

**Advantech Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

ADVANTECH CO., LTD.

By:

---

K. C. LIU  
Chairman

March 6, 2020

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (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, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the consolidated financial statements for the year ended December 31, 2019 are as follows:

#### Assessment of Provisions for Inventory Write-downs

Inventories as of December 31, 2019 amounted to NT\$7,782,824 thousand and accounted for 17% of the total assets in the Group's consolidated financial statements, which represented a material percentage of the total assets.

The inventories of the Group are measured at the lower of cost or net realizable value and according to the ratios of possible impairment for aged inventories. Due to the rapid changes in the technological environment and the significant size and variety of inventories, after analyzing the structure of provisions for inventory valuation, we noticed that the provisions were generated from obsolescent inventories which were aged longer. We considered the evaluation of inventory write-downs of aged inventories as having a significant impact on the Group's consolidated financial statements. Therefore, the assessment of provisions for inventory write-downs was deemed to be one of the key audit matters.

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

1. We assessed and analyzed the Group's policies for the inventory write-downs provisions and compared them with other competitors' policies to affirm the reasonableness and consistency of application.
2. We understood the internal control, evaluated and tested the design and operating effectiveness of the internal controls over the provisions for inventory write-downs.
3. We reviewed the historical inventory aging reports to trace the process for the usage and scrap of aged inventories in order to assess the reasonableness of percentages for recognizing aged inventories.
4. We verified the appropriateness of source data, parameters and logic used in the Group's inventory aging analysis reports.

#### Sales Revenue

Since the Group operates in the highly competitive industry, we determined that revenue recognition of the Group carries risk due to the demand for the growth of sales and the need to remain competitive in the industry. Hence, the Group's sales revenue from several product lines and customers whose sales increased materially in numbers and percentages was considered as a key audit matter.

Our audit procedures performed in respect of sales revenue included the following:

1. We analyzed the trend of the industry, categories of revenue, product lines and customer categories for two consecutive years to confirm whether there were any abnormal situations or centralized trading which might put revenue recognition at risk.
2. We interviewed personnel who operates the control activities and reviewed related internal vouchers to understand the processes of internal controls related to revenue-recognition and evaluate the design, implementation, and operating effectiveness of internal controls over revenue recognition. We tested such internal controls to obtain sufficient and appropriate audit evidence of the effectiveness of key controls.
3. We obtained details of accounts, analyzed balances and confirmed or reconciled them with general ledgers; we tested the reconciliation between detailed and general ledgers and traced the reconciliation to acquire sufficient and appropriate evidence.
4. We determined the appropriate methods of sampling and sample sizes and audited sales orders, packing lists and export declarations in order to evaluate whether the amount of revenue is recognized accurately and in accordance with the regulations for the preparation of financial reports.
5. We audited the records and vouchers of collections to evaluate whether the amounts of collections are accurate and the payers of such collections and the recipients of the related orders are consistent in order to attest the reality of sales.

## **Other Matter**

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 Jr-Shian Ke and Meng-Chieh Chiu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 6, 2020

Notice to Readers

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

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

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 6,003,936	13	\$ 6,633,161	15
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	3,749,119	8	2,098,552	5
Financial assets at amortized cost - current (Notes 4, 9 and 32)	316,994	1	157,426	1
Notes receivable (Notes 4 and 10)	1,546,340	3	1,461,404	3
Trade receivables (Notes 4 and 10)	7,265,106	15	6,870,878	16
Trade receivables from related parties (Note 33)	20,174	-	18,969	-
Other receivables (Note 33)	101,407	-	45,956	-
Inventories (Notes 4, 5 and 11)	7,782,824	17	7,557,820	17
Other current assets (Notes 5, 18, 20 and 33)	<u>688,167</u>	<u>1</u>	<u>522,407</u>	<u>1</u>
Total current assets	<u>27,474,067</u>	<u>58</u>	<u>25,366,573</u>	<u>58</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 32)	1,639,321	4	1,300,267	3
Investments accounted for using the equity method (Notes 4 and 13)	3,009,860	6	2,431,522	6
Property, plant and equipment (Notes 4, 14 and 34)	9,732,490	21	9,782,781	22
Right-of-use assets (Notes 3, 4 and 15)	723,106	2	-	-
Goodwill (Notes 4, 5 and 16)	2,519,514	5	2,836,466	6
Other intangible assets (Notes 4, 5 and 17)	980,061	2	1,102,323	2
Deferred tax assets (Notes 4 and 24)	690,212	1	501,260	1
Prepayments for business facilities	389,221	1	273,386	1
Long-term prepayments for leases (Note 18)	-	-	297,665	1
Other non-current assets	<u>58,227</u>	<u>-</u>	<u>47,718</u>	<u>-</u>
Total non-current assets	<u>19,742,012</u>	<u>42</u>	<u>18,573,388</u>	<u>42</u>
<b>TOTAL</b>	<u>\$ 47,216,079</u>	<u>100</u>	<u>\$ 43,939,961</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 250,678	1	\$ 87,581	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 32)	521	-	6,139	-
Notes payable and trade payables (Notes 4 and 33)	4,799,196	10	5,810,904	13
Other payables (Notes 20 and 33)	3,732,224	8	3,662,199	8
Current tax liabilities (Notes 4 and 24)	1,522,874	3	1,611,886	4
Short-term warranty provisions	208,611	1	196,782	1
Lease liabilities - current (Notes 3, 4 and 15)	199,493	-	-	-
Current portion of long-term borrowings (Notes 19 and 34)	7,957	-	9,626	-
Other current liabilities	<u>1,022,904</u>	<u>2</u>	<u>761,473</u>	<u>2</u>
Total current liabilities	<u>11,744,458</u>	<u>25</u>	<u>12,146,590</u>	<u>28</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 19 and 34)	36,132	-	45,784	-
Deferred tax liabilities (Notes 4 and 24)	1,942,189	4	1,798,914	4
Lease liabilities - non-current (Notes 3, 4 and 15)	242,263	1	-	-
Net defined benefit liabilities (Notes 4 and 21)	384,914	1	255,545	1
Other non-current liabilities	<u>134,663</u>	<u>-</u>	<u>149,653</u>	<u>-</u>
Total non-current liabilities	<u>2,740,161</u>	<u>6</u>	<u>2,249,896</u>	<u>5</u>
Total liabilities	<u>14,484,619</u>	<u>31</u>	<u>14,396,486</u>	<u>33</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)</b>				
Share capital				
Ordinary shares	6,999,230	15	6,982,275	16
Advance receipts for share capital	4,870	-	4,680	-
Total share capital	<u>7,004,100</u>	<u>15</u>	<u>6,986,955</u>	<u>16</u>
Capital surplus	<u>7,478,568</u>	<u>16</u>	<u>7,073,348</u>	<u>16</u>
Retained earnings				
Legal reserve	6,285,079	13	5,655,613	13
Special reserve	798,763	2	369,655	1
Unappropriated earnings	<u>11,515,121</u>	<u>24</u>	<u>10,011,231</u>	<u>23</u>
Total retained earnings	<u>18,598,963</u>	<u>39</u>	<u>16,036,499</u>	<u>37</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(878,261)	(2)	(475,245)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	30,970	-	(324,254)	(1)
Other equity - unearned stock-based employee compensation	<u>1,298</u>	<u>-</u>	<u>736</u>	<u>-</u>
Total other equity	<u>(845,993)</u>	<u>(2)</u>	<u>(798,763)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>32,235,638</u>	<u>68</u>	<u>29,298,039</u>	<u>67</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>495,822</u>	<u>1</u>	<u>245,436</u>	<u>-</u>
Total equity	<u>32,731,460</u>	<u>69</u>	<u>29,543,475</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 47,216,079</u>	<u>100</u>	<u>\$ 43,939,961</u>	<u>100</u>

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 33)				
Sales	\$ 52,920,615	98	\$ 47,495,030	97
Other operating revenue	<u>1,224,047</u>	<u>2</u>	<u>1,231,488</u>	<u>3</u>
Total operating revenue	54,144,662	100	48,726,518	100
OPERATING COSTS (Notes 11, 21, 23 and 33)	<u>33,045,300</u>	<u>61</u>	<u>30,063,070</u>	<u>62</u>
GROSS PROFIT	<u>21,099,362</u>	<u>39</u>	<u>18,663,448</u>	<u>38</u>
OPERATING EXPENSES (Notes 21, 23 and 33)				
Selling and marketing expenses	5,088,059	9	4,781,843	10
General and administrative expenses	2,542,918	5	2,405,235	5
Research and development expenses	4,223,422	8	3,997,313	8
Expected credit loss	<u>11,461</u>	<u>-</u>	<u>19,432</u>	<u>-</u>
Total operating expenses	<u>11,865,860</u>	<u>22</u>	<u>11,203,823</u>	<u>23</u>
OPERATING PROFIT	<u>9,233,502</u>	<u>17</u>	<u>7,459,625</u>	<u>15</u>
NON-OPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 13)	122,820	-	95,635	-
Interest income	45,498	-	38,789	-
Gains on disposal of property, plant and equipment	38,558	-	80,439	-
Gains (losses) on disposal of investments (Note 29)	(20,934)	-	8,012	-
Foreign exchange gains (losses), net (Notes 23 and 35)	(94,600)	-	16,956	-
Impairment losses (Notes 16 and 17)	(386,153)	(1)	-	-
Gains on financial instruments at fair value through profit or loss (Note 7)	169,157	1	59,322	-
Dividend income	100,197	-	106,315	-
Other income (Notes 27 and 33)	156,188	-	173,002	1
Finance costs (Note 23)	(25,041)	-	(4,685)	-
Losses on financial instruments at fair value through profit or loss (Note 7)	(25,305)	-	(39,710)	-
Other losses	<u>(6,007)</u>	<u>-</u>	<u>(6,985)</u>	<u>-</u>
Total non-operating income	<u>74,378</u>	<u>-</u>	<u>527,090</u>	<u>1</u>

(Continued)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 9,307,880	17	\$ 7,986,715	16
INCOME TAX EXPENSE (Note 24)	<u>(1,915,025)</u>	<u>(4)</u>	<u>(1,677,741)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>7,392,855</u>	<u>13</u>	<u>6,308,974</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss (Notes 13, 21, 22 and 24):				
Remeasurement of defined benefit plans	(15,057)	-	(20,858)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	21,934	-	(14,942)	-
Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income	307,604	1	(445,333)	(1)
Income tax relating to items that will not be reclassified	3,012	-	6,316	-
Items that may be reclassified subsequently to profit or loss (Notes 13, 22 and 24):				
Exchange differences on translating the financial statements of foreign operations	(489,250)	(1)	(19,660)	-
Share of the other comprehensive losses of associates	(22,272)	-	(11,074)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>100,754</u>	<u>-</u>	<u>23,883</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(93,275)</u>	<u>-</u>	<u>(481,668)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,299,580</u>	<u>13</u>	<u>\$ 5,827,306</u>	<u>12</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,351,220	14	\$ 6,289,993	13
Non-controlling interests	<u>41,635</u>	<u>-</u>	<u>18,981</u>	<u>-</u>
	<u>\$ 7,392,855</u>	<u>14</u>	<u>\$ 6,308,974</u>	<u>13</u>

(Continued)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018 (Audited after Restatement)	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,265,801	13	\$ 5,803,295	12
Non-controlling interests	<u>33,779</u>	<u>-</u>	<u>24,011</u>	<u>-</u>
	<u>\$ 7,299,580</u>	<u>13</u>	<u>\$ 5,827,306</u>	<u>12</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25)				
Basic	<u>\$ 10.51</u>		<u>\$ 9.01</u>	
Diluted	<u>\$ 10.37</u>		<u>\$ 8.92</u>	

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

(Concluded)

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company								Other Equity (Note 22)					Non-controlling Interests (Notes 22, 28 and 30)	Total Equity
	Issued Capital (Notes 22 and 26)			Capital Surplus (Notes 22, 26 and 30)	Retained Earnings (Note 22)			Exchange Differences on Translating of the Financial Statements of Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Stock-based Employee Compensation	Total			
	Share Capital	Advance Receipts for Ordinary Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings						Total		
BALANCE AT JANUARY 1, 2018	\$ 6,970,325	\$ 2,500	\$ 6,972,825	\$ 6,554,842	\$ 5,039,962	\$ 85,204	\$ 9,297,896	\$ 14,423,062	\$ (463,479)	\$ 93,824	\$ -	\$ -	\$ 27,581,074	\$ 179,366	\$ 27,760,440
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	(34,002)	(34,002)	-	(93,824)	123,254	-	(4,572)	-	(4,572)
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,970,325	2,500	6,972,825	6,554,842	5,039,962	85,204	9,263,894	14,389,060	(463,479)	-	123,254	-	27,576,502	179,366	27,755,868
Appropriation of the 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	284,451	(284,451)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,600,414)	(4,600,414)	-	-	-	-	(4,600,414)	-	(4,600,414)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,795)	(10,795)
Recognition of employee share options by the Company	11,950	2,180	14,130	104,246	-	-	-	-	-	-	-	-	118,376	-	118,376
Compensation costs recognized for employee share options	-	-	-	341,624	-	-	-	-	-	-	-	-	341,624	-	341,624
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	2,660	-	-	-	-	-	-	-	736	3,396	-	3,396
Associates using the equity method	-	-	-	-	-	-	(14,716)	(14,716)	-	-	-	-	(14,716)	-	(14,716)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	70,716	-	-	-	-	-	-	-	-	70,716	52,048	122,764
Employee share options distributed by subsidiaries	-	-	-	(740)	-	-	-	-	-	-	-	-	(740)	806	66
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	6,289,993	6,289,993	-	-	-	-	6,289,993	18,981	6,308,974
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(15,687)	(15,687)	(11,766)	-	(459,245)	-	(486,698)	5,030	(481,668)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	6,274,306	6,274,306	(11,766)	-	(459,245)	-	5,803,295	24,011	5,827,306
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(11,737)	(11,737)	-	-	11,737	-	-	-	-
BALANCE AT DECEMBER 31, 2018 AS RESTATED	6,982,275	4,680	6,986,955	7,073,348	5,655,613	369,655	10,011,231	16,036,499	(475,245)	-	(324,254)	736	29,298,039	245,436	29,543,475
Appropriation of the 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	429,108	(429,108)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,751,129)	(4,751,129)	-	-	-	-	(4,751,129)	-	(4,751,129)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,039)	(14,039)
Recognition of employee share options by the Company	16,955	190	17,145	123,291	-	-	-	-	-	-	-	-	140,436	-	140,436
Compensation costs recognized for employee share options	-	-	-	295,427	-	-	-	-	-	-	-	-	295,427	-	295,427
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	(15,529)	-	-	-	-	-	-	-	562	(14,967)	-	(14,967)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	1,657	-	-	-	-	-	-	-	-	1,657	230,693	232,350
Changes in percentage of ownership interests in subsidiaries	-	-	-	374	-	-	-	-	-	-	-	-	374	(47)	327
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	7,351,220	7,351,220	-	-	-	-	7,351,220	41,635	7,392,855
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(13,258)	(13,258)	(403,016)	-	330,855	-	(85,419)	(7,856)	(93,275)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	7,337,962	7,337,962	(403,016)	-	330,855	-	7,265,801	33,779	7,299,580
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(24,369)	(24,369)	-	-	24,369	-	-	-	-
BALANCE AT DECEMBER 31, 2019	\$ 6,999,230	\$ 4,870	\$ 7,004,100	\$ 7,478,568	\$ 6,285,079	\$ 798,763	\$ 11,515,121	\$ 18,598,963	\$ (878,261)	\$ -	\$ 30,970	\$ 1,298	\$ 32,235,638	\$ 495,822	\$ 32,731,460

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

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018 (Audited after Restatement)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 9,307,880	\$ 7,986,715
Adjustments for:		
Depreciation expenses	807,586	567,706
Amortization expenses	210,206	191,482
Amortization expenses of prepayments for leases	-	8,844
Expected credit loss recognized	11,461	19,432
Net gain on financial assets or liabilities at fair value through profit or loss	(143,852)	(19,612)
Compensation costs of employee share options	295,427	341,624
Finance costs	25,041	4,685
Interest income	(45,498)	(38,789)
Dividend income	(100,197)	(106,315)
Share of profit of associates accounted for using the equity method	(122,820)	(95,635)
Net gain on disposal of property, plant and equipment	(38,558)	(80,439)
Impairment loss	386,153	-
Net loss on disposal of subsidiaries	21,619	-
Net gain on disposal of investments	(685)	(8,012)
Changes in operating assets and liabilities		
Financial assets held for trading	-	967,642
Financial assets at fair value through profit or loss	(1,603,672)	-
Notes receivable	(84,936)	(205,623)
Trade receivables	201,893	(278,370)
Trade receivables from related parties	(1,205)	(4,902)
Other receivables	(53,956)	29,342
Inventories	215,450	(1,310,932)
Other current assets	(171,757)	(76,001)
Notes payable and trade payables	(1,440,290)	510,358
Net defined benefit liabilities	(7,878)	(2,538)
Other payables	32,585	(3,165)
Short-term warranty provisions	11,829	15,807
Other current liabilities	244,579	84,143
Other non-current liabilities	(14,508)	2,940
Cash generated from operations	7,941,897	8,500,387
Interest received	45,498	38,789
Dividends received	100,197	106,315
Interest paid	(6,865)	(3,093)
Income tax paid	(1,885,258)	(1,198,350)
Net cash generated from operating activities	<u>6,195,469</u>	<u>7,444,048</u>

(Continued)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018 (Audited after Restatement)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (37,354)	\$ (41,168)
Disposal of financial assets at amortized cost	(165,161)	(116,998)
Acquisition of investments accounted for using the equity method	(497,232)	(1,081,527)
Net cash flow on the acquisition of subsidiaries	(542,156)	(60,322)
Net cash outflow on disposal of subsidiaries (net of carrying amount of cash)	(81)	-
Dividends received from associates	117,774	146,250
Net cash inflow on disposal of associates	830	-
Payments for property, plant and equipment	(938,035)	(574,229)
Proceeds from disposal of property, plant and equipment	443,132	189,061
Decrease in refundable deposits	(10,271)	(2,151)
Payments for intangible assets	(153,608)	(123,894)
Decrease in prepayments for equipment	<u>(23,652)</u>	<u>(116,865)</u>
Net cash used in investing activities	<u>(1,805,814)</u>	<u>(1,781,843)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	56,506	79,481
Repayments of long-term borrowings	(9,270)	(54,245)
Decrease in guarantee deposits received	(561)	-
Payments of cash dividends	(4,751,129)	(4,600,414)
Payment of the principal portion of lease liabilities	(221,264)	-
Exercise of employee share options	140,436	118,376
Dividends paid to non-controlling interests	(14,039)	(10,795)
Increase in non-controlling interests	<u>71,557</u>	<u>104,910</u>
Net cash used in financing activities	<u>(4,727,764)</u>	<u>(4,362,687)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(291,116)</u>	<u>129,424</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(629,225)	1,428,942
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>6,633,161</u>	<u>5,204,219</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	<u>\$ 6,003,936</u>	<u>\$ 6,633,161</u>

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

(Concluded)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

---

### 1. GENERAL INFORMATION

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

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 6, 2020.

