II) Consolidated financial statement of affiliates

For the year 2020 (from January 1 to December 31, 2020), the Company's entities that are required to be included in the consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Consolidated Business Report of Affiliated Enterprises, Consolidated Financial Statements of Affiliated Enterprises, and Affiliation Reports" are the same as those required to be included in the parent-subsidiary consolidated financial statements under the International Financial Reporting Standards 10. Moreover, the related information required to be disclosed for the consolidated financial statements of affiliated enterprises has been fully disclosed in the aforementioned parent-subsidiary consolidated financial statements. Consequently, a separate set of consolidated financial statements of affiliated enterprises is not prepared.

### (III) Affiliate Reports

According to Article 369-12 of the Corporation Act, separate affiliation reports were not required for subsidiaries of this Corporation that has not been publicly listed.

## II. Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the following information shall be disclosed: The date on which the placement was approved by the Board of Directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of

**use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan: Not applicable.**

**III. Acquisition or Disposal of Catcher's Shares by Subsidiaries: None.**

**IV. Other Supplementary Information: None.**

**V. Situations Listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Securities, Occurring during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Adlink Technology Inc.

### **Opinion**

We have audited the accompanying consolidated financial statements of Adlink Technology Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

Key audit matters of the consolidated financial statements for the year ended December 31, 2020 are stated as follows:

#### Impairment of Goodwill

In order to expand the “Industrial Internet of Things” market, Adlink Technology Inc. entered into a share purchase agreement for the acquisition of a 100% equity interest in Adlink Technology Limited (Refer to Note 12 for organization restructuring). The acquisition resulted in the recognition of goodwill which mainly represents the control premium included in the cost of the acquisition. Since the management’s assessment of the relevant cash-generating units is based on the management’s judgment and estimation, the recognition of the impairment of goodwill is deemed to be a key audit matter. Refer to Notes 5 and 16 to the consolidated financial statements for details of the impairment of goodwill.

Our responsive audit procedures performed in respect of the aforesaid impairment included obtaining of future business plans of Adlink Technology Limited from the management and reviewing of recent performance and industry trends of the relevant cash-generating units in order to evaluate the process and the basis of the sales growth rate and rate of return predicted for the future business plans. We further consulted our internal financial advisors to assess whether the assumptions (i.e. the valuation method used to measure the recoverable amounts and the discount rate) used by external specialists employed by the management were consistent with the current situation of the Group and its industry. We also performed our own calculations of the impairment to verify the assumptions.

#### **Other Matter**

We have also audited the parent company only financial statements of Adlink Technology Inc. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wen-Chi Kuo and Cheng-Ming Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2021

#### Notice to Readers

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

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

# ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

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

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,997,488	23	\$ 1,873,160	22
Financial assets at fair value through profit or loss (Note 7)	100,674	1	100,313	1
Financial assets at amortized cost (Note 9)	1,436	-	48,810	1
Notes receivable (Note 10)	56,984	1	18,320	-
Trade receivables (Note 10)	1,973,015	23	1,978,255	23
Trade receivables from related parties (Note 30)	36,916	-	22,964	-
Other receivables (Note 30)	41,985	1	61,453	1
Current tax assets	41,526	-	-	-
Inventories (Note 11)	1,833,061	21	1,999,986	24
Prepayments	110,073	1	66,502	1
Other current assets	1,780	-	4,229	-
Total current assets	<u>6,194,938</u>	<u>71</u>	<u>6,173,992</u>	<u>73</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Note 8)	61,108	1	-	-
Investments accounted for using the equity method (Note 13)	139,494	2	44,942	1
Property, plant and equipment (Notes 14, 30 and 31)	1,168,220	13	1,074,831	13
Right-of-use assets (Notes 15 and 31)	144,115	2	190,125	2
Intangible assets (Note 16)	404,677	5	648,452	8
Deferred tax assets (Note 24)	283,295	3	254,149	3
Prepayments for properties and equipment (Notes 30 and 32)	309,597	3	2,909	-
Refundable deposits	36,983	-	40,122	-
Total non-current assets	<u>2,547,489</u>	<u>29</u>	<u>2,255,530</u>	<u>27</u>
<b>TOTAL</b>	<u>\$ 8,742,427</u>	<u>100</u>	<u>\$ 8,429,522</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 31)	\$ 1,141,243	13	\$ 723,762	9
Financial liabilities at fair value through profit or loss (Note 7)	793	-	-	-
Contract liabilities (Note 22)	117,783	1	423,121	5
Trade payables (Note 18)	1,292,665	15	1,303,152	15
Trade payables to related parties (Note 30)	17,945	-	4,418	-
Other payables (Notes 19 and 30)	861,271	10	851,073	10
Current tax liabilities	84,305	1	96,436	1
Provisions	61,204	1	56,711	1
Lease liabilities (Note 15)	46,701	1	75,341	1
Current portion of long-term borrowings (Note 17)	39,092	-	-	-
Other current liabilities	94,119	1	9,236	-
Total current liabilities	<u>3,757,121</u>	<u>43</u>	<u>3,543,250</u>	<u>42</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 17)	292,231	3	45,000	-
Provisions	29,931	-	38,827	-
Deferred tax liabilities (Note 24)	43,617	-	-	-
Lease liabilities (Note 15)	46,506	1	62,109	1
Net defined benefit liabilities (Note 20)	56,975	1	53,121	1
Total non-current liabilities	<u>469,260</u>	<u>5</u>	<u>199,057</u>	<u>2</u>
Total liabilities	<u>4,226,381</u>	<u>48</u>	<u>3,742,307</u>	<u>44</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)</b>				
Ordinary shares	2,174,973	25	2,174,973	26
Capital surplus	1,167,721	14	1,515,716	18
Retained earnings				
Legal reserve	630,171	7	585,854	7
Special reserve	180,850	2	135,239	2
Unappropriated earnings	595,332	7	445,321	5
Total retained earnings	1,406,353	16	1,166,414	14
Other equity	(233,001)	(3)	(180,850)	(2)
Total equity attributable to owners of the Company	4,516,046	52	4,676,253	56
<b>NON-CONTROLLING INTERESTS</b>	-	-	10,962	-
Total equity	<u>4,516,046</u>	<u>52</u>	<u>4,687,215</u>	<u>56</u>
<b>TOTAL</b>	<u>\$ 8,742,427</u>	<u>100</u>	<u>\$ 8,429,522</u>	<u>100</u>

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

# ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 30)	\$ 9,635,678	100	\$ 10,497,070	100
OPERATING COSTS (Notes 11, 23 and 30)	<u>5,820,891</u>	<u>60</u>	<u>6,208,198</u>	<u>59</u>
GROSS PROFIT	3,814,787	40	4,288,872	41
UNREALIZED LOSS ON TRANSACTIONS WITH ASSOCIATES	<u>(141)</u>	<u>-</u>	<u>(77)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>3,814,646</u>	<u>40</u>	<u>4,288,795</u>	<u>41</u>
OPERATING EXPENSES (Notes 23 and 30)				
Selling and marketing	1,015,381	11	1,104,863	11
General and administrative	869,565	9	976,233	9
Research and development	1,452,997	15	1,437,059	14
Expected credit loss	<u>1,857</u>	<u>-</u>	<u>3,450</u>	<u>-</u>
Total operating expenses	<u>3,339,800</u>	<u>35</u>	<u>3,521,605</u>	<u>34</u>
PROFIT FROM OPERATIONS	<u>474,846</u>	<u>5</u>	<u>767,190</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Interest income	5,886	-	7,421	-
Other income	74,116	1	90,383	1
Other gains and losses	(180,784)	(2)	(196,474)	(2)
Finance costs	(16,460)	-	(30,171)	-
Share of loss of associates	<u>(6,792)</u>	<u>-</u>	<u>(22,129)</u>	<u>-</u>
Total non-operating income and expenses	<u>(124,034)</u>	<u>(1)</u>	<u>(150,970)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	350,812	4	616,220	6
INCOME TAX EXPENSE (Note 24)	<u>109,164</u>	<u>1</u>	<u>172,473</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>241,648</u>	<u>3</u>	<u>443,747</u>	<u>4</u>

(Continued)



# ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	\$ (4,070)	-	\$ (3,373)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	<u>814</u>	<u>-</u>	<u>674</u>	<u>-</u>
	<u>(3,256)</u>	<u>-</u>	<u>(2,699)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 21)	(64,625)	(1)	(57,111)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 24)	<u>12,921</u>	<u>-</u>	<u>11,402</u>	<u>-</u>
	<u>(51,704)</u>	<u>(1)</u>	<u>(45,709)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(54,960)</u>	<u>(1)</u>	<u>(48,408)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 186,688</u>	<u>2</u>	<u>\$ 395,339</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 243,665	3	\$ 443,171	4
Non-controlling interests	<u>(2,017)</u>	<u>-</u>	<u>576</u>	<u>-</u>
	<u>\$ 241,648</u>	<u>3</u>	<u>\$ 443,747</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 188,726	2	\$ 394,861	4
Non-controlling interests	<u>(2,038)</u>	<u>-</u>	<u>478</u>	<u>-</u>
	<u>\$ 186,688</u>	<u>2</u>	<u>\$ 395,339</u>	<u>4</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.12</u>		<u>\$ 2.04</u>	
Diluted	<u>\$ 1.11</u>		<u>\$ 2.02</u>	

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

(Concluded)

# ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company						Other Equity					
	Ordinary Shares	Capital Surplus	Retained Earnings			Total Retained Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unearned Employee Benefit	Total Other Equity	Total Equity Attributable to Owners of the Company	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE AT JANUARY 1, 2019	\$ 2,175,232	\$ 1,553,448	\$ 561,410	\$ 154,353	\$ 249,454	\$ 965,217	\$ (135,239)	\$ (656)	\$ (135,895)	\$ 4,558,002	\$ 10,484	\$ 4,568,486
Appropriation of 2018 earnings												
Legal reserve	-	-	24,444	-	(24,444)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1.1 per share	-	-	-	-	(239,275)	(239,275)	-	-	-	(239,275)	-	(239,275)
Special reserve reversed	-	-	-	(19,114)	19,114	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	5,514	-	-	-	-	-	-	-	5,514	-	5,514
Issue of cash from capital surplus- NT\$0.2 per share	-	(43,505)	-	-	-	-	-	-	-	(43,505)	-	(43,505)
Net profit for the year ended December 31, 2019	-	-	-	-	443,171	443,171	-	-	-	443,171	576	443,747
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,699)	(2,699)	(45,611)	-	(45,611)	(48,310)	(98)	(48,408)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	440,472	440,472	(45,611)	-	(45,611)	394,861	478	395,339
Retirement of restricted shares for employees	(259)	259	-	-	-	-	-	-	-	-	-	-
Compensation costs of share-based payments recognized by the Company	-	-	-	-	-	-	-	656	656	656	-	656
BALANCE AT DECEMBER 31, 2019	2,174,973	1,515,716	585,854	135,239	445,321	1,166,414	(180,850)	-	(180,850)	4,676,253	10,962	4,687,215
Appropriation of 2019 earnings												
Legal reserve	-	-	44,317	-	(44,317)	-	-	-	-	-	-	-
Special reserve	-	-	-	45,611	(45,611)	-	-	-	-	-	-	-
Issue of cash from capital surplus- NT\$ 1.6 per share	-	(347,995)	-	-	-	-	-	-	-	(347,995)	-	(347,995)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	243,665	243,665	-	-	-	243,665	(2,017)	241,648
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	(3,256)	(3,256)	(51,683)	-	(51,683)	(54,939)	(21)	(54,960)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	240,409	240,409	(51,683)	-	(51,683)	188,726	(2,038)	186,688
Difference between carrying amount and actual acquisition of interests in subsidiary	-	-	-	-	(470)	(470)	(468)	-	(468)	(938)	(8,924)	(9,862)
BALANCE AT DECEMBER 31, 2020	<u>\$ 2,174,973</u>	<u>\$ 1,167,721</u>	<u>\$ 630,171</u>	<u>\$ 180,850</u>	<u>\$ 595,332</u>	<u>\$ 1,406,353</u>	<u>\$ (233,001)</u>	<u>\$ -</u>	<u>\$ (233,001)</u>	<u>\$ 4,516,046</u>	<u>\$ -</u>	<u>\$ 4,516,046</u>

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

# ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 350,812	\$ 616,220
Adjustments for:		
Depreciation expenses	241,995	248,951
Amortization expenses	89,203	95,755
Expected credit loss recognized on trade receivables	1,857	3,450
Net loss (gain) of financial assets at fair value through profit or loss	432	(77)
Finance costs	16,460	30,171
Interest income	(5,886)	(7,421)
Dividend income	(446)	(465)
Compensation costs of share-based payments	-	656
Share of loss of associates	6,792	22,129
Loss (gain) on disposal of property, plant and equipment	645	(83)
Gain on the liquidation of subsidiaries	(8,984)	-
Impairment loss recognized on goodwill and intangible assets	192,292	159,996
Write-downs of (reversal of ) inventories	25,890	(24,582)
Unrealized gain (loss) on the transactions with associates	141	77
Net loss (gain) on foreign currency exchange	31,609	36,761
Gain on lease modifications	(13)	(32)
Changes in operating assets and liabilities		
Notes receivable	(38,664)	82,826
Trade receivables	(24,537)	(122,747)
Trade receivables from related parties	(16,846)	(7,450)
Other receivables	16,970	(16,871)
Inventories	139,838	628,262
Prepayments	(15,227)	45,206
Other current assets	2,449	(2,251)
Contract liabilities	(285,936)	275,056
Notes payable	-	(595)
Trade payables	23,685	(368,064)
Trade payables to related parties	13,527	(72)
Other payables	(24,015)	51,723
Provisions	(4,403)	(1,652)
Other current liabilities	65,481	2,585
Net defined benefit liabilities	(216)	(506)
Cash generated from operations	794,905	1,746,956
Interest received	5,886	7,421
Interest paid	(15,212)	(30,214)
Income tax paid	(132,117)	(191,226)
Net cash generated from operating activities	653,462	1,532,937

(Continued)

# ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

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

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (59,823)	\$ -
Purchase of financial assets at amortized cost	(1,490)	(48,856)
Proceeds from sale of financial assets at amortized cost	48,788	1,553
Purchase of financial assets at fair value through profit or loss	-	(100,000)
Acquisition of investments accounted for using the equity method	(98,000)	(13,005)
Payments for property, plant and equipment	(218,823)	(436,486)
Proceeds from disposal of property, plant and equipment	1,152	226
Decrease in refundable deposits	3,139	2,844
Payments for computer software	(78,023)	(50,306)
Increase in prepayments for properties and equipment	(324,500)	(1,943)
Dividends received	<u>446</u>	<u>465</u>
Net cash used in investing activities	<u>(727,134)</u>	<u>(645,508)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,004,200	990,370
Repayments of short-term borrowings	(599,455)	(870,563)
Proceeds from long-term borrowings	288,813	145,000
Repayments of long-term borrowings	-	(300,000)
Repayment of the principal portion of lease liabilities	(99,066)	(87,582)
Cash dividends paid	(347,995)	(282,780)
Acquisition of additional interests in subsidiary	<u>(9,862)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>236,635</u>	<u>(405,555)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>(38,635)</u>	<u>(27,846)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	124,328	454,028
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>1,873,160</u>	<u>1,419,132</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,997,488</u>	<u>\$ 1,873,160</u>

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

(Concluded)

# ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Adlink Technology Inc. (the “Company”) was incorporated in the Republic of China (ROC) in August 1995. The Company mainly manufactures and sells hardware, software and peripheral devices of industrial computers.

The Company’s shares were previously listed on the Taipei Exchange (TPEX) Mainboard from March 2002 until it became listed on the Taiwan Stock Exchange (TWSE) in November 2004.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the “Group”, are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 25, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

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

The above amendments of standards and interpretations did not have the material impact on the Group’s financial position, financial performance and accounting policies.

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

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

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

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

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

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

The Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **b. Basis of preparation**

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

##### **d. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Tables 8 and 9 for the detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries and associates in other countries that use currencies different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

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

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.



f. Inventories

Inventories consist of raw materials, supplies, work-in-process, finished goods and merchandise, which are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

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

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

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent that interests in the associate are not related to the Group.

h. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost. Cost includes professional fees. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination. If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

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

Intangible assets (including trademarks, customer relationship and technological expertise) acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

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

l. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

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

For those financial assets which are measured at fair value, its fair value is determined in the manner described in Note 29.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

The Group's financial assets are classified into the following categories:

a) Financial asset at FVTPL

The Group's financial assets mandatorily classified as at FVTPL are investments in equity instruments which are not designated as at FVTOCI, it was measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses.

b) Financial assets at amortized cost

If the financial assets, which are invested by the Group, are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost.

Subsequent to initial recognition, financial assets are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. On derecognition, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Except for purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods, interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

The Group's financial assets at amortized cost include cash and cash equivalents, pledge deposits, trade receivables at amortized cost, other receivables and refundable deposits. Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition and third-party paying accounts, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

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

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

Except the financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

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

4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Assessment of assets impairment

1) Property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of above assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

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

2) Investments accounted for using the equity method

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

3) Goodwill

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

4) Financial assets

The Group assesses the impairment loss of financial assets at amortized cost (including trade receivables) by lifetime expected credit losses on each balance sheet date.

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

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

For internal credit risk management purposes, the Group determines that situations such as a default or delinquency in interest or principal payments, or internal or external information show that the debtor is unlikely to pay its creditors, indicates that a financial asset is in default (without taking into account any collateral held by the Group).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

n. Provisions

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

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Group of the expenditures required to settle the Group's obligations.

o. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of hardware, software and peripheral devices of industrial computers. Sales of the above goods are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped, because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received prior to delivery of the goods is recognized as a contract liability until the goods have been transferred to the customer.

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the provision of self-developed software authorization, software and hardware installation services and extended warranty services.

Revenue from self-developed software authorization is recognized as the right of receiving royalty at the time of signing.

As the Group provides hardware and software installation services and extended warranty services, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered.

p. Leases

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

The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications.

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

q. Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefits and when the Group recognizes any related restructuring costs.

s. Share-based payment arrangements

The fair value at the grant date of the employee share options/restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options/other equity - unearned employee benefits.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. Dividends paid to employees on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings/capital surplus - restricted shares for employees.



At the end of each reporting period, the Group revises its estimate of the number of employee share options/restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options/capital surplus - restricted shares for employees.

t. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Impairment of goodwill

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

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 352	\$ 361
Checking accounts and demand deposits	1,997,063	1,800,847
Cash equivalents		
Time deposits with original maturities of less than 3 months	-	71,952
Third-party paying accounts	<u>73</u>	<u>-</u>
	<u>\$ 1,997,488</u>	<u>\$ 1,873,160</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Financial assets mandatorily classified as at FVTPL - current		
Mutual funds	<u>\$ 100,674</u>	<u>\$ 100,313</u>
Financial liabilities at FVTPL - current		
Foreign exchange forward contracts not under hedge accounting	<u>\$ 793</u>	<u>\$ -</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Sell	USD/NTD	January 2021	USD1,000/NTD28,492
Sell	USD/NTD	February 2021	USD2,000/NTD56,224

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. Therefore, the Group elected not to be accounted for using hedge accounting.

Refer to Table 3 for information relating to the equity instruments held by the Group were classified as financial assets at FVTPL as of December 31, 2020.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON CURRENT

	December 31	
	2020	2019
<u>Investments in equity instruments</u>		
Foreign unlisted ordinary shares		
Ordinary shares - AutoCore Technology (Nanjing) Co., Ltd	\$ 61,108	\$ -

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

Financial assets at amortized cost were time deposits with original maturities of more than 3 months. The ranges of interest rates held by the Group were approximately 0.01% and 0.15% -1.05% per annum as of December 31, 2020 and 2019, respectively.

