

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 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 balance sheets of Advantech Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of June 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the six months 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 June 30, 2019 and 2018, the combined total assets of these non-significant subsidiaries were NT\$7,992,045 thousand and NT\$6,362,974 thousand, respectively, representing 16.10% and 14.03%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$1,889,015 thousand and NT\$985,034 thousand, respectively, representing 9.14% and 5.22%, respectively, of the consolidated total liabilities; for the three months and six months ended June 30, 2019 and 2018, the amounts of combined comprehensive income of these subsidiaries were NT\$251,772 thousand, NT\$5,943 thousand, NT\$516,101 thousand, and NT\$307,321 thousand, respectively, representing 12.54%, 0.37%, 13.22% and 9.84%, 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\$2,623,911 thousand and NT\$2,108,693 thousand as of June 30, 2019 and 2018, respectively. The Group's share of profit of associates accounted for using the equity method was NT\$37,647 thousand, NT\$26,349 thousand, NT\$42,596 thousand, and NT\$47,856 thousand for the three months and six months ended June 30, 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 and the investees accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of June 30, 2019 and 2018, its consolidated financial performance for the three months ended June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2019 and 2018 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

August 2, 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	June 30, 2019 (Reviewed)		December 31, 2018 (Restated Audited)		June 30, 2018 (Restated Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 6,640,795	13	\$ 6,633,161	15	\$ 5,294,861	12
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	4,719,536	10	2,098,552	5	5,163,405	11
Financial assets at amortized cost - current (Notes 9 and 30)	89,115	-	157,426	1	37,808	-
Notes receivable (Note 10)	1,291,609	3	1,461,404	3	1,263,877	3
Trade receivables (Note 10)	7,894,853	16	6,870,878	16	7,056,104	16
Trade receivables from related parties (Note 29)	22,952	-	18,969	-	37,865	-
Other receivables	8,316	-	45,956	-	38,283	-
Other receivables from related parties (Note 29)	108,285	-	-	-	143,482	-
Inventories (Note 11)	8,446,053	17	7,557,820	17	7,173,586	16
Other current assets (Notes 5 and 17)	671,187	1	522,407	1	574,617	1
Total current assets	29,892,701	60	25,366,573	58	26,783,888	59
NON-CURRENT ASSETS						
Financial asset at fair value through other comprehensive income - non-current (Notes 8 and 28)	1,433,553	3	1,300,267	3	1,753,637	4
Investments accounted for using the equity method (Note 13)	2,623,911	5	2,431,522	5	2,108,693	5
Property, plant and equipment (Notes 14 and 30)	9,815,812	20	9,782,781	22	9,859,110	22
Right of use assets (Notes 3, 4 and 15)	844,218	2	-	-	-	-
Goodwill (Note 16)	2,970,534	6	2,824,007	6	2,812,731	6
Other intangible assets	1,073,302	2	1,115,892	3	1,138,722	2
Deferred tax assets (Notes 4 and 23)	556,690	1	501,260	1	419,556	1
Prepayments for business facilities	396,195	1	273,386	1	124,484	-
Long-term prepayments for leases (Note 17)	-	-	297,665	1	310,175	1
Other non-current assets	47,477	-	47,718	-	44,956	-
Total non-current assets	19,761,692	40	18,574,498	42	18,572,064	41
TOTAL	\$ 49,654,393	100	\$ 43,941,071	100	\$ 45,355,952	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 318,781	1	\$ 87,581	-	\$ 8,100	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	8,432	-	6,139	-	4,637	-
Notes payable and trade payables (Note 29)	6,518,560	13	5,810,904	13	6,251,295	14
Dividends payable	4,751,129	10	-	-	4,600,414	10
Other payables (Note 19)	3,685,906	7	3,662,199	8	3,576,341	8
Current tax liabilities (Notes 4 and 23)	1,505,456	3	1,611,886	4	1,461,693	3
Short-term warranty provisions	166,882	-	196,782	1	188,171	-
Lease liabilities - current (Notes 3, 4 and 15)	198,527	-	-	-	-	-
Current portion of long-term borrowings (Notes 18 and 30)	7,062	-	9,626	-	16,808	-
Other current liabilities	857,565	2	761,473	2	746,079	2
Total current liabilities	18,018,300	36	12,146,590	28	16,853,538	37
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 18 and 30)	43,535	-	45,784	-	80,924	-
Deferred tax liabilities (Notes 4 and 23)	1,879,009	4	1,798,914	4	1,554,127	4
Lease liabilities - non-current (Notes 3, 4 and 15)	342,982	1	-	-	-	-
Net defined benefit liabilities (Notes 4 and 20)	231,811	1	255,545	1	236,053	1
Other non-current liabilities	145,001	-	149,653	-	145,478	-
Total non-current liabilities	2,642,338	6	2,249,896	5	2,016,582	5
Total liabilities	20,660,638	42	14,396,486	33	18,870,120	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)						
Share capital						
Ordinary shares	6,990,755	14	6,982,275	16	6,974,575	15
Advance receipts for share capital	650	-	4,680	-	870	-
Total share capital	6,991,405	14	6,986,955	16	6,975,445	15
Capital surplus	7,269,690	14	7,073,348	16	6,760,672	15
Retained earnings						
Legal reserve	6,285,079	13	5,655,613	13	5,655,613	12
Special reserve	798,763	2	369,655	1	369,655	1
Unappropriated earnings	7,690,065	15	10,011,897	23	6,705,513	15
Total retained earnings	14,773,907	30	16,037,165	37	12,730,781	28
Other equity						
Exchange differences on translation of foreign financial statements	(324,717)	(1)	(475,245)	(1)	(360,128)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	(171,473)	-	(324,254)	(1)	178,175	1
Other equity - unearned stock based employee compensation	1,240	-	736	-	-	-
Total other equity	(494,950)	(1)	(798,763)	(2)	(181,953)	-
Total equity attributable to owners of the Company	28,540,052	57	29,298,705	67	26,284,945	58
NON-CONTROLLING INTERESTS	453,703	1	245,880	-	200,887	-
Total equity	28,993,755	58	29,544,585	67	26,485,832	58
TOTAL	\$ 49,654,393	100	\$ 43,941,071	100	\$ 45,355,952	100

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

(With Deloitte & Touche review report dated August 2, 2019)

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 June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
(Note 29)								
Sales	\$ 13,619,092	97	\$ 12,342,455	98	\$ 25,593,965	97	\$ 23,400,552	98
Other operating revenue	<u>356,922</u>	<u>3</u>	<u>302,989</u>	<u>2</u>	<u>682,639</u>	<u>3</u>	<u>600,087</u>	<u>2</u>
Total operating revenue	13,976,014	100	12,645,444	100	26,276,604	100	24,000,639	100
OPERATING COSTS (Notes 11, 22 and 29)	<u>8,565,638</u>	<u>61</u>	<u>7,852,972</u>	<u>62</u>	<u>16,142,174</u>	<u>61</u>	<u>14,869,936</u>	<u>62</u>
GROSS PROFIT	<u>5,410,376</u>	<u>39</u>	<u>4,792,472</u>	<u>38</u>	<u>10,134,430</u>	<u>39</u>	<u>9,130,703</u>	<u>38</u>
OPERATING EXPENSES								
(Notes 22 and 29)								
Selling and marketing expenses	1,300,952	9	1,188,770	10	2,528,622	10	2,365,446	10
General and administrative expenses	716,426	5	623,911	5	1,381,201	5	1,218,111	5
Research and development expenses	<u>1,060,163</u>	<u>8</u>	<u>1,038,340</u>	<u>8</u>	<u>2,033,603</u>	<u>8</u>	<u>1,963,102</u>	<u>8</u>
Total operating expenses	<u>3,077,541</u>	<u>22</u>	<u>2,851,021</u>	<u>23</u>	<u>5,943,426</u>	<u>23</u>	<u>5,546,659</u>	<u>23</u>
OPERATING PROFIT	<u>2,332,835</u>	<u>17</u>	<u>1,941,451</u>	<u>15</u>	<u>4,191,004</u>	<u>16</u>	<u>3,584,044</u>	<u>15</u>
NON-OPERATING INCOME								
Share of profit of associates accounted for using the equity method (Note 13)	37,647	-	26,349	-	42,596	-	47,856	-
Interest income	10,134	-	14,082	-	19,136	-	18,617	-
Gains (losses) on disposal of property, plant and equipment	(1,857)	-	(1,126)	-	43,491	-	(4,163)	-
Gains on disposal of investments	-	-	2,225	-	-	-	2,618	-
Foreign exchange gains (losses), net (Notes 22 and 31)	12,207	-	45,671	1	81,951	-	42,915	-
Gains on financial instruments at fair value through profit or loss (Note 7)	22,093	-	(31,307)	-	92,801	1	60,957	1
Dividends income	939	-	853	-	939	-	853	-
Other income (Note 29)	21,915	-	37,199	-	47,512	-	52,762	-
Finance costs (Note 22)	(6,141)	-	(1,265)	-	(12,316)	-	(2,487)	-
Losses on financial instruments at fair value through profit or loss	(7,362)	-	(4,949)	-	(28,708)	-	(32,316)	-
Other losses	<u>(136)</u>	<u>-</u>	<u>(653)</u>	<u>-</u>	<u>(1,583)</u>	<u>-</u>	<u>(1,634)</u>	<u>-</u>
Total non-operating income	<u>89,439</u>	<u>-</u>	<u>87,079</u>	<u>1</u>	<u>285,819</u>	<u>1</u>	<u>185,978</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,422,274	17	2,028,530	16	4,476,823	17	3,770,022	16
INCOME TAX EXPENSES (Note 23)	<u>(512,673)</u>	<u>(4)</u>	<u>(433,891)</u>	<u>(3)</u>	<u>(944,353)</u>	<u>(3)</u>	<u>(807,445)</u>	<u>(4)</u>
NET PROFIT FOR THE PERIOD	<u>1,909,601</u>	<u>13</u>	<u>1,594,639</u>	<u>13</u>	<u>3,532,470</u>	<u>14</u>	<u>2,962,577</u>	<u>12</u>

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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 June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss								
Share of the other comprehensive income of associates accounted for using the equity method (Notes 13 and 21)	\$ 3,934	-	\$ 1,861	-	\$ 24,300	-	\$ 1,861	-
Unrealized gains (losses) on investments in equity instruments as at fair value through other comprehensive income (Note 21)	(15,942)	-	(115,314)	(1)	104,876	-	46,203	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	-	-	2,127	-	-	-	2,127	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign financial statements (Note 21)	105,185	1	110,949	1	259,911	1	114,027	1
Share of the other comprehensive income of associates accounted for using the equity method (Notes 13 and 21)	16,539	-	3,757	-	20,490	-	2,094	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 23)	(11,817)	-	(5,874)	-	(37,632)	-	(4,898)	-
Other comprehensive income (loss) for the period, net of income tax	97,899	1	(2,494)	-	371,945	1	161,414	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 2,007,500</u>	<u>14</u>	<u>\$ 1,592,145</u>	<u>13</u>	<u>\$ 3,904,415</u>	<u>15</u>	<u>\$ 3,123,991</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,894,118	14	\$ 1,584,195	13	\$ 3,511,476	13	\$ 2,946,865	12
Non-controlling interests	15,483	-	10,444	-	20,994	-	15,712	-
	<u>\$ 1,909,601</u>	<u>14</u>	<u>\$ 1,594,639</u>	<u>13</u>	<u>\$ 3,532,470</u>	<u>13</u>	<u>\$ 2,962,577</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,929,379	14	\$ 1,562,767	13	\$ 3,791,180	14	\$ 3,100,407	13
Non-controlling interests	78,121	-	29,378	-	113,235	1	23,584	-
	<u>\$ 2,007,500</u>	<u>14</u>	<u>\$ 1,592,145</u>	<u>13</u>	<u>\$ 3,904,415</u>	<u>15</u>	<u>\$ 3,123,991</u>	<u>13</u>