### 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 Financial Supervisory Commission (FSC)

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

- 1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

## The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Prepaid lease payment for acquiring land use right in China is recognized as long-term prepaid lease. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.99%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 716,950
Less: Recognition exemption for short-term leases	(12,596)
Less: Recognition exemption for leases of low-value assets	<u>(15,787)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 688,567</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 644,980</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 644,980</u>

### The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Prepayments for leases - current	\$ 8,673	\$ (8,673)	\$ -
Prepayments for leases - non-current	297,665	(297,665)	-
Right-of-use assets	<u>-</u>	<u>951,318</u>	<u>951,318</u>
Total effect on assets	<u>\$ 306,338</u>	<u>\$ 644,980</u>	<u>\$ 951,318</u>
Lease liabilities - current	\$ -	\$ 201,344	\$ 201,344
Lease liabilities - non-current	<u>-</u>	<u>443,636</u>	<u>443,636</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 644,980</u>	<u>\$ 644,980</u>

#### 2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

#### 3) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate to which the equity method is not applied. These included long-term interests that, in substance, form part of the Group’s net investment in an associate.

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

#### 4) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e., the debtor) to prepay a debt instrument or permits the holder (i.e., the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely

payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e., a party may receive reasonable compensation when it chooses to terminate the contract early.

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

5) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group will apply the above amendment prospectively.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company assesses the significant impact that the application of other standards and interpretations will have no significant influence on the Company’s financial position and financial performance.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”

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

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)</b>
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, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

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

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

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

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

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

### b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and

- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

e. Business combinations

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (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 cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

On the disposal of a foreign operation that does not result in the Company losing control over the subsidiary, all of the exchange differences accumulated in equity in respect of that operation are reclassified to non-controlling interest rather than profit or loss.

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

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence.

The Group uses the equity method to account for its investments in associates.

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

## l. Impairment of tangible and intangible assets other than goodwill

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

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

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

## m. Financial instruments

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

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

### 1) Financial assets

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

#### a) Measurement categories

2018

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

#### i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

2018

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

## 2) Equity instruments

Debt and equity instruments issued by a group entity 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 a group entity are recognized at the proceeds received, net of direct issue costs.

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

## 3) Financial liabilities

### a) Subsequent measurement

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

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in profit or loss (including any interest or dividend paid on such financial liabilities). Fair value is determined in the manner described in Note 32.

### b) Derecognition of financial liabilities

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

## 4) Derivative financial instruments

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

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

## n. Provisions

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

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

o. Revenue recognition

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

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

1) Revenue from sale of goods

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

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

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

2) Revenue from rendering of services

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

p. Leasing

2019

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

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

1) The Group as lessor

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

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

## 2) The Group as lessee

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

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

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

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

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

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

## 2018

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

### 1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

### 2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

## 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.

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Employee share options

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

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

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

t. Taxation

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

1) Current tax

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

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

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

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

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

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

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

## 3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

### Key Sources of Estimation Uncertainty

a. Write-down of inventories

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

b. Impairment of goodwill

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 141,615	\$ 76,179
Checking accounts and demand deposits	4,744,550	5,350,844
Cash equivalents (time deposits with original maturities less than three months)	<u>1,117,771</u>	<u>1,206,138</u>
	<u>\$ 6,003,936</u>	<u>\$ 6,633,161</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Demand deposits	0.0001%-9.5%	0%-6.5%
Time deposits with original maturities of less than three months	0.93%-5.2%	1.0%-5.2%

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 9,320	\$ 5,198
Non-derivative financial assets		
Domestic quoted shares	118,392	202,622
Foreign quoted shares	50,157	5,270
Foreign unquoted shares	101,156	-
Mutual funds	<u>3,470,094</u>	<u>1,885,462</u>
	<u>\$ 3,749,119</u>	<u>\$ 2,098,552</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 521</u>	<u>\$ 6,139</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, 2019</u>			
Sell	EUR/NTD	2020.01-2020.05	EUR12,000/NTD406,441
	EUR/USD	2020.01-2020.04	EUR700/USD789
	JPY/NTD	2020.01-2020.05	JPY380,000/NTD108,979
	RMB/NTD	2020.01-2020.03	RMB47,000/NTD201,967
	USD/NTD	2020.01-2020.02	USD4,000/NTD121,501
<u>December 31, 2018</u>			
Sell	EUR/NTD	2019.01-2019.04	EUR12,600/NTD448,286
	EUR/USD	2019.01-2019.02	EUR400/USD459
	JPY/NTD	2019.01-2019.05	JPY380,000/NTD104,301
	RMB/NTD	2019.01-2019.04	RMB67,000/NTD295,236

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities.

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	<u>\$ 1,639,321</u>	<u>\$ 1,300,267</u>

Investments in equity instruments at FVTOCI:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ASUSTek Computer Inc.	\$ 1,097,185	\$ 955,001
Ordinary shares - Allied Circuit Co., Ltd.	392,306	226,501
Unlisted shares		
Ordinary shares - BoardTec System Inc.	3,917	3,879
Ordinary shares - BiosenseTek Corp.	-	-
Ordinary shares - Juguar Technology	4,949	4,743
Ordinary shares - Taiwan DSC PV Ltd.	-	-
Ordinary shares - iSAP Solution Corp.	9,994	-
	<u>1,508,351</u>	<u>1,190,124</u>
Foreign investments		
Shanghai Sangchuang Xinwei Investment Management Co., Ltd.	129,150	107,328
JamaPro Co., Ltd.	1,820	2,815
	<u>130,970</u>	<u>110,143</u>
	<u>\$ 1,639,321</u>	<u>\$ 1,300,267</u>

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	<u>\$ 316,994</u>	<u>\$ 157,426</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.2%-5.2% and 0.2%-2.3% per annum as of December 31, 2019 and 2018, respectively.

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Notes receivable - operating</u>	<u>\$ 1,546,340</u>	<u>\$ 1,461,404</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 7,352,407	\$ 6,958,369
Less: Allowance for impairment loss	<u>(87,301)</u>	<u>(87,491)</u>
	<u>\$ 7,265,106</u>	<u>\$ 6,870,878</u>

### Trade Receivables

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

The Group measures the loss allowance for all trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

### December 31, 2019

	<b>Not Past Due</b>	<b>Less than 90 Days</b>	<b>90 to 180 Days</b>	<b>180 to 360 Days</b>	<b>Over 360 Days</b>	<b>Total</b>
Expected credit loss rate	0.15%	0.2%	28.89%	70.55%	100%	-
Gross carrying amount	\$ 5,860,824	\$ 1,354,411	\$ 82,778	\$ 8,755	\$ 45,639	\$ 7,352,407
Loss allowance (Lifetime ECL)	<u>(8,890)</u>	<u>(2,681)</u>	<u>(23,914)</u>	<u>(6,177)</u>	<u>(45,639)</u>	<u>(87,301)</u>
Amortized cost	<u>\$ 5,851,934</u>	<u>\$ 1,351,730</u>	<u>\$ 58,864</u>	<u>\$ 2,578</u>	<u>\$ -</u>	<u>\$ 7,265,106</u>

December 31, 2018

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
Expected credit loss rate	0.41%	0.14%	31.39%	69.02%	100%	-
Gross carrying amount	\$ 5,358,360	\$ 1,488,386	\$ 53,879	\$ 34,029	\$ 23,715	\$ 6,958,369
Loss allowance (Lifetime ECL)	<u>(21,319)</u>	<u>(2,056)</u>	<u>(16,913)</u>	<u>(23,488)</u>	<u>(23,715)</u>	<u>(87,491)</u>
Amortized cost	<u>\$ 5,337,041</u>	<u>\$ 1,486,330</u>	<u>\$ 36,966</u>	<u>\$ 10,541</u>	<u>\$ -</u>	<u>\$ 6,870,878</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 87,491	\$ 90,455
Add: Amount of expected loss recognized on credit impairment (a)	11,461	19,432
Less: Amounts written off (b)	(9,227)	(21,605)
Business combinations	(35)	-
Foreign exchange gains and losses	<u>(2,389)</u>	<u>(791)</u>
Balance at December 31	<u>\$ 87,301</u>	<u>\$ 87,491</u>

- Compared to January 1, 2019 and 2018, the increase in loss allowance of \$394,038 thousand and \$271,884 thousand at December 31, 2019 and 2018, respectively, resulted from the increase in new trade receivables net of those settled of \$11,461 thousand and \$19,432 thousand, respectively.
- During the year ended December 31, 2019 and 2018, the Group wrote off trade receivables and related loss allowance of \$9,227 and \$21,605, respectively, due to the fact that some customers' trade receivables were over 2 years past due, and the Group continued to engage in enforcement activity to attempt to recover the receivables due.

## 11. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Raw materials	\$ 3,235,906	\$ 3,773,265
Work in process	1,803,484	1,533,978
Finished goods	1,987,600	1,531,644
Inventories in transit	<u>755,834</u>	<u>718,933</u>
	<u>\$ 7,782,824</u>	<u>\$ 7,557,820</u>

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2019 and 2018 were \$32,511,398 thousand and \$29,631,016 thousand, respectively.

The costs of inventories decreased by \$821,488 thousand and \$630,341 thousand as of December 31, 2019 and 2018, respectively, when stated at the lower of cost or net realizable value.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark	
			December 31			
			2019	2018		
The Company	Advantech Automation Corp. (AAC (BVI))	Investment and management services	100.00	100.00		
	Advantech Technology Co., Ltd (ATC)	Sale of industrial automation products	100.00	100.00		
	Advantix Corporation	Production and sale of industrial automation products	100.00	100.00		
	Advantech Corporate Investment	Investment holding company	100.00	100.00		
	Advantech Europe Holding B.V. (AEUH)	Investment and management services	100.00	100.00		
	Advantech Co., Singapore Pte. Ltd. (ASG)	Sale of industrial automation products	100.00	100.00	a	
	Advantech Australia Pty Ltd. (AAU)	Sale of industrial automation products	100.00	100.00	a	
	Advantech Japan Co., Ltd. (AJP)	Sale of industrial automation products	100.00	100.00	a	
	Advantech Co. Malaysia Sdn. Bhd (AMY)	Sale of industrial automation products	100.00	100.00	a	
	Advantech KR Co., Ltd. (AKR)	Sale of industrial automation products	100.00	100.00	a	
	Advantech Brasil Ltd (ABR)	Sale of industrial automation products	80.00	80.00	a	
	Advantech Industrial Computing India Private Limited (AIN)	Sale of industrial automation products	99.99	99.99	a	
	AdvanPOS	Production and sale of POS systems	100.00	100.00	a	
	LNC Technology Co., Ltd. (LNC)	Production and sale of machines with computerized numerical controls	64.10	64.10	e	
	Advantech Electronics, S. De R. L. De C. V. (AMX)	Sale of industrial automation products	100.00	100.00	a	
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	a	
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	60.00	60.00		
	Advantech Intelligent Services Co., Ltd. (AiST)	Design, develop and sale of intelligent service	100.00	100.00	a	
	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	76.00	76.00	a, b	
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	51.00	51.00	a	
	Advantech Vietnam Technology Company Limited (AVN)	Sale of industrial automation products	60.00	60.00	a	
	Limited Liability Company Advantech Technology (ARU)	Production and sale of industrial automation products	100.00	100.00	a, f	
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	50.00	-	g	
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	-	a, h	
	ADVANTECH IOT ISRAEL LTD. (AIL)	Sale of industrial network communications systems	100.00	-	a, p	
	Advantech KR Co., Ltd. (AKR)	Production and sale of intelligent medical displays	24.00	24.00	a	
	Advantech Japan Co., Ltd. (AJP)	Production and sale of electronic and mechanical devices	28.61	-	g	
	Advantech Corporate Investment	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	
		Huan Yan, Jih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	50.00	50.00	a,
		Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	50.00	a
		Advantech Corporate Investment Ltd. (ACISM)	General investment	100.00	-	a, i
		ACI IOT Investment Fund-I Corporation	Investment holding company	79.30	-	l
	Advantech Technology Co., Ltd (ATC)	Advantech Automation Corp. (HK) (ATC (HK))	Investment and management services	100.00	100.00	
	HK Advantech Technology Co., Ltd. ATC (HK)	Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	100.00	100.00	
	Advantech Automation Corp. (BVI) (AAC (BVI))	Advantech Corp. (ANA)	Sale and fabrication of industrial automation products	100.00	100.00	
		Advantech Automation Corp. (HK) (AAC (HK))	Investment and management service	100.00	100.00	
		Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Design, development and sale of IoT intelligent system service	100.00	100.00	a
		Advantech Technology DMCC (ADB) (former B&B DMCC)	Sale of industrial network communications	100.00	-	o
	Advantech Corp. (ANA)	B+B Smartworx Inc. (B+B)	Sale of industrial network communications	40.00	40.00	
	Advantech Automation Corp. (HK) (AAC (HK))	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	100.00	100.00	
		Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	100.00	100.00	a
	Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	99.00	99.00	a
	Advantech Service-IoT GmbH (A-SIoT) (former A-DLoG)	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	a, c	
	Advantech Intelligent Health Co., Ltd. (AIH)	Information software and data processing service	70.00	-	a, j	
	Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	100.00	100.00	a	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	1.00	1.00	a, d	
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Advantech Europe B.V. (AEU)	Sale of industrial automation products	100.00	100.00		
Advantech Europe Holding B.V. (AEUH)	Advantech Poland Sp z o.o. (APL)	Sale of industrial automation products	100.00	100.00	a	
Advantech Co., Singapore Pte. Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	49.00	49.00	a	
	Advantech International. PT. (AID)	Sale of industrial automation products	100.00	100.00	a	
Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	a	
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of industrial electronic equipment	100.00	100.00	a	
	Shenzhen Cermate Technologies Inc.	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00		
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	General investment	100.00	100.00		
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	General investment	100.00	100.00		
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00		
B+B Smartworx Inc. (B+B)	B+B Smartworx Limited (BBIE)	Sale of industrial network communications systems	100.00	100.00		
	B&B IMC. LLC (IMC)	Sale of industrial network communications systems	100.00	100.00		

(Continued)  
(Concluded)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
B+B Smartwrx Limited (BBIE)	B&B Electronics Holdings LLC (B&B Electronics)	Sale of industrial network communications systems	-	100.00	m
	Advantech B+B Smartwrx s.r.o.CZ (ACZ) (former B+B (CZ))	Manufacturing of cellular and automation solutions	100.00	99.99	k
	Conel Automation s.r.o (Conel Automation)	Application of industrial automation	-	1.00	n
	Advantech Technology DMCC (ADB) (former B&B DMCC)	Sale of industrial network communications systems	-	100.00	o
B&B Electronics Holdings LLC (B&B Electronics)	Advantech B+B Smartwrx s.r.o.CZ (ACZ) (former B+B (CZ))	Manufacturing of cellular and automation solutions	-	0.01	m
Advantech B+B Smartwrx s.r.o.CZ (ACZ) (former B+B (CZ))	Conel Automation s.r.o (Conel Automation)	Application of industrial automation	-	99.00	n

(Concluded)

Remark a: Non significant subsidiaries and their financial statements had not been audited. Management of the Group believes that there would not be material impacts had the financial statements of these subsidiaries been audited.

Remark b: In the fourth quarter of 2018, the Group acquired 40% of the equity of AKST; thus, the Group's equity investment in AKST increased from 36% to 76%.

Remark c: In the third quarter of 2018, the Group adjusted its investment structure; hence, SIoT (Cayman) directly held 100% of the equity of A-SIoT (former A-DLoG).

Remark d: In the third quarter of 2018, AiSC invested in SIoT (China) and held 1% of the equity of SIoT (China).

Remark e: In the third quarter of 2018, the Group sold 15.96% of the equity of LNC, which led the Group's equity investment in LNC to decrease from 80.06% to 64.10%.

Remark f: In the fourth quarter of 2018, the Group founded ARU.

Remark g: In the first quarter of 2019, the Group acquired 80% of the equity of ATJ. The Group and AJP held 50% and 30% of the equity of ATJ, respectively. In the third quarter of 2019, AJP sold 1.39% of the equity of ATJ, which led its equity investment in ATJ to decrease from 30% to 28.61%.

Remark h: In the first quarter of 2019, the Group acquired 60% of the equity of ATR.

Remark i: In the first quarter of 2019, Advantech Corporate Investment founded ACISM and acquired 100% of its equity.

Remark j: In the second quarter of 2019, SIoT (Cayman) founded AIH and acquired 100% of its equity. In the third quarter of 2019, AIH held its seasoned equity offering, which led SIoT (Cayman)'s equity investment in AIH to decrease from 100% to 70%.

Remark k: In the second quarter of 2019, the Group adjusted its investment structure. The ownership of ACZ originally held by B&B Electronics was adjusted to be held by BBIE, which led BBIE's equity investment in ACZ to increase from 99.99% to 100%. BBIE directly holds ACZ, and ACZ directly holds Conel Automation.

Remark l: In the second quarter of 2019, Advantech Corporate Investment founded ACI IOT Investment Fund-I Corporation and acquired 79.30% of its equity.

Remark m: In the third quarter of 2019, B&B Electronics was in the process of liquidation.

Remark n: In the third quarter of 2019, Conel Automation was disposed of.

Remark o: In the fourth quarter of 2019, the Group adjusted its investment structure; hence, AAC (BVI) directly held 100% of the equity of ADB.

Remark p: In the fourth quarter of 2019, the Group founded AIL.

