

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated financial statements of Advantech Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the three months periods 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"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2020 and 2019, the combined total assets of these non-significant subsidiaries were NT\$7,827,426 thousand and NT\$10,601,096 thousand, respectively, representing 15.97% and 22.57%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$1,927,332 thousand and NT\$1,846,651 thousand, respectively, representing 9.46% and 12.07%, respectively, of the consolidated total liabilities; for the three months periods ended March 31, 2020 and 2019, the amounts of combined comprehensive income of these subsidiaries were NT\$5,625 thousand and NT\$264,329 thousand, respectively, representing 0.46% and 14.04%, respectively, of the consolidated total comprehensive income. Also, as stated in Note 13 to the consolidated financial statements, the investments accounted for using the equity method were NT\$3,157,270 thousand and NT\$2,524,911 thousand as of March 31, 2020 and 2019, respectively. The equities in profit and loss of the associates were NT\$(17,907) thousand and NT\$4,949 thousand of the Company's consolidated net income in the three months ended March 31, 2020 and 2019, respectively, and these investment amounts as well as additional disclosures in Note 31 "Information on Investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investees that are accounted for using equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as of March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the three months periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 29, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed after Restatement)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 4,966,278	10	\$ 6,003,936	13	\$ 7,075,773	15
Financial assets at fair value through profit or loss - current (Notes 7 and 27)	5,303,514	11	3,647,963	8	2,224,078	5
Financial assets at amortized cost - current (Note 9)	751,170	2	316,994	1	11,166	-
Notes receivable (Note 10)	1,175,068	2	1,546,340	3	1,305,287	3
Trade receivables (Note 10)	6,815,902	14	7,265,106	15	7,357,164	16
Trade receivables from related parties (Note 28)	21,273	-	20,174	-	20,166	-
Other receivables (Note 28)	155,311	-	101,407	-	186,953	-
Inventories (Note 11)	9,092,958	19	7,782,824	17	8,178,654	17
Other current assets (Note 28)	721,527	1	688,167	1	588,655	1
Total current assets	<u>29,003,001</u>	<u>59</u>	<u>27,372,911</u>	<u>58</u>	<u>26,947,896</u>	<u>57</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 7 and 27)	100,959	-	101,156	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 27)	1,679,268	3	1,639,321	4	1,423,914	3
Investments accounted for using the equity method (Note 13)	3,157,270	7	3,009,860	6	2,524,911	5
Property, plant and equipment (Notes 14 and 29)	9,649,619	20	9,732,490	21	9,959,215	21
Right-of-use assets (Note 15)	754,359	2	723,106	2	905,085	2
Goodwill (Note 16)	2,525,244	5	2,519,514	5	2,834,940	6
Other intangible assets	948,506	2	980,061	2	1,173,942	3
Deferred tax assets (Notes 4 and 22)	698,831	1	690,212	1	563,398	1
Prepayments for business facilities	435,022	1	389,221	1	352,032	1
Prepayments for investments	-	-	-	-	238,000	1
Other non-current assets	54,875	-	58,227	-	48,078	-
Total non-current assets	<u>20,003,953</u>	<u>41</u>	<u>19,843,168</u>	<u>42</u>	<u>20,023,515</u>	<u>43</u>
TOTAL	<u>\$ 49,006,954</u>	<u>100</u>	<u>\$ 47,216,079</u>	<u>100</u>	<u>\$ 46,971,411</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 266,025	1	\$ 250,678	1	\$ 424,096	1
Financial liabilities at fair value through profit or loss - current (Notes 7 and 27)	1,390	-	521	-	8,171	-
Notes payable and trade payables (Note 28)	5,291,320	11	4,799,196	10	5,755,560	12
Dividends payable	5,463,198	11	-	-	-	-
Other payables (Notes 18 and 28)	3,295,649	7	3,732,224	8	3,272,813	7
Current tax liabilities (Notes 4 and 22)	1,766,367	4	1,522,874	3	1,872,843	4
Short-term warranty provisions	192,469	-	208,611	1	193,461	-
Lease liabilities - current (Note 15)	221,250	-	199,493	-	201,334	1
Current portion of long-term borrowings (Note 17)	5,422	-	7,957	-	7,220	-
Other current liabilities	1,112,868	2	1,022,904	2	838,604	2
Total current liabilities	<u>17,615,958</u>	<u>36</u>	<u>11,744,458</u>	<u>25</u>	<u>12,574,102</u>	<u>27</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 17 and 29)	34,742	-	36,132	-	45,784	-
Deferred tax liabilities (Notes 4 and 22)	1,945,138	4	1,942,189	4	1,807,949	4
Lease liabilities - non-current (Note 15)	255,096	1	242,263	1	393,299	1
Net defined benefit liabilities (Note 19)	389,415	1	384,914	1	329,188	1
Other non-current liabilities	126,754	-	134,663	-	146,399	-
Total non-current liabilities	<u>2,751,145</u>	<u>6</u>	<u>2,740,161</u>	<u>6</u>	<u>2,722,619</u>	<u>6</u>
Total liabilities	<u>20,367,103</u>	<u>42</u>	<u>14,484,619</u>	<u>31</u>	<u>15,296,721</u>	<u>33</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)						
Share capital						
Ordinary shares	7,004,100	14	6,999,230	15	6,986,955	15
Advance receipts for share capital	4,600	-	4,870	-	3,800	-
Total share capital	<u>7,008,700</u>	<u>14</u>	<u>7,004,100</u>	<u>15</u>	<u>6,990,755</u>	<u>15</u>
Capital surplus	7,616,628	16	7,478,568	16	7,179,266	15
Retained earnings						
Legal reserve	6,285,079	13	6,285,079	13	5,655,613	12
Special reserve	798,763	1	798,763	2	369,655	1
Unappropriated earnings	7,342,955	15	11,515,121	24	11,623,823	24
Total retained earnings	<u>14,426,797</u>	<u>29</u>	<u>18,598,963</u>	<u>39</u>	<u>17,649,091</u>	<u>37</u>
Other equity						
Exchange differences on translating the financial statements of foreign operations	(969,806)	(2)	(878,261)	(2)	(371,942)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	73,929	-	30,970	-	(182,526)	-
Other equity - employees' unearned shares	1,372	-	1,298	-	1,010	-
Total other equity	<u>(894,505)</u>	<u>(2)</u>	<u>(845,993)</u>	<u>(2)</u>	<u>(553,458)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	28,157,620	57	32,235,638	68	31,265,654	66
NON-CONTROLLING INTERESTS	482,231	1	495,822	1	409,036	1
Total equity	<u>28,639,851</u>	<u>58</u>	<u>32,731,460</u>	<u>69</u>	<u>31,674,690</u>	<u>67</u>
TOTAL	<u>\$ 49,006,954</u>	<u>100</u>	<u>\$ 47,216,079</u>	<u>100</u>	<u>\$ 46,971,411</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated April 29, 2020)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales	\$ 10,963,830	97	\$ 11,974,873	97
Other operating revenue	<u>308,359</u>	<u>3</u>	<u>325,717</u>	<u>3</u>
Total operating revenue	11,272,189	100	12,300,590	100
OPERATING COSTS (Notes 11, 21 and 28)	<u>6,876,954</u>	<u>61</u>	<u>7,576,536</u>	<u>62</u>
GROSS PROFIT	<u>4,395,235</u>	<u>39</u>	<u>4,724,054</u>	<u>38</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing expenses	1,153,329	11	1,231,976	10
General and administrative expenses	656,930	6	663,940	5
Research and development expenses	925,097	8	973,440	8
Expected credit loss	<u>6,257</u>	<u>-</u>	<u>2,783</u>	<u>-</u>
Total operating expenses	<u>2,741,613</u>	<u>25</u>	<u>2,872,139</u>	<u>23</u>
OPERATING PROFIT	<u>1,653,622</u>	<u>14</u>	<u>1,851,915</u>	<u>15</u>
NONOPERATING INCOME				
Share of the profit (loss) of associates accounted for using the equity method (Note 13)	(17,907)	-	4,949	-
Interest income	7,935	-	9,002	-
Losses (gains) on disposal of property, plant and equipment	(6,197)	-	45,348	-
Losses on disposal of investments	(916)	-	-	-
Foreign exchange gains (losses), net (Note 21)	(2,291)	-	69,744	1
Losses (gains) on financial instruments at fair value through profit or loss	(29,617)	-	49,362	1
Other income (Note 28)	22,840	-	25,597	-
Finance costs (Note 21)	(6,331)	-	(6,175)	-
Other losses	<u>(572)</u>	<u>-</u>	<u>(1,447)</u>	<u>-</u>
Total non-operating income (loss)	<u>(33,056)</u>	<u>-</u>	<u>196,380</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	1,620,566	14	2,048,295	17
INCOME TAX EXPENSE (Note 22)	<u>(340,159)</u>	<u>(3)</u>	<u>(431,680)</u>	<u>(4)</u>
NET PROFIT FOR THE PERIOD	<u>1,280,407</u>	<u>11</u>	<u>1,616,615</u>	<u>13</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss (Notes 13 and 20):				
Unrealized gains on investments in debt instruments at fair value through other comprehensive income	\$ 41,557	1	\$ 120,818	1
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(158)	-	20,366	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 20)	(126,159)	(1)	146,448	1
Share of the other comprehensive income of associates accounted for using the equity method (Notes 13 and 20)	8,210	-	3,951	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 20 and 22)	<u>22,886</u>	<u>-</u>	<u>(25,826)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(53,664)</u>	<u>-</u>	<u>265,757</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,226,743</u>	<u>11</u>	<u>\$ 1,882,372</u>	<u>15</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,294,665	11	\$ 1,613,136	13
Non-controlling interests	<u>(14,258)</u>	<u>-</u>	<u>3,479</u>	<u>-</u>
	<u>\$ 1,280,407</u>	<u>11</u>	<u>\$ 1,616,615</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,244,519	11	\$ 1,857,623	15
Non-controlling interests	<u>(17,776)</u>	<u>-</u>	<u>24,749</u>	<u>-</u>
	<u>\$ 1,226,743</u>	<u>11</u>	<u>\$ 1,882,372</u>	<u>15</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 1.85</u>		<u>\$ 2.31</u>	
Diluted	<u>\$ 1.82</u>		<u>\$ 2.28</u>	

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

(With Deloitte & Touche auditors' review report dated April 29, 2020)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed after Restatement, Not Audited)

	Equity Attributable to Owners of the Company								Other Equity (Note 20)					Non-controlling Interests (Notes 20 and 26)	Total Equity
	Issued Capital (Notes 20 and 24)			Capital Surplus (Notes 20 and 24)	Retained Earnings (Note 20)				Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Loss 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, 2019	\$ 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	
Recognition of employee share options by the Company	4,680	(880)	3,800	27,937	-	-	-	-	-	-	-	31,737	-	31,737	
Compensation costs recognized for employee share options	-	-	-	84,673	-	-	-	-	-	-	-	84,673	-	84,673	
Changes in capital surplus from investments in associates accounted for by the equity method	-	-	-	1,037	-	-	-	-	-	-	274	1,311	-	1,311	
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	(7,729)	-	-	-	-	-	-	-	(7,729)	138,633	130,904	
Employee share options distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	218	218	
Net profit for the three months ended March 31, 2019	-	-	-	-	-	-	1,613,136	1,613,136	-	-	-	1,613,136	3,479	1,616,615	
Other comprehensive income (loss) for three months ended March 31, 2019	-	-	-	-	-	-	(544)	(544)	103,303	141,728	-	244,487	21,270	265,757	
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	-	1,612,592	1,612,592	103,303	141,728	-	1,857,623	24,749	1,882,372	
BALANCE AT MARCH 31, 2019	<u>\$ 6,986,955</u>	<u>\$ 3,800</u>	<u>\$ 6,990,755</u>	<u>\$ 7,179,266</u>	<u>\$ 5,655,613</u>	<u>\$ 369,655</u>	<u>\$ 11,623,823</u>	<u>\$ 17,649,091</u>	<u>\$ (371,942)</u>	<u>\$ (182,526)</u>	<u>\$ 1,010</u>	<u>\$ 31,265,654</u>	<u>\$ 409,036</u>	<u>\$ 31,674,690</u>	
BALANCE AT JANUARY 1, 2020	\$ 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	
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends on ordinary shares	-	-	-	-	-	-	(5,463,198)	(5,463,198)	-	-	-	(5,463,198)	-	(5,463,198)	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(3,713)	(3,713)	
Recognition of employee share options by the Company	4,870	(270)	4,600	32,642	-	-	-	-	-	-	-	37,242	-	37,242	
Compensation costs recognized for employee share options	-	-	-	61,789	-	-	-	-	-	-	-	61,789	-	61,789	
Changes in capital surplus from investments in associates accounted for by the equity method	-	-	-	35,360	-	-	-	-	-	-	74	35,434	-	35,434	
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	8,048	-	-	(2,073)	(2,073)	-	-	-	5,975	7,865	13,840	
Changes in percentage of ownership interests in subsidiaries	-	-	-	221	-	-	-	-	-	-	-	221	33	254	
Net profit for the three months ended March 31, 2020	-	-	-	-	-	-	1,294,665	1,294,665	-	-	-	1,294,665	(14,258)	1,280,407	
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	(1,560)	(1,560)	(91,545)	42,959	-	(50,146)	(3,518)	(53,664)	
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	1,293,105	1,293,105	(91,545)	42,959	-	1,244,519	(17,776)	1,226,743	
BALANCE AT MARCH 31, 2020	<u>\$ 7,004,100</u>	<u>\$ 4,600</u>	<u>\$ 7,008,700</u>	<u>\$ 7,616,628</u>	<u>\$ 6,285,079</u>	<u>\$ 798,763</u>	<u>\$ 7,342,955</u>	<u>\$ 14,426,797</u>	<u>\$ (969,806)</u>	<u>\$ 73,929</u>	<u>\$ 1,372</u>	<u>\$ 28,157,620</u>	<u>\$ 482,231</u>	<u>\$ 28,639,851</u>	