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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 June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 24)								
Basic	<u>\$ 2.71</u>		<u>\$ 2.27</u>		<u>\$ 5.02</u>		<u>\$ 4.23</u>	
Diluted	<u>\$ 2.69</u>		<u>\$ 2.25</u>		<u>\$ 4.97</u>		<u>\$ 4.18</u>	

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

(With Deloitte & Touche review report dated August 2, 2019)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Restated 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	-	-	-	-	-	-	(34,002)	(34,002)	-	(93,824)	123,254	-	(4,572)	-	(4,572)
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,970,325	2,500	6,972,825	6,554,842	5,039,962	85,204	9,263,894	14,389,060	(463,479)	-	123,254	-	27,576,502	179,366	27,755,868
Appropriation of the 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	615,651	-	(615,651)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	284,451	(284,451)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,600,414)	(4,600,414)	-	-	-	-	(4,600,414)	-	(4,600,414)
Recognition of employee share options by the Company	4,250	(1,630)	2,620	19,440	-	-	-	-	-	-	-	-	22,060	-	22,060
Compensation cost recognized for employee share options	-	-	-	182,766	-	-	-	-	-	-	-	-	182,766	-	182,766
Changes in capital surplus from investments in associates accounted for by the equity method	-	-	-	2,091	-	-	-	-	-	-	-	-	2,091	-	2,091
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	2,290	-	-	-	-	-	-	-	-	2,290	(2,905)	(615)
Recognized for employee share options by subsidiaries	-	-	-	(757)	-	-	-	-	-	-	-	-	(757)	842	85
Net profit for the six months ended June 30, 2018	-	-	-	-	-	-	2,946,865	2,946,865	-	-	-	-	2,946,865	15,712	2,962,577
Other comprehensive income for six months ended June 30, 2018	-	-	-	-	-	-	2,247	2,247	103,351	-	47,944	-	153,542	7,872	161,414
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	2,949,112	2,949,112	103,351	-	47,944	-	3,100,407	23,584	3,123,991
Associates disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(6,977)	(6,977)	-	-	6,977	-	-	-	-
BALANCE AT JUNE 30, 2018	\$ 6,974,575	\$ 870	\$ 6,975,445	\$ 6,760,672	\$ 5,655,613	\$ 369,655	\$ 6,705,513	\$ 12,730,781	\$ (360,128)	\$ -	\$ 178,175	\$ -	\$ 26,284,945	\$ 200,887	\$ 26,485,832
BALANCE AT JANUARY 1, 2019	\$ 6,982,275	\$ 4,680	\$ 6,986,955	\$ 7,073,348	\$ 5,655,613	\$ 369,655	\$ 10,011,897	\$ 16,037,165	\$ (475,245)	\$ -	\$ (324,254)	\$ 736	\$ 29,298,705	\$ 245,880	\$ 29,544,585
Appropriation of the 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	429,108	(429,108)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,751,129)	(4,751,129)	-	-	-	-	(4,751,129)	-	(4,751,129)
Recognition of employee share options by the Company	8,480	(4,030)	4,450	32,761	-	-	-	-	-	-	-	-	37,211	-	37,211
Compensation cost recognized for employee share options	-	-	-	169,347	-	-	-	-	-	-	-	-	169,347	-	169,347
Changes in capital surplus from investments in associates accounted for by the equity method	-	-	-	1,963	-	-	-	-	-	-	-	504	2,467	-	2,467
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	(7,729)	-	-	-	-	-	-	-	-	(7,729)	94,324	86,595
Recognized for employee share options by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	264	264
Net profit for the six months ended June 30, 2019	-	-	-	-	-	-	3,511,476	3,511,476	-	-	-	-	3,511,476	20,994	3,532,470
Other comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	-	(544)	(544)	150,528	-	129,720	-	279,704	92,241	371,945
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	-	3,510,932	3,510,932	150,528	-	129,720	-	3,791,180	113,235	3,904,415
Associates disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(23,061)	(23,061)	-	-	23,061	-	-	-	-
BALANCE AT JUNE 30, 2019	\$ 6,990,755	\$ 650	\$ 6,991,405	\$ 7,269,690	\$ 6,285,079	\$ 798,763	\$ 7,690,065	\$ 14,773,907	\$ (324,717)	\$ -	\$ (171,473)	\$ 1,240	\$ 28,540,052	\$ 453,703	\$ 28,993,755

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

(With Deloitte & Touche review report dated August 2, 2019)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,476,823	\$ 3,770,022
Adjustments for:		
Depreciation expenses	420,241	287,503
Amortization expenses	107,563	76,610
Amortization expenses for prepayments of lease obligations	-	4,500
Expected loss on credit impairment	27,295	24,907
Net gain on financial assets or liabilities at fair value through profit or loss	(64,093)	(28,641)
Compensation costs of employee share options	169,347	182,766
Finance costs	12,316	2,487
Interest income	(19,136)	(18,617)
Dividend income	(939)	(853)
Share of (profit) loss of associates accounted for using the equity method	(42,596)	(47,856)
Gain (or loss) on disposal of property, plant and equipment	(43,491)	4,163
Gain on disposal of investments	-	(2,618)
Changes in operating assets and liabilities		
Financial assets held for trading	-	(2,095,078)
Financial assets at fair value through profit or loss	(2,554,598)	-
Notes receivable	169,795	(8,096)
Trade receivables	(435,967)	(468,187)
Trade receivables from related parties	(3,983)	(23,798)
Other receivables	39,068	37,015
Inventories	(440,760)	(926,698)
Other current assets	(150,181)	(128,211)
Notes payable and trade payables	276,937	950,749
Net defined benefit liabilities	(23,734)	(1,172)
Other payables	(96,927)	(49,081)
Short-term warranty provisions	(29,900)	7,196
Other current liabilities	76,044	68,749
Other non-current liabilities	(4,449)	(1,235)
Cash generated from operations	1,864,675	1,616,526
Interest received	19,136	18,617
Dividends received	939	853
Interest paid	(2,519)	(2,259)
Income tax paid	(974,073)	(513,021)
Net cash generated from operating activities	<u>908,158</u>	<u>1,120,716</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortizes cost	\$ -	\$ (40)
Purchase of financial assets at fair value through other comprehensive income	(27,360)	-
Proceeds from sale of financial assets at amortizes cost	71,903	-
Acquisition of associates	(210,658)	(760,352)
Net cash flow on the acquisition of subsidiaries	(542,156)	(60,322)
Payments for property, plant and equipment	(403,293)	(288,274)
Proceeds from disposal of property, plant and equipment	76,826	53,908
Increase in refundable deposits	422	611
Payments for intangible assets	(44,686)	(47,911)
Decrease in prepayments for business facilities	<u>89,697</u>	<u>17,378</u>
Net cash used in investing activities	<u>(989,305)</u>	<u>(1,085,002)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	67,089	-
Repayments of long-term borrowings	(4,813)	(12,365)
Decrease in guarantee deposits received	(291)	-
Repayment of the principal portion of lease liabilities	(112,491)	-
Exercise of employee share options	37,211	22,060
Decrease in non-controlling interests	<u>(29,952)</u>	<u>(18,450)</u>
Net cash used in financing activities	<u>(43,247)</u>	<u>(8,755)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>132,028</u>	<u>63,683</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,634	90,642
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>6,633,161</u>	<u>5,204,219</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 6,640,795</u>	<u>\$ 5,294,861</u>

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

(With Deloitte & Touche review report dated August 2, 2019)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 2, 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), IFRIC Interpretations (IFRIC), and SIC Interpretations (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:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
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. The IFRSs endorsed by the FSC for application starting from 2020

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

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

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

- 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.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

- 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

c. Basis of consolidation

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the 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, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

a. Inventory write-downs

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

b. 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. 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.

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	\$ 80,911	\$ 76,179	\$ 69,429
Checking accounts and demand deposits	5,278,336	5,350,844	4,900,957
Cash equivalents (time deposits with original maturities of less than three months)	<u>1,281,548</u>	<u>1,206,138</u>	<u>324,475</u>
	<u>\$ 6,640,795</u>	<u>\$ 6,633,161</u>	<u>\$ 5,294,861</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 3,569	\$ 5,198	\$ 10,992
Non-derivative financial assets			
Domestic quoted shares	148,093	202,622	199,735
Foreign quoted shares	7,164	5,270	10,285
Mutual funds	<u>4,560,710</u>	<u>1,885,462</u>	<u>4,942,393</u>
	<u>\$ 4,719,536</u>	<u>\$ 2,098,552</u>	<u>\$ 5,163,405</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 8,432</u>	<u>\$ 6,139</u>	<u>\$ 4,637</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>June 30, 2019</u>			
Sell	EUR/NTD	2019.07-2019.11	EUR14,000/NTD491,771
	USD/NTD	2019.07-2019.08	USD5,000/NTD156,591
	JPY/NTD	2019.07-2019.12	JPY420,000/NTD118,367
	RMB/NTD	2019.07-2019.09	RMB83,000/NTD375,652
<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>June 30, 2018</u>			
Sell	EUR/NTD	2018.07-2018.11	EUR12,500/NTD449,644
	EUR/USD	2018.07-2018.08	EUR500/USD633
	USD/NTD	2018.07-2018.08	USD4,133/NTD123,113
	JPY/NTD	2018.07-2018.11	JPY360,000/NTD98,047
	RMB/NTD	2018.07-2018.09	RMB57,000/NTD263,162

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. FVTOCI

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Non-current</u>			
Investments in equity instruments at FVTOCI	<u>\$ 1,433,553</u>	<u>\$ 1,300,267</u>	<u>\$ 1,753,637</u>
Investments in equity instruments at FVTOCI:			
	June 30, 2019	December 31, 2018	June 30, 2018
<u>Non-current</u>			
Domestic investments			
Listed shares and emerging market shares			
Ordinary shares - ASUSTek Computer Inc.	\$ 1,056,900	\$ 955,001	\$ 1,319,940
Ordinary shares - Allied Circuit Co., Ltd.	229,462	226,501	350,485
Unlisted shares			
Ordinary shares - BroadTec System Inc.	4,474	3,879	4,797
Ordinary shares - BiosenseTek Corp.	-	-	173
Ordinary shares - Juguar Technology	5,146	4,743	5,824
Ordinary shares - Taiwan DSC PV Ltd.	<u>-</u>	<u>-</u>	<u>383</u>
	<u>1,295,982</u>	<u>1,190,124</u>	<u>1,681,602</u>
Foreign investments			
Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	135,629	107,328	68,895
JamaPro Co., Ltd.	<u>1,942</u>	<u>2,815</u>	<u>3,140</u>
	<u>137,571</u>	<u>110,143</u>	<u>72,035</u>
	<u>\$ 1,433,553</u>	<u>\$ 1,300,267</u>	<u>\$ 1,753,637</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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Foreign investments			
Time deposits with original maturities of more than 3 months	<u>\$ 89,115</u>	<u>\$ 157,426</u>	<u>\$ 37,808</u>

Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable - operating	<u>\$ 1,291,609</u>	<u>\$ 1,461,404</u>	<u>\$ 1,263,877</u>
<u>Trade receivables</u>			
Amortized cost			
Gross carrying amount	\$ 8,004,256	\$ 6,958,369	\$ 7,162,047
Less: Allowance for impairment loss	<u>(109,403)</u>	<u>(87,491)</u>	<u>(105,943)</u>
	<u>\$ 7,894,853</u>	<u>\$ 6,870,878</u>	<u>\$ 7,056,104</u>

Trade Receivables

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 the 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.