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

#### Investments in Associates

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Associates that are not individually material</u>		
Listed companies		
Axiomtek Co., Ltd. (“Axiomtek”)	\$ 627,632	\$ 619,411
Winmate Inc. (“Winmate”)	553,145	542,761
AzureWare Technologies, Inc. (“AzureWare”)	506,867	534,780
Nippon RAD Inc. (Nippon RAD)	296,400	298,700
Mildex Optical Inc. (“Mildex”)	181,388	183,210
Hwacom Systems Inc. (“Hwacom”)	392,645	-
Unlisted companies		
AIMobile Co., Ltd. (“AIMobile”)	66,133	65,012
Deneng Scientific Research Co., Ltd. (“Deneng”)	14,013	14,100
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	8,114	8,010
CDIB Innovation Accelerator Co., Ltd. (“CDIB”)	161,043	147,109
DotZero Co., Ltd. (“DotZero”)	6,238	4,629
iLink Co., Ltd. (“iLink”)	7,050	9,407
Shanghai Yanle Co., Ltd. (“Yanle”)	3,092	4,393
GSD Environmental Technology Co., Ltd. (“GSD”)	13,608	-
Information Technology Total Services Co., Ltd. (ITTS)	154,910	-
Smasoft technology Co., Ltd. (“Smasoft”)	15,000	-
Tianjin Anjie IOT Science And Technology Co., Ltd. (“Anjie”)	<u>2,582</u>	<u>-</u>
	<u>\$ 3,009,860</u>	<u>\$ 2,431,522</u>

In the first quarter of 2018, the Group subscribed 19.65% of the equity of AzureWare Technologies, Inc. through a private placement with the approval of the board of directors. The Group had significant influence over AzureWare Technologies, Inc.

In the second quarter of 2018, the Group paid cash of \$299,960 thousand to obtain a 19% equity of Nippon RAD with the approval of the board of directors. The Group had significant influence over Nippon RAD Inc.

In the second quarter of 2018, the Group paid cash of \$10,067 thousand to obtain a 25% equity of iLink Co., Ltd. with the approval of the board of directors. The Group had significant influence over iLink Co., Ltd.

In the third quarter of 2018, the Group paid cash of \$4,392 thousand for 45% of the equity of Shanghai Yanle Co., Ltd. The Group had significant influence over Shanghai Yanle Co., Ltd.

In the third quarter of 2018, the Group paid cash of \$4,900 thousand for 49% of the equity of DotZero Co., Ltd. The Group had significant influence over DotZero Co., Ltd.

In the fourth quarter of 2018, the Group paid cash of \$202,948 thousand for 15% of the equity of Mildex Optical Inc. The Group had significant influence over Mildex Optical Inc.

In the first quarter of 2019, the Group paid cash of \$18,214 thousand for 40% of the equity of GSD Co., Ltd. The Group had significant influence over Chuanyan Co., Ltd.

In the second quarter of 2019, the Group paid cash of \$147,444 thousand for 20% of the equity of Information Technology Total Services Co., Ltd. The Group had significant influence over Information Technology Total Services Co., Ltd.

In the third quarter of 2019, the Group subscribed shares of Hwacom through a private placement; after the subscription, the Group's percentage of ownership in Hwacom was 19.99% and the Group had significant influence over Hwacom Systems Inc.

In the fourth quarter of 2019, the Group founded Tianjin Anjie IOT Science And Technology Co., Ltd. by investing cash of \$2,594 thousand and acquired 20% of its equity. The Group had significant influence over Tianjin Anjie IOT Science And Technology Co., Ltd.

In the fourth quarter of 2019, the Group paid cash of \$15,000 thousand for 20% of the equity of Smasoft technology Co., Ltd. The Group had significant influence over Smasoft technology Co., Ltd.

Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Profit from continuing operations	\$ 122,820	\$ 95,635
Other comprehensive income (loss)	<u>(338)</u>	<u>(26,016)</u>
Total comprehensive income (loss) for the year	<u>\$ 122,482</u>	<u>\$ 69,619</u>

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

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 2,943,980	\$ 7,274,546	\$ 1,634,925	\$ 830,623	\$ 1,729,582	\$ 4,257	\$ 14,417,913
Additions	-	18,769	166,934	88,061	158,409	180,634	612,807
Disposals	(15,930)	(54,831)	(92,652)	(46,949)	(59,958)	(7,287)	(277,607)
Acquisitions through business combinations	-	-	57	524	1,483	-	2,064
Reclassifications	-	-	14,212	(19,262)	(76,318)	(170,403)	(251,771)
Effect of foreign currency exchange differences	<u>6,077</u>	<u>(42,752)</u>	<u>(13,540)</u>	<u>(2,976)</u>	<u>(9,935)</u>	<u>(4,716)</u>	<u>(67,842)</u>
Balance at December 31, 2018	<u>\$ 2,934,127</u>	<u>\$ 7,195,732</u>	<u>\$ 1,709,936</u>	<u>\$ 850,021</u>	<u>\$ 1,743,263</u>	<u>\$ 2,485</u>	<u>\$ 14,435,564</u>

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2018	\$ -	\$ 1,414,696	\$ 1,186,494	\$ 651,244	\$ 1,198,147	\$ -	\$ 4,450,581
Disposals	-	(7,147)	(65,293)	(44,304)	(52,241)	-	(168,985)
Depreciation expenses	-	199,740	110,418	75,835	181,713	-	567,706
Acquisitions through business combinations	-	-	5	151	738	-	894
Reclassifications	-	-	(50,630)	(26,094)	(86,966)	-	(163,690)
Effect of foreign currency exchange differences	-	(16,007)	(8,381)	(2,086)	(7,249)	-	(33,723)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 1,591,282</u>	<u>\$ 1,172,613</u>	<u>\$ 654,746</u>	<u>\$ 1,234,142</u>	<u>\$ -</u>	<u>\$ 4,652,783</u>
Carrying amounts at December 31, 2018	<u>\$ 2,934,127</u>	<u>\$ 5,604,450</u>	<u>\$ 537,323</u>	<u>\$ 195,275</u>	<u>\$ 509,121</u>	<u>\$ 2,485</u>	<u>\$ 9,782,781</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 2,934,127	\$ 7,195,732	\$ 1,709,936	\$ 850,021	\$ 1,743,263	\$ 2,485	\$ 14,435,564
Additions	1,481	24,203	92,497	88,968	347,616	347,974	902,739
Disposals	(7,100)	(15,806)	(43,912)	(52,817)	(212,597)	(208,313)	(540,545)
Acquisitions through business combinations	148,160	942,802	130,912	15,916	34,650	1	1,272,441
Reclassifications	-	27,658	6,956	(5,842)	1,799	(121,307)	(90,736)
Effect of foreign currency exchange differences	(9,079)	(125,057)	(29,926)	(18,447)	(40,653)	(12,048)	(235,210)
Balance at December 31, 2019	<u>\$ 3,067,589</u>	<u>\$ 8,049,532</u>	<u>\$ 1,866,463</u>	<u>\$ 877,799</u>	<u>\$ 1,874,078</u>	<u>\$ 8,792</u>	<u>\$ 15,744,253</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 1,591,282	\$ 1,172,613	\$ 654,746	\$ 1,234,142	\$ -	\$ 4,652,783
Disposals	-	(8,069)	(39,949)	(37,119)	(50,730)	-	(135,867)
Depreciation expenses	-	204,079	145,931	82,847	161,352	-	594,209
Acquisitions through business combinations	-	867,976	109,364	9,961	33,018	-	1,020,319
Reclassifications	-	(424)	8,971	(6,489)	(611)	-	1,447
Effect of foreign currency exchange differences	-	(57,548)	(18,801)	(18,694)	(26,085)	-	(121,128)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 2,597,296</u>	<u>\$ 1,378,129</u>	<u>\$ 685,252</u>	<u>\$ 1,351,086</u>	<u>\$ -</u>	<u>\$ 6,011,763</u>
Carrying amounts at December 31, 2019	<u>\$ 3,067,589</u>	<u>\$ 5,452,236</u>	<u>\$ 488,334</u>	<u>\$ 192,547</u>	<u>\$ 522,992</u>	<u>\$ 8,792</u>	<u>\$ 9,732,490</u>

(Concluded)

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

Buildings	
Main buildings	20-60 years
Electronic equipment	5 years
Engineering systems	5 years
Equipment	2-8 years
Office equipment	2-8 years
Other facilities	2-10 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 34.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 286,549
Buildings	396,887
Machinery	2,202
Office equipment	9,254
Transportation equipment	<u>28,214</u>
	<u>\$ 723,106</u>
	<b>For the Year Ended December 31, 2019</b>
<u>Depreciation charge for right-of-use assets</u>	
Land	\$ 8,673
Buildings	168,883
Machinery	655
Office equipment	5,723
Transportation equipment	<u>29,443</u>
	<u>\$ 213,377</u>

Right-of-use land was classified as prepayments for leases under IAS 17. Refer to Notes 3 and 18 for information related to their reclassification and comparative information for 2018.

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	\$ 199,493
Non-current	<u>242,263</u>
	<u>\$ 441,756</u>

Discounted rate ranges of lease liabilities were as follows:

	<b>December 31, 2019</b>
Buildings	0.25%-12.00%
Machinery	0.87%-5.46%
Office equipment	0.87%-4.75%
Transportation equipment	0.25%-5.90%

c. Other lease information

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 13,959</u>
Expenses relating to low-value asset leases	<u>\$ 12,178</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 26,137</u>
Total cash outflow for leases	<u>\$ 265,441</u>

The Group leases certain office equipment, and buildings which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

Recognized expenses

	<b>For the Year Ended December 31, 2018</b>
Rental expenses	<u>\$ 186,068</u>

**16. GOODWILL**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018 (Audited after Restatement)</b>
<u>Cost</u>		
Balance at January 1	\$ 2,934,254	\$ 2,841,549
Additional amounts recognized from business combinations occurring during the year (Note 27)	124,029	65,207
Adjustments for goodwill after acquisition	(104,889)	(15,994)
Effect of foreign currency exchange differences	<u>(60,515)</u>	<u>43,492</u>
Balance at December 31	<u>\$ 2,892,879</u>	<u>\$ 2,934,254</u> (Continued)

	<b><u>For the Year Ended December 31</u></b>	
		<b>2018</b>
	<b>2019</b>	<b>(Audited after Restatement)</b>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ (97,788)	\$ (101,409)
Impairment losses recognized during the year	(284,143)	-
Effect of foreign currency exchange differences	<u>8,566</u>	<u>3,621</u>
Balance at December 31	<u>\$ (373,365)</u>	<u>\$ (97,788)</u>
Carry amount at December 31	<u>\$ 2,519,514</u>	<u>\$ 2,836,466</u>
		(Concluded)

The Group performed impairment assessment on the recoverable amount of goodwill and calculated the recoverable amount based on its value in use.

The recoverable amount of subsidiary B+B was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management, and discount rates of 16.38% and 14.49% per annum were used for the years ended December 31, 2019 and 2018, respectively, to reflect the risks of the cash-generating unit. Because the performance of operating revenue did not turn out as expected, the recoverable amount was lower than the sum of carrying amount of cash-generating unit's identified assets and the amount of goodwill; therefore, an impairment loss of \$272,025 thousand for goodwill was recognized for the year ended December 31, 2019.

Subsidiary ANA determined that the estimated future cash flows are not expected to arise from the business combination in the past; therefore, an impairment loss of \$12,118 thousand was recognized for the year ended December 31, 2019.

On June 30, 2019, the Group obtained the fair value assessment on the acquisition date. Based on the results of the assessment, the fair value of AVN's intangible assets at the acquisition date was \$26,727 thousand. The comparative figures have been restated as if the initial accounting was completed at the acquisition date.

The adjustments in the consolidated balance sheets are as follows:

	<b>December 31, 2018</b>	<b>June 30, 2018</b>
	<b>(Audited after Restatement)</b>	<b>(Acquisition Date)</b>
Goodwill adjustments	\$ (15,994)	\$ (15,994)
Intangible assets	<u>\$ 18,883</u>	<u>\$ 26,657</u>
Retained earnings	<u>\$ (4,664)</u>	<u>\$ -</u>
Non-controlling interests	<u>\$ 7,553</u>	<u>\$ 10,663</u>

On September 30, 2019, the Group obtained the fair value assessed at the acquisition date. Based on the results of the assessment, the fair value of ATR's intangible assets at the acquisition date was \$34,783 thousand. The comparative figures have been restated as if the initial accounting was completed at the acquisition date.

	<b>February 28, 2019 (Acquisition Date)</b>
Goodwill adjustments	<u>\$ (12,494)</u>
Intangible assets	<u>\$ 34,598</u>
Non-controlling interests	<u>\$ 13,839</u>

On December 31, 2019, the Group obtained the fair value assessed at the acquisition date. Based on the results of the assessment, the fair value of ATJ's property, plant and equipment and intangible assets at the acquisition date was \$251,399 thousand and \$65,649 thousand, respectively. The comparative figures have been restated as if the initial accounting was completed at the acquisition date.

	<b>January 31, 2019 (Acquisition Date)</b>
Goodwill adjustments	<u>\$ (92,395)</u>
Property, plant and equipment	<u>\$ 106,379</u>
Intangible assets	<u>\$ 61,223</u>
Net defined benefit liabilities	<u>\$ 74,932</u>
Non-controlling interests	<u>\$ 23,099</u>

## 17. OTHER INTANGIBLE ASSETS

	Trademarks	Client Relationships	Technology Licenses	Others	Total
<u>Cost</u>					
Balance at January 1, 2018	\$ 494,504	\$ 496,577	\$ 414,878	\$ 568,213	\$ 1,974,172
Additions	-	-	-	123,894	123,894
Disposals	-	-	-	(20,333)	(20,333)
Acquisitions through business combinations	-	26,657	-	84	26,741
Effect of foreign currency exchange differences	<u>12,543</u>	<u>10,886</u>	<u>8,721</u>	<u>2,584</u>	<u>34,734</u>
Balance at December 31, 2018	<u>\$ 507,047</u>	<u>\$ 534,120</u>	<u>\$ 423,599</u>	<u>\$ 674,442</u>	<u>\$ 2,139,208</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2018	\$ -	\$ 156,540	\$ 242,301	\$ 463,512	\$ 862,353
Amortization expenses	-	36,921	43,708	110,853	191,482
Disposals	-	-	-	(24,731)	(24,731)
Acquisitions through business combinations	-	-	-	14	14
Effect of foreign currency exchange differences	<u>-</u>	<u>1,651</u>	<u>4,003</u>	<u>2,113</u>	<u>7,767</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 195,112</u>	<u>\$ 290,012</u>	<u>\$ 551,761</u>	<u>\$ 1,036,885</u>
Carrying amounts at December 31, 2018	<u>\$ 507,047</u>	<u>\$ 339,008</u>	<u>\$ 133,587</u>	<u>\$ 122,681</u>	<u>\$ 1,102,323</u>

(Continued)

	<b>Trademarks</b>	<b>Client Relationships</b>	<b>Technology Licenses</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2019	\$ 507,047	\$ 534,120	\$ 423,599	\$ 674,442	\$ 2,139,208
Additions	-	-	2,831	136,241	139,072
Disposals	-	(16,480)	-	(195,140)	(211,620)
Acquisitions through business combinations	-	95,820	-	12,885	108,705
Reclassification	-	-	-	(114)	(114)
Effect of foreign currency exchange differences	<u>(13,822)</u>	<u>(19,690)</u>	<u>(12,577)</u>	<u>(2,865)</u>	<u>(48,954)</u>
Balance at December 31, 2019	<u>\$ 493,225</u>	<u>\$ 593,770</u>	<u>\$ 413,853</u>	<u>\$ 625,449</u>	<u>\$ 2,126,297</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2019	\$ -	\$ 195,112	\$ 290,012	\$ 551,761	\$ 1,036,885
Amortization expenses	-	56,803	35,571	117,832	210,206
Disposals	-	(3,937)	-	(180,243)	(184,180)
Acquisitions through business combinations	-	-	-	8,273	8,273
Impairment loss	102,010	-	-	-	102,010
Effect of foreign currency exchange differences	<u>(3,076)</u>	<u>(8,290)</u>	<u>(10,345)</u>	<u>(5,247)</u>	<u>(26,958)</u>
Balance at December 31, 2019	<u>\$ 98,934</u>	<u>\$ 239,688</u>	<u>\$ 315,238</u>	<u>\$ 492,376</u>	<u>\$ 1,146,236</u>
Carrying amounts at December 31, 2019	<u>\$ 394,291</u>	<u>\$ 354,082</u>	<u>\$ 98,615</u>	<u>\$ 133,073</u>	<u>\$ 980,061</u> (Concluded)

The Group acquired B+B on January 4, 2016 and recognized intangible assets of \$1,294,933 thousand according to the assessment report, and a portion of trademark right was expected to generate net cash inflows over a foreseeable unlimited period. Therefore, the service life of trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. However, it will be tested for impairment annually regardless of whether there is any indication that it may be impaired. Because the recoverable amount of the trademark was lower than its carrying amount, B+B recognized impairment loss of \$102,010 thousand for the year ended December 31, 2019.

Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Customers relationships	2-15 years
Technology licenses	5-8 years
Others	1-5 years

## 18. PREPAYMENTS FOR LEASES

	<u>December 31</u> <u>2018</u>
Current assets (included in other current assets)	\$ 8,673
Non-current assets	<u>297,665</u>
	<u>\$ 306,338</u>

Lease prepayments are for the Group's land-use right in mainland China.

## 19. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Unsecured borrowings		
Line of credit borrowings	\$ 250,678	\$ 87,581

The weighted average effective interest rates on bank loans was 0.23%-3.00% and 1.38%-3.15% per annum as of December 31, 2019 and 2018, respectively.

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Secured borrowings</u>		
Other loans	\$ 44,089	\$ 55,410
Less: Current portion of long-term borrowings	<u>(7,957)</u>	<u>(9,626)</u>
Long-term borrowings	<u>\$ 36,132</u>	<u>\$ 45,784</u>

Other borrowings are loans from the government. As of December 31, 2019 and 2018, the effective interest rate was 2.91%-3.16% per annum.

With demand of borrowings, the Group pledged time deposits, freehold land and buildings refer to Note 34.

## 20. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Other payables		
Payables for salaries or bonuses	\$ 2,484,026	\$ 2,143,770
Payables for employee benefits	188,988	207,175
Payables for royalties	86,822	107,409
Others (Note)	<u>972,388</u>	<u>1,203,845</u>
	<u>\$ 3,732,224</u>	<u>\$ 3,662,199</u>

Note: Including marketing expenses and freight expenses.

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

For certain subsidiaries with a few or no employees, they have not established a set of policies for employee retirement and therefore not recognized related retirement expenses.