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

(With Deloitte & Touche auditors' review report dated April 29, 2020)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,620,566	\$ 2,048,295
Adjustments for:		
Depreciation expenses	216,705	227,010
Amortization expenses	48,414	48,288
Expected loss on credit impairment	6,257	2,783
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	29,617	(49,362)
Compensation costs of employee share options	61,789	84,673
Finance costs	6,331	6,175
Interest income	(7,935)	(9,002)
Share of profit (loss) of associates accounted for using the equity method	17,907	(4,949)
Net loss (gain) on disposal of property, plant and equipment	6,197	(45,348)
Net loss on disposal of investments	916	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,684,102)	(74,132)
Notes receivable	371,272	156,117
Trade receivables	444,391	125,155
Trade receivables from related parties	(1,099)	(1,197)
Other receivables	(53,904)	(139,502)
Inventories	(1,310,134)	(173,714)
Other current assets	(33,360)	(67,348)
Notes payable and trade payables	492,124	(486,063)
Net defined benefit liabilities	4,501	(48,547)
Other payables	(436,943)	(435,136)
Short-term warranty provisions	(16,142)	(3,321)
Other current liabilities	89,964	57,131
Other non-current liabilities	(7,901)	(3,198)
Cash generated from (used in) operations	(134,569)	1,214,808
Interest received	7,935	9,002
Interest paid	(975)	(309)
Income tax paid	(127,287)	(181,660)
Net cash generated from (used in) operating activities	<u>(254,896)</u>	<u>1,041,841</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(442,165)	-
Proceeds from sale of financial assets at amortized cost	-	146,839
Acquisition of investments accounted for using the equity method	(130,000)	(63,214)
Net cash inflow on acquisition of associates	7,255	-

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed after Restatement, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
Increase in prepayments for investments	\$ -	\$ (238,000)
Net cash outflow on acquisitions of subsidiaries (net of carrying amount of cash)	-	(542,156)
Payments for property, plant and equipment	(212,455)	(189,443)
Proceeds from disposal of property, plant and equipment	52,453	68,260
Decrease (increase) in refundable deposits	3,352	(122)
Payments for intangible assets	(7,500)	(11,809)
Decrease (increase) in prepayments for business facilities	<u>(679)</u>	<u>16,059</u>
Net cash used in investing activities	<u>(729,739)</u>	<u>(813,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	16,150	181,548
Repayment of long-term borrowings	(2,228)	(2,406)
Decrease in guarantee deposits received	(7)	(138)
Repayments of the principal portion of lease liabilities	(58,946)	(54,857)
Exercise of employee share options	37,242	31,737
Dividends paid to non-controlling interests	(3,713)	-
Changes in non-controlling interests	<u>14,094</u>	<u>(29,998)</u>
Net cash generated from financing activities	<u>2,592</u>	<u>125,886</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(55,615)</u>	<u>88,471</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,037,658)	442,612
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>6,003,936</u>	<u>6,633,161</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 4,966,278</u>	<u>\$ 7,075,773</u>

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

(With Deloitte & Touche auditors' review report dated April 29, 2020)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors April 29, 2020.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

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

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

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

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

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

New IFRSs	Effective Date Announced by IASB (Note)
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 or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

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

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

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

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

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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

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 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. 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 interests of the Group 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).

d. Other significant accounting policies

Except for the following, refer to significant accounting policies to the consolidated financial statements for the years ended December 31, 2019 and 2018.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

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

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 was 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.

6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 5,165	\$ 141,615	\$ 109,880
Checking accounts and demand deposits	4,122,407	4,744,550	5,685,442
Cash equivalents (time deposits with original maturities less than three months)	<u>838,706</u>	<u>1,117,771</u>	<u>1,280,451</u>
	<u>\$ 4,966,278</u>	<u>\$ 6,003,936</u>	<u>\$ 7,075,773</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 7,884	\$ 9,320	\$ 6,711
Non-derivative financial assets			
Domestic quoted shares	145,439	118,392	96,005
Foreign quoted shares	51,509	50,157	6,843
Mutual funds	<u>5,098,682</u>	<u>3,470,094</u>	<u>2,114,519</u>
	<u>\$ 5,303,514</u>	<u>\$ 3,647,963</u>	<u>\$ 2,224,078</u>

Financial assets at FVTPL - non-current

Financial assets mandatorily classified as at FVTPL

Non-derivative financial assets

Foreign unquoted shares	<u>\$ 100,959</u>	<u>\$ 101,156</u>	<u>\$ -</u>
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Financial liabilities at FVTPL - current

Financial assets mandatorily classified as at FVTPL

Derivative financial assets (not under hedge accounting)

Foreign exchange forward contracts	<u>\$ 1,390</u>	<u>\$ 521</u>	<u>\$ 8,171</u>
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At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2020</u>			
Sell	EUR/NTD	2020.04-2020.07	EUR12,700/NTD426,382
	USD/NTD	2020.04-2020.05	USD7,500/NTD226,516
	JPY/NTD	2020.04-2020.08	JPY320,000/NTD89,222
	RMB/NTD	2020.04-2020.06	RMB50,000/NTD214,579
	EUR/USD	2020.04-2020.08	EUR900/USD1,012

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
<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>March 31, 2019</u>			
Sell	EUR/NTD	2019.04-2019.07	EUR11,400/NTD400,761
	USD/NTD	2019.04	USD2,100/NTD64,630
	JPY/NTD	2019.04-2019.09	JPY370,000/NTD102,818
	RMB/NTD	2019.04-2019.08	RMB89,000/NTD400,087
			(Concluded)

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	<u>\$ 1,679,268</u>	<u>\$ 1,639,321</u>	<u>\$ 1,423,914</u>
Investments in equity instruments at FVTOCI:			
	March 31, 2020	December 31, 2019	March 31, 2019
<u>Non-current</u>			
Domestic investments			
Listed shares and emerging market shares			
Ordinary shares - ASUSTek Computer Inc.	\$ 969,220	\$ 1,097,185	\$ 1,056,900
Ordinary shares - Allied Circuit Co., Ltd.	562,552	392,306	246,117
Unlisted shares			
Ordinary shares - BroadTec System Inc.	3,437	3,917	4,155
Ordinary shares - BiosenseTek Corp.	-	-	-
Ordinary shares - Juguar Technology	7,415	4,949	4,943
Ordinary shares - Taiwan DSC PV Ltd.	-	-	-
Ordinary shares - iSAP Solution Corp.	<u>8,994</u>	<u>9,994</u>	<u>-</u>
	<u>1,551,618</u>	<u>1,508,351</u>	<u>1,312,115</u>
			(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
Foreign investments			
Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	\$ 127,650	\$ 129,150	\$ 109,919
JamaPro Co., Ltd.	<u>-</u>	<u>1,820</u>	<u>1,880</u>
	<u>127,650</u>	<u>130,970</u>	<u>111,799</u>
	<u>\$ 1,679,268</u>	<u>\$ 1,639,321</u>	<u>\$ 1,423,914</u> (Concluded)

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

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Foreign investments			
Time deposits with original maturity of more than 3 months	<u>\$ 751,170</u>	<u>\$ 316,994</u>	<u>\$ 11,166</u>

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Notes receivable - operating</u>	<u>\$ 1,175,068</u>	<u>\$ 1,546,340</u>	<u>\$ 1,305,287</u>
<u>Trade receivables</u>			
Amortized cost			
Gross carrying amount	\$ 6,907,967	\$ 7,352,407	\$ 7,443,723
Less: Allowance for impairment loss	<u>(92,065)</u>	<u>(87,301)</u>	<u>(86,559)</u>
	<u>\$ 6,815,902</u>	<u>\$ 7,265,106</u>	<u>\$ 7,357,164</u>

Trade Receivables

The average credit period of the sales of goods was 30-90 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the 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 trade receivables at an amount that equals to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions. As the Group's historical credit loss experience show different loss patterns for different customer geographical segments, the Group adopts respective approaches to prepare the provision matrix for loss allowance based on past due status of the Group's different geographical customer base, and sets out the expected credit loss rate for accounts receivable that are overdue and based on geographical economic conditions.

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

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

March 31, 2020

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	0.5%	20%	50.62%	100%	-
Gross carrying amount	\$ 5,805,889	\$ 943,392	\$ 75,017	\$ 26,503	\$ 57,166	\$ 6,907,967
Loss allowance (Lifetime ECLs)	<u>(1,326)</u>	<u>(5,118)</u>	<u>(15,040)</u>	<u>(13,415)</u>	<u>(57,166)</u>	<u>(92,065)</u>
Amortized cost	<u>\$ 5,804,563</u>	<u>\$ 938,274</u>	<u>\$ 59,977</u>	<u>\$ 13,088</u>	<u>\$ -</u>	<u>\$ 6,815,902</u>

December 31, 2019

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
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 ECLs)	<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>

March 31, 2019

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	-	20%	46%	100%	-
Gross carrying amount	\$ 6,246,759	\$ 1,061,121	\$ 33,574	\$ 47,422	\$ 54,847	\$ 7,443,723
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(3,113)</u>	<u>(6,715)</u>	<u>(21,884)</u>	<u>(54,847)</u>	<u>(86,559)</u>
Amortized cost	<u>\$ 6,246,759</u>	<u>\$ 1,058,008</u>	<u>\$ 26,859</u>	<u>\$ 25,538</u>	<u>\$ -</u>	<u>\$ 7,357,164</u>

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

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 87,301	\$ 87,491
Add: Amount of expected loss recognized on credit impairment	6,257	2,783
Less: Amounts written off (Note)	(49)	(4,360)
Business combination	-	(35)
Foreign exchange gains and losses	<u>(1,444)</u>	<u>680</u>
Balance at March 31	<u>\$ 92,065</u>	<u>\$ 86,559</u>

Note: The Group wrote off trade receivables and related loss allowance for the three months ended March 31, 2020 and 2019 of \$49 thousand and \$4,360 thousand, respectively, as the customers' trade receivables have been aged more than 2 years and the legal attest letters were served without receivables collected.

11. INVENTORIES

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 4,671,515	\$ 3,235,906	\$ 3,784,440
Work in process	1,948,516	1,803,484	1,978,173
Finished goods	1,779,851	1,987,600	1,446,656
Inventories in transit	<u>693,076</u>	<u>755,834</u>	<u>969,385</u>
	<u>\$ 9,092,958</u>	<u>\$ 7,782,824</u>	<u>\$ 8,178,654</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2020 and 2019 was \$6,750,226 thousand and \$7,425,918 thousand, respectively.