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable</u>		
Gross carrying amount at amortized cost	\$ 56,984	\$ 18,320
Less: Allowance for impairment loss	-	-
	<u>\$ 56,984</u>	<u>\$ 18,320</u>
<u>Trade receivables</u>		
Gross carrying amount at amortized cost	\$ 1,980,893	\$ 1,984,943
Less: Allowance for impairment loss	(7,878)	(6,688)
	<u>\$ 1,973,015</u>	<u>\$ 1,978,255</u>

The average credit period of sales of goods was 30 to 90 days. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2020

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
Gross carrying amount	\$ 1,548,962	\$ 121,264	\$ 37,945	\$ 272,722	\$ 1,980,893
Loss allowance	<u>-</u>	<u>-</u>	<u>(3,047)</u>	<u>(4,831)</u>	<u>(7,878)</u>
Amortized cost	<u>\$ 1,548,962</u>	<u>\$ 121,264</u>	<u>\$ 34,898</u>	<u>\$ 267,891</u>	<u>\$ 1,973,015</u>

December 31, 2019

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
Gross carrying amount	\$ 1,637,494	\$ 187,278	\$ 111,336	\$ 48,835	\$ 1,984,943
Loss allowance	<u>-</u>	<u>-</u>	<u>(3,051)</u>	<u>(3,637)</u>	<u>(6,688)</u>
Amortized cost	<u>\$ 1,637,494</u>	<u>\$ 187,278</u>	<u>\$ 108,285</u>	<u>\$ 45,198</u>	<u>\$ 1,978,255</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 6,688	\$ 6,356
Add: Net remeasurement of loss allowance	1,857	3,450
Less: Amounts written off	(460)	(2,923)
Foreign exchange gains and losses	<u>(207)</u>	<u>(195)</u>
Balance at December 31	<u>\$ 7,878</u>	<u>\$ 6,688</u>

## 11. INVENTORIES

	December 31	
	2020	2019
Raw materials	\$ 870,115	\$ 886,352
Supplies	8,876	8,332
Work in progress	292,444	322,478
Finished goods	521,622	655,249
Merchandise	<u>140,004</u>	<u>127,575</u>
	<u>\$ 1,833,061</u>	<u>\$ 1,999,986</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of \$25,890 thousand and reversals of inventory write-downs of \$24,582 thousand, and unallocated manufacturing expenses of \$115,487 thousand and \$132,540 thousand, respectively.

## 12. SUBSIDIARIES

### a. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		Remark
			December 31		
			2020	2019	
The Company	Adlink Technology Singapore Pte Ltd.	Selling of industrial computers	100.0	100.0	-
The Company	Adlink Technology Japan Corporation	Selling of industrial computers	100.0	85.1	Note 2
The Company	Adlink Technology Korea Ltd.	Selling of industrial computers	100.0	100.0	-
The Company	Adlink International Co., Ltd.	Investment activities	100.0	100.0	-
The Company	PrismTech Group Limited	Investment activities	-	100.0	Note 1
The Company	Adlink Technology Limited	Software development, authorization and service	100.0	-	Note 1
PrismTech Group Limited	PrismTech Holdings Limited	Investment activities	-	100.0	Note 1
PrismTech Group Limited	Adlink Technology Limited	Software development, authorization and service	-	100.0	Note 1
Adlink Technology Limited	Adlink Technology SARL	Software development, authorization and service	100.0	100.0	-
Adlink Technology Limited	Adlink Technology OpenSplice B.V.	Software development	100.0	100.0	-
Adlink International Co., Ltd.	Ampro Adlink Technology Inc.	Manufacturing and selling of industrial computers	100.0	100.0	-
Adlink International Co., Ltd.	Adlink Technology (Europe) GmbH	Investment activities	100.0	100.0	-
Adlink International Co., Ltd.	Adlink Technology (HK) Co., Ltd.	Investment activities	100.0	100.0	-
Adlink Technology (Europe) GmbH	Adlink Technology GmbH	Manufacturing and selling of industrial computers	100.0	100.0	-
Ampro Adlink Technology Inc.	Adlink Technology Canada Inc.	Software development	100.0	100.0	-
Ampro Adlink Technology Inc.	Adlink Technology Corporation	Software authorization and service	100.0	100.0	-
Adlink Technology (HK) Co., Ltd.	Adlink Technology (Shenzhen) Co., Ltd.	Manufacturing and selling of industrial computers	-	100.0	Note 3
Adlink Technology (HK) Co., Ltd.	Adlink Technology (China) Co., Ltd.	Manufacturing and selling of industrial computers	100.0	100.0	-
Adlink Technology (China) Co., Ltd.	Dong Guan Ling Yao	Selling of electronic parts	100.0	100.0	-

Note 1: To improve efficiency in management and utilization of the Group's resources, the Group restructured its organization and transferred the ownership of Adlink Technology Limited from PrismTech Holdings Limited to PrismTech Group Limited in September 2019. Subsequently, the Group transferred the ownership of Adlink Technology Limited from PrismTech Group Limited to the Company in March 2020. During the transfer of ownership of Adlink Technology Limited in September 2019 and March 2020, respectively, the Group has simultaneously started the liquidation process of PrismTech Group Limited and PrismTech Holdings Limited, and the liquidation was completed in September 2020, simultaneously.

Note 2: Refer to Note 27 for the related information.

Note 3: The liquidation of Adlink Technology (Shenzhen) Co., Ltd had completed in November 2020.

b. Subsidiaries excluded from the consolidated financial statements: None.

c. Subsidiaries that have material non-controlling interests: None.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Associates that are not individually material</u>		
JY Technology (Shanghai)	\$ 47,084	\$ 47,210
JY Technology (Korea)	-	(2,268)
Farobot Inc.	<u>92,410</u>	<u>-</u>
	<u>\$ 139,494</u>	<u>\$ 44,942</u>

Refer to Table 8 and 9 for the nature of activities, principal place of business and country of incorporation of the associate.

The Group and Hyield Venture Capital Co., Ltd. (a subsidiary of Hon Hai Precision Industry Co., Ltd.) jointly set up Farobot Inc. in July 2020. The Group invested 49% equity interest in Farobot Inc. but did not have control over this investee.

#### Aggregate Information of Associates That Are Not Individually Material

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Group's share of loss from continuing operations	<u>\$ (6,792)</u>	<u>\$ (22,129)</u>

The investments in associates accounted for using the equity method and the share of profit or loss of those investments were calculated based on financial statements which have not been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of the mentioned above investments which have not been audited.

### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold Improvements	Leasehold Assets	Other Equipment	Property under Construction	Total
<u>Cost</u>									
Balance at January 1, 2019	\$ 131,362	\$ 841,279	\$ 626,919	\$ 1,913	\$ 141,465	\$ 11,564	\$ 363,604	\$ -	\$ 2,118,106
Adjustments on initial application of IFRS 16	-	-	-	-	-	(11,564)	-	-	(11,564)
Balance at January 1, 2019 (restated)	131,362	841,279	626,919	1,913	141,465	-	363,604	-	2,106,542
Additions	-	11,994	5,442	-	976	-	18,806	400,618	437,836
Disposals	-	-	(5,306)	-	(1,416)	-	(10,253)	-	(16,975)
Reclassification	-	-	-	-	-	-	(343)	-	(343)
Transfer from prepayments for equipment	-	-	-	-	-	-	208	-	208
Effect of foreign currency exchange differences	-	(29,073)	(9,966)	(33)	(735)	-	(6,278)	(12,078)	(58,163)
Balance at December 31, 2019	<u>\$ 131,362</u>	<u>\$ 824,200</u>	<u>\$ 617,089</u>	<u>\$ 1,880</u>	<u>\$ 140,290</u>	<u>\$ -</u>	<u>\$ 365,744</u>	<u>\$ 388,540</u>	<u>\$ 2,469,105</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold Improvements	Leasehold Assets	Other Equipment	Property under Construction	Total
<u>Accumulated depreciation</u>									
Balance at January 1, 2019	\$ -	\$ 406,585	\$ 458,920	\$ 1,410	\$ 122,571	\$ -	\$ 291,448	\$ -	\$ 1,280,934
Depreciation expense	-	50,921	59,388	214	8,874	-	41,900	-	161,297
Disposals	-	-	(5,228)	-	(1,415)	-	(10,189)	-	(16,832)
Reclassification	-	-	-	-	41	-	(384)	-	(343)
Effect of foreign currency exchange differences	-	(16,077)	(8,423)	(30)	(740)	-	(5,512)	-	(30,782)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 441,429</u>	<u>\$ 504,657</u>	<u>\$ 1,594</u>	<u>\$ 129,331</u>	<u>\$ -</u>	<u>\$ 317,263</u>	<u>\$ -</u>	<u>\$ 1,394,274</u>
Carrying amounts at December 31, 2019	<u>\$ 131,362</u>	<u>\$ 382,771</u>	<u>\$ 112,432</u>	<u>\$ 286</u>	<u>\$ 10,959</u>	<u>\$ -</u>	<u>\$ 48,481</u>	<u>\$ 388,540</u>	<u>\$ 1,074,831</u>
<u>Cost</u>									
Balance at January 1, 2020	\$ 131,362	\$ 824,200	\$ 617,089	\$ 1,880	\$ 140,290	\$ -	\$ 365,744	\$ 388,540	\$ 2,469,105
Additions	-	15,396	6,092	-	9,399	-	42,210	168,424	241,521
Disposals	-	(3,318)	(2,510)	(820)	(1,650)	-	(40,237)	-	(48,535)
Reclassification	200,680	180,506	(867)	-	170,062	-	997	(551,378)	-
Transfer from prepayments for equipment	-	-	370	-	-	-	17,442	-	17,812
Effect of foreign currency exchange differences	(7,260)	4,611	3,593	(83)	(7,351)	-	635	(5,586)	(11,441)
Balance at December 31, 2020	<u>\$ 324,782</u>	<u>\$ 1,021,395</u>	<u>\$ 623,767</u>	<u>\$ 977</u>	<u>\$ 310,750</u>	<u>\$ -</u>	<u>\$ 386,791</u>	<u>\$ -</u>	<u>\$ 2,668,462</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2020	\$ -	\$ 441,429	\$ 504,657	\$ 1,594	\$ 129,331	\$ -	\$ 317,263	\$ -	\$ 1,394,274
Depreciation expense	-	51,803	49,042	121	4,957	-	37,128	-	143,051
Disposals	-	(2,740)	(2,407)	(664)	(1,285)	-	(39,642)	-	(46,738)
Reclassification	-	(823)	(742)	-	1,402	-	163	-	-
Effect of foreign currency exchange differences	-	6,917	3,199	(74)	(1,120)	-	733	-	9,655
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 496,586</u>	<u>\$ 553,749</u>	<u>\$ 977</u>	<u>\$ 133,285</u>	<u>\$ -</u>	<u>\$ 315,645</u>	<u>\$ -</u>	<u>\$ 1,500,242</u>
Carrying amounts at December 31, 2020	<u>\$ 324,782</u>	<u>\$ 524,809</u>	<u>\$ 70,018</u>	<u>\$ -</u>	<u>\$ 177,465</u>	<u>\$ -</u>	<u>\$ 71,146</u>	<u>\$ -</u>	<u>\$ 1,168,220</u>

(Concluded)

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

Building	
Main buildings	20-50 years
Mechanical and electrical accessories	2-20 years
Decoration	3-10 years
Machinery equipment	3-10 years
Transportation equipment	5-6 years
Leasehold improvements	3-10 years
Other equipment	1-15 years

Property, plant and equipment pledged by the Group as collateral for bank borrowing facilities are set out in Note 31.

## 15. LEASE ARRANGEMENTS

The Group's important lease projects include lease the plants from other companies for the use of the plants and warehouses. The lease terms is 2 to 50 years. The Group does not have bargain purchase options to acquire lease items at the end of lease terms. In addition, the Group leases building and office equipment which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases. Refer to the consolidated balance sheet for the balance of right-of-use assets and lease liabilities of lease arrangement as of balance sheet date.

Other significant lease related information are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	\$ 53,244	\$ 75,615
Depreciation charge for right-of-use assets	\$ 98,944	\$ 87,654
Expenses relating to short-term and low-value asset leases	\$ 49,341	\$ 56,027
Total cash outflow for leases	\$ 152,109	\$ 146,203

## 16. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Goodwill</b>	<b>Trademarks</b>	<b>Customer Relationship</b>	<b>Technological Expertise</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2019	\$ 117,038	\$ 625,443	\$ 165,399	\$ 337,836	\$ 126,297	\$ 1,372,013
Additions	62,998	-	-	-	-	62,998
Disposals	(56,643)	-	-	-	-	(56,643)
Effect of foreign currency exchange differences	(954)	(1,974)	(5,266)	(8,204)	(808)	(17,206)
Balance at December 31, 2019	<u>\$ 122,439</u>	<u>\$ 623,469</u>	<u>\$ 160,133</u>	<u>\$ 329,632</u>	<u>\$ 125,489</u>	<u>\$ 1,361,162</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2019	\$ 76,186	\$ 60,281	\$ 59,964	\$ 265,745	\$ 65,773	\$ 527,949
Amortization expense	59,582	-	-	18,043	18,130	95,755
Disposals	(56,643)	-	-	-	-	(56,643)
Impairment losses recognized	-	110,305	15,144	28,822	5,725	159,996
Effect of foreign currency exchange differences	(818)	(1,449)	(2,853)	(7,977)	(1,250)	(14,347)
Balance at December 31, 2019	<u>\$ 78,307</u>	<u>\$ 169,137</u>	<u>\$ 72,255</u>	<u>\$ 304,633</u>	<u>\$ 88,378</u>	<u>\$ 712,710</u>
Carrying amounts at December 31, 2019	<u>\$ 44,132</u>	<u>\$ 454,332</u>	<u>\$ 87,878</u>	<u>\$ 24,999</u>	<u>\$ 37,111</u>	<u>\$ 648,452</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 122,439	\$ 623,469	\$ 160,133	\$ 329,632	\$ 125,489	\$ 1,361,162
Additions	59,946	-	-	-	-	59,946
Disposals	(65,783)	-	-	-	-	(65,783)
Effect of foreign currency exchange differences	(496)	(11,485)	(2,713)	(5,259)	643	(19,310)
Balance at December 31, 2020	<u>\$ 116,106</u>	<u>\$ 611,984</u>	<u>\$ 157,420</u>	<u>\$ 324,373</u>	<u>\$ 126,132</u>	<u>\$ 1,336,015</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2020	\$ 78,307	\$ 169,137	\$ 72,255	\$ 304,633	\$ 88,378	\$ 712,710
Amortization expense	69,247	-	-	8,032	11,924	89,203
Disposals	(65,783)	-	-	-	-	(65,783)
Impairment losses recognized	-	175,661	-	6,694	9,937	192,292
Effect of foreign currency exchange differences	(424)	4,621	1,684	(4,594)	1,629	2,916
Balance at December 31, 2020	<u>\$ 81,347</u>	<u>\$ 349,419</u>	<u>\$ 73,939</u>	<u>\$ 314,765</u>	<u>\$ 111,868</u>	<u>\$ 931,338</u>
Carrying amounts at December 31, 2020	<u>\$ 34,759</u>	<u>\$ 262,565</u>	<u>\$ 83,481</u>	<u>\$ 9,608</u>	<u>\$ 14,264</u>	<u>\$ 404,677</u>



The above items of intangible assets are amortized on a straight-line basis over their following estimated useful lives as follows:

Computer software	1-10 years
Customer relationship	7 years
Technological expertise	7 years

Adlink Technology Limited and Adlink Technology GmbH, the Group's subsidiaries in the UK and Germany, respectively, failed to achieve their operating performance targets. Nevertheless, the management has a plan to promote their products and expects to take advantage of the industrial computer products and continue developing the Industrial Internet of Things. The management assessed that the expected recoverable amount of goodwill was lower than the related carrying amount; thus, impairment losses of \$192,292 thousand and \$159,996 thousand were recognized for the years ended December 31, 2020 and 2019, respectively.

The main recoverable amount was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management covering a 5-year period; the discount rate was 12.5% and 12%, respectively. Other key assumptions included budgeted revenue and budgeted gross margin. Such assumptions were based on the past performance of the cash-generating unit and management's expectations of market development.

## 17. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank loans	\$ 1,141,243	\$ 637,813
Secured bank loans (Note 31)	<u>-</u>	<u>85,949</u>
	<u>\$ 1,141,243</u>	<u>\$ 723,762</u>

As of December 31, 2020 and 2019, the interest rates on the short-term borrowings were 0.51%-4.58% and 1.08%-4.88% per annum, respectively. The expected repayment period of short-term borrowings were January to September 2021 and January to July 2020, respectively. The secured bank loans had been repaid in advance in March 2020.

Refer to Note 29 for related information about utilized and unutilized bank loan facilities.

### b. Long-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank loans	\$ 331,323	\$ 45,000
Less: Current portions	<u>(39,092)</u>	<u>-</u>
Long-term borrowings	<u>\$ 292,231</u>	<u>\$ 45,000</u>

As of December 31, 2020 and 2019, the interest rates on the long-term borrowings were 0.50%-1.00% and 0.75% per annum, respectively. The expected repayment period of long-term borrowings were October to November 2024 and October 2026, respectively.

Refer to Note 29 for related information about utilized and unutilized bank loan facilities.

## 18. TRADE PAYABLES

Trade payables are generated from operating activities. The average credit period for purchase of certain goods was 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 19. OTHER PAYABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Salaries and bonuses	\$ 444,165	\$ 421,436
Annual leave	51,377	39,236
Compensation to employees	50,445	96,383
Outsourcing costs	32,617	32,821
Remuneration of directors	2,600	6,000
Others	<u>280,067</u>	<u>255,197</u>
	<u>\$ 861,271</u>	<u>\$ 851,073</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company of the Group adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Overseas subsidiaries have to contribute amounts at certain percentage of salaries to the local governments. Employees of these subsidiaries will receive retirement pension from the local governments after retirement.

### b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 110,642	\$ 109,258
Fair value of plan assets	<u>(53,667)</u>	<u>(56,137)</u>
Net defined benefit liabilities	<u>\$ 56,975</u>	<u>\$ 53,121</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 101,967</u>	<u>\$ (51,713)</u>	<u>\$ 50,254</u>
Current service cost	1,116	-	1,116
Net interest expense (income)	<u>1,015</u>	<u>(522)</u>	<u>493</u>
Recognized in profit or loss	<u>2,131</u>	<u>(522)</u>	<u>1,609</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,787)	(1,787)
Actuarial (gain) loss			
Changes in demographic assumptions	1,410	-	1,410
Changes in financial assumptions	3,280	-	3,280
Experience adjustments	<u>470</u>	<u>-</u>	<u>470</u>
Recognized in other comprehensive income (loss)	<u>5,160</u>	<u>(1,787)</u>	<u>3,373</u>
Contributions from the employer	<u>-</u>	<u>(2,115)</u>	<u>(2,115)</u>
Balance at December 31, 2019	<u>109,258</u>	<u>(56,137)</u>	<u>53,121</u>
Current service cost	1,398	-	1,398
Net interest expense (income)	<u>816</u>	<u>(425)</u>	<u>391</u>
Recognized in profit or loss	<u>2,214</u>	<u>(425)</u>	<u>1,789</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,799)	(1,799)
Actuarial (gain) loss			
Changes in demographic assumptions	(120)	-	(120)
Changes in financial assumptions	2,086	-	2,086
Experience adjustments	<u>3,903</u>	<u>-</u>	<u>3,903</u>
Recognized in other comprehensive income (loss)	<u>5,869</u>	<u>(1,799)</u>	<u>4,070</u>
Contributions from the employer	<u>-</u>	<u>(2,005)</u>	<u>(2,005)</u>
Benefits paid	<u>(6,699)</u>	<u>6,699</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 110,642</u>	<u>\$ (53,667)</u>	<u>\$ 56,975</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.40%	0.75%
Expected rate(s) of salary increase	3.80%	4.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (3,307)</u>	<u>\$ (3,447)</u>
0.25% decrease	<u>\$ 3,450</u>	<u>\$ 3,493</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 3,326</u>	<u>\$ 3,373</u>
0.25% decrease	<u>\$ (3,209)</u>	<u>\$ (3,252)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plan for the next year	<u>\$ 2,096</u>	<u>\$ 1,975</u>
Average duration of the defined benefit obligation	12.2 years	12.5 years

## 21. EQUITY

### a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	280,000	280,000
Shares authorized	\$ 2,800,000	\$ 2,800,000
Number of shares issued and fully paid (in thousands)	217,497	217,497
Shares issued	\$ 2,174,973	\$ 2,174,973

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

A total of 5,000 thousand shares of the Company's authorized shares were reserved for the issuance of employee share options.

For the year ended December 31, 2019, the Company retired 26 thousand employee restricted shares.

The Company issued 12,608 thousand shares, at an issue price of \$34.5 per share, through a private placement for cash of \$435,000 thousand in January 2013, and distributed share dividends of 883 thousand shares and 1,217 thousand shares in August 2014 and August 2015, respectively, to the shareholders. As of December 31, 2020, the number of ordinary shares issued through private placements was 14,708 thousand shares.

On June 13, 2018, the Company's shareholders resolved to issue 24,000 thousand ordinary shares and/or overseas or domestic convertible bonds (in the case of private placement of overseas or domestic convertible bonds, the number of ordinary shares to be converted shall not exceed 24,000 shares), through a private placement for a consideration of NT\$10 per share, which will be in order to introduce strategic investors into the Company, improve related technologies and expand the market. In consideration of the capital market, the above plan was suspended and its suspension was approved by the Company's board of directors on April 25, 2019.

