

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

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2019 and 2018 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated financial statements of Advantech Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2019 and 2018 and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2019 and 2018, the combined total assets of these non-significant subsidiaries were NT\$10,469,707 thousand and NT\$7,719,688 thousand, respectively, representing 22.34% and 18.24%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$1,590,719 thousand and NT\$968,900 thousand, respectively, representing 10.45% and 7.50%, respectively, of the consolidated total liabilities; for the three-month periods ended March 31, 2019 and 2018, the amounts of combined comprehensive income of these subsidiaries were NT\$264,329 thousand and NT\$301,378 thousand, respectively, representing 13.93% and 19.67%, respectively, of the consolidated total comprehensive income. Also, as stated in Note 13 to the consolidated financial statements, the investments accounted for using the equity method were NT\$2,524,911 thousand and NT\$1,903,051 thousand as of March 31, 2019 and 2018, respectively. The equities in earnings of the associates were NT\$4,949 thousand and NT\$21,507 thousand of the Company's consolidated net income in the three months ended March 31, 2019 and 2018, respectively, and these investment amounts as well as additional disclosures in Note 32 "Information on Investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

## Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as of March 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting”.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 3, 2019

### Notice to Readers

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

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

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 7,075,773	15	\$ 6,633,161	15	\$ 4,927,686	12
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	2,224,078	5	2,098,552	5	3,895,678	9
Financial assets at amortized cost - current (Note 9)	11,166	-	157,426	1	37,871	-
Notes receivable (Note 10)	1,305,287	3	1,461,404	3	1,219,752	3
Trade receivables (Note 10)	7,357,164	16	6,870,878	16	6,562,536	16
Trade receivables from related parties (Note 29)	20,166	-	18,969	-	14,958	-
Other receivables	186,953	-	45,956	-	22,866	-
Inventories (Note 11)	8,178,654	18	7,557,820	17	6,817,517	16
Other current assets (Notes 3 and 17)	588,655	1	522,407	1	435,481	1
Total current assets	<u>26,947,896</u>	<u>58</u>	<u>25,366,573</u>	<u>58</u>	<u>23,934,345</u>	<u>57</u>
<b>NON-CURRENT ASSETS</b>						
Financial asset at fair value through other comprehensive income - non-current (Notes 8 and 28)	1,423,914	3	1,300,267	3	1,870,546	4
Investments accounted for using the equity method (Note 13)	2,524,911	5	2,431,522	6	1,903,051	5
Property, plant and equipment (Notes 14 and 30)	9,854,043	21	9,782,781	22	9,915,571	23
Right of use assets (Notes 3, 4 and 15)	905,085	2	-	-	-	-
Goodwill (Note 16)	2,961,967	6	2,840,001	6	2,695,399	6
Other intangible assets	1,067,006	2	1,095,899	2	1,078,233	3
Deferred tax assets (Notes 4 and 23)	540,842	1	501,260	1	405,884	1
Prepayments for business facilities	352,032	1	273,386	1	157,550	-
Prepayments for investments	238,000	1	-	-	-	-
Long-term prepayments for leases (Notes 3 and 17)	-	-	297,665	1	316,072	1
Other non-current assets	48,078	-	47,718	-	47,512	-
Total non-current assets	<u>19,915,878</u>	<u>42</u>	<u>18,570,499</u>	<u>42</u>	<u>18,389,818</u>	<u>43</u>
<b>TOTAL</b>	<u>\$ 46,863,774</u>	<u>100</u>	<u>\$ 43,937,072</u>	<u>100</u>	<u>\$ 42,324,163</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 18 and 28)	\$ 424,096	1	\$ 87,581	-	\$ 8,100	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	8,171	-	6,139	-	13,625	-
Notes payable and trade payables (Note 29)	5,755,560	12	5,810,904	13	5,376,055	13
Lease liabilities - current (Notes 3, 4 and 15)	201,334	1	-	-	-	-
Other payables (Note 19)	3,272,813	7	3,662,199	8	3,148,922	7
Current tax liabilities (Notes 4 and 23)	1,872,843	4	1,611,886	4	1,486,641	4
Short-term warranty provisions	193,461	-	196,782	1	180,440	-
Current portion of long-term borrowings (Notes 18 and 28)	7,220	-	9,626	-	27,982	-
Other current liabilities	838,604	2	761,473	2	809,936	2
Total current liabilities	<u>12,574,102</u>	<u>27</u>	<u>12,146,590</u>	<u>28</u>	<u>11,051,701</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>						
Lease liabilities - non-current (Notes 3, 4 and 15)	393,299	1	-	-	-	-
Long-term borrowings (Notes 18 and 28)	45,784	-	45,784	-	80,924	-
Deferred tax liabilities (Notes 4 and 23)	1,807,949	4	1,798,914	4	1,448,677	4
Net defined benefit liabilities (Note 20)	254,206	-	255,545	1	236,636	1
Other non-current liabilities	146,399	-	149,653	-	95,210	-
Total non-current liabilities	<u>2,647,637</u>	<u>5</u>	<u>2,249,896</u>	<u>5</u>	<u>1,861,447</u>	<u>5</u>
Total liabilities	<u>15,221,739</u>	<u>32</u>	<u>14,396,486</u>	<u>33</u>	<u>12,913,148</u>	<u>31</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital						
Ordinary shares	6,986,955	15	6,982,275	16	6,972,825	16
Advance receipts for share capital	3,800	-	4,680	-	1,750	-
Total share capital	<u>6,990,755</u>	<u>15</u>	<u>6,986,955</u>	<u>16</u>	<u>6,974,575</u>	<u>16</u>
Capital surplus	<u>7,179,266</u>	<u>15</u>	<u>7,073,348</u>	<u>16</u>	<u>6,668,711</u>	<u>16</u>
Retained earnings						
Legal reserve	5,655,613	12	5,655,613	13	5,039,962	12
Special reserve	369,655	1	369,655	1	85,204	-
Unappropriated earnings	11,632,709	25	10,015,895	23	10,619,513	25
Total retained earnings	<u>17,657,977</u>	<u>38</u>	<u>16,041,163</u>	<u>37</u>	<u>15,744,679</u>	<u>37</u>
Other equity						
Exchange differences on translation of foreign financial statements	(371,986)	(1)	(475,245)	(1)	(449,665)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	(182,526)	-	(324,254)	(1)	296,033	1
Other equity - unearned stock based employee comprehensive	1,010	-	736	-	-	-
Total other equity	<u>(553,502)</u>	<u>(1)</u>	<u>(798,763)</u>	<u>(2)</u>	<u>(153,632)</u>	<u>-</u>
Total equity attributable to owners of the Company	<u>31,274,496</u>	<u>67</u>	<u>29,302,703</u>	<u>67</u>	<u>29,234,333</u>	<u>69</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>367,539</u>	<u>1</u>	<u>237,883</u>	<u>-</u>	<u>176,682</u>	<u>-</u>
Total equity	<u>31,642,035</u>	<u>68</u>	<u>29,540,586</u>	<u>67</u>	<u>29,411,015</u>	<u>69</u>
<b>TOTAL</b>	<u>\$ 46,863,774</u>	<u>100</u>	<u>\$ 43,937,072</u>	<u>100</u>	<u>\$ 42,324,163</u>	<u>100</u>

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

(With Deloitte & Touche review report dated May 3, 2019)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	<b>For the Three Months Ended March 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Note 29)				
Sales	\$ 11,974,873	97	\$ 11,058,097	97
Other operating revenue	<u>325,717</u>	<u>3</u>	<u>297,098</u>	<u>3</u>
Total operating revenue	12,300,590	100	11,355,195	100
OPERATING COSTS (Notes 11, 22 and 29)	<u>7,576,536</u>	<u>62</u>	<u>7,016,964</u>	<u>62</u>
GROSS PROFIT	<u>4,724,054</u>	<u>38</u>	<u>4,338,231</u>	<u>38</u>
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	1,227,670	10	1,176,676	11
General and administrative expenses	664,775	5	594,200	5
Research and development expenses	<u>973,440</u>	<u>8</u>	<u>924,762</u>	<u>8</u>
Total operating expenses	<u>2,865,885</u>	<u>23</u>	<u>2,695,638</u>	<u>24</u>
OPERATING PROFIT	<u>1,858,169</u>	<u>15</u>	<u>1,642,593</u>	<u>14</u>
NONOPERATING INCOME				
Share of the profit of associates accounted for using the equity method (Note 13)	4,949	-	21,507	-
Interest income	9,002	-	4,535	-
Gains (or losses) on disposal of property, plant and equipment	45,348	-	(3,037)	-
Gains on disposal of investments	-	-	(307)	-
Foreign exchange gains (or losses), net (Note 22)	69,744	1	(2,756)	-
Gains on financial instruments at fair value through profit or loss	70,708	1	92,964	1
Other income (Note 29)	25,597	-	15,563	-
Finance costs (Note 22)	(6,175)	-	(1,222)	-
Losses on financial instruments at fair value through profit or loss	(21,346)	-	(27,367)	-
Other losses	<u>(1,447)</u>	<u>-</u>	<u>(981)</u>	<u>-</u>
Total non-operating income	<u>196,380</u>	<u>2</u>	<u>98,899</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,054,549	17	1,741,492	15
INCOME TAX EXPENSES (Note 23)	<u>(431,680)</u>	<u>(4)</u>	<u>(373,554)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>1,622,869</u>	<u>13</u>	<u>1,367,938</u>	<u>12</u>

(Continued)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss (Notes 31 and 21)				
Unrealized gains on investments in debt instruments at fair value through other comprehensive income	\$ 120,818	1	\$ 161,517	1
Share of the other comprehensive loss of associates accounted for using the equity method	20,366	-	(361)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements (Note 21)	154,726	1	3,078	-
Share of the other comprehensive loss of associates accounted for using the equity method (Notes 13 and 21)	3,951	-	(1,302)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 23)	<u>(25,815)</u>	<u>-</u>	<u>976</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>274,046</u>	<u>2</u>	<u>163,908</u>	<u>1</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>\$ 1,896,915</u>	<u>15</u>	<u>\$ 1,531,846</u>	<u>13</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 1,617,358	13	\$ 1,362,670	12
Non-controlling interests	<u>5,511</u>	<u>-</u>	<u>5,268</u>	<u>-</u>
	<u>\$ 1,622,869</u>	<u>13</u>	<u>\$ 1,367,938</u>	<u>12</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 1,861,801	15	\$ 1,537,640	13
Non-controlling interests	<u>35,114</u>	<u>-</u>	<u>(5,794)</u>	<u>-</u>
	<u>\$ 1,896,915</u>	<u>15</u>	<u>\$ 1,531,846</u>	<u>13</u>

(Continued)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 2.31</u>		<u>\$ 1.95</u>	
Diluted	<u>\$ 2.29</u>		<u>\$ 1.95</u>	

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

(With Deloitte & Touche review report dated May 3, 2019)

(Concluded)

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

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

	Equity Attributable to Owners of the Company								Other Equity (Note 21)					Non-controlling Interests (Notes 21 and 27)	Total Equity
	Issued Capital (Notes 21 and 25)			Capital Surplus (Notes 21 and 25)	Retained Earnings (Note 21)				Exchange Differences on Translating Foreign Operations	Unrealized Gain or Loss on Available-for-sale Financial Assets	Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income	Unearned Stock - Based Employee Compensation	Total		
	Share Capital	Advance Receipts for Ordinary Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE AT JANUARY 1, 2018	\$ 6,970,325	\$ 2,500	\$ 6,972,825	\$ 6,554,842	\$ 5,039,962	\$ 85,204	\$ 9,297,896	\$ 14,423,062	\$ (463,479)	\$ 93,824	\$ -	\$ -	\$ 27,581,074	\$ 179,366	\$ 27,760,440
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	(41,053)	(41,053)	-	(93,824)	134,877	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,970,325	2,500	6,972,825	6,554,842	5,039,962	85,204	9,256,843	14,382,009	(463,479)	-	134,877	-	27,581,074	179,366	27,760,440
Recognition of employee share options by the Company	2,500	(750)	1,750	12,985	-	-	-	-	-	-	-	-	14,735	-	14,735
Compensation cost recognized for employee share options	-	-	-	99,019	-	-	-	-	-	-	-	-	99,019	-	99,019
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	1,107	-	-	-	-	-	-	-	-	1,107	-	1,107
Difference between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	1,515	-	-	-	-	-	-	-	-	1,515	1,876	3,391
Recognition of employee share options by subsidiaries	-	-	-	(757)	-	-	-	-	-	-	-	-	(757)	1,234	477
Net profit for the three months ended March 31, 2018	-	-	-	-	-	-	1,362,670	1,362,670	-	-	-	-	1,362,670	5,268	1,367,938
Other comprehensive income (loss) for three months ended March 31, 2018	-	-	-	-	-	-	-	-	13,814	-	161,156	-	174,970	(11,062)	163,908
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	-	1,362,670	1,362,670	13,814	-	161,156	-	1,537,640	(5,794)	1,531,846
BALANCE AT MARCH 31, 2018	\$ 6,972,825	\$ 1,750	\$ 6,974,575	\$ 6,668,711	\$ 5,039,962	\$ 85,204	\$ 10,619,513	\$ 15,744,679	\$ (449,665)	\$ -	\$ 296,033	\$ -	\$ 29,234,333	\$ 176,682	\$ 29,411,015
BALANCE AT JANUARY 1, 2019	\$ 6,982,275	\$ 4,680	\$ 6,986,955	\$ 7,073,348	\$ 5,655,613	\$ 369,655	\$ 10,015,895	\$ 16,041,163	\$ (475,245)	\$ -	\$ (324,254)	\$ 736	\$ 29,302,703	\$ 237,883	\$ 29,540,586
Recognition of employee share options by the Company	4,680	(880)	3,800	27,937	-	-	-	-	-	-	-	-	31,737	-	31,737
Compensation cost recognized for employee share options	-	-	-	84,673	-	-	-	-	-	-	-	-	84,673	-	84,673
Change in capital surplus from investments in associates accounted for by the equity method	-	-	-	1,037	-	-	-	-	-	-	-	274	1,311	-	1,311
Difference between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	(7,729)	-	-	-	-	-	-	-	-	(7,729)	94,324	86,595
Recognition of employee share options by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	218	218
Net profit for the three months ended March 31, 2019	-	-	-	-	-	-	1,617,358	1,617,358	-	-	-	-	1,617,358	5,511	1,622,869
Other comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	(544)	(544)	103,259	-	141,728	-	244,443	29,603	274,046
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	1,616,814	1,616,814	103,259	-	141,728	-	1,861,801	35,114	1,896,915
BALANCE AT MARCH 31, 2019	\$ 6,986,955	\$ 3,800	\$ 6,990,755	\$ 7,179,266	\$ 5,655,613	\$ 369,655	\$ 11,632,709	\$ 17,657,977	\$ (371,986)	\$ -	\$ (182,526)	\$ 1,010	\$ 31,274,496	\$ 367,539	\$ 31,642,035