June 30, 2019

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	-	1%	20%	58%	100%	
Gross carrying amount	\$ 6,555,934	\$ 1,275,696	\$ 91,092	\$ 30,728	\$ 50,806	\$ 8,004,256
Loss allowance (Lifetime ECLs)	<u>(9,811)</u>	<u>(12,353)</u>	<u>(18,580)</u>	<u>(17,853)</u>	<u>(50,806)</u>	<u>(109,403)</u>
Amortized cost	<u>\$ 6,546,123</u>	<u>\$ 1,263,343</u>	<u>\$ 72,512</u>	<u>\$ 12,875</u>	<u>\$ -</u>	<u>\$ 7,894,853</u>

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
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)	<u>(21,319)</u>	<u>(2,056)</u>	<u>(16,913)</u>	<u>(23,488)</u>	<u>(23,715)</u>	<u>(87,491)</u>
Amortized cost	<u>\$ 5,337,041</u>	<u>\$ 1,486,330</u>	<u>\$ 36,966</u>	<u>\$ 10,541</u>	<u>\$ -</u>	<u>\$ 6,870,878</u>

June 30, 2018

	Not Past Due	Less than 90 Days	90 to 180 Days	180 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	4%	28%	61%	100%	-
Gross carrying amount	\$ 6,247,283	\$ 792,829	\$ 43,450	\$ 46,069	\$ 32,416	\$ 7,162,047
Loss allowance (Lifetime ECLs)	<u>(3,663)</u>	<u>(29,618)</u>	<u>(12,188)</u>	<u>(28,058)</u>	<u>(32,416)</u>	<u>(105,943)</u>
Amortized cost	<u>\$ 6,243,620</u>	<u>\$ 763,211</u>	<u>\$ 31,262</u>	<u>\$ 18,011</u>	<u>\$ -</u>	<u>\$ 7,056,104</u>

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

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	\$ 87,491	\$ 90,455
Add: Net remeasurement of loss allowance (a)	27,295	24,907
Less: Amounts written off (b)	(6,132)	(9,326)
Business combination	(35)	-
Foreign exchange gains and losses	<u>784</u>	<u>(93)</u>
Balance at June 30	<u>\$ 109,403</u>	<u>\$ 105,943</u>

a. Compared to January 1, 2019 and 2018, the net increases in the carrying amount of trade receivables were \$1,045,887 thousand and \$475,562 thousand at June 30, 2019 and 2018, respectively, resulting in the increases in loss allowances of \$27,295 thousand and \$24,907 thousand, respectively.

b. The Group wrote off trade receivables and related loss allowance for the six months ended June 30, 2019 and 2018 of \$6,132 thousand and \$9,326 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

	June 30, 2019	December 31, 2018	June 30, 2018
Raw materials	\$ 3,996,120	\$ 3,773,265	\$ 3,734,627
Work in process	1,924,593	1,533,978	1,499,466
Finished goods	1,701,781	1,531,644	1,148,048
Inventories in transit	<u>823,559</u>	<u>718,933</u>	<u>791,445</u>
	<u>\$ 8,446,053</u>	<u>\$ 7,557,820</u>	<u>\$ 7,173,586</u>

The cost of inventories recognized as cost of goods sold for the three months and six months ended June 30, 2019 and 2018 was \$8,418,741 thousand, \$7,754,730 thousand, \$15,844,659 thousand, and \$14,675,095 thousand, respectively.

The costs of inventories were decreased by \$792,808 thousand, \$630,341 thousand, and \$646,851 thousand as of June 30, 2019, December 31, 2018 and June 30, 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
			June 30, 2019	December 31, 2018	June 30, 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	
	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, g
	Advantech Electronics, S. De R. L. De C. V. (AMX)	Sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a
	BEMC Holdings Corporation (BEMC)	Sale of industrial network communications systems	-	-	60.00	h
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	60.00	60.00	-	h
	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
	Advantech Vietnam Technology Company Limited (AVN)	Sale of industrial automation products	60.00	60.00	60.00	a, c
	Limited Liability Company Advantech Technology (ARU)	Production and sale of industrial automation products	100.00	100.00	-	a, i
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	50.00	-	-	a, k
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	-	-	a, l
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, k

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2019	December 31, 2018	June 30, 2018	
Advantech Corporate Investment	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
	Huan Yan, Jhih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	50.00	50.00	50.00	a,
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	50.00	50.00	a
	Advantech Corporate Investment Ltd. (ACISM)	General investment	100.00	-	-	a, m
	ACI IOT Investment Fund-I Corporation	Investment holding company	79.30	-	-	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	
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	100.00	a, d
Advantech Corp. (ANA)	BEMC Holdings Corporation (BEMC)	Sale of industrial network communications	-	-	40.00	h
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications	40.00	40.00	-	h
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	99.00	a, d
	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, e
	Advantech Intelligent Health Co., Ltd. (AIH)	Information software and data processing service	100.00	-	-	a, n
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	100.00	100.00	100.00	a
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	1.00	1.00	-	a, f
Advantech Europe Holding B.V. (AEUH)	Advantech Europe B.V. (AEU)	Sale of industrial automation products	100.00	100.00	100.00	
	Advantech Poland Sp z o.o. (APL)	Sale of industrial automation products	100.00	100.00	100.00	a
Advantech 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, e
Advantech Co., Singapore Pte. Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	49.00	49.00	49.00	a
	Advantech International. PT. (AID)	Sale of industrial automation products	100.00	100.00	100.00	a
Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	100.00	a
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of industrial electronic equipment	100.00	100.00	100.00	a
LNC Technology Co., Ltd. (LNC)	Shenzhen Cermate Technologies Inc.	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	90.00	a
	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	h
Avtek Corporation (Avtek)	B+B Smartworx Inc. (B+B)	General investment	-	-	100.00	h
B+B Smartworx Inc. (B+B)	B+B Smartworx Limited (BBIE)	Sale of industrial network communications systems	100.00	100.00	100.00	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2019	December 31, 2018	June 30, 2018	
	Quatech, LLC (Quatech)	Sale of industrial network communications systems	-	-	100.00	j
	B&B IMC, LLC (IMC)	Sale of industrial network communications systems	100.00	100.00	100.00	
B+B Smartworx Limited (BBIE)	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 (ACZ) (former B+B (CZ))	Manufacturing of cellular and automation solutions	100.00	99.99	99.99	o
	Conel Automation s.r.o (Conel Automation)	Sale of industrial network communications systems	-	1.00	1.00	o
	Advantech Technology 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 (ACZ) (former B+B (CZ))	Manufacturing of cellular and automation solutions	-	0.01	0.01	o
Advantech B+B Smartworx s.r.o.CZ (ACZ) (former B+B (CZ))	Conel Automation s.r.o (Conel Automation)	Sale of industrial network communications systems	100.00	99.00	99.00	o

(Concluded)

Remark a: No 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 second quarter of 2018, the Group acquired 60% of the equity of AVN.

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

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

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

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

Remark j: In the fourth quarter of 2018, Quatech was in the process of liquidation.

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

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

Remark n: In the second quarter of 2019, SIoT (Cayman) founded AIH and acquired 100% of its equity.

Remark o: In the second quarter of 2019, the Group adjusted its investment structure. BBIE directly holds ACZ, and ACZ directly holds Conel Automation.

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. (“Axiomtek”)	\$ 619,725	\$ 619,411	\$ 563,971
Winmate Inc. (“Winmate”)	534,385	542,761	523,160
AzureWare Technologies, Inc. (“AzureWare”)	510,308	534,780	538,289
Nippon RAD Inc. (Nippon RAD)	312,209	298,700	297,647
Mildex Optical Inc. (“Mildex”)	202,371	183,210	-
Unlisted companies			
AIMobile Co., Ltd. (“AIMobile”)	84,757	65,012	77,878
Deneng Scientific Research Co., Ltd. (“Deneng”)	13,820	14,100	14,438
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	8,012	8,010	10,742
CDIB Innovation Accelerator Co., Ltd. (“CDIB”)	159,211	147,109	72,501
DotZero Co., Ltd. (“DotZero”)	3,650	4,629	-
iLink Co., Ltd. (“iLink”)	6,626	9,407	10,067
Shanghai Yanle Co., Ltd. (“Yanle”)	4,151	4,393	-
GSD Environmental Technology Co., Ltd. (“GSD”)	17,242	-	-
Information Technology Total Services Co., Ltd. (ITTS)	<u>147,444</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,623,911</u>	<u>\$ 2,431,522</u>	<u>\$ 2,108,693</u>

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.

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

Aggregate Information of Associates That Are Not Individually Material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
The Group's share of				
Profit from continuing operations	\$ 37,647	\$ 26,349	\$ 42,596	\$ 47,856
Other comprehensive income	<u>20,473</u>	<u>5,618</u>	<u>44,790</u>	<u>3,955</u>
Total comprehensive income for the period	<u>\$ 58,120</u>	<u>\$ 31,967</u>	<u>\$ 87,386</u>	<u>\$ 51,811</u>

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
<u>Cost</u>							
Balance at January 1, 2019	\$ 2,934,127	\$ 7,195,732	\$ 1,709,936	\$ 850,021	\$ 1,743,263	\$ 2,485	\$ 14,435,564
Additions	-	2,044	42,375	47,023	77,413	234,438	403,293
Disposals	(7,100)	(13,147)	(20,217)	(32,885)	(26,379)	(431)	(100,159)
Acquisitions through business combinations	39,543	945,040	130,912	15,916	34,650	1	1,166,062
Reclassifications	-	31,217	877	(7,905)	80,009	(232,364)	(128,166)
Effect of foreign currency exchange differences	<u>5,254</u>	<u>58,192</u>	<u>10,400</u>	<u>5,760</u>	<u>10,999</u>	<u>1,733</u>	<u>92,338</u>
Balance at June 30, 2019	<u>\$ 2,971,824</u>	<u>\$ 8,219,078</u>	<u>\$ 1,874,283</u>	<u>\$ 877,930</u>	<u>\$ 1,919,955</u>	<u>\$ 5,862</u>	<u>\$ 15,868,932</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 1,591,282	\$ 1,172,613	\$ 654,746	\$ 1,234,142	\$ -	\$ 4,652,783
Disposals	-	(5,673)	(18,965)	(18,292)	(23,894)	-	(66,824)
Depreciation expenses	-	102,253	83,079	42,429	85,705	-	313,466
Acquisitions through business combinations	-	867,976	109,364	9,952	32,988	-	1,020,280
Reclassifications	-	(583)	8,992	(8,021)	83,952	-	84,340
Effect of foreign currency exchange differences	<u>-</u>	<u>34,285</u>	<u>7,154</u>	<u>711</u>	<u>6,925</u>	<u>-</u>	<u>49,075</u>
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 2,589,540</u>	<u>\$ 1,362,237</u>	<u>\$ 681,525</u>	<u>\$ 1,419,818</u>	<u>\$ -</u>	<u>\$ 6,053,120</u>
Carrying amounts at June 30, 2019	<u>\$ 2,971,824</u>	<u>\$ 5,629,538</u>	<u>\$ 512,046</u>	<u>\$ 196,405</u>	<u>\$ 500,137</u>	<u>\$ 5,862</u>	<u>\$ 9,815,812</u>

b. 2018

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 2,943,980	\$ 7,274,546	\$ 1,634,925	\$ 830,623	\$ 1,729,582	\$ 4,257	\$ 14,417,913
Additions	-	11,739	40,503	28,472	64,114	143,446	288,274
Disposals	-	(40,390)	(59,114)	(15,346)	(33,055)	(7)	(147,912)
Acquisitions through business combinations	-	-	57	524	1,483	-	2,064
Reclassifications	-	-	8,638	(23,005)	3,929	(143,357)	(153,795)
Effect of foreign currency exchange differences	<u>4,407</u>	<u>20,627</u>	<u>2,088</u>	<u>3,399</u>	<u>7,266</u>	<u>(869)</u>	<u>36,918</u>
Balance at June 30, 2018	<u>\$ 2,948,387</u>	<u>\$ 7,266,522</u>	<u>\$ 1,627,097</u>	<u>\$ 824,667</u>	<u>\$ 1,773,319</u>	<u>\$ 3,470</u>	<u>\$ 14,443,462</u>