### b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 784,379	\$ 1,132,374
Conversion of bonds	207,034	207,034
Treasury share transactions	17,579	17,579
<u>May be used to offset a deficit only</u>		
Arising from employee share options exercised	43,453	43,453
Arising from employee share options expired	12,073	12,073
Arising from employee restricted shares vested	97,689	97,689
Changes in percentage of ownership interests in subsidiaries (2)	5,514	5,514
	<u>\$ 1,167,721</u>	<u>\$ 1,515,716</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made post-tax profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the Company's policies on distribution of employees' compensation and remuneration of directors, refer to "Employees' compensation and remuneration of directors" in Note 23-f.

The Company's Articles of Incorporation provide that the Company adopts residual dividend policy. After setting aside amounts based on the Company's capital budget plan, the residual profits shall be distributed as cash dividends. The Company's Articles of Incorporation also prescribe that less than 10% of total dividends shall be paid in cash.

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

Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 approved in the shareholders' meetings on June 22, 2020 and June 19, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 44,317	\$ 24,444		
Special reserve	45,611	(19,114)		
Cash dividends	-	239,275	\$-	\$1.1

The Company's shareholders also resolved to issue cash dividends from the capital surplus of \$347,995 thousand at \$1.6 per share and \$43,505 thousand at \$0.2 per share in the shareholders' meeting on June 22, 2020 and June 19, 2019, respectively.

The appropriations of earnings for 2020 were proposed by the Company's board of directors on March 25, 2021. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>
Legal reserve	\$ 23,994
Special reserve	52,151

The Company's board of directors also proposed to issue cash dividends from the capital surplus of \$217,498 thousand at \$1.0 per share.

The appropriation of earnings for 2020 was resolved in the shareholders' meeting held on June 24, 2021.

d. Other equity items

Exchange differences on translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (180,850)	\$ (135,239)
Exchange differences on translation of the financial statements of foreign operations	(64,604)	(57,013)
Related income tax	12,921	11,402
Acquisition of partial interests in subsidiary (Note 27)	<u>(468)</u>	<u>-</u>
Balance at December 31	<u><b>\$ (233,001)</b></u>	<u><b>\$ (180,850)</b></u>

## 22. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from the sale of goods	\$ 9,499,510	\$ 10,327,849
Software authorization and service revenue	<u>136,168</u>	<u>169,221</u>
	<u><b>\$ 9,635,678</b></u>	<u><b>\$ 10,497,070</b></u>

Refer to Note 4 for the information of contracts with customers.

Contract liabilities are recognized from sale of goods. The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment. Refer to the consolidated balance sheet for the balance of contract liabilities as of balance date.

## 23. NET PROFIT FOR THE YEAR

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Grant revenue	\$ 34,603	\$ 45,878
Rental income	8,966	10,593
Income from clearance of overdue debts	4,536	5,003
Income from insurance compensation	-	2,847
Others	<u>26,011</u>	<u>26,062</u>
	<u>\$ 74,116</u>	<u>\$ 90,383</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Impairment losses (Note 16)	\$ (192,292)	\$ (159,996)
Gain on the liquidation of subsidiaries	8,984	-
Net foreign exchange gains (losses) (Note 33)	6,007	(28,953)
Net loss (gain) of financial assets at fair value through profit or loss	(432)	77
(Loss) gain on disposal of property, plant and equipment	(645)	83
Others	<u>(2,406)</u>	<u>(7,685)</u>
	<u>\$ (180,784)</u>	<u>\$ (196,474)</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 13,431	\$ 26,965
Interest on lease liabilities	<u>3,029</u>	<u>3,206</u>
	<u>\$ 16,460</u>	<u>\$ 30,171</u>

### d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Cost of goods sold	\$ 80,909	\$ 83,724
Operating expenses	<u>161,086</u>	<u>165,227</u>
	<u>\$ 241,995</u>	<u>\$ 248,951</u>
An analysis of amortization by function		
Cost of goods sold	\$ 1,760	\$ 1,171
Operating expenses	<u>87,443</u>	<u>94,584</u>
	<u>\$ 89,203</u>	<u>\$ 95,755</u>



e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plans	\$ 96,450	\$ 97,707
Defined benefit plans (Note 20)	<u>1,789</u>	<u>1,609</u>
	98,239	99,316
Share-based payments	-	656
Other employee benefits	<u>2,625,750</u>	<u>2,736,422</u>
	<u>\$ 2,723,989</u>	<u>\$ 2,836,394</u>
An analysis of employee benefits expense by function		
Cost of goods sold	\$ 410,211	\$ 432,539
Operating expenses	<u>2,313,778</u>	<u>2,403,855</u>
	<u>\$ 2,723,989</u>	<u>\$ 2,836,394</u>

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates from 3% to 20% and no higher than 3%, respectively, of net profit before income tax (the parent company only financial statements), employees' compensation, and remuneration of directors. The employee's compensation and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 25, 2021 and March 19, 2020, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>Accrual Rate (%)</b>	<b>Cash</b>	<b>Accrual Rate (%)</b>
Employees' compensation	\$ 49,000	13.95	\$ 96,383	14.72
Remuneration of directors	2,600	0.74	6,000	0.92

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAXES

### a. Major components of income tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 131,841	\$ 188,645
Income tax on unappropriated earnings	15,698	37
Adjustments for prior years	<u>(67,750)</u>	<u>(9,008)</u>
	79,789	179,674
Deferred tax		
In respect of the current year	<u>29,375</u>	<u>(7,201)</u>
Income tax expense recognized in profit or loss	<u>\$ 109,164</u>	<u>\$ 172,473</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	<u>\$ 350,812</u>	<u>\$ 616,220</u>
Income tax expense calculated at the statutory rate	\$ 70,162	\$ 123,244
Tax-exempt income	(124)	(106)
Nondeductible expenses in determining taxable income	1,720	449
Unrecognized temporary differences	32,156	32,150
Unrecognized loss carryforwards	28,996	(7,289)
Income tax on unappropriated earnings	15,698	37
Effect of different tax rate of group entities operating in other jurisdictions	28,306	32,996
Adjustments for prior years' tax	<u>(67,750)</u>	<u>(9,008)</u>
Income tax expense recognized in profit or loss	<u>\$ 109,164</u>	<u>\$ 172,473</u>

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax in respect of the current year</u>		
Translation of foreign operations	\$ 12,921	\$ 11,402
Remeasurement of defined benefit plans	<u>814</u>	<u>674</u>
Income tax recognized in other comprehensive income	<u>\$ 13,735</u>	<u>\$ 12,076</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized intercompany gains	\$ 19,157	\$ (7,465)	\$ -	\$ -	\$ 11,692
Defined benefit obligation	10,624	(43)	814	-	11,395
Allowance for write-down of inventories	64,626	(15,484)	-	332	49,474
Foreign investment loss	73,278	(19,933)	-	-	53,345
Exchange differences on translation of the financial statements of foreign operations	45,227	-	12,921	-	58,148
Invested company impairment loss	23,800	38,458	-	-	62,258
Others	17,437	20,024	-	(478)	36,983
	<u>\$ 254,149</u>	<u>\$ 15,557</u>	<u>\$ 13,735</u>	<u>\$ (146)</u>	<u>\$ 283,295</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ -	\$ 8,587	\$ -	\$ -	\$ 8,587
Property, plant and equipment	-	36,345	-	(1,315)	35,030
	<u>\$ -</u>	<u>\$ 44,932</u>	<u>\$ -</u>	<u>\$ (1,315)</u>	<u>\$ 43,617</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized intercompany gains	\$ 21,812	\$ (2,655)	\$ -	\$ -	\$ 19,157
Defined benefit obligation	10,051	(101)	674	-	10,624
Allowance for write-down of inventories	86,803	(20,752)	-	(1,425)	64,626
Foreign investment loss	57,982	15,296	-	-	73,278
Exchange differences on translation of the financial statements of foreign operations	33,825	-	11,402	-	45,227
Invested company impairment loss	11,959	11,841	-	-	23,800
Others	18,236	(588)	-	(211)	17,437
	<u>\$ 240,668</u>	<u>\$ 3,041</u>	<u>\$ 12,076</u>	<u>\$ (1,636)</u>	<u>\$ 254,149</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	<u>\$ 4,160</u>	<u>\$ (4,160)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

d. Income tax assessments

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

## 25. EARNINGS PER SHARE

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

### Net Profit for the Year

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 243,665</u>	<u>\$ 443,171</u>

### Shares

(In Thousands of Shares)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	217,497	217,460
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>1,142</u>	<u>2,276</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>218,639</u>	<u>219,736</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group will assume the entire amount of the compensation or bonuses will be settled in shares, and the resulting potentially dilutive shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

### Restricted Share Plan for Employees of the Company

In the shareholders' meeting on June 11, 2015, the shareholders approved a restricted share plan for employees with a total amount of \$15,000 thousand, consisting 1,500 thousand shares, at the issue price of zero per share. Regulations of the employees' restricted share plan were as follows:

- a. If the employees who acquire the restricted shares issued by the Company achieve the Company's goals for financial performance, personal performance and service rules, the restricted shares are exercisable at 15%, 30% and 55% after the first, second and third anniversary year from the grant date, respectively.

- b. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:
- 1) The employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.
  - 2) The employees holding these shares are entitled to receive dividends and participate in any share issuance for cash. Cash and share dividends received are free from vesting time (from the grant date) and will be remitted from the custodian account to employees' individual bank accounts with no consideration after the payment date.
  - 3) Their rights to propose, speak, vote and participate in other events related to shareholders' equity are all entrusted to the trust custodian.
  - 4) The restricted shares should be held in trust after being issued and non-refundable before meeting the vesting conditions.
- c. If an employee fails to meet the vesting conditions due to leaving without pay, retirement, death or disability to work caused by occupational hazards, general death, significant negligence or violation of employment agreements or work rules, transfer to another post or voluntary withdrawal, etc., his/her restricted shares will be handled in accordance with the regulations of employee restricted stock plan. However, if an employee fails to meet the vesting conditions in other general situations, the Company will recall and cancel his/her restricted shares with no consideration.

The above transaction was approved under Order No. 1040024448 issued by the FSC on June 29, 2015. The issuance base date was determined at November 2, 2015, February 18 and June 28, 2016, and the Company issued 1,220 thousand, 140 thousand and 140 thousand shares, respectively. Information about the restricted share plan for employees was as follows:

	<b>For the Year Ended December 31, 2019</b>
	<b>Number of Options (In Thousand)</b>
Restricted shares at the beginning of the year	80
Shares vested	(54)
Shares retired	<u>(26)</u>
Restricted shares at the end of the year	<u><u>-</u></u>

Compensation costs of employee restricted shares recognized were \$656 thousand for the year ended December 31, 2019.

## **27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS**

On July 1, 2020, the Group acquired 14.9% for additional shares of Adlink Technology Japan Corporation and increased its continuing interest from 85.1% to 100%.

The above transactions were accounted for as equity transactions since the Group did not change the control over the subsidiary.

	<b>Adlink Technology Japan Corporation</b>
Consideration paid	\$ 9,862
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(8,924)
Reattribution of other equity to non-controlling interests	
Exchange differences on translation of the financial statements of foreign operations	<u>(468)</u>
Differences recognized from equity transactions (under retained earnings)	<u>\$ 470</u>

## 28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and total assets balance. The Group's overall strategy is expected to remain unchanged for the year ahead.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares, and the amount of new debt issued.

The Group's target current ratio, debt ratio and times interest earned are set to be no less than 100%, no more than 120% and no less than 5 times, respectively.

The current ratio and debt ratio was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current ratio	<u>164.89%</u>	<u>174.25%</u>
Debt ratio	<u>93.59%</u>	<u>79.84%</u>

The times interest earned was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Times interest earned (times)	<u>22.31</u>	<u>21.42</u>

## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

Management considers that the carrying amounts of the financial instruments recognized in the consolidated financial statements approximate their fair values.

- b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

The Group measured mutual funds and foreign exchange forward contracts at fair value under Levels 1 and Level 2, respectively. The financial assets at fair value through other comprehensive income were measured by the Group at fair value under Levels 3.

There was no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

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

Foreign exchange forward contracts measured at discounted cash flows basis, which 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.

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

The fair values of foreign unlisted emerging market equity securities is determined by using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed in the table below. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in the WACC or discount for lack of marketability used in isolation would result in an increase in the fair value.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 100,674	\$ 100,313
Financial assets at amortized cost (1)	4,144,807	4,043,084
Financial assets at FVTOCI	61,108	-
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	793	-
Financial liabilities at amortized cost (2)	3,644,979	2,927,958

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, time deposits, notes receivable, trade and other receivables (including related parties) and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, trade payable (including related parties) and other payables, long-term borrowings (including current portion) and guarantee deposits received (classified as other current liability).

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

## 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. To manage operating funds effectively and create short-term capital gains, the Group used the partial of operating funds to invest in monetary funds. The Group considered price risk arising from investment in monetary funds is not significant based on nature and amount of the investment.

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

### a) Foreign currency risk

The Group had sales and purchases denominated in foreign currency, which exposed the Group to foreign currency risk. Based on the approval range of policy, the Group managed the partial of foreign currency risk through foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 33.

#### Sensitivity analysis

The Group was mainly exposed to the USD, RMB and EUR.

The Group's sensitivity of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

A positive number below indicates an increase in pre-tax profit that would result if the New Taiwan dollar (the functional currency) weakened 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
USD Impact	\$ 6,032	\$ 9,685
RMB Impact	3,309	3,171
EUR Impact	2,226	1,638

The impact listed above was mainly attributable to the exposure on outstanding USD, RMB and EUR deposits, receivables, payables and borrowings.

### b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.



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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 1,436	\$ 120,762
Financial liabilities	941,283	798,237
Cash flow interest rate risk		
Financial assets	1,766,891	1,622,988
Financial liabilities	624,490	107,975

#### Sensitivity analysis

The sensitivity analysis below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased by \$5,712 thousand and \$7,575 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties. Before accepting new customers, the Group evaluated the potential customer's credit quality through internal credit reporting and sales management department to determine credit limits. Credit limits and rating will be re-evaluated regularly every year.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group's concentration of credit risk by geographical locations was mainly in the U.S.A., mainland China and Europe. The proportion of trade receivables from those mentioned above to total trade receivables were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Mainland China	35%	22%
U.S.A.	31%	41%
Europe	15%	13%

### 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Group had available unutilized bank facilities as set out in (b) below.

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has 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. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

##### December 31, 2020

	<b>Less than 1 Year</b>	<b>1-3 Year</b>	<b>3+ Years</b>
Non-interest bearing liabilities	\$ 2,172,413	\$ -	\$ -
Variable interest rate liabilities	362,456	75,132	193,053
Fixed interest rate liabilities	834,676	27,504	-
Lease liabilities	<u>48,558</u>	<u>35,957</u>	<u>11,696</u>
	<u>\$ 3,418,103</u>	<u>\$ 138,593</u>	<u>\$ 204,749</u>

##### December 31, 2019

	<b>Less than 1 Year</b>	<b>1-3 Year</b>	<b>3+ Years</b>
Non-interest bearing liabilities	\$ 2,159,196	\$ -	\$ -
Variable interest rate liabilities	64,215	675	45,621
Fixed interest rate liabilities	673,093	-	-
Lease liabilities	<u>77,870</u>	<u>48,322</u>	<u>16,588</u>
	<u>\$ 2,974,374</u>	<u>\$ 48,997</u>	<u>\$ 62,209</u>

#### b) Financing facilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank facilities:		
Amount used	\$ 1,472,566	\$ 682,813
Amount unused	<u>3,466,913</u>	<u>4,686,211</u>
	<u>\$ 4,939,479</u>	<u>\$ 5,369,024</u>

(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Secured bank facilities:		
Amount used	\$ -	\$ 85,949
Amount unused	<u>806,640</u>	<u>775,697</u>
	<u>\$ 806,640</u>	<u>\$ 861,646</u>
		(Concluded)

### 30. TRANSACTIONS WITH RELATED PARTIES

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

#### a. Related party name and relationship

<b>Related Party Name</b>	<b>Related Party Category</b>
Chroma ATE Inc.	Investors with significant influence over the Group
AU Optronics Corp.	Investors with significant influence over the Group
Darwin Precisions Corp.	Subsidiaries of investors with significant influence over the Group
Edgetech Data Technologies (Suzhou) Corp., Ltd.	Subsidiaries of investors with significant influence over the Group
JY Technology (Korea)	Associates
JY Technology (Shanghai)	Associates
Farobot Inc.	Associates
Zenitron Corporation	Other related parties
eeWare SAS	Other related parties (the Company is its director)
Fen Zhan Cheng Yi (Beijing)	Other related parties

#### b. Sales of goods

	<b>For the Year Ended December 31</b>	
<b>Related Party Category/Name</b>	<b>2020</b>	<b>2019</b>
Investors with significant influence over the Group	\$ 27,504	\$ 7,972
Subsidiaries of investors with significant influence over the Group	620	-
Associates	71,503	50,943
Others	<u>-</u>	<u>435</u>
	<u>\$ 99,627</u>	<u>\$ 59,350</u>

Transactions with related parties were made at prices and terms comparable to those that would be obtained in similar transactions with non-related parties.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Group	\$ 326	\$ 493
Subsidiaries of investors with significant influence over the Group	18,142	-
Others	<u>12,466</u>	<u>14,906</u>
	<u>\$ 30,934</u>	<u>\$ 15,399</u>

Transactions with related parties were made at prices and terms comparable to those that would be obtained in similar transactions with non-related parties.

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade receivables	Investors with significant influence over the Group	\$ 8,667	\$ 2,752
	Associates	31,143	20,212
	Less: Share of loss of associates	<u>(2,894)</u>	<u>-</u>
		<u>\$ 36,916</u>	<u>\$ 22,964</u>
Other receivables	Associates	<u>\$ 1,862</u>	<u>\$ -</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade payables	Investors with significant influence over the Group	\$ 149	\$ 59
	Subsidiaries of investors with significant influence over the Group	13,903	-
	Others	<u>3,893</u>	<u>4,359</u>
		<u>\$ 17,945</u>	<u>\$ 4,418</u>
Other payables	Investors with significant influence over the Group	\$ 904	\$ 225
	Subsidiaries of investors with significant influence over the Group	2,464	-
	Associates	95	-
	Others	<u>21</u>	<u>7</u>
		<u>\$ 3,484</u>	<u>\$ 232</u>

The outstanding trade payables to related parties are unsecured.

f. Prepayments

Line Item	Related Party Category/Name	December 31	
		2020	2019
Prepayments for properties and equipment	Investors with significant influence over the Group Chroma ATE Inc.	\$ 308,000	\$ -

Refer to Note 32 for related information.

g. Property, plant and equipment acquired

Related Party Category/Name	Price For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Group	\$ -	\$ 93

h. Lease arrangements

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Rental expenses	Others Fen Zhan Cheng Yi (Beijing)	\$ 7,327	\$ 7,026

The rentals were paid semi-annually based on local normal commercial rates.

i. Endorsements and guarantees

Information on the endorsements or guarantees for subsidiaries was as follows:

	December 31	
	2020	2019
Adlink Technology Limited	\$ 622,400	\$ 492,000
Adlink Technology GmbH	\$ 560,320	\$ 403,080
Ampro Adlink Technology Inc.	\$ 85,440	\$ 89,940
Adlink Technology Korea Ltd.	\$ 28,480	\$ 29,980
All subsidiaries directly or indirectly owned by the Company (facilities shared)	\$ -	\$ 59,960

j. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 41,366	\$ 35,862
Post-employment benefits	397	386
	\$ 41,763	\$ 36,248

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

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The assets pledged as collaterals for bank facilities were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	\$ 66,478	\$ 66,478
Buildings	304,408	345,242
Land use rights (reported as right-of-use assets)	<u>52,040</u>	<u>52,774</u>
	<u>\$ 422,926</u>	<u>\$ 464,494</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

#### a. Contingent liabilities

The facilities that the Group provided endorsements or guarantees for its subsidiaries refer to Note 31 for information.

#### b. Contract commitments

To integrate each department's resources, approve efficiency in management and meet operating needs in the future, the Company's board of directors resolved on July 3, 2020 to purchase the Huaya Section of Guishan District, Taoyuan City from Chroma ATE Inc., an investor with significant influence over the Group, and designated Land Serial No. 327 as the Group's management headquarter and main operating base.