The costs of inventories were decreased by \$821,200 thousand, \$821,488 thousand and \$759,458 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, 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
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Advantech Automation Corp. (AAC (BVI))	Investment and management service	100.00	100.00	100.00	
	Advantech Technology Co., Ltd (ATC)	Sale of industrial automation products	100.00	100.00	100.00	
	Advanixs Corporation	Production and sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Corporate Investment	Investment holding company	100.00	100.00	100.00	1

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2020	December 31, 2019	March 31, 2019	
	Advantech Europe Holding B.V. (AEUH)	Investment and management services	100.00	100.00	100.00	
	Advantech Co., Singapore Pte, Ltd. (ASG)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Australia Pty Ltd. (AAU)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Japan Co., Ltd. (AJP)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Co. Malaysia Sdn. Bhd (AMY)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech KR Co., Ltd. (AKR)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Brasil Ltd (ABR)	Sale of industrial automation products	80.00	80.00	80.00	a
	Advantech Industrial Computing India Private Limited (AIN)	Sale of industrial automation products	99.99	99.99	99.99	a
	AdvanPOS	Production and sale of POS systems	100.00	100.00	100.00	a
	LNC Technology Co., Ltd. (LNC)	Production and sale of machines with computerized numerical controls	60.68	64.10	64.10	a
	Advantech Electronics, S. De R. L. De C. V. (AMX)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	60.00	60.00	60.00	
	Advantech Intelligent Services Co., Ltd. (AiST)	Design, develop and sale of intelligent service	100.00	100.00	100.00	a
	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	76.00	76.00	76.00	a
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	51.00	51.00	51.00	a
	Advantech Vietnam Technology Company Limited (AVN)	Sale of industrial automation products	60.00	60.00	60.00	a
	Limited Liability Company Advantech Technology (ARU)	Production and sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	50.00	50.00	50.00	a, b
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	60.00	60.00	a, c
	ADVANTECH ISRAEL LTD. (AIL)	Sale of industrial network communications systems	100.00	100.00	-	a, k
Advantech KR Co., Ltd. (AKR)	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	24.00	24.00	24.00	a
Advantech Japan Co., Ltd. (AJP)	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	28.61	28.61	30.00	a, b
Advantech Corporate Investment	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
	Huan Yan, Jhih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	50.00	50.00	50.00	a
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	50.00	50.00	a
	Advantech Corporate Investment Ltd. (ACISM)	General investment	100.00	100.00	100.00	a, d
	ACI IOT Investment Fund-I Corporation	Investment holding company	79.30	79.30	-	a, g
Advantech Technology Co., Ltd (ATC)	Advantech Automation Corp. (HK) (ATC (HK))	Investment and management services	100.00	100.00	100.00	
Advantech Automation Corp. (HK) (ATC (HK))	Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	100.00	100.00	100.00	
Advantech Automation Corp. (AAC (BVI))	Advantech Corp. (ANA)	Sale and fabrication of industrial automation products	100.00	100.00	100.00	
	Advantech Automation Corp. (HK) (AAC (HK))	Investment and management service	100.00	100.00	100.00	
	Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Design, development and sale of IoT intelligent system service	100.00	100.00	100.00	a
	Advantech Technology DMCC (ADB) (former B&B DMCC)	Sale of industrial network communications	100.00	100.00	-	a, j
Advantech Corp. (ANA)	B+B Smartworx Inc. (B+B)	Sale of industrial network communications	40.00	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	100.00	
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	100.00	100.00	100.00	a

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2020	December 31, 2019	March 31, 2019	
Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	99.00	99.00	99.00	a
	Advantech Service-IoT GmbH (A-SIoT)	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	100.00	a
	Advantech Intelligent Health Co., Ltd. (AIH)	Information software and data processing services	100.00	70.00	-	a, e
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	100.00	100.00	100.00	a
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	1.00	1.00	1.00	a
Advantech Europe Holding B.V. (AEUH)	Advantech Europe B.V. (AEU)	Sale of industrial automation products	100.00	100.00	100.00	
	Advantech Poland Sp z o.o. (APL)	Sale of industrial automation products	100.00	100.00	100.00	a
Advantech Co., Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	49.00	49.00	49.00	a
	Advantech International. PT. (AID)	Sale of industrial automation products	100.00	100.00	100.00	a
Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	100.00	a
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of industrial electronic equipment	100.00	100.00	100.00	a
	Shenzhen Cermate Technologies Inc.	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	90.00	a
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	General investment	100.00	100.00	100.00	a
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	General investment	100.00	100.00	100.00	a
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	100.00	a
B+B Smartworx Inc. (B+B)	B+B Smartworx Limited (BBIE) (former BBI)	Sale of industrial network communications systems	100.00	100.00	100.00	
B+B Smartworx Limited (BBIE) (former BBI)	B&B Electronics Holdings LLC (B&B Electronics)	Sale of industrial network communications systems	-	-	100.00	h
	Advantech B+B SmartWorx s.r.o.CZ (ACZ)	Manufacturing of cellular and automation solutions	100.00	100.00	99.99	f
	Conel Automation s.r.o. CZ (Conel Automation)	Sale of industrial network communications systems	-	-	1.00	i
	Advantech Technology DMCC (ADB)	Sale of industrial network communications systems	-	-	100.00	j
B&B Electronics Holdings LLC (B&B Electronics)	Advantech B+B SmartWorx s.r.o.CZ (ACZ)	Manufacturing of cellular and automation solutions	-	-	0.01	f, h
Advantech B+B SmartWorx s.r.o.CZ (ACZ)	Conel Automation s.r.o. CZ (Conel Automation)	Sale of industrial network communications systems	-	-	99.00	i

(Concluded)

Remark a: Not significant subsidiaries and their financial statements had not been reviewed.

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

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

- Remark e: In the second quarter of 2019, SioT (Cayman) founded AIH and acquired 100% of its equity. In the third quarter of 2019, AIH held its equity offering, which led SioT (Cayman)'s equity investment in AIH to decrease from 100% to 70%. In the first quarter of 2020, SioT (Cayman) acquired 30% of the equity of AIH, which led its equity investment in AIH to increase from 70% to 100%.
- Remark f: In the second quarter of 2019, 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 to BBIE's equity investment in ACZ to increase from 99.99% to 100%, and ACZ directly held Conel Automation afterward.
- Remark g: In the second quarter of 2019, Advantech Corporate Investment founded ACI IOT Investment Fund-I Corporation and acquired 79.30% of its equity.
- Remark h: In the third quarter of 2019, B&B Electronics filed for liquidation.
- Remark i: In the third quarter of 2019, Conel Automation was disposed of.
- Remark j: In the fourth quarter of 2019, the Group adjusted its investment structure; hence, AAC (BVI) directly held 100% of the equity of ADB.
- Remark k: In the fourth quarter of 2019, the Group founded AIL.
- Remark l: From the second quarter of 2019, financial statements of Advantech Corporate Investment would be reviewed.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. ("Axiomtek")	\$ 679,146	\$ 627,632	\$ 649,934
Winmate Inc. ("Winmate")	562,035	553,145	551,581
AzureWare Technologies, Inc. ("AzureWare")	486,272	506,867	513,909
Nippon RAD Inc. (Nippon RAD)	304,198	296,400	306,603
Mildex Optical Inc. ("Mildex")	181,740	181,388	200,381
Hwacom Systems Inc. ("Hwacom")	374,771	392,645	-
Unlisted companies			
AIMobile Co., Ltd. ("AIMobile")	57,510	66,133	97,333
Deneng Scientific Research Co., Ltd. ("Deneng")	13,643	14,013	13,975
Jen Hsiang Electronics Co., Ltd. ("Jen Hsiang")	-	8,114	7,784
CDIB Innovation Accelerator Co., Ltd. ("CDIB")	163,092	161,043	149,003
DotZero Co., Ltd. ("DotZero")	6,127	6,238	4,573
iLink Co., Ltd. ("iLink")	6,061	7,050	7,490
Shanghai Yanle Co., Ltd. ("Yanle")	1,964	3,092	4,382

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
GSD Environmental Technology Co., Ltd. ("GSD")	\$ 12,794	\$ 13,608	\$ 17,963
Information Technology Total Services Co., Ltd. ("ITTS")	159,383	154,910	-
Smasoft Technology Co., Ltd. ("Smasoft")	14,037	15,000	-
Impelex Data Transfer Co., Ltd. ("Impelex")	9,496	-	-
VSO Electronics Co., Ltd. ("VSO")	122,449	-	-
Tianjin Anjie IOT Science and Technology Co., Ltd. ("GSD")	<u>2,552</u>	<u>2,582</u>	<u>-</u>
	<u>\$ 3,157,270</u>	<u>\$ 3,009,860</u>	<u>\$ 2,524,911</u> (Concluded)

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 GSD 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 Systems Inc. through a private placement; after the subscription, the Group's percentage of ownership in Hwacom was 19.99% and 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.

In the first quarter of 2020, the Group paid cash of \$10,000 thousand for 20% of the equity of Impelex Data Transfer Co., Ltd. The Group had significant influence over Impelex Data Transfer Co., Ltd.

In the first quarter of 2020, the Group paid cash of \$120,000 thousand for 14.29% of the equity of VSO Electronics Co., Ltd. The Group had significant influence over VSO Electronics Co., Ltd.

Aggregate Information of Associates That Are Not Individually Material

	For the Three Months Ended March 31	
	2020	2019
The Group's share of		
Profit (loss) from continuing operations	\$ (17,907)	\$ 4,949
Other comprehensive income (loss)	<u>8,052</u>	<u>24,317</u>
Total comprehensive income (loss) for the period	<u>\$ (9,855)</u>	<u>\$ 29,266</u>

The Group's investment in the above associate was accounted for using the equity method.

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 reviewed; the management believe that financial statements of those investee mentioned above had not been reviewed by independent CPAs would not contribute to significant effect on review results.

14. PROPERTY, PLANT AND EQUIPMENT

a. 2020

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 3,067,589	\$ 8,049,532	\$ 1,866,463	\$ 877,799	\$ 1,874,078	\$ 8,792	\$ 15,744,253
Additions	-	314	14,013	22,753	28,575	146,800	212,455
Disposals	(232)	-	(63,773)	(5,680)	(11,368)	(50,863)	(131,916)
Reclassifications	-	(1,358)	25,698	(19,529)	(98,313)	(90,729)	(184,231)
Effect of foreign currency exchange differences	394	(18,707)	(7,215)	(5,053)	(9,969)	(5,027)	(45,577)
Balance at March 31, 2020	<u>\$ 3,067,751</u>	<u>\$ 8,029,781</u>	<u>\$ 1,835,186</u>	<u>\$ 870,290</u>	<u>\$ 1,783,003</u>	<u>\$ 8,973</u>	<u>\$ 15,594,984</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 2,597,296	\$ 1,378,129	\$ 685,252	\$ 1,351,086	\$ -	\$ 6,011,763
Disposals	-	-	(57,117)	(5,349)	(10,800)	-	(73,266)
Depreciation expenses	-	50,157	51,913	19,897	40,743	-	162,710
Reclassifications	-	(153)	(19,741)	(15,591)	(103,624)	-	(139,109)
Effect of foreign currency exchange differences	-	(2,382)	(4,195)	(3,842)	(6,314)	-	(16,733)
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 2,644,918</u>	<u>\$ 1,348,989</u>	<u>\$ 680,367</u>	<u>\$ 1,271,091</u>	<u>\$ -</u>	<u>\$ 5,945,365</u>
Carrying amounts at March 31, 2020	<u>\$ 3,067,751</u>	<u>\$ 5,384,863</u>	<u>\$ 486,197</u>	<u>\$ 189,923</u>	<u>\$ 511,912</u>	<u>\$ 8,973</u>	<u>\$ 9,649,619</u>

b. 2019

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<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	-	12	20,495	14,879	24,484	101,367	161,237
Disposals	(7,100)	(13,147)	(9,475)	(18,987)	(19,821)	(431)	(68,961)
Acquisitions through business combinations	148,160	942,802	130,912	15,916	34,650	1	1,272,441
Reclassifications	-	32,713	(11,696)	(7,862)	(4,192)	(104,744)	(95,781)
Effect of foreign currency exchange differences	(1,158)	42,768	11,804	4,344	15,278	5,953	78,989
Balance at March 31, 2019	<u>\$ 3,074,029</u>	<u>\$ 8,200,880</u>	<u>\$ 1,851,976</u>	<u>\$ 858,311</u>	<u>\$ 1,793,662</u>	<u>\$ 4,631</u>	<u>\$ 15,783,489</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	-	(5,673)	(7,915)	(13,112)	(19,349)	-	(46,049)
Depreciation expenses	-	50,920	51,975	23,105	47,387	-	173,387
Acquisitions through business combinations	-	867,976	109,364	9,961	33,018	-	1,020,319
Reclassifications	-	(580)	8,947	(8,002)	(1,441)	-	(1,076)
Effect of foreign currency exchange differences	-	9,248	6,111	(371)	9,922	-	24,910
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 2,513,173</u>	<u>\$ 1,341,095</u>	<u>\$ 666,327</u>	<u>\$ 1,303,679</u>	<u>\$ -</u>	<u>\$ 5,824,274</u>
Carrying amounts at March 31, 2019	<u>\$ 3,074,029</u>	<u>\$ 5,687,707</u>	<u>\$ 510,881</u>	<u>\$ 191,984</u>	<u>\$ 489,983</u>	<u>\$ 4,631</u>	<u>\$ 9,959,215</u>

