Advantech Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<u>Assessment of Provision for Inventory Write-downs</u>

Inventories as of December 31, 2019 amounted to NT$3,617,906 thousand and accounted for 8% of the total assets in the Company's financial statements, which represented a material percentage of the total asset.

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

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

1. We assessed and analyzed the Company's policies for the inventory write-downs provisions and compared them with other competitors' policies to affirm the reasonableness of application.

2. We understood the internal control, evaluated and tested the design and operating effectiveness of the internal controls over the provisions for inventory write-downs.

3. We reviewed the historical inventory aging reports to trace the process for the usage and scrap of aged inventories in order to assess the reasonableness of percentages for recognizing aged inventories.

4. We verified the appropriateness of source data, parameters and logic used in the Company's inventory aging analysis reports.

Sales Revenue

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

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

1. We analyzed the trend of the industry, categories of revenue, product lines and customer categories for two consecutive years to confirm whether there were any abnormal situations or centralized trading which might put revenue recognition at risk.

2. We interviewed personnel who operates the control activities and reviewed related internal vouchers to understand the processes of internal controls related to revenue-recognition and evaluate the design, implementation, and operating effectiveness of internal controls over revenue recognition. We tested such internal controls to obtain sufficient and appropriate audit evidence of the effectiveness of key controls.

3. We obtained details of accounts, analyzed balances and confirmed or reconciled them with general ledgers; we tested the reconciliation between detailed and general ledgers and traced the reconciliation to acquire sufficient and appropriate evidence.

4. We determined the appropriate methods of sampling and sample sizes and audited sales orders, packing lists and export declarations in order to evaluate whether the amount of revenue is recognized accurately and in accordance with the regulations.

5. We audited the records and vouchers of collections to evaluate whether the amounts of collections are accurate and the payers of such collections and the recipients of the related orders are consistent in order to attest the reality of sales.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jr-Shian Ke and Meng-Chieh Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2020

<u>*Notice to Readers*</u>

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

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

ADVANTECH CO., LTD.

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

	2019		2018 (Audited after Restatement)	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,816,875	4	$ 2,509,958	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 27)	1,641,753	4	1,360,381	3
Notes receivable (Notes 4 and 9)	34,180	-	75,203	-
Trade receivables (Notes 4 and 9)	1,312,920	3	1,487,837	4
Trade receivables from related parties (Notes 4 and 28)	5,217,377	12	5,655,196	14
Other receivables (Note 28)	138,222	-	143,225	-
Other receivables from related parties (Note 28)	17,080	-	41,111	-
Inventories (Notes 4, 5 and 10)	3,617,906	9	3,630,979	9
Other current assets	58,377	-	42,717	-
Total current assets	13,854,690	32	14,946,607	36
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 27)	1,224,385	3	1,028,441	3
Investments accounted for using the equity method (Notes 4 and 11)	20,446,797	48	17,746,024	43
Property, plant and equipment (Notes 4 and 12)	6,597,256	16	6,752,642	17
Right-of-use assets (Notes 3, 4 and 13)	11,833	-	-	-
Goodwill (Notes 4 and 14)	111,599	-	111,599	-
Other intangible assets (Note 4)	106,637	-	105,532	-
Deferred tax assets (Notes 4 and 19)	455,149	1	343,646	1
Prepayments for equipment	32,228	-	26,344	-
Other non-current assets	8,429	-	3,963	-
Total non-current assets	28,994,313	68	26,118,191	64
TOTAL	$ 42,849,003	100	$ 41,064,798	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 27)	$ 521	-	$ 6,128	-
Notes payable and trade payables	2,232,859	5	3,963,470	10
Trade payables to related parties (Note 28)	2,087,930	5	1,695,599	4
Other payables (Note 15)	2,498,113	6	2,530,927	6
Other payables to related parties (Note 28)	63,884	-	54,583	-
Current tax liabilities (Notes 4 and 19)	1,329,258	3	1,413,134	4
Short-term warranty provisions (Note 4)	63,223	-	57,675	-
Lease liabilities - current (Notes 3, 4 and 13)	5,446	-	-	-
Other current liabilities	192,551	1	139,075	-
Total current liabilities	8,473,785	20	9,860,591	24
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	1,776,054	4	1,568,910	4
Lease liabilities - non-current (Notes 3, 4 and 13)	6,438	-	-	-
Net defined benefit liabilities (Notes 4 and 16)	266,582	1	255,273	1
Other non-current liabilities (Note 11)	90,506	-	81,985	-
Total non-current liabilities	2,139,580	5	1,906,168	5
Total liabilities	10,613,365	25	11,766,759	29
EQUITY				
Share capital				
Ordinary shares	6,999,230	16	6,982,275	17
Advance receipts for share capital	4,870	-	4,680	-
Total share capital	7,004,100	16	6,986,955	17
Capital surplus	7,478,568	18	7,073,348	17
Retained earnings				
Legal reserve	6,285,079	14	5,655,613	14
Special reserve	798,763	2	369,655	1
Unappropriated earnings	11,515,121	27	10,011,231	24
Total retained earnings	18,598,963	43	16,036,499	39
Other equity				
Exchange differences on translating the foreign financial statements of foreign operations	(878,261)	(2)	(475,245)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	30,970	-	(324,254)	(1)
Other equity - unearned employee compensation	1,298	-	736	-
Total other equity	(845,993)	(2)	(798,763)	(2)
Total equity	32,235,638	75	29,298,039	71
TOTAL	$ 42,849,003	100	$ 41,064,798	100

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

ADVANTECH CO., LTD.

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

	2019		2018 (Audited after Restatement)	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 28)				
Sales	$ 36,246,058	99	$ 34,928,854	99
Other operating revenue	385,989	1	453,922	1
Total operating revenue	36,632,047	100	35,382,776	100
OPERATING COSTS (Notes 10, 18 and 28)	24,903,412	68	24,735,871	70
GROSS PROFIT	11,728,635	32	10,646,905	30
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	(695,422)	(2)	(665,475)	(2)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	665,475	2	446,326	2
REALIZED GROSS PROFIT	11,698,688	32	10,427,756	30
OPERATING EXPENSES (Notes 18 and 28)				
Selling and marketing expenses	669,164	2	661,227	2
General and administrative expenses	758,743	2	861,160	3
Research and development expenses	3,022,801	8	2,965,117	8
Expected credit loss	6,624	-	6,815	-
Total operating expenses	4,457,332	12	4,494,319	13
OPERATING PROFIT	7,241,356	20	5,933,437	17
NON-OPERATING INCOME				
Share of the profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	1,443,177	4	1,322,249	4
Interest income (Note 4)	762	-	234	-
Gains on disposal of property, plant and equipment (Note 4)	45,613	-	87,990	-
Foreign exchange losses, net (Notes 4, 18 and 29)	(75,031)	-	38,413	-
Gains on financial instruments at fair value through profit or loss (Note 4)	62,870	-	39,052	-
Dividend income (Note 4)	77,812	-	77,692	-
Other income (Notes 22 and 28)	109,275	-	168,230	1
Finance costs (Note 18)	(2,293)	-	(33)	-

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ADVANTECH CO., LTD.