Except for those aforementioned subsidiaries, the rest of overseas subsidiaries recognized retirement expenses when making contribution to the retirement plan in accordance with local laws.

b. Defined benefit plans

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 517,092	\$ 394,616
Fair value of plan assets	<u>(132,178)</u>	<u>(139,071)</u>
Deficit	<u>384,914</u>	<u>255,545</u>
Net defined benefit liabilities	<u>\$ 384,914</u>	<u>\$ 255,545</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 (Assets)</b>
Balance at January 1, 2018	<u>\$ 373,581</u>	<u>\$ (136,356)</u>	<u>\$ 237,225</u>
Service cost			
Current service cost	2,400	-	2,400
Net interest expense (income)	<u>5,143</u>	<u>(1,893)</u>	<u>3,250</u>
Recognized in profit or loss	<u>7,543</u>	<u>(1,893)</u>	<u>5,650</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (3,673)	\$ (3,673)
Actuarial gain or loss			
Changes in demographic assumptions	6,812	-	6,812
Changes in financial assumptions	11,527	-	11,527
Experience adjustments	<u>6,192</u>	<u>-</u>	<u>6,192</u>
Recognized in other comprehensive income	<u>24,531</u>	<u>(3,673)</u>	<u>20,858</u>
Contributions from the employer	-	(8,188)	(8,188)
Benefits paid	<u>(11,039)</u>	<u>11,039</u>	<u>-</u>
Balance at December 31, 2018	<u>394,616</u>	<u>(139,071)</u>	<u>255,545</u>
Service cost			
Current service cost	6,929	-	6,929
Net interest expense (income)	<u>4,667</u>	<u>(1,630)</u>	<u>3,037</u>
Recognized in profit or loss	<u>11,596</u>	<u>(1,630)</u>	<u>9,966</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,730)	(4,730)
Actuarial gain or loss			
Changes in demographic assumptions	9,924	-	9,924
Changes in financial assumptions	16,975	-	16,975
Experience adjustments	<u>(7,112)</u>	<u>-</u>	<u>(7,112)</u>
Recognized in other comprehensive income	<u>19,787</u>	<u>(4,730)</u>	<u>15,057</u>
Contributions from the employer	-	(9,304)	(9,304)
Benefits paid	(28,795)	22,557	(6,238)
Business combinations	122,190	-	122,190
Exchange differences on foreign plans	<u>(2,302)</u>	<u>-</u>	<u>(2,302)</u>
Balance at December 31, 2019	<u>\$ 517,092</u>	<u>\$ (132,178)</u>	<u>\$ 384,914</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 1,827	\$ 1,372
Selling and marketing expenses	687	905
General and administrative expenses	5,864	1,436
Research and development expenses	<u>1,588</u>	<u>1,937</u>
	<u>\$ 9,966</u>	<u>\$ 5,650</u>

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)	0.140%-1.000%	1.125%-1.375%
Expected rate(s) of salary increase	3.000%-3.250%	3.000%-3.250%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	<u>\$ (15,228)</u>	<u>\$ (11,723)</u>
0.25% decrease	<u>\$ 15,867</u>	<u>\$ 12,218</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 11,583</u>	<u>\$ 11,770</u>
0.25% decrease	<u>\$ (11,188)</u>	<u>\$ (11,358)</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plan for the next year	<u>\$ 9,228</u>	<u>\$ 9,477</u>
Average duration of the defined benefit obligation	12.5-14.9 years	12.5-15.4 years

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>700,310</u>	<u>698,696</u>
Shares issued	<u>\$ 7,004,100</u>	<u>\$ 6,986,955</u>

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

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

### b. Capital surplus

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238
Conversion of bonds	1,636,499	1,636,499
The difference between the consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	90,217	88,560
Share of changes in capital surplus of associates	55	55
Employees' share compensation	78,614	78,614
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	4,637	4,263
Employee share options	1,888,945	1,519,818
Share of changes in capital surplus of associates	12,361	27,890
<u>May not be used for any purpose</u>		
Employee share options	<u>1,075,002</u>	<u>1,025,411</u>
	<u>\$ 7,478,568</u>	<u>\$ 7,073,348</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 23, d.

The Company operates in an industry related to computers, and its business related to network servers is new but has significant potential for growth. Thus, in formulating its dividends policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interests, and the sustainability of the Company's growth. The policy also requires that share dividends be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

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

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017, which have been approved in the shareholders' meetings on May 28, 2019 and May 24, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended</b>	
	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Legal reserve	<u>\$ 629,466</u>	<u>\$ 615,651</u>
Special reserve	<u>\$ 429,108</u>	<u>\$ 284,451</u>
Cash dividends	<u>\$ 4,751,129</u>	<u>\$ 4,600,414</u>
Cash dividends per share (NT\$)	<u>\$ 6.8</u>	<u>\$ 6.6</u>

The appropriations of earnings for 2019, which have been proposed by the Company's board of directors on March 6, 2020. The appropriations and dividends per share were as follows:

	<b>Appropriation</b>
	<b>of Earnings</b>
Legal reserve	<u>\$ 735,122</u>
Special reserve	<u>\$ 47,230</u>
Cash dividends	<u>\$ 5,463,198</u>
Share dividends	<u>\$ 700,410</u>
Cash dividends per share (NT\$)	<u>\$ 7.8</u>
Share dividends per share (NT\$)	<u>\$ 1.0</u>

The appropriations of earnings for 2019 are subject to the resolution of the shareholders in their meeting to be held on May 28, 2020.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning at January 1	\$ 369,655	\$ 85,204
Appropriations in respect of Debits to other equity items	<u>429,108</u>	<u>284,451</u>
Balance at December 31	<u>\$ 798,763</u>	<u>\$ 369,655</u>

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (475,245)	\$ (463,479)
Effect of change in tax rate	<u>-</u>	<u>16,752</u>
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign entities	(385,198)	(19,659)
Share of those of associates accounted for using the equity method	<u>(17,818)</u>	<u>(8,859)</u>
Other comprehensive income recognized for the period	<u>(403,016)</u>	<u>(11,766)</u>
Balance at December 31	<u>\$ (878,261)</u>	<u>\$ (475,245)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (324,254)	\$ 123,254
Recognized for the year		
Unrealized gain (loss) - equity instruments	307,604	(445,333)
Share from those of associates accounted for using the equity method	<u>23,251</u>	<u>(13,912)</u>
Other comprehensive income recognized for the year	330,855	(459,245)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>24,369</u>	<u>11,737</u>
Balance at December 31	<u>\$ 30,970</u>	<u>\$ (324,254)</u>

3) Unearned employee benefits compensation

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 736	\$ -
Share from associates accounted for using the equity method	<u>562</u>	<u>736</u>
Balance at December 31	<u>\$ 1,298</u>	<u>\$ 736</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 245,436	\$ 179,366
Share of profit for the year	41,635	18,981
Other comprehensive income during the year		
Exchange differences on translation of financial statements of foreign operations	(7,752)	4,915
Remeasurement on defined benefit plans	(104)	115
Increase in non-controlling interests arising from decrease in investment in subsidiaries (Note 30)	(340)	56,829
Increase or decrease in non-controlling interests arising from increase in investment in subsidiaries (Note 30)	7,573	(22,701)
Increase in non-controlling interests arising from the acquisition of subsidiary, ATJ (Note 28)	125,868	-
Increase in non-controlling interests arising from the acquisition of subsidiary, ATR (Note 28)	35,252	-
Increase in non-controlling interests arising from the acquisition of subsidiary, AVN (Note 28)	-	17,920
Increase in non-controlling interests arising from the acquisition of subsidiary, ACI IOT Investment Fund-I Corporation	62,000	-
Cash dividends distributed by subsidiaries	(14,039)	(10,795)
Employees' holding outstanding vest share option related non-controlling interests issued by subsidiaries	<u>293</u>	<u>806</u>
Balance at December 31	<u>\$ 495,822</u>	<u>\$ 245,436</u>

**23. NET PROFIT FROM CONTINUING OPERATIONS**

a. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 2,578	\$ 2,237
Interest on lease liabilities	18,040	-
Others	<u>4,423</u>	<u>2,448</u>
	<u>\$ 25,041</u>	<u>\$ 4,685</u>

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of depreciation by function		
Operating costs	\$ 194,053	\$ 151,782
Operating expenses	<u>613,533</u>	<u>415,924</u>
	<u>\$ 807,586</u>	<u>\$ 567,706</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of amortization by function		
Operating costs	\$ 3,423	\$ 831
Operating expenses	<u>206,783</u>	<u>190,651</u>
	<u>\$ 210,206</u>	<u>\$ 191,482</u>
		(Concluded)

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits	\$ 9,307,290	\$ 8,319,973
Post-employment benefits		
Defined contribution plans	419,668	316,488
Defined benefit plans (Note 21)	<u>9,966</u>	<u>5,650</u>
	429,634	322,138
Share-based payments		
Equity-settled	295,427	341,624
Other employee benefits	<u>732,743</u>	<u>736,650</u>
Total employee benefits expense	<u>\$ 10,765,094</u>	<u>\$ 9,720,385</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 2,467,959	\$ 2,076,967
Operating expenses	<u>8,297,135</u>	<u>7,643,418</u>
	<u>\$ 10,765,094</u>	<u>\$ 9,720,385</u>

d. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at the rates of no less than 5% and remuneration of directors at the rates of no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which have been approved by the Company's board of directors on March 6, 2020 and May 3, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	\$ 600,000	\$ 452,355
Remuneration of directors	12,000	10,600

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.

e. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 732,848	\$ 1,088,910
Foreign exchange losses	<u>(827,448)</u>	<u>(1,071,954)</u>
Net profit or loss	<u>\$ (94,600)</u>	<u>\$ 16,956</u>

## 24. INCOME TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 1,824,480	\$ 1,540,532
Income tax on unappropriated earnings	20,024	64,158
Adjustments for prior year	<u>(84,174)</u>	<u>(254,230)</u>
	<u>1,760,330</u>	<u>1,350,460</u>
Deferred tax		
In respect of the current year	154,695	143,835
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>183,446</u>
	<u>154,695</u>	<u>327,281</u>
Income tax expense recognized in profit or loss	<u>\$ 1,915,025</u>	<u>\$ 1,677,741</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax from continuing operations	<u>\$ 9,307,880</u>	<u>\$ 7,986,715</u>
Income tax expense calculated at the statutory rate	\$ 2,249,657	\$ 1,923,694
Nondeductible expenses in determining taxable income	2,972	713
Tax-exempt income	(109,002)	(83,676)
Income tax on unappropriated earnings	20,024	64,158
Land value increment tax	170	4,562
Investment credits in the current year	(162,569)	(158,726)
		(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss carryforwards in the current year	\$ -	\$ (260)
Unrecognized deductible temporary differences	(671)	(1,137)
Unrecognized loss carryforwards	1,019	-
Difference between basic and regular income tax	3,763	-
Adjustments for prior years' tax	(84,174)	(254,230)
Effect of tax rate changes	-	183,446
Others	<u>(6,164)</u>	<u>(803)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,915,025</u>	<u>\$ 1,677,741</u> (Concluded)

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. Except those subsidiaries based in China applicable to the preferential income tax rate of 15% for hi-tech enterprises, others are applicable to the tax rate of 25%; tax rate according to income tax law of each jurisdiction is applicable to subsidiaries based in jurisdiction other than China.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax</u>		
Effect of change in tax rate	\$ -	\$ (18,897)
In respect of the current year		
Translating the financial statements of foreign operations	100,754	(4,171)
Remeasurement on defined benefit plans	<u>3,012</u>	<u>(7,131)</u>
	<u>\$ 103,766</u>	<u>\$ (30,199)</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax liabilities		
Income tax payable	<u>\$ 1,522,874</u>	<u>\$ 1,611,886</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Business Combination	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized gross profit	\$ 136,026	\$ 3,059	\$ -	\$ -	\$ 139,085
Unrealized loss on inventory write-downs	74,115	15,110	-	-	89,225
Exchange differences on translating the financial statements of foreign operations	118,963	-	100,754	-	219,717
Loss carryforwards	45,525	(10,395)	-	-	35,130
Defined benefit obligations	17,717	(691)	-	-	17,026
Unrealized exchange losses (gains)	560	2,973	-	-	3,533
Unrealized warranty liabilities	25,293	9,725	-	-	35,018
Remeasurement of defined benefit plans	22,459	-	3,012	22,824	48,295
Allowance for impaired receivables	3,814	(3,523)	-	-	291
Sales allowance	3,090	(3,090)	-	-	-
Financial assets at fair value through profit or loss	-	420	-	-	420
Others	<u>53,698</u>	<u>(25,008)</u>	<u>-</u>	<u>73,782</u>	<u>102,472</u>
	<u>\$ 501,260</u>	<u>\$ (11,420)</u>	<u>\$ 103,766</u>	<u>\$ 96,606</u>	<u>\$ 690,212</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Undistributed earnings of subsidiaries	\$ 1,588,655	\$ 199,914	\$ -	\$ -	\$ 1,788,569
Remeasurement of defined benefit plans	3,990	-	-	-	3,990
Financial assets at fair value through profit or loss	87	(87)	-	-	-
Exchange differences on translating the financial statements of foreign operations	3,676	189	-	-	3,865
Unrealized exchange losses (gains)	2,580	(2,578)	-	-	2
Property, plant and equipment	5,153	(1,076)	-	-	4,077
Intangible assets and goodwill	193,822	(52,727)	-	-	141,095
Others	<u>951</u>	<u>(360)</u>	<u>-</u>	<u>-</u>	<u>591</u>
	<u>\$ 1,798,914</u>	<u>\$ 143,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,942,189</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized gross profit	\$ 75,876	\$ 60,150	\$ -	\$ 136,026
Unrealized loss on inventory write-downs	49,176	24,939	-	74,115
Exchange differences on translating the financial statements of foreign operations	95,080	-	23,883	118,963
Loss carryforwards	45,472	53	-	45,525
Defined benefit obligation	15,423	2,294	-	17,717
Unrealized exchange losses (gains)	3,007	(2,447)	-	560
Unrealized warranty liabilities	24,072	1,221	-	25,293
Remeasurement of defined benefit plans	15,544	-	6,915	22,459
Allowance for impaired receivables	4,504	(690)	-	3,814
Sales allowance	-	3,090	-	3,090
Others	70,287	(16,589)	-	53,698
	<u>\$ 398,441</u>	<u>\$ 72,021</u>	<u>\$ 30,798</u>	<u>\$ 501,260</u>

Deferred tax liabilities

Temporary differences				
Undistributed earnings of subsidiaries	\$ 1,170,423	\$ 418,232	\$ -	\$ 1,588,655
Remeasurement of defined benefit plans	3,391	-	599	3,990
Financial assets - FVTPL	-	87	-	87
Exchange differences arising on translating of the financial statements of foreign entities	12,853	(9,177)	-	3,676
Unrealized exchange gains	384	2,196	-	2,580
Property, plant and equipment	5,849	(696)	-	5,153
Intangible assets and goodwill	205,258	(11,436)	-	193,822
Others	855	96	-	951
	<u>\$ 1,399,013</u>	<u>\$ 399,302</u>	<u>\$ 599</u>	<u>\$ 1,798,914</u>

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2019	2018
Loss carryforwards		
Expiry in 2020-2021	\$ 684	\$ -
Expiry in 2026	-	20,415
Expiry in 2028	33,410	-
Expiry in 2029	5,095	-
Expiry in 2033-2039	35,087	-
Infinite	819	-
	<u>\$ 75,095</u>	<u>\$ 20,415</u>

f. Information about unused investment credits

As of December 31, 2019, investment tax credits comprised:

<b>Laws and Statutes</b>	<b>Tax Credit Source</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Research and development expenditures	<u>\$ 5,052</u>	2019-2020

g. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities.

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Basic earnings per share	<u>\$ 10.51</u>	<u>\$ 9.01</u>
Diluted earnings per share	<u>\$ 10.37</u>	<u>\$ 8.92</u>

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

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Earnings used in the computation of basic earnings per share	<u>\$ 7,351,220</u>	<u>\$ 6,289,993</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 7,351,220</u>	<u>\$ 6,289,993</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares in computation of basic earnings per share	699,306	697,744
Effect of potentially dilutive ordinary shares:		
Employee share options	7,027	5,797
Employees' compensation	<u>2,346</u>	<u>1,501</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>708,679</u>	<u>705,042</u>

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

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 8,000 options in 2018, 6,500 options in 2016, and 5,000 options in 2014. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The holders of these shares include employees whom meet certain criteria set by the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in 2018, 2016 and 2014 are all valid for six years. All options are exercisable at certain percentages after the second anniversary year from the grant date. The options issued in 2018 were granted at an exercise price equal to the share price at the grant date. The exercise price of those granted in 2016 and 2014 was both NT\$100 per share. For any subsequent changes in the Company's capital surplus, the exercise price and the number of options will be adjusted accordingly.

Information on employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	15,965	\$143.64	9,378	\$ 95.15
Options granted	-	-	8,000	202.50
Options exercised	<u>(1,715)</u>	81.91	<u>(1,413)</u>	83.78
Balance at December 31	<u>14,250</u>	149.88	<u>15,965</u>	143.64
Options exercisable, end of year	<u>6,250</u>	82.54	<u>7,965</u>	85.00
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ 49.15</u>	

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2019 and 2018 were from NT\$223 to NT\$310 and from NT\$196 to NT\$226, respectively.

Information about outstanding options as of December 31, 2019 and 2018 was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>
Issuance in 2018	\$ 202.5	4.58	\$ 202.5	5.58
Issuance in 2016	83.3	2.45	85.6	3.45
Issuance in 2014	79.4	0.63	81.5	1.63

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

	<b>2018</b>	<b>2016</b>	<b>2014</b>
Grant-date share price (NT\$)	\$202.5	\$235	\$239.5
Exercise price (NT\$)	\$202.5	\$100	\$100
Expected volatility	28.42%-28.73%	31.42%-32.48%	28.28%-29.19%
Expected life (in years)	4-4.5	4-5.5	4-5.5
Expected dividend yield	0%	0%	0%
Risk-free interest rate	0.67%-0.69%	0.52%-0.65%	1.07%-1.30%

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

Compensation cost recognized was \$295,427 thousand and \$341,624 thousand for the years ended December 31, 2019 and 2018, respectively.