(Continued)

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2018	\$ -	\$ 1,414,696	\$ 1,186,494	\$ 651,244	\$ 1,198,147	\$ -	\$ 4,450,581
Disposals	-	(102)	(47,220)	(15,085)	(27,434)	-	(89,841)
Depreciation expenses	-	100,558	53,973	38,315	94,657	-	287,503
Acquisitions through business combinations	-	-	5	151	738	-	894
Reclassifications	-	-	(50,763)	(26,587)	(2,203)	-	(79,553)
Effect of foreign currency exchange differences	-	5,443	1,109	3,985	4,231	-	14,768
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ 1,520,595</u>	<u>\$ 1,143,598</u>	<u>\$ 652,023</u>	<u>\$ 1,268,136</u>	<u>\$ -</u>	<u>\$ 4,584,352</u>
Carrying amounts at June 30, 2018	<u>\$ 2,948,387</u>	<u>\$ 5,745,927</u>	<u>\$ 483,499</u>	<u>\$ 172,644</u>	<u>\$ 505,183</u>	<u>\$ 3,470</u>	<u>\$ 9,859,110</u>

(Concluded)

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

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	June 30, 2019	
<u>Carrying amounts</u>		
Land		\$ 305,309
Buildings		481,329
Machinery		2,530
Office equipment		12,115
Transportation equipment		<u>42,935</u>
		<u>\$ 844,218</u>
	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Depreciation charge for right-of-use assets		
Land	\$ 2,209	\$ 4,422
Building	41,988	84,442
Machinery	164	328
Office equipment	1,430	2,861
Transportation equipment	<u>7,361</u>	<u>14,722</u>
	<u>\$ 53,152</u>	<u>\$ 106,775</u>

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

	June 30, 2019
<u>Carrying amounts</u>	
Current	\$ 198,527
Non-current	<u>342,982</u>
	<u>\$ 541,509</u>

Discounted rate ranges of lease liabilities were as follows:

	June 30, 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

	For the Six Months Ended June 30	
	2019	2018
<u>Cost</u>		
Balance at January 1	\$ 2,921,795	\$ 2,828,958
Additional amounts recognized from business combinations occurring during the year (Note 26)	124,028	65,207
Goodwill adjustment	-	(15,994)
Effect of foreign currency exchange differences	<u>22,499</u>	<u>32,348</u>
Balance at June 30	<u>\$ 3,068,322</u>	<u>\$ 2,910,519</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 June 30	<u>\$ (97,788)</u>	<u>\$ (97,788)</u>
Carry amount at June 30	<u>\$ 2,970,534</u>	<u>\$ 2,812,731</u>

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

The adjustments in the consolidated balance sheets are as follows:

	December 31, 2018	June 30, 2018 (Acquisition Date)
Goodwill adjustments	\$ (15,994)	\$ (15,994)
Intangible assets	<u>\$ 19,993</u>	<u>\$ 26,657</u>
Retained earnings	<u>\$ (3,998)</u>	<u>\$ -</u>
Non-controlling interests	<u>\$ 7,997</u>	<u>\$ 10,663</u>

17. PREPAYMENTS FOR LEASES

	December 31, 2018	June 30, 2018
Current assets (included in other current assets)	\$ 8,673	\$ 8,908
Non-current assets	<u>297,665</u>	<u>310,175</u>
	<u>\$ 306,338</u>	<u>\$ 319,083</u>

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

18. BORROWINGS

a. Short-term borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
Secured borrowings			
Bank loans	\$ -	\$ -	\$ 8,100
Unsecured borrowings			
Line of credit borrowings	<u>318,781</u>	<u>87,581</u>	<u>-</u>
	<u>\$ 318,781</u>	<u>\$ 87,581</u>	<u>\$ 8,100</u>

The range of weighted average effective interest rates on bank loans were 0.19%-3.15%, 1.38%-3.15% and 2.87% per annum as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

b. Long-term borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Secured borrowings</u>			
Bank loans	\$ -	\$ -	\$ 38,788
Other loans	<u>50,597</u>	<u>55,410</u>	<u>58,944</u>
	50,597	55,410	97,732
Less: Current portions	<u>(7,062)</u>	<u>(9,626)</u>	<u>(16,808)</u>
Long-term borrowings	<u>\$ 43,535</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 June 30, 2018.

Other borrowings are loans from the government. As of June 30, 2019, December 31, 2018 and June 30, 2018, the effective interest rate was 2.91%-3.16%.

Due to the Group's demand for borrowings, the Group pledged land and buildings as security (refer to Note 30).

19. OTHER LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Other payables			
Payables for salaries or bonuses	\$ 2,205,647	\$ 2,143,770	\$ 2,186,409
Payables for employee benefits	195,006	207,175	188,042
Payables for royalties	176,335	107,409	177,226
Others (Note)	<u>1,108,918</u>	<u>1,203,845</u>	<u>1,024,664</u>
	<u>\$ 3,685,906</u>	<u>\$ 3,662,199</u>	<u>\$ 3,576,341</u>

Note: The marketing expenses and freight expenses were included.

20. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$1,338 thousand and \$1,413 thousand, \$2,677 thousand and \$2,825 thousand for the three months and six months ended June 30, 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

	June 30, 2019	December 31, 2018	June 30, 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>699,141</u>	<u>698,696</u>	<u>697,545</u>
Shares issued	<u>\$ 6,991,405</u>	<u>\$ 6,986,955</u>	<u>\$ 6,975,445</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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238	\$ 2,692,238
Conversion of bonds	1,636,499	1,636,499	1,636,499
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	80,831	88,560	20,134
Share of changes in capital surplus of associates	55	55	-
Employees' share compensation	78,614	78,614	78,614
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	4,263	4,263	4,246
Employee share options	1,675,671	1,519,818	1,323,645
Share of changes in capital surplus of associates	29,853	27,890	27,376
<u>Not note be used for any purpose</u>			
Employee share options	<u>1,071,666</u>	<u>1,025,411</u>	<u>977,920</u>
	<u>\$ 7,269,690</u>	<u>\$ 7,073,348</u>	<u>\$ 6,760,672</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 approved in the shareholders' meetings on May 28, 2019 and May 24, 2018, respectively, were as follows:

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

d. Special reserves

	<u>For the Six Months Ended</u>	
	<u>June 30</u>	
	<u>2019</u>	<u>2018</u>
Beginning at January 1	\$ 369,655	\$ 85,204
Appropriations in respect of debits to other equity items	<u>429,108</u>	<u>284,451</u>
Balance at June 30	<u>\$ 798,763</u>	<u>\$ 369,655</u>

e. Other equity items

1) Exchange differences on translation of foreign financial statements

	<u>For the Six Months Ended</u>	
	<u>June 30</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ (475,245)	\$ (463,479)
Effect of change in tax rate	-	16,752
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign entities	134,136	84,924
Share of those of associates accounted for using the equity method	<u>16,392</u>	<u>1,675</u>
Other comprehensive income recognized for the period	<u>150,528</u>	<u>103,351</u>
Balance at June 30	<u>\$ (324,717)</u>	<u>\$ (360,128)</u>

2) Unrealized gain or loss on financial assets at FVTOCI

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	\$ (324,254)	\$ 123,254
Recognized for the period		
Unrealized gain/(loss) - equity instruments	104,876	46,203
Share of those of associates accounted for using the equity method	<u>24,844</u>	<u>1,741</u>
Other comprehensive income recognized for the period	129,720	47,944
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal by related parties	<u>23,061</u>	<u>6,977</u>
Balance at June 30	<u>\$ (171,473)</u>	<u>\$ 178,175</u>

3) Unearned employee benefits compensation

	For the Six Months Ended June 30, 2019
Balance at January 1	\$ 736
Share from associates accounted for using the equity method	<u>504</u>
Balance at June 30	<u>\$ 1,240</u>

f. Non-controlling interests

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	\$ 245,880	\$ 179,366
Share of profit for the year	20,994	15,712
Other comprehensive income during the year		
Exchange difference on translation of foreign financial statements	92,241	7,872
Non-controlling interests increased arising from decreased investment in subsidiaries (Note 27)	-	1,876
Non-controlling interests decreased arising from increased investment in subsidiaries (Note 27)	(22,487)	(22,701)
Non-controlling interests increased arising from the acquisition of subsidiary, ATJ (Note 26)	102,770	-
Non-controlling interests increased arising from the acquisition of subsidiary, ATR (Note 26)	14,041	-
Non-controlling interests increased arising from the acquisition of subsidiary, AVN (Note 26)	-	17,920
Employees' holding outstanding vest share option related non-controlling interests issued by subsidiaries	<u>264</u>	<u>842</u>
Balance at June 30	<u>\$ 453,703</u>	<u>\$ 200,887</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest on bank loans	\$ 968	\$ 307	\$ 1,746	\$ 500
Interest on lease liabilities	4,510	-	9,020	-
Others	<u>663</u>	<u>958</u>	<u>1,550</u>	<u>1,987</u>
	<u>\$ 6,141</u>	<u>\$ 1,265</u>	<u>\$ 12,316</u>	<u>\$ 2,487</u>

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
An analysis of depreciation by function				
Operating costs	\$ 47,953	\$ 32,488	\$ 86,345	\$ 67,418
Operating expenses	<u>145,245</u>	<u>110,838</u>	<u>333,896</u>	<u>220,085</u>
	<u>\$ 193,198</u>	<u>\$ 143,326</u>	<u>\$ 420,241</u>	<u>\$ 287,503</u>
An analysis of amortization by function				
Operating costs	\$ 948	\$ 1,697	\$ 1,891	\$ 2,611
Operating expenses	<u>59,480</u>	<u>32,414</u>	<u>105,672</u>	<u>73,999</u>
	<u>\$ 60,428</u>	<u>\$ 34,111</u>	<u>\$ 107,563</u>	<u>\$ 76,610</u>

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Short-term benefits	\$ 2,365,151	\$ 2,181,795	\$ 4,631,609	\$ 4,231,491
Post-employment benefits				
Defined contribution plans	90,481	89,157	182,142	165,945
Defined benefit plans (Note 20)	<u>1,338</u>	<u>1,413</u>	<u>2,677</u>	<u>2,825</u>
	91,819	90,570	184,819	168,770
Share-based payments				
Equity-settled	84,674	83,747	169,347	182,766
Other employee benefits	<u>180,886</u>	<u>151,978</u>	<u>353,196</u>	<u>297,609</u>
Total employee benefits expense	<u>\$ 2,722,530</u>	<u>\$ 2,508,090</u>	<u>\$ 5,338,971</u>	<u>\$ 4,880,636</u>

(Continued)

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
An analysis of employee benefits expense by function				
Operating costs	\$ 614,483	\$ 537,490	\$ 1,176,266	\$ 1,030,208
Operating expenses	<u>2,108,047</u>	<u>1,970,600</u>	<u>4,162,705</u>	<u>3,850,428</u>
	<u>\$ 2,722,530</u>	<u>\$ 2,508,090</u>	<u>\$ 5,338,971</u>	<u>\$ 4,880,636</u>
				(Concluded)

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 and six months ended June 30, 2019 and 2018, the employees' compensation and the remuneration of directors were accrued of net profit after income tax.