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

	2019		2018 (Audited after Restatement)	
	Amount	**%**	**Amount**	**%**
Losses on financial instruments at fair value through profit or loss (Note 4)	$ (25,055)	-	$ (37,756)	-
Other losses	(69)	-	(32)	-
Total non-operating income	1,637,061	4	1,696,039	5
PROFIT BEFORE INCOME TAX	8,878,417	24	7,629,476	22
INCOME TAX EXPENSE (Notes 4 and 19)	1,527,197	4	1,339,483	4
NET PROFIT FOR THE YEAR	7,351,220	20	6,289,993	18
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	(14,764)	-	(21,155)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Note 17)	21,804	-	(14,802)	-
Unrealized loss on investment in equity instruments as at fair value through other comprehensive income (Note 17)	307,604	1	(445,333)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 19)	2,953	-	6,358	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the foreign financial statements of foreign operations (Notes 4 and 17)	(481,498)	(1)	(24,575)	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 17)	(22,272)	-	(11,074)	-
Income tax relating to item that may be reclassified subsequently to profit (Notes 4, 17 and 19)	100,754	-	23,883	-
Other comprehensive loss for the year, net of income tax	(85,419)	-	(486,698)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 7,265,801	20	$ 5,803,295	16

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ADVANTECH CO., LTD.

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

	2019		2018 (Audited after Restatement)	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 20)				
Basic	$ 10.51		$ 9.01	
Diluted	$ 10.37		$ 8.92	

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

ADVANTECH CO., LTD.

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

	Issued Capital (Notes 17 and 21)				Retained Earnings (Notes 4 and 17)				Other Equity (Notes 4 and 17)				
	Share Capital	Advance Receipts for Ordinary Share	Total	Capital Surplus (Notes 4, 17 and 21)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unearned Share-Based Employee Compensation	Total Equity
BALANCE AT JANUARY 1, 2018	$ 6,970,325	$ 2,500	$ 6,972,825	$ 6,554,842	$ 5,039,962	$ 85,204	$ 9,297,896	$ 14,423,062	$ (463,479)	$ -	$ 93,824	$ -	$ 27,581,074
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	(34,002)	(34,002)	-	123,254	(93,824)	-	(4,572)
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,970,325	2,500	6,972,825	6,554,842	5,039,962	85,204	9,263,894	14,389,060	(463,479)	123,254	-	-	27,576,502
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	284,451	(284,451)	-	-	-	-	-	-
Cash dividends distributed on ordinary shares	-	-	-	-	-	-	(4,600,414)	(4,600,414)	-	-	-	-	(4,600,414)
Recognition of employee share options by the Company	11,950	2,180	14,130	104,246	-	-	-	-	-	-	-	-	118,376
Compensation costs recognized for employee share options	-	-	-	341,624	-	-	-	-	-	-	-	-	341,624
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	2,660	-	-	-	-	-	-	-	736	3,396
Associates using equity methods	-	-	-	-	-	-	(14,716)	(14,716)	-	-	-	-	(14,716)
Differences between consideration paid and carrying amounts of subsidiaries acquired or disposed of	-	-	-	70,716	-	-	-	-	-	-	-	-	70,716
Recognized for employee by subsidiaries	-	-	-	(740)	-	-	-	-	-	-	-	-	(740)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	6,289,993	6,289,993	-	-	-	-	6,289,993
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(15,687)	(15,687)	(11,766)	(459,245)	-	-	(486,698)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	6,274,306	6,274,306	(11,766)	(459,245)	-	-	5,803,295
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(11,737)	(11,737)	-	11,737	-	-	-
BALANCE AT DECEMBER 31, 2018 AS RESTATED	6,982,275	4,680	6,986,955	7,073,348	5,655,613	369,655	10,011,231	16,036,499	(475,245)	(324,254)	-	736	29,298,039
Appropriation of the 2018 earnings													
Legal reserve	-	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	429,108	(429,108)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,751,129)	(4,751,129)	-	-	-	-	(4,751,129)
Share dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of employee share options by the Company	16,955	190	17,145	123,291	-	-	-	-	-	-	-	-	140,436
Compensation costs recognized for employee share options	-	-	-	295,427	-	-	-	-	-	-	-	-	295,427
Changes in capital surplus from investments in associates accounted for using equity method	-	-	-	(15,529)	-	-	-	-	-	-	-	562	(14,967)
Differences between consideration paid and carrying amounts of subsidiaries acquired or disposed of	-	-	-	1,657	-	-	-	-	-	-	-	-	1,657
Changes in percentage of ownership interests in subsidiaries	-	-	-	374	-	-	-	-	-	-	-	-	374
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	7,351,220	7,351,220	-	-	-	-	7,351,220
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(13,258)	(13,258)	(403,016)	330,855	-	-	(85,419)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	7,337,962	7,337,962	(403,016)	330,855	-	-	7,265,801
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(24,369)	(24,369)	-	24,369	-	-	-
BALANCE AT DECEMBER 31, 2019	$ 6,999,230	$ 4,870	$ 7,004,100	$ 7,478,568	$ 6,285,079	$ 798,763	$ 11,515,121	$ 18,598,963	$ (878,261)	$ 30,970	$ -	$ 1,298	$ 32,235,638

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

ADVANTECH CO., LTD.

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 8,878,417	$ 7,629,476
Adjustments for:		
Depreciation expenses	245,332	255,248
Amortization expenses	100,070	85,574
Expected credit loss recongnized	6,624	6,815
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(49,976)	(1,296)
Financial costs	2,293	33
Interest income	(762)	(234)
Dividend income	(77,812)	(77,692)
Compensation costs of employee share options	295,427	341,624
Share of profit of subsidiaries and associates accounted for using the equity method	(1,443,177)	(1,322,249)
Gain on disposal of property, plant and equipment	(45,613)	(87,990)
Realized loss on the transactions with subsidiaries and associates	29,947	219,149
Changes in operating assets and liabilities		
Financial assets held for trading	(237,003)	(714,083)
Notes receivable	41,023	(12,735)
Trade receivables	168,293	51,483
Trade receivables from related parties	437,819	(1,052,120)
Other receivables	5,003	268
Other receivables from related parties	24,031	(25,542)
Inventories	13,073	(976,298)
Other current assets	(15,660)	3,816
Notes payable and trade payables	(1,730,611)	504,037
Trade payables to related parties	392,331	572,233
Other payables	(32,814)	60,429
Other payables to related parties	9,301	(22,966)
Short-term warranty provisions	5,548	4,371
Net defined benefit liabilities	(3,455)	(2,133)
Other current liabilities	53,476	(12,748)
Other non-current liabilities	2,637	5,385
Cash generated from operations	7,073,762	5,431,855
Interest received	762	234
Dividends received	77,812	77,692
Interests paid	(2,293)	(33)
Income tax paid	(1,411,725)	(705,238)
Net cash generated from operating activities	5,738,318	4,804,510

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ADVANTECH CO., LTD.

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

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	$ (1,935,265)	$ (1,731,720)
Proceeds from disposal of subsidiaries	-	126,769
Proceeds from capital reduction of investees accounted for using equity method	-	530,458
Payments for property, plant and equipment	(99,413)	(204,404)
Proceeds from disposal of property, plant and equipment	61,811	113,260
Increase (decrease) in refundable deposits	(4,466)	2,792
Payments for intangible assets	(111,079)	(111,209)
Proceeds from disposal of intangible assets	14,424	-
Decrease (increase) in prepayments for equipment	(11,935)	25,738
Dividends received from subsidiaries and associates	270,636	998,998
Net cash used in investing activities	(1,815,287)	(249,318)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in guarantee deposits received	(272)	156
Repayment of principal portion of lease liabilities	(5,149)	-
Cash dividends paid	(4,751,129)	(4,600,414)
Exercise of employee share options	140,436	118,376
Net cash used in financing activities	(4,616,114)	(4,481,882)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(693,083)	73,310
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,509,958	2,436,648
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,816,875	$ 2,509,958

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

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

   1) IFRS 16 “Leases”

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

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

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in People's Republic of China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

a) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.87%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 21,943
Less: Recognition exemption for short-term leases	2,583
Less: Recognition exemption for leases of low-value assets	1,948
Undiscounted amounts on January 1, 2019	$ 17,412
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 17,033
Lease liabilities recognized on January 1, 2019	$ 17,033