The transaction amount is NT\$3,080,000 thousand based on the real estate appraisal reports and current market conditions. As of December 31, 2020, the transaction has not yet been completed and the Company has paid deposit NT\$308,000 thousand in accordance with the contract.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 48,875	28.48 (USD:NTD)	\$ 1,391,966
USD	11,227	6.52 (USD:RMB)	319,736
USD	6,065	103.08 (USD:JPY)	172,744
			(Continued)

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
USD	\$ 4,226	0.81 (USD:EUR)	\$ 120,347
USD	1,303	0.73 (USD:GBP)	37,120
USD	1,934	1,077.16 (USD:KRW)	55,066
RMB	77,299	4.36 (RMB:NTD)	337,395
EUR	6,690	35.02 (EUR:NTD)	234,267
EUR	233	0.90 (EUR:GBP)	<u>8,166</u>
			<u>\$ 2,676,807</u>

Financial liabilities

Monetary items

USD	27,803	28.48 (USD:NTD)	\$ 791,839
USD	14,646	6.52 (USD:RMB)	417,119
USD	4,211	103.08 (USD:JPY)	119,918
USD	3,534	0.81 (USD:EUR)	100,635
USD	379	0.73 (USD:GBP)	10,796
USD	1,876	1,077.16 (USD:KRW)	53,434
RMB	1,480	4.36 (RMB:NTD)	6,462
EUR	558	35.02 (EUR:NTD)	19,529
EUR	10	0.90 (EUR:GBP)	<u>333</u>
			<u>\$ 1,520,065</u>
			(Concluded)

December 31, 2019

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,964	29.98 (USD:NTD)	\$ 1,707,793
USD	16,276	6.98 (USD:RMB)	487,962
USD	6,590	108.62 (USD:JPY)	197,559
USD	5,052	0.89 (USD:EUR)	151,449
USD	1,735	0.76 (USD:GBP)	52,005
RMB	79,245	4.30 (RMB:NTD)	340,551
EUR	4,803	33.59 (EUR:NTD)	161,341
EUR	271	0.85 (EUR:GBP)	<u>9,114</u>
			<u>\$ 3,107,774</u>
			(Continued)

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 33,839	29.98 (USD:NTD)	\$ 1,014,508
USD	9,427	6.98 (USD:RMB)	282,636
USD	5,128	108.62 (USD:JPY)	153,731
USD	4,618	0.89 (USD:EUR)	138,438
USD	1,300	0.76 (USD:GBP)	38,983
RMB	5,451	4.30 (RMB:NTD)	23,426
EUR	178	33.59 (EUR:NTD)	5,971
EUR	20	0.85 (EUR:GBP)	<u>674</u>
			<u>\$ 1,658,367</u>
			(Concluded)

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gains were \$6,007 thousand and losses \$28,953 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### 34. SEPARATELY DISCLOSED ITEMS

#### a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 3 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Trading in derivative instruments: Note 7 and 29
- 10) Others: Intercompany relationships and significant intercompany transactions: Table 7 (attached)

#### b. Information on investees: Table 8 (attached)



c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 9 (attached)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 5 (attached)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 5 (attached)
  - c) The amount of property transactions and the amount of the resultant gains or losses: None
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1 (attached)
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: Table 7 (attached)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10 (attached).

### 35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the regions where the Group operates. Specifically, the Group's reportable segments were as follows:

Asia Pacific - Adlink Technology Inc., Adlink Technology Japan Corporation, Adlink Technology Singapore Pte Ltd., Adlink Technology Korea Ltd.,

Mainland China - Adlink Technology (China) Co., Ltd., Adlink Technology (Shenzhen) Co., Ltd. (Liquidation was completed in November 2020) and Dongguan Lingyao Electronic Technology Co., Ltd.

America - Ampro Adlink Technology Inc., Adlink Technology Corporation and Adlink Technology Canada Inc.

Europe - Adlink Technology GmbH, PrismTech Group Limited (Liquidation was completed in September 2020), Adlink Technology Limited, Adlink Technology SARL and Adlink Technology OpenSplice B.V.

a. Segments revenue and results

For the Year Ended December 31, 2020						
	Asia Pacific	Mainland China	America	Europe	Elimination	Total
Sales						
Revenue from external customers	\$ 3,176,043	\$ 2,343,454	\$ 2,332,733	\$ 1,782,448	\$ -	\$ 9,635,678
Inter-segment revenue	<u>3,578,497</u>	<u>1,495,120</u>	<u>-</u>	<u>85,158</u>	<u>(5,158,775)</u>	<u>-</u>
Segment revenue	<u>\$ 6,754,540</u>	<u>\$ 3,838,574</u>	<u>\$ 2,332,733</u>	<u>\$ 1,868,606</u>	<u>\$ (5,158,775)</u>	<u>\$ 9,635,678</u>
Interest income	\$ 2,450	\$ 2,929	\$ 502	\$ 5	\$ -	\$ 5,886
Finance costs	1,804	4,044	1,139	9,473	-	16,460
Depreciation expense	108,585	81,851	25,826	25,733	-	241,995
Amortization expense	65,702	261	2,488	20,752	-	89,203
Other significant non-cash items						
Impairment losses	-	-	-	192,292	-	192,292
Segment income (loss)	<u>\$ 1,723,287</u>	<u>\$ 245,180</u>	<u>\$ (11,650)</u>	<u>\$ (116,460)</u>	<u>\$ -</u>	<u>1,840,357</u>
Unallocated amounts:						
Headquarters' administration costs and remuneration of directors and supervisors						<u>1,489,545</u>
Profit before income tax						<u>\$ 350,812</u>

For the Year Ended December 31, 2019						
	Asia Pacific	Mainland China	America	Europe	Elimination	Total
Sales						
Revenue from external customers	\$ 3,861,587	\$ 1,691,606	\$ 2,960,856	\$ 1,983,021	\$ -	\$ 10,497,070
Inter-segment revenue	<u>4,243,897</u>	<u>1,922,827</u>	<u>-</u>	<u>118,405</u>	<u>(6,285,129)</u>	<u>-</u>
Segment revenue	<u>\$ 8,105,484</u>	<u>\$ 3,614,433</u>	<u>\$ 2,960,856</u>	<u>\$ 2,101,426</u>	<u>\$ (6,285,129)</u>	<u>\$ 10,497,070</u>
Interest income	\$ 3,589	\$ 2,365	\$ 1,391	\$ 76	\$ -	\$ 7,421
Finance costs	1,377	21,873	396	6,525	-	30,171
Depreciation expense	101,038	87,976	31,900	28,037	-	248,951
Amortization expense	55,866	327	2,649	36,913	-	95,755
Other significant non-cash items						
Impairment losses	-	-	-	159,996	-	159,996
Segment income (loss)	<u>\$ 2,174,669</u>	<u>\$ 133,895</u>	<u>\$ 72,956</u>	<u>\$ (241,061)</u>	<u>\$ -</u>	<u>2,140,459</u>
Unallocated amounts:						
Headquarters' administration costs and remuneration of directors and supervisors						<u>1,524,239</u>
Profit before income tax						<u>\$ 616,220</u>

b. Revenue from major products and services

Refer to Note 22 for information.

c. Information about major customers

There was no revenue from any individual customer exceeded 10% of the Group's revenue for the years ended December 31, 2020 and 2019.

TABLE 1

ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Requirement Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
0	Adlink International Co., Ltd.	Adlink Technology (China) Co., Ltd.	Other receivables	Y	\$ 89,990	\$ 85,440 (US\$ 3,000)	\$ 85,440	2	b	\$ -	Operation requirement	\$ -	-	\$ -	\$ 1,270,165	\$ 1,270,165	Note 4
1	Ampro Adlink Technology Inc.	Adlink Technology (China) Co., Ltd.	Other receivables	Y	121,000	56,960 (US\$ 2,000)	-	2	b	-	Operation requirement	-	-	-	401,042	401,042	Note 4
		Adlink Technology Limited	Other receivables	Y	60,500	-	-	2	b	-	Operation requirement	-	-	-	401,042	401,042	Note 4
2	Adlink Technology (HK) Co., Ltd.	Adlink Technology (China) Co., Ltd.	Other receivables	Y	29,490	28,480 (US\$ 1,000)	-	2	b	-	Operation requirement	-	-	-	868,691	868,691	Note 4

Note 1: Fill in 0 for Adlink International Co., Ltd., 1 for Ampro Adlink Technology Inc., 2 for Adlink Technology (HK) Co., Ltd.

Note 2: The nature of financing provided is specified below:

- a. For transactions.
- b. For short-term financing.

Note 3: Financing limit for each borrower shall not exceed 20% of the lender’s net equity in latest financial statements. However, foreign borrower was held 100% of voting shares directly and indirectly by the same company, the financing limit shall not exceed 70% of the lender’s net equity in latest financial statements.

Note 4: It has been eliminated when preparing the consolidated financial statements.

**TABLE 2****ADLINK TECHNOLOGY INC. AND SUBSIDIARIES****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars or Foreign Currency, Unless Stated Otherwise)**

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 4)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Company	Adlink Technology Limited	a. and b.	\$ 2,258,023	\$ 632,945	\$ 622,400 (GBP 16,000)	\$ 332,595	\$ -	13.78	\$ 2,258,023	Y	-	-
		Adlink Technology Korea Ltd.	a. and b.	2,258,023	30,250	28,480 (US\$ 1,000)	-	-	0.63	2,258,023	Y	-	-
		Ampro Adlink Technology Inc.	a. and b.	2,258,023	90,750	85,440 (US\$ 3,000)	85,440	-	1.89	2,258,023	Y	-	-
		Adlink Technology GmbH	a. and b.	2,258,023	561,280	560,320 (EUR 16,000)	409,734	-	12.41	2,258,023	Y	-	-

Note 1: Fill in 0 for the Company.

Note 2: Relationships between the endorsement/guarantee and the Company are specified as follows:

- a. Companies that have business dealings with the Company.
- b. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.

Note 3: The subsidiaries of the Company in which the Company directly or indirectly holds 100% of shares shall be capped at 50% of the net value of the Company's latest financial statements. Other companies shall be capped at 20% of the net value of the Company's latest financial statements.

Note 4: The total endorsement and guarantee amount shall be capped at 50% of the net value of the Company's latest financial statements.

**TABLE 3**

**ADLINK TECHNOLOGY INC. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES AND ASSOCIATES)**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 2)	
The Company	<u>Stocks</u>							
	Netio Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	385	\$ -	15.00	\$ -	-
	eeWare SAS	The Company is its director	"	0.9	-	19.99	-	-
	Applied Green Light Taiwan, Inc.	-	"	143	-	3.33	-	-
	<u>Funds</u>							
	SinoPac SITC money market funds	-	"	3,590	50,342	-	50,342	-
Adlink Technology (China) Co., Ltd.	Fuh Hwa SITC money market funds	-	"	3,461	50,332	-	50,332	-
	<u>Stocks</u>							
	AutoCore Technology (Nanjing) Co., Ltd.	-	Financial assets at fair value through other comprehensive income	Note 3	61,108	6.00	61,108	-

Note 1: Marketable securities in this table is stocks, bonds, mutual funds and securities derived from the mentioned above under the range of IFRS 9 “Financial Instruments”.

Note 2: The fair value of open market value was calculated based on the closing price as of balance sheet date. In contrast, it was calculated based on the appropriate valuation techniques and inputs.

Note 3: It is a limited company so that no specific shares or units are disclosed.

**TABLE 4**

**ADLINK TECHNOLOGY INC. AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Land	2020.07.03	\$ 88,000	Deposit has been paid in accordance with the contract.	Chroma ATE. Inc.	Investors with significant influence over the Company	Formosa Plastic Corporation	-	1998.11.16	\$ 320,078	The transaction amount is based on the real estate appraisal reports and current market conditions. The transaction was also resolved by Company's board of directors.	To integrate each department's resources, improve efficiency in management and meet operating request in the future.	Counterparty will leaseback partial of the buildings for the use of factory and employees' dormitory, and promise to lease for 5 years.
		2020.07.03		Deposit has been paid in accordance with the contract.	Chroma ATE. Inc.	Investors with significant influence over the Company	Dynacolor, Inc.	-	2001.11.12	104,993	The transaction amount is based on the real estate appraisal reports and current market conditions. The transaction was also resolved by Company's board of directors.	To integrate each department's resources, improve efficiency in management and meet operating request in the future.	Counterparty will leaseback partial of the buildings for the use of factory and employees' dormitory, and promise to lease for 5 years.
	Buildings	2020.07.03	220,000	Deposit has been paid in accordance with the contract.	Chroma ATE. Inc.	Investors with significant influence over the Company	-	-	-	-	The transaction amount is based on the real estate appraisal reports and current market conditions. The transaction was also resolved by Company's board of directors.	To integrate each department's resources, improve efficiency in management and meet operating request in the future.	Counterparty will leaseback partial of the buildings for the use of factory and employees' dormitory, and promise to lease for 5 years.

**TABLE 5****ADLINK TECHNOLOGY INC. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ (Sale)	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Adlink Technology Japan Corporation	Subsidiary	(Sale)	\$ (354,528)	(5.83)	Net 120 days	-	-	\$ 137,702	8.70	Note
Adlink Technology Japan Corporation	The Company	Parent company	Purchase	354,528	97.50	Net 120 days	-	-	(137,702)	(99.64)	Note
The Company	Adlink Technology Singapore Pte Ltd.	Subsidiary	(Sale)	(179,249)	(2.95)	Net 60 days	-	-	34,767	2.20	Note
Adlink Technology Singapore Pte Ltd.	The Company	Parent company	Purchase	179,249	71.41	Net 60 days	-	-	(34,767)	(82.86)	Note
The Company	Adlink Technology Korea Ltd.	Subsidiary	(Sale)	(227,813)	(3.75)	Net 60 days	-	-	53,434	3.38	Note
Adlink Technology Korea Ltd.	The Company	Parent company	Purchase	227,813	97.50	Net 60 days	-	-	(53,434)	(99.97)	Note
The Company	Ampro Adlink Technology Inc.	Indirectly owned subsidiary	(Sale)	(1,433,101)	(23.56)	Net 60 days	-	-	292,636	18.50	Note
Ampro Adlink Technology Inc.	The Company	Parent company	Purchase	1,433,101	90.98	Net 60 days	-	-	(292,636)	(89.07)	Note
The Company	Adlink Technology GmbH	Indirectly owned subsidiary	(Sale)	(931,344)	(15.31)	Net 150 days	-	-	295,750	18.69	Note
Adlink Technology GmbH	The Company	Parent company	Purchase	931,344	84.01	Net 150 days	-	-	(295,750)	(91.17)	Note
The Company	Adlink Technology (China) Co., Ltd.	Indirectly owned subsidiary	(Sale)	(452,001)	(7.43)	Net 150 days	-	-	218,345	13.80	Note
Adlink Technology (China) Co., Ltd.	The Company	Parent company	Purchase	452,001	14.76	Net 150 days	-	-	(218,345)	(25.46)	Note
Adlink Technology (China) Co., Ltd.	The Company	Parent company	(Sale)	(1,396,360)	(37.29)	Net 60 days	-	-	273,194	26.30	Note
The Company	Adlink Technology (China) Co., Ltd.	Indirectly owned subsidiary	Purchase	1,396,360	35.77	Net 60 days	-	-	(273,194)	(28.43)	Note

Note: It has been eliminated when preparing the consolidated financial statements.

**TABLE 6****ADLINK TECHNOLOGY INC. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
The Company	Adlink Technology Japan Corporation	Subsidiary	Trade receivables	2.33	\$ _____	-	\$ <u>129,487</u>	\$ _____	Note 2
			Other receivables						
	Ampro Adlink Technology Inc.	Indirectly owned subsidiary	Trade receivables	3.18	\$ _____	-	\$ <u>260,008</u>	\$ _____	Note 2
			Other receivables						
	Adlink Technology GmbH	Indirectly owned subsidiary	Trade receivables	3.36	\$ _____	-	\$ <u>222,428</u>	\$ _____	Note 2
			Other receivables						
	Adlink Technology (China) Co., Ltd.	Indirectly owned subsidiary	Trade receivables	2.16	\$ _____	-	\$ <u>114,115</u>	\$ _____	Note 2
			Other receivables						
Adlink Technology (China) Co., Ltd.	The Company	Parent company	Trade receivables	4.16	\$ _____	-	\$ <u>273,194</u>	\$ _____	Note 2
			Other receivables						

Note 1: It was the amount received as of March 25, 2021.

Note 2: It has been eliminated when preparing the consolidated financial statements.



**TABLE 7**

**ADLINK TECHNOLOGY INC. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Company Name	Counterparty	Flow of Transactions (Note 2)	Transaction Details			% of Total Sales or Assets (Note 3)
				Account	Amount (Note 4)	Transaction Terms	
0	The Company	Adlink Technology Singapore Pte Ltd.	a	Trade receivables	\$ 34,767	Based on regular terms	-
		Adlink Technology Singapore Pte Ltd.	a	Operating revenue	179,249	Based on regular terms	2
		Adlink Technology Japan Corporation	a	Trade receivables	137,702	Based on regular terms	2
		Adlink Technology Japan Corporation	a	Operating revenue	354,528	Based on regular terms	4
		Adlink Technology Korea Ltd.	a	Trade receivables	53,434	Based on regular terms	1
		Adlink Technology Korea Ltd.	a	Operating revenue	227,813	Based on regular terms	2
		Adlink Technology Limited	a	Software service expense	15,073	Based on regular terms	-
		Adlink Technology Limited	a	R & D design expense	31,596	Based on regular terms	-
		Adlink Technology Limited	a	Other payables	19,541	Based on regular terms	-
		Ampro Adlink Technology Inc.	a	Trade receivables	292,636	Based on regular terms	3
		Ampro Adlink Technology Inc.	a	Operating revenue	1,433,101	Based on regular terms	15
		Ampro Adlink Technology Inc.	a	Other receivables	14,163	Based on regular terms	-
		Adlink Technology GmbH	a	Trade receivables	295,750	Based on regular terms	3
		Adlink Technology GmbH	a	Operating revenue	931,344	Based on regular terms	10
		Adlink Technology GmbH	a	Other receivables	20,349	Based on regular terms	-
		Adlink Technology GmbH	a	Other payables	10,436	Based on regular terms	-
		Adlink Technology GmbH	a	R & D design expense	38,360	Based on regular terms	-
		Adlink Technology GmbH	a	Procurement service revenue	10,049	Based on the agreed rate of procurement amount	-
		Adlink Technology (China) Co., Ltd.	a	Trade receivables	218,345	Based on operating requirements	2
		Adlink Technology (China) Co., Ltd.	a	Operating revenue	452,001	Based on regular terms	5
		Adlink Technology (China) Co., Ltd.	a	Trade payables	273,194	Based on regular terms	3
		Adlink Technology (China) Co., Ltd.	a	Purchase	1,396,360	Based on regular terms	14
		Adlink Technology (China) Co., Ltd.	a	Other receivables	48,298	Based on operating requirements	1
		Adlink Technology (China) Co., Ltd.	a	Other payables	16,739	Based on regular terms	-
		Adlink Technology (China) Co., Ltd.	a	Procurement service revenue	40,010	Based on the agreed rate of procurement amount	-
		Adlink Technology (China) Co., Ltd.	a	Income from royalties	25,174	Based on the agreed rate of sales of specific goods	-
		Dongguan Lingyao Electronic Technology Co., Ltd.	a	Purchase	26,151	Based on regular terms	-

(Continued)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Transaction Details			Percentage to Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
1	Adlink Technology Limited	Ampro Adlink Technology Inc.	c	Operating revenue	\$ 14,599	Based on regular terms	-
		Ampro Adlink Technology Inc.	c	Trade payables	10,967	Based on operating requirements	-
		Adlink Technology Corporation	c	Operating revenue	15,489	Based on regular terms	-
		Adlink Technology SARL	c	Trade receivables	13,154	Based on regular terms	-
		Adlink Technology SARL	c	Deferred revenue	50,589	Based on regular terms	1
		Adlink Technology SARL	c	Operating revenue	42,014	Based on regular terms	-
2	Adlink International Co., Ltd.	Adlink Technology (China) Co., Ltd.	c	Other receivables	86,155	Based on regular terms	1
3	Ampro Adlink Technology Inc.	Adlink Technology Corporation	c	Other receivables	13,111	Based on regular terms	-
4	Adlink Technology (China) Co., Ltd.	Dongguan Lingyao Electronic Technology Co., Ltd.	c	Operating revenue	32,896	Based on regular terms	-
		Dongguan Lingyao Electronic Technology Co., Ltd.	c	Trade payables	17,551	Based on regular terms	-
		Dongguan Lingyao Electronic Technology Co., Ltd.	c	Purchase	67,609	Based on regular terms	1

Note 1: Intercompany relationships should be specified as below:

- a. Fill in 0 for the parent company.
- b. Subsidiaries fill in the number from 1 respectively.

Note 2: a. Parent company to subsidiary.  
b. Subsidiary to parent company.  
c. Between subsidiaries.

Note 3: According to the account of transaction details, the percentage was calculated of total consolidated assets or total operating revenue, respectively.

Note 4: Intercompany transaction which be disclosed was amounting to at least NT\$10,000 thousand.

Note 5: It has been eliminated when preparing the consolidated financial statements.