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
Employees' compensation	\$ 132,435	\$ 68,250	\$ 248,890	\$ 136,500
Remuneration of directors	<u>2,650</u>	<u>2,650</u>	<u>5,300</u>	<u>5,300</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 resolved by the board of directors on May 3, 2019 and March 2, 2018, respectively, were as below:

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Foreign exchange gains	\$ 208,642	\$ 407,516	\$ 394,696	\$ 666,001
Foreign exchange losses	<u>(196,435)</u>	<u>(361,845)</u>	<u>(312,745)</u>	<u>(623,086)</u>
Net gain (loss)	<u>\$ 12,207</u>	<u>\$ 45,671</u>	<u>\$ 81,951</u>	<u>\$ 42,915</u>

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	\$ 498,914	\$ 376,348	\$ 964,440	\$ 738,604
Income tax on unappropriated earnings	21,176	31,746	21,176	31,746
Adjustment for prior years	(50,812)	(78,985)	(28,296)	(110,885)
Deferred tax				
In respect of the current period	43,395	56,449	(12,967)	61,090
Change in tax rate	<u>-</u>	<u>48,333</u>	<u>-</u>	<u>86,890</u>
Income tax expense recognized in profit or loss	<u>\$ 512,673</u>	<u>\$ 433,891</u>	<u>\$ 944,353</u>	<u>\$ 807,445</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 \$98,640 thousand has not been recognized as of June 30, 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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
<u>Deferred tax</u>				
Change in tax rate	\$ -	\$ (15,335)	\$ -	\$ (18,879)
In respect of current period				
Translation of foreign operations	<u>11,817</u>	<u>19,082</u>	<u>37,632</u>	<u>21,650</u>
Income tax recognized in other comprehensive income	<u>\$ 11,817</u>	<u>\$ 3,747</u>	<u>\$ 37,632</u>	<u>\$ 2,771</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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Basic earnings per share	<u>\$ 2.71</u>	<u>\$ 2.27</u>	<u>\$ 5.02</u>	<u>\$ 4.23</u>
Diluted earnings per share	<u>\$ 2.69</u>	<u>\$ 2.25</u>	<u>\$ 4.97</u>	<u>\$ 4.18</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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Earnings used in the computation of basic earnings per share	<u>\$ 1,894,118</u>	<u>\$ 1,584,195</u>	<u>\$ 3,511,476</u>	<u>\$ 2,946,865</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,894,118</u>	<u>\$ 1,584,195</u>	<u>\$ 3,511,476</u>	<u>\$ 2,946,865</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	699,076	697,490	698,910	697,447
Effect of potentially dilutive ordinary shares:				
Employee share options	5,853	5,379	6,591	5,551
Employees' compensation	<u>502</u>	<u>340</u>	<u>1,659</u>	<u>1,536</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>705,431</u>	<u>703,209</u>	<u>707,160</u>	<u>704,534</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:

	For the Six Months Ended June 30			
	2019		2018	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	15,965	\$143.64	9,378	\$ 95.15
Options exercised	<u>(445)</u>	83.62	<u>(262)</u>	84.20
Balance at June 30	<u>15,520</u>	-	<u>9,116</u>	-
Options exercisable, end of the period	<u>7,520</u>	84.58	<u>2,616</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 six months ended June 30, 2019 and 2018 ranged from NT\$223 to NT\$261 and NT\$204 to NT\$226, respectively.

Information about outstanding options as of June 30, 2019 and 2018 was as follows:

	For the Six Months Ended December 31			
	2019		2018	
	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
Issuance in 2018	\$202.50	5.08	\$ -	-
Issuance in 2016	85.60	2.95	88.50	3.95
Issuance in 2014	81.50	1.13	84.20	2.13

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 \$169,347 thousand and \$182,766 thousand for the six months ended June 30, 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 Six Months Ended June 30			
	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	814	\$ 20	980	\$ 20
Options forfeited	(4)		-	
Balance at June 30	<u>810</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 six months ended June 30, 2019 and 2018 was as follows:

	June 30			
	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	3.03	\$ -	-
Issuance in 2017	20	1.92	20	3.17

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

	2018	2017
Grant-date valuation (NT\$)	\$17.29	\$16.11
Exercise price (NT\$)	\$20	\$20
Expected volatility	21.36%-25.43%	25.6%-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

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

Issuance in 2017

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

26. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Advantech Vietnam Technology Company Limited (AVN)	Sales of industrial automation products	June 6, 2018	60	<u>\$ 76,092</u>
Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronical 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 60% of the shares of Advantech Vietnam Technology Company Limited (AVN) in order to expand the sales of industrial PC in the Vietnam market.

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

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

b. Consideration transferred

	ATJ	ATR	AVN
Cash	<u>\$ 517,008</u>	<u>\$ 28,266</u>	<u>\$ 76,092</u>

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

	ATJ	ATR	AVN
Current assets			
Cash and cash equivalents	\$ -	\$ 3,118	\$ 15,770
Trade receivables	600,641	16,907	16,701
Inventories	437,154	10,319	4,637
Other current assets	7,220	52	615
Non-current assets			
Plant and equipment	145,020	762	1,170
Intangible assets	4,426	195	26,727
Deferred tax assets	73,782	-	-
Other non-current assets	-	181	354

(Continued)

	ATJ	ATR	AVN
Current liabilities			
Short-term borrowings	\$ (157,819)	\$ (311)	\$ -
Trade and other payables	(548,370)	(2,206)	(20,302)
Current tax liabilities	(32,436)	(444)	-
Other current liabilities	(15,770)	(4,278)	(873)
Non-current liabilities			
Other non-current liabilities	<u>-</u>	<u>(86)</u>	<u>-</u>
	<u>\$ 513,848</u>	<u>\$ 24,209</u>	<u>\$ 44,799</u> (Concluded)

d. Non-controlling interests

The non-controlling interest (20%, 58%, and 40% ownership interest in ATJ, ATR, and AVN) recognized at the acquisition date was measured by reference to the identifiable net assets of the non-controlling interest and amounted to \$102,770 thousand, \$14,041 thousand, and \$17,920 thousand for each.

e. Goodwill recognized on acquisitions

	ATJ	ATR	AVN
Consideration transferred	\$ 517,008	\$ 28,266	\$ 76,092
Less: Fair value of identifiable net assets acquired	<u>(411,078)</u>	<u>(10,168)</u>	<u>(26,879)</u>
Goodwill recognized on acquisitions	<u>\$ 105,930</u>	<u>\$ 18,098</u>	<u>\$ 49,213</u>

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

The acquisitions of ATJ and ATR mainly represent 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

	ATJ	ATR	AVN
Consideration paid in cash	\$ 517,008	\$ 28,266	\$ 76,092
Less: Cash and cash equivalent balances acquired	<u>-</u>	<u>(3,118)</u>	<u>(15,770)</u>
	<u>\$ 517,008</u>	<u>\$ 25,148</u>	<u>\$ 60,322</u>

g. Impact of acquisitions on the results of the Group

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

	For the Six Months Ended June 30, 2019		For the Six Months Ended June 30, 2018
	ATJ	ATR	AVN
Revenue	<u>\$ 1,167,827</u>	<u>\$ 37,908</u>	<u>\$ 21,019</u>
Profit	<u>\$ 68,705</u>	<u>\$ 5,927</u>	<u>\$ 680</u>

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- In the first quarter of 2018, the Group sold 1.11% of the equity in LNC, which led the Group's equity investment decreased from 81.17% to 80.06%.
- In the first quarter of 2018, the Group acquired 49% of the equity of ATH, which led the Group's equity investment in ATH increase from 51% to 100%.
- 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.

	For the Six Months Ended June 30			
	2019	2018		Total
	ATR	ATH	LNC	
Cash consideration received (paid)	\$ (30,216)	\$ (21,926)	\$ 3,391	\$ (18,535)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>22,487</u>	<u>22,701</u>	<u>(1,876)</u>	<u>20,825</u>
Differences recognized from equity transactions	<u>\$ (7,729)</u>	<u>\$ 775</u>	<u>\$ 1,515</u>	<u>\$ 2,290</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>\$ 775</u>	<u>\$ 1,515</u>	<u>\$ 2,290</u>

28. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

June 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 3,569	\$ -	\$ 3,569
Securities listed in ROC	148,093	-	-	148,093
Securities listed in other countries	7,164	-	-	7,164
Mutual funds	<u>4,560,710</u>	<u>-</u>	<u>-</u>	<u>4,560,710</u>
	<u>\$ 4,715,967</u>	<u>\$ 3,569</u>	<u>\$ -</u>	<u>\$ 4,719,536</u>
Financial assets at FVTOCI				
Securities listed in ROC	\$ 1,286,362	\$ -	\$ -	\$ 1,286,362
Unlisted securities - ROC	-	-	9,620	9,620
Securities listed in other countries	<u>-</u>	<u>-</u>	<u>137,571</u>	<u>137,571</u>
	<u>\$ 1,286,362</u>	<u>\$ -</u>	<u>\$ 147,191</u>	<u>\$ 1,433,553</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 8,432</u>	<u>\$ -</u>	<u>\$ 8,432</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 5,198	\$ -	\$ 5,198
Securities listed in ROC	202,622	-	-	202,622
Securities listed in other 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>

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 10,992	\$ -	\$ 10,992
Securities listed in ROC	199,735	-	-	199,735
Securities listed in other country	10,285	-	-	10,285
Mutual funds	<u>4,942,393</u>	<u>-</u>	<u>-</u>	<u>4,942,393</u>
	<u>\$ 5,152,413</u>	<u>\$ 10,992</u>	<u>\$ -</u>	<u>\$ 5,163,405</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in ROC	\$ 1,670,425	\$ -	\$ -	\$ 1,670,425
Unlisted securities - ROC	-	-	11,177	11,177
Unlisted shares in other country	<u>-</u>	<u>-</u>	<u>72,035</u>	<u>72,035</u>
	<u>\$ 1,670,425</u>	<u>\$ -</u>	<u>\$ 83,212</u>	<u>\$ 1,753,637</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 4,637</u>	<u>\$ -</u>	<u>\$ 4,637</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

	FVTOCI	
	Equity Instruments	
	For the Six Months Ended	
	June 30	
	2019	2018
<u>Financial assets</u>		
Balance at January 1, 2019	\$ 118,765	\$ -
Reclassification	-	89,893
Recognized in other comprehensive income	<u>28,426</u>	<u>(6,681)</u>
Balance at June 30, 2019	<u>\$ 147,191</u>	<u>\$ 83,212</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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$ 4,719,536	\$ 2,098,552	\$ 5,163,405
Financial assets at amortized cost (Note 1)	16,055,925	15,187,794	13,872,280
Financial assets at FVTOCI			
Equity instruments	1,433,553	1,300,267	1,753,637
<u>Financial liabilities</u>			
FVTPL			
Mandatorily at FVTPL	8,432	6,139	4,637
Financial assets at amortized cost (Note 2)	15,324,973	9,616,094	14,533,882

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, other receivables and other receivables from related parties.

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

c. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 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.S. Dollar Impact		Euro Impact		Renminbi Impact	
	For the Six Months Ended		For the Six Months Ended		For the Six Months Ended	
	June 30		June 30		June 30	
	2019	2018	2019	2018	2019	2018
Profit or loss	\$ 106,130 (Note 1)	\$ 65,000 (Note 1)	\$ 29,634 (Note 2)	\$ 84,980 (Note 2)	\$ 72,642 (Note 3)	\$ 65,050 (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:

	June 30, 2019	December 31, 2018	June 30, 2018
Fair value interest rate risk			
Financial assets	\$ 1,370,663	\$ 1,363,564	\$ 362,284
Financial liabilities	231,200	-	31,498
Cash flow interest rate risk			
Financial assets	4,537,874	4,527,415	4,203,036
Financial liabilities	138,178	142,991	74,334

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 six months ended June 30, 2019 and 2018 would have increased by \$10,999 thousand and \$10,322 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 six months ended June 30, 2019 and 2018 would have increased by \$1,553 thousand and \$2,100 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 six months ended June 30, 2019 and 2018 would have increased by \$14,336 thousand and \$17,536 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 current period.

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 June 30, 2019, December 31, 2018 and June 30, 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.