The Company as lessor

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

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

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Right-of-use assets	$ -	$ 17,033	$ 17,033
Total effect on assets	$ -	$ 17,033	$ 17,033
Lease liabilities - current	$ -	$ 5,446	$ 5,446
Lease liabilities - non-current	-	11,587	11,587
Total effect on liabilities	$ -	$ 17,033	$ 17,033

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

3) Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

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

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

IFRS 9 stipulates that if a contractual term of a financial asset permits the issuer (i.e., the debtor) to prepay a debt instrument or permits the holder (i.e., the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of the principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e., a party may receive reasonable compensation when it chooses to terminate the contract early.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Business combinations

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

e. Foreign currencies

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

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

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

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

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

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

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

f. Inventories

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

g. Investment in subsidiaries

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

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

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

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

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

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

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

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

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

h. Investment in associates

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

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 1 year past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

n. Provisions

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

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

o. Revenue recognition

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

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

1) Revenue from sale of goods

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

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

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

2) Revenue from rendering services

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

p. Leases

2019

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

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

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

<u>2018</u>

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

1) The Company as lessor

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

2) The Company as lessee

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Employee share options

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

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

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Inventory write-downs

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

b. Impairment of goodwill included in the investments in subsidiaries

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 225	$ 245
Checking accounts and demand deposits	1,816,650	2,509,713
	$ 1,816,875	$ 2,509,958

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

	December 31	
	2019	**2018**
Demand deposits	0.0001%-0.35%	0.0001%-0.48%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 8,468	$ 5,167
Non-derivative financial assets		
Mutual funds	1,633,285	1,355,214
	$ 1,641,753	$ 1,360,381
Financial liabilities at FVTPL - current		
Financial liabilities designated as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 521	$ 6,128

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Sell	EUR/NTD	2020.01-2020.04	EUR10,000/NTD338,535
	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
December 31, 2018			
Sell	EUR/NTD	2019.01-2019.04	EUR12,500/NTD444,766
	JPY/NTD	2019.01-2019.05	JPY380,000/NTD104,301
	RMB/NTD	2019.01-2019.04	RMB67,000/NTD295,236

The Company entered into foreign exchange forward contracts during the years ended December 31, 2019 and 2018 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. Because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Non-current		
Investments in equity instrument at FVTOCI	$ 1,124,385	$ 1,028,441

Investments in equity instruments at FVTOCI:

	December 31	
	2019	2018
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ASUSTek Computer Inc.	$ 1,097,185	$ 955,001
Ordinary shares - Allied Circuit Co., Ltd.	127,200	73,440
	$ 1,224,385	$ 1,028,441

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2019	2018
Notes receivable-operating	$ 34,180	$ 75,203
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,331,306	$ 1,499,599
Less: Allowance for impairment loss	(18,386)	(11,762)
	$ 1,312,920	$ 1,487,837

Trade Receivables

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's customer base.

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

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

December 31, 2019

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

December 31, 2018

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	1%	23%	40%	100%	-
Gross carrying amount	$ 1,244,881	$ 234,046	$ 2,490	$ 15,833	$ 2,349	$ 1,499,599
Loss allowance (Lifetime ECL)	-	(2,474)	(585)	(6,354)	(2,349)	(11,762)
Amortized cost	$ 1,244,881	$ 231,572	$ 1,905	$ 9,479	$ -	$ 1,487,837

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

	2019	2018
Balance at January 1, 2019	$ 11,762	$ 5,043
Add: Net remeasurement of loss allowance	6,624	6,815
Less: Amounts written off*	-	96
Balance at December 31, 2019	$ 18,386	$ 11,762

* The Company wrote off trade receivables and related loss allowance of $96 thousand for the year ended December 31, 2018, as the customers' trade receivables were over 2 years past due and the Company continued to engage in enforcement activity to attempt to recover the receivables due.

10. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 1,236,932	$ 1,208,126
Work in process	738,737	757,869
Raw materials	1,541,566	1,602,963
Inventories in transit	100,671	62,021
	$ 3,617,906	$ 3,630,979

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were $24,762,742 thousand and $24,494,077 thousand, respectively.

The costs of inventories decreased by $195,125 thousand and $184,980 thousand as of December 31, 2019 and 2018, respectively, when stated at the lower of cost or net realizable value.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 18,940,885	$ 16,257,863
Investments in associates	1,505,912	1,488,161
	$ 20,446,797	$ 17,746,024

a. Investments in subsidiaries

	December 31	
	2019	**2018**
Unlisted companies		
Advantech Automation Corp. (BVI) (“AAC (BVI)”)	$ 6,334,406	$ 5,932,170
Advantech Technology Co., Ltd. (“ATC”)	3,943,772	3,718,200
Advantech Corporate Investment	3,335,232	1,590,325
Advanixs Corp.	244,917	237,593
Advantech Europe Holding B.V. (“AEUH”)	931,448	900,798
LNC Technology Co., Ltd. (“LNC”)	430,388	433,078
AdvanPOS Technology Co., Ltd. (“AdvanPOS”)	297,231	297,296
Advantech KR Co., Ltd. (“AKR”)	321,633	322,524
Advantech Japan Co., Ltd. (“AJP”)	406,507	332,224
Advantech Co. Singapore Pte, Ltd. (“ASG”)	117,554	108,015
Advantech Brasil Ltda. (“ABR”)	78,110	67,328
Advantech Co. Malaysia Sdn. Bhd. (“AMY”)	68,506	68,499
Advantech Australia Pty Ltd. (“AAU”)	19,264	36,226
Advantech Industrial Computing India Private Limited (“AIN”)	14,805	10,714
Advantech Innovative Design Co., Ltd.	10,095	10,066
Advantech Electronics, S. De R. L. Dec. V. (“AMX”)	671	222
B+B SmartWorx, Inc. (B+B)	1,710,653	1,951,772
Advantech Intelligent Service (“AiST”)	96,851	96,183
Kostec Co., Ltd. (“AKST”)	(33,191)	(27,036)
Advantech Corporation (Thailand) Co., Ltd. (ATH)	63,060	51,353
Advantech Vietnam Technology Company Limited (AVN)	63,468	71,875
Advantech Technology Limited Liability Company (ARU)	12,531	21,402
Advantech Turkey Teknoloji A.S. (ATR)	51,104	-
Advantech Technologies Japan Corp. (ATJ)	380,012	-
Advantech IoT Israel Ltd. (AIL)	8,667	-
	18,907,694	16,230,827
Add: Credit balance of investments accounted for using the equity method	33,191	27,036
	$ 18,940,885	$ 16,257,863

	December 31	
	2019	**2018**
AAC (BVI)	100.00%	100.00%
ATC	100.00%	100.00%
Advantech Corporate Investment	100.00%	100.00%
Advanixs Corporation	100.00%	100.00%
AEUH	100.00%	100.00%
LNC	64.10%	64.10%
AdvanPOS	100.00%	100.00%
AKR	100.00%	100.00%
AJP	100.00%	100.00%
ASG	100.00%	100.00%
ABR	80.00%	80.00%
AMY	100.00%	100.00%

(Continued)

	December 31	
	2019	2018
AAU	100.00%	100.00%
AIN	99.99%	99.99%
Advantech Innovative Design Co., Ltd.	100.00%	100.00%
AMX	100.00%	100.00%
B+B	60.00%	60.00%
AiST	100.00%	100.00%
AKST	76.00%	76.00%
ATH	51.00%	51.00%
AVN	60.00%	60.00%
ARU	100.00%	100.00%
ATJ	50.00%	-
ATR	60.00%	-
AIL	100.00%	-

(Concluded)

Refer to Note 28 to the Company's consolidated financial statements of the year ended December 31, 2019 for the disclosures of the Company's acquisitions of AVN, ATJ and ATR.