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

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

Property, plant and equipment pledged as collateral for borrowings are set out in Note 29.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Land	\$ 281,158	\$ 286,549	\$ 311,514
Buildings	410,144	396,887	527,035
Machinery	3,283	2,202	2,694
Office equipment	14,028	9,254	13,546
Transportation equipment	45,711	28,214	50,296
Other equipment	<u>35</u>	<u>-</u>	<u>-</u>
	<u>\$ 754,359</u>	<u>\$ 723,106</u>	<u>\$ 905,085</u>
		For the Three Months Ended March 31	
		2020	2019
Additions to right-of-use assets		\$ 39,556	\$ -
Depreciation charge for right-of-use assets			
Land		2,090	2,213
Buildings		41,962	42,454
Machinery		221	164
Office equipment		2,633	1,431
Transportation equipment		7,084	7,361
Other equipment		<u>5</u>	<u>-</u>
		<u>\$ 53,995</u>	<u>\$ 53,623</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2020 and 2019.

b. Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Current	\$ 221,250	\$ 199,493	\$ 201,334
Non-current	<u>255,096</u>	<u>242,263</u>	<u>393,299</u>
	<u>\$ 476,346</u>	<u>\$ 441,756</u>	<u>\$ 594,633</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Buildings	0.25%-10.20%	0.25%-12.00%	0.25%-12.00%
Machinery	0.87%-4.20%	0.87%-5.46%	0.87%-5.46%
Office equipment	0.87%-4.75%	0.87%-4.75%	0.87%-4.75%
Transportation equipment	0.25%-5.00%	0.25%-5.90%	0.25%-5.90%
Other equipment	2.05%	-	-

c. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 3,490</u>	<u>\$ 3,490</u>
Expenses relating to low-value asset leases	<u>\$ 3,045</u>	<u>\$ 3,045</u>
Total cash outflow for lease	<u>\$ 70,469</u>	<u>\$ 65,902</u>

16. GOODWILL

	For the Three Months Ended March 31	
	2020	2019 (Restatement)
<u>Cost</u>		
Balance at January 1	\$ 2,892,879	\$ 2,934,254
Additional amounts recognized from business combinations occurring during the year (Note 25)	-	124,029
Adjustments for goodwill after acquisition	-	(104,889)
Effect of foreign currency exchange differences	<u>5,730</u>	<u>(20,666)</u>
Balance at March 31	<u>\$ 2,898,609</u>	<u>\$ 2,932,728</u>

(Continued)

	For the Three Months Ended March 31	
	2020	2019 (Restatement)
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ (373,365)	\$ (97,788)
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>
Balance at March 31	<u>\$ (373,365)</u>	<u>\$ (97,788)</u>
Carry amount at March 31	<u>\$ 2,525,244</u>	<u>\$ 2,834,940</u> (Concluded)

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.

	March 31, 2019 (Restatement)	February 28, 2019 (Acquisition Date)
Goodwill adjustments	<u>\$ (12,494)</u>	<u>\$ (12,494)</u>
Intangible assets	<u>\$ 34,254</u>	<u>\$ 34,598</u>
Retained earnings	<u>\$ (344)</u>	<u>\$ -</u>
Non-controlling interests	<u>\$ 13,609</u>	<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.

	March 31, 2019 (Restatement)	January 31, 2019 (Acquisition Date)
Goodwill adjustments	<u>\$ (92,395)</u>	<u>\$ (92,395)</u>
Property, plant and equipment	<u>\$ 106,412</u>	<u>\$ 106,379</u>
Intangible assets	<u>\$ 60,062</u>	<u>\$ 61,223</u>
Net defined benefit liabilities	<u>\$ 75,680</u>	<u>\$ 74,932</u>
Retained earnings	<u>\$ (1,876)</u>	<u>\$ -</u>
Non-controlling interests	<u>\$ 22,630</u>	<u>\$ 23,099</u>

17. BORROWINGS

a. Short-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured borrowings			
Line of credit borrowings	<u>\$ 266,025</u>	<u>\$ 250,678</u>	<u>\$ 424,096</u>

The range of weighted average effective interest rates on bank loans was 0.23%-2.60%, 0.23%-3.00% and 0.19%-3.15% per annum as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

b. Long-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Secured borrowings</u>			
Other loans	\$ 40,164	\$ 44,089	\$ 53,004
Less: Current portions	<u>(5,422)</u>	<u>(7,957)</u>	<u>(7,220)</u>
Long-term borrowings	<u>\$ 34,742</u>	<u>\$ 36,132</u>	<u>\$ 45,784</u>

Other borrowings are loans from the government. As of March 31, 2020, December 31, 2019 and March 31, 2019, the effective interest rate was 2.91%-3.16%.

With demand of borrowings, the Group pledged time deposits, freehold land and buildings, refer to Note 29.

18. OTHER LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Other payables			
Payables for salaries or bonuses	\$ 1,919,294	\$ 2,484,026	\$ 1,812,215
Payables for employee benefits	172,696	188,988	200,213
Payables for royalties	226,058	86,822	121,515
Others (Note)	<u>977,601</u>	<u>972,388</u>	<u>1,138,870</u>
	<u>\$ 3,295,649</u>	<u>\$ 3,732,224</u>	<u>\$ 3,272,813</u>

Note: Including marketing expenses and freight expenses, etc.

19. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$2,510 thousand and \$1,339 thousand for the three months ended March 31, 2020 and 2019, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

20. EQUITY

a. Share capital

Ordinary shares

	March 31, 2020	December 31, 2019	March 31, 2019
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>700,870</u>	<u>700,310</u>	<u>699,076</u>
Shares issued	<u>\$ 7,008,700</u>	<u>\$ 7,004,100</u>	<u>\$ 6,990,755</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

	March 31, 2020	December 31, 2019	March 31, 2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238	\$ 2,692,238
Conversion of bonds	1,636,499	1,636,499	1,636,499
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	98,265	90,217	80,831
Share of changes in capital surplus of associates	55	55	55
Employees' share compensation	78,614	78,614	78,614
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	4,858	4,637	4,263
Employee share options	1,992,259	1,888,945	1,615,779
Share of changes in capital surplus of associates	47,721	12,361	28,927
<u>Not note be used for any purpose</u>			
Employee share options	<u>1,066,119</u>	<u>1,075,002</u>	<u>1,042,060</u>
	<u>\$ 7,616,628</u>	<u>\$ 7,478,568</u>	<u>\$ 7,179,266</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 interests in a subsidiary resulting from equity transactions other than actual disposal or acquisition or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

The amended policies were approved in the shareholders' meeting on May 28, 2020, and the Group authorized the board to resolve the distribution of dividends and bonuses in the form of cash and then reported to the stockholders.

Under the dividends policy before the amendments, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and 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 21, d.

The Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its 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 2019 and 2018 which have been approved in the shareholders' meetings on March 6, 2020 and on May 28, 2019, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended	
	December 31	
	2019	2018
Legal reserve	\$ 735,122	\$ 629,466
Special reserve	\$ 47,230	\$ 429,108
Cash dividends	\$ 5,463,198	\$ 4,751,129
Share dividends	\$ 700,410	\$ -
Cash dividends per share (NT\$)	\$ 7.8	\$ 6.8
Share dividends per share (NT\$)	\$ 1.0	\$ -

The distribution of cash dividends was approved by the board of directors on March 6, 2020. The appropriation of earnings for 2019 are subject to the resolution in the shareholders' meeting to be held on May 28, 2020.

d. Special reserves

**For the Three Months Ended
March 31**

	2020	2019
Beginning at January 1	<u>\$ 798,763</u>	<u>\$ 369,655</u>
Balance at March 31	<u>\$ 798,763</u>	<u>\$ 369,655</u>

e. Other equity items

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

**For the Three Months Ended
March 31**

	2020	2019
Balance at January 1	<u>\$ (878,261)</u>	<u>\$ (475,245)</u>
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign operations	\$ (98,113)	\$ 100,142
Share of those of associates accounted for using the equity method	<u>6,568</u>	<u>3,161</u>
Other comprehensive income recognized for the period	<u>(91,545)</u>	<u>103,303</u>
Balance at March 31	<u>\$ (969,806)</u>	<u>\$ (371,942)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

**For the Three Months Ended
March 31**

	2020	2019
Balance at January 1	<u>\$ 30,970</u>	<u>\$ (324,254)</u>
Recognized for the period		
Unrealized gain - equity instruments	41,557	120,818
Share of those of associates accounted for using the equity method	<u>1,402</u>	<u>20,910</u>
Other comprehensive income recognized for the period	<u>42,959</u>	<u>141,728</u>
Balance at March 31	<u>\$ 73,929</u>	<u>\$ (182,526)</u>

3) Unearned employee benefits compensation

**For the Three Months Ended
March 31**

	2020	2019
Balance at January 1	\$ 1,298	\$ 736
Share from associates accounted for using the equity method	<u>74</u>	<u>274</u>
Balance at March 31	<u>\$ 1,372</u>	<u>\$ 1,010</u>

f. Non-controlling interests

	For the Three Months Ended March 31	
	2020	2019 (Restatement)
Balance at January 1	\$ 495,822	\$ 245,436
Share of profit (loss) for the year	(14,258)	3,479
Other comprehensive income during the year		
Exchange differences on translating the financial statements of foreign operations	(3,518)	21,270
Increase in non-controlling interests arising from decrease in investment in subsidiaries (Note 26)	10,346	-
Decrease in non-controlling interests arising from increase in investment in subsidiaries (Note 26)	(2,481)	(22,487)
Increase in non-controlling interests arising from the acquisition of subsidiary, ATJ (Note 25)	-	125,868
Increase in non-controlling interests arising from the acquisition of subsidiary, ATR (Note 25)	-	35,252
Cash dividends distributed by subsidiaries	(3,713)	-
Employees' holding outstanding vest share option related non-controlling interests issued by subsidiaries	<u>33</u>	<u>218</u>
Balance at March 31	<u>\$ 482,231</u>	<u>\$ 409,036</u>

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended March 31	
	2020	2019
Interest on bank loans	\$ 616	\$ 778
Interest on lease liabilities	4,988	4,510
Others	<u>727</u>	<u>887</u>
	<u>\$ 6,331</u>	<u>\$ 6,175</u>

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 46,275	\$ 38,392
Operating expenses	<u>170,430</u>	<u>188,618</u>
	<u>\$ 216,705</u>	<u>\$ 227,010</u>

(Continued)

	For the Three Months Ended March 31	
	2020	2019
An analysis of amortization by function		
Operating costs	\$ 1,515	\$ 943
Operating expenses	<u>46,899</u>	<u>47,345</u>
	<u>\$ 48,414</u>	<u>\$ 48,288</u>
		(Concluded)

c. Employee benefits expense

	For the Three Months Ended March 31	
	2020	2019
Short-term benefits	\$ 2,257,264	\$ 2,266,458
Post-employment benefits		
Defined contribution plans	66,608	91,661
Defined benefit plans (Note 19)	<u>2,510</u>	<u>1,339</u>
	69,118	93,000
Share-based payments		
Equity-settled	61,789	84,673
Other employee benefits	<u>168,356</u>	<u>152,799</u>
Total employee benefits expense	<u>\$ 2,556,527</u>	<u>\$ 2,596,930</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 532,534	\$ 561,783
Operating expenses	<u>2,023,993</u>	<u>2,035,147</u>
	<u>\$ 2,556,527</u>	<u>\$ 2,596,930</u>

d. Employees' compensation and remuneration of directors and supervisors

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. For the three months ended March 31, 2020 and 2019, the employees' compensation and the remuneration of directors were accrued of net profit after income tax.