June 30, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 10,476,657	\$ 3,316,642	\$ 1,162,296	\$ -
Variable interest rate liabilities	325	20,646	73,229	56,827
Fixed interest rate liabilities	<u>42</u>	<u>173,486</u>	<u>57,837</u>	<u>-</u>
	<u>\$ 10,477,024</u>	<u>\$ 3,510,774</u>	<u>\$ 1,293,362</u>	<u>\$ 56,827</u>

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year- 5 Years
<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>

June 30, 2018

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 10,231,249	\$ 3,010,690	\$ 1,186,111	\$ -
Variable interest rate liabilities	179	358	9,709	79,627
Fixed interest rate liabilities	<u>49</u>	<u>100</u>	<u>17,540</u>	<u>14,582</u>
	<u>\$ 10,231,477</u>	<u>\$ 3,011,148</u>	<u>\$ 1,213,360</u>	<u>\$ 94,209</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.

June 30, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 352,400	\$ 592,508	\$ 197,471	\$ 1,142,379
Outflows	<u>352,878</u>	<u>596,340</u>	<u>198,024</u>	<u>1,147,242</u>
	<u>\$ (478)</u>	<u>\$ (3,832)</u>	<u>\$ (553)</u>	<u>\$ (4,863)</u>

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 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>

June 30, 2018

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Total
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 362,426	\$ 419,039	\$ 171,768	\$ 953,233
Outflows	<u>361,571</u>	<u>413,457</u>	<u>171,850</u>	<u>946,878</u>
	<u>\$ 855</u>	<u>\$ 5,582</u>	<u>\$ (82)</u>	<u>\$ 6,355</u>

c) Financing facilities

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured bank overdraft facilities reviewed annually and payable at call:			
Amount used	\$ 318,781	\$ 67,581	\$ -
Amount unused	<u>6,909,139</u>	<u>3,955,919</u>	<u>4,000,000</u>
	<u>\$ 7,227,920</u>	<u>\$ 4,023,500</u>	<u>\$ 4,000,000</u>
Secured bank overdraft facilities:			
Amount used	<u>\$ 50,597</u>	<u>\$ 55,410</u>	<u>\$ 105,832</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
Information Technology Total Services 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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Associates	<u>\$ 23,744</u>	<u>\$ 36,550</u>	<u>\$ 46,923</u>	<u>\$ 57,447</u>

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Associates	<u>\$ 49,846</u>	<u>\$ 32,657</u>	<u>\$ 92,766</u>	<u>\$ 52,324</u>

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

Line Items	Related Party Categories/Name	June 30, 2019	December 31, 2018	June 30, 2018
Trade receivables from related parties	Associates	<u>\$ 22,952</u>	<u>\$ 18,969</u>	<u>\$ 37,865</u>

The outstanding trade receivables from related parties are unsecured. For the six months ended June 30, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

e. Other receivables from related parties

Line Items	Related Party Categories/Name	June 30, 2019	December 31, 2018	June 30, 2018
Other receivables from related parties	Associates	\$ 108,217	\$ -	\$ 143,482
	Other related parties	<u>68</u>	<u>-</u>	<u>-</u>
		<u>\$ 108,285</u>	<u>\$ -</u>	<u>\$ 143,482</u>

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

Line Items	Related Party Categories/Name	June 30, 2019	December 31, 2018	June 30, 2018
Trade payables	Associates	<u>\$ 39,020</u>	<u>\$ 27,653</u>	<u>\$ 39,236</u>

The outstanding trade payables to related parties are unsecured.

g. Other transactions with related parties

Related Party Category/Name	Operating Expenses			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Selling and market expenses				
Associates	<u>\$ 34,451</u>	<u>\$ -</u>	<u>\$ 34,451</u>	<u>\$ -</u>
Research and development expenses				
Associates	<u>\$ 312,718</u>	<u>\$ 684</u>	<u>\$ 312,878</u>	<u>\$ 2,372</u>

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

	Other Income			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Rental income				
Other related parties	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ 30</u>	<u>\$ 30</u>
Others				
Other related parties	<u>\$ 675</u>	<u>\$ 675</u>	<u>\$ 1,351</u>	<u>\$ 1,351</u>

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

h. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
	Short-term employee benefits	\$ 11,289	\$ 11,793	\$ 22,579
Post-employment benefits	10	50	21	100
Share-based payments	<u>10,411</u>	<u>6,377</u>	<u>20,822</u>	<u>13,764</u>
	<u>\$ 21,710</u>	<u>\$ 18,220</u>	<u>\$ 43,422</u>	<u>\$ 37,451</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:

	June 30, 2019	December 31, 2018	June 30, 2018
Pledge deposits (classified as financial assets at amortized cost)	\$ -	\$ -	\$ 28,912
Property, plant and equipment	<u>67,068</u>	<u>67,068</u>	<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:

June 30, 2019

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 216,152	31.06 (USD:NTD)	\$ 6,713,681
RMB	582,077	4.521 (RMB:NTD)	2,631,555
EUR	25,270	35.38 (EUR:NTD)	894,053
USD	17,430	6.8702 (USD:RMB)	<u>541,378</u>
			<u>\$ 10,780,667</u>
<u>Financial liabilities</u>			
Monetary items			
USD	133,665	31.06 (USD:NTD)	\$ 4,151,635
RMB	270,512	4.521 (RMB:NTD)	1,222,978
USD	34,577	6.8702 (USD:RMB)	<u>1,073,962</u>
			<u>\$ 6,448,575</u>

December 31, 2018

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<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>

June 30, 2018

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 201,033	30.46 (USD:NTD)	\$ 6,123,465
USD	23,169	6.6318 (USD:RMB)	705,724
RMB	521,750	4.593 (RMB:NTD)	2,396,398
EUR	43,666	35.40 (EUR:NTD)	<u>1,545,776</u>
			<u>\$ 10,771,363</u>
<u>Financial liabilities</u>			
Monetary items			
USD	142,170	30.46 (USD:NTD)	\$ 4,330,498
USD	35,219	6.6318 (USD:RMB)	1,072,764
RMB	287,149	4.593 (RMB:NTD)	1,318,875
EUR	3,655	35.40 (EUR:NTD)	<u>129,387</u>
			<u>\$ 6,851,524</u>

For the three months and six months ended June 30, 2019 and 2018, realized and unrealized net foreign exchange gains (or losses) were \$12,207 thousand, \$45,671 thousand, \$81,951 thousand and \$42,915 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:

- a. Industrial internet of thing services (IIoT): Focus on the market of industrial internet-of-things;
- b. Embedded board and design-in services (EIoT): Provide services involving embedded boards, systems and peripheral hardware and software;
- c. Allied design manufacture services (AlliedDMS): Including Networks and Communications, data acquisition and control, and provide the customized collaboration designs and services;
- d. Intelligent services (SIoT): Provide services involving digital logistic, digital healthcare and intelligent retail;
- e. 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 six months ended June 30, 2019</u>							
Revenue from external customers	\$ 8,032,715	\$ 6,744,286	\$ 6,097,826	\$ 2,229,816	\$ 3,107,254	\$ 64,707	\$ 26,276,604
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 8,032,715</u>	<u>\$ 6,744,286</u>	<u>\$ 6,097,826</u>	<u>\$ 2,229,816</u>	<u>\$ 3,107,254</u>	<u>\$ 64,707</u>	<u>26,276,604</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>26,276,604</u>
Segment income	<u>\$ 1,906,229</u>	<u>\$ 1,111,329</u>	<u>\$ 960,535</u>	<u>\$ 193,768</u>	<u>\$ 419,851</u>	<u>\$ -</u>	<u>4,591,712</u>
Other revenue	-	-	-	-	-	-	67,587
Other unamortized expense	-	-	-	-	-	-	(400,708)
Other income and expense	-	-	-	-	-	-	187,952
Finance costs	-	-	-	-	-	-	(12,316)
Share of profits of associates for using the equity method	-	-	-	-	-	-	<u>42,596</u>
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 4,476,823</u>
<u>For the six months ended June 30, 2018</u>							
Revenue from external customers	\$ 8,478,064	\$ 6,429,555	\$ 3,706,214	\$ 2,155,581	\$ 3,135,943	\$ 95,282	\$ 24,000,639
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 8,478,064</u>	<u>\$ 6,429,555</u>	<u>\$ 3,706,214</u>	<u>\$ 2,155,581</u>	<u>\$ 3,135,943</u>	<u>\$ 95,282</u>	<u>24,000,639</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>24,000,639</u>
Segment income	<u>\$ 1,927,614</u>	<u>\$ 1,047,648</u>	<u>\$ 526,674</u>	<u>\$ 133,448</u>	<u>\$ 345,255</u>	<u>\$ 112</u>	<u>3,980,751</u>
Other unamortized expense	-	-	-	-	-	-	(396,707)
Other revenue	-	-	-	-	-	-	72,232
Other income and expense	-	-	-	-	-	-	68,377
Finance costs	-	-	-	-	-	-	(2,487)
Share of profits of associates for using the equity method	-	-	-	-	-	-	<u>47,856</u>
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 3,770,022</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 SIX MONTHS ENDED JUNE 30, 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	\$ 16,668 (CZK 12,000 thousand)	\$ 16,668 (CZK 12,000 thousand)	\$ 16,668 (CZK 12,000 thousand)	2.00	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 124,774 (Note C)	\$ 124,774 (Note C)
2	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	13,196 (CZK 9,500 thousand)	13,196 (CZK 9,500 thousand)	13,196 (CZK 9,500 thousand)	2.00	Short-term financing	-	Financing need	-	None	None	124,774 (Note C)	124,774 (Note C)
3	B+B (CZ)	Conel Automation	Trade receivables - related parties	Yes	4,119 (CZK 3,000 thousand)	-	-	2.00	Short-term financing	-	Financing need	-	None	None	124,774 (Note C)	124,774 (Note C)
4	AAC (BVI)	ATJ	Trade receivables - related parties	Yes	174,600 (JPY 600,000 thousand)	173,400 (JPY 600,000 thousand)	-	0.55	Short-term financing	-	Financing need	-	None	None	2,677,832 (Note D)	2,677,832 (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 June 30, 2019 were CZK1=NT\$1.389 and JPY1=NT\$0.289.