Refer to Table 7 for the details of the subsidiaries indirectly held by the Company.

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

b. Investments in associates

	December 31	
	2019	2018
Associates that are not individually material		
Listed companies		
Axiomtek Co., Ltd. ("Axiomtek")	$ 627,632	$ 619,411
Winmate Inc. ("Winmate")	553,145	542,761
Nippon RAD Inc. (Nippon RAD)	250,888	252,967
Unlisted companies		
AIMobile Co., Ltd. ("AIMobile")	66,133	65,012
Jan Hsiang Electronics Co., Ltd. ("Jan Hsiang")	8,114	8,010
	$ 1,505,912	$ 1,488,161

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Company's share of:		
Profit from continuing operations	$ 113,692	$ 121,391
Other comprehensive income (loss)	(822)	(1,021)
Total comprehensive income for the year	$ 112,870	$ 120,370

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

12. PROPERTY, PLANT, AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Cost							
Balance at January 1, 2018	$ 2,674,473	$ 4,228,557	$ 926,274	$ 296,343	$ 659,040	$ 3,429	$ 8,788,116
Additions	-	1,938	62,328	39,787	34,247	66,104	204,404
Disposals	(15,930)	(15,136)	(6,828)	(11,380)	(13,712)	-	(62,986)
Reclassifications	-	-	24,507	107	5,974	(66,857)	(36,269)
Balance at December 31, 2018	$ 2,658,543	$ 4,215,359	$ 1,006,281	$ 324,857	$ 685,549	$ 2,676	$ 8,893,265
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 496,897	$ 705,467	$ 222,746	$ 497,981	$ -	$ 1,923,091
Disposals	-	(7,045)	(5,899)	(11,186)	(13,586)	-	(37,716)
Depreciation expenses	-	82,281	64,660	35,939	72,368	-	255,248
Balance at December 31, 208	$ -	$ 572,133	$ 764,228	$ 247,499	$ 556,763	$ -	$ 2,140,623
Carrying amounts at December 31, 2018	$ 2,658,543	$ 3,643,226	$ 242,053	$ 77,358	$ 128,786	$ 2,676	$ 6,752,642
Cost							
Balance at January 1, 2019	$ 2,658,543	$ 4,215,359	$ 1,006,281	$ 324,857	$ 685,549	$ 2,676	$ 8,893,265
Additions	-	1,938	15,562	32,167	18,373	31,373	99,413
Disposals	(7,100)	(13,146)	(17,035)	(21,744)	(12,487)	-	(71,512)
Reclassifications	-	-	27,003	-	4,946	(30,418)	1,531
Balance at December 31, 2019	$ 2,651,443	$ 4,204,151	$ 1,031,811	$ 335,280	$ 696,381	$ 3,631	$ 8,922,697
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ -	$ 572,133	$ 764,228	$ 247,499	$ 556,763	$ -	$ 2,140,623
Disposals	-	(5,673)	(17,035)	(20,120)	(12,486)	-	(55,314)
Depreciation expenses	-	82,001	71,114	34,909	52,108	-	240,132
Balance at December 31, 208	$ -	$ 648,461	$ 818,307	$ 262,288	$ 596,385	$ -	$ 2,325,441
Carrying amounts at December 31, 2019	$ 2,651,443	$ 3,555,690	$ 213,504	$ 72,992	$ 99,996	$ 3,631	$ 6,597,256

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 5,397
Machinery	2,202
Office equipment	4,234
	$ 11,833

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Building	$ 1,657
Machinery	463
Office equipment	3,080
	$ 5,200

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 5,446
Non-current	6,438
	$ 11,884

Discounted rate ranges of lease liabilities were as follows:

	December 31, 2019
Buildings	0.87%
Machinery	0.87%
Office equipment	0.87%

c. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 2,583
Expenses relating to low-value asset leases	1,013
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 3,596
Total cash outflow for leases	$ 8,893

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

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 1,486

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 3,448

14. GOODWILL

	For the Year Ended December 31	
	2019	2018
Cost		
Balance at January 1	$ 111,599	$ 111,599
Balance at December 31	$ 111,599	$ 111,599

15. OTHER LIABILITIES

	December 31	
	2019	2018
Other payables		
Payables for salaries or bonuses	$ 1,869,911	$ 1,691,022
Payables for royalties	86,249	107,409
Payables for annual leave	37,679	37,132
Others (Note)	504,274	695,364
	$ 2,498,113	$ 2,530,927

Note: Including marketing expenses, and freight expenses.

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 393,558	$ 389,837
Fair value of plan assets	(126,976)	(134,564)
Deficit	266,582	255,273
Net defined benefit liabilities	$ 266,582	$ 255,273

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 368,670	$ (132,419)	$ 236,251
Service cost			
Current service cost	2,400	-	2,400
Net interest expense (income)	5,069	(1,831)	3,238
Recognized in profit or loss	7,469	(1,831)	5,638
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,582)	(3,582)
Actuarial gain or loss			
Changes in demographic assumptions	6,780	-	6,780
Changes in financial assumptions	11,436		11,436
Experience adjustments	6,521	-	6,521
Recognized in other comprehensive income	24,737	(3,582)	21,155
Contributions from the employer	-	(7,771)	(7,771)
Benefits paid	(11,039)	11,039	-
Balance at December 31, 2018	389,837	(134,564)	255,273
Service cost			
Current service cost	2,532	-	2,532
Net interest expense (income)	4,386	(1,565)	2,821
Recognized in profit or loss	6,918	(1,565)	5,353
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,597)	(4,597)
Actuarial gain or loss			
Changes in demographic assumptions	9,913	-	9,913
Changes in financial assumptions	16,690		16,690
Experience adjustments	(7,242)	-	(7,242)
Recognized in other comprehensive income	19,361	(4,597)	14,764
Contributions from the employer	-	(8,808)	(8,808)
Benefits paid	(22,558)	22,558	-
Balance at December 31, 2019	$ 393,558	$ (126,976)	$ 266,582

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 1,827	$ 1,370
Selling and marketing expenses	687	905
General and administrative expenses	1,252	1,081
Research and development expenses	1,587	1,933
	$ 5,353	$ 5,289

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2019	**2018**
Discount rate(s)	0.750%	1.125%
Expected rate(s) of salary increase	3.250%	3.250%

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

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (11,395)	$ (11,542)
0.25% decrease	$ 11,865	$ 12,030
Expected rate(s) of salary increase		
0.25% increase	$ 11,389	$ 11,589
0.25% decrease	$ (11,002)	$ (11,182)

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

	December 31	
	2019	**2018**
Expected contributions to the plans for the next year	$ 8,619	$ 9,047
Average duration of the defined benefit obligation	12.5 years	12.5 years

17. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	800,000	800,000
Amount of shares authorized	$ 8,000,000	$ 8,000,000
Number of shares issued and fully paid (in thousands)	700,410	698,696
Amount of shares issued and fully paid	$ 7,004,100	$ 6,986,955

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

The changes in the Company's share capital are due to the exercise of employee share options.

b. Capital surplus

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

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

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 18, d.