(Concluded)

TABLE 8

## ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares (Thousands)	%	Carrying Amount			
The Company	Adlink International Co., Ltd.	Samoa	Investment activities	US\$ 61,872	US\$ 61,872	61,872	100.0	\$ 1,763,694	\$ 153,374	\$ 143,682	Subsidiary (Note 6)
	Adlink Technology Singapore Pte Ltd.	Singapore	Selling of industrial automatic control cards, industrial motherboards, etc.	SGD 659	SGD 659	659	100.0	137,515	9,084	9,084	Subsidiary (Note 6)
	Adlink Technology Japan Corporation	Japan	Selling of industrial automatic control cards, industrial motherboards, etc.	JPY 98,000	JPY 93,720	2	100.0	61,051	(12,482)	(10,464)	Subsidiary (Note 6)
	Adlink Technology Korea Ltd.	Korea	Selling of industrial automatic control cards, industrial motherboards, etc.	US\$ 300	US\$ 300	(Note 4)	100.0	13,651	3,808	3,808	Subsidiary (Note 6)
	PrismTech Group Limited	United Kingdom	Investment activities	(Note 5)	US\$ 15,500	-	-	-	-	-	Subsidiary (Note 6)
	Adlink Technology Limited	United Kingdom	Software development, authorization and service	GBP 12,979	(Note 5)	36,483	100.0	(261,573)	(25,996)	(45,952)	Subsidiary (Note 6)
	JY Technology (Korea)	Korea	Selling of industrial automatic control cards, industrial motherboards, computers and peripherals, etc.	US\$ 300	US\$ 300	67	28.2	(2,894)	(3,336)	(494)	Associate
	Farobot Inc.	Taiwan	Manufacturing and selling and developing software of autonomous mobile robots	NT\$ 98,000	-	9,800	49.0	92,410	(11,408)	(5,590)	Associate
PrismTech Group Limited	PrismTech Holdings Limited	United Kingdom	Investment activities	(Note 5)	GBP 10	-	-	-	-	-	Indirectly owned subsidiary (Note 6)
	Adlink Technology Limited	United Kingdom	Software development, authorization and service	(Note 5)	GBP 12,979	-	-	-	-	-	Indirectly owned subsidiary (Note 6)
Adlink Technology Limited	Adlink Technology SARL	France	Software development, authorization and service	EUR 221	EUR 221	(Note 3)	100.0	EUR (629)	EUR (122)	-	Indirectly owned subsidiary (Note 6)
	Adlink Technology OpenSplice B.V.	Netherlands	Software development	EUR 18	EUR 18	(Note 2)	100.0	EUR (34)	EUR 13	-	Indirectly owned subsidiary (Note 6)
Adlink International Co., Ltd.	Adlink Technology (HK) Co., Ltd.	Hong Kong	Investment activities	US\$ 24,255	US\$ 24,255	24,255	100.0	US\$ 45,574	US\$ 8,927	-	Indirectly owned subsidiary (Note 6)
	Ampro Adlink Technology Inc.	California, USA	Manufacturing and selling of industrial computers	US\$ 20,789	US\$ 20,789	39,743	100.0	US\$ 28,571	US\$ (394)	-	Indirectly owned subsidiary (Note 6)
	Adlink Technology Holding GmbH	Germany	Investment activities	EUR 12,609	EUR 12,609	12,609	100.0	US\$ (11,885)	US\$ (3,061)	-	Indirectly owned subsidiary (Note 6)
Adlink Technology Holding GmbH	Adlink Technology GmbH	Germany	Manufacturing and selling of industrial computers	EUR 12,409	EUR 12,409	750	100.0	EUR (9,763)	EUR (2,682)	-	Indirectly owned subsidiary (Note 6)
Ampro Adlink Technology Inc.	Adlink Technology Canada Inc.	Canada	Software development	CAD 100	CAD 100	(Note 2)	100.0	CAD 23	CAD 19	-	Indirectly owned subsidiary (Note 6)
	Adlink Technology Corporation	Massachusetts, USA	Software authorization and service	US\$ 12,701	US\$ 12,701	1	100.0	US\$ (511)	US\$ (133)	-	Indirectly owned subsidiary (Note 6)

(Continued)

- Note 1: Refer to Table 9 for information on investments in Mainland China.
- Note 2: The number of shares of Adlink Technology Canada Inc. and Adlink Technology OpenSplice B.V are 100 shares and 180 shares, respectively.
- Note 3: No number of shares available on Adlink Technology SARL’s license except for its original investment amount.
- Note 4: It is a limited company so that there is no record of the number of shares.
- Note 5: The Group restructured the organization and transferred the ownership of Adlink Technology Limited to the Company and completed the liquidation of PrismTech Group Limited and PrismTech Holdings Limited in September 2020 simultaneously. Refer to Note 12 for information.
- Note 6: It has been eliminated when preparing the consolidated financial statements.

(Concluded)

TABLE 9

## ADLINK TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of direct or indirect Investment	Investment Gain (Loss) (Notes 2)	Carrying Amount as of December 31, 2020 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Adlink Technology (Shenzhen) Co., Ltd.	Sales of industrial automatic control cards, industrial motherboards, etc.	HK\$ 7,845 (NT\$ 28,791)	b. Adlink Technology (HK) Co., Ltd.	HK\$ 7,283 (Note 5) US\$ 298 (NT\$ 35,216)	\$ -	HK\$ 7,823 (Note 5) US\$ 298 (NT\$ 35,216)	\$ -	RMB (317) (NT\$ -1,357)	-	RMB (317) (NT\$ -1,357)	\$ -	\$ -	Notes 7 and 8
Adlink Technology (China) Co., Ltd.	Manufacturing and selling of industrial automatic control cards, industrial motherboards, etc.	US\$ 23,806 (NT\$ 677,995)	b. Adlink Technology (HK) Co., Ltd.	US\$ 22,373 (NT\$ 637,183) (Note 5)	-	-	US\$ 22,373 (NT\$ 637,183) (Note 5)	RMB 55,427 (NT\$ 237,228)	100.0	RMB 55,427 (NT\$ 237,228)	RMB 264,376 (NT\$ 1,152,679)	-	Note 8
Dongguan Lingyao Electronic Technology Co., Ltd.	Selling of electronic parts	RMB 2,000 (NT\$ 8,720)	c. Adlink Technology (China) Co., Ltd.	(Note 6)	-	-	(Note 6)	RMB 569 (NT\$ 2,435)	100.0	RMB 569 (NT\$ 2,435)	RMB 6,238 (NT\$ 27,198)	-	Note 8
JY Technology (Shanghai)	Selling of industrial automatic control cards, industrial motherboards, etc.	RMB 18,000 (NT\$ 78,480)	c. Adlink Technology (China) Co., Ltd.	(Note 6)	-	-	(Note 6)	RMB (431) (NT\$ -1,845)	38.4	RMB (165) (NT\$ -708)	RMB 10,787 (NT\$ 47,084)	-	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$672,399 (HK\$7,283, US\$22,671)	\$676,694 (HK\$7,305, US\$22,819)	\$2,709,627 (Note 3)

Note 1: Methods of investment have the following type:

- Direct investment in mainland China.
- Indirect investment in mainland China through an existing company in a third region.
- Other

Note 2: Except for JY Technology (Shanghai), the others are all based on audited financial statements.

Note 3: Calculated based on 60% of the net equity of the latest financial statements of the Company as of December 31, 2020.

Note 4: Investment gain (loss) was translated into the New Taiwan dollar at the average rate of HK\$1=NT\$3.81, US\$1=NT\$29.55, RMB1=NT\$4.28 for the year ended December 31, 2020; the others are translated into the New Taiwan dollars at the rates of HK\$1=NT\$3.67, US\$1=NT\$28.48, RMB1=NT\$4.36 prevailing on December 31, 2020.

Note 5: Excluded the investment amount of HK\$22 thousand in Adlink Technology (Shenzhen) Co., Ltd. and US\$148 thousand in Adlink Technology (China) Co., Ltd. from Adlink Technology (HK) Co., Ltd.'s capital surplus.

Note 6: Excluded Adlink Technology (China) Co., Ltd.'s investment amount, RMB2,000 thousand in Dongguan Lingyao Electronic Technology Co., Ltd. and RMB15,000 thousand in JY Technology (Shanghai), respectively.

Note 7: The liquidation completed in November 2020. In January 2021, the Company indirect invested Adlink Technology (China) Co., Ltd. through Adlink Technology (HK) Co., Ltd.

Note 8: It has been eliminated when preparing the consolidated financial statements.

**TABLE 10****ADLINK TECHNOLOGY INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars or Foreign Currency, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
AU Optronics Corp.	42,310,407	19.45
Chroma ATE Inc.	24,492,253	11.26
Cathay Biotech Inc. investment account entrusted Citi (Taiwan)		
Commercial Bank	14,707,559	6.76
Zenitron Corporation	13,537,592	6.22

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by The Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Adlink Technology Inc.

**Opinion**

We have audited the financial statements of Adlink Technology Inc. (the "Company"), which

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Adlink Technology Inc.

### **Opinion**

We have audited the financial statements of Adlink Technology Inc. (the “Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and the notes to the financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

Key audit matters of the financial statements for the year ended December 31, 2020 are stated as follows:

Impairment of Investments Accounted for Using the Equity Method (including Goodwill)

In order to expand the “Industrial Internet of Things” market, Adlink Technology Inc. entered into a share purchase agreement for the acquisition of a 100% equity interest in Adlink Technology Limited (Refer to Note 11 for organization restructuring). The acquisition resulted in the recognition of goodwill which mainly represents the control premium included in the cost of the acquisition. Since the management’s assessment of the relevant cash-generating units is based on the management’s judgment and estimation, the recognition of the impairment of goodwill is deemed to be a key audit matter. Refer to Notes 5 and 11 to the consolidated financial statements for details of the impairment of goodwill.

Our responsive audit procedures performed in respect of the aforesaid impairment included obtaining of future business plans of Adlink Technology Limited from the management and reviewing of recent performance and industry trends of the relevant cash-generating units in order to evaluate the process and the basis of the sales growth rate and rate of return predicted for the future business plans. We further consulted our internal financial advisors to assess whether the assumptions (i.e. the valuation method used to measure the recoverable amounts and the discount rate) used by external specialists employed by the management were consistent with the current situation of the Group and its industry. We also performed our own calculations of the impairment to verify the assumptions.

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

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

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

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

**Auditors’ Responsibilities for the Audit of the Financial Statements**

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



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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wen-Chi Kuo and Cheng-Ming Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2021

Notice to Readers

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

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

# ADLINK TECHNOLOGY INC.

## BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,305,090	19	\$ 1,102,038	16
Financial assets at fair value through profit or loss (Note 7)	100,674	2	100,313	2
Financial assets at amortized cost (Note 8)	-	-	47,300	1
Notes receivable (Note 9)	2,341	-	5,027	-
Trade receivables (Note 9)	538,368	8	535,571	8
Trade receivables from related parties (Note 26)	1,041,301	15	1,289,305	19
Other receivables	36,020	1	55,816	1
Other receivables from related parties (Note 26)	85,385	1	161,817	2
Inventories (Note 10)	905,548	13	968,832	15
Other current assets	45,313	1	15,276	-
Total current assets	4,060,040	60	4,281,295	64
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Note 11)	1,806,748	27	1,822,428	27
Property, plant and equipment (Notes 12, 26 and 27)	274,076	4	296,941	4
Right-of-use assets (Note 13)	15,350	-	32,005	1
Intangible assets	30,561	1	38,581	1
Deferred tax assets (Note 21)	232,264	3	214,019	3
Prepayments for properties and equipment (Note 26)	308,407	5	2,909	-
Refundable deposits	21,893	-	24,021	-
Total non-current assets	2,689,299	40	2,430,904	36
TOTAL	\$ 6,749,339	100	\$ 6,712,199	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 200,000	3	\$ -	-
Financial liabilities at fair value through profit or loss (Note 7)	793	-	-	-
Trade payables (Note 15)	665,733	10	799,395	12
Trade payables to related parties (Note 26)	295,197	4	413,293	6
Other payables (Notes 16 and 26)	525,096	8	525,599	8
Current tax liabilities	68,313	1	86,406	1
Provisions	29,748	1	31,464	1
Lease liabilities (Note 13)	15,168	-	25,712	-
Other current liabilities (Note 19)	83,208	1	19,785	-
Total current liabilities	1,883,256	28	1,901,654	28
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 14)	265,000	4	45,000	1
Provisions	19,212	-	29,748	-
Deferred tax liabilities (Note 21)	8,587	-	-	-
Lease liabilities (Note 13)	263	-	6,423	-
Net defined benefit liabilities (Note 17)	56,975	1	53,121	1
Total non-current liabilities	350,037	5	134,292	2
Total liabilities	2,233,293	33	2,035,946	30
EQUITY (Note 18)				
Ordinary shares	2,174,973	32	2,174,973	33
Capital surplus	1,167,721	17	1,515,716	23
Retained earnings				
Legal reserve	630,171	9	585,854	9
Special reserve	180,850	3	135,239	2
Unappropriated earnings	595,332	9	445,321	6
Total retained earnings	1,406,353	21	1,166,414	17
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(233,001)	(3)	(180,850)	(3)
Total equity	4,516,046	67	4,676,253	70
TOTAL	\$ 6,749,339	100	\$ 6,712,199	100

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

# ADLINK TECHNOLOGY INC.

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 26)	\$ 6,081,925	100	\$ 7,399,729	100
OPERATING COSTS (Notes 10, 20 and 26)	<u>4,208,421</u>	<u>69</u>	<u>5,165,855</u>	<u>70</u>
GROSS PROFIT	1,873,504	31	2,233,874	30
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>37,324</u>	<u>-</u>	<u>13,275</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,910,828</u>	<u>31</u>	<u>2,247,149</u>	<u>30</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing	240,309	4	242,513	3
General and administrative	347,034	6	463,559	6
Research and development	1,015,835	16	937,284	13
Expected credit loss	<u>1,880</u>	<u>-</u>	<u>282</u>	<u>-</u>
Total operating expenses	<u>1,605,058</u>	<u>26</u>	<u>1,643,638</u>	<u>22</u>
PROFIT FROM OPERATIONS	<u>305,770</u>	<u>5</u>	<u>603,511</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Notes 20 and 26)				
Interest income	2,181	-	3,808	-
Other income	103,452	2	103,356	1
Other gains and losses	(204,683)	(3)	(80,686)	(1)
Finance costs	(1,244)	-	(1,054)	-
Share of profit or loss of subsidiaries and associates	<u>94,074</u>	<u>1</u>	<u>(76,479)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(6,220)</u>	<u>-</u>	<u>(51,055)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	299,550	5	552,456	7
INCOME TAX EXPENSE (Note 21)	<u>55,885</u>	<u>1</u>	<u>109,285</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>243,665</u>	<u>4</u>	<u>443,171</u>	<u>6</u>

(Continued)

# ADLINK TECHNOLOGY INC.

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

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ (4,070)	-	\$ (3,373)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	<u>814</u>	<u>-</u>	<u>674</u>	<u>-</u>
	<u>(3,256)</u>	<u>-</u>	<u>(2,699)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 18)	(64,604)	(1)	(57,013)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>12,921</u>	<u>-</u>	<u>11,402</u>	<u>-</u>
	<u>(51,683)</u>	<u>(1)</u>	<u>(45,611)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(54,939)</u>	<u>(1)</u>	<u>(48,310)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 188,726</u>	<u>3</u>	<u>\$ 394,861</u>	<u>5</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.12</u>		<u>\$ 2.04</u>	
Diluted	<u>\$ 1.11</u>		<u>\$ 2.02</u>	

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

(Concluded)

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

	Ordinary Share Capital	Capital Surplus	Retained Earnings				Other Equity			
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unearned Employee Benefit	Total Other Equity	Total Equity
BALANCE AT JANUARY 1, 2019	\$ 2,175,232	\$ 1,553,448	\$ 561,410	\$ 154,353	\$ 249,454	\$ 965,217	\$ (135,239)	\$ (656)	\$ (135,895)	\$ 4,558,002
Appropriation of the 2018 earnings										
Legal reserve	-	-	24,444	-	(24,444)	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1.1 per share	-	-	-	-	(239,275)	(239,275)	-	-	-	(239,275)
Special reserve reversed	-	-	-	(19,114)	19,114	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	5,514	-	-	-	-	-	-	-	5,514
Issue of cash from capital surplus - NT\$0.2 per share	-	(43,505)	-	-	-	-	-	-	-	(43,505)
Net profit for the year ended December 31, 2019	-	-	-	-	443,171	443,171	-	-	-	443,171
Other comprehensive loss for the year ended December 31, 2019, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,699)</u>	<u>(2,699)</u>	<u>(45,611)</u>	<u>-</u>	<u>(45,611)</u>	<u>(48,310)</u>
Total comprehensive income (loss) for the year ended December 31, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,472</u>	<u>440,472</u>	<u>(45,611)</u>	<u>-</u>	<u>(45,611)</u>	<u>394,861</u>
Retirement of restricted shares for employees	(259)	259	-	-	-	-	-	-	-	-
Compensation costs of share-based payments recognized by the Company	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>656</u>	<u>656</u>	<u>656</u>
BALANCE AT JANUARY 1, 2020	2,174,973	1,515,716	585,854	135,239	445,321	1,166,414	(180,850)	-	(180,850)	4,676,253
Appropriation of the 2019 earnings										
Legal reserve	-	-	44,317	-	(44,317)	-	-	-	-	-
Special reserve	-	-	-	45,611	(45,611)	-	-	-	-	-
Issue of cash from capital surplus - NT\$1.6 per share	-	(347,995)	-	-	-	-	-	-	-	(347,995)
Net profit for the year ended December 31, 2020	-	-	-	-	243,665	243,665	-	-	-	243,665
Other comprehensive loss for the year ended December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,256)</u>	<u>(3,256)</u>	<u>(51,683)</u>	<u>-</u>	<u>(51,683)</u>	<u>(54,939)</u>
Total comprehensive income (loss) for the year ended December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,409</u>	<u>240,409</u>	<u>(51,683)</u>	<u>-</u>	<u>(51,683)</u>	<u>188,726</u>
Differences between carrying amount and actual acquisition of interests in subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(470)</u>	<u>(470)</u>	<u>(468)</u>	<u>-</u>	<u>(468)</u>	<u>(938)</u>
BALANCE AT DECEMBER 31, 2020	<u>\$ 2,174,973</u>	<u>\$ 1,167,721</u>	<u>\$ 630,171</u>	<u>\$ 180,850</u>	<u>\$ 595,332</u>	<u>\$ 1,406,353</u>	<u>\$ (233,001)</u>	<u>\$ -</u>	<u>\$ (233,001)</u>	<u>\$ 4,516,046</u>

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

# ADLINK TECHNOLOGY INC.

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 299,550	\$ 552,456
Adjustments for:		
Depreciation expenses	96,530	91,131
Amortization expenses	80,775	71,774
Expected credit loss recognized on trade receivables	1,880	282
Net loss (gain) of financial assets at fair value through profit or loss	432	(77)
Finance costs	1,244	1,054
Interest income	(2,181)	(3,808)
Dividend income	(446)	(465)
Compensation costs of share-based payments	-	656
Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(94,074)	76,479
Loss (gain) on disposal of property, plant and equipment	213	(106)
Impairment loss recognized on goodwill and intangible assets	192,292	59,205
Write-downs of (reversal of) inventories	21,242	(2,538)
Unrealized gain on transactions with subsidiaries	(37,324)	(13,275)
Net loss on foreign currency exchange	18,260	7,181
Changes in operating assets and liabilities		
Notes receivable	2,686	57,835
Trade receivables	(26,840)	195,719
Trade receivables from related parties	219,885	(195,479)
Other receivables	17,298	(20,775)
Other receivables from related parties	76,740	(52,593)
Inventories	42,042	318,676
Other current assets	(1,693)	(7,974)
Contract liabilities	(1,869)	-
Notes payable	-	(595)
Trade payables	(108,027)	(107,793)
Trade payables to related parties	(101,560)	319,658
Other payables	(6,477)	83,589
Provisions	(12,252)	(2,129)
Other current liabilities	65,292	8,148
Net defined benefit liabilities	(216)	(506)
Cash generated from operations	743,402	1,435,730
Interest received	2,181	3,808
Interest paid	(1,136)	(1,146)
Income tax paid	(67,403)	(128,839)
Net cash generated from operating activities	677,044	1,309,553
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	-	(100,000)
Purchase of financial assets at amortized cost	-	(47,300)
Proceeds from sale of financial assets at amortized cost	47,300	-

(Continued)

# ADLINK TECHNOLOGY INC.

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

	2020	2019
Acquisition of investments accounted for using the equity method	\$ (107,862)	\$ -
Payments for property, plant and equipment	(14,404)	(11,450)
Proceeds from disposal of property, plant and equipment	29	2,007
Decrease in refundable deposits	2,128	4,098
Payments for computer software	(91,500)	(77,392)
Increase in prepayments for properties and equipment	(323,310)	(1,943)
Dividends received	<u>446</u>	<u>465</u>
Net cash used in investing activities	<u>(487,173)</u>	<u>(231,515)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	300,000	100,000
Repayments of short-term borrowings	(100,000)	(200,000)
Proceeds from long-term borrowings	220,000	145,000
Repayments of long-term borrowings	-	(300,000)
Repayment of the principal portion of lease liabilities	(43,370)	(30,904)
Cash dividends paid	<u>(347,995)</u>	<u>(282,780)</u>
Net cash generated from (used in) financing activities	<u>28,635</u>	<u>(568,684)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(15,454)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	203,052	509,354
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,102,038</u>	<u>592,684</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,305,090</u>	<u>\$ 1,102,038</u>

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

(Concluded)



# ADLINK TECHNOLOGY INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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#### 1. GENERAL INFORMATION

Adlink Technology Inc. (the “Company”) was incorporated in the Republic of China (ROC) in August 1995. The Company mainly manufactures and sells hardware, software and peripheral devices of industrial computers.