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 SIX MONTHS ENDED JUNE 30, 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	\$ 2,854,005	\$ 948,000 (US\$ 30,000)	\$ 931,800 (US\$ 30,000)	\$ -	\$ -	3.26	\$ 8,562,015	Y	N	N
		AAC (BVI)	Subsidiary	2,854,005	316,000 (US\$ 10,000)	310,600 (US\$ 10,000)	-	-	1.09	8,562,015	Y	N	N
		Advantech Corporate Investment	Subsidiary	2,854,005	316,000 (US\$ 10,000)	310,600 (US\$ 10,000)	-	-	1.09	8,562,015	Y	N	N
		AJP	Subsidiary	2,854,005	316,000 (US\$ 10,000)	310,600 (US\$ 10,000)	57,800	-	1.09	8,562,015	Y	N	N
		ATJ	Subsidiary	2,854,005	291,000 (JPY 1,000,000)	289,000 (JPY 1,000,000)	173,400	-	1.01	8,562,015	Y	N	N
		AKST	Subsidiary	2,854,005	189,600 (US\$ 6,000)	186,360 (US\$ 6,000)	67,581	-	0.65	8,562,015	Y	N	N
		AKMC	Subsidiary	2,854,005	189,600 (US\$ 6,000)	186,360 (US\$ 6,000)	-	-	0.65	8,562,015	Y	N	Y
		ACISM	Subsidiary	2,854,005	158,000 (US\$ 5,000)	155,300 (US\$ 5,000)	-	-	0.54	8,562,015	Y	N	N
		SIoT (Cayman)	Subsidiary	2,854,005	316,000 (US\$ 10,000)	310,600 (US\$ 10,000)	-	-	1.09	8,562,015	Y	N	N
		B+B	Subsidiary	2,854,005	158,000 (US\$ 5,000)	155,300 (US\$ 5,000)	-	-	0.54	8,562,015	Y	N	N
		ABR	Subsidiary	2,854,005	47,400 (US\$ 1,500)	46,590 (US\$ 1,500)	-	-	0.16	8,562,015	Y	N	N
		A-SIoT	Subsidiary	2,854,005	35,380 (EUR 1,000)	35,380 (EUR 1,000)	-	-	0.12	8,562,015	Y	N	N
		AVN	Subsidiary	2,854,005	31,600 (US\$ 1,000)	31,060 (US\$ 1,000)	-	-	0.11	8,562,015	Y	N	N
		Cermate (Taiwan)	Subsidiary	2,854,005	31,600 (US\$ 1,000)	31,060 (US\$ 1,000)	-	-	0.11	8,562,015	Y	N	N
		Cermate (Shenzhen)	Subsidiary	2,854,005	31,600 (US\$ 1,000)	31,060 (US\$ 1,000)	-	-	0.11	8,562,015	Y	N	Y
		B+B (CZ)	Subsidiary	2,854,005	15,800 (US\$ 500)	15,530 (US\$ 500)	-	-	0.05	8,562,015	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										
		ATR	Subsidiary	\$ 2,854,005	\$ 15,800 (US\$ 500)	\$ 15,530 (US\$ 500)	\$ -	\$ -	0.05	\$ 8,562,015	Y	N	N
		Advanixs Corp.	Subsidiary	2,854,005	15,800 (US\$ 500)	15,530 (US\$ 500)	-	-	0.05	8,562,015	Y	N	N
		AdvanPOS	Subsidiary	2,854,005	15,800 (US\$ 500)	15,530 (US\$ 500)	-	-	0.05	8,562,015	Y	N	N
		AAU	Subsidiary	2,854,005	6,320 (US\$ 200)	6,212 (US\$ 200)	-	-	0.02	8,562,015	Y	N	N
		Advantech Intelligent Service	Subsidiary	2,854,005	4,740 (US\$ 150)	4,659 (US\$ 150)	-	-	0.02	8,562,015	Y	N	N
		AKR	Subsidiary	2,854,005	1,580 (US\$ 50)	1,553 (US\$ 50)	-	-	0.01	8,562,015	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 June 30, 2019 were US\$1=NT\$31.06, EUR1=NT\$35.38, and JPY1=NT\$0.289.

Note D: The latest net equity is from the financial statements for the six months ended June 30, 2019.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE SIX MONTHS ENDED JUNE 30, 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	June 30, 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	74,400	2.41	74,400	Note A
	<u>Fund</u>							
	Mega Diamond Money Market	-	Financial assets at FVTPL - current	26,412,587	331,597	-	331,597	Note B
	Capital Money Market	-	Same as above	8,702,880	140,580	-	140,580	Note B
	FSITC Money Market	-	Same as above	2,800,584	500,257	-	500,257	Note B
FSITC Taiwan Money Market	-	Same as above	88,154,057	1,350,503	-	1,350,503	Note B	
Advantech Corporate Investment	<u>Share</u>							
	HwaCom System Inc.	-	Financial assets at FVTPL - current	5,175,000	93,409	5.00	93,409	Note A
	Contec	-	Same as above	15,500	6,186	0.23	6,186	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	155,062	5.03	155,062	Note A
	BroadTec System Inc.	-	Same as above	225,000	4,474	7.50	4,474	Note C
	BiosenseTek Corp.	-	Same as above	37,500	-	1.79	-	Note C
	Juguar Technology	-	Same as above	500,000	5,146	16.67	5,146	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 FVTPL - current	55,077,478	746,035	-	746,035	Note B
FSITC Money Market	-	Same as above	3,767,575	672,987	-	672,987	Note B	
Advanixs Corporate	<u>Fund</u>							
	Jih Sun Money Market	-	Same as above	2,224,953	33,005	-	33,005	Note B
	Mega Diamond Money Market	-	Same as above	6,696,511	84,071	-	84,071	Note B
AiST	<u>Fund</u>							
Jih Sun Money Market	-	Same as above	1,311,144	19,449	-	19,449	Note B	
AdvanPOS	<u>Fund</u>							
Mega Diamond Money Market	-	Financial assets at FVTPL - current	1,110,468	13,941	-	13,941	Note B	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
SIoT (Cayman)	<u>Fund</u> FSITC Money Market	-	Same as above	1,598,386	\$ 285,513	-	\$ 285,513	Note B
	FSITC Taiwan Money Market	-	Same as above	6,139,189	94,051	-	94,051	
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	Same as above	625,517	10,104	-	10,104	Note B
Cermate (Taiwan)	<u>Fund</u> Mega Diamond Money Market	-	Same as above	1,526,509	19,165	-	19,165	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	-	135,629	11.11	135,629	Note C
	<u>Share</u> Jama Pro Co., Ltd.	-	Same as above	583,300	1,942	10.00	1,942	Note C
Yun Yan, Wu-Lian Co., Ltd.	<u>Fund</u> FSITC Money Market	-	Financial assets at FVTPL - current	27,649	4,939	-	4,939	Note B
Huan Yan, Jih-lian Co.,	<u>Fund</u> FSITC Money Market	-	Same as above	54,616	9,756	-	9,756	Note B
ACI IOT Investment Fund-I Corporation	<u>Share</u> GSD Technologies Co., Ltd.	-	Financial assets at FVTPL - current	208,000	12,875	0.06	12,875	Note A
	Amazing Microelectronic Corp.	-	Same as above	120,000	9,696	0.16	9,696	Note A
	WT Microelectronics Co., Ltd.	-	Same as above	259,000	10,347	0.04	10,347	Note A
	E Ink Holdings Inc.	-	Same as above	300,000	9,990	0.03	9,990	Note A
	Lelon Electronics Corp.	-	Same as above	120,000	4,908	0.09	4,908	Note A
	Yuan High-Tec Development Co., Ltd.	-	Same as above	90,000	6,768	0.27	6,768	Note A
	eGalax_eMPIA Technology Inc.	-	Same as above	2,000	100	-	100	Note A
	ISI	-	Same as above	60	978	-	978	Note A
	<u>Fund</u> Mega Diamond Money Market	-	Same as above	19,097,264	239,757	-	239,757	Note B
	AIH	<u>Fund</u> Capital Money Market	-	Same as above	309,540	5,000	-	5,000

Note A: Market value was based on the closing price on June 30, 2019

Note B: Market value was based on the net asset values of the open-ended mutual funds on June 30, 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 SIX MONTHS ENDED JUNE 30, 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 FVTPL - current	-	-	97,030,420	\$ 1,212,819	23,917,913	\$ 300,002	94,535,746	\$ 1,185,000	\$ 1,181,637	\$ 3,363	26,412,587	\$ 331,184
	FSITC Money Market	Financial assets at FVTPL - current	-	-	-	-	2,800,584	500,003	-	-	-	-	2,800,584	500,003
	FSITC Taiwan Money Market	Financial assets at FVTPL - current	-	-	-	-	88,154,057	1,350,004	-	-	-	-	88,154,057	1,350,004
	<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 FVTPL - current	-	-	-	-	4,596,707	820,004	829,132	148,000	147,908	92	3,767,575	672,096
	Taishin 1699 Money Market	Financial assets at FVTPL - current	-	-	-	-	55,077,478	745,004	-	-	-	-	55,077,478	745,004

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 SIX MONTHS ENDED JUNE 30, 2019
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	AAU	Subsidiary	Sale	\$ 133,348	0.74	60-90 days	Contract price	No significant difference in terms for related parties	\$ 86,056	1.09	Note A
	ACN	Subsidiary	Sale	3,677,165	20.29	45 days after month-end	Contract price	No significant difference in terms for related parties	1,668,811	21.23	
	A-SIoT	Subsidiary	Sale	163,531	0.90	30 days after invoice date	Contract price	No significant difference in terms for related parties	28,720	0.37	
	AEU	Subsidiary	Sale	2,706,321	14.93	30 days after month-end	Contract price	No significant difference in terms for related parties	1,225,790	15.59	
	AJP	Subsidiary	Sale	493,861	2.73	60-90 days	Contract price	No significant difference in terms for related parties	207,167	2.64	
	AKR	Subsidiary	Sale	497,674	2.75	60 days after invoice date	Contract price	No significant difference in terms for related parties	78,766	1.00	
	ANA	Subsidiary	Sale	4,984,913	27.51	45 days after month-end	Contract price	No significant difference in terms for related parties	1,902,973	24.21	
	ASG	Subsidiary	Sale	150,851	0.83	60-90 days	Contract price	No significant difference in terms for related parties	74,709	0.95	
	B+B	Subsidiary	Sale	131,225	0.72	45 days after month-end	Contract price	No significant difference in terms for related parties	39,163	0.50	
	SIoT (Cayman)	Subsidiary	Sale	639,468	3.53	30 days after month-end	Contract price	No significant difference in terms for related parties	437,627	5.57	
	Advanixs Corp.	Subsidiary	Sale	326,615	1.80	60-90 days	Contract price	No significant difference in terms for related parties	132,748	1.69	
	AKMC	Subsidiary	Purchase	(5,575,406)	45.49	60 days after month-end	Contract price	No significant difference in terms for related parties	(1,621,394)	28.26	
	AKMC	The Company	Parent company	Sale	5,575,406	92.07	60 days after month-end	Contract price	No significant difference in terms for related parties	1,621,394	
AAU	The Company	Parent company	Purchase	(133,348)	3.98	60-90 days	Contract price	No significant difference in terms for related parties	(86,056)	83.95	
ACN	The Company	Parent company	Purchase	(3,677,165)	79.29	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,668,811)	83.99	
A-SIoT	The Company	Parent company	Purchase	(163,531)	39.89	30 days after invoice date	Contract price	No significant difference in terms for related parties	(28,720)	37.08	
AEU	The Company	Parent company	Purchase	(2,706,321)	74.26	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,225,790)	75.90	
AJP	The Company	Parent company	Purchase	(493,861)	98.34	60-90 days	Contract price	No significant difference in terms for related parties	(207,167)	92.17	
AKR	The Company	Parent company	Purchase	(497,674)	66.60	60 days after invoice date	Contract price	No significant difference in terms for related parties	(78,766)	58.24	
ANA	The Company	Parent company	Purchase	(4,984,913)	79.26	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,902,973)	79.11	
ASG	The Company	Parent company	Purchase	(150,851)	75.68	60-90 days	Contract price	No significant difference in terms for related parties	(74,709)	75.38	
B+B	The Company	Parent company	Purchase	(131,225)	31.46	45 days after month-end	Contract price	No significant difference in terms for related parties	(39,163)	37.16	
SIoT (Cayman)	The Company	Parent company	Purchase	(639,468)	54.79	30 days after month-end	Contract price	No significant difference in terms for related parties	(437,627)	65.81	
Advanixs Corp.	The Company	Parent company	Purchase	(326,615)	99.56	60-90 days	Contract price	No significant difference in terms for related parties	(132,748)	98.38	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AKMC	ACN SIoT (Cayman)	Related enterprise	Sale	\$ 176,260	2.91	Usual trade terms	Contract price	No significant difference in terms for related parties	\$ 54,675	20.88	
		Related enterprise	Sale	121,821	2.01	Usual trade terms	Contract price	No significant difference in terms for related parties	94,792	36.21	
B+B (CZ)	AEU	Related enterprise	Sale	117,653	67.68	Usual trade terms	Contract price	No significant difference in terms for related parties	43,540	60.72	
SIoT (Cayman)	AEU ANA	Related enterprise	Sale	259,356	25.43	Usual trade terms	Contract price	No significant difference in terms for related parties	77,770	20.65	
		Related enterprise	Sale	543,508	53.28	Usual trade terms	Contract price	No significant difference in terms for related parties	207,077	54.98	
LNC	Advantech LNC Dong Guan Co., Ltd.	Subsidiary	Sale	183,924	77.91	Usual trade terms	Contract price	No significant difference in terms for related parties	254,464	93.87	
ACN	AKMC	Related enterprise	Purchase	(176,260)	3.80	Usual trade terms	Contract price	No significant difference in terms for related parties	(54,675)	2.75	
AEU	B+B (CZ) SIoT (Cayman)	Related enterprise	Purchase	(117,653)	3.65	Usual trade terms	Contract price	No significant difference in terms for related parties	(43,540)	3.07	
		Related enterprise	Purchase	(259,356)	7.12	Usual trade terms	Contract price	No significant difference in terms for related parties	(77,770)	4.82	
ANA	SIoT (Cayman)	Related enterprise	Purchase	(543,508)	8.64	Usual trade terms	Contract price	No significant difference in terms for related parties	(207,077)	8.61	
SIoT (Cayman)	AKMC	Related enterprise	Purchase	(121,821)	10.44	Usual trade terms	Contract price	No significant difference in terms for related parties	(94,792)	14.25	
Advantech LNC Dong Guan Co., Ltd.	LNC	Parent company	Purchase	(183,924)	77.14	Usual trade terms	Contract price	No significant difference in terms for related parties	(254,464)	93.91	

Note A: Unrealized gain for the period was \$1,668 thousand.