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

An appropriation of earnings to a legal reserve should be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset 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 in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

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

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

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

	For the Year Ended December 31, 2019
Legal reserve	$ 735,122
Special reserve	47,230
Cash dividends	5,463,198
Share dividends	700,410
Cash dividends per share (NT$)	7.8
Share dividends per share (NT$)	1.0

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

d. Special reserves

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

e. Other equity items

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

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

2) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1 per IFRS 9	$ (324,254)	$ 123,254
Recognized during the period		
Unrealized loss - equity instruments	307,604	(445,333)
Share of those of associates accounted for using the equity method	23,251	(13,912)
Other comprehensive income recognized for the period	330,855	(459,245)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	24,369	11,737
Balance at December 31	$ 30,970	$ (324,254)

3) Unearned employee benefits

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

18. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank overdrafts and loans	$ -	$ 29
Interest on lease liabilities	148	-
Other finance costs	2,145	4
	$ 2,293	$ 33

b. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 73,962	$ 67,987
Operating expenses	171,370	187,261
	$ 245,332	$ 255,248
An analysis of amortization by function		
Operating costs	$ 1,241	$ 799
Selling and marketing expenses	233	213
General and administrative expenses	59,852	51,894
Research and development expenses	38,744	32,668
	$ 100,070	$ 85,574

c. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 3,309,564	$ 3,007,903
Post-employment benefits		
Defined contribution plans	128,366	127,765
Defined benefit plans (Note 16)	5,353	5,289
	133,719	133,054
Share-based payments - equity-settled	295,427	341,624
Other employee benefits	155,450	150,273
Total employee benefits expense	$ 3,894,160	$ 3,632,854
An analysis of employee benefits expense by function		
Operating costs	$ 876,506	$ 795,163
Operating expenses	3,017,654	2,837,691
	$ 3,894,160	$ 3,632,854

d. Employees' compensation and remuneration of directors

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

	For the Year Ended December 31	
	2019	2018
	Cash	Cash
Employees' compensation	$ 600,000	$ 452,355
Remuneration of directors	12,000	10,600

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 471,452	$ 743,207
Foreign exchange losses	(546,483)	(704,794)
Net losses	$ (75,031)	$ 38,413

19. INCOME TAXES

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 1,335,289	$ 1,156,236
Income tax on unappropriated earnings	19,771	63,493
Adjustments for prior years	(27,211)	(209,936)
	1,327,849	1,009,793
Deferred tax		
In respect of the current year	199,348	147,432
Effect of tax rate changes	-	182,258
Income tax expense recognized in profit or loss	$ 1,527,197	$ 1,339,483

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

	For the Year Ended December 31	
	2019	**2018**
Profit before tax	$ 8,878,417	$ 7,629,476
Income tax expense calculated at the statutory rate	$ 1,775,684	$ 1,526,829
Tax-exempt income	(83,217)	(69,723)
Unrecognized investment credits	(158,000)	(158,000)
Income tax on unappropriated earnings	19,771	63,493
Land value increment tax	170	4,562
Effect of tax rate changes	-	182,258
Adjustments for prior years' tax	(27,211)	(209,936)
Income tax expense recognized in profit or loss	$ 1,527,197	$ 1,339,483

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

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 Year Ended December 31	
	2019	**2018**
Deferred tax		
Effect of change in tax rate	$ -	$ (18,879)
In respect of the current year		
Translating the financial statements of foreign operations	(100,754)	(7,131)
Remeasurement on defined benefit plans	(2,953)	(4,231)
	$ (103,707)	$ (30,241)

c. Current tax liabilities

	December 31	
	2019	**2018**
Current tax liabilities		
Income tax payable	$ 1,329,258	$ 1,413,134

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized gross profit	$ 133,095	$ 5,989	$ -	$ 139,084
Unrealized loss on inventory write-downs	36,996	2,029	-	39,025
Defined benefit obligation	17,717	(691)	-	17,026
Unrealized warranty liabilities	11,535	1,110	-	12,645
Financial assets - FVTPL	-	420	-	420
Unrealized exchange losses	-	2,029	-	2,029
Sales allowance	3,090	(3,090)	-	-
Exchange differences on translating foreign operations	118,812	-	100,754	219,566
Remeasurement on defined benefit plans	22,401	-	2,953	25,354
	$ 343,646	$ 7,796	$ 103,707	$ 455,149
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 1,562,279	$ 209,785	$ -	$ 1,772,064
Government grants				
Remeasurement on defined benefit plans	3,990	-	-	3,990
Financial assets - FVTPL	87	(87)	-	-
Unrealized exchange gains	2,554	(2,554)	-	-
	$ 1,568,910	$ 207,144	$ -	$ 1,776,654

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized gross profit	$ 75,876	$ 57,219	$ -	$ 133,095
Unrealized loss on inventory write-downs	22,959	14,037	-	36,996
Defined benefit obligation	15,423	2,294	-	17,717
Unrealized warranty liabilities	9,061	2,474	-	11,535
Unrealized exchange losses	3,007	(3,007)	-	-

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Sales allowance	$ -	$ 3,090	$ -	$ 3,090
Exchange differences on translating foreign operations	94,929	-	23,883	118,812
Remeasurement on defined benefit plans	15,444	-	6,957	22,401
	$ 236,699	$ 76,107	$ 30,840	$ 343,646
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 1,158,717	$ 403,562	$ -	$ 1,562,279
Government grants	406	(406)	-	-
Remeasurement on defined benefit plans	3,391	-	599	3,990
Financial assets - FVTPL	-	87	-	87
Unrealized exchange gains	-	2,554	-	2,554
	$ 1,162,514	$ 405,797	$ 599	$ 1,568,910

(Concluded)

e. Income tax assessments

The Company’s tax returns through 2014 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share	$ 10.51	$ 9.01
Diluted earnings per share	$ 10.37	$ 8.92

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	**2018**
Earnings used in the computation of basic earnings per share	$ 7,351,220	$ 6,289,993
Earnings used in the computation of diluted earnings per share	$ 7,351,220	$ 6,289,993

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

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

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

21. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company 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 with the right 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 are exercisable at certain percentages after the second anniversary year from the grant date. The exercise prices granted in 2018 was the share price on the exercise date; the exercise prices of those granted in 2016 and 2014 were 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 Year Ended December 31			
	2019		2018	
Employee Share Options	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	15,965	$143.64	9,378	$ 95.15
Options granted	-	-	8,000	202.50
Options exercised	(1,715)	81.91	(1,413)	83.78
Balance at December 31	14,250	149.88	15,965	143.64
Options exercisable, end of the year	6,250	82.54	7,965	84.53
Weighted-average fair value of options granted (NT$)	$ -		$ 49.15	

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

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

	For the Year Ended December 31			
	2019		2018	
Employee Share Options	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**	**Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**
Issuance in 2018	$202.5	4.58	$203.0	5.58
Issuance in 2016	83.3	2.45	85.6	3.45
Issuance in 2014	79.4	0.63	81.5	1.63

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

	2018	2017	2015
Grant-date share price (NT$)	$202.5	$235	$239.5
Exercise price (NT$)	$202.5	$100	$100
Expected volatility	28.42%-28.73%	31.42%-32.48%	28.28%-29.19%
Expected life (in years)	4-4.5	4-5.5	4-5.5
Expected dividend yield	0%	0%	0%
Risk-free interest rate	0.67%-0.69%	0.52%-0.65%	1.07%-1.30%

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

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

22. GOVERNMENT GRANTS

In 2019 and 2018, the Company participated in a governmental project plan and received a government grant of $12,699 thousand and $27,590 thousand, respectively. The amount was recognized as other income.

23. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

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

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

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

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

24. DISPOSAL OF SUBSIDIARIES - LOSS OF CONTROL

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

For details about the disposal Conel Automation, refer to Note 29 to the Company's consolidated financial statements for the year ended December 31, 2019.

25. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

In the first and third quarters of 2018, the Company disposed 1.11% and 15.96% shares of LNC, respectively. Therefore, the Company's shareholding ratio in LNC decreased from 81.17% to 64.10%.

In the first quarter of 2018, the Company and its subsidiary ASG acquired 49% shares of ATH. Thus, the Group's shareholding ratio in ATH increased from 51% to 100%. The Company's shareholding ratio in ATH is 51%.