	For the Three Months Ended March 31	
	2020	2019
Employees' compensation	<u>\$ 150,000</u>	<u>\$ 116,455</u>
Remuneration of directors	<u>\$ 3,000</u>	<u>\$ 2,650</u>

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

The appropriations of employees' compensation and remuneration of directors and supervisors for 2019 and 2018 having been resolved by the board of directors on March 6, 2020 and May 3, 2019, respectively, were as below:

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

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

	For the Three Months Ended March 31	
	2020	2019
Foreign exchange gains	\$ 229,369	\$ 186,054
Foreign exchange losses	<u>(231,660)</u>	<u>(116,310)</u>
Net gain (loss)	<u>\$ (2,291)</u>	<u>\$ 69,744</u>

22. INCOME TAXES

- a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2020	2019
Current tax		
In respect of the current period	\$ 339,255	\$ 465,526
Adjustment for prior years	(16,312)	22,516
Deferred tax		
In respect of the current period	<u>17,216</u>	<u>(56,362)</u>
Income tax expense recognized in profit or loss	<u>\$ 340,159</u>	<u>\$ 431,680</u>

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

	For the Three Months Ended March 31	
	2020	2019
<u>Deferred tax</u>		
In respect of current period		
Translating the financial statements of foreign operations	<u>\$ (22,886)</u>	<u>\$ 25,826</u>
Income tax recognized in other comprehensive income	<u>\$ (22,886)</u>	<u>\$ 25,826</u>

c. Income tax assessments

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

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2020	2019
Basic earnings per share	<u>\$ 1.85</u>	<u>\$ 2.31</u>
Diluted earnings per share	<u>\$ 1.82</u>	<u>\$ 2.28</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 Period

	For the Three Months Ended March 31	
	2020	2019
Earnings used in the computation of basic earnings per share	<u>\$ 1,294,665</u>	<u>\$ 1,613,136</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,294,665</u>	<u>\$ 1,613,136</u>

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

	For the Three Months Ended March 31	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	700,573	698,744
Effect of potentially dilutive ordinary shares:		
Employee share options	7,763	6,372
Employees' compensation	<u>2,109</u>	<u>1,911</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>710,445</u>	<u>707,027</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.

24. 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:

	For the Three Months Ended March 31			
	2020		2019	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	14,250	\$149.88	15,965	\$143.64
Options exercised	<u>(460)</u>	80.96	<u>(380)</u>	83.52
Balance at March 31	<u>13,790</u>	152.19	<u>15,585</u>	145.11
Options exercisable, end of the period	<u>5,790</u>	82.68	<u>7,585</u>	84.58
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ -</u>	

The weighted-average share price at the date of exercise of share options for the three months ended March 31, 2020 and 2019 were from NT\$257 to NT\$304 and NT\$223 to NT\$249, respectively.

Information about outstanding options as of March 31, 2020 and 2019 was as follows:

	For the Three Months Ended December 31			
	2020		2019	
	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2018	\$202.50	4.33	\$202.50	5.33
Issuance in 2016	83.30	2.20	85.60	3.20
Issuance in 2014	79.40	0.38	81.50	1.38

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

	2018	2016	2014
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 dividends 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 \$61,789 thousand and \$84,673 thousand for the three months ended March 31, 2020 and 2019, respectively.

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

Information on employee share options was as follows:

	For the Three Months Ended March 31			
	2020		2019	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	740	\$ 20	814	\$ 20
Options expired	<u>(24)</u>	20	<u>-</u>	-
Balance at March 31	<u>716</u>	20	<u>814</u>	20
Options exercisable, end of period	<u>156</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Information on outstanding options for the three months ended March 31, 2020 and 2019 was as follows:

	For the Three Months Ended March 31			
	2020		2019	
Employee Share Options	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2018	\$ 20	2.28	\$ 20	3.28
Issuance in 2017	20	1.17	20	2.17

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

	2018	2017
Grant-date valuation (NT\$)	\$17.29	\$16.11
Exercise price (NT\$)	\$20	\$20
Expected volatility	21.36%-25.43%	25.60%-29.45%
Expected life (in years)	2.5-4	2.5-4
Expected dividend yield	1.04%	0%
Risk-free interest rate	0.60%-0.67%	0.64%-0.74%

In August 2018, the Company modified all of its outstanding options. The valid 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

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

Issuance in 2017

	Before Adjustment	After Adjustment
Grant-date 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%

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Advantech Technologies Japan Corp. (ATJ)	Production and sale of eletronical and mechanical device	January 31, 2019	80	<u>\$ 517,008</u>
Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	February 28, 2019	60	<u>\$ 58,482</u>

The Group acquired 80% of the shares of Advantech Technologies Japan Corp. (former Omron Nohgata Co., Ltd.) 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. (former Alitek Teknoloji Urunleri San. ve Tic. A.S.) 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

	ATJ	ATR
Cash	<u>\$ 517,008</u>	<u>\$ 58,482</u>

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

	ATJ	ATR
Current assets		
Cash and cash equivalents	\$ -	\$ 33,334
Trade receivables and other receivables	600,640	15,759
Inventories	437,154	9,966
Other current assets	7,220	353
Non-current assets		
Plant and equipment	251,399	723
Intangible assets	65,649	34,783
Deferred tax assets	96,606	-
Other non-current assets	-	238
Current liabilities		
Short-term borrowings	(157,819)	(311)
Trade and other payables	(501,113)	(2,206)
Current tax liabilities	(32,436)	(193)
Other current liabilities	(15,770)	(4,230)
Non-current liabilities		
Net defined benefit liabilities	(122,190)	-
Other non-current liabilities	-	(86)
	<u>\$ 629,340</u>	<u>\$ 88,130</u>

d. Non-controlling interests

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

e. Goodwill recognized on acquisitions

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

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

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

f. Net cash outflow on acquisitions of subsidiaries

	ATJ	ATR
Consideration paid in cash	\$ 517,008	\$ 58,482
Less: Cash and cash equivalent balances acquired	<u>-</u>	<u>(33,334)</u>
	<u>\$ 517,008</u>	<u>\$ 25,148</u>

g. Impact of acquisitions on the results of the Group

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

	For the Three Months Ended March 31, 2019	
	ATJ	ATR
Operating revenue	<u>\$ 249,067</u>	<u>\$ 9,858</u>
Profit or loss	<u>\$ 17,419</u>	<u>\$ 2,505</u>

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In the first quarter of 2020, the Group sold 3.42% of the equity of LNC, which led the Group's equity investment in LNC to decrease from 64.10% to 60.68%.

In the first quarter of 2020, the Group acquired 30% of the equity of AIH, which led the Group's equity investment in AIH to increase from 70% to 100%.

In the first quarter of 2020, the Group subscribed 18% of the equity of ATR during its capital increase, which led the Group's equity investment in ATR to increase from 42% to 60%.

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

	March 31			2019 ATR
	2020	2020		
	LNC	AIH	Total	
Cash consideration received (paid)	\$ 18,394	\$ (4,554)	\$ 13,840	\$ (30,216)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(10,346)</u>	<u>2,481</u>	<u>(7,865)</u>	<u>22,487</u>
Differences recognized from equity transactions	<u>\$ 8,048</u>	<u>\$ (2,073)</u>	<u>\$ 5,975</u>	<u>\$ (7,729)</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	\$ 8,048	\$ -	\$ 8,048	\$ (7,729)
Unappropriated earnings	<u>-</u>	<u>(2,073)</u>	<u>(2,073)</u>	<u>-</u>
	<u>\$ 8,048</u>	<u>\$ (2,073)</u>	<u>\$ 5,975</u>	<u>\$ (7,729)</u>

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

March 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 7,884	\$ -	\$ 7,884
Securities listed in ROC	145,439	-	-	145,439
Securities listed in other countries	51,509	-	-	51,509
Securities unlisted in other countries	-	-	100,959	100,959
Mutual funds	<u>5,098,682</u>	<u>-</u>	<u>-</u>	<u>5,098,682</u>
	<u>\$ 5,295,630</u>	<u>\$ 7,884</u>	<u>\$ 100,959</u>	<u>\$ 5,404,473</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	\$ 1,531,772	\$ -	\$ -	\$ 1,531,772
Securities unlisted in ROC	-	-	19,846	19,846
Securities unlisted in other countries	-	-	127,650	127,650
	<u>\$ 1,531,772</u>	<u>\$ -</u>	<u>\$ 147,496</u>	<u>\$ 1,679,268</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,390</u>	<u>\$ -</u>	<u>\$ 1,390</u> (Concluded)

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
Securities unlisted in ROC	-	-	18,860	18,860
Securities unlisted in other countries	-	-	130,970	130,970
	<u>\$ 1,489,491</u>	<u>\$ -</u>	<u>\$ 149,830</u>	<u>\$ 1,693,321</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 521</u>

March 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 6,711	\$ -	\$ 6,711
Securities listed in ROC	96,005	-	-	96,005
Securities listed in other countries	6,843	-	-	6,843
Mutual funds	<u>2,114,519</u>	<u>-</u>	<u>-</u>	<u>2,114,519</u>
	<u>\$ 2,217,367</u>	<u>\$ 6,711</u>	<u>\$ -</u>	<u>\$ 2,224,078</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	\$ 1,303,017	\$ -	\$ -	\$ 1,303,017
Securities unlisted in ROC	-	-	9,098	9,098
Securities unlisted in other countries	<u>-</u>	<u>-</u>	<u>111,799</u>	<u>111,799</u>
	<u>\$ 1,303,017</u>	<u>\$ -</u>	<u>\$ 120,897</u>	<u>\$ 1,423,914</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 8,171</u>	<u>\$ -</u>	<u>\$ 8,171</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 three months ended March 31, 2020

	Financial Assets at Fair Value Through Profit of Loss Equity Instruments	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
<u>Financial assets</u>			
Balance at January 1, 2020	\$ 101,156	\$ 149,830	\$ 250,986
Recognized in profit or loss	(197)	-	(197)
Recognized in other comprehensive income	<u>-</u>	<u>(2,334)</u>	<u>(2,334)</u>
Balance at March 31, 2020	<u>\$ 100,959</u>	<u>\$ 147,496</u>	<u>\$ 248,455</u>

For the three months ended March 31, 2019

	Financial Assets at Fair Value Through Other Comprehensive Income	
	Equity Instruments	Total
<u>Financial assets</u>		
Balance at January 1, 2019	\$ 118,765	\$ 118,765
Purchase		
Recognized in other comprehensive income	<u>2,132</u>	<u>2,132</u>
Balance at March 31, 2019	<u>\$ 120,897</u>	<u>\$ 120,897</u>

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

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

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

The fair values of unlisted equity securities - ROC were under the asset approach. In this approach, the fair value of net assets was used to capture the present value of the expected future economic benefits.

b. Categories of financial instruments

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	\$ 5,404,473	\$ 3,749,119	\$ 2,224,078
Financial assets at amortized cost (Note 1)	13,885,002	15,253,957	15,956,509
Financial assets at FVTOCI			
Equity instruments	1,679,268	1,639,321	1,423,914
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	1,390	521	8,171
Financial assets at amortized cost (Note 2)	14,356,356	8,826,187	9,505,473

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 and other receivables.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable and trade payables, other payables, dividends payable, 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 instrument, 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 the 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 and interest rate 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 entering into a variety of derivative financial instruments, which allow the Group to mitigate but not fully eliminate the effect.

The maturities of the Company's forward contracts were less than six months. These forward exchange 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 30. 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 New Taiwan dollars (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in exchange rates.

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

	U.S. Dollar Impact		Euro Impact		Renminbi Impact	
	For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31	
	2020	2019	2020	2019	2020	2019
Profit or loss	\$ 21,178 (Note 1)	\$ 107,874 (Note 1)	\$ 57,105 (Note 2)	\$ 65,293 (Note 2)	\$ 90,945 (Note 3)	\$ 53,088 (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 is exposed to interest rate risk because entities in the Group maintain both floating and fixed interest rates of bank deposits and borrowings. The Group does not operate hedging instruments for interest rates. The Group's management monitors fluctuations in market interest rates regularly. If it is needed, the management might perform necessary procedures for significant interest rate risks to control the risks from fluctuations in market interest rates.