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

Information on employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	814	\$ 20	980	\$ 2.0
Options granted	-	-	108	2.0
Options forfeited	<u>(74)</u>	-	<u>(274)</u>	-
Balance at December 31	<u>740</u>	20	<u>814</u>	2.0
Options exercisable, end of period	<u>180</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ 2.17</u>	

Information about outstanding options as of December 31, 2019 and 2018 was as follows:

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>
<b>Employee Share Options</b>				
Issuance in 2018	\$ 20	2.53	\$ 20	3.33
Issuance in 2017	20	1.42	20	2.42

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

	<b>2018</b>	<b>2017</b>
Grant-date valuation (NT\$)	\$17.29	\$16.11
Exercise price (NT\$)	\$20	\$20
Expected volatility	21.36%-25.43%	25.6%-29.45%
Expected life (in years)	2.5-4	2.5-4
Expected dividend yield	1.04	-
Risk-free interest rate	0.60%-0.67%	0.64%-0.74%

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

#### Issuance in 2018

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

#### Issuance in 2017

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

## **27. GOVERNMENT GRANTS**

For the years ended December 31, 2019 and 2018, the Group received government grants of NT\$71,182 thousand and NT\$44,839 thousand for its engagement in a government project. The amount was recognized as other revenue.

## 28. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Advantech Vietnam Technology Company Limited (AVN)	Sales of industrial automation products	June 6, 2018	60	<u>\$ 76,092</u>
Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	January 31, 2019	80	<u>\$ 517,008</u>
Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	February 28, 2019	60	<u>\$ 58,482</u>

The Group acquired 60% of the shares of Advantech Vietnam Technology Company Limited (AVN) in order to expand the sales of industrial PCs in the Vietnam market.

The Group acquired 80% of the shares of Advantech Technologies Japan Corp. (ATJ) in order to expand its embedded systems and strengthen customization of design and production in the Japan market.

The Group acquired 42% of the shares of Advantech Turkey Teknoloji A.S. (ATR) in order to expand the sales of industrial PCs in the Turkey market. The Group increased capital; thus the Group's equity investment in ATR increased to 60%.

### b. Consideration transferred

	<b>ATJ</b>	<b>ATR</b>	<b>AVN</b>
Cash	<u>\$ 517,008</u>	<u>\$ 58,482</u>	<u>\$ 76,092</u>

### c. Assets acquired and liabilities assumed at the dates of acquisitions

	<b>ATJ</b>	<b>ATR</b>	<b>AVN</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ -	\$ 33,334	\$ 15,770
Trade receivables and other receivables	600,640	15,759	16,701
Inventories	437,154	9,966	4,637
Other current assets	7,220	353	615
<b>Non-current assets</b>			
Plant and equipment	251,399	723	1,170
Intangible assets	65,649	34,783	26,727
Deferred tax assets	96,606	-	-
Other non-current assets	-	238	354
<b>Current liabilities</b>			
Short-term borrowings	(157,819)	(311)	-
Trade and other payables	(501,113)	(2,206)	(20,302)
Current tax liabilities	(32,436)	(193)	-
Other current liabilities	(15,770)	(4,230)	(873)

(Continued)

	<b>ATJ</b>	<b>ATR</b>	<b>AVN</b>
Non-current liabilities			
Net defined benefit liabilities	\$ (122,190)	\$ -	\$ -
Other non-current liabilities	<u>-</u>	<u>(86)</u>	<u>-</u>
	<u>\$ 629,340</u>	<u>\$ 88,130</u>	<u>\$ 44,799</u>
			(Concluded)

d. Non-controlling interests

The non-controlling interest (20%, 40% and 40% ownership interest in ATJ, ATR and AVN) recognized at the acquisition date was measured by reference to the identifiable net assets of the non-controlling interest and amounted to \$125,868 thousand, \$35,252 thousand and \$17,920 thousand for each.

e. Goodwill recognized on acquisitions

	<b>ATJ</b>	<b>ATR</b>	<b>AVN</b>
Consideration transferred	\$ 517,008	\$ 58,482	\$ 76,092
Less: Fair value of identifiable net assets acquired	<u>(503,472)</u>	<u>(52,878)</u>	<u>(26,879)</u>
Goodwill recognized on acquisitions	<u>\$ 13,536</u>	<u>\$ 5,604</u>	<u>\$ 49,213</u>

In the acquisition of AVN and ATR, the adjustment of the fair value of the intangible assets and goodwill was based on the intangible asset - fair value valuation on client relationship. Refer to Note 16 for information related to goodwill adjustments.

In the acquisition of ATJ, the adjustment of the fair value of intangible assets, property, plant and equipment, and goodwill was based on the intangible asset - fair value valuation on client relationship and the appraisal report of property, plant and equipment. Refer to Note 16 for goodwill adjustments.

f. Net cash outflow on acquisitions of subsidiaries

	<b>ATJ</b>	<b>ATR</b>	<b>AVN</b>
Consideration paid in cash	\$ 517,008	\$ 58,482	\$ 76,092
Less: Cash and cash equivalent balances acquired	<u>-</u>	<u>(33,334)</u>	<u>(15,770)</u>
	<u>\$ 517,008</u>	<u>\$ 25,148</u>	<u>\$ 60,322</u>

g. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition dates included in the consolidated statements of comprehensive income were as follows:

	<u>2019</u>		<u>2018</u>
	<b>ATJ</b>	<b>ATR</b>	<b>AVN</b>
Revenue	<u>\$ 2,563,061</u>	<u>\$ 128,870</u>	<u>\$ 52,048</u>
Profit or loss	<u>\$ 137,452</u>	<u>\$ 12,955</u>	<u>\$ (5,982)</u>

## 29. DISPOSAL OF SUBSIDIARIES

On July 31, 2019, the Group entered into an agreement to dispose of Conel Automation, which carried out system integration services in the Czech Republic. The disposal was completed on July 31, 2019, on which date control of Conel Automation was passed to the acquirer.

- a. Consideration received from disposal

	<b>Conel Automation</b>
<u>Cash</u>	<u>\$ 311</u>

- b. Analysis of assets and liabilities on the date control was lost

	<b>Conel Automation</b>
Current assets	
Cash and cash equivalents	\$ 392
Trade receivables	4,932
Inventories	6,666
Other current assets	4,897
Non-current assets	
Property, plant and equipment	104
Other intangible assets	14,536
Current liabilities	
Payables and other liabilities	<u>(5,285)</u>
Net assets disposed of	<u>\$ 26,242</u>

- c. Loss on disposal of subsidiary

	<b>Conel Automation</b>
Consideration received	\$ 311
Net assets disposed of	(26,242)
Cumulative exchange differences reclassified from equity to profit or loss in respect of the subsidiary	<u>4,312</u>
Loss on disposals	<u>\$ (21,619)</u>

- d. Net cash inflow (outflow) on disposal of subsidiary

	<b>Conel Automation</b>
Consideration received in cash and cash equivalents	\$ 311
Less: Cash and cash equivalent balances disposed of	<u>(392)</u>
	<u>\$ (81)</u>

### 30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In the first quarter of 2018, the Group sold 1.11% of the equity in LNC, which led the Group's equity investment to decrease from 81.17% to 80.06%.

In the first quarter of 2018, the Group acquired 49% of the equity of ATH, which led the Group's equity investment in ATH to increase from 51% to 100%.

In the third quarter of 2019, the Group sold 1.39% of the equity of ATJ, which led its equity investment in ATJ to decrease from 80% to 78.61%.

In the third quarter of 2019, the Group subscribed for shares of AIH during its capital increase at a percentage different from its existing ownership percentage, which led its equity investment in AIH to decrease from 100% to 70%.

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

	<b>For the Year Ended December 31, 2019</b>		
	<b>ATJ</b>	<b>AIH</b>	<b>Total</b>
Cash consideration received (paid)	\$ 9,230	\$ -	\$ 9,230
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>(7,573)</u>	<u>340</u>	<u>(7,233)</u>
Differences recognized from equity transactions	<u>\$ 1,657</u>	<u>\$ 340</u>	<u>\$ 1,997</u>
<u>Line items adjusted for equity transactions</u>			
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 1,657	\$ -	\$ 1,657
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>-</u>	<u>340</u>	<u>340</u>
	<u>\$ 1,657</u>	<u>\$ 340</u>	<u>\$ 1,997</u>

	<b>For the Year Ended December 31, 2018</b>		
	<b>ATH</b>	<b>LNC</b>	<b>Total</b>
Cash consideration received (paid)	\$ (21,926)	\$ 126,770	\$ 104,844
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>22,701</u>	<u>(56,829)</u>	<u>(34,128)</u>
Differences recognized from equity transactions	<u>\$ 775</u>	<u>\$ 69,941</u>	<u>\$ 70,716</u>
<u>Line items adjusted for equity transactions</u>			
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>\$ 775</u>	<u>\$ 69,941</u>	<u>\$ 70,716</u>

### 31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in both 2019 and 2018.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity, and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

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

### 32. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 9,320	\$ -	\$ 9,320
Securities listed in ROC	118,392	-	-	118,392
Securities listed in other countries	50,157	-	-	50,157
Securities unlisted in other countries	-	-	101,156	101,156
Mutual funds	<u>3,470,094</u>	<u>-</u>	<u>-</u>	<u>3,470,094</u>
	<u>\$ 3,638,643</u>	<u>\$ 9,320</u>	<u>\$ 101,156</u>	<u>\$ 3,749,119</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	\$ 1,489,491	\$ -	\$ -	\$ 1,489,491
Unlisted securities - ROC	-	-	18,860	18,860
Unlisted shares in other country	<u>-</u>	<u>-</u>	<u>130,970</u>	<u>130,970</u>
	<u>\$ 1,489,491</u>	<u>\$ -</u>	<u>\$ 149,830</u>	<u>\$ 1,639,321</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 521</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 5,198	\$ -	\$ 5,198
Securities listed in ROC	202,622	-	-	202,622
Securities listed in other countries	5,270	-	-	5,270
Mutual funds	<u>1,885,462</u>	<u>-</u>	<u>-</u>	<u>1,885,462</u>
	<u>\$ 2,093,354</u>	<u>\$ 5,198</u>	<u>\$ -</u>	<u>\$ 2,098,552</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	\$ 1,181,502	\$ -	\$ -	\$ 1,181,502
Unlisted securities - ROC	-	-	8,622	8,622
Unlisted shares in other country	<u>-</u>	<u>-</u>	<u>110,143</u>	<u>110,143</u>
	<u>\$ 1,181,502</u>	<u>\$ -</u>	<u>\$ 118,765</u>	<u>\$ 1,300,267</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 6,139</u>	<u>\$ -</u>	<u>\$ 6,139</u>

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

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

For the year ended December 31, 2019

	<u>Financial Assets at FVTPL</u> Equity Instruments	<u>Financial Assets at FVTOCI</u> Equity Instruments	Total
<u>Financial assets</u>			
Balance at January 1, 2019	\$ -	\$ 118,765	\$ 118,765
Purchases	101,156	-	101,156
Recognized in other comprehensive income	<u>-</u>	<u>31,065</u>	<u>31,065</u>
Balance	<u>\$ 101,156</u>	<u>\$ 149,830</u>	<u>\$ 250,986</u>

For the year ended December 31, 2018

**Financial Assets at Fair Value  
Through Other Comprehensive  
Income**

	<b>Equity Instruments</b>	<b>Total</b>
<u>Financial assets</u>		
Balance at January 1, 2018	\$ -	\$ -
Reclassification	89,893	89,893
Recognized in other comprehensive income	28,872	28,872
Balance at December 31, 2018	\$ 118,765	\$ 118,765

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

Derivatives held by the Group were foreign currency forward contracts, whose fair values were calculated using discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

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

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	\$ 3,749,119	\$ 2,098,552
Financial assets at amortized cost (Note 1)	15,253,957	15,187,794
Financial assets at FVTOCI equity instrument	1,639,321	1,300,267
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	521	6,139
Measured at amortized cost (Note 2)	8,826,187	9,616,094

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

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

c. Financial risk management objectives and policies

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

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

1) Market risk

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

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

a) Foreign currency risk

The Group undertook operating activities and investment of foreign operations denominated in foreign currencies, which exposed it to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which allow the Group to mitigate but not fully eliminate the effect.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 35. As for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 7.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in exchange rates.

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

	<u>U.S. Dollar Impact</u>		<u>Euro Impact</u>		<u>Renminbi Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit or loss	\$ 101,361 (Note 1)	\$ 86,067 (Note 1)	\$ 53,804 (Note 2)	\$ 48,477 (Note 2)	\$ 69,773 (Note 3)	\$ 40,381 (Note 3)

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

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

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

b) Interest rate risk

The Group's floating-rate bank savings and borrowings are exposed to risk of changes in interest rates. The Group does not operate hedging instruments for interest rates. The Group's management monitors fluctuations in market interest rates regularly. If it is needed, management might perform necessary procedures for significant interest rate risks to control the risks from fluctuations in market interest rates.

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Fair value interest rate risk		
Financial assets	\$ 1,434,765	\$ 1,363,564
Financial liabilities	165,600	-
Cash flow interest rate risk		
Financial assets	4,055,867	4,527,415
Financial liabilities	129,167	142,991

Sensitivity analysis

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would have increased by \$19,634 thousand and \$21,922 thousand, respectively. Had interest rates been 50 basis points lower for the same years, the Group's pre-tax profit would have decreased by the same respective amounts. The source of the negative effects would have been mainly the floating-interest rates on bank savings and borrowings.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2019 and 2018 would have increased by \$2,679 thousand and \$2,079 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased by \$16,393 thousand and \$13,002 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity prices increased because stock prices rose in 2019.

2) Credit risk

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

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

3) Liquidity risk

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

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

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

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

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

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 5,585,880	\$ 2,277,916	\$ 666,661	\$ 963
Lease liabilities	33,111	51,455	117,915	270,158
Variable interest rate liabilities	20,293	541	75,470	45,756
Fixed interest rate liabilities	<u>165,632</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,804,916</u>	<u>\$ 2,329,912</u>	<u>\$ 860,046</u>	<u>\$ 316,877</u>

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 202,481</u>	<u>\$ 206,664</u>	<u>\$ 63,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 7,036,567	\$ 1,601,148	\$ 835,388	\$ -
Variable interest rate liabilities	<u>337</u>	<u>20,649</u>	<u>70,407</u>	<u>67,039</u>
	<u>\$ 7,036,904</u>	<u>\$ 1,621,797</u>	<u>\$ 905,795</u>	<u>\$ 67,039</u>

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

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

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

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Total</b>
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 330,202	\$ 430,604	\$ 101,721	\$ 862,527
Outflows	<u>325,163</u>	<u>427,666</u>	<u>100,899</u>	<u>853,728</u>
	<u>\$ 5,039</u>	<u>\$ 2,938</u>	<u>\$ 822</u>	<u>\$ 8,799</u>

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Total</b>
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 245,998	\$ 410,248	\$ 205,677	\$ 861,923
Outflows	<u>245,440</u>	<u>410,296</u>	<u>207,128</u>	<u>862,864</u>
	<u>\$ 558</u>	<u>\$ (48)</u>	<u>\$ (1,451)</u>	<u>\$ (941)</u>

c) Financing facilities

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Unsecured bank overdraft facilities, reviewed annually and payable on demand		
Amount used	\$ 250,678	\$ 67,581
Amount unused	<u>6,741,182</u>	<u>3,955,919</u>
	<u>\$ 6,991,860</u>	<u>\$ 4,023,500</u>
Secured bank overdraft facilities		
Amount used	<u>\$ 44,089</u>	<u>\$ 55,410</u>

### 33. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

<u>Name</u>	<u>Related Party Category</u>
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Jan Hsiang Electronics Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
i-Link Co., Ltd.	Associate
DotZero Co., Ltd.	Associate
Mildex Optical Inc.	Associate
Nippon RAD Inc.	Associate
Shanghai Yanle Co., Ltd.	Associate
Information Technology Total Services Co., Ltd.	Associate
Hwacom Systems Inc.	Associate
Tianjin Anjie IOT Science And Technology Co., Ltd.	Associate
Smasoft technology Co., Ltd.	Associate
Advantech Foundation	Other related party
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party

b. Sales of goods

<b>Related Party Category/Name</b>	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Associates	<u>\$ 83,691</u>	<u>\$ 109,246</u>

c. Purchases of goods

<b>Related Party Category/Name</b>	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Associates	<u>\$ 206,331</u>	<u>\$ 148,410</u>

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

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b><u>December 31</u></b>	
		<b>2019</b>	<b>2018</b>
Trade receivables from related parties	Associates	<u>\$ 20,174</u>	<u>\$ 18,969</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

e. Other receivables from related parties

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Other receivables	Other related parties	\$ <u>29</u>	\$ <u>-</u>

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

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Trade payables	Associates	\$ <u>43,367</u>	\$ <u>27,653</u>
Other liabilities	Other related parties	\$ <u>7,965</u>	\$ <u>-</u>

The outstanding trade payables to related parties are unsecured.

g. Prepayments to related parties

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Prepayments - related parties	Associates	\$ <u>25,470</u>	\$ <u>-</u>

h. Other transactions with related parties

<b>Related Party Category/Name</b>	<b>Operating Expenses</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Selling and marketing expenses		
Associates	\$ <u>237</u>	\$ <u>-</u>
Research and development expenses		
Associates	\$ <u>2,955</u>	\$ <u>11,672</u>

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

<b>Related Party Category/Name</b>	<b>Other Income</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Rental income		
Other related parties	\$ <u>60</u>	\$ <u>60</u>
Other		
Other related parties	\$ <u>2,702</u>	\$ <u>2,702</u>

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

i. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 45,945	\$ 45,159
Post-employment benefits	42	199
Share-based payments	<u>38,158</u>	<u>32,568</u>
	<u>\$ 84,145</u>	<u>\$ 77,926</u>

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

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

The following assets of AKST were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	<u>\$ 64,584</u>	<u>\$ 67,068</u>

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

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

December 31, 2019

**Unit: In Thousands for Currencies, Except Exchange Rates**

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 169,388	29.980 (USD:NTD)	\$ 5,078,252
RMB	608,066	4.3050 (RMB:NTD)	2,617,724
USD	30,704	6.9640 (USD:RMB)	920,508
EUR	23,196	33.590 (EUR:NTD)	<u>779,154</u>
			<u>\$ 9,395,638</u>
<u>Financial liabilities</u>			
Monetary items			
USD	99,339	29.980 (USD:NTD)	\$ 2,978,183
RMB	271,690	4.3050 (RMB:NTD)	1,169,625
USD	37,132	6.9640 (USD:RMB)	<u>1,113,217</u>
			<u>\$ 5,261,025</u>

December 31, 2018

**Unit: In Thousands for Currencies, Except Exchange Rates**

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 211,836	30.715 (USD:NTD)	\$ 6,506,543
RMB	493,302	4.472 (RMB:NTD)	2,206,044
EUR	24,059	35.200 (EUR:NTD)	846,877
USD	15,998	6.8683 (USD:RMB)	<u>491,378</u>
			<u>\$ 10,050,842</u>
<u>Financial liabilities</u>			
Monetary items			
USD	142,257	30.715 (USD:NTD)	\$ 4,369,424
USD	29,534	6.8683 (USD:RMB)	907,135
RMB	246,686	4.472 (RMB:NTD)	<u>1,103,178</u>
			<u>\$ 6,379,737</u>

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$(94,600) thousand and \$16,956 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.