In the fourth quarter of 2018, the Company acquired 40% shares of AKST. Therefore, the Company's shareholding ratio in AKST increased from 36% to 76%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the above transactions, refer to Note 30 to the Company's consolidated financial statements for the year ended December 31, 2019.

26. CAPITAL MANAGEMENT

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

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

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

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

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 8,468	$ -	$ 8,468
Mutual funds	1,633,285	-	-	1,633,285
	$ 1,633,285	$ 8,468	$ -	$ 1,641,753
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	$ 1,224,385	$ -	$ -	$ 1,224,385
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 521	$ -	$ 521

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 5,167	$ -	$ 5,167
Mutual funds	1,355,214	-	-	1,355,214
	$ 1,355,214	$ 5,167	$ -	$ 1,360,381
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	$ 1,028,441	$ -	$ -	$ 1,028,441
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 6,128	$ -	$ 6,128

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

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

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

b. Categories of financial instruments

	December 31 2019	December 31 2018
Financial assets		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	$ 1,641,753	$ 1,360,381
Financial assets at amortized cost (Note 3)	8,536,654	9,912,530
Financial assets at FVTOCI		
Equity instrument	1,224,385	1,028,441
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	521	6,128
Amortized cost (Note 4)	6,882,786	8,244,579

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes payable and trade payables, trade payables from related parties, other payables, and other payable from related parties.

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Notes 29 and 7, respectively.

Sensitivity analysis

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

The following table details the Company's sensitivity to a 5% increase in New Taiwan dollar (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 year for a 5% change in exchange rates. The range of the sensitivity analysis included cash and cash equivalents, trade receivables and trade payables. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency. 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**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Profit or loss	$ 111,117 (Note 1)	$ 109,243 (Note 1)	$ 51,170 (Note 2)	$ 46,489 (Note 2)	$ 60,436 (Note 3)	$ 30,037 (Note 3)

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

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

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

b) Interest rate risk

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

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

	December 31	
	2019	**2018**
Cash flow interest rate risk		
Financial assets	$ 1,814,203	$ 2,506,883

Sensitivity analysis

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Company’s pre-tax profit for the years ended December 31, 2019 and 2018 would have increased by $9,071 thousand and $12,534 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Company’s pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 1% higher, the pre-tax other comprehensive income for the years ended December 31, 2019 would have increased by $12,244 thousand, as a result of changes in fair value of financial assets. And the pre-tax other comprehensive income for the year ended December 31, 2018 would have increase by $10,284, as a result of the changes in fair value of financial assets at fair value through other comprehensive income. Had equity prices been 1% lower, the effects on pre-tax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

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

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

3) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2019 and 2018, the Company had available unutilized bank loan facilities set out in (c) below.

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

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

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year - 5 Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 3,357,623	$ 2,867,569	$ 657,594	$ -
Lease liabilities	630	2,305	2,531	6,675
	$ 3,358,253	$ 2,869,874	$ 660,125	$ 6,675

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	$ 5,466	$ 5,237	$ 1,438

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year - 5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 5,035,682	$ 2,372,944	$ 835,953	$ -

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

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

The following tables details the Company's liquidity analysis of its derivative financial instruments. The tables are based on the undiscounted gross cash inflows and outflows on derivative instruments that require gross settlement.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
Gross settled				
Foreign exchange forward contracts				
Inflows	$ 306,293	$ 400,220	$ 64,469	$ 770,982
Outflows	301,650	397,435	63,950	763,035
	$ 4,643	$ 2,785	$ 519	$ 7,947

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
Gross settled				
Foreign exchange forward contracts				
Inflows	$ 235,449	$ 403,177	$ 205,677	$ 844,303
Outflows	234,880	403,256	207,128	845,264
	$ 569	$ (79)	$ (1,451)	$ (961)

c) Financing facilities

	December 31	
	2019	2018
Unsecured bank loan facilities		
Amount used	$ -	$ -
Amount unused	6,881,900	3,955,919
	$ 6,881,900	$ 3,955,919

28. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of significant transactions between the Company and other related parties are disclosed below.

a. Names and categories of related parties

Name	Related Party Category
AAC (HK)	Subsidiary
AAU	Subsidiary
ABR	Subsidiary
ACN	Subsidiary
ACZ	Subsidiary
AEU	Subsidiary
AID	Subsidiary
AIL	Subsidiary
AIN	Subsidiary
AiSC	Subsidiary
AJP	Subsidiary
AKMC	Subsidiary
AKR	Subsidiary
AKST	Subsidiary
AMY	Subsidiary
ANA	Subsidiary
APL	Subsidiary
ASG	Subsidiary
A-SIoT	Subsidiary
ATH	Subsidiary
ATJ	Subsidiary
ATR	Subsidiary
AVN	Subsidiary
AXA	Subsidiary
B+B	Subsidiary
BBIE	Subsidiary
SIoT (Cayman)	Subsidiary
SIoT (China)	Subsidiary
AIH	Subsidiary
Cermate	Subsidiary
Advantech Corporate Investment	Subsidiary

(Continued)

Name	Related Party Category
AiST	Subsidiary
LNC	Subsidiary
Advanixs	Subsidiary
AdvanPOS	Subsidiary
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Jan Hsiang Electronics Co., Ltd.	Associate
Winmate Inc.	Associate
Azurewave Technology Inc.	Associate
DotZero Co., Ltd.	Associate
I-Link Co., Ltd.	Associate
Mildex Optical Inc.	Associate
Nippon Rad Inc.	Associate
Shanghai Yanle Co., Ltd.	Associate
GSD Environmental Technology Co., Ltd.	Associate
Information Technology Total Services Co., Ltd.	Associate
Hwacom Systems Inc.	Associate
Tianjin Anjie IoT Science And Technology Co., Ltd.	Associate
Smasoft Technology Co., Ltd.	Associate
Advantech Foundation	Other related party
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
ANA	$ 9,875,397	$ 9,347,710
ACN	8,103,451	7,382,801
AEU	5,113,619	4,889,200
Others	5,552,401	4,888,173
Associates	44,477	66,550
	$ 28,689,345	$ 26,574,434

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
AKMC	$ 12,512,596	$ 11,974,220
Advanixs	-	7,730
Others	242,444	359,933
Associates	204,041	146,027
	$ 12,959,081	$ 12,487,910

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

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Trade receivables - related parties	Subsidiaries		
	ACN	$ 1,757,991	$ 1,492,606
	ANA	1,251,888	1,906,993
	AEU	1,006,415	952,721
	Others	1,190,461	1,295,528
	Associates	10,622	7,348
		$ 5,217,377	$ 5,655,196

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

e. Other receivables from related parties

Related Party Category	December 31 2019	December 31 2018
Subsidiaries		
ANA	$ 5,046	$ 14,516
AEU	4,065	10,176
Others	7,969	16,419
	$ 17,080	$ 41,111

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

Related Party Category/Name	December 31 2019	December 31 2018
Subsidiaries		
AKMC	$ 2,008,469	$ 1,533,444
Others	36,111	134,502
Associates	43,350	27,653
	$ 2,087,930	$ 1,695,599

The outstanding trade payables to related parties are unsecured.

g. Other payable from related parties

Related Party Category	December 31 2019	December 31 2018
Subsidiaries		
AEU	$ 52,679	$ 36,568
A-SIoT	-	13,672
Others	11,205	4,343
	$ 63,884	$ 54,583

h. Acquisitions of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
Related Party Category	**2019**	**2018**
Subsidiaries	$ 509	$ 2,100

i. Other transactions with related parties

	Operating Expenses	
	For the Year Ended December 31	
	2019	**2018**
Administration expenses		
Subsidiaries	$ 36,647	$ 49,588
Associates	237	-
	$ 36,884	$ 49,588
Research and development expenses		
Associates	$ 2,955	$ 11,672
Subsidiaries	150,978	173,161
	$ 153,933	$ 184,833