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

	March 31, 2020	December 31, 2019	March 31, 2019
Fair value interest rate risk			
Financial assets	\$ 1,589,876	\$ 1,434,765	\$ 1,291,616
Financial liabilities	153,450	165,600	373,605
Cash flow interest rate risk			
Financial assets	2,922,415	4,055,867	4,891,093
Financial liabilities	152,739	129,167	103,495

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 three months ended March 31, 2020 and 2019 would have increased by \$3,462 thousand and \$5,984 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank 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, pre-tax profit for the three months ended March 31, 2020 and 2019 would have increased by \$2,979 thousand and \$1,028 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 three months ended March 31, 2020 and 2019 would have increased by \$16,792 thousand and \$14,239 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI. Had equity prices been 1% lower for the same year, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.

The Group's sensitivity to equity prices increased mainly because of its increase in financial assets investment 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 will cause a financial loss to the Group due to failure of counterparties to discharge an obligation provided by the Group could arise from the carrying amount of the respective recognized financial assets, as stated in the balance sheets.

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. As of March 31, 2020, December 31, 2019 and March 31, 2019, 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 amount was derived from the interest rate curve at the end of the reporting period.

March 31, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$ 6,473,400 25,749	\$ 1,001,830 31,020	\$ 6,574,937 168,320	\$ - 278,914
Variable interest rate liabilities	20,290	31,546	63,873	48,068
Fixed interest rate liabilities	<u>29</u>	<u>153,495</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,519,468</u>	<u>\$ 1,217,891</u>	<u>\$ 6,807,130</u>	<u>\$ 326,982</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 225,089</u>	<u>\$ 240,794</u>	<u>\$ 38,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

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

Additional information about the maturity analysis for lease liabilities:

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

March 31, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$ 6,912,073 16,605	\$ 1,182,308 31,518	\$ 933,992 156,993	\$ - 445,201
Variable interest rate liabilities	30,172	275	21,727	64,165
Fixed interest rate liabilities	<u>270</u>	<u>250,741</u>	<u>125,085</u>	<u>-</u>
	<u>\$ 6,959,120</u>	<u>\$ 1,464,842</u>	<u>\$ 1,237,797</u>	<u>\$ 509,366</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 205,116</u>	<u>\$ 317,242</u>	<u>\$ 127,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

March 31, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 367,457	\$ 506,139	\$ 113,680	\$ 987,276
Outflows	<u>364,956</u>	<u>504,292</u>	<u>111,534</u>	<u>980,782</u>
	<u>\$ 2,501</u>	<u>\$ 1,847</u>	<u>\$ 2,146</u>	<u>\$ 6,494</u>

December 31, 2019

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

March 31, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 299,707	\$ 441,062	\$ 227,528	\$ 968,297
Outflows	<u>301,936</u>	<u>440,601</u>	<u>227,220</u>	<u>969,757</u>
	<u>\$ (2,229)</u>	<u>\$ 461</u>	<u>\$ 308</u>	<u>\$ (1,460)</u>

c) Financing facilities

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured bank overdraft facilities reviewed annually and payable at call:			
Amount used	\$ 266,025	\$ 250,678	\$ 423,872
Amount unused	<u>6,821,825</u>	<u>6,741,182</u>	<u>6,747,868</u>
	<u>\$ 7,087,850</u>	<u>\$ 6,991,860</u>	<u>\$ 7,171,740</u>
Secured bank overdraft facilities:			
Amount used	<u>\$ 40,164</u>	<u>\$ 44,089</u>	<u>\$ 53,004</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

Name	Related Party Category
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
i-Link Co., Ltd.	Associate
DotZero Co., Ltd.	Associate
Mildex Optical Inc.	Associate
Nippon RAD Inc.	Associate
Shanghai Yanle Co., Ltd.	Associate
Information Technology Total Services Co., Ltd.	Associate
Hwacom Systems Inc.	Associate
Smasoft Technology Co., Ltd.	Associate
Impelex Data Transfer Co., Ltd.	Associate
VSO Electronics Co., Ltd. (“VSO”)	Associate
VSO Electronics (Suzhou) Co., Ltd.	Associate
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party

b. Sales of goods

Related Party Categories/Name	For the Three Months Ended March 31	
	2020	2019
Associates	<u>\$ 28,580</u>	<u>\$ 23,179</u>

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended March 31	
	2020	2019
Associates	<u>\$ 95,625</u>	<u>\$ 42,920</u>

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

Line Items	Related Party Categories/Name	March 31, 2020	December 31, 2019	March 31, 2019
Trade receivables from related parties	Associates	<u>\$ 21,273</u>	<u>\$ 20,174</u>	<u>\$ 20,166</u>

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

e. Other receivables from related parties

Line Items	Related Party Categories/Name	March 31, 2020	December 31, 2019	March 31, 2019
Other receivables	Associates	\$ 83	\$ -	\$ -
	Other related parties	<u>-</u>	<u>29</u>	<u>-</u>
		<u>\$ 83</u>	<u>\$ 29</u>	<u>\$ -</u>

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

Line Items	Related Party Categories/Name	March 31, 2020	December 31, 2019	March 31, 2019
Trade payables	Associates	<u>\$ 57,489</u>	<u>\$ 43,367</u>	<u>\$ 37,206</u>
Other liabilities	Other related parties	<u>\$ -</u>	<u>\$ 7,965</u>	<u>\$ -</u>

The outstanding trade payables to related parties are unsecured.

g. Prepayments to related parties

Line Items	Related Party Categories/Name	March 31, 2020	December 31, 2019	March 31, 2019
Other current assets	Associates	<u>\$ 23,347</u>	<u>\$ 25,470</u>	<u>\$ -</u>

h. Other transactions with related parties

Related Party Category/Name	Operating Expenses	
	For the Three Months Ended	
	March 31	
	2020	2019
Research and development expenses		
Associates	\$ <u>360</u>	\$ <u>160</u>
Selling and marketing expenses		
Associates	\$ <u>4</u>	\$ <u>-</u>

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

	Other Income	
	For the Three Months Ended	
	March 31	
	2020	2019
Rental income		
Associates	\$ 120	\$ -
Other related parties	<u>15</u>	<u>15</u>
	\$ <u>135</u>	\$ <u>15</u>
Others		
Other related parties	\$ <u>676</u>	\$ <u>676</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.

h. Compensation of key management personnel

	For the Three Months Ended	
	March 31	
	2020	2019
Short-term employee benefits	\$ 11,336	\$ 11,290
Post-employment benefits	40	39
Share-based payments	<u>8,523</u>	<u>10,411</u>
	\$ <u>19,899</u>	\$ <u>21,740</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	For the Three Months Ended March 31	
	2020	2019
Property, plant and equipment	<u>\$ 62,100</u>	<u>\$ 67,068</u>

30. 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:

March 31, 2020

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 122,010	30.225 (USD:NTD)	\$ 3,687,752
RMB	527,818	4.255 (RMB:NTD)	2,245,866
EUR	24,055	33.240 (EUR:NTD)	799,588
USD	15,881	7.1034 (USD:RMB)	<u>480,002</u>
			<u>\$ 7,213,208</u>
<u>Financial liabilities</u>			
Monetary items			
USD	83,891	30.225 (USD:NTD)	\$ 2,535,605
USD	38,488	7.1034 (USD:RMB)	1,163,300
RMB	150,863	4.255 (RMB:NTD)	<u>641,922</u>
			<u>\$ 4,340,827</u>

December 31, 2019

Unit: In Thousands for Currencies, Except Exchange Rates

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

March 31, 2019

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 206,550	30.82 (USD:NTD)	\$ 6,365,871
RMB	488,040	4.580 (RMB:NTD)	2,235,209
EUR	28,349	34.61 (EUR:NTD)	981,159
USD	15,813	6.7293 (USD:RMB)	<u>487,355</u>
			<u>\$ 10,069,594</u>
<u>Financial liabilities</u>			
Monetary items			
USD	126,877	30.82 (USD:NTD)	\$ 3,910,349
RMB	167,961	4.580 (RMB:NTD)	769,257
USD	24,384	6.7293 (USD:RMB)	<u>751,514</u>
			<u>\$ 5,431,120</u>

For the three months ended March 31, 2020 and 2019, realized and unrealized net foreign exchange gains (or losses) were \$(2,291) thousand and \$69,744 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.

31. 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) Transactions of financial instruments. (Notes 7 and 27)
- 10) Significant transactions between the Company and subsidiaries. (Table 10)
- 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 losses, 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, and their prices, payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

d. Information of major shareholders:

The following is the information of major shareholders: name of major shareholder, number of shares owned and percentage of ownership of shareholders whose percentage of ownership of shareholders is higher than 5%. (Table 9)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”) and for the assessment of segment performance, business analysis, and the resource deployment judgment. The Group’s segment information disclosed is as follows:

- Industrial internet of thing services (IIoT): Focus on the market of industrial internet-of-things;
- Embedded board and design-in services (EIoT): Provide services involving embedded boards, systems and peripheral hardware and software;
- Allied design manufacture services (AlliedDMS): 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 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:

- These operating segments have similar long-term gross profit margins; and
- 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 Thing Services (IIoT)	Embedded Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (Allied DMS)	Intelligent Services (SIoT)	Global Customer Services (AGS & APS)	Others	Total
<u>For the three months ended March 31, 2020</u>							
Revenue from external customers	\$ 3,438,934	\$ 2,885,304	\$ 2,668,858	\$ 986,006	\$ 1,266,261	\$ 26,826	\$ 11,272,189
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 3,438,934</u>	<u>\$ 2,885,304</u>	<u>\$ 2,668,858</u>	<u>\$ 986,006</u>	<u>\$ 1,266,261</u>	<u>\$ 26,826</u>	<u>11,272,189</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>11,272,189</u>
Segment income	<u>\$ 641,469</u>	<u>\$ 385,929</u>	<u>\$ 337,398</u>	<u>\$ 61,657</u>	<u>\$ 145,412</u>	<u>\$ 81,757</u>	1,653,622
Other revenue	-	-	-	-	-	-	30,775
Other income and expense	-	-	-	-	-	-	(39,613)
Finance costs	-	-	-	-	-	-	(6,331)
Share of profits of associates for using the equity method	-	-	-	-	-	-	(17,907)
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 1,620,566</u>
<u>For the three months ended March 31, 2019</u>							
Revenue from external customers	\$ 3,724,205	\$ 3,110,924	\$ 2,970,837	\$ 1,145,359	\$ 1,330,210	\$ 19,055	\$ 12,300,590
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 3,724,205</u>	<u>\$ 3,110,924</u>	<u>\$ 2,970,837</u>	<u>\$ 1,145,359</u>	<u>\$ 1,330,210</u>	<u>\$ 19,055</u>	<u>12,300,590</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>12,300,590</u>
Segment income	<u>\$ 858,618</u>	<u>\$ 496,686</u>	<u>\$ 427,537</u>	<u>\$ 92,764</u>	<u>\$ 170,423</u>	<u>\$ -</u>	2,046,028
Other revenue	-	-	-	-	-	-	34,599
Other unamortized expense	-	-	-	-	-	-	(194,113)
Other income and expense	-	-	-	-	-	-	163,007
Finance costs	-	-	-	-	-	-	(6,175)
Share of profits of associates for using the equity method	-	-	-	-	-	-	4,949
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 2,048,295</u>

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' 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, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss 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.

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note F)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	LNC	LNC Dong Guan	Trade receivables - related parties	Yes	\$ 70,000	\$ 70,000	\$ 23,065	-	Short-term financing	\$ -	Financing need	-	None	None	\$ 31,956 (Note D)	\$ 127,823 (Note D)
2	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	1,353,017 (Note E)	1,353,017 (Note E)
3	AAC (BVI)	ATJ	Trade receivables - related parties	Yes	177,000 (JPY 600,000 thousand)	-	-	0.55	Short-term financing	-	Financing need	-	None	None	2,727,277 (Note C)	2,727,277 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: Translated based on the exchange rate as of March 31, 2020 was JPY1=NT\$0.279.