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

(With Deloitte & Touche review report dated May 3, 2019)



# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,054,549	\$ 1,741,492
Adjustments for:		
Depreciation expenses	227,043	144,177
Amortization expenses	47,135	42,499
Amortization expenses for prepayments of lease obligations	-	2,236
Expected loss on credit impairment	2,783	9,964
Net gain on financial assets or liabilities at fair value through profit or loss	(49,362)	(65,597)
Compensation costs of employee share options	84,673	99,019
Finance costs	6,175	1,222
Interest income	(9,002)	(4,535)
Share of (profit) loss of associates accounted for using the equity method	(4,949)	(21,507)
Gain (or loss) on disposal of property, plant and equipment	(45,348)	3,037
Gain on disposal of investments	-	307
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(74,132)	(784,332)
Notes receivable	156,117	36,029
Trade receivables	126,303	23,306
Trade receivables from related parties	(1,197)	(891)
Other receivables	(139,501)	52,432
Inventories	(173,361)	(575,266)
Other current assets	(67,649)	10,310
Notes payable and trade payables	(486,063)	95,327
Net defined benefit liabilities	(1,339)	(589)
Other payables	(482,393)	(475,547)
Short-term warranty provisions	(3,321)	(535)
Other current liabilities	57,083	133,479
Other non-current liabilities	(3,198)	(51,503)
Cash generated from operations	1,221,046	414,534
Interest received	9,002	4,535
Interest paid	(309)	(1,463)
Income tax paid	(181,660)	(77,854)
Net cash generated from operating activities	<u>1,048,079</u>	<u>339,752</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortizes cost	-	(120)
Proceeds from sale of financial assets at amortizes cost	146,839	-
Purchase of investments accounted for using the equity method	(63,214)	(440,087)
Increase in prepayments for investments	(238,000)	-

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
Net cash flow on the acquisition of subsidiaries	\$ (542,156)	\$ -
Payments for property, plant and equipment	(189,443)	(83,855)
Proceeds from disposal of property, plant and equipment	68,260	5,238
Increase in refundable deposits	(179)	(2,299)
Payments for intangible assets	(11,809)	(12,984)
Decrease (increase) in prepayments for business facilities	<u>16,059</u>	<u>(74,532)</u>
Net cash used in investing activities	<u>(813,643)</u>	<u>(608,639)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	181,548	-
Repayments of long-term borrowings	(2,406)	(750)
Decrease in guarantee deposits received	(138)	-
Repayment of the principal portion of lease liabilities	(54,857)	-
Exercise of employee share options	31,737	14,735
Decrease in non-controlling interests	<u>(29,998)</u>	<u>3,868</u>
Net cash generated from financing activities	<u>125,886</u>	<u>17,853</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>82,290</u>	<u>(25,499)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	442,612	(276,533)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>6,633,161</u>	<u>5,204,219</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 7,075,773</u>	<u>\$ 4,927,686</u>

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

(With Deloitte & Touche review report dated May 3, 2019)

(Concluded)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

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

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors May 3, 2019.

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

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

Except for the following, whenever applied, 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 would not have any material impact on the Group’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 Group 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 Group as lessee

The Group 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 consolidated statements of comprehensive income, the Group 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 consolidated 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 Group 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 Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

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

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

The Group as lessor

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

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

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

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

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

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

## 2) Amendments to 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.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

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

### b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

d. Other significant accounting policies

Except for the related accounting policies of leases and the following, please refer to the consolidated financial statements for the year ended December 31, 2018.

1) Leases

2019

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

a) The Group as lessor

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

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

b) The Group as lessee

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



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

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

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

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

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

## 2018

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

### a) The Group as lessor

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

### b) The Group as lessee

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

## 2) Retirement benefits

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

### 3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and the effect of the change in tax rate relating to transactions recognized outside of profit or loss is recognized in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is included in the estimation of the average annual income tax rate, consequently spreading the effect throughout the interim period.

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

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

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

#### 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 was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

#### b. Significant influence over associates

As Note 13 Investments accounted for using the equity method describes that several companies are associates of the Group although the Group only holds less than 20% of the voting power in each of these companies and the Group has significant influence over these companies by virtue of the right to appoint and remove directors from the board of directors of these companies.

#### c. Impairment of goodwill

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

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	\$ 109,880	\$ 76,179	\$ 70,883
Checking accounts and demand deposits	5,685,442	5,350,844	4,599,543
Cash equivalents (time deposits with original maturities less than three months)	<u>1,280,451</u>	<u>1,206,138</u>	<u>257,260</u>
	<u>\$ 7,075,773</u>	<u>\$ 6,633,161</u>	<u>\$ 4,927,686</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	6,711	5,198	3,270
Non-derivative financial assets			
Domestic quoted shares	96,005	202,622	231,375
Foreign quoted shares	6,843	5,270	7,865
Mutual funds	<u>2,114,519</u>	<u>1,885,462</u>	<u>3,653,168</u>
	<u>\$ 2,224,078</u>	<u>\$ 2,098,552</u>	<u>\$ 3,895,678</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial assets mandatorily at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 8,171</u>	<u>\$ 6,139</u>	<u>\$ 13,625</u>

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

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2018</u>			
Sell	EUR/NTD	2019.01-2019.04	EUR12,600/NTD448,286
	EUR/USD	2019.01-2019.02	EUR400/USD459
	JPY/NTD	2019.01-2019.05	JPY380,000/NTD104,301
	RMB/NTD	2019.01-2019.04	RMB67,000/NTD295,236
<u>March 31, 2018</u>			
Sell	EUR/NTD	2018.04-2018.09	EUR15,500/NTD555,762
	EUR/USD	2018.04-2018.08	EUR1,500/USD1,838
	USD/NTD	2018.04	USD601/NTD17,589
	JPY/NTD	2018.04-2018.09	JPY490,000/NTD131,414
	RMB/NTD	2018.04-2018.06	RMB78,000/NTD355,391
(Concluded)			

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

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<u>Non-current</u>			
Investments in equity instruments at FVTOCI	<u>\$ 1,423,914</u>	<u>\$ 1,300,267</u>	<u>\$ 1,870,546</u>
Investments in equity instruments at FVTOCI:			
	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<u>Non-current</u>			
Domestic investments			
Listed shares and emerging market shares			
Ordinary shares - ASUSTek Computer Inc.	\$ 1,056,900	\$ 955,001	\$ 1,308,091
Ordinary shares - Allied Circuit Co., Ltd.	246,117	226,501	477,429
Unlisted shares			
Ordinary shares - BroadTec System Inc.	4,155	3,879	3,767
Ordinary shares - BiosenseTek Corp.	-	-	173
Ordinary shares - Juguar Technology	4,943	4,743	7,560
Ordinary shares - Taiwan DSC PV Ltd.	-	-	527
	<u>1,312,115</u>	<u>1,190,124</u>	<u>1,797,547</u>
Foreign investments			
Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	109,919	107,328	69,704
JamaPro Co., Ltd.	1,880	2,815	3,295
	<u>111,799</u>	<u>110,143</u>	<u>72,999</u>
	<u>\$ 1,423,914</u>	<u>\$ 1,300,267</u>	<u>\$ 1,870,546</u>

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Foreign investments			
Time deposits with original maturity of more than 3 months	\$ <u>11,166</u>	\$ <u>157,426</u>	\$ <u>37,871</u>

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable - operating	\$ <u>1,305,287</u>	\$ <u>1,461,404</u>	\$ <u>1,219,572</u>
<u>Trade receivables</u>			
Amortized cost			
Gross carrying amount	\$ 7,443,723	\$ 6,958,369	\$ 6,661,574
Less: Allowance for impairment loss	<u>(86,559)</u>	<u>(87,491)</u>	<u>(99,038)</u>
	\$ <u>7,357,164</u>	\$ <u>6,870,878</u>	\$ <u>6,562,536</u>

### Trade Receivables

#### For the three months ended March 31, 2019

- At amortized cost

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

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

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

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

### March 31, 2019

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	20%	46%	100%	-
Gross carrying amount	\$ 6,246,759	\$ 1,061,121	\$ 33,574	\$ 47,422	\$ 54,847	\$ 7,443,723
Loss allowance (Lifetime ECLs)	-	(3,113)	(6,715)	(21,884)	(54,847)	(86,559)
Amortized cost	<u>\$ 6,246,759</u>	<u>\$ 1,058,008</u>	<u>\$ 26,859</u>	<u>\$ 25,538</u>	<u>\$ -</u>	<u>\$ 7,357,164</u>

### December 31, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	31%	69%	100%	-
Gross carrying amount	\$ 5,358,360	\$ 1,488,386	\$ 53,879	\$ 34,029	\$ 23,715	\$ 6,958,369
Loss allowance (Lifetime ECLs)	(21,319)	(2,056)	(16,913)	(23,488)	(23,715)	(87,491)
Amortized cost	<u>\$ 5,337,041</u>	<u>\$ 1,486,330</u>	<u>\$ 36,966</u>	<u>\$ 10,541</u>	<u>\$ -</u>	<u>\$ 6,870,878</u>

### March 31, 2018

	<b>Not Past Due</b>	<b>Less than 90 Days</b>	<b>90 to 180 Days</b>	<b>180 to 360 Days</b>	<b>Over 360 Days</b>	<b>Total</b>
Expected credit loss rate	-	3%	31%	56%	100%	-
Gross carrying amount	\$ 5,734,708	\$ 792,179	\$ 69,986	\$ 34,703	\$ 29,998	\$ 6,661,574
Loss allowance (Lifetime ECLs)	(4,659)	(22,985)	(21,867)	(19,529)	(29,998)	(99,038)
Amortized cost	<u>\$ 5,730,049</u>	<u>\$ 769,194</u>	<u>\$ 48,119</u>	<u>\$ 15,174</u>	<u>\$ -</u>	<u>\$ 6,562,536</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 87,491	\$ 90,455
Add: Net remeasurement of loss allowance	2,783	9,964
Less: Amounts written off *	(4,360)	(1,605)
Business combination	(35)	-
Foreign exchange gains and losses	<u>680</u>	<u>224</u>
Balance at March 31	<u>\$ 86,559</u>	<u>\$ 99,038</u>

\* The Group wrote off trade receivables and related loss allowance for the three months ended March 31, 2019 and 2018 of \$4,360 thousand and \$1,605 thousand, respectively, as the customers' trade receivables have been aged more than 2 years and the legal attest letters were served without receivables collected.

## 11. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
Raw materials	\$ 3,784,440	\$ 3,773,265	\$ 3,364,752
Work in process	1,978,173	1,533,978	1,448,128
Finished goods	1,446,656	1,531,644	1,271,200
Inventories in transit	<u>969,385</u>	<u>718,933</u>	<u>733,437</u>
	<u>\$ 8,178,654</u>	<u>\$ 7,557,820</u>	<u>\$ 6,817,517</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2018 was \$7,425,918 thousand and \$6,920,365 thousand, respectively.