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

	Operating Expenses	
	For the Year Ended December 31	
	2019	**2018**
Rent expenses		
Subsidiaries	$ -	$ 1,009

	Other Income	
	For the Year Ended December 31	
	2019	**2018**
Rent income		
Subsidiaries	$ 636	$ 3,036
Other related parties	60	60
	$ 696	$ 3,096
Others		
Subsidiaries	$ 85,083	$ 110,178
Other related parties	2,702	2,702
	$ 87,785	$ 112,880

Lease contracts formed between the Company 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.

k. Compensation of key management personnel

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

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

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 159,581	29.980 (USD:NTD)	$ 4,784,226
RMB	554,325	4.305 (RMB:NTD)	2,386,370
EUR	21,623	33.590 (EUR:NTD)	726,308
			$ 7,896,904
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
USD	415,025	29.980 (USD:NTD)	$ 12,442,450
EUR	36,213	33.590 (EUR:NTD)	1,216,395
KRW	12,616,597	0.0260 (KRW:NTD)	328,032
JPY	3,840,034	0.2760 (JPY:NTD)	1,059,849
			$ 15,046,726

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 89,453	29.980 (USD:NTD)	$ 2,681,793
RMB	260,550	4.305 (RMB:NTD)	1,121,669
			$ 3,803,462

(Concluded)

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 200,036	30.715 (USD:NTD)	$ 6,144,115
RMB	443,904	4.4720 (RMB:NTD)	1,985,137
EUR	22,929	35.200 (EUR:NTD)	807,115
			$ 8,936,367
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
USD	391,494	30.715 (USD:NTD)	$ 12,024,738
EUR	33,337	35.200 (EUR:NTD)	1,173,462
KRW	12,018,981	0.027 (KRW:NTD)	324,512
JPY	1,288,805	0.278 (JPY:NTD)	341,608
			$ 13,864,320
Financial liabilities			
Monetary items			
USD	128,904	30.715 (USD:NTD)	$ 3,959,272
RMB	242,567	4.4720 (RMB:NTD)	1,084,758
			$ 5,044,030

For the years ended December 2019 and 2018, realized and unrealized net foreign exchange losses were $75,031 thousand and $38,413 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

30. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others. (Table 1)

2) Endorsement/guarantee provided. (Table 2)

3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (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) 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 gains or losses, carrying amount of the investment at the end of the period, repatriations investment gains, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, their prices, and payment terms, and unrealized gains or losses. Refer to Tables 1, 5 and 6.

ADVANTECH CO., LTD. AND INVESTEES

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

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

Note A: Investee companies are numbered sequentially from 1.

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

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

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

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

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

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

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

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	$ 3,223,564	$ 948,000 (US$ 30,000 thousand)	$ 899,400 (US$ 30,000 thousand)	$ -	$ -	2.79	$ 9,670,691	Y	N	N
		AAC (BVI)	Subsidiary	3,223,564	316,000 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	-	-	0.93	9,670,691	Y	N	N
		Advantech Corporate Investment	Subsidiary	3,223,564	316,000 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	-	-	0.93	9,670,691	Y	N	N
		AJP	Subsidiary	3,223,564	316,000 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	55,200 (US$ 1,841 thousand)	-	0.93	9,670,691	Y	N	N
		ATJ	Subsidiary	3,223,564	295,000 (JPY1,000,000 thousand)	276,000 (JPY1,000,000 thousand)	110,400 (JPY 400,000 thousand)	-	0.86	9,670,691	Y	N	N
		AKST	Subsidiary	3,223,564	189,600 (US$ 6,000 thousand)	179,880 (US$ 6,000 thousand)	65,078 (US$ 2,171 thousand)	-	0.56	9,670,691	Y	N	N
		AKMC	Subsidiary	3,223,564	189,600 (US$ 6,000 thousand)	179,880 (US$ 6,000 thousand)	-	-	0.56	9,670,691	Y	N	Y
		ACISM	Subsidiary	3,223,564	158,000 (US$ 5,000 thousand)	149,900 (US$ 5,000 thousand)	-	-	0.47	9,670,691	Y	N	N
		SIoT (Cayman)	Subsidiary	3,223,564	316,000 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	-	-	0.93	9,670,691	Y	N	N
		B+B	Subsidiary	3,223,564	158,000 (US$ 5,000 thousand)	149,900 (US$ 5,000 thousand)	-	-	0.47	9,670,691	Y	N	N
		ABR	Subsidiary	3,223,564	47,400 (US$ 1,500 thousand)	44,970 (US$ 1,500 thousand)	-	-	0.14	9,670,691	Y	N	N

(Continued)

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

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

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

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

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Share							
	ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	4,739,461	$ 1,097,185	0.64	$ 1,097,185	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	127,200	2.41	127,200	Note A
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	74,093,066	932,913	-	932,913	Note B
	FSITC Money Market	-	Same as above	1,117,303	200,109	-	200,109	Note B
	FSITC Taiwan Money Market	-	Same as above	32,562,860	500,263	-	500,263	Note B
Advantech Corporate Investment	Share							
	Contec	-	Financial assets at fair value through profit or loss - current	15,500	6,759	0.23	6,759	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	265,106	5.03	265,106	Note A
	BoardTec System Inc.	-	Same as above	225,000	3,917	7.50	3,917	Note C
	BiosenseTek Corp.	-	Same as above	37,500	-	1.79	-	Note C
	Juguar Technology	-	Same as above	500,000	4,949	16.67	4,949	Note C
	Taiwan DSC PV Ltd.	-	Same as above	1,600	-	3.20	-	Note C
	iSAP Solution Corp.	-	Same as above	942,850	9,994	15.00	9,994	Note C
	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	31,352,761	394,766	-	394,766	Note B
	Taishin 1699 Money Market	-	Same as above	29,087,859	395,135	-	395,135	Note B
	FSITC Money Market	-	Same as above	335,392	60,069	-	60,069	Note B
	FSITC Taiwan Money Market	-	Same as above	18,910,187	290,517	-	290,517	Note B
	Fund							
	CBC Capital	-	Financial assets at fair value through profit or loss - non-current	-	100,141	-	100,141	Note C
Advanixs Corporate	Fund							
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	6,266,221	93,226	-	93,226	Note B
	Mega Diamond Money Market	-	Same as above	3,113,391	39,201	-	39,201	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Advantech Intelligent Service	<u>Fund</u>							
	Jih Sun Money Market	-	Same as above	1,311,144	$ 19,507	-	$ 19,507	Note B
AdvanPOS	<u>Fund</u>							
	Mega Diamond Money Market	-	Same as above	999,130	12,580	-	12,580	Note B
SIoT (Cayman)	<u>Fund</u>							
	FSITC Taiwan Money Market	-	Same as above	10,047,452	154,359	-	154,359	Note B
	Taishin 1699 Money Market	-	Same as above	25,064,061	340,475	-	340,475	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u>							
	Capital Money Market	-	Same as above	625,517	10,132	-	10,132	Note B
Cermate (Taiwan)	<u>Fund</u>							
	Mega Diamond Money Market	-	Same as above	850,047	10,703	-	10,703	Note B
AiSC	<u>Fund</u>							
	Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	-	129,150	8.43	129,150	Note C
	<u>Share</u>							
	Jama Pro Co., Ltd.	-	Same as above	583,300	1,820	10.00	1,820	Note C
Yun Yan, Wu-Lian Co., Ltd.	<u>Fund</u>							
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	27,649	4,952	-	4,952	Note B
Huan Yan, Jhih-lian Co.	<u>Fund</u>							
	FSITC Money Market	-	Same as above	54,616	9,782	-	9,782	Note B
ACI IOT Investment Fund-I Corporation	<u>Share</u>							
	GSD Technologies Co., Ltd.	-	Same as above	324,000	22,194	0.95	22,194	Note A
	Amazing Microelectronic Corp.	-	Same as above	50,142	4,964	0.06	4,964	Note A
	WT Microelectronics Co., Ltd.	-	Same as above	495,000	20,840	0.08	20,840	Note A
	E Ink Holdings Inc.	-	Same as above	43,000	1,344	-	1,344	Note A
	Lelon Electronics Corp.	-	Same as above	250,000	10,988	0.19	10,988	Note A
	Yuan High-Tec Development Co., Ltd.	-	Same as above	249,000	19,472	0.74	19,472	Note A
	eGalax_eMPIA Technology Inc.	-	Same as above	293,000	14,430	0.49	14,430	Note A
	Nuvoton Technology Corp.	-	Same as above	516,799	24,160	0.18	24,160	Note A
	ISI	-	Same as above	640	11,343	-	11,343	Note A
	TRMB	-	Same as above	8,490	10,611	-	10,611	Note A
	LTRX	-	Same as above	26,200	2,788	-	2,788	Note A
	China Mobile Ltd.	-	Same as above	74,000	18,656	-	18,656	Note A
	<u>Fund</u>							
	Mega Diamond Money Market	-	Same as above	6,719,675	84,608	-	84,608	Note B
AIH	<u>Fund</u>							
	Capital Money Market	-	Same as above	86,749	1,405	-	1,405	Note B