The Company’s shares were previously listed on the Taipei Exchange (TPEX) Mainboard from March 2002 until it became listed on the Taiwan Stock Exchange (TWSE) in November 2004.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar (NTD).

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 25, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

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

The above amendments of standards and interpretations did not have the material impact on the Company’s financial position, financial performance and accounting policies.

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

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

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

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

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

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

The Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### **b. Basis of preparation**

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

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

Inventories consist of raw materials, supplies, work-in-process, finished goods and merchandise, which are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments accounted for using the equity method

Investments in subsidiaries and associates are accounted for using the equity method.

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

1) Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company.

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

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

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

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

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

## 2) Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

## g. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

#### h. Intangible assets

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

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

#### i. Financial instruments

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

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

For those financial assets and financial liabilities which are measured at fair value, its fair value is determined in the manner described in Note 25.

##### 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

The Company's financial assets are classified into the following categories:

##### a) Financial asset at FVTPL

The Company's financial assets mandatorily classified as at FVTPL are investments in equity instruments which are not designated as at FVTOCI, it was measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses.

##### b) Financial assets at amortized cost

If the financial assets, which are invested by the Company, are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost.

Subsequent to initial recognition, financial assets are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. On derecognition, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Except for purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods, interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

The Company's financial assets at amortized cost include cash and cash equivalents, pledge deposits, trade receivables at amortized cost, other receivables and refundable deposits. Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition and third-party paying accounts, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## 2) Equity instruments

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

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

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

## 3) Financial liabilities

Except the Financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

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

#### 4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

#### j. Assessment of asset impairment

##### 1) Property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of above assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

##### 2) Investments accounted for using the equity method

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

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

##### 3) Financial assets

The Company assesses the impairment loss of financial assets at amortized cost (including trade receivables) by lifetime expected credit losses on each balance sheet date.



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

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

For internal credit risk management purposes, the Company determines that situations such as a default or delinquency in interest or principal payments, or internal or external information show that the debtor is unlikely to pay its creditors, indicates that a financial asset is in default (without taking into account any collateral held by the Company).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

k. Provision

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

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the obligations.

l. Revenue recognition

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

Revenue from the sale of goods comes from sales of hardware, software and peripheral devices of industrial computers. Sales of the above goods are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped, because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received prior to delivery of the goods is recognized as a contract liability until the goods have been transferred to the customer.

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

m. Leases

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

### The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities.

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

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

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

#### n. Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

#### o. Employee benefits

##### 1) Short-term employee benefits

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

##### 2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

### 3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

### 4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefits and when the Company recognizes any related restructuring costs.

## p. Share-based payment arrangements

The fair value at the grant date of the employee share options/restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options/other equity - unearned employee benefits.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. Dividends paid to employees on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings/capital surplus - restricted shares for employees.

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

## q. Taxation

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

### 1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

## 2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affect both current and future periods.

### **Impairment of Goodwill**

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 50	\$ 50
Checking accounts and demand deposits	1,304,967	1,101,988
Cash equivalents - third-party paying accounts	<u>73</u>	<u>-</u>
	<u>\$ 1,305,090</u>	<u>\$ 1,102,038</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets mandatorily classified as at FVTPL - current		
Mutual funds	<u>\$ 100,674</u>	<u>\$ 100,313</u>
Financial liabilities at FVTPL - current		
Foreign exchange forward contracts not under hedge accounting	<u>\$ 793</u>	<u>\$ -</u>

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2020</u>			
Sell	USD/NTD	January 2021	USD1,000/NTD28,492
Sell	USD/NTD	February 2021	USD2,000/NTD56,224

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. Therefore, the Company elected not to be accounted for using hedge accounting.

Refer to Table 3 for information relating to the equity instruments held by the Company were classified as financial assets at FVTPL as of December 31, 2020.

## 8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

Financial assets at amortized cost were time deposits with original maturities of more than 3 months. The ranges of interest rates held by the Company were approximately 1.02%-1.05% per annum as of December 31, 2019.

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Notes receivable</u>		
Gross carrying amount at amortized cost	\$ 2,341	\$ 5,027
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 2,341</u>	<u>\$ 5,027</u>
<u>Trade receivables</u>		
Gross carrying amount at amortized cost	\$ 540,684	\$ 536,007
Less: Allowance for impairment loss	<u>(2,316)</u>	<u>(436)</u>
	<u>\$ 538,368</u>	<u>\$ 535,571</u>

The average credit period of sales of goods was 30 to 90 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

### December 31, 2020

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Gross carrying amount	\$ 513,375	\$ 987	\$ 23,927	\$ 2,395	\$ 540,684
Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,316)</u>	<u>(2,316)</u>
Amortized cost	<u>\$ 513,375</u>	<u>\$ 987</u>	<u>\$ 23,927</u>	<u>\$ 79</u>	<u>\$ 538,368</u>

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Gross carrying amount	\$ 519,803	\$ 2,363	\$ 9,909	\$ 3,932	\$ 536,007
Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>(436)</u>	<u>(436)</u>
Amortized cost	<u>\$ 519,803</u>	<u>\$ 2,363</u>	<u>\$ 9,909</u>	<u>\$ 3,496</u>	<u>\$ 535,571</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 436	\$ 154
Add: Net remeasurement of loss allowance	<u>1,880</u>	<u>282</u>
Balance at December 31	<u>\$ 2,316</u>	<u>\$ 436</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Raw materials	\$ 396,830	\$ 401,897
Supplies	8,876	8,332
Work in progress	189,947	229,343
Finished goods	173,973	219,560
Merchandise	<u>135,922</u>	<u>109,700</u>
	<u>\$ 905,548</u>	<u>\$ 968,832</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Cost of inventories sold	\$ 4,132,978	\$ 5,098,457
Unallocated production overhead	54,201	69,936
Inventory write-downs (reversed)	<u>21,242</u>	<u>(2,538)</u>
	<u>\$ 4,208,421</u>	<u>\$ 5,165,855</u>

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2020		2019	
	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)
<u>Investments in subsidiaries (a)</u>				
Adlink International Co., Ltd.	\$ 1,763,694	100.0	\$ 1,635,439	100.0
Adlink Technology Singapore Pte Ltd.	137,515	100.0	133,792	100.0
Adlink Technology Japan Company	61,051	100.0	62,469	85.1
Adlink Technology Korea Ltd.	13,651	100.0	9,577	100.0
Adlink Technology Limited	(261,573)	100.0	-	-
PrismTech Group Limited	-	-	(16,581)	100.0
	<u>1,714,338</u>		<u>1,824,696</u>	
<u>Investments in associates (b)</u>				
Associates that are not individually material				
Farobot Inc.	92,410	49.0	-	-
JY Technology (Korea)	-	28.2	(2,268)	28.2
	<u>92,410</u>		<u>(2,268)</u>	
	<u>\$ 1,806,748</u>		<u>\$ 1,822,428</u>	

### a. Investments in subsidiaries

Refer to Table 7 and 8 for the details of the subsidiaries indirectly held by the Company.

In July 2020, the Company acquired 14.9% non-controlling interest of Adlink Technology Japan Corporation and increased its continuing interest from 85.1% to 100%. The above transaction was accounted for as equity transaction since the Company did not change the control over the subsidiary. Refer to Note 27 to the Company's consolidated financial statements for the year ended December 31, 2020 for related information.

In order to expand the Asia market, the Company incorporated Adlink Technology Korea Ltd. in January 2019.

In order to develop the "Industrial Internet of Things" market, PrismTech Holdings Limited was indirectly held by the Company through PrismTech Group Limited. Then Adlink Technology Limited was indirectly held by the Company through PrismTech Holdings Limited. Moreover, Adlink Technology Limited invested in subsidiaries of France and the Netherlands.

To improve efficiency in management and utilization of the Company's resources, the Company restructured its organization and transferred the ownership of Adlink Technology Limited from PrismTech Holdings Limited to PrismTech Group Limited in September 2019. Subsequently, the Company transferred the ownership of Adlink Technology Limited from PrismTech Group Limited to the Company in March 2020. During the transfer of ownership of Adlink Technology Limited in September 2019 and March 2020, respectively, the Company has simultaneously started the liquidation process of PrismTech Group Limited and PrismTech Holdings Limited, and the liquidation was completed in September 2020.



Adlink Technology Limited, the Company's subsidiaries in the UK, failed to achieve their operating performance targets. Nevertheless, the management has a plan to promote their products and expects to take advantage of the industrial computer products and continue developing the Industrial Internet of Things. The management assessed that the expected recoverable amount of goodwill was lower than the related carrying amount; thus, impairment losses of \$192,292 thousand and \$59,205 thousand were recognized for the years ended December 31, 2020 and 2019, respectively.

The main recoverable amount was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management covering a 5-year period; the discount rate was 12.5% and 12%, respectively. Other key assumptions included budgeted revenue and budgeted gross margin. Such assumptions were based on the past performance of the cash-generating unit and management's expectations of market development.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were calculated based on the financial statements which have been audited.

b. Investments in associates

Refer to Tables 7 and 8 for the nature of activities, principal place of business and country of incorporation of the associate.

The Company and Hyield Venture Capital Co., Ltd. (a subsidiary of Hon Hai Precision Industry Co., Ltd.) jointly set up Farobot Inc in July 2020. The Company invested 49% equity interest in Farobot Inc. but did not have control over this investee.

Aggregate Information of associates that are not individually material:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of loss from continuing operations	<u>\$ (6,084)</u>	<u>\$ (11,421)</u>

The investments in associates accounted for using the equity method and the share of profit or loss of those investments were calculated based on financial statements which have not been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of the mentioned above investments which have not been audited.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Leasehold Improvements</b>	<b>Other Equipment</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2019	\$ 131,362	\$ 119,970	\$ 377,969	\$ 102,903	\$ 181,092	\$ 913,296
Additions	-	2,194	1,819	924	7,863	12,800
Transfer from prepayments for equipment	-	-	-	-	165	165
Disposals	-	-	(4,872)	(3,312)	(4,881)	(13,065)
Balance at December 31, 2019	<u>\$ 131,362</u>	<u>\$ 122,164</u>	<u>\$ 374,916</u>	<u>\$ 100,515</u>	<u>\$ 184,239</u>	<u>\$ 913,196</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Leasehold Improvements	Other Equipment	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ -	\$ 51,628	\$ 267,402	\$ 97,444	\$ 150,455	\$ 566,929
Depreciation expense	-	3,081	37,074	2,073	18,262	60,490
Disposals	-	-	(4,817)	(1,586)	(4,761)	(11,164)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 54,709</u>	<u>\$ 299,659</u>	<u>\$ 97,931</u>	<u>\$ 163,956</u>	<u>\$ 616,255</u>
Carrying amounts at December 31, 2019	<u>\$ 131,362</u>	<u>\$ 67,455</u>	<u>\$ 75,257</u>	<u>\$ 2,584</u>	<u>\$ 20,283</u>	<u>\$ 296,941</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 131,362	\$ 122,164	\$ 374,916	\$ 100,515	\$ 184,239	\$ 913,196
Additions	-	100	1,307	-	11,367	12,774
Transfer from prepayments for equipment	-	-	370	-	17,442	17,812
Disposals	-	-	(631)	(251)	(7,612)	(8,494)
Balance at December 31, 2020	<u>\$ 131,362</u>	<u>\$ 122,264</u>	<u>\$ 375,962</u>	<u>\$ 100,264</u>	<u>\$ 205,436</u>	<u>\$ 935,288</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ -	\$ 54,709	\$ 299,659	\$ 97,931	\$ 163,956	\$ 616,255
Depreciation expense	-	3,292	30,315	1,868	17,734	53,209
Disposals	-	-	(611)	(252)	(7,389)	(8,252)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 58,001</u>	<u>\$ 329,363</u>	<u>\$ 99,547</u>	<u>\$ 174,301</u>	<u>\$ 661,212</u>
Carrying amounts at December 31, 2020	<u>\$ 131,362</u>	<u>\$ 64,263</u>	<u>\$ 46,599</u>	<u>\$ 717</u>	<u>\$ 31,135</u>	<u>\$ 274,076</u>

(Concluded)

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

#### Building

Main buildings	50 years
Mechanical and electrical accessories	3-5 years
Decoration	3-10 years
Machinery equipment	3-8 years
Leasehold improvements	3-5 years
Other equipment	1-5 years

Property, plant and equipment pledged by the Company as collateral for bank borrowing facilities are set out in Note 27.

### 13. LEASE ARRANGEMENTS

The Company's important lease projects include lease the plants from other companies for the use of the plants and warehouses. The lease terms is 2 to 3 years. The Company does not have bargain purchase options to acquire lease items at the end of lease terms. In addition, the Company leases building and office equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases. Refer to the balance sheet for the balance of right-of-use assets and lease liabilities of lease arrangement as of balance sheet date.

Other significant lease related information are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 26,923</u>	<u>\$ 27,640</u>
Depreciation charge for right-of-use assets	<u>\$ 43,321</u>	<u>\$ 30,641</u>
Expenses relating to short-term leases	<u>\$ 19,234</u>	<u>\$ 32,303</u>
Total cash outflow for leases	<u>\$ 62,880</u>	<u>\$ 63,207</u>

#### **14. BORROWINGS**

##### **a. Short-term borrowings**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank loans	<u>\$ 200,000</u>	<u>\$ -</u>

As of December 31, 2020, the interest rates on the short-term borrowings was 0.51% per annum. The expected repayment period of short-term borrowings was June 2020.

Refer to Note 25 for related information about utilized and unutilized bank loan facilities.

##### **b. Long-term borrowings**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank loans	<u>\$ 265,000</u>	<u>\$ 45,000</u>

As of December 31, 2020 and 2019, the interest rates on the long-term borrowings were 0.50% and 0.75% per annum, respectively. The expected repayment period of long-term borrowings were October to November 2024 and October 2026, respectively.

Refer to Note 25 for related information about utilized and unutilized bank loan facilities.

#### **15. TRADE PAYABLES**

Trade payables are generated from operating activities. The average credit period for purchase of certain goods was 60 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 16. OTHER PAYABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Salaries and bonuses	\$ 274,012	\$ 265,461
Compensation to employees	50,445	96,383
Outsourcing costs	28,163	32,230
Remuneration of directors	2,600	6,000
Others	<u>169,876</u>	<u>125,525</u>
	<u>\$ 525,096</u>	<u>\$ 525,599</u>

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of length of service and average monthly salaries of the six months before retirement. The Company contributes amount equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of year, the Company assesses the balances in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 110,642	\$ 109,258
Fair value of plan assets	<u>(53,667)</u>	<u>(56,137)</u>
Net defined benefit liabilities	<u>\$ 56,975</u>	<u>\$ 53,121</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	\$ 101,967	\$ (51,713)	\$ 50,254
Current service cost	1,116	-	1,116
Net interest expense (income)	1,015	(522)	493
Recognized in profit or loss	<u>2,131</u>	<u>(522)</u>	<u>1,609</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,787)	(1,787)
Actuarial (gain) loss			
Changes in demographic assumptions	1,410	-	1,410
Changes in financial assumptions	3,280	-	3,280
Experience adjustments	<u>470</u>	<u>-</u>	<u>470</u>
Recognized in other comprehensive income (loss)	<u>5,160</u>	<u>(1,787)</u>	<u>3,373</u>
Contributions from the employer	<u>-</u>	<u>(2,115)</u>	<u>(2,115)</u>
Balance at December 31, 2019	<u>109,258</u>	<u>(56,137)</u>	<u>53,121</u>
Current service cost	1,398	-	1,398
Net interest expense (income)	816	(425)	391
Recognized in profit or loss	<u>2,214</u>	<u>(425)</u>	<u>1,789</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,799)	(1,799)
Actuarial (gain) loss			
Changes in demographic assumptions	(120)	-	(120)
Changes in financial assumptions	2,086	-	2,086
Experience adjustments	<u>3,903</u>	<u>-</u>	<u>3,903</u>
Recognized in other comprehensive income (loss)	<u>5,869</u>	<u>(1,799)</u>	<u>4,070</u>
Contributions from the employer	<u>-</u>	<u>(2,005)</u>	<u>(2,005)</u>
Benefits paid	<u>(6,699)</u>	<u>6,699</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 110,642</u>	<u>\$ (53,667)</u>	<u>\$ 56,975</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.40%	0.75%
Expected rate(s) of salary increase	3.80%	4.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (3,307)</u>	<u>\$ (3,347)</u>
0.25% decrease	<u>\$ 3,450</u>	<u>\$ 3,493</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 3,326</u>	<u>\$ 3,373</u>
0.25% decrease	<u>\$ (3,209)</u>	<u>\$ (3,252)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plan for the next year	<u>\$ 2,096</u>	<u>\$ 1,975</u>
Average duration of the defined benefit obligation	12.2 years	12.5 years

## 18. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Number of shares authorized (in thousands)	<u>280,000</u>	<u>280,000</u>
Shares authorized	<u>\$ 2,800,000</u>	<u>\$ 2,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>217,497</u>	<u>217,497</u>
Shares issued	<u>\$ 2,174,973</u>	<u>\$ 2,174,973</u>

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

A total of 5,000 thousand shares of the Company's authorized shares were reserved for the issuance of employee share options.

For the year ended December 31, 2019, the Company retired 26 thousand employee restricted shares.

The Company issued 12,608 thousand shares, at an issue price of \$34.5 per share, through a private placement for cash of \$435,000 thousand in January 2013, and distributed share dividends of 883 thousand shares and 1,217 thousand shares in August 2014 and August 2015, respectively, to the shareholders. As of December 31, 2020, the number of ordinary shares issued through private placements was 14,708 thousand shares.

On June 13, 2018, the Company's shareholders resolved to issue 24,000 thousand ordinary shares and/or overseas or domestic convertible bonds (in the case of private placement of overseas or domestic convertible bonds, the number of ordinary shares to be converted shall not exceed 24,000 shares), through a private placement for a consideration of NT\$10 per share, which will be in order to introduce strategic investors into the Company, improve related technologies and expand the market. In consideration of the capital market, the above plan was suspended and its suspension was approved by the Company's board of directors on April 25, 2019.

b. Capital surplus

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 784,379	\$ 1,132,374
Conversion of bonds	207,034	207,034
Treasury share transactions	17,579	17,579
<u>May be used to offset a deficit only</u>		
Arising from employee share options exercised	43,453	43,453
Arising from employee share options expired	12,073	12,073
Arising from employee restricted shares vested	97,689	97,689
Changes in percentage of ownership interests in subsidiaries (2)	<u>5,514</u>	<u>5,514</u>
	<u>\$ 1,167,721</u>	<u>\$ 1,515,716</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus arises from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made post-tax profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the Company's policies on distribution of employees' compensation and remuneration of directors, refer to "Employees' compensation and remuneration of directors" in Note 20-f.

The Company's Articles of Incorporation provide that the Company adopts residual dividend policy. After setting aside amounts based on the Company's capital budget plan, the residual profits shall be distributed as cash dividends. The Company's Articles of Incorporation also prescribe that not less than 10% of total dividends shall be paid in cash.

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

Items referred to under Rule No. 1010012865, issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 approved in the shareholders' meetings on June 22, 2020 and June 19, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 44,317	\$ 24,444		
Special reserve	45,611	(19,114)		
Cash dividends	-	239,275	\$-	\$1.1

The Company's shareholders also resolved to issue cash dividends from the capital surplus of \$347,995 thousand at \$1.6 per share and \$43,505 thousand at \$0.2 per share in the shareholders' meeting on June 22, 2020 and June 19, 2019, respectively.