The costs of inventories were decreased by \$759,458 thousand, \$630,341 thousand and \$598,658 thousand as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively, when stated at the lower of cost or net realizable value.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2019	December 31, 2018	March 31, 2018	
The Company	Advantech Automation Corp. [AAC (BVI)]	Investment and management service	100.00	100.00	100.00	
	Advantech Technology Co., Ltd (ATC)	Sale of industrial automation products	100.00	100.00	100.00	
	Advanix Corporation	Production and sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Corporate Investment	Investment holding company	100.00	100.00	100.00	a
	Advantech Europe Holding B.V.(AEUH)	Investment and management services	100.00	100.00	100.00	
	Advantech Co., Singapore Pte, Ltd.(ASG)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Australia Pty Ltd. (AAU)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Japan Co., Ltd. (AJP)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Co. Malaysia Sdn. Bhd (AMY)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech KR Co., Ltd. (AKR)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Brasil Ltd (ABR)	Sale of industrial automation products	80.00	80.00	80.00	a
	Advantech Industrial Computing India Private Limited (AIN)	Sale of industrial automation products	99.99	99.99	99.99	a
	AdvanPOS	Production and sale of POS systems	100.00	100.00	100.00	a
	LNC Technology Co., Ltd. (LNC)	Production and sale of machines with computerized numerical controls	64.10	64.10	80.06	a, j
	Advantech Electronics, S. De R. L. De C. V.(AMX)	Sale of industrial automation products	100.00	100.00	100.00	a

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2019	December 31, 2018	March 31, 2018	
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a
	BEMC Holdings Corporation (BEMC)	Sale of industrial network communications systems	-	-	60.00	k
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	60.00	60.00		k
	Advantech Intelligent Services Co., Ltd. (AiST)	Design, develop and sale of intelligent service	100.00	100.00	100.00	a
	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	76.00	76.00	36.00	a, b
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	51.00	51.00	51.00	a, c
	Advantech Vietnam Technology Company Limited (AVN)	Sale of industrial automation products	60.00	60.00	-	a, f
	Limited Liability Company Advantech Technology (ARU)	Production and sale of industrial automation products	100.00	100.00	-	a, l
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	50.00	-	-	a, n
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	-	-	a, o
Advantech KR Co., Ltd. (AKR)	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	24.00	24.00	24.00	a
Advantech Japan Co., Ltd. (AJP)	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	30.00	-	-	a, n
Advantech Corporate Investment	Cermate Technologies Inc. (Cermate)	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
	Huan Yan, Jih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	50.00	50.00	50.00	a, d
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	50.00	50.00	a, d
	Advantech Corporate Investment Ltd.(ACISM)	General investment	100.00	-	-	a, p
Advantech Technology Co., Ltd (ATC)	Advantech Automation Corp. (HK)[ATC (HK)]	Investment and management services	100.00	100.00	100.00	
HK Advantech Technology Co., Ltd. ATC (HK)	Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	100.00	100.00	100.00	
	Advanixs Kun Shan Corp.	Production and sale of industrial automation products	-	-	100.00	a, q
Advantech Automation Corp. (BVI) (AAC (BVI))	Advantech Corp. (ANA)	Sale and fabrication of industrial automation products	100.00	100.00	100.00	
	Advantech Automation Corp. (HK) (AAC (HK))	Investment and management service	100.00	100.00	100.00	
	Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Design, development and sale of IoT intelligent system service	100.00	100.00	-	a, g
Advantech Corp. (ANA)	BEMC Holdings Corporation (BEMC)	Sale of industrial network communications	-	-	40.00	k
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications	40.00	40.00	-	k
Advantech Automation Corp. (HK) (AAC (HK))	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	100.00	100.00	100.00	
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	100.00	100.00	100.00	a
Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	99.00	99.00	-	a, g
	Advantech Service-IoT GmbH (A-SIoT) (former A-DLoG)	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	-	a, h
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	100.00	100.00	100.00	a, e
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	1.00	1.00	-	a, i
Advantech Europe Holding B.V.(AEUH)	Advantech Europe B.V. (AEU)	Sale of industrial automation products	100.00	100.00	100.00	
	Advantech Poland Sp z o.o. (APL)	Sale of industrial automation products	100.00	100.00	100.00	a

(Continued)



Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2019	December 31, 2018	March 31, 2018	
Advantech Europe B.V. (AEU)	Advantech Service-IoT GmbH (A-SIoT) (former A-DLoG)	Design, R&D and sale of industrial automation vehicles and related products	-	-	100.00	a, h
Advantech Co., Singapore Pte, Ltd.(ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	49.00	49.00	49.00	a, c
	Advantech International. PT. (AID)	Sale of industrial automation products	100.00	100.00	100.00	a
Cermate Technologies Inc. (Cermate)	LandMark Co., Ltd.(LandMark)	General investment	100.00	100.00	100.00	a
LandMark Co., Ltd.(LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of industrial electronic equipment	100.00	100.00	100.00	a
	Shenzhen Cermate Technologies Inc.	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	90.00	a
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	General investment	100.00	100.00	100.00	a
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	General investment	100.00	100.00	100.00	a
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	100.00	a
BEMC Holdings Corporation (BEMC)	Avtek Corporation (Avtek)	General investment	-	-	100.00	k
Avtek Corporation (Avtek)	B+B Smartworx Inc. (B+B)	General investment	-	-	100.00	k
B+B Smartworx Inc. (B+B)	B+B Smartworx Limited (BBIE) (former BBI)	Sale of industrial network communications systems	100.00	100.00	100.00	
	Quatech, LLC (Quatech)	Sale of industrial network communications systems	-	-	100.00	m
	B&B IMC. LLC (IMC)	Sale of industrial network communications systems	100.00	100.00	100.00	
B+B Smartworx Limited (BBIE) (former BBI)	B&B Electronics Holdings LLC (B&B Electronics)	Sale of industrial network communications systems	100.00	100.00	100.00	
	Advantech B+B SmartWorx s.r.o.CZ (B+B (CZ))	Manufacturing of cellular and automation solutions	99.99	99.99	99.99	
	Conel Automation s.r.o. CZ (Conel Automation)	Sale of industrial network communications systems	1.00	1.00	1.00	
	Advantech Technology DMCC (DMCC) (Former B&B DMCC)	Sale of industrial network communications systems	100.00	100.00	100.00	
B&B Electronics Holdings LLC (B&B Electronics)	Advantech B+B SmartWorx s.r.o.CZ (B+B (CZ))	Manufacturing of cellular and automation solutions	0.01	0.01	0.01	
Advantech B+B SmartWorx s.r.o.CZ (B+B (CZ))	Conel Automation s.r.o. CZ (Conel Automation)	Sale of industrial network communications systems	99.00	99.00	99.00	

(Concluded)

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

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

Remark c: In the first quarter of 2018, the Group acquired 49% of the equity of ATH; thus the Group's equity investment in ATH increased from 51% to 100%. After the Group increased capital and adjusted its investment structure in ATH, the Company and ASG held 51% and 49% of the equity of ATH, respectively.

Remark d: In the first quarter of 2018, Advantech Corporate Investment founded Huan Yan, Jih-Lian Co., Ltd. and Yun Yan, Wu-Lian Co., Ltd. and acquired 50% of the equity in each of these subsidiaries.

Remark e: In the first quarter of 2018, the Group adjusted its investment structure and ACN directly held 100% of the equity of AXA.

Remark f: In the second quarter of 2018, the Group acquired 60% of the equity of AVN.

Remark g: In the second quarter of 2018, the Group founded SIoT (Cayman) and SIoT (China).

- Remark h: In the third quarter of 2018, the Group adjusted its investment structure; hence SIoT (Cayman) directly held 100% of the equity of A-SIoT (former A-DLoG).
- Remark i: In the third quarter of 2018, AiSC invested in SIoT (China) and held 1% of the equity of SIoT (China).
- Remark j: In the first and the third quarters of 2018, the Group respectively sold 1.11% and 15.96% of the equity of LNC, which led the Group's equity investment in LNC to decrease from 81.17% to 64.10%.
- Remark k: In the fourth quarter of 2018, the Group adjusted its investment structure, and BEMC and Avetek were liquidated. The Company directly holds B+B at the moment.
- Remark l: In the fourth quarter of 2018, the Group founded ARU.
- Remark m: In the fourth quarter of 2018, Quatech was in the process of liquidation.
- Remark n: In the first quarter of 2019, the Group acquired 80% of the equity of ATJ. The Group and AJP held 50% and 30% of the equity of ATJ, respectively.
- Remark o: In the first quarter of 2019, the Group acquired 60% of the equity of ATR.
- Remark p: In the first quarter of 2019, Advantech Corporate Investment founded ACISM and acquired 100% of its equity.
- Remark q: In the second quarter of 2018, Advanix Kun Shan Corp. were merged by AKMC. Advanix Kun Shan Corp. ceased to exist and liquidation has been completed in the fourth quarter of 2018.

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

#### Investments in Associates

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. ("Axiomtek")	\$ 649,934	\$ 619,411	\$ 644,887
Winmate Inc. ("Winmate")	551,581	542,761	549,795
AzureWare Technologies, Inc. ("AzureWare")	513,909	534,780	532,078
Nippon RAD Inc. (Nippon RAD)	306,603	298,700	-
Mildex Optical Inc. ("Mildex")	200,381	183,210	-
Unlisted companies			
AIMobile Co., Ltd. ("AIMobile")	97,333	65,012	80,552
Deneng Scientific Research Co., Ltd. ("Deneng")	13,975	14,100	14,804
Jan Hsiang Electronics Co., Ltd. ("Jan Hsiang")	7,784	8,010	10,381
CDIB Innovation Accelerator Co., Ltd. ("CDIB")	149,003	147,109	70,554
			(Continued)

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
DotZero Co., Ltd. (“DotZero”)	\$ 4,573	\$ 4,629	\$ -
iLink Co., Ltd. (“iLink”)	7,490	9,407	-
Shanghai Yanle Co., Ltd. (“Yanle”)	4,382	74,393	-
GSD Environmental Technology Co., Ltd. (“GSD”)	<u>17,963</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,524,911</u>	<u>\$ 2,431,522</u>	<u>\$ 1,903,051</u> (Concluded)

In the first quarter of 2018, the Group subscribed the equity of AzureWave Technologies, Inc. through a private placement with the approval of the board of directors. In the second half of 2018, the Group subscribed for 19.65% of its equity and had significant influence over AzureWave Technologies, Inc.

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

In the second quarter of 2018, the Group paid cash of \$10,067 thousand for 25% equity of iLink Co., Ltd. The Group had significant influence over iLink Co., Ltd.

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

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

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

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
The Group’s share of		
Profit (loss) from continuing operations	\$ 4,949	\$ 21,507
Other comprehensive loss	<u>24,317</u>	<u>(1,663)</u>
Total comprehensive income (loss) for the period	<u>\$ 29,266</u>	<u>\$ 19,844</u>

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

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed.

## 14. PROPERTY, PLANT AND EQUIPMENT

### a. 2019

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<b>Cost</b>							
Balance at January 1, 2019	\$ 2,934,127	\$ 7,195,732	\$ 1,709,936	\$ 850,021	\$ 1,743,263	\$ 2,485	\$ 14,435,564
Additions	-	12	20,495	14,879	24,484	101,367	161,237
Disposals	(7,100)	(13,147)	(9,475)	(18,987)	(19,821)	(431)	(68,961)
Acquisitions through business combinations	39,543	945,040	130,912	15,916	34,650	1	1,166,062
Reclassifications	-	32,713	(11,696)	(7,862)	(4,192)	(104,744)	(95,781)
Effect of foreign currency exchange differences	(488)	43,299	11,804	4,344	15,278	5,953	80,190
Balance at March 31, 2019	<u>\$ 2,966,082</u>	<u>\$ 8,203,649</u>	<u>\$ 1,851,976</u>	<u>\$ 858,311</u>	<u>\$ 1,793,662</u>	<u>\$ 4,631</u>	<u>\$ 15,678,311</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2019	\$ -	\$ 1,591,282	\$ 1,172,613	\$ 654,746	\$ 1,234,142	\$ -	\$ 4,652,783
Disposals	-	(5,673)	(7,915)	(13,112)	(19,349)	-	(46,049)
Depreciation expenses	-	50,953	51,975	23,105	47,387	-	173,420
Acquisitions through business combinations	-	867,976	109,364	9,952	32,988	-	1,020,280
Reclassifications	-	(580)	8,947	(8,002)	(1,441)	-	(1,076)
Effect of foreign currency exchange differences	-	9,248	6,111	(371)	9,922	-	24,910
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 2,513,206</u>	<u>\$ 1,341,095</u>	<u>\$ 666,318</u>	<u>\$ 1,303,649</u>	<u>\$ -</u>	<u>\$ 5,824,268</u>
Carrying amounts at March 31, 2019	<u>\$ 2,966,082</u>	<u>\$ 5,690,443</u>	<u>\$ 510,881</u>	<u>\$ 191,993</u>	<u>\$ 490,013</u>	<u>\$ 4,631</u>	<u>\$ 9,854,043</u>

### b. 2018

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<b>Cost</b>							
Balance at January 1, 2018	\$ 2,943,980	\$ 7,274,546	\$ 1,634,925	\$ 830,623	\$ 1,729,582	\$ 4,257	\$ 14,417,913
Additions	-	9,555	12,929	14,809	32,901	13,661	83,855
Disposals	-	-	(58,578)	(2,934)	(14,649)	(1,308)	(77,469)
Reclassifications	-	(2,766)	19,282	(30,369)	(8,931)	(13,257)	(36,041)
Effect of foreign currency exchange differences	(1,673)	40,519	8,856	2,845	9,076	86	59,709
Balance at March 31, 2018	<u>\$ 2,942,307</u>	<u>\$ 7,321,854</u>	<u>\$ 1,617,414</u>	<u>\$ 814,974</u>	<u>\$ 1,747,979</u>	<u>\$ 3,439</u>	<u>\$ 14,447,967</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2018	\$ -	\$ 1,414,696	\$ 1,186,494	\$ 651,244	\$ 1,198,147	\$ -	\$ 4,450,581
Disposals	-	-	(52,916)	(2,889)	(13,389)	-	(69,194)
Depreciation expenses	-	50,005	26,234	19,199	48,739	-	144,177
Reclassifications	-	(551)	8,503	(28,778)	183	-	(20,643)
Effect of foreign currency exchange differences	-	13,059	5,227	2,214	6,975	-	27,475
Balance at March 31, 2018	<u>\$ -</u>	<u>\$ 1,477,209</u>	<u>\$ 1,173,542</u>	<u>\$ 640,990</u>	<u>\$ 1,240,655</u>	<u>\$ -</u>	<u>\$ 4,532,396</u>
Carrying amounts at March 31, 2018	<u>\$ 2,942,307</u>	<u>\$ 5,844,645</u>	<u>\$ 443,872</u>	<u>\$ 173,984</u>	<u>\$ 507,324</u>	<u>\$ 3,439</u>	<u>\$ 9,915,571</u>

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

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

Property, plant and equipment pledged as collateral for borrowings are set out in Note 30.