### **36. SEPARATELY DISCLOSED ITEMS**

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

- 1) Financing provided to others. (Table 1)
- 2) Endorsement/guarantee provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
  - 9) Trading in derivative instruments. (Notes 7 and 33)
  - 10) Significant transactions between the Company and subsidiaries. (Table 9)
  - 11) Name, locations, and other information of investees. (Table 7)
- 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)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, their prices, payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

### **37. SEGMENT INFORMATION**

Information reported to the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group’s segment information which is disclosed is as follows:

- Industrial internet of things services (IIoT): Focus on the market of industry internet-of-things;
- Embedded board and design-in services (EIoT): Provide services involving embedded boards, systems and peripheral hardware and software;
- Allied design manufacture services (Allied DMS): Including Networks and Communications, data acquisition and control, and provide the customized collaboration designs and services;
- Intelligent services (SIoT): Provide services involving digital logistic, digital healthcare and intelligent retail;
- Global customer services (AGS &APS): Global repair, technical support and warranty services.

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

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

## Segment Revenue and Results

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

	Industrial Interest of Things Services (IIoT)	Embedded Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (Allied DMS)	Intelligent Services (SIoT)	Global Customer Services (AGS & APS)	Others	Total
<b>For the year ended December 31, 2019</b>							
Revenue from external customers	\$ 16,479,991	\$ 13,651,265	\$ 12,870,217	\$ 4,561,529	\$ 6,546,203	\$ 35,457	\$ 54,144,662
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 16,479,991</u>	<u>\$ 13,651,265</u>	<u>\$ 12,870,217</u>	<u>\$ 4,561,529</u>	<u>\$ 6,546,203</u>	<u>\$ 35,457</u>	<u>54,144,662</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>54,144,662</u>
Segment income	<u>\$ 3,990,121</u>	<u>\$ 2,345,974</u>	<u>\$ 2,083,716</u>	<u>\$ 398,023</u>	<u>\$ 844,145</u>	<u>\$ -</u>	9,661,979
Other revenue	-	-	-	-	-	-	301,883
Other unamortized expense	-	-	-	-	-	-	(428,477)
Other income and expense	-	-	-	-	-	-	(325,284)
Finance costs	-	-	-	-	-	-	(25,041)
Share of profits of associates accounted for using the equity method	-	-	-	-	-	-	<u>122,820</u>
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 9,307,880</u>
<b>For the year ended December 31, 2018</b>							
Revenue from external customers	\$ 16,653,946	\$ 13,253,892	\$ 8,099,529	\$ 4,373,806	\$ 6,333,069	\$ 12,276	\$ 48,726,518
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 16,653,946</u>	<u>\$ 13,253,892</u>	<u>\$ 8,099,529</u>	<u>\$ 4,373,806</u>	<u>\$ 6,333,069</u>	<u>\$ 12,276</u>	<u>48,726,518</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	-
Segment income	<u>\$ 3,667,801</u>	<u>\$ 2,162,092</u>	<u>\$ 1,226,964</u>	<u>\$ 260,715</u>	<u>\$ 713,496</u>	<u>\$ (5,196)</u>	8,025,872
Other revenue	-	-	-	-	-	-	318,106
Other unamortized expense	-	-	-	-	-	-	(566,247)
Other income and expense	-	-	-	-	-	-	118,034
Finance costs	-	-	-	-	-	-	(4,685)
Share of profits of associates accounted for using the equity method	-	-	-	-	-	-	<u>95,635</u>
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 7,986,715</u>

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

## Revenue from Major Products and Services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Embedded boards and Chassis	\$ 26,275,929	\$ 21,354,713
Industrial computer and industrial control	21,776,158	21,099,031
After-sales service and others	<u>6,092,575</u>	<u>6,272,774</u>
	<u>\$ 54,144,662</u>	<u>\$ 48,726,518</u>

## Geographical Information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from</b>		<b>Non-current Assets</b>	
	<b>External Customers</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>
Taiwan	\$ 3,306,319	\$ 3,600,680	\$ 7,651,703	\$ 7,763,053
Asia	24,153,764	20,014,992	3,614,074	3,159,114
USA	15,105,993	14,211,217	2,490,511	2,992,980
Europe	8,937,030	8,485,831	620,559	421,419
Others	<u>2,641,556</u>	<u>2,413,798</u>	<u>25,772</u>	<u>3,773</u>
	<u>\$ 54,144,662</u>	<u>\$ 48,726,518</u>	<u>\$ 14,402,619</u>	<u>\$ 14,340,339</u>

Non-current assets exclude investments accounted for using the equity method, financial instruments and deferred tax assets.

## Information about Major Customers

No customers contributed 10% or more to the Group's revenue for both years ended December 31, 2019 and 2018.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note H)		Actual Borrowing Ending Balance	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Year	Ending Balance							Item	Value		
1	ACZ	Conel Automation (Note G)	Trade receivables - related parties	Yes	\$ 16,668 (CZK 12,000 thousand)	\$ -	\$ -	2.00	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 107,918 (Note C)	\$ 107,918 (Note C)
2	ACZ	Conel Automation (Note G)	Trade receivables - related parties	Yes	13,196 (CZK 9,500 thousand)	-	-	2.00	Short-term financing	-	Financing need	-	None	None	107,918 (Note C)	107,918 (Note C)
3	ACZ	Conel Automation (Note G)	Trade receivables - related parties	Yes	4,119 (CZK 3,000 thousand)	-	-	2.00	Short-term financing	-	Financing need	-	None	None	107,918 (Note C)	107,918 (Note C)
4	AAC (BVI)	ATJ	Trade receivables - related parties	Yes	177,000 (JPY 600,000 thousand)	165,600 (JPY 600,000 thousand)	-	0.55	Short-term financing	-	Financing need	-	None	None	2,682,118 (Note D)	2,682,118 (Note D)
5	LNC	LNC Dong Guan	Trade receivables - related parties	Yes	30,000	30,000	-	-	Short-term financing	-	Financing need	-	None	None	31,956 (Note E)	127,824 (Note E)
6	Advantech Corporate Investment	The Company	Trade receivables - related parties	Yes	1,000,000	1,000,000	-	1.00	Short-term financing	-	Financing need	-	None	None	1,334,441 (Note F)	1,334,441 (Note F)

Note A: Investee companies are numbered sequentially from 1.

Note B: Translated based on the exchange rates as of December 31, 2019: CZK1=NT\$1.323 and JPY1=NT\$0.276.

Note C: The financing limit for each borrower and for the aggregate financing were both 40%, of ACZ's net asset values, and were supervised by the Company.

Note D: The financing limit for each borrower and for the aggregate financing were both 40%, of AAC (BVI)'s net asset values, and were supervised by the Company.

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

Note F: The financing limit for each borrower and for the aggregate financing were both 40%, of Advantech Corporate Investment's net asset values, and were supervised by the Company.

Note G: Conel Automation was disposed of during the current period.

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

Note I: All intercompany financing has been eliminated on consolidation.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	\$ 3,223,564	\$ 948,000 (US\$ 30,000 thousand)	\$ 899,400 (US\$ 30,000 thousand)	\$ -	\$ -	2.79	\$ 9,670,691	Y	N	N
		AAC (BVI)	Subsidiary	3,223,564	316,000 (US\$ 10,000 thousand)	299,800 (US\$ 10,000 thousand)	-	-	0.93	9,670,691	Y	N	N
		Advantech Corporate Investment	Subsidiary	3,223,564	316,000 (US\$ 10,000 thousand)	299,800 (US\$ 10,000 thousand)	-	-	0.93	9,670,691	Y	N	N
		AJP	Subsidiary	3,223,564	316,000 (US\$ 10,000 thousand)	299,800 (US\$ 10,000 thousand)	55,200 (US\$ 1,841 thousand)	-	0.93	9,670,691	Y	N	N
		ATJ	Subsidiary	3,223,564	295,000 (JPY1,000,000 thousand)	276,000 (JPY1,000,000 thousand)	110,400 (JPY 400,000 thousand)	-	0.86	9,670,691	Y	N	N
		AKST	Subsidiary	3,223,564	189,600 (US\$ 6,000 thousand)	179,880 (US\$ 6,000 thousand)	65,078 (US\$ 2,271 thousand)	-	0.56	9,670,691	Y	N	N
		AKMC	Subsidiary	3,223,564	189,600 (US\$ 6,000 thousand)	179,880 (US\$ 6,000 thousand)	-	-	0.56	9,670,691	Y	N	Y
		ACISM	Subsidiary	3,223,564	158,000 (US\$ 5,000 thousand)	149,900 (US\$ 5,000 thousand)	-	-	0.47	9,670,691	Y	N	N
		SIoT (Cayman)	Subsidiary	3,223,564	316,000 (US\$ 10,000 thousand)	299,800 (US\$ 10,000 thousand)	-	-	0.93	9,670,691	Y	N	N
		B+B	Subsidiary	3,223,564	158,000 (US\$ 5,000 thousand)	149,900 (US\$ 5,000 thousand)	-	-	0.47	9,670,691	Y	N	N
		ABR	Subsidiary	3,223,564	47,400 (US\$ 1,500 thousand)	44,970 (US\$ 1,500 thousand)	-	-	0.14	9,670,691	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		A-SIoT	Subsidiary	\$ 3,223,564	\$ 35,380 (EUR 1,000 thousand)	\$ 33,590 (EUR 1,000 thousand)	\$ -	\$ -	0.10	\$ 9,670,691	Y	N	N
		AVN	Subsidiary	3,223,564	31,600 (US\$ 500 thousand)	29,980 (US\$ 500 thousand)	-	-	0.09	9,670,691	Y	N	N
		Cermate (Taiwan)	Subsidiary	3,223,564	31,600 (US\$ 1,000 thousand)	29,980 (US\$ 1,000 thousand)	-	-	0.09	9,670,691	Y	N	N
		Cermate (Shenzhen)	Subsidiary	3,223,564	31,600 (US\$ 1,000 thousand)	29,980 (US\$ 1,000 thousand)	-	-	0.09	9,670,691	Y	N	Y
		ACZ	Subsidiary	3,223,564	15,800 (US\$ 500 thousand)	14,990 (US\$ 500 thousand)	-	-	0.05	9,670,691	Y	N	N
		ATR	Subsidiary	3,223,564	15,800 (US\$ 500 thousand)	14,990 (US\$ 500 thousand)	-	-	0.05	9,670,691	Y	N	N
		Advanixs Corp.	Subsidiary	3,223,564	15,800 (US\$ 500 thousand)	14,990 (US\$ 500 thousand)	-	-	0.05	9,670,691	Y	N	N
		AdvanPOS	Subsidiary	3,223,564	15,800 (US\$ 500 thousand)	14,990 (US\$ 500 thousand)	-	-	0.05	9,670,691	Y	N	N
		AAU	Subsidiary	3,223,564	6,300 (US\$ 200 thousand)	5,996 (US\$ 200 thousand)	-	-	0.02	9,670,691	Y	N	N
		Advantech Intelligent Service	Subsidiary	3,223,564	4,740 (US\$ 150 thousand)	4,497 (US\$ 150 thousand)	-	-	0.01	9,670,691	Y	N	N
		AKR	Subsidiary	3,223,564	1,580 (US\$ 50 thousand)	1,499 (US\$ 50 thousand)	-	-	-	9,670,691	Y	N	N

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

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

Note C: The exchange rates as of December 31, 2019 were US\$1=NT\$29.98, EUR1=NT\$33.59 and JPY1=NT\$0.276.

Note D: The latest net equity is from the Group's consolidated financial statements for the year ended December 31, 2019.

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Share</u> ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	4,739,461	\$ 1,097,185	0.64	\$ 1,097,185	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	127,200	2.41	127,200	Note A
	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	74,093,066	932,913	-	932,913	Note B
	FSITC Money Market	-	Same as above	1,117,303	200,109	-	200,109	Note B
	FSITC Taiwan Money Market	-	Same as above	32,562,860	500,263	-	500,263	Note B
Advantech Corporate Investment	<u>Share</u> Contec	-	Financial assets at fair value through profit or loss - current	15,500	6,759	0.23	6,759	Note A
	GSD Technologies Co., Ltd.	-	Same as above	324,000	22,194	0.95	22,194	Note A
	Amazing Microelectronic Corp.	-	Same as above	50,142	4,964	0.06	4,964	Note A
	WT Microelectronics Co., Ltd.	-	Same as above	495,000	20,840	0.08	20,840	Note A
	E Ink Holdings Inc.	-	Same as above	43,000	1,344	-	1,344	Note A
	Lelon Electronics Corp.	-	Same as above	250,000	10,988	0.19	10,988	Note A
	Yuan High-Tec Development Co., Ltd.	-	Same as above	249,000	19,472	0.74	19,472	Note A
	eGalax_eMPIA Technology Inc.	-	Same as above	293,000	14,430	0.49	14,430	Note A
	Nuvoton Technology Corp.	-	Same as above	516,799	24,160	0.18	24,160	Note A
	ISI	-	Same as above	640	11,343	-	11,343	Note A
	TRMB	-	Same as above	8,490	10,611	-	10,611	Note A
	LTRX	-	Same as above	26,200	2,788	-	2,788	Note A
	China Mobile Ltd.	-	Same as above	74,000	18,656	-	18,656	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	265,106	5.03	265,106	Note A
	BoardTec System Inc.	-	Same as above	225,000	3,917	7.50	3,917	Note C
	BiosenseTek Corp.	-	Same as above	37,500	-	1.79	-	Note C
	Juguar Technology	-	Same as above	500,000	4,949	16.67	4,949	Note C
	Taiwan DSC PV Ltd.	-	Same as above	1,600	-	3.20	-	Note C
	iSAP Solution Corp.	-	Same as above	942,850	9,994	15.00	9,994	Note C
	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	31,352,761	394,766	-	394,766	Note B
Taishin 1699 Money Market	-	Same as above	29,087,859	395,135	-	395,135	Note B	
FSITC Money Market	-	Same as above	335,392	60,069	-	60,069	Note B	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Advanixs Corporate	<u>Fund</u> FSITC Taiwan Money Market		Financial assets at fair value through profit or loss - current	18,910,187	\$ 290,517	-	\$ 290,517	Note B
	CBC Capital	-	Financial assets at fair value through profit or loss - non-current	-	100,141	-	100,141	Note C
	<u>Fund</u> Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	6,266,221	93,226	-	93,226	Note B
	Mega Diamond Money Market	-	Same as above	3,113,391	39,201	-	39,201	Note B
Advantech Intelligent Service	<u>Fund</u> Jih Sun Money Market	-	Same as above	1,311,144	19,507	-	19,507	Note B
AdvanPOS	<u>Fund</u> Mega Diamond Money Market	-	Same as above	999,130	12,580	-	12,580	Note B
SIoT (Cayman)	<u>Fund</u> FSITC Taiwan Money Market	-	Same as above	10,047,452	154,359	-	154,359	Note B
	Taishin 1699 Money Market	-	Same as above	25,064,061	340,475	-	340,475	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	Same as above	625,517	10,132	-	10,132	Note B
Cermate (Taiwan)	<u>Fund</u> Mega Diamond Money Market	-	Same as above	850,047	10,703	-	10,703	Note B
AiSC	<u>Fund</u> Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	-	129,150	8.43	129,150	Note C
	<u>Share</u> Jama Pro Co., Ltd.	-	Same as above	583,300	1,820	10.00	1,820	Note C
Yun Yan, Wu-Lian Co., Ltd.	<u>Fund</u> FSITC Money Market	-	Financial assets at fair value through profit or loss - current	27,649	4,952	-	4,952	Note B
Huan Yan, Jih-lian Co.	<u>Fund</u> FSITC Money Market	-	Same as above	54,616	9,782	-	9,782	Note B
AIH	<u>Fund</u> Capital Money Market	-	Same as above	86,749	1,405	-	1,405	Note B

Note A: Market value was based on the closing price on December 31, 2019.

Note B: Market value was based on the net asset values of the open-ended mutual funds on December 31, 2019.