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

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

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

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

Note G: All intercompany financing has been eliminated from consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	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	\$ 2,815,762	\$ 907,500 (US\$ 30,000 thousand)	\$ 906,750 (US\$ 30,000 thousand)	\$ -	\$ -	3.22	\$ 8,447,286	Y	N	N
		AAC (BVI)	Subsidiary	2,815,762	302,500 (US\$ 10,000 thousand)	302,250 (US\$ 10,000 thousand)	-	-	1.07	8,447,286	Y	N	N
		Advantech Corporate Investment	Subsidiary	2,815,762	302,500 (US\$ 10,000 thousand)	302,250 (US\$ 10,000 thousand)	-	-	1.07	8,447,286	Y	N	N
		AJP	Subsidiary	2,815,762	302,500 (JPY 500,000 thousand)	139,500 (JPY 500,000 thousand)	41,850 (JPY 150,000 thousand)	-	0.50	8,447,286	Y	N	N
		ATJ	Subsidiary	2,815,762	279,000 (JPY1,000,000 thousand)	279,000 (JPY1,000,000 thousand)	111,600 (JPY 400,000 thousand)	-	0.99	8,447,286	Y	N	N
		AKST	Subsidiary	2,815,762	181,500 (US\$ 6,000 thousand)	181,350 (US\$ 6,000 thousand)	62,575 (US\$ 2,070 thousand)	-	0.64	8,447,286	Y	N	N
		AKMC	Subsidiary	2,815,762	181,500 (US\$ 6,000 thousand)	181,350 (US\$ 6,000 thousand)	-	-	0.64	8,447,286	Y	N	Y
		ACISM	Subsidiary	2,815,762	151,250 (US\$ 5,000 thousand)	151,125 (US\$ 5,000 thousand)	-	-	0.54	8,447,286	Y	N	N
		SIoT (Cayman)	Subsidiary	2,815,762	302,500 (US\$ 10,000 thousand)	302,250 (US\$ 10,000 thousand)	-	-	1.07	8,447,286	Y	N	N
		B+B	Subsidiary	2,815,762	151,250 (US\$ 5,000 thousand)	151,125 (US\$ 5,000 thousand)	-	-	0.54	8,447,286	Y	N	N
		ABR	Subsidiary	2,815,762	45,375 (US\$ 1,500 thousand)	45,338 (US\$ 1,500 thousand)	-	-	0.16	8,447,286	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 Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	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	\$ 2,815,762	\$ 33,290 (EUR 1,000 thousand)	\$ 33,240 (EUR 1,000 thousand)	\$ -	\$ -	0.12	\$ 8,447,286	Y	N	N
		AVN	Subsidiary	2,815,762	30,250 (US\$ 1,000 thousand)	30,225 (US\$ 1,000 thousand)	-	-	0.11	8,447,286	Y	N	N
		Cermate (Taiwan)	Subsidiary	2,815,762	30,250 (US\$ 1,000 thousand)	30,225 (US\$ 1,000 thousand)	-	-	0.11	8,447,286	Y	N	N
		Cermate (Shenzhen)	Subsidiary	2,815,762	30,250 (US\$ 1,000 thousand)	30,225 (US\$ 1,000 thousand)	-	-	0.11	8,447,286	Y	N	Y
		ACZ	Subsidiary	2,815,762	15,125 (US\$ 500 thousand)	15,113 (US\$ 500 thousand)	-	-	0.05	8,447,286	Y	N	N
		ATR	Subsidiary	2,815,762	15,125 (US\$ 500 thousand)	15,113 (US\$ 500 thousand)	-	-	0.05	8,447,286	Y	N	N
		Advanixs Corp.	Subsidiary	2,815,762	15,125 (US\$ 500 thousand)	15,113 (US\$ 500 thousand)	-	-	0.05	8,447,286	Y	N	N
		AAU	Subsidiary	2,815,762	6,050 (US\$ 200 thousand)	6,045 (US\$ 200 thousand)	-	-	0.02	8,447,286	Y	N	N
		Advantech Intelligent Service	Subsidiary	2,815,762	90,675 (US\$ 3,000 thousand)	90,675 (US\$ 3,000 thousand)	-	-	0.32	8,447,286	Y	N	N
		AKR	Subsidiary	2,815,762	1,513 (US\$ 50 thousand)	1,511 (US\$ 50 thousand)	-	-	0.01	8,447,286	Y	N	N
		AIH	Subsidiary	2,815,762	90,675 (US\$ 3,000 thousand)	90,675 (US\$ 3,000 thousand)	-	-	0.32	8,447,286	Y	N	N
		ARU	Subsidiary	2,815,762	30,225 (US\$ 1,000 thousand)	30,225 (US\$ 1,000 thousand)	-	-	0.11	8,447,286	Y	N	N
		ACI IOT Investment Fund-I Corporation	Subsidiary	2,815,762	6,045 (US\$ 200 thousand)	6,045 (US\$ 200 thousand)	-	-	0.02	8,447,286	Y	N	N
		AMY	Subsidiary	2,815,762	3,023 (US\$ 100 thousand)	3,023 (US\$ 100 thousand)	-	-	0.01	8,447,286	Y	N	N

(Continued)

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 March 31, 2020 were US\$1= NT\$30.225, EUR1= NT\$33.24, and JPY1=NT\$0.279.

Note D: The latest net equity is from the financial statements for the three months ended March 31, 2020.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Share</u>							
	ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	4,739,461	\$ 969,220	0.64	\$ 969,220	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	182,400	2.41	182,400	Note A
	<u>Fund</u>							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	116,944,579	1,474,485	-	1,474,485	Note B
	Capital Money Market	-	Same as above	16,650,648	270,042	-	270,042	Note B
	FSITC Money Market	-	Same as above	1,117,303	200,364	-	200,364	Note B
FSITC Taiwan Money Market	-	Same as above	91,762,736	1,411,687	-	1,411,687	Note B	
Advantech Corporate Investment	<u>Share</u>							
	Contec	-	Financial assets at fair value through profit or loss - current	16,000	5,272	0.24	5,272	Note A
	GSD Technologies Co., Ltd.	-	Same as above	463,000	27,780	1.36	27,780	Note A
	WT Microelectronics Co., Ltd.	-	Same as above	495,000	16,880	0.08	16,880	Note A
	Lelon Electronics Corp.	-	Same as above	250,000	6,850	0.19	6,850	Note A
	Yuan High-Tec Development Co., Ltd.	-	Same as above	249,000	16,185	0.74	16,185	Note A
	eGalax_Empia Technology Corp.	-	Same as above	293,000	12,042	0.49	12,042	Note A
	Nuvoton Technology Corp.	-	Same as above	516,799	16,072	0.18	16,072	Note A
	Lanner Electronics Inc.	-	Same as above	421,000	19,282	0.36	19,282	Note A
	Polytronics Technology Corp.	-	Same as above	75,000	4,147	0.09	4,147	Note A
	Posiflex Technology Inc.	-	Same as above	97,000	7,353	0.13	7,353	Note A
	Phison Electronics Corp.	-	Same as above	76,000	18,848	0.04	18,848	Note A
	ISI	-	Same as above	640	9,579	-	9,579	Note A
	TRMB	-	Same as above	8,490	8,168	-	8,168	Note A
	LTRX	-	Same as above	46,000	2,725	0.17	2,725	Note A
	ALGN	-	Same as above	593	3,118	-	3,118	Note A
	China Mobile Ltd.	-	Same as above	74,000	16,629	-	16,629	Note A
	Maxnerva Technology Services Ltd.	-	Same as above	3,812,000	6,018	0.58	6,018	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	380,152	5.03	380,152	Note A
	BiosenseTek Corp.	-	Same as above	37,500	-	1.79	-	Note C
BroadTec System Inc.	-	Same as above	225,000	3,437	7.50	3,437	Note C	
Juguar Technology	-	Same as above	500,000	7,415	16.67	7,415	Note C	
Taiwan DSC PV Ltd.,	-	Same as above	1,600	-	3.20	-	Note C	
iSAP Solution Corp.	-	Financial assets at fair value through other comprehensive income or loss - non-current	942,850	8,994	15.00	8,994	Note C	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	889,841	\$ 11,219	-	\$ 11,219	Note B
	Taishin 1699 Money Market	-	Same as above	29,087,859	395,676	-	395,676	Note B
	FSITC Taiwan Money Market	-	Same as above	31,716,678	487,933	-	487,933	Note B
	FSITC Money Market	-	Same as above	279,625	50,145	-	50,145	Note B
	<u>Mutual Fund</u> CBC Capital	-	Financial assets at fair value through profit or loss - non-current	-	100,959	-	100,959	Note C
Advanixs Corporate	<u>Fund</u> Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	6,266,221	93,356	-	93,356	Note B
	Mega Diamond Money Market	-	Same as above	4,541,197	57,257	-	57,257	Note B
Advantech Intelligent Service	<u>Fund</u> Jih Sun Money Market	-	Same as above	1,257,444	18,734	-	18,734	Note B
AdvanPOS	<u>Fund</u> Mega Diamond Money Market	-	Same as above	999,130	12,597	-	12,597	Note B
SioT (Cayman)	<u>Fund</u> FSITC Taiwan Money Market	-	Same as above	15,901,726	244,634	-	244,634	Note B
	Taishin 1699 Money Market	-	Same as above	25,064,061	340,941	-	340,941	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	Same as above	625,517	10,145	-	10,145	Note B
Cermate (Taiwan)	<u>Fund</u> Mega Diamond Money Market	-	Same as above	373,960	4,715	-	4,715	Note B
AiSC	<u>Mutual Fund</u> Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	-	127,650	8.43	127,650	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	4,958	-	4,958	Note B
Huan Yan, Jih-Lian Co., Ltd.	<u>Fund</u> FSITC Money Market	-	Same as above	54,616	9,794	-	9,794	Note B

Note A: Market value was based on the closing price on March 31, 2020.

Note B: Market value was based on the net asset values of the open-ended mutual funds on March 31, 2020.

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 THREE MONTHS ENDED MARCH 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u> Mega Diamond Money Market	Financial assets at fair value through profit or loss - current	-	-	74,093,066	\$ 931,183	42,851,513	\$ 540,000	-	\$ -	\$ -	\$ -	116,944,579	\$ 1,471,183
	FSITC Taiwan Money Market	Same as above	-	-	32,562,860	500,000	59,199,876	910,000	-	-	-	-	91,762,736	1,410,000
Advantech Corporate Investment	<u>Fund</u> Mega Diamond Money Market	Same as above	-	-	24,633,086	310,158	-	-	24,633,086	310,412	310,158	254	-	-

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 THREE MONTHS ENDED MARCH 31, 2020

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AEU	Subsidiary	Sale	\$ 1,071,018	14.40	30 days after month-end	Contract price	No significant difference in terms for related parties	\$ 973,367	17.39	Note A
	AJP	Subsidiary	Sale	167,143	2.25	60-90 days	Contract price	No significant difference in terms for related parties	69,808	1.25	
	ACN	Subsidiary	Sale	1,244,711	16.74	45 days after month-end	Contract price	No significant difference in terms for related parties	1,496,358	26.73	
	AKR	Subsidiary	Sale	226,750	3.05	60 days after invoice date	Contract price	No significant difference in terms for related parties	78,423	1.40	
	ANA	Subsidiary	Sale	1,912,257	25.71	45 days after month-end	Contract price	No significant difference in terms for related parties	927,751	16.57	
	Advanixs Corp.	Subsidiary	Sale	149,267	2.01	60-90 days	Contract price	No significant difference in terms for related parties	49,639	0.89	
	SIoT (Cayman)	Subsidiary	Sale	281,436	3.78	Usual trade terms	Contract price	No significant difference in terms for related parties	217,338	3.88	
	AKMC	Subsidiary	Purchase	(2,062,306)	42.45	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,045,892)	26.25	
AKMC	The Company	Parent company	Sale	2,062,306	94.16	Usual trade terms	Contract price	No significant difference in terms for related parties	1,045,892	92.71	
AEU	The Company	Parent company	Purchase	(1,071,018)	66.49	30 days after month-end	Contract price	No significant difference in terms for related parties	(973,367)	68.65	
AJP	The Company	Parent company	Purchase	(167,143)	86.21	60-90 days	Contract price	No significant difference in terms for related parties	(69,808)	69.79	
ACN	The Company	Parent company	Purchase	(1,244,711)	76.69	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,496,358)	82.62	
AKR	The Company	Parent company	Purchase	(226,750)	59.66	60 days after invoice date	Contract price	No significant difference in terms for related parties	(78,423)	46.91	
ANA	The Company	Parent company	Purchase	(1,912,257)	69.25	45 days after month-end	Contract price	No significant difference in terms for related parties	(927,751)	65.26	
Advanixs Corp.	The Company	Parent company	Purchase	(149,267)	99.21	60-90 days	Contract price	No significant difference in terms for related parties	(49,639)	97.13	
SIoT (Cayman)	The Company	Parent company	Purchase	(281,436)	66.51	Usual trade terms	Contract price	No significant difference in terms for related parties	(217,338)	78.06	
	ANA	Related enterprise	Sale	208,999	32.6	Usual trade terms	Contract price	No significant difference in terms for related parties	116,234	31.89	
ANA	SIoT (Cayman)	Related enterprise	Purchase	(208,999)	0.08	Usual trade terms	Contract price	No significant difference in terms for related parties	(116,234)	0.08	

Note A: Unrealized gain for the period was \$6,136 thousand.