## 15. LEASE ARRANGEMENTS

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

**March 31, 2019**

Carrying amounts

Land	\$ 311,514
Buildings	527,035
Machinery	2,694
Office equipment	13,546
Transportation equipment	<u>50,296</u>

\$ 905,085

**For the Three  
Months Ended  
March 31, 2019**

Depreciation charge for right-of-use assets

Land	\$ 2,213
Building	42,454
Machinery	164
Office equipment	1,431
Transportation equipment	<u>7,361</u>

\$ 53,623

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

### b. Lease liabilities - 2019

**March 31, 2019**

Carrying amounts

Current	\$ 201,334
Non-current	<u>393,299</u>

\$ 594,633

Range of discount rate for lease liabilities was as follows:

**March 31, 2019**

Buildings	0.25%-12.00%
Machinery	0.87%-5.46%
Office equipment	0.87%-4.75%
Transportation equipment	0.25%-5.90%

## 16. GOODWILL

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Cost</u>		
Balance at January 1	\$ 2,937,789	\$ 2,828,958
Additional amounts recognized from business combinations occurring during the year (Note 26)	124,028	-
Effect of foreign currency exchange differences	<u>(2,062)</u>	<u>(35,771)</u>
Balance at March 31	<u>\$ 3,059,755</u>	<u>\$ 2,793,187</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ (97,788)	\$ (101,409)
Effect of foreign currency exchange differences	<u>-</u>	<u>3,621</u>
Balance at March 31	<u>\$ (97,788)</u>	<u>\$ (97,788)</u>
Carry amount at March 31	<u>\$ 2,961,967</u>	<u>\$ 2,695,399</u>

The goodwill recognized in the acquisitions of ATJ, ATR, and AVN mainly represents the control premium included in the costs of the combinations. The accounting for the acquisition has been provisionally determined at the end of the reporting period. As of the date the consolidated financial statements were approved for issue, the market valuations and other calculations have not been finalized. Therefore, the amount was provisionally determined based on the best estimate made by the Group's management.

## 17. PREPAYMENTS FOR LEASES

	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Current assets (included in other current assets)	\$ 8,673	\$ 9,013
Non-current assets	<u>297,665</u>	<u>316,072</u>
	<u>\$ 306,338</u>	<u>\$ 325,085</u>

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

## 18. BORROWINGS

### a. Short-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Secured borrowings			
Bank loans	\$ -	\$ -	\$ 81,000
Unsecured borrowings			
Line of credit borrowings	<u>424,096</u>	<u>87,581</u>	<u>-</u>
	<u>\$ 424,096</u>	<u>\$ 87,581</u>	<u>\$ 81,000</u>

The range of weighted average effective interest rates on bank loans was 0.19%-3.15%, 1.38%-3.15% and 2.98% per annum as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

b. Long-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<u>Secured borrowings</u>			
Bank loans	\$ -	\$ -	\$ 48,463
Other loans	<u>53,004</u>	<u>55,410</u>	<u>60,443</u>
	53,004	55,410	108,906
Less: Current portions	<u>(7,220)</u>	<u>(9,626)</u>	<u>(27,982)</u>
Long-term borrowings	<u>\$ 45,784</u>	<u>\$ 45,784</u>	<u>\$ 80,924</u>

The long-term borrowings are borrowings of the subsidiary AKST. The effective interest rate of line of credit and secured borrowings was 1.60%-2.75% per annum as of March 31, 2018.

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

With demand of borrowings, the Group freehold land and buildings and payment guarantee (refer to Note 30).

## 19. OTHER LIABILITIES

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other payables			
Payables for salaries or bonuses	\$ 1,812,215	\$ 2,143,770	\$ 1,875,215
Payables for employee benefits	200,213	207,175	183,341
Payables for royalties	121,515	107,409	118,544
Others (Note)	<u>1,138,870</u>	<u>1,203,845</u>	<u>971,822</u>
	<u>\$ 3,272,813</u>	<u>\$ 3,662,199</u>	<u>\$ 3,148,922</u>

Note: Including marketing expenses, and freight expenses.

## 20. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$1,339 thousand and \$1,412 thousand for the three months ended March 31, 2019 and 2018, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>699,076</u>	<u>698,696</u>	<u>697,458</u>
Shares issued	<u>\$ 6,990,755</u>	<u>\$ 6,986,955</u>	<u>\$ 6,974,575</u>

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

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

### b. Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 3,396,888	\$ 3,396,888	\$ 3,396,888
Conversion of bonds	931,849	931,849	931,849
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	80,831	88,560	19,359
Share of changes in capital surplus of associates	55	55	-
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	4,263	4,263	4,246
Employee share options	1,615,779	1,519,818	1,291,394
Employees' share compensation	78,614	78,614	78,614
Share of changes in capital surplus of associates	28,927	27,890	26,392
<u>Not note be used for any purpose</u>			
Employee share options	<u>1,042,060</u>	<u>1,025,411</u>	<u>919,969</u>
	<u>\$ 7,179,266</u>	<u>\$ 7,073,348</u>	<u>\$ 6,668,711</u>

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



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

c. Retained earnings and dividend policy

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 bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 22, d.

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

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

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

The appropriations of earnings, for 2018 and 2017 which have been proposed by the Company's board of directors on March 8, 2019 and approved in the shareholders' meetings on May 24, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Year Ended</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 629,466	\$ 615,651	\$ -	\$ -
Special reserve	429,108	284,451	-	-
Cash dividends	4,751,129	4,660,414	6.8	6.6

The appropriations of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on May 28, 2019.

d. Special reserves

**For the Three Months Ended  
March 31**

	2019	2018
Beginning at January 1	\$ 369,655	\$ 85,204
Balance at March 31	<u>\$ 369,655</u>	<u>\$ 85,204</u>

e. Other equity items

1) Exchange differences on translation of foreign financial statements

**For the Three Months Ended  
March 31**

	2019	2018
Balance at January 1	\$ (475,245)	\$ (463,479)
Effect of change in tax rate	-	3,544
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign entities	100,098	11,312
Share of those of associates accounted for using the equity method	<u>3,161</u>	<u>(1,042)</u>
Other comprehensive income recognized for the period	<u>103,259</u>	<u>(13,814)</u>
Balance at March 31	<u>\$ (371,986)</u>	<u>\$ (449,665)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

**For the Three Months Ended  
March 31**

	2019	2018
Balance at January 1	\$ (324,254)	\$ 134,877
Recognized for the period		
Unrealized gain/(loss) - equity instruments	120,818	161,517
Share of those of associates accounted for using the equity method	<u>20,910</u>	<u>(361)</u>
Other comprehensive income recognized for the period	<u>141,728</u>	<u>161,156</u>
Balance at March 31	<u>\$ (182,526)</u>	<u>\$ 296,033</u>

3) Unearned employee benefits compensation

**For the Year  
Ended  
December 31,  
2019**

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

f. Non-controlling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 237,883	\$ 179,366
Share of profit (loss) for the year	5,511	5,268
Other comprehensive income during the year		
Exchange difference on translation of foreign financial statements	29,603	(11,062)
Partial disposal of subsidiaries (Note 27)	-	1,876
Non-controlling interests arising from increasing investment in subsidiaries (Note 27)	(22,487)	-
Non-controlling interests arising from acquisition of subsidiary, ATJ (Note 26)	102,770	-
Non-controlling interests arising from acquisition of subsidiary, ATR (Note 26)	14,041	-
Employees' holding outstanding vest share option related non-controlling interests issued by subsidiaries	<u>218</u>	<u>1,234</u>
Balance at March 31	<u>\$ 367,539</u>	<u>\$ 176,682</u>

**22. NET PROFIT FROM CONTINUING OPERATIONS**

a. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 778	\$ 193
Interest on lease liabilities	4,510	-
Others	<u>887</u>	<u>1,029</u>
	<u>\$ 6,175</u>	<u>\$ 1,222</u>

b. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of depreciation by function		
Operating costs	\$ 38,392	\$ 34,930
Operating expenses	<u>188,651</u>	<u>109,247</u>
	<u>\$ 227,043</u>	<u>\$ 144,177</u>
An analysis of amortization by function		
Operating costs	\$ 943	\$ 914
Selling and marketing expenses	73	16,891
General and administrative expenses	25,782	17,041
Research and development expenses	<u>20,337</u>	<u>7,653</u>
	<u>\$ 47,135</u>	<u>\$ 42,499</u>

c. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits	\$ 2,266,458	\$ 2,049,696
Post-employment benefits		
Defined contribution plans	91,661	76,788
Defined benefit plans (Note 20)	<u>1,339</u>	<u>1,412</u>
	<u>93,000</u>	<u>78,200</u>
Share-based payments		
Equity-settled	<u>84,673</u>	<u>99,019</u>
Other employee benefits	<u>152,799</u>	<u>145,631</u>
Total employee benefits expense	<u>\$ 2,596,930</u>	<u>\$ 2,372,546</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 561,783	\$ 492,718
Operating expenses	<u>2,035,147</u>	<u>1,879,828</u>
	<u>\$ 2,596,930</u>	<u>\$ 2,372,546</u>

d. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation at the rates of no less than 5% and remuneration of directors at the rates of no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months ended March 31, 2019 and 2018, the employees' compensation and the remuneration of directors were accrued of net profit after income tax.

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	\$ 116,455	\$ 68,250
Remuneration of directors	<u>\$ 2,650</u>	<u>\$ 2,650</u>

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

The appropriations of employees' compensation and remuneration of directors and supervisors for 2018 and 2017 having been resolved by the board of directors on May 3, 2019 and March 2, 2018, respectively, were as below:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 452,355	\$ 273,000
Remuneration of directors and supervisors	10,600	10,600

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 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. Gain or loss on foreign currency exchange

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 186,054	\$ 258,485
Foreign exchange losses	<u>(116,310)</u>	<u>(261,241)</u>
Net gain (loss)	<u>\$ 69,744</u>	<u>\$ (2,756)</u>

### 23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current period	\$ 465,526	\$ 362,256
Adjustment for prior years	22,516	(31,900)
Deferred tax		
In respect of the current period	(56,362)	4,641
Change in tax rate	<u>-</u>	<u>38,557</u>
Income tax expense recognized in profit or loss	<u>\$ 431,680</u>	<u>\$ 373,554</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate is adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is \$185,530 thousand, for which \$146,973 thousand has not been recognized as of March 31, 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax</u>		
Change in tax rate	\$ -	\$ (3,544)
In respect of current period		
Translation of foreign operations	<u>25,815</u>	<u>2,568</u>
Income tax recognized in other comprehensive income	<u>\$ 25,815</u>	<u>\$ (976)</u>

c. Income tax assessments

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

**24. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

**For the Three Months Ended  
March 31**

	<b>2019</b>	<b>2018</b>
Basic earnings per share	<u>\$ 2.31</u>	<u>\$ 1.95</u>
Diluted earnings per share	<u>\$ 2.29</u>	<u>\$ 1.95</u>

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

**Net Profit for the Period**

**For the Three Months Ended  
March 31**

	<b>2019</b>	<b>2018</b>
Earnings used in the computation of basic earnings per share	<u>\$ 1,617,358</u>	<u>\$ 1,362,670</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,617,358</u>	<u>\$ 1,362,670</u>

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

**For the Three Months Ended  
March 31**

	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares in computation of basic earnings per share	698,744	697,404
Effect of potentially dilutive ordinary shares:		
Employee share options	6,372	936
Employees' compensation	<u>1,911</u>	<u>1,211</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>707,027</u>	<u>699,551</u>

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

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

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

Information on employee share options was as follows:

	<b>For the Three Months Ended March 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	15,965	\$143.64	9,378	\$ 95.15
Options exercised	<u>(380)</u>	83.52	<u>(175)</u>	84.20
Balance at March 31	<u>15,585</u>	-	<u>9,203</u>	-
Options exercisable, end of the period	<u>7,585</u>	84.58	<u>2,703</u>	84.20
Weighted-average fair value of options granted (NT\$)	<u>-</u>		<u>-</u>	

The weighted-average share price at the date of exercise of share options for the three months ended March 31, 2019 and 2018 were from NT\$223 to NT\$249 and NT\$213 to NT\$226, respectively.

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

	<b>For the Three Months Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>
Issuance in 2018	\$202.50	5.33	\$ -	-
Issuance in 2016	85.60	3.20	88.5	4.20
Issuance in 2014	81.50	1.38	84.2	2.38

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

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

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

Compensation cost recognized was \$84,673 thousand and \$99,019 thousand for the three months ended March 31, 2019 and 2018, respectively.