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

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u>													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss	-	-	97,030,420	\$ 1,212,819	71,598,392	\$ 900,001	94,535,746	\$ 1,185,000	\$ 1,181,637	\$ 3,363	74,093,066	\$ 931,183
	Capital Money Market	Same as above	-	-	8,702,880	140,000	30,942,241	500,000	39,645,121	640,756	640,000	756	-	-
	FSITC Money Market	Same as above	-	-	-	-	4,756,897	850,003	3,639,594	650,596	650,003	593	1,117,303	200,000
	FSITC Taiwan Money Market	Same as above	-	-	-	-	153,332,707	2,350,005	120,769,847	1,851,498	1,850,005	1,493	32,562,860	500,000
	<u>Share</u>													
	ATJ	Investments accounted for using the equity method	-	Subsidiary	-	-	500,000	323,130	-	-	-	-	500,000	323,130
Advantech Corporate Investment	<u>Fund</u>													
	Mega Diamond Money Market	Financial assets at fair value through profit or loss	-	-	11,354,027	142,174	24,633,086	310,001	11,354,027	142,321	142,174	147	24,633,086	310,001
	Taishin 1699 Money Market	Same as above	-	-	-	-	79,409,935	1,075,005	50,322,076	682,000	680,680	1,320	29,087,859	394,325
	FSITC Taiwan Money Market	Same as above	-	-	-	-	26,072,566	400,002	7,162,379	110,000	109,881	119	18,910,187	290,121
	FSITC Money Market	Same as above	-	-	-	-	5,071,710	905,004	4,736,318	846,330	844,987	1,343	335,392	60,017
SIoT (Cayman)	<u>Fund</u>													
Taishin 1699 Money Market	Financial assets at fair value through profit or loss	-	-	-	-	26,463,435	359,000	1,399,374	19,000	18,981	19	25,064,061	340,019	

**TABLE 5**

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AAU	Subsidiary	Sale	\$ 244,769	0.67	60-90 days	Contract price	No significant difference in terms for related parties	\$ 61,417	0.94	Note A
	ABR	Subsidiary	Sale	124,070	0.34	90 days after month-end	Contract price	No significant difference in terms for related parties	3,143	0.05	
	ACN	Subsidiary	Sale	8,103,451	22.12	45 days after month-end	Contract price	No significant difference in terms for related parties	1,757,991	26.78	
	AEU	Subsidiary	Sale	5,113,619	13.96	30 days after month-end	Contract price	No significant difference in terms for related parties	1,006,415	15.33	
	AJP	Subsidiary	Sale	917,540	2.50	60-90 days	Contract price	No significant difference in terms for related parties	85,926	1.31	
	AKR	Subsidiary	Sale	1,037,306	2.83	60 days after invoice date	Contract price	No significant difference in terms for related parties	73,156	1.11	
	AMY	Subsidiary	Sale	143,909	0.39	45 days after month-end	Contract price	No significant difference in terms for related parties	11,371	0.17	
	ANA	Subsidiary	Sale	9,875,397	26.96	45 days after month-end	Contract price	No significant difference in terms for related parties	1,251,888	19.07	
	ASG	Subsidiary	Sale	295,845	0.81	60-90 days	Contract price	No significant difference in terms for related parties	66,078	1.01	
	A-SIoT	Subsidiary	Sale	260,008	0.71	30 days after invoice date	Contract price	No significant difference in terms for related parties	17,812	0.27	
	ATH	Subsidiary	Sale	111,174	0.30	30 days after invoice date	Contract price	No significant difference in terms for related parties	2,412	0.04	
	B+B	Subsidiary	Sale	243,951	0.67	45 days after month-end	Contract price	No significant difference in terms for related parties	33,448	0.51	
	SIoT (Cayman)	Subsidiary	Sale	1,190,382	3.25	30 days after month-end	Contract price	No significant difference in terms for related parties	229,852	3.50	
	Advanixs Corp.	Subsidiary	Sale	667,830	1.82	60-90 days	Contract price	No significant difference in terms for related parties	63,810	0.97	
	AKMC	Subsidiary	Purchase	(12,512,596)	50.24	Usual trade terms	Contract price	No significant difference in terms for related parties	(2,008,469)	46.80	
AKMC	The Company	Parent company	Sale	12,512,596	94.15	Usual trade terms	Contract price	No significant difference in terms for related parties	2,008,469	94.56	
AAU	The Company	Parent company	Purchase	(244,769)	76.54	60-90 days	Contract price	No significant difference in terms for related parties	(61,417)	69.98	
ABR	The Company	Parent company	Purchase	(124,070)	62.71	90 days after month-end	Contract price	No significant difference in terms for related parties	(3,143)	35.16	
ACN	The Company	Parent company	Purchase	(8,103,451)	79.61	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,757,991)	85.54	
AEU	The Company	Parent company	Purchase	(5,113,619)	73.60	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,006,415)	68.71	
AJP	The Company	Parent company	Purchase	(917,540)	89.73	60-90 days	Contract price	No significant difference in terms for related parties	(85,926)	73.55	
AKR	The Company	Parent company	Purchase	(1,037,306)	65.15	60 days after invoice date	Contract price	No significant difference in terms for related parties	(73,156)	45.59	
AMY	The Company	Parent company	Purchase	(143,909)	78.35	45 days after month-end	Contract price	No significant difference in terms for related parties	(11,371)	97.40	
ANA	The Company	Parent company	Purchase	(9,875,397)	77.69	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,251,888)	78.52	
ASG	The Company	Parent company	Purchase	(295,845)	74.50	60-90 days	Contract price	No significant difference in terms for related parties	(66,078)	74.47	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
A-SIoT	The Company	Parent company	Purchase	\$ (260,008)	28.19	30 days after invoice date	Contract price	No significant difference in terms for related parties	\$ (17,812)	32.20	
ATH	The Company	Parent company	Purchase	(111,174)	80.60	30 days after invoice date	Contract price	No significant difference in terms for related parties	(2,412)	3.54	
B+B	The Company	Parent company	Purchase	(243,951)	29.78	45 days after month-end	Contract price	No significant difference in terms for related parties	(33,448)	62.58	
SIoT (Cayman)	The Company	Parent company	Purchase	(1,190,382)	84.81	Usual trade terms	Contract price	No significant difference in terms for related parties	(229,852)	85.38	
Advanixs Corp.	The Company	Parent company	Purchase	(667,830)	99.51	60-90 days	Contract price	No significant difference in terms for related parties	(63,810)	95.76	
ACN	SIoT (China)	Related enterprise	Sale	102,411	0.87	Usual trade terms	Contract price	No significant difference in terms for related parties	17,239	0.69	
ACZ	AEU	Related enterprise	Sale	218,893	63.17	Usual trade terms	Contract price	No significant difference in terms for related parties	36,655	81.03	
AKMC	ACN	Related enterprise	Sale	393,324	2.96	Usual trade terms	Contract price	No significant difference in terms for related parties	54,379	2.56	
	SIoT (Cayman)	Related enterprise	Sale	215,961	1.63	Usual trade terms	Contract price	No significant difference in terms for related parties	37,672	1.77	
APL	AEU	Related enterprise	Sale	122,819	90.73	Usual trade terms	Contract price	No significant difference in terms for related parties	19,179	87.31	
SIoT (Cayman)	A-SIoT	Subsidiary	Sale	251,922	12.95	Usual trade terms	Contract price	No significant difference in terms for related parties	10,152	4.22	
	AEU	Related enterprise	Sale	435,604	22.40	Usual trade terms	Contract price	No significant difference in terms for related parties	62,655	26.03	
	ANA	Related enterprise	Sale	936,044	48.13	Usual trade terms	Contract price	No significant difference in terms for related parties	92,020	38.23	
LNC	LNC Dong Guan	Subsidiary	Sale	334,674	76.89	Usual trade terms	Contract price	No significant difference in terms for related parties	222,480	93.67	
ACN	AKMC	Related enterprise	Purchase	(393,324)	3.86	Usual trade terms	Contract price	No significant difference in terms for related parties	(54,379)	2.65	
AEU	ACZ	Related enterprise	Purchase	(218,893)	3.15	Usual trade terms	Contract price	No significant difference in terms for related parties	(36,655)	2.50	
	SIoT (Cayman)	Related enterprise	Purchase	(435,604)	6.27	Usual trade terms	Contract price	No significant difference in terms for related parties	(62,655)	4.28	
	APL	Related enterprise	Purchase	(122,819)	1.77	Usual trade terms	Contract price	No significant difference in terms for related parties	(19,179)	1.31	
ANA	SIoT (Cayman)	Related enterprise	Purchase	(936,044)	6.58	Usual trade terms	Contract price	No significant difference in terms for related parties	(92,020)	5.77	
A-SIoT	SIoT (Cayman)	Parent company	Purchase	(251,922)	30.58	Usual trade terms	Contract price	No significant difference in terms for related parties	(10,152)	18.35	
SIoT (Cayman)	AKMC	Related enterprise	Purchase	(215,961)	15.39	Usual trade terms	Contract price	No significant difference in terms for related parties	(37,672)	13.99	
SIoT (China)	ACN	Related enterprise	Purchase	(102,411)	7.30	Usual trade terms	Contract price	No significant difference in terms for related parties	(17,239)	92.68	
LNC Dong Guan	LNC	Parent company	Purchase	(334,674)	73.45	Usual trade terms	Contract price	No significant difference in terms for related parties	(222,480)	94.27	

Note A: Realized gain for the period was \$7,561 thousand.

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

(Concluded)

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Company Name	Related Party	Relationship	Ending Balance (Note A)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 1,757,991	4.99	\$ -	-	\$ 913,628	\$ -
	AEU	Subsidiary	1,010,490	5.21	-	-	760,962	-
	SIoT (Cayman)	Subsidiary	229,967	4.79	-	-	103,024	-
	AKMC	Subsidiary	500,833	Note 2	-	-	971,759	-
	ANA	Subsidiary	1,256,934	6.24	-	-	869,420	-
AKMC	The Company	Parent company	2,008,469	7.07	-	-	1,238,863	-
LNC	LNC Dong Guan	Subsidiary	222,480	1.55	-	-	30,327	-

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

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2019

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note	
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value				
The Company	AAC (BVI)	BVI	Investment and management service	\$ 2,332,397	\$ 2,332,397	74,623,834	100.00	\$ 6,334,406	\$ 621,135	\$ 594,447	Subsidiary	
	ATC	BVI	Sale of industrial automation products	998,788	998,788	40,850,000	100.00	3,943,772	389,123	382,224	Subsidiary	
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	226,000	226,000	10,000,000	100.00	244,917	51,679	55,082	Subsidiary	
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	1,400,000	300,000,000	100.00	3,335,232	117,185	118,002	Subsidiary	
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	23.75	627,632	460,455	117,552	Equity-meth investee	
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	297,231	(65)	(65)	Subsidiary (Note A)	
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	304,865	304,865	19,230,000	64.10	430,388	1,827	587	Subsidiary	
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	8,114	44	13	Equity-meth investee (Note A)	
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	2,057,475	100.00	671	451	451	Subsidiary (Note A)	
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	931,448	95,601	99,665	Subsidiary	
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	117,695	34,421	34,354	Subsidiary (Note A)	
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51.00	63,060	16,732	8,482	Subsidiary (Note A)	
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	19,264	(2,754)	(3,124)	Subsidiary (Note A)	
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	406,507	86,840	84,500	Subsidiary (Note A)	
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	68,506	22,821	22,846	Subsidiary (Note A)	
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	321,633	66,510	65,750	Subsidiary	
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	78,110	22,213	17,710	Subsidiary (Note A)	
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,095	50	50	Subsidiary (Note A)	
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	96,851	1,080	1,080	Subsidiary (Note A)	
	B+B	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	230,467	60.00	1,710,653	(329,442)	(198,701)	Subsidiary	
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	14,664	371	230	Subsidiary (Note A)	
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	135,000	18,000,000	45.00	66,133	(97,510)	(43,879)	Equity-meth investee (Note A)	
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	69,740	76.00	(33,191)	(7,097)	(7,147)	Subsidiary (Note A)	
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	553,145	241,183	40,067	Equity-meth investee (Note A)	
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	63,468	4,190	(5,487)	Subsidiary (Note A)	
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	251,915	251,915	850,000	16.08	250,888	(322)	(61)	Equity-meth investee	
	ARU	Moscow	Production and sale of industrial automation products	23,822	23,822	-	100.00	12,531	(10,718)	(10,718)	Subsidiary (Note A)	
	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	323,130	-	500,000	50.00	380,012	164,575	64,794	Subsidiary	
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	-	260,870	60.00	51,104	13,602	4,498	Subsidiary (Note A)	
	AIL	Israel	Sale of industrial network communications systems	8,653	-	100	100.00	8,667	-	-	Subsidiary (Note A)	
	AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	22,023	24.00	-	(7,097)	-	Subsidiary (Note A)
	AJP	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	184,649	-	286,100	28.61	222,146	164,575	40,287	Subsidiary
Advantech Corporate Investment	Cermate Taiwan	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	119,456	12,690	6,980	Subsidiary	
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	14,013	(219)	(87)	Equity-meth investee (Note A)	
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	161,043	71,842	12,829	Equity-meth investee (Note A)	
	AzureWave Technologies, Inc.	Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.67	506,867	(114,386)	(22,499)	Equity-meth investee	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
	Huan Yan, Jhih-Lian Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	\$ 5,000	\$ 5,000	500,000	50.00	\$ 4,987	\$ 32	\$ 16	Subsidiary (Note A)
	Yun Yan, Wu-Lian Co., Ltd.	Taipei, Taiwan	Industrial equipment Networking in Greater China	5,000	5,000	500,000	50.00	2,593	(946)	(473)	Subsidiary (Note A)
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,512	(322)	-	Equity-meth investee
	i-Link Co., Ltd.	Taichung, Taiwan	Intelligent medical integration	9,237	10,067	917,000	22.93	7,050	(8,772)	(2,212)	Equity-meth investee (Note A)
	DotZero Co., Ltd.	Taichung, Taiwan	Intelligent metal processing integration	8,100	4,900	810,000	27.00	6,238	(6,341)	(3,107)	Equity-meth investee (Note A)
	Mildex Opticoal Inc.	Kaohsiung, Taiwan	Manufacturing of electronic parts	202,948	202,948	15,710,000	15.01	181,388	(89,813)	(13,448)	Equity-meth investee (Note A)
	Information Technology Total Service Co., Ltd.	Taipei, Taiwan	Service of electronic information	147,444	-	5,084,273	18.61	154,910	60,399	6,999	Equity-meth investee (Note A)
	ACI IOT Investment Fund-1 Corporation	Taipei, Taiwan	Investment holding company	238,000	-	23,800,000	79.30	252,224	17,930	14,224	Subsidiary (Note A)
	ACISM	Samoa	General investment	18,214	-	1	100.00	13,609	(3,751)	(3,751)	Subsidiary (Note A)
	Smasoft technology Co., Ltd.	Taipei, Taiwan	Manufacturing and sale of electronics equipment	15,000	-	170,455	20.00	15,000	(7,566)	-	Equity-meth investee (Note A)
	Hwacom Systems Inc.	Taipei, Taiwan	Computer systems service	357,119	-	24,575,000	19.99	392,645	100,609	35,594	Equity-meth investee (Note A)
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	4,004,279	389,218	382,374	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,804,833	149,171	148,787	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,092,215	283,286	282,883	Subsidiary
	ADB	Dubai	Sale of industrial network communications systems	-	-	-	100.00	2,414	122	122	Subsidiary (Note A)
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US\$ 50,000	US\$ 50,000	30,000,000	100.00	1,794,270	200,346	182,182	Subsidiary (Note A)
SIoT (Cayman)	A-SIoT	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	522,719	522,719	1	100.00	514,709	(16,344)	(10,539)	Subsidiary (Note A)
	AIH	Taipei, Taiwan	Service of software	7,700	-	770,000	70.00	6,799	(1,288)	(1,253)	Subsidiary (Note A)
ANA	B+B	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	153,644	40.00	1,149,473	(329,442)	(131,777)	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	1,080,942	91,760	91,760	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	7,030	100.00	34,916	4,426	4,426	Subsidiary (Note A)
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	61,775	16,732	8,199	Subsidiary (Note A)
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	15,199	6,750	6,750	Subsidiary (Note A)
Cermate Taiwan	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	100,597	17,219	16,208	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	7,900,000	100.00	24,109	2,672	2,992	Subsidiary
Better Auto	Famous Now	Hong Kong	General investment	US\$ 4,000	US\$ 4,000	1	100.00	30,364	2,668	2,668	Subsidiary
B+B	BBIE	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100.00	66,240	(14,304)	(15,374)	Subsidiary
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
BBIE	ACZ	Czech Republic	Manufacturing automation	-	-	-	100.00	269,795	21,865	21,865	Subsidiary

Note A: The respective entity is an immaterial subsidiary; its financial statements have not been audited, which does not result in a significant impact on the Group's consolidated financial statements.

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

Note C: Refer to Table 8 for investments in mainland China.

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. ("AKMC")	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note E)	Indirect	\$ 1,118,254 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,118,254 (US\$ 37,300 thousand)	\$ 389,218	100	\$ 382,374	\$ 4,004,279	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	159,853 (US\$ 5,332 thousand)	-	-	159,853 (US\$ 5,332 thousand)	288,328	100	287,962	1,436,240	336,735 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US\$ 8,000 thousand	Indirect	239,840 (US\$ 8,000 thousand)	-	-	239,840 (US\$ 8,000 thousand)	(7,199)	100	(7,237)	631,020	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	44	100	44	28,813	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	95,756 (US\$ 3,194 thousand)	-	-	95,756 (US\$ 3,194 thousand)	2,668	100	2,987	24,027	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	9,234 (US\$ 308 thousand)	-	-	9,234 (US\$ 308 thousand)	14,616	90	12,144	76,324	40,128 (US\$ 717 thousand) (RMB 4,328 thousand)
Cermate Technologies (Shanghai) Inc. ("Cermate Shanghai")	Sale of Human Machine Interface	US\$ 520 thousand	Indirect	17,149 (US\$ 572 thousand)	-	-	17,149 (US\$ 572 thousand)	4,064	100	4,064	33,421	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Advantech Service-IoT (Shanghai) Co., Ltd. ("SioT (China)")	Development, consulting and services in intelligent technology	RMB 15,000 thousand	Indirect	(Note F)	\$ -	\$ -	(Note F)	\$ (22,364)	100	\$ (22,364)	\$ 36,175	\$ -
Shanghai Yanlo Co., Ltd. ("Yanlo")	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	(2,645)	45	(1,190)	3,092	-
Tianjin Anjie IOT Science And Technology Co., Ltd. ("Anjie")	Operation and maintenance for intelligent general equipment 、 consulting services for comprehensive energy issues	RMB 3,000 thousand	Other	(Note G)	-	-	(Note G)	-	20	-	2,582	-
GSD Environmental Technology Co., Ltd. ("GSD")	Development, consulting, and services in the field of environmental technology	RMB 10,000 thousand	Indirect	17,478 (US\$ 583 thousand)	-	-	17,478 (US\$ 583 thousand)	(9,378)	40	(3,751)	13,608	-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,663,560 (US\$55,489 thousand) (Note D)	\$2,850,349 (US\$95,075 thousand)	\$19,638,876 (Note I)

Note A: Expect of AKMC and ACN respective entity is an immaterial subsidiary; its financial statements have not been audited, which does not result in a significant impact on the Group's consolidated financial statements.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in Mainland China are described in Table 5.

Note C: Remittance by ACN.

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

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

(Continued)

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

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

Note H: The exchange rate was US\$1=NT\$29.980 and RMB1=NT\$4.305.