(Continued)

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

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

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

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND INVESTEES

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

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

ADVANTECH CO., LTD. AND INVESTEES

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

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

(Continued)

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

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

(Concluded)

TABLE 6

ADVANTECH CO., LTD. AND INVESTEES

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

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

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

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

TABLE 7

ADVANTECH CO., LTD. AND INVESTEES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars/Foreign Currency, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note A)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
The Company	AAC (BVI)	BVI	Investment and management service	$ 2,332,397	$ 2,332,397	74,623,834	100.00	$ 6,334,406	$ 621,135	$ 594,447	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	40,850,000	100.00	3,943,772	389,123	382,224	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	226,000	226,000	10,000,000	100.00	244,917	51,679	55,082	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	1,400,000	300,000,000	100.00	3,335,232	117,185	118,002	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	23.75	627,632	460,455	117,552	Equity-meth investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	297,231	(65)	(65)	Subsidiary (Note A)
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	304,865	304,865	19,230,000	64.10	430,388	1,827	587	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	8,114	44	13	Equity-meth investee (Note A)
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	2,057,475	100.00	671	451	451	Subsidiary (Note A)
	AEUH	Helmond, The Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	931,448	95,601	99,665	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	117,695	34,354	34,213	Subsidiary (Note A)
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51.00	63,060	16,732	8,482	Subsidiary (Note A)
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	19,264	(2,754)	(3,124)	Subsidiary (Note A)
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	406,507	86,840	84,500	Subsidiary (Note A)
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	68,506	22,846	22,821	Subsidiary (Note A)
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	321,633	66,510	65,750	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	78,110	22,213	17,710	Subsidiary (Note A)
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,095	50	50	Subsidiary (Note A)
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	96,851	1,080	1,080	Subsidiary (Note A)
	B+B	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	230,467	60.00	1,710,653	(329,442)	(198,701)	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	14,805	371	230	Subsidiary (Note A)
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	135,000	18,000,000	45.00	66,133	(97,510)	(43,879)	Equity-meth investee (Note A)
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	69,740	76.00	(33,191)	(7,097)	(7,147)	Subsidiary (Note A)
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	553,145	241,183	40,067	Equity-meth investee (Note A)
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	63,468	4,190	(5,487)	Subsidiary (Note A)
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	251,915	251,915	850,000	16.08	250,888	(322)	(61)	Equity-meth investee
	ARU	Moscow	Production and sale of industrial automation products	23,822	23,822	-	100.00	12,531	(10,718)	(10,718)	Subsidiary (Note A)
	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	323,130	-	500,000	50.00	380,012	164,575	64,794	Subsidiary
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	-	260,870	60.00	51,104	13,602	4,498	Subsidiary (Note A)
	AIL	Israel	Sale of industrial network communications systems	8,653	-	100	100.00	8,667	-	-	Subsidiary (Note A)
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	22,023	24.00	-	(7,097)	-	Subsidiary (Note A)
AJP	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	184,649	-	286,100	28.61	222,146	164,575	40,287	Subsidiary
Advantech Corporate Investment	Cermate Taiwan	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	119,456	12,690	6,980	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	14,013	(219)	(87)	Equity-meth investee (Note A)
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	161,043	71,842	12,829	Equity-meth investee (Note A)
	AzureWave Technologies, Inc.	Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.67	506,867	(114,386)	(22,497)	Equity-meth investee

(Continued)

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

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

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. (“AKMC”)	Production and sale of components of industrial automation products	US$ 43,750 thousand (Note F)	Indirect	$ 1,118,254 (US$ 37,300 thousand)	$ -	$ -	$ 1,118,254 (US$ 37,300 thousand)	$ 389,218	100	$ 382,378	$ 4,004,279	$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (“ACN”)	Sale of industrial automation products	US$ 4,230 thousand	Indirect	159,853 (US$ 5,332 thousand)	-	-	159,853 (US$ 5,332 thousand)	288,328	100	287,962	1,436,240	336,735 (US$ 11,232 thousand
Shanghai Advantech Intelligent Services Co., Ltd. (“AiSC”)	Production and sale of industrial automation products	US$ 8,000 thousand	Indirect	239,840 (US$ 8,000 thousand)	-	-	239,840 (US$ 8,000 thousand)	(7,199)	100	(7,237)	631,020	-
Xi’an Advantech Software Ltd. (“AXA”)	Development and production of software products	US$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	44	100	44	28,813	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US$ 4,000 thousand	Indirect	95,756 (US$ 3,194 thousand)	-	-	95,756 (US$ 3,194 thousand)	2,668	100	2,987	24,027	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	9,234 (US$ 308 thousand)	-	-	9,234 (US$ 308 thousand)	14,616	90	12,144	76,334	40,128 (US$ 717 thousand) (RMB 4,328 thousand)

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Cermate Technologies (Shanghai) Inc.	Sale of Human Machine Interface	US$ 520 thousand	Indirect	$ 17,149 (US$ 572 thousand)	$ -	$ -	$ 17,149 (US$ 572 thousand)	$ 4,064	100	$ 4,064	$ 33,421	$ -
Advantech Service-IoT (Shanghai) Co., Ltd.	Development, consulting and services in intelligent technology	RMB 15,000 thousand	Indirect	(Note F)	-	-	(Note H)	(22,364)	100	(22,364)	36,175	-
Shanghai Yanlo Co., Ltd.	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note I)	(2,645)	45	(1,190)	3,092	-
Tianjin Anjie IOT Science And Technology Co., Ltd. ("Anjie")	Operation and maintenance for intelligent general equipment、consulting services for comprehensive energy issues	RMB 3,000 thousand	Other	(Note G)	-	-	(Note G)	-	20	-	2,582	-
GSD Environmental Technology Co., Ltd. ("GSD")	Development consulting, and services in the field of environmental technology	RMB 10,000 thousand	Indirect	17,478 (US$ 583 thousand)	-	-	17,478 (US$ 583 thousand)	(9,378)	40	(3,751)	13,609	-

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

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

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

Note C: Remittance by ACN.

Note D: Included is the outflow of US$200 thousand on the investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. located in a free trade zone in 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.

(Continued)

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

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

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

Note H: The exchange rate was US$1=NT$29.98 and RMB1=NT$4.305.

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

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