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

Information on employee share options was as follows:

	For the Three Months Ended March 31			
	2019		2018	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	<u>814</u>	\$ 20	<u>980</u>	\$ 20
Balance at March 31	<u>814</u>	20	<u>980</u>	20
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Information on outstanding options for the three months ended March 31, 2019 and 2018 was as follows:

	March 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	\$ 20	3.28	\$ -	-
Issuance in 2017	20	2.17	20	3.42



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

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

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

#### Issuance in 2018

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

#### Issuance in 2017

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

## **26. BUSINESS COMBINATIONS**

### a. Subsidiaries acquired

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Advantech Technologies Japan Corp. (ATJ)	Production and sale of eletronical and mechanical device	January 31, 2019	80	<u>\$ 517,008</u>
Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	February 28, 2019	42	<u>\$ 28,266</u>

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 automation products in the Turkey market. The Group increased capital; thus the Group's equity investment in ATR increased to 60%.

b. Consideration transferred

	<b>ATJ</b>	<b>ATR</b>
Cash	<u>\$ 517,008</u>	<u>\$ 28,266</u>

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

	<b>ATJ</b>	<b>ATR</b>
Current assets		
Cash and cash equivalents	\$ -	\$ 3,118
Trade receivables	600,641	16,907
Inventories	437,154	10,319
Other current assets	7,220	52
Non-current assets		
Plant and equipment	145,020	762
Intangible assets	4,426	195
Deferred tax assets	73,782	-
Other non-current assets	-	181
Current liabilities		
Short-term borrowings	(157,819)	(311)
Trade and other payables	(548,370)	(2,206)
Current tax liabilities	(32,436)	(444)
Other current liabilities	(15,770)	(4,278)
Non-current liabilities		
Other non-current liabilities	-	(86)
	<u>\$ 513,848</u>	<u>\$ 24,209</u>

The initial accounting for the acquisition of ATJ and ATR were only provisionally determined at the end of the reporting period. The tax bases of ATJ and ATR's assets were required to be reset based on the market values of the assets. As of the date the consolidated financial statements were approved for issue, the market valuations and other calculations had not been finalized. Therefore, the amount of the likely tax values was provisionally determined based on the best estimate made by the Group's management.

d. Non-controlling interests

The non-controlling interest (20% and 58% ownership interest in ATJ and ATR) recognized at the acquisition date was measured by reference to the identifiable net assets of the non-controlling interest and amounted to \$102,770 thousand and \$14,041 thousand for each.

e. Goodwill recognized on acquisitions

	<b>ATJ</b>	<b>ATR</b>
Consideration transferred	\$ 517,008	\$ 28,266
Less: Fair value of identifiable net assets acquired	<u>(411,078)</u>	<u>(10,168)</u>
Goodwill recognized on acquisitions	<u>\$ 105,930</u>	<u>\$ 18,098</u>

The goodwill recognized in the acquisitions of ATJ and ATR mainly represents the control premium included in the costs of the combinations. The accounting for the acquisition has been provisionally determined at the end of the reporting period. As of the date the consolidated financial statements were approved for issue, the market valuations and other calculations have not been finalized. Therefore, the amount was provisionally determined based on the best estimate made by the Group's management.

f. Net cash outflow on acquisitions of subsidiaries

	<b>ATJ</b>	<b>ATR</b>
Consideration paid in cash	\$ 517,008	\$ 28,266
Less: Cash and cash equivalent balances acquired	<u>-</u>	<u>(3,118)</u>
	<u>\$ 517,008</u>	<u>\$ 25,148</u>

g. Impact of acquisitions on the results of the Group

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

	<b>For the Three Months Ended March 2019</b>	
	<b>ATJ</b>	<b>ATR</b>
Revenue	<u>\$ 249,067</u>	<u>\$ 9,858</u>
Profit	<u>\$ 17,419</u>	<u>\$ 2,505</u>

## 27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- a. In the first and third quarters of 2018, the Group sold 1.11% of the equity in LNC, which led the Group's equity investment decreased from 81.17% to 80.06%.
- b. In the first quarter of 2019, the Group increase capital to acquire 18% of the shares of ATR, which led the Group's equity investment in ATR increase from 42% to 60%.

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

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>ATR</b>	<b>LNC</b>
Cash consideration received (paid)	\$ (30,216)	\$ 3,391
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>22,487</u>	<u>(1,876)</u>
Differences recognized from equity transactions	<u>\$ (7,729)</u>	<u>\$ 1,515</u>
<u>Line items adjusted for equity transactions</u>		
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>\$ (7,729)</u>	<u>\$ 1,515</u>

## 28. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

March 31, 2019

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

December 31, 2018

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

March 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 3,270	\$ -	\$ 3,270
Securities listed in ROC	231,375	-	-	231,375
Securities listed in other country	7,865	-	-	7,865
Mutual funds	<u>3,653,168</u>	<u>-</u>	<u>-</u>	<u>3,653,168</u>
	<u>\$ 3,892,408</u>	<u>\$ 3,270</u>	<u>\$ -</u>	<u>\$ 3,895,678</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	\$ 1,785,520	\$ -	\$ -	\$ 1,785,520
Unlisted securities - ROC	-	-	12,027	12,027
Unlisted shares in other country	<u>-</u>	<u>-</u>	<u>72,999</u>	<u>72,999</u>
	<u>\$ 1,785,520</u>	<u>\$ -</u>	<u>\$ 85,026</u>	<u>\$ 1,870,546</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 13,625</u>	<u>\$ -</u>	<u>\$ 13,625</u>

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

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

For the three months ended March 31, 2019

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

For the three months ended March 31, 2018

	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	
	<b>Equity Instruments</b>	<b>Total</b>
<u>Financial assets</u>		
Balance at January 1, 2018	\$ -	\$ -
Reclassification	89,893	89,893
Recognized in other comprehensive income	<u>(4,867)</u>	<u>(4,867)</u>
Balance at March 31, 2018	<u>\$ 85,026</u>	<u>\$ 85,026</u>

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

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

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

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

b. Categories of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	\$ 2,224,078	\$ 2,098,552	\$ 3,892,408
Financial assets at amortized cost (Note 1)	15,956,509	15,187,794	12,785,669
Financial assets at FVTOCI			
Equity instruments	1,423,914	1,300,267	1,870,546
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	8,171	6,139	13,625
Financial assets at amortized cost (Note 2)	9,505,473	9,616,094	8,641,983

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

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

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

The Group undertook operating activities and investment of foreign operations denominated in foreign currencies, which exposed it to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by entering into a variety of derivative financial instruments, which allow the Group to mitigate but not fully eliminate the effect.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 31. As for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 7.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase in New Taiwan dollars (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in exchange rates. The range of the sensitivity analysis included cash and cash equivalents, trade receivables and trade payables. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	<u>U.S. Dollar Impact</u>		<u>Euro Impact</u>		<u>Renminbi Impact</u>	
	<u>For the Three Months Ended March 31</u>		<u>For the Three Months Ended March 31</u>		<u>For the Three Months Ended March 31</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit or loss	\$ 107,874 (Note 1)	\$ 81,837 (Note 1)	\$ 65,293 (Note 2)	\$ 66,026 (Note 2)	\$ 53,088 (Note 3)	\$ 38,259 (Note 3)

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



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

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

b) Interest rate risk

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

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Fair value interest rate risk			
Financial assets	\$ 1,291,616	\$ 1,363,564	\$ 295,131
Financial liabilities	373,605	-	41,173
Cash flow interest rate risk			
Financial assets	4,891,093	4,527,415	4,067,153
Financial liabilities	103,495	142,991	75,833

Sensitivity analysis

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2019 and 2018 would have increased by \$5,984 thousand and \$4,989 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings and borrowings.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher, pre-tax profit for the three months ended March 31, 2019 and 2018 would have increased by \$1,028 thousand and \$2,392 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the three months ended March 31, 2019 and 2018 would have increased by \$14,239 thousand and \$18,705 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI. Had equity prices been 1% lower for the same year, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.

The Group had the lower sensitivity toward equity prices mainly because stock price fell in 2018.

## 2) Credit risk

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

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

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group had available unutilized short-term bank loan facilities set out in section (c) below.

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

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

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

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

March 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 6,912,073	\$ 1,182,308	\$ 933,992	\$ -
Variable interest rate liabilities	30,172	275	21,727	64,165
Fixed interest rate liabilities	<u>270</u>	<u>250,741</u>	<u>125,085</u>	<u>-</u>
	<u>\$ 6,942,515</u>	<u>\$ 1,433,324</u>	<u>\$ 1,080,804</u>	<u>\$ 64,165</u>

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year- 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,036,567	\$ 1,601,148	\$ 835,388	\$ -
Variable interest rate liabilities	<u>337</u>	<u>20,649</u>	<u>70,407</u>	<u>67,039</u>
	<u>\$ 7,036,904</u>	<u>\$ 1,621,797</u>	<u>\$ 905,795</u>	<u>\$ 67,039</u>

March 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 6,003,903	\$ 1,443,831	\$ 1,077,243	\$ -
Variable interest rate liabilities	183	366	9,745	81,828
Fixed interest rate liabilities	<u>63</u>	<u>127</u>	<u>571</u>	<u>41,611</u>
	<u>\$ 6,004,149</u>	<u>\$ 1,444,324</u>	<u>\$ 1,087,559</u>	<u>\$ 123,439</u>

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

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

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

March 31, 2019

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

December 31, 2018

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

March 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Total</b>
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 299,342	\$ 503,236	\$ 311,078	\$ 1,113,656
Outflows	<u>305,203</u>	<u>510,178</u>	<u>308,630</u>	<u>1,124,011</u>
	<u>\$ (5,861)</u>	<u>\$ (6,942)</u>	<u>\$ (2,448)</u>	<u>\$ (10,355)</u>

c) Financing facilities

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured bank overdraft facilities reviewed annually and payable at call:			
Amount used	\$ 423,872	\$ 67,581	\$ -
Amount unused	<u>6,747,868</u>	<u>3,955,919</u>	<u>3,869,200</u>
	<u>\$ 7,171,740</u>	<u>\$ 4,023,500</u>	<u>\$ 3,869,200</u>
Secured bank overdraft facilities:			
Amount used	<u>\$ 53,004</u>	<u>\$ 55,410</u>	<u>\$ 117,006</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

Name	Related Party Category
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Jan Hsiang Electronics Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
i-Link Co., Ltd.	Associate
Mildex Optical Inc.	Associate
Nippon RAD Inc.	Associate
Shanghai Yanle Co., Ltd.	Associate
Advantech Foundation	Other related party
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party

b. Sales of goods

Related Party Categories/Name	For the Three Months Ended March 31	
	2019	2018
Associates	<u>\$ 23,179</u>	<u>\$ 20,897</u>

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended March 31	
	2019	2018
Associates	<u>\$ 42,920</u>	<u>\$ 19,667</u>

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

Line Items	Related Party Categories/Name	March 31, 2019	December 31, 2018	March 31, 2018
Trade receivables from related parties	Associates	<u>\$ 20,166</u>	<u>\$ 18,969</u>	<u>\$ 14,958</u>

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

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

Line Items	Related Party Categories/Name	March 31, 2019	December 31, 2018	March 31, 2018
Trade payables	Associates	<u>\$ 37,206</u>	<u>\$ 27,653</u>	<u>\$ 21,284</u>

The outstanding trade payables to related parties are unsecured.

f. Other transactions with related parties

Related Party Category/Name	<u>Operating Expenses</u>	
	<u>For the Three Months Ended</u>	
	<u>March 31</u>	
	<u>2019</u>	<u>2018</u>
Research and development expenses		
Associates	<u>\$ 160</u>	<u>\$ 1,688</u>

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

	<u>Other Income</u>	
	<u>For the Three Months Ended</u>	
	<u>March 31</u>	
	<u>2019</u>	<u>2018</u>
Rental income		
Other related parties	<u>\$ 15</u>	<u>\$ 15</u>
Others		
Other related parties	<u>\$ 676</u>	<u>\$ 676</u>

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

g. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 11,290	\$ 11,794
Post-employment benefits	11	50
Share-based payments	<u>10,411</u>	<u>7,378</u>
	<u>\$ 21,712</u>	<u>\$ 19,231</u>

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

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

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

	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
Pledge deposits (recognized as debt investments with no active market)	\$ -	\$ 28,912
Property, plant and equipment	<u>67,068</u>	<u>67,068</u>
	<u>\$ 67,068</u>	<u>\$ 95,980</u>

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

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

March 31, 2019

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

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 206,550	30.82 (USD:NTD)	\$ 6,365,871
RMB	488,040	4.580 (RMB:NTD)	2,235,209
EUR	28,349	34.61 (EUR:NTD)	981,159
USD	15,813	6.7293 (USD:RMB)	<u>487,355</u>
			<u>\$ 10,069,594</u>
			(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 126,877	30.82 (USD:NTD)	\$ 3,910,349
RMB	167,961	4.580 (RMB:NTD)	769,257
USD	24,384	6.7293 (USD:RMB)	<u>751,514</u>
			<u>\$ 5,431,120</u> (Concluded)

December 31, 2018

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

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



March 31, 2018

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

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 196,259	29.105 (USD:NTD)	\$ 5,712,118
RMB	437,651	4.6470 (RMB:NTD)	2,033,764
EUR	39,600	35.870 (EUR:NTD)	1,420,452
USD	16,312	6.2632 (USD:RMB)	474,761
RMB	44,522	0.1597 (RMB:USD)	<u>206,907</u>
			<u>\$ 9,848,002</u>
<u>Financial liabilities</u>			
Monetary items			
USD	127,721	29.105 (USD:NTD)	\$ 3,717,320
RMB	239,453	4.6470 (RMB:NTD)	1,112,738
USD	29,215	6.2632 (USD:RMB)	<u>850,303</u>
			<u>\$ 5,680,361</u>

For the three months ended March 31, 2019 and 2018, realized and unrealized net foreign exchange gains (or losses) were \$69,744 thousand and \$(2,756) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

**32. SEPARATELY DISCLOSED ITEMS**

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

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

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
  - 9) Transactions of financial instruments. (Notes 7 and 28)
  - 10) Significant transactions between the Company and subsidiaries. (Table 9)
  - 11) Name, locations, and other information of investees. (Table 7)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or losses, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Tables 1, 5 and 6)