The appropriations of earnings for 2020 were proposed by the Company's board of directors on March 25, 2021. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>
Legal reserve	\$ 23,994
Special reserve	52,151

The Company's board of directors also proposed to issue cash dividends from the capital surplus of \$217,498 thousand at \$1.0 per share.

The appropriation of earnings for 2020 was resolved in the shareholders' meeting held on June 24, 2021.



d. Other equity items

Exchange differences on translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (180,850)	\$ (135,239)
Exchange differences on translation of the financial statements of foreign operations	(64,604)	(57,013)
Related income tax	12,921	11,402
Acquisition of partial interests in subsidiary (Note 11)	<u>(468)</u>	<u>-</u>
Balance at December 31	<u>\$ (233,001)</u>	<u>\$ (180,850)</u>

## 19. REVENUE

All revenue comes from sale of goods. Refer to Note 4 for the information of contracts with customers. Except for trade receivables, the balance of contract liabilities at the end of reporting period and the information of contracts with customers for the years ended December 31, 2020 and 2019, respectively, were as follows:

a. Contract information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Embedded Platforms & Modules	\$ 3,447,540	\$ 4,490,197
Networking, Communications, Public Sector	1,432,595	1,716,244
IoT Solution and Technology	1,142,013	1,145,290
Others	<u>59,777</u>	<u>47,998</u>
	<u>\$ 6,081,925</u>	<u>\$ 7,399,729</u>

b. Contract balances

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Contract liabilities (reported as other current liabilities)		
Sale of goods	<u>\$ 8,685</u>	<u>\$ 10,554</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

## 20. NET PROFIT FOR THE YEAR

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Procurement service revenue (Note 26)	\$ 51,513	\$ 19,576
Income from royalties (Note 26)	25,174	29,088
Grant revenue	18,959	45,878
Others	<u>7,806</u>	<u>8,814</u>
	<u>\$ 103,452</u>	<u>\$ 103,356</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Impairment losses (Note 11)	\$ (192,292)	\$ (59,205)
Net foreign exchange losses (Note 29)	(10,262)	(21,664)
Net loss (gain) of financial assets at fair value through profit or loss	(432)	77
(Loss) gain on disposal of property, plant and equipment	(213)	106
Others	<u>(1,484)</u>	<u>-</u>
	<u>\$ (204,683)</u>	<u>\$ (80,686)</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 968	\$ 661
Interest on lease liabilities	<u>276</u>	<u>393</u>
	<u>\$ 1,244</u>	<u>\$ 1,054</u>

### d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Cost of goods sold	\$ 39,170	\$ 39,078
Operating expenses	<u>57,360</u>	<u>52,053</u>
	<u>\$ 96,530</u>	<u>\$ 91,131</u>
An analysis of amortization by function		
Cost of goods sold	\$ 1,704	\$ 1,308
Operating expenses	<u>79,071</u>	<u>70,466</u>
	<u>\$ 80,775</u>	<u>\$ 71,774</u>

e. Employee benefits expense

	For the Year Ended December 31					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Short-term benefits						
Salary expenses	\$ 206,202	\$ 897,864	\$ 1,104,066	\$ 205,118	\$ 965,816	\$ 1,170,934
Insurance expenses	19,969	60,966	80,935	20,015	59,249	79,264
Remuneration of directors	-	3,190	3,190	-	6,453	6,453
	<u>226,171</u>	<u>962,020</u>	<u>1,188,191</u>	<u>225,133</u>	<u>1,031,518</u>	<u>1,256,651</u>
Share-based payments	-	-	-	-	656	656
Retirement benefits						
Defined contribution plans	9,187	38,654	47,841	9,052	37,204	46,256
Defined benefit plans	-	1,789	1,789	-	1,609	1,609
	<u>9,187</u>	<u>40,443</u>	<u>49,630</u>	<u>9,052</u>	<u>38,813</u>	<u>47,865</u>
Other employee benefits	<u>11,787</u>	<u>31,333</u>	<u>43,120</u>	<u>8,879</u>	<u>32,844</u>	<u>41,723</u>
Total employee benefits expense	<u>\$ 247,145</u>	<u>\$ 1,033,796</u>	<u>\$ 1,280,941</u>	<u>\$ 243,064</u>	<u>\$ 1,103,831</u>	<u>\$ 1,346,895</u>

As of December 31, 2020 and 2019, the Company's average number of employees was 986 and 972 employees, respectively, among which 7 and 6 directors not concurrently holding positions in the Company in 2020 and 2019. The basis of above calculations was the same as the basis used in the calculation of employee benefits expense.

As of December 31, 2020 and 2019, the average employee benefit expenses were \$1,305 thousand and \$1,388 thousand, respectively; average salary expenses were \$1,128 thousand and \$1,213 thousand, respectively. The change in average salary expense was (7%).

The Company's compensation policy of the remuneration of directors and supervisors, managers and employees are as follows:

Remuneration of directors

In accordance with Article 26 of the Company's Articles of Incorporation, no more than 3% of the Company's annual net income before tax shall be allocated as remuneration of directors. The Company shall mainly pay remuneration based on remuneration of directors and transportation allowance to directors at each board meeting. Members of the audit committee will be paid quarterly and shall not participate in the distribution of remuneration of directors.

Remuneration of supervisors

The Company's audit committee was established to replace the supervisors in 2019, which was resolved in the shareholders' meeting. The remuneration of supervisors was distributed based on the rate of remuneration of directors before 2019. The remuneration of supervisors was \$500 thousand for the year ended December 31, 2019.

Salary of managers and staffs

In accordance with Article 26 of the Company's Articles of Incorporation, the Company accrues employees' compensation at rates from of 3% to 20% of the Company's annual net income before tax. The Company has established the Regulations Incentives for Staffs, and he/she shall be paid a fixed monthly salary based on the pay standards for similar positions in the industry. Any proposal to change employee bonus shall be made according to the Company's operational performance for the current year and by taking individual performance appraisal into consideration.

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at the rates from 3% to 20% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employee's compensation and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 25, 2021 and March 19, 2020, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>Accrual Rate (%)</b>	<b>Cash</b>	<b>Accrual Rate (%)</b>
Employees' compensation	\$ 49,000	13.95	\$ 96,383	14.72
Remuneration of directors	2,600	0.74	6,000	0.92

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

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

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 57,043	\$ 133,469
Income tax on unappropriated earnings	15,698	37
Adjustments for prior years	<u>(20,933)</u>	<u>(1,149)</u>
	51,808	132,357
Deferred tax		
In respect of the current year	<u>4,077</u>	<u>(23,072)</u>
Income tax expense recognized in profit or loss	<u>\$ 55,885</u>	<u>\$ 109,285</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	\$ 299,550	\$ 552,456
Income tax expense calculated at the statutory rate	\$ 59,910	\$ 110,491
Nondeductible expenses in determining taxable income	1,334	12
Tax-exempt income	(124)	(106)
Income tax on unappropriated earnings	15,698	37
Adjustments for prior years' tax	<u>(20,933)</u>	<u>(1,149)</u>
Income tax expense recognized in profit or loss	<u>\$ 55,885</u>	<u>\$ 109,285</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax in respect of the current year</u>		
Translation of foreign operations	\$ 12,921	\$ 11,402
Remeasurement of defined benefit plans	<u>814</u>	<u>674</u>
Income tax recognized in other comprehensive income	<u>\$ 13,735</u>	<u>\$ 12,076</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany gains	\$ 19,157	\$ (7,465)	\$ -	\$ 11,692
Defined benefit obligation	10,624	(43)	814	11,395
Allowance for write-down of inventories	29,626	(4,151)	-	25,475
Foreign investment loss	73,278	(19,933)	-	53,345
Exchange differences on translation of the financial statements of foreign operations	45,227	-	12,921	58,148
Others	<u>36,107</u>	<u>36,102</u>	<u>-</u>	<u>72,209</u>
	<u>\$ 214,019</u>	<u>\$ 4,510</u>	<u>\$ 13,735</u>	<u>\$ 232,264</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized exchange gains	<u>\$ -</u>	<u>\$ 8,587</u>	<u>\$ -</u>	<u>\$ 8,587</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany gains	\$ 21,812	\$ (2,655)	\$ -	\$ 19,157
Defined benefit obligation	10,051	(101)	674	10,624
Allowance for write-down of inventories	34,668	(5,042)	-	29,626
Foreign investment loss	57,982	15,296	-	73,278
Exchange differences on translation of the financial statements of foreign operations	33,825	-	11,402	45,227
Others	<u>24,693</u>	<u>11,414</u>	<u>-</u>	<u>36,107</u>
	<u>\$ 183,031</u>	<u>\$ 18,912</u>	<u>\$ 12,076</u>	<u>\$ 214,019</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized exchange gains	<u>\$ 4,160</u>	<u>\$ (4,160)</u>	<u>\$ -</u>	<u>\$ -</u>

d. Income tax assessments

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

## 22. EARNINGS PER SHARE

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

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2020	2019
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 243,665</u>	<u>\$ 443,171</u>

### Shares

	<u>(In Thousands of Shares)</u>	
	<u>For the Year Ended December 31</u>	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	217,497	217,460
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>1,142</u>	<u>2,276</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>218,639</u>	<u>219,736</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company will assume the entire amount of the compensation or bonuses will be settled in shares, and the resulting potentially dilutive shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## **23. SHARE-BASED PAYMENT ARRANGEMENTS**

### **Restricted Share Plan for Employees of the Company**

In the shareholders' meeting on June 11, 2015, the shareholders approved a restricted share plan for employees with a total amount of \$15,000 thousand, consisting 1,500 thousand shares, at the issue price of zero per share. Regulations of the employees' restricted share plan were as follows:

- a. If the employees who acquire the restricted shares issued by the Company achieve the Company's goals for financial performance, personal performance and service rules, the restricted shares are exercisable at 15%, 30% and 55% after the first, second and third anniversary year from the grant date, respectively.
- b. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:
  - 1) The employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.
  - 2) The employees holding these shares are entitled to receive dividends and participate in any share issuance for cash. Cash and share dividends received are free from vesting time (from the grant date) and will be remitted from the custodian account to employees' individual bank accounts with no consideration after the payment date.
  - 3) Their rights to propose, speak, vote and participate in other events related to shareholders' equity are all entrusted to the trust custodian.
  - 4) The restricted shares should be held in trust after being issued and non-refundable before meeting the vesting conditions.
- c. If an employee fails to meet the vesting conditions due to leaving without pay, retirement, death or disability to work caused by occupational hazards, general death, significant negligence or violation of employment agreements or work rules, transfer to another post or voluntary withdrawal, etc., his/her restricted shares will be handled in accordance with the regulations of employee restricted stock plan. However, if an employee fails to meet the vesting conditions in other general situations, the Company will recall and cancel his/her restricted shares with no consideration.

The above transaction was approved under Order No. 1040024448 issued by the FSC on June 29, 2015. The issuance base date was determined at November 2, 2015, February 18 and June 28, 2016, and the Company issued 1,220 thousand, 140 thousand and 140 thousand shares, respectively. Information about the restricted share plan for employees was as follows:

	<b>For the Year Ended December 31, 2019</b>
	<b>Number of Options (In Thousand)</b>
Restricted shares at the beginning of the year	80
Shares vested	(54)
Shares retired	<u>(26)</u>
Restricted shares at the end of the year	<u><u>-</u></u>
Compensation costs of employee restricted shares recognized were \$656 thousand for the year ended December 31, 2019.	

## 24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and total assets balance. The Company's overall strategy is expected to remain unchanged for the year ahead.

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares, and the amount of new debt issued.

The Company review the capital structure and component on basis of related amount in its consolidated financial statements. Refer to related information of the Company in its consolidated financial statements.

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

Management considers that the carrying amounts of the financial instruments recognized in the financial statements approximate their fair values.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

The Company measured mutual funds and foreign exchange forward contracts at fair value under Levels 1 and Level 2, respectively.

There was no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.



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

Foreign exchange forward contracts measured at discounted cash flows basis, which 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.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 100,674	\$ 100,313
Financial assets at amortized cost (1)	3,030,398	3,220,895
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	793	-
Financial liabilities at amortized cost (2)	1,951,056	1,783,287

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, time deposits, notes receivable, trade and other receivables (including related parties) and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term and long-term borrowings, trade payable (including related parties), other payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's major financial instruments include trade receivables, trade payables and borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports 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.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. To manage operating funds effectively and create short-term capital gains, the Company used the partial of operating funds to invest in monetary funds. The Company considered price risk arising from investment in monetary funds is not significant based on nature and amount of the investment.

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

a) Foreign currency risk

The Company had sales and purchases denominated in foreign currency, which exposed the Company to foreign currency risk. Based on the approval range of policy, the Company managed the partial of foreign currency risk through foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 29.

#### Sensitivity analysis

The Company was mainly exposed to the US\$, RMB and EUR.

The Company's sensitivity of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

A positive number below indicates an increase in pre-tax profit that would result if the New Taiwan dollar (the functional currency) weakened 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
US\$ Impact	\$ 6,001	\$ 6,933
RMB Impact	3,309	3,171
EUR Impact	2,147	1,554

The impact listed above was mainly attributable to the exposure on outstanding US\$, RMB and EUR deposits, receivables, and payables.

#### b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates.

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ -	\$ 47,300
Financial liabilities	15,431	32,135
Cash flow interest rate risk		
Financial assets	1,304,918	1,101,988
Financial liabilities	465,000	45,000

#### Sensitivity analysis

The sensitivity analysis below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$4,200 thousand and \$5,285 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties. Before accepting new customers, the Company evaluated the potential customer's credit quality through internal credit reporting and sales management department to determine credit limits. Credit limits and rating will be re-evaluated regularly every year.

In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts.

The Company's concentration of credit risk of 42% and 60% of total trade receivables as of December 31, 2020 and 2019, respectively, was attributable to the Company's the three largest customers (non-related parties). However, the Company considered credit risk is not significant because the above customers were the listed companies in domestic and foreign.

## 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash 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.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company had available unutilized bank facilities as set out in (b) below.

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

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has 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. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

#### December 31, 2020

	<b>Less than 1 Year</b>	<b>1-3 Year</b>	<b>3+ Years</b>
Non-interest bearing liabilities	\$ 1,486,056	\$ -	\$ -
Variable interest rate liabilities	201,153	75,132	193,053
Lease liabilities	<u>15,198</u>	<u>263</u>	<u>-</u>
	<u>\$ 1,702,407</u>	<u>\$ 75,395</u>	<u>\$ 193,053</u>

December 31, 2019

	<b>Less than 1 Year</b>	<b>1-3 Year</b>	<b>3+ Years</b>
Non-interest bearing liabilities	\$ 1,738,287	\$ -	\$ -
Variable interest rate liabilities	338	675	45,621
Lease liabilities	<u>25,886</u>	<u>6,439</u>	<u>-</u>
	<u>\$ 1,764,511</u>	<u>\$ 7,114</u>	<u>\$ 45,621</u>

b) Financing facilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank facilities:		
Amount used	\$ 465,000	\$ 45,000
Amount unused	<u>2,990,440</u>	<u>4,064,900</u>
	<u>\$ 3,455,440</u>	<u>\$ 4,109,900</u>
Secured bank facilities:		
Amount unused	<u>\$ 294,000</u>	<u>\$ 262,046</u>

## 26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and relationship

<b>Related Party Name</b>	<b>Related Party Category</b>
Chroma ATE Inc.	Investors with significant influence over the Company
AU Optonics Corp.	Investors with significant influence over the Company
Darwin Precisions Corp.	Subsidiaries of investors with significant influence over the Company
Adlink Technology (China) Co., Ltd.	Subsidiaries
Dongguan Lingyao Electronic Technology Co., Ltd.	Subsidiaries
Adlink Technology Singapore Pte Ltd.	Subsidiaries
Adlink Technology Japan Company	Subsidiaries
Adlink Technology Korea Ltd.	Subsidiaries
Adlink Technology Limited	Subsidiaries
Ampro Adlink Technology Inc.	Subsidiaries
Adlink Technology GmbH	Subsidiaries
PrismTech Company Limited	Subsidiaries (completed liquidation in September 2020)
JY Technology (Korea)	Associates
Farobot Inc.	Associates
Zenitron Company	Other related parties
eeWare SAS	Other related parties (the Company is its director)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Ampro Adlink Technology Inc.	\$ 1,433,101	\$ 1,910,656
Adlink Technology GmbH	931,344	1,013,356
Others	<u>1,213,591</u>	<u>1,319,885</u>
	3,578,036	4,243,897
Investors with significant influence over the Company	27,504	7,972
Subsidiaries of investors with significant influence over the Company	620	-
Associates	11,670	3,976
Others	<u>-</u>	<u>435</u>
	<u>\$ 3,617,830</u>	<u>\$ 4,256,280</u>

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Adlink Technology (China) Co., Ltd.	\$ 1,396,360	\$ 1,802,845
Others	<u>60,559</u>	<u>50,704</u>
	1,456,919	1,853,549
Investors with significant influence over the Company	326	493
Subsidiaries of investors with significant influence over the Company	18,142	-
Others	<u>3,655</u>	<u>5,060</u>
	<u>\$ 1,479,042</u>	<u>\$ 1,859,102</u>

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade receivables	Subsidiaries		
	Ampro Adlink Technology Inc.	\$ 292,636	\$ 609,609
	Adlink Technology GmbH	295,750	258,645
	Adlink Technology (China) Co., Ltd.	218,345	199,629
	Others	<u>225,903</u>	<u>217,057</u>
		1,032,634	1,284,940
	Investors with significant influence over the Company	8,667	2,752
	Associates	2,894	1,613
	Less: Share of loss of associates	<u>(2,894)</u>	<u>-</u>
		<u>\$ 1,041,301</u>	<u>\$ 1,289,305</u>

(Continued)

Line Item	Related Party Category/Name	December 31	
		2020	2019
Other receivables	Subsidiaries		
	Adlink Technology (China) Co., Ltd.	\$ 48,298	\$ 148,281
	Adlink Technology GmbH	20,349	9,075
	Ampro Adlink Technology Inc.	14,163	-
	Others	<u>713</u>	<u>4,461</u>
		83,523	161,817
	Associates	<u>1,862</u>	<u>-</u>
		<u>\$ 85,385</u>	<u>\$ 161,817</u>
			(Concluded)

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade payables	Subsidiaries		
	Adlink Technology (China) Co., Ltd.	\$ 273,194	\$ 398,120
	Others	<u>6,625</u>	<u>12,854</u>
		279,819	410,974
	Investors with significant influence over the Company	149	59
	Subsidiaries of investors with significant influence over the Company	13,903	-
	Others	<u>1,326</u>	<u>2,260</u>
		<u>\$ 295,197</u>	<u>\$ 413,293</u>
Other payables	Subsidiaries	\$ 46,716	\$ 22,142
	Investors with significant influence over the Company	904	225
	Subsidiaries of investors with significant influence over the Company	434	-
	Associates	95	-
	Others	<u>21</u>	<u>7</u>
		<u>\$ 48,170</u>	<u>\$ 22,374</u>

f. Prepayments

Line Item	Related Party Category/Name	December 31	
		2020	2019
Prepayments for properties and equipment	Investors with significant influence over the Company		
	Chroma ATE Inc.	<u>\$ 308,000</u>	<u>\$ -</u>

Refer to Note 28 for related information.

g. Property, plant and equipment acquired

Related Party Category/Name	Price	
	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Company	\$ <u>      -      </u>	\$ <u>      93      </u>

h. Endorsements and guarantees

Information on the endorsements or guarantees for subsidiaries was as follows:

	December 31	
	2020	2019
Adlink Technology Limited	\$ <u>622,400</u>	\$ <u>492,000</u>
Adlink Technology GmbH	\$ <u>560,320</u>	\$ <u>403,080</u>
Ampro Adlink Technology Inc.	\$ <u>85,440</u>	\$ <u>89,940</u>
Adlink Technology Korea Ltd.	\$ <u>28,480</u>	\$ <u>29,980</u>
All subsidiaries directly or indirectly owned by the Company (facilities shared)	\$ <u>      -      </u>	\$ <u>59,960</u>

i. Others

1) Revenue from the rendering of services

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
<u>Operating expense</u>			
R&D design expense	Subsidiaries	<u>\$ 69,871</u>	<u>\$ 37,605</u>
Software service expense	Subsidiaries	<u>\$ 15,073</u>	<u>\$ 15,908</u>
<u>Other income</u>			
Income from royalties	Subsidiaries		
	Adlink Technology (China) Co., Ltd.	<u>\$ 25,174</u>	<u>\$ 29,088</u>

2) Procurement of raw materials and equipment

Related Party Category/Name	Price		Procurement Service Revenue (Classified as Other Income)	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Subsidiaries				
Adlink Technology (China) Co., Ltd.	\$ <u>428,397</u>	\$ <u>201,497</u>	\$ <u>40,010</u>	\$ <u>15,652</u>
Others	<u>73,264</u>	<u>39,281</u>	<u>11,503</u>	<u>3,509</u>
	\$ <u>501,661</u>	\$ <u>240,778</u>	\$ <u>51,513</u>	\$ <u>19,161</u>

j. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 40,621	\$ 35,084
Post-employment benefits	<u>397</u>	<u>386</u>
	<u>\$ 41,018</u>	<u>\$ 35,470</u>

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

## **27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The assets pledged as collaterals for bank facilities were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	\$ 66,478	\$ 66,478
Buildings	<u>32,936</u>	<u>34,052</u>
	<u>\$ 99,414</u>	<u>\$ 100,530</u>

## **28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

### **a. Contingent liabilities**

The facilities that the Company provided endorsements or guarantees for its subsidiaries refer to Note 26 for information.