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

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 THREE MONTHS ENDED MARCH 31, 2020

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 1,496,358	3.21	\$ -	-	\$ 629,739	\$ -
	AEU	Subsidiary	975,409	4.1	-	-	145,276	-
	SIoT (Cayman)	Subsidiary	217,453	4.3	-	-	-	-
	AKMC	Subsidiary	143,692	Note 1	-	-	154,883	-
	ANA	Subsidiary	930,780	5.71	-	-	-	-
AKMC	The Company	Parent company	1,045,892	7.4	-	-	563,277	-
LNC	LNC Dong Guan	Related enterprise	223,164	1	-	-	38,755	-
SIoT (Cayman)	ANA	Related enterprise	116,234	9.45	-	-	94,078	-

Note 1: Sales revenue on materials delivered to subcontractors have been eliminated from consolidation.

Note 2: All intercompany gains and losses from investment have been eliminated from consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars/Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2020			Net Income (Loss) of the Investee for the Period	Investment Gain (Loss) for the Period	Note	
				March 31, 2020	December 31, 2019	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	\$ 6,456,364	\$ 105,973	\$ 102,366	Subsidiary	
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100	3,768,681	(72,396)	(74,616)	Subsidiary	
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	226,000	226,000	10,000,000	100	260,697	15,781	15,781	Subsidiary	
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	2,900,000	300,000,000	100	3,381,634	(74,423)	(74,463)	Subsidiary	
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	24.89	679,146	67,384	16,607	Equity-meth investee	
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100	297,249	17	17	Subsidiary	
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	286,415	304,865	18,205,000	60.68	409,526	(16,168)	(10,391)	Subsidiary	
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100	625	103	103	Subsidiary	
	AEUH	Helmond, the Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100	896,434	(46,806)	(45,433)	Subsidiary	
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100	116,597	4,289	4,482	Subsidiary	
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51	59,672	1,829	945	Subsidiary	
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100	15,976	938	869	Subsidiary	
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100	413,696	4,894	4,285	Subsidiary	
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100	64,664	1,465	1,457	Subsidiary	
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100	327,150	13,093	13,093	Subsidiary	
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80	56,897	(3,633)	(2,731)	Subsidiary	
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100	10,153	58	58	Subsidiary	
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100	96,535	(317)	(317)	Subsidiary	
	B+B	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	230,467	60	1,712,821	33,925	22,074	Subsidiary	
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	14,566	1,339	1,251	Subsidiary	
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	180,000	18,000,000	45	57,510	(20,201)	(9,090)	Equity-meth investee	
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	69,740	76	(33,579)	(1,642)	(1,655)	Subsidiary	
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	562,035	36,187	9,023	Equity-meth investee	
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60	60,625	1,735	(966)	Subsidiary	
	Nippon RAD Inc.	Tokoyo, Japan	R&D of IoT intelligent system	251,915	251,915	850,000	16.08	258,686	17,663	5,034	Equity-meth investee	
	ARU	Moscow	Production and sale of industrial automation products	23,822	23,822	1	100	4,136	(6,732)	(6,732)	Subsidiary	
	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	323,130	323,130	500,000	50	386,474	6,638	2,273	Subsidiary	
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	58,482	260,870	60	49,630	3,524	1,224	Subsidiary	
	AIL	Israel	Sale of industrial network communications systems	8,653	8,653	100	100	2,894	(5,898)	(5,898)	Subsidiary	
	AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	22,023	24	-	(1,642)	-	Subsidiary
	AJP	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	184,649	184,649	286,100	28.61	226,473	6,638	1,899	Subsidiary
	Advantech Corporate Investment	Cermate (Taiwan)	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55	116,219	(4,443)	(2,484)	Subsidiary
		Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	13,643	(934)	(371)	Equity-meth investee
CDIB Innovation Accelerator Co., Ltd.		Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	163,092	(11,605)	(2,072)	Equity-meth investee	
AzureWave Technologies, Inc.		Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.67	486,272	(117,519)	(23,113)	Equity-meth investee	
Huan Yan, Jih-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	4,993	12	6	Subsidiary	
Yun Yan, Wu-Lian Co., Ltd.		Taipei, Taiwan	Industrial equipment Networking in Greater China	5,000	5,000	500,000	50	2,596	6	3	Subsidiary	
Nippon RAD Inc.		Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,512	17,663	-	Equity-meth investee	
i-Link Co., Ltd.	Taichung, Taiwan	Intelligent medical integration	9,126	9,237	845,000	21.13	6,061	(3,824)	(878)	Equity-meth investee		
DotZero Co., Ltd	Taichung, Taiwan	Intelligent metal processing integration	8,100	8,100	490,000	27	6,127	(412)	(111)	Equity-meth investee		

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2020			Net Income (Loss) of the Investee for the Period	Investment Gain (Loss) for the Period	Note
				March 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
	Mildex Optical Inc.	Kaohsiung, Taiwan	Manufacturing of electronic parts	\$ 202,948	\$ 202,948	15,710,000	15.01	\$ 181,740	\$ (21,260)	\$ (3,191)	Equity-meth investee
	Information Technology Total Service Co., Ltd.	Taipei, Taiwan	Service of electronic information	147,444	147,444	5,084,273	18.61	159,383	25,312	4,710	Equity-meth investee
	ACI IOT Investment Fund-I Corporation	Taipei, Taiwan	Investment holding company	238,000	238,000	23,800,000	79.30	208,510	(41,602)	(33,004)	Subsidiary
	ACISM	Samoa	General investment	18,214	18,214	1	100	12,794	(665)	(665)	Subsidiary
	Samssoft Technology Co., Ltd.	Taipei, Taiwan	Production and sale of electronics equipment	15,000	15,000	170,455	20	14,037	(4,817)	(964)	Equity-meth investee
	Impelex Data Transfer Co., Ltd.	Taichung, Taiwan	Production and sale of electronics equipment	10,000	-	2,500,000	40	9,496	(2,521)	(504)	Equity-meth investee
	VSO Electronics Co., Ltd.	Taipei, Taiwan	Production and sale of electronics equipment	120,000	-	28,000,000	14.29	122,449	18,110	2,588	Equity-meth investee
	Hwacom Systems Inc.	Taipei, Taiwan	Computer systems service	357,119	357,119	24,575,000	19.99	374,771	(76,217)	(13,804)	Equity-meth investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100	3,840,681	(72,334)	(74,554)	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100	2,872,119	34,030	33,306	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100	2,080,195	12,107	13,309	Subsidiary
	ADB	Dubai	Sale of industrial network communications systems	-	-	-	100	2,551	117	117	Subsidiary
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US\$ 50,000	US\$ 50,000	30,000,000	100	1,867,924	59,718	56,389	Subsidiary
SIoT (Cayman)	A-SIoT	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	522,719	522,719	1	100	520,685	17,304	18,316	Subsidiary
	AIH	Taipei, Taiwan	Service of software	12,254	7,700	1,100,000	100	7,626	(2,086)	(1,654)	Subsidiary
ANA	B+B	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	153,644	40	1,162,413	33,925	13,569	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100	1,019,542	(47,528)	(46,858)	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	7,030	100	33,231	1,052	1,000	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49	58,431	1,829	908	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100	13,201	(1,541)	(1,318)	Subsidiary
Cermate (Taiwan)	LandMark	BVI	General investment	28,200	28,200	972,284	100	103,135	1,540	2,075	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	7,900,000	100	12,544	(10,168)	(10,845)	Subsidiary
Better Auto	Famous Now	BVI	General investment	US\$ 4,000	US\$ 4,000	1	100	19,973	(10,168)	(10,168)	Subsidiary
B+B	BBIE	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100	65,874	308	-	Subsidiary
BBIE	B+B (CZ)	Czech Republic	Manufacturing automation	-	-	-	100	257,643	10,277	10277	Subsidiary

Note A: The financial statements used as basis of net asset values had not been reviewed by independent CPAs, except AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AKMC, AEUH, AEU, Advantech Corporate Investment and B+B.

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 THREE MONTHS ENDED MARCH 31, 2020

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. ("AKMC")	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note E)	Indirect	\$ 1,127,393 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,127,393 (US\$ 37,300 thousand)	\$ (69,964)	100	\$ (74,554)	\$ 3,890,912	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	161,160 (US\$ 5,332 thousand)	-	-	161,160 (US\$ 5,332 thousand)	16,642	100	17,851	1,437,561	339,487 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US\$ 8,000 thousand	Indirect	241,800 (US\$ 8,000 thousand)	-	-	241,800 (US\$ 8,000 thousand)	(5,395)	100	(5,395)	616,618	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	3	100	3	28,482	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	96,539 (US\$ 3,194 thousand)	-	-	96,539 (US\$ 3,194 thousand)	(10,168)	100	(10,153)	19,968	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	9,309 (US\$ 308 thousand)	-	-	9,309 (US\$ 308 thousand)	1,020	90	1,453	77,343	40,087 (US\$ 717 thousand) (RMB 4,328 thousand)
Cermate Technologies (Shanghai) Inc.	Sale of Human Machine Interface	US\$ 520 thousand	Indirect	17,289 (US\$ 572 thousand)	-	-	17,289 (US\$ 572 thousand)	622	100	622	33,648	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
					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)	\$ (3,549)	100	\$ (3,532)	\$ 32,278	\$ -
Shanghai Yanlo Co., Ltd. ("Yanlo")	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	(2,457)	45	(1,106)	1,964	-
Tianjin Anjie IOT Science and Technology Co., Ltd. ("Anjie")	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	RMB 3,000 thousand	Other	(Note G)	-	-	(Note G)	-	20	-	2,552	-
GSD Environmental Technology Co., Ltd. ("GSD")	Development, consulting and services in environmental technology	RMB 10,000 thousand	Indirect	\$ 17,621 (US\$ 583 thousand)	-	-	17,621 (US\$ 583 thousand)	(1,663)	40	(665)	12,794	-

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,677,155 (US\$55,489 thousand) (Note D)	\$2,873,642 (US\$95,075 thousand)	\$17,183,911 (Note J)

Note A: The financial statements used as basis of net asset values had not been reviewed by independent CPAs, except AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AKMC, AEUH, AEU, Advantech Corporate Investment and B+B.

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 6.

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.

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

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

(Continued)

Note H: Capital used in investment in GSD Environmental Technology Co., Ltd. is still not yet approved by Investment Commission, MOEA

Note I: The exchange rate was US\$1=NT\$30.225 and RMB1=NT\$4.255.

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

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

(Concluded)

TABLE 9**ADVANTECH CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
ASUSTek Computer Inc.	100,628,870	14.36
K&M Investment Co., Ltd.	83,073,163	11.85
AIDC Investment Corp.	82,093,182	11.71

Note A: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares, preference shares and treasury shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	Advantech Co., Ltd.	AAU	1	Sales revenue	\$ 57,913	Normal	1
		ACN	1	Sales revenue	1,244,711	Normal	11
		ACN	1	Receivables from related parties	1,496,358	45 days EOM	3
		AEU	1	Sales revenue	1,071,018	Normal	10
		AEU	1	Receivables from related parties	973,367	30 days EOM	2
		AJP	1	Sales revenue	167,143	Normal	1
		AKR	1	Sales revenue	226,750	Normal	2
		ANA	1	Sales revenue	1,912,257	Normal	17
		ANA	1	Receivables from related parties	927,751	45 days EOM	2
		ASG	1	Sales revenue	57,129	Normal	1
		B+B	1	Sales revenue	61,877	Normal	1
		SIoT (Cayman)	1	Sales revenue	281,436	Normal	2
		Advanixs Corp.	1	Sales revenue	149,267	Normal	1
		1	ACZ	AEU	3	Sales revenue	85,975
2	AKMC	The Company	2	Sales revenue	2,062,306	Normal	18
		The Company	2	Receivables from related parties	1,045,892	60 days EOM	2
		ACN	3	Sales revenue	57,755	Normal	1
3	SIoT (Cayman)	AEU	3	Sales revenue	68,041	Normal	1
		ANA	3	Sales revenue	208,999	Normal	2
		A-SIoT	3	Sales revenue	85,757	Normal	1

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

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

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

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of March 31, 2019, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2020.

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