### **33. SEGMENT INFORMATION**

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

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

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

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

## Segment Revenue and Results

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

	Industrial Interest of Thing Services (IIoT)	Embedded Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (Allied DMS)	Intelligent Services (SIoT)	Global Customer Services (AGS & APS)	Others	Total
<u>For the three months ended March 31, 2019</u>							
Revenue from external customers	\$ 3,724,205	\$ 3,110,924	\$ 2,970,837	\$ 1,145,359	\$ 1,330,210	\$ 19,055	\$ 12,300,590
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 3,724,205</u>	<u>\$ 3,110,924</u>	<u>\$ 2,970,837</u>	<u>\$ 1,145,359</u>	<u>\$ 1,330,210</u>	<u>\$ 19,055</u>	<u>12,300,590</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>12,300,590</u>
Segment income	<u>\$ 858,618</u>	<u>\$ 496,686</u>	<u>\$ 427,537</u>	<u>\$ 92,764</u>	<u>\$ 170,423</u>	<u>\$ -</u>	<u>2,046,028</u>
Other revenue	-	-	-	-	-	-	34,599
Other unamortized expense	-	-	-	-	-	-	(187,859)
Other income and expense	-	-	-	-	-	-	163,007
Finance costs	-	-	-	-	-	-	(6,175)
Share of profits of associates for using the equity method	-	-	-	-	-	-	<u>4,949</u>
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 2,054,549</u>
<u>For the three months ended March 31, 2018</u>							
Revenue from external customers	\$ 3,900,182	\$ 3,097,274	\$ 1,824,716	\$ 1,028,811	\$ 1,465,059	\$ 39,153	\$ 11,355,195
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 3,900,182</u>	<u>\$ 3,097,274</u>	<u>\$ 1,824,716</u>	<u>\$ 1,028,811</u>	<u>\$ 1,465,059</u>	<u>\$ 39,153</u>	<u>11,355,195</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>11,355,915</u>
Segment income	<u>\$ 880,113</u>	<u>\$ 517,321</u>	<u>\$ 281,221</u>	<u>\$ 74,393</u>	<u>\$ 164,080</u>	<u>\$ (994)</u>	<u>1,916,134</u>
Other revenue	-	-	-	-	-	-	20,098
Other unamortized expense	-	-	-	-	-	-	(273,541)
Other income and expense	-	-	-	-	-	-	58,516
Finance costs	-	-	-	-	-	-	(1,222)
Share of profits of associates for using the equity method	-	-	-	-	-	-	<u>21,507</u>
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 1,741,492</u>

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

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

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note F)		Actual Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	\$ 16,476 (CZK 12,000 thousand)	\$ 16,068 (CZK 12,000 thousand)	\$ 16,068 (CZK 12,000 thousand)	2.00	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 118,164 (Note C)	\$ 118,164 (Note C)
2	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	6,865 (CZK 5,000 thousand)	6,695 (CZK 5,000 thousand)	6,695 (CZK 5,000 thousand)	2.00	Short-term financing	-	Financing need	-	None	None	118,164 (Note C)	118,164 (Note C)
3	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	4,119 (CZK 3,000 thousand)	4,017 (CZK 3,000 thousand)	4,017 (CZK 3,000 thousand)	2.00	Short-term financing	-	Financing need	-	None	None	118,164 (Note C)	118,164 (Note C)
4	AAC (BVI)	ATJ	Trade receivables - related parties	Yes	169,800, (JPY 600,000 thousand)	166,800, (JPY 600,000 thousand)	-	0.55	Short-term financing	-	Financing need	-	None	None	2,569,920 (Note D)	2,569,920 (Note D)
5	LNC	LNC Dong Guan	Trade receivables - related parties	Yes	30,000	30,000	-	-	Short-term financing	-	Financing need	-	None	None	32,308 (Note E)	129,232 (Note E)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rates as of March 31, 2019 were CZK1=NT\$1.339 and JPY1=NT\$0.278.

Note C: The financing limit for each borrower and for the aggregate financing were both 40%, of the B+B (CZ)'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 the 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 the LNC's net asset values.

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

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## ENDORSEMENT/GUARANTEE PROVIDED

FOR THE THREE MONTHS ENDED MARCH 31, 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 Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	\$ 3,127,449	\$ 924,600 (US\$ 30,000 thousand)	\$ 924,600 (US\$ 30,000 thousand)	\$ -	\$ -	2.96	\$ 9,382,349	Y	N	N
		AAC(BVI)	Subsidiary	3,127,449	308,200 (US\$ 10,000 thousand)	308,200 (US\$ 10,000 thousand)	-	-	0.99	9,382,349	Y	N	N
		Advantech Corporate Investment	Subsidiary	3,127,449	308,200 (US\$ 10,000 thousand)	308,200 (US\$ 10,000 thousand)	-	-	0.99	9,382,349	Y	N	N
		AJP	Subsidiary	3,127,449	308,200 (US\$ 10,000 thousand)	308,200 (US\$ 10,000 thousand)	111,199	-	0.99	9,382,349	Y	N	N
		ATJ	Subsidiary	3,127,449	278,000 (JPY1,000,000 thousand)	278,000 (JPY1,000,000 thousand)	215,091	-	0.89	9,382,349	Y	N	N
		AKST	Subsidiary	3,127,449	184,920 (US\$ 6,000 thousand)	184,920 (US\$ 6,000 thousand)	67,588	-	0.59	9,382,349	Y	N	N
		AKMC	Subsidiary	3,127,449	184,920 (US\$ 6,000 thousand)	184,920 (US\$ 6,000 thousand)	-	-	0.59	9,382,349	Y	N	Y
		ACISM	Subsidiary	3,127,449	154,100 (US\$ 5,000 thousand)	154,100 (US\$ 5,000 thousand)	-	-	0.49	9,382,349	Y	N	N
		SIoT (Cayman)	Subsidiary	3,127,449	308,200 (US\$ 10,000 thousand)	308,200 (US\$ 10,000 thousand)	-	-	0.99	9,382,349	Y	N	N
		B+B	Subsidiary	3,127,449	154,100 (US\$ 5,000 thousand)	154,100 (US\$ 5,000 thousand)	-	-	0.49	9,382,349	Y	N	N
		ABR	Subsidiary	3,127,449	46,230 (US\$ 1,500 thousand)	46,230 (US\$ 1,500 thousand)	-	-	0.15	9,382,349	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		A-SIoT	Subsidiary	\$ 3,127,449	\$ 34,610 (EUR 1,000 thousand)	\$ 34,610 (EUR 1,000 thousand)	\$ -	\$ -	0.11	\$ 9,382,349	Y	N	N
		AVN	Subsidiary	3,127,449	30,820 (US\$ 1,000 thousand)	30,820 (US\$ 1,000 thousand)	-	-	0.10	9,382,349	Y	N	N
		Cermate	Subsidiary	3,127,449	30,820 (US\$ 1,000 thousand)	30,820 (US\$ 1,000 thousand)	-	-	0.10	9,382,349	Y	N	N
		Cermate (Shenzhen)	Subsidiary	3,127,449	30,820 (US\$ 1,000 thousand)	30,820 (US\$ 1,000 thousand)	-	-	0.10	9,382,349	Y	N	Y
		B+B(CZ)	Subsidiary	3,127,449	15,410 (US\$ 500 thousand)	15,410 (US\$ 500 thousand)	-	-	0.05	9,382,349	Y	N	N
		ATR	Subsidiary	3,127,449	15,410 (US\$ 500 thousand)	15,410 (US\$ 500 thousand)	-	-	0.05	9,382,349	Y	N	N
		Advansus Corp.	Subsidiary	3,127,449	15,410 (US\$ 500 thousand)	15,410 (US\$ 500 thousand)	-	-	0.05	9,382,349	Y	N	N
		AdvanPOS	Subsidiary	3,127,449	15,410 (US\$ 500 thousand)	15,410 (US\$ 500 thousand)	-	-	0.05	9,382,349	Y	N	N
		AAU	Subsidiary	3,127,449	6,164 (US\$ 200 thousand)	6,164 (US\$ 200 thousand)	-	-	0.02	9,382,349	Y	N	N
		Advantech Innovative Design Co., Ltd	Subsidiary	3,127,449	4,623 (US\$ 150 thousand)	4,623 (US\$ 150 thousand)	-	-	0.01	9,382,349	Y	N	N
		AKR	Subsidiary	3,127,449	1,541 (US\$ 50 thousand)	1,541 (US\$ 50 thousand)	-	-	0.01	9,382,349	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 March 31, 2019 were US\$1= NT\$30.82, EUR1= NT\$34.61, and JPY1=NT\$0.278.

Note D: The latest net equity is from the financial statements for the three months ended March 31, 2019.

(Concluded)

TABLE 3

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

FOR THE THREE MONTHS ENDED MARCH 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	March 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Share</u> ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	4,739,461	\$ 1,056,900	0.64	\$ 1,056,900	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	79,800	2.41	79,800	Note A
	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	2,494,674	31,278	-	31,278	Note B
	Capital Money Market	-	Same as above	8,702,880	140,396	-	140,396	Note B
Advantech Corporate Investment	<u>Share</u> HwaCom System Inc.	-	Financial assets at fair value through profit or loss - current	5,175,000	74,261	5.00	74,261	Note A
	Phison Electronics Corporation	-	Same as above	72,000	21,744	0.04	21,744	Note A
	Contec	-	Same as above	15,500	6,843	0.23	6,843	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	166,317	5.03	166,317	Note A
	BroadTec System Inc.	-	Same as above	225,000	4,155	7.50	4,155	Note C
	BiosenseTek Corp.	-	Same as above	37,500	-	1.79	-	Note C
	Juguar Technology	-	Same as above	500,000	4,943	16.67	4,943	Note C
	Taiwan DSC PV Ltd.,	-	Same as above	160,000	-	3.20	-	Note C
	<u>Fund</u> Taishin 1699 Money Market	-	Financial assets at fair value through profit or loss - current	55,077,478	745,004	-	745,004	Note B
	FSITC Money Market	-	Same as above	3,924,295	700,004	-	700,004	Note B
Advanixs Corporate	<u>Fund</u> Jih Sun Money Market	-	Same as above	1,651,314	24,461	-	24,461	Note B
	Mega Diamond Money Market	-	Same as above	10,281,425	128,907	-	128,907	Note B
AiST	<u>Fund</u> Jih Sun Money Market	-	Same as above	1,311,144	19,422	-	19,422	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
AdvanPOS	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	1,116,049	\$ 13,993	-	\$ 13,993	Note B
SIoT (Cayman)	<u>Fund</u> FSITC Money Market	-	Same as above	1,497,397	267,100	-	267,100	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	Same as above	628,613	10,141	-	10,141	Note B
Cermate	<u>Fund</u> Mega Diamond Money Market	-	Same as above	1,526,509	19,139	-	19,139	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	-	109,919	8.89	109,919	Note C
	<u>Share</u> Jama Pro Co., Ltd.	-	Same as above	583,300	1,880	10.00	1,880	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	4,932	-	4,932	Note B
Huan Yan, Jih-lian Co.,	<u>Fund</u> FSITC Money Market	-	Same as above	54,616	9,742	-	9,742	Note B

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

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

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

(Concluded)



## ADVANTECH CO., LTD. AND SUBSIDIARIES

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Cost)
The Company	<u>Fund</u> Mega Diamond Money Market	Financial assets at fair value through profit or loss - current	-	-	97,030,420	\$ 1,212,819	-	\$ -	94,535,746	\$ 1,185,000	\$ 1,181,637	\$ 3,363	2,494,674	\$ 31,182
	<u>Share</u> ATJ	Investments accounted for using the equity method	-	Subsidiary	-	-	500,000	323,130	-	-	-	-	500,000	323,130
Advantech Corporate Investment	<u>Fund</u> FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	3,924,295	700,004	-	-	-	-	3,924,295	700,004
	Taishin 1699 Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	55,077,478	745,004	-	-	-	-	55,077,478	745,004

**TABLE 5**

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 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	AEU	Subsidiary	Sale	\$ 1,318,372	15.32	30 days after month-end	Contract price	No significant difference in terms for related parties	\$ 1,114,951	15.63	Note A
	AJP	Subsidiary	Sale	230,948	2.68	60-90 days	Contract price	No significant difference in terms for related parties	182,688	2.56	
	ACN	Subsidiary	Sale	1,649,813	19.18	45 days after month-end	Contract price	No significant difference in terms for related parties	1,603,560	22.49	
	AKR	Subsidiary	Sale	239,199	2.78	60 days after invoice date	Contract price	No significant difference in terms for related parties	70,981	1.00	
	ANA	Subsidiary	Sale	2,350,363	27.32	45 days after month-end	Contract price	No significant difference in terms for related parties	1,746,313	24.49	
	Advanixs Corp.	Subsidiary	Sale	165,220	1.92	60-90 days	Contract price	No significant difference in terms for related parties	134,120	1.88	
	SIoT (Cayman)	Subsidiary	Sale	253,904	2.95	Usual trade terms	Contract price	No significant difference in terms for related parties	305,735	4.29	
	AKMC	Subsidiary	Purchase	(2,693,226)	46.51	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,184,178)	23.91	
		Parent company	Sale	2,693,226	94.91	Usual trade terms	Contract price	No significant difference in terms for related parties	1,184,178	93.52	
	Parent company	Purchase	(1,318,372)	71.87	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,114,951)	66.77		
AJP	The Company	Parent company	Purchase	(230,948)	100.00	60-90 days	Contract price	No significant difference in terms for related parties	(182,688)	92.95	
ACN	The Company	Parent company	Purchase	(1,649,813)	79.78	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,603,560)	85.37	
AKR	The Company	Parent company	Purchase	(239,199)	66.30	60 days after invoice date	Contract price	No significant difference in terms for related parties	(70,981)	52.48	
ANA	The Company	Parent company	Purchase	(2,350,363)	79.78	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,746,313)	84.43	
Advanixs Corp.	The Company	Parent company	Purchase	(165,220)	100	60-90 days	Contract price	No significant difference in terms for related parties	(134,120)	98.50	
SIoT (Cayman)	The Company	Parent company	Purchase	(253,904)	49.04	Usual trade terms	Contract price	No significant difference in terms for related parties	(305,735)	67.70	
SIoT (Cayman)	AEU	Related enterprise	Sale	146,402	20.00	Usual trade terms	Contract price	No significant difference in terms for related parties	111,225	26.08	
SIoT (Cayman)	ANA	Related enterprise	Sale	166,767	23.46	Usual trade terms	Contract price	No significant difference in terms for related parties	60,764	14.25	
ACN	SIoT (Cayman)	Related enterprise	Sale	104,870	4.42	Usual trade terms	Contract price	No significant difference in terms for related parties	42,793	1.92	
AEU	SIoT (Cayman)	Related enterprise	Purchase	(146,402)	7.98	Usual trade terms	Contract price	No significant difference in terms for related parties	(111,225)	6.66	
ANA	SIoT (Cayman)	Related enterprise	Purchase	(166,767)	5.66	Usual trade terms	Contract price	No significant difference in terms for related parties	(60,764)	2.94	
SIoT (Cayman)	ACN	Related enterprise	Purchase	(104,870)	20.26	Usual trade terms	Contract price	No significant difference in terms for related parties	(42,793)	8.30	

Note A: Unrealized gain for the period was \$1,726 thousand.