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

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

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			% of Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	Advantech Co., Ltd.	AAC(HK)	1	Other receivables	\$ 23	45 days EOM	-
		AAC(HK)	1	Receivables from related parties	49	45 days EOM	-
		AAU	1	Receivables from related parties	61,417	60-90 days	-
		AAU	1	Other revenue	2,223	Normal	-
		AAU	1	Other receivables	627	60-90 days	-
		AAU	1	Sales revenue	244,769	Normal	-
		ABR	1	Receivables from related parties	3,143	90 days EOM	-
		ABR	1	Other revenue	3,821	Normal	-
		ABR	1	Other receivables	309	90 days EOM	-
		ABR	1	Sales revenue	124,070	Normal	-
		ACN	1	Sales revenue	8,103,451	Normal	15
		ACN	1	Receivables from related parties	1,757,991	45 days EOM	4
		ACZ	1	Sales revenue	219	Normal	-
		ACZ	1	Other revenue	2,432	Normal	-
		ACZ	1	Other receivables	398	60 days EOM	-
		ACZ	1	Receivables from related parties	81	Normal	-
		AEU	1	Sales revenue	5,113,619	Normal	9
		AEU	1	Receivables from related parties	1,006,415	30 days EOM	2
		AEU	1	Other revenue	23,889	Normal	-
		AEU	1	Other receivables	4,075	30 days EOM	-
		AID	1	Receivables from related parties	9,895	45 days after invoice date	-
		AID	1	Other revenue	1,373	Normal	-
		AID	1	Other receivables	433	45 days after invoice date	-
		AID	1	Sales revenue	32,232	Normal	-
		AIN	1	Receivables from related parties	6,557	60 days EOM	-
		AIN	1	Sales revenue	84,556	Normal	-
		AJP	1	Sales revenue	917,540	Normal	2
		AJP	1	Receivables from related parties	85,926	60-90 days	-
		AJP	1	Other revenue	6,120	Normal	-
		AJP	1	Other receivables	854	60-90 days	-
		AKMC	1	Receivables from related parties	500,833	45 days EOM	1
		AKMC	1	Sales revenue	4	Normal	-
		AKR	1	Sales revenue	1,037,306	Normal	2
		AKR	1	Receivables from related parties	73,156	60 days after invoice date	-
		AKR	1	Other revenue	7,581	Normal	-
		AKR	1	Other receivables	742	60 days after invoice date	-
		AKST	1	Receivables from related parties	4,878	30 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			% of Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AKST	1	Sales revenue	\$ 9,761	Normal	-
		AMY	1	Sales revenue	143,909	Normal	-
		AMY	1	Receivables from related parties	11,371	45 days EOM	-
		AMY	1	Other revenue	1,886	Normal	-
		AMY	1	Other receivables	155	45 days EOM	-
		ANA	1	Sales revenue	9,875,397	Normal	18
		ANA	1	Receivables from related parties	1,251,888	45 days EOM	3
		ANA	1	Other revenue	17,730	Normal	-
		ANA	1	Other receivables	5,046	45 days EOM	-
		APL	1	Sales revenue	21,570	Normal	-
		APL	1	Receivables from related parties	1,261	45 days EOM	-
		ARU	1	Receivables from related parties	5,063	45 days EOM	-
		ARU	1	Sales revenue	5,165	Normal	-
		ASG	1	Sales revenue	295,845	Normal	1
		ASG	1	Receivables from related parties	66,078	60-90 days	-
		ASG	1	Other revenue	2,429	Normal	-
		ASG	1	Other receivables	619	60-90 days	-
		A-SIoT	1	Receivables from related parties	17,812	30 days after invoice date	-
		A-SIoT	1	Other revenue	3,024	Normal	-
		A-SIoT	1	Other receivables	311	30 days after invoice date	-
		A-SIoT	1	Sales revenue	260,008	Normal	-
		ATH	1	Sales revenue	111,174	Normal	-
		ATH	1	Receivables from related parties	2,412	30 days after invoice date	-
		ATH	1	Other revenue	1,972	Normal	-
		ATH	1	Other receivables	226	30 days after invoice date	-
		ATJ	1	Sales revenue	2,294	Normal	-
		ATJ	1	Receivables from related parties	80	30 days EOM	-
		ATJ	1	Other receivables	11	30 days EOM	-
		ATR	1	Sales revenue	86,518	Normal	-
		ATR	1	Receivables from related parties	423	45 days EOM	-
		AVN	1	Sales revenue	73,046	Normal	-
		AVN	1	Receivables from related parties	12,744	45 days EOM	-
		AVN	1	Other receivables	88	45 days EOM	-
		B+B	1	Sales revenue	243,951	Normal	-
		B+B	1	Receivables from related parties	33,448	45 days EOM	-
		B+B	1	Other revenue	4,390	Normal	-
		B+B	1	Other receivables	377	60 days EOM	-
		BBIE	1	Other revenue	1,013	Normal	-
		BBIE	1	Other receivables	158	45 days after invoice date	-
		SIoT (Cayman)	1	Sales revenue	1,190,382	Normal	2
		SIoT (Cayman)	1	Receivables from related parties	229,852	30 days EOM	-
		SIoT (Cayman)	1	Other receivables	115	30 days EOM	-
		Cermate (Taiwan)	1	Sales revenue	26	Normal	-
		Cermate (Taiwan)	1	Other receivables	105	30 days EOM	-
		Cermate (Taiwan)	1	Receivables from related parties	7	30 days EOM	-
		Cermate (Taiwan)	1	Other revenue	1,200	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			% of Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		Advantech Corporate Investment	1	Rental revenue	\$ 36	Normal	-
		Advanixs Corp.	1	Sales revenue	667,830	Normal	1
		Advanixs Corp.	1	Receivables from related parties	63,810	60-90 days	-
		Advanixs Corp.	1	Rental revenue	600	Normal	-
		Advanixs Corp.	1	Other receivables	2,098	60-90 days	-
		Huan Yan Jih-Lian Co., Ltd.	1	Sales revenue	137	Normal	-
		Huan Yan Jih-Lian Co., Ltd.	1	Receivables from related parties	144	60-90 days EOM	-
		LNC	1	Sales revenue	88	Normal	-
		LNC	1	Other receivables	280	60-90 days EOM	-
		LNC	1	Other revenue	1,600	Normal	-
		LNC	1	Receivables from related parties	22	60-90 days EOM	-
1	AAC(HK)	The Company	2	Other revenue	8,160	Normal	-
2	AAU	The Company	2	Receivables from related parties	91	60-90 days	-
		The Company	2	Sales revenue	265	Normal	-
		ANA	3	Receivables from related parties	7	30 days after invoice date	-
		ANA	3	Sales revenue	36	Normal	-
3	ABR	The Company	2	Sales revenue	2	Normal	-
4	ACN	The Company	2	Receivables from related parties	1,489	30 days EOM	-
		The Company	2	Sales revenue	6,209	Normal	-
		AEU	3	Sales revenue	14,769	Normal	-
		AiSC	3	Receivables from related parties	1,213	Immediate payment	-
		AiSC	3	Sales revenue	30,003	Normal	-
		AKMC	3	Receivables from related parties	10,302	60-90 days	-
		AKMC	3	Sales revenue	43,706	Normal	-
		AKR	3	Sales revenue	59	Normal	-
		AMY	3	Sales revenue	2	Normal	-
		ANA	3	Sales revenue	327	Normal	-
		AXA	3	Other receivables	137	60 days EOM	-
		SIoT (China)	3	Receivables from related parties	17,239	30 days EOM	-
		SIoT (China)	3	Sales revenue	102,411	Normal	-
5	ACZ	The Company	2	Sales revenue	30,047	Normal	-
		The Company	2	Receivables from related parties	3,929	45 days EOM	-
		The Company	2	Other revenue	33	Normal	-
		AAU	3	Sales revenue	1	Normal	-
		AEU	3	Sales revenue	218,893	Normal	-
		AEU	3	Receivables from related parties	36,655	45 days EOM	-
		AEU	3	Other revenue	5,239	Normal	-
		AEU	3	Other receivables	628	45 days EOM	-
		ANA	3	Sales revenue	23,223	Normal	-
		ANA	3	Receivables from related parties	3,205	45 days EOM	-
		APL	3	Sales revenue	10	Normal	-

(Continued)



Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			% of Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
12	AJP	The Company	2	Sales revenue	\$ 2,293	Normal	-
		The Company	2	Receivables from related parties	743	60-90 days	-
		The Company	2	Other revenue	171	Normal	-
		ACN	3	Receivables from related parties	61	45 days EOM	-
		AKMC	3	Sales revenue	14,491	Normal	-
		AKMC	3	Receivables from related parties	4,155	45 days EOM	-
		AKMC	3	Other revenue	18	45 days EOM	-
		ATJ	3	Sales revenue	18,715	Normal	-
		ATJ	3	Receivables from related parties	3,449	45 days EOM	-
13	AKMC	The Company	2	Sales revenue	12,512,596	Normal	23
		The Company	2	Receivables from related parties	2,008,469	60 days EOM	4
		The Company	2	Other revenue	108	Normal	-
		ACN	3	Sales revenue	393,324	Normal	1
		ACN	3	Receivables from related parties	54,379	60-90 days	-
		ACN	3	Other revenue	3,846	Normal	-
		AEU	3	Sales revenue	4,260	Normal	-
		AEU	3	Receivables from related parties	623	30 days after invoice date	-
		AiSC	3	Sales revenue	98	Normal	-
		AKST	3	Sales revenue	3,594	Normal	-
		ANA	3	Sales revenue	4,943	Normal	-
		ANA	3	Receivables from related parties	253	60-90 days	-
		SIoT (Cayman)	3	Sales revenue	215,961	Normal	-
		SIoT (Cayman)	3	Receivables from related parties	37,672	30 days EOM	-
		SIoT (China)	3	Sales revenue	3,607	Normal	-
		SIoT (China)	3	Receivables from related parties	422	30 days EOM	-
		Cermate (Taiwan)	3	Sales revenue	26	Normal	-
		Cermate (Shenzhen)	3	Sales revenue	58,465	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	18,501	60 days EOM	-
		Advanixs Corp.	3	Sales revenue	3,034	Normal	-
Advanixs Corp.	3	Receivables from related parties	352	30 days EOM	-		
14	AKR	The Company	2	Other revenue	1,896	Normal	-
		The Company	2	Sales revenue	4	Normal	-
		The Company	2	Receivables from related parties	242	90 days EOM	-
		AVN	3	Receivables from related parties	3,977	30 days EOM	-
		AVN	3	Sales revenue	5,692	Normal	-
15	AKST	The Company	2	Sales revenue	2,383	Normal	-
		The Company	2	Other receivables	1,546	30 days EOM	-
		The Company	2	Receivables from related parties	2,225	30 days EOM	-
		The Company	2	Other revenue	42	Normal	-
		AKMC	3	Sales revenue	1,303	Normal	-
		AKMC	3	Receivables from related parties	1	30 days EOM	-
AKR	3	Sales revenue	168	Normal	-		

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
16	AMX	The Company	2	Other revenue	\$ 7,425	Normal	-
17	AMY	The Company	2	Other revenue	27	Normal	-
			3	Other revenue	13	Normal	-
18	ANA	The Company	2	Sales revenue	89,640	Normal	-
		The Company	2	Receivables from related parties	13,397	45 days EOM	-
		The Company	2	Other revenue	2,181	Normal	-
		AAU	3	Sales revenue	9	Normal	-
		ABR	3	Sales revenue	731	Normal	-
		ABR	3	Receivables from related parties	36	30 days after invoice date	-
		AEU	3	Sales revenue	22,482	Normal	-
		AEU	3	Receivables from related parties	15,789	60-90 days	-
		AID	3	Sales revenue	18	Normal	-
		AKMC	3	Sales revenue	36	Normal	-
		AKMC	3	Receivables from related parties	4,436	30 days EOM	-
		AKR	3	Sales revenue	21	Normal	-
		A-SIoT	3	Sales revenue	1,506	Normal	-
		A-SIoT	3	Receivables from related parties	585	60-90 days	-
		B+B	3	Sales revenue	19,345	Normal	-
		B+B	3	Receivables from related parties	1,450	60-90 days	-
B+B	3	Rental revenue	148	Normal	-		
19	APL	The Company	2	Other revenue	682	Normal	-
		The Company	2	Receivables from related parties	827	30 days after invoice date	-
		AEU	3	Sales revenue	122,819	Normal	-
		AEU	3	Receivables from related parties	19,179	30 days after invoice date	-
		ANA	3	Receivables from related parties	13	30 days after invoice date	-
		A-SIoT	3	Receivables from related parties	1,631	30 days after invoice date	-
20	ASG	The Company	2	Sales revenue	171	Normal	-
		The Company	2	Other revenue	620	Normal	-
		AID	3	Sales revenue	181	Normal	-
		AKMC	3	Sales revenue	16	Normal	-
		AMY	3	Sales revenue	4,188	Normal	-
		ANA	3	Sales revenue	1,717	Normal	-
		ATH	3	Sales revenue	14,534	Normal	-
		ATH	3	Other revenue	2,504	Normal	-
		ATH	3	Receivables from related parties	2,218	30 days EOM	-
		ATH	3	Other receivables	250	30 days EOM	-
		AVN	3	Sales revenue	112	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
21	A-SIoT	The Company	2	Receivables from related parties	\$ 4,462	30 days after invoice date	-
		The Company	2	Other revenue	67	Normal	-
		The Company	2	Sales revenue	36,280	Normal	-
		AAU	3	Receivables from related parties	6	30 days after invoice date	-
		AEU	3	Other receivables	3,589	30 days EOM	-
		AEU	3	Other revenue	5,529	Normal	-
		AEU	3	Sales revenue	978	Normal	-
		AKMC	3	Receivables from related parties	24	60 days after invoice date	-
		AKMC	3	Sales revenue	2	Normal	-
		AKR	3	Sales revenue	3,010	Normal	-
		ANA	3	Sales revenue	3,249	Normal	-
		APL	3	Receivables from related parties	5	60 days after invoice date	-
		APL	3	Sales revenue	19,009	Normal	-
		ATH	3	Sales revenue	52	Normal	-
		SIoT (Cayman)	3	Receivables from related parties	160	30 days after delivery of goods	-
22	ATH	SIoT (Cayman)	3	Other revenue	5	Normal	-
23	ATJ	AJP	3	Other receivables	320	30 days EOM	-
		AJP	3	Sales revenue	2,059	Normal	-
24	ATR	The Company	2	Other revenue	313	Normal	-
25	AVN	The Company	2	Receivables from related parties	38	60 days EOM	-
		AKR	3	Sales revenue	17	Normal	-
26	AXA	ACN	3	Other receivables	8,610	30 days EOM	-
		ACN	3	Other revenue	838	Normal	-
27	B+B	The Company	2	Sales revenue	45,303	Normal	-
		The Company	2	Receivables from related parties	4,909	90 days EOM	-
		The Company	2	Other revenue	143	Normal	-
		AEU	3	Sales revenue	40,083	Normal	-
		AEU	3	Receivables from related parties	6,002	90 days EOM	-
		AIN	3	Sales revenue	4	Normal	-
		AIN	3	Receivables from related parties	4	30 days after invoice date	-
		AKR	3	Sales revenue	28	Normal	-
		AKR	3	Receivables from related parties	3	45 days after invoice date	-
		ANA	3	Sales revenue	28,801	Normal	-
		ANA	3	Receivables from related parties	2,468	45 days EOM	-
		ANA	3	Other revenue	3,938	Normal	-
		APL	3	Sales revenue	5	Normal	-
		BBIE	3	Other revenue	1,533	Normal	-
		BBIE	3	Receivables from related parties	729	45 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
28	BBIE	ACZ	3	Other revenue	\$ 21,570	Normal	-
		AEU	3	Sales revenue	48,262	Normal	-
		AEU	3	Receivables from related parties	8,638	60 days after invoice date	-
		B+B	3	Receivables from related parties	2,735	60 days after invoice date	-
		B+B	3	Other revenue	5,665	Normal	-
29	SIoT (Cayman)	The Company	2	Receivables from related parties	18	30 days after invoice date	-
		AAU	3	Sales revenue	35,114	Normal	-
		AAU	3	Receivables from related parties	20,539	60 days EOM	-
		AEU	3	Sales revenue	435,604	Normal	1
		AEU	3	Receivables from related parties	62,655	45 days EOM	-
		AJP	3	Sales revenue	19,816	Normal	-
		AJP	3	Receivables from related parties	2,321	60 days EOM	-
		AJP	3	Other receivables	13	60 days EOM	-
		AJP	3	Other revenue	3	Normal	-
		AKMC	3	Sales revenue	150	Normal	-
		AKR	3	Sales revenue	32,471	Normal	-
		AKR	3	Receivables from related parties	13,855	60 days EOM	-
		ANA	3	Sales revenue	936,044	Normal	2
		ANA	3	Receivables from related parties	92,020	30 days EOM	-
		ASG	3	Sales revenue	18,880	Normal	-
		ASG	3	Receivables from related parties	1,978	60 days EOM	-
		A-SIoT	3	Sales revenue	251,922	Normal	-
A-SIoT	3	Receivables from related parties	10,152	60 days EOM	-		
30	SIoT (China)	ACN	3	Sales revenue	519	Normal	-
		ACN	3	Receivables from related parties	400	Normal	-
31	LNC Dong Guan Co., Ltd.	LNC	3	Sales revenue	7,683	Normal	-
		LNC	3	Receivables from related parties	4,471	90 days EOM	-
32	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	1,106	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	269	60 days EOM	-
33	Cermate (Taiwan)	The Company	2	Sales revenue	3,756	Normal	-
		The Company	2	Receivables from related parties	132	30-60 days	-
		The Company	2	Other revenue	277	Normal	-
		AKMC	3	Sales revenue	2,395	Normal	-
		AKMC	3	Receivables from related parties	19	60 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	73,355	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	6,419	30 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Notes B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
34	Cermate (Shenzhen)	ACN	3	Sales revenue	\$ 3	Normal	-
		AKMC	3	Sales revenue	30,790	Normal	-
		AKMC	3	Receivables from related parties	4,309	40 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	27,789	Normal	-
		Cermate (Shanghai)	3	Receivables from related parties	2,168	30 days EOM	-
		Cermate (Taiwan)	3	Sales revenue	58,584	Normal	-
		Cermate (Taiwan)	3	Receivables from related parties	6,925	60 days EOM	-
35	Advantech Corporate Investment	The Company	2	Interest revenue	2,140	Normal	-
36	Advanixs Corporate	Cermate (Taiwan)	3	Sales revenue	899	Normal	-
37	LNC	The Company	2	Sales revenue	956	Normal	-
		LNC Dong Guan Co., Ltd.	3	Sales revenue	334,674	Normal	1
		LNC Dong Guan Co., Ltd.	3	Receivables from related parties	222,480	90 days EOM	-

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

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

Note B: The flow of related-party transactions is as follows:

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

Note C: For assets and liabilities, amounts are shown as a percentage of the Group's consolidated total assets as of December 31, 2019, while revenue, costs and expenses are shown as a percentage of the Group's consolidated total operating revenue for the year ended December 31, 2019.

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

(Concluded)