### **b. Contract commitments**

To integrate each department's resources, improve efficiency in management and meet operating needs in the future, the Company's board of directors resolved on July 3, 2020 to purchase the Huaya Section of Guishan District, Taoyuan City from Chroma ATE Inc., an investor with significant influence over the Company, and designated Land Serial No. 327 as the Company's management headquarter and main operating base.

The transaction amount was NT\$3,080,000 thousand based on the real estate appraisal report and current market condition. As of December 31, 2020, the transaction has not yet been completed and the Company has paid a deposit of NT\$308,000 thousand in accordance with the contract.



## 29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 48,875	28.48 (USD:NTD)	\$ 1,391,966
RMB	77,299	4.36 (RMB:NTD)	337,395
EUR	6,690	35.02 (EUR:NTD)	<u>234,267</u>
			<u>\$ 1,963,628</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	61,927	28.48 (USD:NTD)	\$ 1,763,694
SGD	6,378	21.56 (SGD:NTD)	137,515
GBP	(6,724)	38.90 (GBP:NTD)	<u>(261,573)</u>
			<u>\$ 1,639,636</u>
<u>Financial liabilities</u>			
Monetary items			
USD	27,803	28.48 (USD:NTD)	\$ 791,839
RMB	1,480	4.36 (RMB:NTD)	6,462
EUR	558	35.02 (EUR:NTD)	<u>19,529</u>
			<u>\$ 817,830</u>

December 31, 2019

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,964	29.98 (USD:NTD)	\$ 1,707,793
RMB	79,245	4.30 (RMB:NTD)	340,551
EUR	4,803	33.59 (EUR:NTD)	<u>161,341</u>
			<u>\$ 2,209,685</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	54,551	29.98 (USD:NTD)	\$ 1,635,439
SGD	6,005	22.28 (SGD:NTD)	<u>133,792</u>
			<u>\$ 1,769,231</u>
<u>Financial liabilities</u>			
Monetary items			
USD	33,839	29.98 (USD:NTD)	\$ 1,014,508
RMB	5,451	4.30 (RMB:NTD)	23,426
EUR	178	33.59 (EUR:NTD)	<u>5,971</u>
			<u>\$ 1,043,905</u>

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were \$10,262 thousand and \$21,664 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

### 30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 3 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
  - 9) Trading in derivative instruments: Notes 7 and 25
- b. Information on investees: Table 7 (attached)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8 (attached)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 5 (attached)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 5 (attached)
    - c) The amount of property transactions and the amount of the resultant gains or losses: None
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1 (attached)
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: Note 26
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9 (attached).

TABLE 1

ADLINK TECHNOLOGY INC.

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Requirement Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
0	Adlink International Co., Ltd.	Adlink Technology (China) Co., Ltd.	Other receivables	Y	\$ 89,990	\$ 85,440 (US\$ 3,000)	\$ 85,440	2	b	\$ -	Operation requirement	\$ -	-	\$ -	\$ 1,270,165	\$ 1,270,165	
1	Ampro Adlink Technology Inc.	Adlink Technology (China) Co., Ltd.	Other receivables	Y	121,000	56,960 (US\$ 2,000)	-	2	b	-	Operation requirement	-	-	-	401,042	401,042	
		Adlink Technology Limited	Other receivables	Y	60,500	-	-	2	b	-	Operation requirement	-	-	-	401,042	401,042	
2	Adlink Technology (HK) Co., Ltd.	Adlink Technology (China) Co., Ltd.	Other receivables	Y	29,490	28,480 (US\$ 1,000)	-	2	b	-	Operation requirement	-	-	-	868,691	868,691	

Note 1: Fill in 0 for Adlink International Co., Ltd., 1 for Ampro Adlink Technology Inc., 2 for Adlink Technology (HK) Co., Ltd.

Note 2: The nature of financing provided is specified below:

- a. For transactions.
- b. For short-term financing.

Note 3: Financing limit for each borrower shall not exceed 20% of the lender’s net equity in latest financial statements. However, foreign borrower was held 100% of voting shares directly and indirectly by the same company, the financing limit shall not exceed 70% of the lender’s net equity in latest financial statements.

**TABLE 2**

**ADLINK TECHNOLOGY INC.**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement /Guarantee Limit (Note 4)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Company	Adlink Technology Limited	a. and b.	\$ 2,258,023	\$ 632,945	\$ 622,400 (GBP 16,000)	\$ 332,595	\$ -	13.78	\$ 2,258,023	Y	-	-
		Adlink Technology Korea Ltd.	a. and b.	2,258,023	30,250	28,480 (US\$ 1,000)	-	-	0.63	2,258,023	Y	-	-
		Ampro Adlink Technology Inc.	a. and b.	2,258,023	90,750	85,440 (US\$ 3,000)	85,440	-	1.89	2,258,023	Y	-	-
		Adlink Technology GmbH	a. and b.	2,258,023	561,280	560,320 (EUR 16,000)	409,734	-	12.41	2,258,023	Y	-	-

Note 1: Fill in 0 for the Company.

Note 2: Relationships between the endorsement/guarantee and the Company are specified as follows:

- a. Companies that have business dealings with the Company.
- b. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.

Note 3: The subsidiaries of the Company in which the Company directly or indirectly holds 100% of shares shall be capped at 50% of the net value of the Company’s latest financial statements. Other companies shall be capped at 20% of the net value of the Company’s latest financial statements.

Note 4: The total endorsement and guarantee amount shall be capped at 50% of the net value of the Company’s latest financial statements.

**TABLE 3**

**ADLINK TECHNOLOGY INC.**

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES AND ASSOCIATES)**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 2)	
The Company	<u>Stocks</u>							
	Netio Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	385	\$ -	15.00	\$ -	-
	eeWare SAS	The Company is its director	"	0.9	-	19.99	-	-
	Applied Green Light Taiwan, Inc.	-	"	143	-	3.33	-	-
	<u>Funds</u>							
	SinoPac SITC money market funds	-	"	3,590	50,342	-	50,342	-
Adlink Technology (China) Co., Ltd.	Fuh Hwa SITC money market funds	-	"	3,461	50,332	-	50,332	-
	<u>Stocks</u>							
	AutoCore Technology (Nanjing) Co., Ltd.	-	Financial assets at fair value through other comprehensive income	Note 3	61,108	6.00	61,108	-

Note 1: Marketable securities in this table is stocks, bonds, mutual funds and securities derived from the mentioned above under the range of IFRS 9”Financial Instruments”.

Note 2: The fair value of open market value was calculated based on the closing price as of balance sheet date. In contrast, it was calculated based on appropriate valuation techniques and inputs.

Note 3: It is a limited company so that no specific shares or units are disclosed.

**TABLE 4**

**ADLINK TECHNOLOGY INC.**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Land	2020.07.03	\$ 88,000	Deposit has been paid in accordance with the contract.	Chroma ATE. Inc.	Investors with significant influence over the Company	Formosa Plastic Corporation	-	1998.11.16	\$ 320,078	The transaction amount is based on the real estate appraisal reports and current market conditions. The transaction was also resolved by Company's board of directors.	To integrate each department's resources, improve efficiency in management and meet operating request in the future.	Counterparty will leaseback partial of the buildings for the use of factory and employees' dormitory, and promise to lease for 5 years.
		2020.07.03		Deposit has been paid in accordance with the contract.	Chroma ATE. Inc.	Investors with significant influence over the Company	Dynacolor, Inc.	-	2001.11.12	104,993	The transaction amount is based on the real estate appraisal reports and current market conditions. The transaction was also resolved by Company's board of directors.	To integrate each department's resources, improve efficiency in management and meet operating request in the future.	Counterparty will leaseback partial of the buildings for the use of factory and employees' dormitory, and promise to lease for 5 years.
	Buildings	2020.07.03	220,000	Deposit has been paid in accordance with the contract.	Chroma ATE. Inc.	Investors with significant influence over the Company	-	-	-	-	The transaction amount is based on the real estate appraisal reports and current market conditions. The transaction was also resolved by Company's board of directors.	To integrate each department's resources, improve efficiency in management and meet operating request in the future.	Counterparty will leaseback partial of the buildings for the use of factory and employees' dormitory, and promise to lease for 5 years.

**TABLE 5****ADLINK TECHNOLOGY INC.****TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ (Sale)	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Adlink Technology Japan Corporation	Subsidiary	(Sale)	\$ (354,528)	(5.83)	Net 120 days	-	-	\$ 137,702	8.70	
Adlink Technology Japan Corporation	The Company	Parent company	Purchase	354,528	97.50	Net 120 days	-	-	(137,702)	(99.64)	
The Company	Adlink Technology Singapore Pte Ltd.	Subsidiary	(Sale)	(179,249)	(2.95)	Net 60 days	-	-	34,767	2.20	
Adlink Technology Singapore Pte Ltd.	The Company	Parent company	Purchase	179,249	71.41	Net 60 days	-	-	(34,767)	(82.86)	
The Company	Adlink Technology Korea Ltd.	Subsidiary	(Sale)	(227,813)	(3.75)	Net 60 days	-	-	53,434	3.38	
Adlink Technology Korea Ltd.	The Company	Parent company	Purchase	227,813	97.50	Net 60 days	-	-	(53,434)	(99.97)	
The Company	Ampro Adlink Technology Inc.	Indirectly owned subsidiary	(Sale)	(1,433,101)	(23.56)	Net 60 days	-	-	292,636	18.50	
Ampro Adlink Technology Inc.	The Company	Parent company	Purchase	1,433,101	90.98	Net 60 days	-	-	(292,636)	(89.07)	
The Company	Adlink Technology GmbH	Indirectly owned subsidiary	(Sale)	(931,344)	(15.31)	Net 150 days	-	-	295,750	18.69	
Adlink Technology GmbH	The Company	Parent company	Purchase	931,344	84.01	Net 150 days	-	-	(295,750)	(91.17)	
The Company	Adlink Technology (China) Co., Ltd.	Indirectly owned subsidiary	(Sale)	(452,001)	(7.43)	Net 150 days	-	-	218,345	13.80	
Adlink Technology (China) Co., Ltd.	The Company	Parent company	Purchase	452,001	14.76	Net 150 days	-	-	(218,345)	(25.46)	
Adlink Technology (China) Co., Ltd.	The Company	Parent company	(Sale)	(1,396,360)	(37.29)	Net 60 days	-	-	273,194	26.30	
The Company	Adlink Technology (China) Co., Ltd.	Indirectly owned subsidiary	Purchase	1,396,360	35.77	Net 60 days	-	-	(273,194)	(28.43)	



**TABLE 6**

**ADLINK TECHNOLOGY INC.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
The Company	Adlink Technology Japan Corporation	Subsidiary	Trade receivables	2.33	\$ -	-	\$ 129,487	\$ -	
			Other receivables						
	Ampro Adlink Technology Inc.	Indirectly owned subsidiary	Trade receivables	3.18	\$ -	-	\$ 260,008	\$ -	
			Other receivables						
	Adlink Technology GmbH	Indirectly owned subsidiary	Trade receivables	3.36	\$ -	-	\$ 222,428	\$ -	
			Other receivables						
Adlink Technology (China) Co., Ltd.	Adlink Technology (China) Co., Ltd.	Indirectly owned subsidiary	Trade receivables	2.16	\$ -	-	\$ 114,115	\$ -	
			Other receivables						
	The Company	Parent company	Trade receivables	4.16	\$ -	-	\$ 273,194	\$ -	
			Other receivables						

Note: It was the amount received as of March 25, 2021.

TABLE 7

**ADLINK TECHNOLOGY INC.**

**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares (Thousands)	%	Carrying Amount			
The Company	Adlink International Co., Ltd.	Samoa	Investment activities	US\$ 61,872	US\$ 61,872	61,872	100.0	\$ 1,763,694	\$ 153,374	\$ 143,682	Subsidiary
	Adlink Technology Singapore Pte Ltd.	Singapore	Selling of industrial automatic control cards, industrial motherboards, etc.	SGD 659	SGD 659	659	100.0	137,515	9,084	9,084	Subsidiary
	Adlink Technology Japan Corporation	Japan	Selling of industrial automatic control cards, industrial motherboards, etc.	JPY 98,000	JPY 93,720	2	100.0	61,051	(12,482)	(10,464)	Subsidiary
	Adlink Technology Korea Ltd.	Korea	Selling of industrial automatic control cards, industrial motherboards, etc.	US\$ 300	US\$ 300	(Note 4)	100.0	13,651	3,808	3,808	Subsidiary
	PrismTech Group Limited	United Kingdom	Investment activities	(Note 5)	US\$ 15,500	-	-	-	-	-	Subsidiary
	Adlink Technology Limited	United Kingdom	Software development, authorization and service	GBP 12,979	(Note 5)	36,483	100.0	(261,573)	(25,996)	(45,952)	Subsidiary
PrismTech Group Limited	JY Technology (Korea)	Korea	Selling of industrial automatic control cards, industrial motherboards, computers and peripherals, etc.	US\$ 300	US\$ 300	67	28.2	(2,894)	(3,336)	(494)	Associate
	Farobot Inc.	Taiwan	Manufacturing and selling and developing software of autonomous mobile robots	NT\$ 98,000	-	9,800	49.0	92,410	(11,408)	(5,590)	Associate
	PrismTech Holdings Limited	United Kingdom	Investment activities	(Note 5)	GBP 10	-	-	-	-	-	Indirectly owned subsidiary
	Adlink Technology Limited	United Kingdom	Software development, authorization and service	(Note 5)	GBP 12,979	-	-	-	-	-	Indirectly owned subsidiary
	Adlink Technology SARL	France	Software development, authorization and service	EUR 221	EUR 221	(Note 3)	100.0	EUR (629)	EUR (122)	-	Indirectly owned subsidiary
	Adlink Technology OpenSplice B.V.	Netherlands	Software development	EUR 18	EUR 18	(Note 2)	100.0	EUR (34)	EUR 13	-	Indirectly owned subsidiary
Adlink Technology Limited	Adlink Technology (HK) Co., Ltd.	Hong Kong	Investment activities	US\$ 24,255	US\$ 24,255	24,255	100.0	US\$ 45,574	US\$ 8,927	-	Indirectly owned subsidiary
	Ampro Adlink Technology Inc.	California, USA	Manufacturing and selling of industrial computers	US\$ 20,789	US\$ 20,789	39,743	100.0	US\$ 28,571	US\$ (394)	-	Indirectly owned subsidiary
	Adlink Technology Holding GmbH	Germany	Investment activities	EUR 12,609	EUR 12,609	12,609	100.0	US\$ (11,885)	US\$ (3,061)	-	Indirectly owned subsidiary
Adlink Technology Holding GmbH	Adlink Technology GmbH	Germany	Manufacturing and selling of industrial computers	EUR 12,409	EUR 12,409	750	100.0	EUR (9,763)	EUR (2,682)	-	Indirectly owned subsidiary
Ampro Adlink Technology Inc.	Adlink Technology Canada Inc.	Canada	Software development	CAD 100	CAD 100	(Note 2)	100.0	CAD 23	CAD 19	-	Indirectly owned subsidiary
	Adlink Technology Corporation	Massachusetts, USA	Software authorization and service	US\$ 12,701	US\$ 12,701	1	100.0	US\$ (511)	US\$ (133)	-	Indirectly owned subsidiary

Note 1: Refer to Table 8 for information on investments in Mainland China.

Note 2: The number of shares of Adlink Technology Canada Inc. and Adlink Technology OpenSplice B.V are 100 shares and 180 shares, respectively.

Note 3: No number of shares available on Adlink Technology SARL's license except for its original investment amount

Note 4: It is a limited company so that there is no record of the number of shares.

Note 5: The Company restructured the organization and transferred the ownership of Adlink Technology Limited to the Company and completed the liquidation of PrismTech Group Limited and PrismTech Holdings Limited in September 2020 simultaneously. Refer to Note 11 for information.

**TABLE 8**

**ADLINK TECHNOLOGY INC.**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars or Foreign Currency, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Adlink Technology (Shenzhen) Co., Ltd.	Sales of industrial automatic control cards, industrial motherboards, etc.	HK\$ 7,845 (NT\$ 28,791)	b. Adlink Technology (HK) Co., Ltd.	HK\$ 7,283 (Note 5) US\$ 298 (NT\$ 35,216)	\$ -	HK\$ 7,823 (Note 5) US\$ 298 (NT\$ 35,216)	\$ -	RMB (317) (NT\$ -1,357)	-	RMB (317) (NT\$ -1,357)	\$ -	\$ -	Note 7
Adlink Technology (China) Co., Ltd.	Manufacturing and selling of industrial automatic control cards, industrial motherboards, etc.	US\$ 23,806 (NT\$ 677,995)	b. Adlink Technology (HK) Co., Ltd.	US\$ 22,373 (NT\$ 637,183) (Note 5)	-	-	US\$ 22,373 (NT\$ 637,183) (Note 5)	RMB 55,427 (NT\$ 237,228)	100.0	RMB 55,427 (NT\$ 237,228)	RMB 264,376 (NT\$ 1,152,679)	-	
Dongguan Lingyao Electronic Technology Co., Ltd.	Selling of electronic parts	RMB 2,000 (NT\$ 8,720)	c. Adlink Technology (China) Co., Ltd.	(Note 6)	-	-	(Note 6)	RMB 569 (NT\$ 2,435)	100.0	RMB 569 (NT\$ 2,435)	RMB 6,238 (NT\$ 27,198)	-	
JY Technology (Shanghai)	Selling of industrial automatic control cards, industrial motherboards, etc.	RMB 18,000 (NT\$ 78,480)	c. Adlink Technology (China) Co., Ltd.	(Note 6)	-	-	(Note 6)	RMB (431) (NT\$ -1,845)	38.4	RMB (165) (NT\$ -708)	RMB 10,787 (NT\$ 47,084)	-	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$672,399 (HK\$7,283, US\$22,671)	\$676,694 (HK\$7,305, US\$22,819)	\$2,709,627 (Note 3)

- Note 1: Methods of investment have the following type:
- a. Direct investment in mainland China.
  - b. Indirect investment in mainland China through an existing company in a third region.
  - c. Other
- Note 2: Except for JY Technology (Shanghai), the others are all based on audited financial statements.
- Note 3: Calculated based on 60% of the net equity of the latest financial statements of the Company as of December 31, 2020.
- Note 4: Investment gain (loss) was translated into the New Taiwan dollar at the average rate of HK\$1=NT\$3.81, US\$1=NT\$29.55, RMB1=NT\$4.28 for the year ended December 31, 2020; the others are translated into the New Taiwan dollars at the rates of HK\$1=NT\$3.67, US\$1=NT\$28.48, RMB1=NT\$4.36 prevailing on December 31, 2020.
- Note 5: Excluded the investment amount of HK\$ 22 thousand in Adlink Technology (Shenzhen) Co., Ltd. and US\$148 thousand in Adlink Technology (China) Co., Ltd. from Adlink Technology (HK) Co., Ltd.’s capital surplus.
- Note 6: Excluded Adlink Technology (China) Co., Ltd.’s investment amount, RMB2,000 thousand in Dongguan Lingyao Electronic Technology Co., Ltd. and RMB15,000 thousand in JY Technology (Shanghai), respectively.
- Note 7: The liquidation completed in November 2020. In January 2021, the Company indirect invested Adlink Technology (China) Co., Ltd. through Adlink Technology (HK) Co., Ltd.

**TABLE 9****ADLINK TECHNOLOGY INC.****INFORMATION OF MAJOR SHAREHOLDERS****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars or Foreign Currency, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
AU Optronics Corp.	42,310,407	19.45
Chroma ATE Inc.	24,492,253	11.26
Cathay Biotech Inc. investment account entrusted Citi (Taiwan) Commercial Bank	14,707,559	6.76
Zenitron Corporation	13,537,592	6.22

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by The Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

**ADLINK Technology Inc.**

**Chairman: Chun (Jim) Liu**

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