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 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	\$ 1,603,560	4.72	\$ -	-	\$ 586,239	\$ -
	AEU	Subsidiary	1,114,951	4.02	-	-	335,406	-
	SIoT (Cayman)	Subsidiary	305,735	6.64	-	-	162,206	-
	AJP	Subsidiary	182,688	10.11	-	-	70,894	-
	AKMC	Subsidiary	409,919	(Note 1)	-	-	289,457	-
	ANA	Subsidiary	1,746,313	4.93	-	-	-	-
	Advanixs Corp.	Subsidiary	134,120	4.62	-	-	64,964	-
AKMC	The Company	Parent company	1,184,178	7.85	-	-	402,810	-
LNC	LNC Dong Guan	Parent company	220,291	1.41	-	-	23,486	-
AKMC	SIoT (Cayman)	Related enterprise	169,138	1.19	-	-	-	-
SIoT (Cayman)	AEU	Related enterprise	111,225	10.53	-	-	61,334	-

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

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars/Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note	
				March 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	\$ 6,086,683	\$ 90,658	\$ 95,283	Subsidiary	
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,862,357	5,871	3,260	Subsidiary	
	Advantix Corporate	Taipei, Taiwan	Production and sale of industrial automation products	226,000	226,000	10,000,000	100.00	256,125	16,915	18,532	Subsidiary	
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	1,400,000	300,000,000	100.00	3,153,612	24,769	24,596	Subsidiary	
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.77	649,934	116,505	30,014	Equity-meth investee	
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	297,314	18	18	Subsidiary	
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	304,865	304,865	19,230,000	64.10	432,842	(1,241)	(802)	Subsidiary	
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	7,784	(791)	(226)	Equity-meth investee	
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	894	674	674	Subsidiary	
	AEUH	Helmond, the Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	860,905	(20,687)	(17,825)	Subsidiary	
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	47,951	6,787	6,787	Subsidiary	
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51.00	54,836	3,195	1,630	Subsidiary	
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	45,209	2,187	2,187	Subsidiary	
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	332,806	12,942	12,942	Subsidiary	
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	73,181	2,961	2,961	Subsidiary	
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	288,897	13,701	13,701	Subsidiary	
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	62,055	(1,404)	(1,123)	Subsidiary	
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,080	13	13	Subsidiary	
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	97,210	1,026	1,026	Subsidiary	
	B+B	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	230,467	60.00	1,927,273	(18,725)	(14,739)	Subsidiary	
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	13,943	(95)	(95)	Subsidiary	
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	135,000	18,000,000	45.00	97,333	(28,175)	(12,678)	Equity-meth investee	
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	69,740	76.00	(31,105)	(4,058)	(4,070)	Subsidiary	
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	551,581	33,493	8,342	Equity-meth investee	
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	75,852	(678)	(407)	Subsidiary	
	Nippon RAD Inc.	Tokoyo, Japan	R&D of IoT intelligent system	251,915	251,915	850,000	16.08	260,870	37,712	7,165	Equity-meth investee	
	ARU	Moscow	Production and sale of industrial automation products	23,822	23,822	500,000	100.00	20,543	(2,299)	(2,299)	Subsidiary	
	ATJ	Fukuoka, Japan	Production and sale of electronic and mechanical devices	323,130	-	500,000	50.00	332,641	45,511	13,396	Subsidiary	
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	-	260,870	60.00	49,643	4,076	1,503	Subsidiary	
	AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	22,023	24.00	-	(4,058)	-	Subsidiary
	AJP	ATJ	Fukuoka, Japan	Production and sale of electronic and mechanical devices	193,878	-	300,000	30.00	199,585	45,511	8,038	Subsidiary
	Advantech Corporate Investment	Cermate	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	129,914	891	318	Subsidiary
Deneng		Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	13,975	(314)	(125)	Equity-meth investee	
CDIB Innovation Accelerator Co., Ltd.		Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	149,003	(5,465)	(976)	Equity-meth investee	
AzureWave Technologies, Inc.		Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.65	513,909	(112,468)	(22,096)	Equity-meth investee	
Huan Yan, Jih-Lian Co., Ltd.		Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	5,000	5,000	500,000	50.00	4,978	14	7	Subsidiary	
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	
Nippon RAD Inc.		Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,733	37,712	-	Equity-meth investee	
i-Link Co., Ltd.	Taichung, Taiwan	Intelligent medical integration	10,067	10,067	1,000,000	25.00	7,490	(7,668)	(1,917)	Equity-meth investee		
DotZero Co., Ltd	Taichung, Taiwan	Intelligent metal processing integration	4,900	4,900	490,000	49.00	4,573	(113)	(56)	Equity-meth investee		

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				March 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
	Mildex Optiocal Inc. ACISM	Kaohsiung, Taiwan Samoa	Manufacturing of electronic parts General investment	\$ 202,948 18,214	\$ 202,948 -	15,710,000 1	15.00 100.00	\$ 200,381 17,962	\$ (16,697) -	\$ (2,472) -	Equity-meth investee Subsidiary
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	3,872,057	5,935	3,324	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,778,541	38,270	38,289	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	1,936,066	(1,491)	(1,513)	Subsidiary
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US\$ 50,000	US\$ 50,000	30,000,000	100.00	1,724,088	64,350	71,838	Subsidiary
SIoT (Cayman)	A-SIoT (Former A-DloG)	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	522,719	522,719	1	100.00	571,974	28,543	31,405	Subsidiary
ANA	B+B	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	153,644	40.00	1,310,751	(18,725)	(7,490)	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	999,032	(22,318)	(22,318)	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	33,025	1,899	1,899	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	53,797	3,195	1,566	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	8,934	190	190	Subsidiary
Cermate	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	114,451	2,142	1,805	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	7,900,000	100.00	15,143	(5,656)	(5,751)	Subsidiary
Better Auto	Famous Now	BVI	General investment	US\$ 4,000	US\$ 4,000	1	100.00	23,897	(5,656)	(5,656)	Subsidiary
B+B	BBIE (Former BBI)	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100.00	97,798	(4,130)	(4,130)	Subsidiary
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
BBIE	B&B Electronics	Delaware, USA	Sale of industrial network communications systems	US\$ 1,314	US\$ 1,314	-	100.00	-	-	-	Subsidiary
	B+B (CZ)	Czech Republic	Manufacturing automation	-	-	-	99.99	295,406	9,943	9,943	Subsidiary
	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	1.00	(168)	(3,222)	(32)	Subsidiary
	DMCC (Former B&B DMCC)	Dubai	Sale of industrial network communications systems	-	-	-	100.00	3,907	516	516	Subsidiary
B&B Electronics	B+B (CZ)	Czech Republic	Manufacturing automation	-	-	-	0.01	-	9,943	-	Subsidiary
B+B (CZ)	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	99.00	(16,596)	(3,222)	(3,190)	Subsidiary

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

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

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

(Concluded)

TABLE 8

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## INVESTMENTS IN MAINLAND CHINA

FOR THE THREE MONTHS ENDED MARCH 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 March 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2019	Accumulated Inward Remittance of Earnings as of March 31, 2019
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. ("AKMC")	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note E)	Indirect	\$ 1,149,586 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,149,586 (US\$ 37,300 thousand)	\$ 8,445	100	\$ 5,834	\$ 3,872,057	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	164,332 (US\$ 5,332 thousand)	-	-	164,332 (US\$ 5,332 thousand)	1,457	100	1,486	1,234,569	346,170 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US\$ 8,000 thousand	Indirect	246,560 (US\$ 8,000 thousand)	-	-	246,560 (US\$ 8,000 thousand)	(4,063)	100	(4,113)	674,413	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	2	100	2	30,611	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	98,439 (US\$ 3,194 thousand)	-	-	98,439 (US\$ 3,194 thousand)	(5,656)	100	(5,751)	23,796	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	9,493 (US\$ 308 thousand)	-	-	9,493 (US\$ 308 thousand)	2,129	90	1,580	83,385	30,081 (US\$ 717 thousand) (RMB 1,743 thousand)
Cermate Technologies (Shanghai) Inc.	Sale of Human Machine Interface	US\$ 520 thousand	Indirect	17,629 (US\$ 572 thousand)	-	-	17,629 (US\$ 572 thousand)	225	100	225	31,620	-

(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 March 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2019	Accumulated Inward Remittance of Earnings as of March 31, 2019
					Outflow	Inflow						
Advantech Service-IoT (Shanghai) Co., Ltd. ("SIoT (China)")	Development, consulting and services in intelligent technology	RMB 15,000 thousand	Indirect	(Note F)	\$ -	\$ -	(Note F)	\$ (6,593)	100	\$ (6,593)	\$ 54,785	\$ -
Shanghai Yanlo Co., Ltd. ("Yanlo")	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	(58)	45	(26)	4,382	-
GSD Environmental Technology Co., Ltd. ("GSD")	Development, consulting and services in environmental technology	RMB 10,000 thousand	Indirect	(Note H)	-	-	(Note H)	(867)	40	-	17,963	-

Accumulated Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,692,203 (US\$54,906 thousand) (Note E)	\$2,912,243 (US\$94,492 thousand)	\$18,985,221 (Note I)

Note A: The financial statements used as basis of net asset values had been reviewed by independent CPAs, except these of AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AKMC, AEUH, AEU and B+B.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between the Company and its investees in Mainland China are described in Table 6.

Note C: Remittance by ACN.

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

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

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

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

Note H: Awaited for the Investment Commission's approval.

Note I: The exchange rate was US\$1=NT\$30.82 and RMB1=NT\$4.58.

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

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

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES  
FOR THE THREE MONTHS ENDED MARCH 31, 2019

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

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	Advantech Co., Ltd.	AAC (HK)	1	Other receivables from related parties	\$ 72	45 days EOM	-
		AAU	1	Sales revenue	65,354	Normal	1
		AAU	1	Receivables from related parties	52,969	60-90 days	-
		AAU	1	Other revenue	543	Normal	-
		AAU	1	Other receivables from related parties	599	60-90 days	-
		ABR	1	Sales revenue	28,275	Normal	-
		ABR	1	Receivables from related parties	23,976	90 days EOM	-
		ABR	1	Other revenue	1,084	Normal	-
		ABR	1	Other receivables from related parties	2,185	90 days EOM	-
		ACN	1	Receivables from related parties	1,603,560	45 days EOM	3
		ACN	1	Sales revenue	1,649,813	Normal	13
		ACN	1	Other revenue	92	Normal	-
		AEU	1	Sales revenue	1,318,372	Normal	11
		AEU	1	Receivables from related parties	1,114,951	30 days EOM	2
		AEU	1	Other revenue	6,852	Normal	-
		AEU	1	Other receivables from related parties	1,978	30 days EOM	-
		AID	1	Sales revenue	6,016	Normal	-
		AID	1	Receivables from related parties	2,764	45 days after invoice date	-
		AID	1	Other receivables from related parties	245	45 days after invoice date	-
		AID	1	Other revenue	368	Normal	-
		AIN	1	Sales revenue	19,754	Normal	-
		AIN	1	Receivables from related parties	33,034	60 days EOM	-
		AIN	1	Other receivables from related parties	34	60 days EOM	-
		AiSC	1	Other receivables from related parties	92	45 days EOM	-
		AJP	1	Sales revenue	230,948	Normal	2
		AJP	1	Receivables from related parties	182,688	60-90 days	-
		AJP	1	Other revenue	1,542	Normal	-
		AJP	1	Other receivables from related parties	292	60-90 days	-
		AKMC	1	Receivables from related parties	253,302	45 days EOM	1
		AKMC	1	Sales revenue	1	Normal	-
		AKMC	1	Other receivables from related parties	44	45 days EOM	-
		AKR	1	Sales revenue	239,199	Normal	2
		AKR	1	Receivables from related parties	70,981	60 days after invoice date	-
		AKR	1	Other revenue	1,965	Normal	-
		AKR	1	Other receivables from related parties	46,708	60 days after invoice date	-
		AKST	1	Sales revenue	87	Normal	-
		AKST	1	Receivables from related parties	87	30 days EOM	-

(Continued)



Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AMY	1	Sales revenue	\$ 28,651	Normal	-
		AMY	1	Receivables from related parties	18,793	45 days EOM	-
		AMY	1	Other revenue	492	Normal	-
		AMY	1	Other receivables from related parties	320	45 days EOM	-
		ANA	1	Receivables from related parties	1,746,313	45 days EOM	4
		ANA	1	Other revenue	5,569	Normal	-
		ANA	1	Other receivables from related parties	5,815	45 days EOM	-
		ANA	1	Sales revenue	2,350,363	Normal	19
		APL	1	Sales revenue	4,485	Normal	-
		APL	1	Receivables from related parties	2,977	45 days EOM	-
		ARU	1	Sales revenue	14	Normal	-
		ARU	1	Receivables from related parties	14	45 days EOM	-
		ASG	1	Sales revenue	76,328	Normal	1
		ASG	1	Receivables from related parties	60,948	60-90 days	-
		ASG	1	Other revenue	658	Normal	-
		ASG	1	Other receivables from related parties	695	60-90 days	-
		A-SIoT	1	Sales revenue	90,995	Normal	1
		A-SIoT	1	Receivables from related parties	80,469	30 days after invoice date	-
		A-SIoT	1	Other revenue	798	Normal	-
		A-SIoT	1	Other receivables from related parties	485	30 days after invoice date	-
		ATH	1	Sales revenue	24,656	Normal	-
		ATH	1	Receivables from related parties	20,567	30 days after invoice date	-
		ATH	1	Other revenue	501	Normal	-
		ATH	1	Other receivables from related parties	359	30 days after invoice date	-
		ATR	1	Sales revenue	6,690	Normal	-
		ATR	1	Receivables from related parties	6,623	45 days EOM	-
		AVN	1	Receivables from related parties	9,937	45 days EOM	-
		AVN	1	Sales revenue	12,146	Normal	-
		B+B	1	Sales revenue	81,980	Normal	1
		B+B	1	Receivables from related parties	50,242	60 days EOM	-
		B+B	1	Other revenue	1,130	Normal	-
		B+B	1	Other receivables from related parties	730	60 days EOM	-
		B+B (CZ)	1	Other revenue	520	Normal	-
		B+B (CZ)	1	Other receivables from related parties	509	60 days EOM	-
		BBIE	1	Other revenue	236	Normal	-
		BBIE	1	Other receivables from related parties	227	45 days after invoice date	-
		SIoT (Cayman)	1	Sales revenue	253,904	Normal	2
		SIoT (Cayman)	1	Receivables from related parties	305,735	30 days EOM	1
		SIoT (Cayman)	1	Other receivables from related parties	2,174	30 days EOM	-
		Cermate Technologies Inc.	1	Other revenue	300	Normal	-
		Cermate Technologies Inc.	1	Sales revenue	5	Normal	-
		Cermate Technologies Inc.	1	Other receivables from related parties	210	30 days EOM	-
		Advansus Corp.	1	Sales revenue	165,220	Normal	1
		Advansus Corp.	1	Receivables from related parties	134,120	60-90 days	-
		Advansus Corp.	1	Other receivables from related parties	645	60-90 days	-
		LNC	1	Other revenue	400	Normal	-
		LNC	1	Other receivables from related parties	440	60-90 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		LNC	1	Sales revenue	\$ 26	Normal	-
		LNC	1	Receivables from related parties	28	60-90 days EOM	-
1	AAC (HK)	Advantech Co., Ltd.	2	Other receivables from related parties	4,066	45 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	2,033	Normal	-
2	AAU	Advantech Co., Ltd.	2	Sales revenue	171	Normal	-
3	ABR	Advantech Co., Ltd.	2	Receivables from related parties	846	30 days after invoice date	-
		Advantech Co., Ltd.	2	Sales revenue	2	Normal	-
4	ACN	AEU	3	Receivables from related parties	1,295	30 days EOM	-
		AEU	3	Sales revenue	3,999	Normal	-
		AiSC	3	Sales revenue	10,860	Normal	-
		AiSC	3	Receivables from related parties	2,900	Immediate payment	-
		AKMC	3	Sales revenue	6,037	Normal	-
		AKMC	3	Receivables from related parties	5,638	60-90 days	-
		AKR	3	Receivables from related parties	1	45 days EOM	-
		AKR	3	Sales revenue	5	Normal	-
		AMY	3	Sales revenue	2	Normal	-
		ANA	3	Sales revenue	229	Normal	-
		AXA	3	Other receivables from related parties	63	60 days EOM	-
		SIoT (China)	3	Receivables from related parties	42,793	30 days EOM	-
		SIoT (China)	3	Sales revenue	104,870	Normal	1
		Advantech Co., Ltd.	2	Receivables from related parties	107	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	1,202	Normal	-
5	AEU	ACN	3	Receivables from related parties	69	30 days after invoice date	-
		ACN	3	Sales revenue	63	Normal	-
		AIN	3	Receivables from related parties	14	45 days EOM	-
		AJP	3	Sales revenue	19	Normal	-
		AKMC	3	Unearned revenue	7	30 days EOM	-
		AKR	3	Sales revenue	10	Normal	-
		ANA	3	Sales revenue	2,288	Normal	-
		ANA	3	Receivables from related parties	22	30 days after invoice date	-
		APL	3	Sales revenue	1,056	Normal	-
		APL	3	Receivables from related parties	792	30 days after invoice date	-
		A-SIoT	3	Sales revenue	4,007	Normal	-
		A-SIoT	3	Receivables from related parties	1,390	30 days after invoice date	-
		B+B	3	Receivables from related parties	34	45 days EOM	-
		B+B (CZ)	3	Receivables from related parties	92	45 days EOM	-
		B+B (CZ)	3	Sales revenue	13	Normal	-
		SIoT (Cayman)	3	Receivables from related parties	17	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	7,467	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,626	30 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	56	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
6	AID	ASG	3	Receivables from related parties	\$ 129	45 days after invoice date	-
		ASG	3	Other revenue	392	Normal	-
7	AIN	Advantech Co., Ltd.	2	Receivables from related parties	511	60 days EOM	-
8	AiSC	AAC (HK)	3	Other receivables from related parties	4,733	90 days	-
		ACN	3	Other receivables from related parties	38,299	Immediate payment	-
		ACN	3	Sales revenue	27	Normal	-
		ACN	3	Rental revenue	4,918	Normal	-
		ACN	3	Receivables from related parties	1	Immediate payment	-
		SIoT (China)	3	Receivables from related parties	232	30 days EOM	-
		SIoT (China)	3	Sales revenue	42	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,390	45 days EOM	-
9	AJP	ACN	3	Receivables from related parties	62	45 days EOM	-
		AKMC	3	Receivables from related parties	938	45 days EOM	-
		AKMC	3	Sales revenue	1,802	Normal	-
		AKMC	3	Other receivables from related parties	18	60 days EOM	-
		ATJ	3	Receivables from related parties	37	45 days EOM	-
		ATJ	3	Sales revenue	46	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	413	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	517	Normal	-
10	AKMC	ACN	3	Sales revenue	72,872	Normal	1
		ACN	3	Receivables from related parties	44,527	60-90 days	-
		ACN	3	Rental revenue	981	Normal	-
		AEU	3	Sales revenue	1,279	Normal	-
		AEU	3	Receivables from related parties	747	30 days after invoice date	-
		AiSC	3	Sales revenue	60	Normal	-
		AiSC	3	Receivables from related parties	51	Immediate payment	-
		AKST	3	Receivables from related parties	301	30 days EOM	-
		AKST	3	Sales revenue	3,447	Normal	-
		ANA	3	Sales revenue	715	Normal	-
		ANA	3	Receivables from related parties	462	60-90 days	-
		SIoT (Cayman)	3	Receivables from related parties	169,138	30 days EOM	-
		SIoT (Cayman)	3	Sales revenue	25,141	Normal	-
		SIoT (China)	3	Receivables from related parties	777	30 days EOM	-
		SIoT (China)	3	Sales revenue	504	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	2,693,226	Normal	22
		Advantech Co., Ltd.	2	Receivables from related parties	1,184,178	60 days EOM	3
		Cermate Technologies Inc.	3	Sales revenue	25	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	5,643	60 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	4,849	Normal	-
Advansus Corp.	3	Receivables from related parties	382	30 days EOM	-		
Advansus Corp.	3	Sales revenue	526	Normal	-		
11	AKR	Advantech Co., Ltd.	2	Receivables from related parties	24	90 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	24	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
12	AKST	AKMC	3	Sales revenue	\$ 497	Normal	-
		AKMC	3	Receivables from related parties	584	30 days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	2,225	30 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	6,050	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	556	Normal	-
13	AMX	Advantech Co., Ltd.	2	Other revenue	2,462	Normal	-
14	ANA	AEU	3	Sales revenue	3,025	Normal	-
		AKMC	3	Sales revenue	1,728	Normal	-
		AKR	3	Sales revenue	21	Normal	-
		A-SIoT	3	Sales revenue	23	Normal	-
		B+B	3	Rental revenue	37	Normal	-
		B+B	3	Receivables from related parties	986	60-90 days	-
		B+B	3	Sales revenue	2,171	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	40,094	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	9,409	45 days EOM	-
Advantech Co., Ltd.	2	Other revenue	71	Normal	-		
15	APL	AEU	3	Sales revenue	27,374	Normal	-
		AEU	3	Receivables from related parties	16,142	30 days after invoice date	-
		A-SIoT	3	Receivables from related parties	990	30 days after invoice date	-
		Advantech Co., Ltd.	2	Receivables from related parties	137	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other revenue	88	Normal	-
16	ASG	AKMC	3	Receivables from related parties	16	30 days after invoice date	-
		AKMC	3	Sales revenue	16	Normal	-
		AMY	3	Sales revenue	1,048	Normal	-
		AMY	3	Receivables from related parties	419	30 days EOM	-
		ANA	3	Sales revenue	1,713	Normal	-
		ATH	3	Sales revenue	2,445	Normal	-
		ATH	3	Other revenue	386	Normal	-
		ATH	3	Receivables from related parties	94	30 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	6	60-90 days	-
		Advantech Co., Ltd.	2	Other revenue	148	Normal	-
17	A-SIoT	AAU	3	Receivables from related parties	7	30 days after invoice date	-
		AEU	3	Receivables from related parties	272	30 days after invoice date	-
		AEU	3	Sales revenue	208	Normal	-
		AKMC	3	Receivables from related parties	26	60 days after invoice date	-
		AKMC	3	Sales revenue	16	Normal	-
		AKR	3	Sales revenue	78	Normal	-
		ANA	3	Unearned revenue	229	30 days after invoice date	-
		ANA	3	Sales revenue	1,046	Normal	-
		APL	3	Receivables from related parties	13,710	60 days after invoice date	-
		APL	3	Sales revenue	17,839	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	10,003	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		Advantech Co., Ltd.	2	Receivables from related parties	\$ 9,948	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other receivables from related parties	29,034	60 days EOM	-
18	AVN	AKR	3	Sales revenue	5	Normal	-
19	B+B	AEU	3	Sales revenue	5,540	Normal	-
		AEU	3	Receivables from related parties	8,075	90 days EOM	-
		AEU	3	Sales revenue	2,500	Normal	-
		AIN	3	Sales revenue	4	Normal	-
		ANA	3	Receivables from related parties	2,402	30 days EOM	-
		B+B (CZ)	3	Receivables from related parties	271	45 days EOM	-
		BBIE	3	Other revenue	685	Normal	-
		BBIE	3	Receivables from related parties	530	45 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	24,337	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	18,368	90 days EOM	-
20	B+B (CZ)	AEU	3	Receivables from related parties	40,599	45 days EOM	-
		AEU	3	Sales revenue	58,651	Normal	-
		AEU	3	Other revenue	2,554	Normal	-
		AEU	3	Other receivables from related parties	1,462	45 days EOM	-
		B+B	3	Receivables from related parties	4,948	45 days EOM	-
		B+B	3	Sales revenue	8,003	Normal	-
		Conel Automation	3	Other revenue	136	Normal	-
		Conel Automation	3	Other receivables from related parties	162	45 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	15,554	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	15,396	45 days EOM	-
21	BBIE	AEU	3	Commission revenue	163	Normal	-
		AEU	3	Sales revenue	14,312	Normal	-
		AEU	3	Receivables from related parties	12,308	60 days after invoice date	-
		APL	3	Receivables from related parties	5	30 days after invoice date	-
		B+B	3	Unearned revenue	1,308	60 days after invoice date	-
		B+B	3	Other revenue	1,343	Normal	-
		B+B (CZ)	3	Other revenue	5,356	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	5,533	60 days after invoice date	-
22	DMCC	Advantech Co., Ltd.	2	Other revenue	6,221	Normal	-
23	SIoT (Cayman)	AAU	3	Receivables from related parties	85	60 days EOM	-
		AAU	3	Sales revenue	83	Normal	-
		AEU	3	Receivables from related parties	111,225	45 days EOM	-
		AEU	3	Sales revenue	146,402	Normal	1
		AJP	3	Receivables from related parties	1,076	60 days EOM	-
		AJP	3	Sales revenue	1,039	Normal	-
		AKR	3	Receivables from related parties	277	60 days EOM	-
		AKR	3	Sales revenue	265	Normal	-
		ANA	3	Receivables from related parties	60,764	30 days EOM	-
		ANA	3	Sales revenue	166,767	Normal	1

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		ASG	3	Receivables from related parties	\$ 420	60 days EOM	-
		ASG	3	Sales revenue	410	Normal	-
24	LNC Dong Guan Co., Ltd	LNC	3	Sales revenue	2,084	Normal	-
		LNC	3	Receivables from related parties	3,331	90 days EOM	-
25	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	240	Normal	-
26	Cermate Technologies Inc.	AKMC	3	Sales revenue	1,856	Normal	-
		AKMC	3	Receivables from related parties	1,859	60 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	978	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	443	30-60 days	-
		Advantech Co., Ltd.	2	Other revenue	15	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	11,610	30 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	15,301	Normal	-
27	Cermate (Shenzhen)	ACN	3	Sales revenue	3	Normal	-
		AKMC	3	Sales revenue	7,509	Normal	-
		AKMC	3	Receivables from related parties	5,100	40 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	6,281	Normal	-
		Cermate Technologies Inc.	3	Sales revenue	17,331	Normal	-
		Cermate Technologies Inc.	3	Receivables from related parties	10,964	60 days EOM	-
28	Advansus Corp.	Advantech Co., Ltd.	2	Receivables from related parties	506	60-90 days	-
		Cermate Technologies Inc.	3	Sales revenue	335	Normal	-
29	LNC	Advantech Co., Ltd.	2	Receivables from related parties	168	60 days EOM	-
		Advantech LNC Dong Guan Co., Ltd	3	Receivables from related parties	220,291	90 days EOM	-
		Advantech LNC Dong Guan Co., Ltd	3	Sales revenue	76,484	Normal	1

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

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

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

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

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

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

(Concluded)