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 1,668,811	4.59	\$ -	-	\$ 791,169	\$ -
	AEU	Subsidiary	1,225,790	3.77	-	-	245,899	-
	SIoT (Cayman)	Subsidiary	437,627	5.84	-	-	93,002	-
	AJP	Subsidiary	207,167	6.14	-	-	-	-
	AKMC	Subsidiary	513,823	(Note 2)	-	-	482,852	-
	ANA	Subsidiary	1,902,973	5.71	-	-	683,320	-
	Advanixs Corp.	Subsidiary	132,748	4.12	-	-	70,880	-
AKMC	The Company	Parent company	1,621,394	1.81	-	-	394,808	-
LNC	LNC Dong Guan	Parent company	254,464	1.56	-	-	36,085	-
SIoT (Cayman)	ANA	Related enterprise	207,077	10.5	-	-	-	-

Note 1: All intercompany gains and losses from investment have been eliminated from consolidation.

Note 2: Sales revenue on materials delivered to subcontractors have been eliminated from consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars/Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note	
				June 30, 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	\$ 6,261,121	\$ 342,236	\$ 330,888	Subsidiary	
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,816,758	85,409	68,893	Subsidiary	
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	226,000	226,000	10,000,000	100.00	217,397	26,685	27,562	Subsidiary	
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	1,400,000	300,000,000	100.00	3,172,195	46,238	46,173	Subsidiary	
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.77	619,725	551,518	73,950	Equity-meth investee	
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	297,192	(370)	(104)	Subsidiary	
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	304,865	304,865	19,230,000	64.10	435,964	8,867	5,672	Subsidiary	
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	8,012	8	2	Equity-meth investee	
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	692	463	463	Subsidiary	
	AEUH	Helmond, the Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	911,492	36,274	39,290	Subsidiary	
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	104,323	19,545	19,545	Subsidiary	
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51.00	61,078	11,617	5,925	Subsidiary	
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	39,279	3,074	3,074	Subsidiary	
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	366,731	37,128	37,128	Subsidiary	
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	53,945	7,659	7,659	Subsidiary	
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	302,568	31,007	31,007	Subsidiary	
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	68,597	6,877	5,502	Subsidiary	
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,067	23	23	Subsidiary	
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	96,810	1,038	1,038	Subsidiary	
	B+B	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	230,467	60.00	1,948,771	521	(5,113)	Subsidiary	
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	15,586	1,649	1,649	Subsidiary	
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	135,000	18,000,000	45.00	84,757	(56,122)	(25,255)	Equity-meth investee	
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	69,740	76.00	(36,634)	(8,960)	(8,984)	Subsidiary	
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	534,385	114,593	21,881	Equity-meth investee	
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	68,765	3,543	(3,967)	Subsidiary	
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	251,915	251,915	850,000	16.08	266,476	11,459	2,613	Equity-meth investee	
	ARU	Moscow	Production and sale of industrial automation products	23,822	23,822	500,000	100.00	18,362	(5,301)	(5,301)	Subsidiary	
	ATJ	Fukuoka, Japan	Production and sale of electronic and mechanical devices	323,130	-	500,000	50.00	367,182	87,558	34,353	Subsidiary	
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	-	260,870	60.00	44,824	7,438	3,556	Subsidiary	
	AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	22,023	24.00	-	(8,960)	-	Subsidiary
	AJP	ATJ	Fukuoka, Japan	Production and sale of electronic and mechanical devices	193,878	-	300,000	30.00	220,309	87,558	20,612	Subsidiary
	Advantech Corporate Investment	Cermate Taiwan	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	131,344	4,838	2,596	Subsidiary
		Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	13,820	(705)	(280)	Equity-meth investee
CDIB Innovation Accelerator Co., Ltd.		Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	159,211	53,393	9,534	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	510,308	(137,943)	(27,107)	Equity-meth investee	
Huan Yan, Jhih-Lian Co., Ltd.		Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	5,000	5,000	500,000	50.00	4,984	27	13	Subsidiary	
Yun Yan, Wu-Lian Co., Ltd.		Taipei, Taiwan	Industrial equipment Networking in Greater China	5,000	5,000	500,000	50.00	2,596	(940)	(470)	Subsidiary	
Nippon RAD		Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,733	11,459	-	Equity-meth investee	
i-Link Co., Ltd.	Taichung, Taiwan	Intelligent medical integration	10,067	10,067	1,000,000	25.00	6,626	(11,122)	(2,781)	Equity-meth investee		
DotZero Co., Ltd.	Taichung, Taiwan	Intelligent metal processing integration	4,900	4,900	490,000	49.00	3,650	(1,997)	(978)	Equity-meth investee		

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
	Mildex Optiocal Inc.	Kaohsiung, Taiwan	Manufacturing of electronic parts	\$ 202,948	\$ 202,948	15,710,000	15.00	\$ 202,371	\$ (52,398)	\$ (7,832)	Equity-meth investee
	Information Technology Total Service Co., Ltd.	Taipei, Taiwan	Service of electronic information	147,444	-	5,084,273	20.00	147,444	25,404	-	Equity-meth investee
	ACI IOT Investment Fund-I Corporation	Taipei, Taiwan	Investment holding company	238,000	-	23,800,000	79.30	239,496	1,886	1,496	Subsidiary
	ACISM	Samoa	General investment	18,214	-	1	100.00	17,242	(849,157)	(849)	Subsidiary
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	3,887,105	85,473	68,957	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,857,065	93,423	92,581	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,004,450	93,717	91,857	Subsidiary
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US\$ 50,000	US\$ 50,000	30,000,000	100.00	1,831,264	165,699	160,067	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	615,803	59,284	62,300	Subsidiary
	AIH	Taipei, Taiwan	Service of software	7,700	-	770,000	100.00	7,427	(273)	(273)	Subsidiary
ANA	B+B	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	153,644	40.00	1,331,363	521	208	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	1,075,909	34,384	34,384	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	34,655	2,321	2,321	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	59,832	11,617	5,692	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	9,378	545	545	Subsidiary
Cermate (Taiwan)	LandMark	BVI	General investment	28,200	28,200	972,284	100.00	120,003	9,047	8,899	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	7,900,000	100.00	22,843	2,824	2,894	Subsidiary
Better Auto	Famous Now	BVI	General investment	US\$ 4,000	US\$ 4,000	1	100.00	31,986	2,819	2,819	Subsidiary
B+B	BBIE	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100.00	95,639	(8,409)	(8,409)	Subsidiary
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
BBIE	ACZ (former B+B (CZ))	Czech Republic	Manufacturing automation	-	-	-	100.00	311,933	15,424	15,424	Subsidiary
	B&B Electronics	Delaware, USA	Sale of industrial network communications systems	US\$ 1,314	US\$ 1,314	-	100.00	-	-	-	Subsidiary
	DMCC (former B&B DMCC)	Dubai	Sale of industrial network communications systems	-	-	-	100.00	2,214	504	504	Subsidiary
ACZ (former B+B (CZ))	Conel Automation	Czech Republic	Sale of industrial network communications systems	-	-	-	100.00	(19,525)	(5,322)	(5,322)	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, Advantech Corporate Investment, and B+B.

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

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

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2019	Accumulated Inward Remittance of Earnings as of June 30, 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	\$ 1,158,538 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,158,538 (US\$ 37,300 thousand)	\$ 90,488	100	\$ 68,957	\$ 3,887,104	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	165,612 (US\$ 5,332 thousand)	-	-	165,612 (US\$ 5,332 thousand)	108,213	100	106,392	1,322,660	348,866 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US\$ 8,000 thousand	Indirect	248,480 (US\$ 8,000 thousand)	-	-	248,480 (US\$ 8,000 thousand)	(15,474)	100	(15,513)	654,636	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	14	100	14	30,228	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	99,206 (US\$ 3,194 thousand)	-	-	99,206 (US\$ 3,194 thousand)	2,819	100	2,889	32,050	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	9,566 (US\$ 308 thousand)	-	-	9,566 (US\$ 308 thousand)	7,722	90	6,801	88,252	41,837 (US\$ 717 thousand) (RMB 4,328 thousand)
Cermate Technologies (Shanghai) Inc.	Sale of Human Machine Interface	US\$ 520 thousand	Indirect	17,766 (US\$ 572 thousand)	-	-	17,766 (US\$ 572 thousand)	1,326	100	1,326	32,304	-

(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 June 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2019	Accumulated Inward Remittance of Earnings as of June 30, 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)	\$ (14,759)	100	\$ (14,759)	\$ 45,976	\$ -
Shanghai Yanlo Co., Ltd. ("Yanlo")	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	(671)	45	(302)	4,151	-
GSD Environmental Technology Co., Ltd. ("GSD")	Development, consulting and services in environmental technology	RMB 10,000 thousand	Indirect	(Note H)	-	-	(Note H)	(2,123)	40	(849)	17,242	-

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Allowable Limit on Investment
\$1,705,380 (US\$54,906 thousand) (Note D)	\$2,934,921 (US\$94,492 thousand)	\$17,396,253 (Note J)

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, Advantech Corporate Investment, and B+B.

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

Note C: Remittance by ACN.

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

Note E: AKMC's paid-in capital, including capital increase via retained earnings, amounted to US\$6,450 thousand.

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 were US\$1=NT\$31.06 and RMB1=NT\$4.521.

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

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 45	45 days EOM	-
		AAU	1	Sales revenue	133,348	Normal	1
		AAU	1	Receivables from related parties	86,056	60-90 days	-
		AAU	1	Other revenue	1,115	Normal	-
		AAU	1	Other receivables from related parties	717	60-90 days	-
		ABR	1	Sales revenue	60,930	Normal	-
		ABR	1	Receivables from related parties	18,300	90 days EOM	-
		ABR	1	Other revenue	2,043	Normal	-
		ABR	1	Other receivables from related parties	1,431	90 days EOM	-
		ACN	1	Receivables from related parties	1,668,811	45 days EOM	3
		ACN	1	Sales revenue	3,677,165	Normal	14
		ACZ	1	Sales revenue	107	Normal	-
		ACZ	1	Receivables from related parties	81	Normal	-
		ACZ	1	Other revenue	1,199	Normal	-
		ACZ	1	Other receivables from related parties	476	60 days EOM	-
		AEU	1	Sales revenue	2,706,321	Normal	10
		AEU	1	Receivables from related parties	1,225,790	30 days EOM	2
		AEU	1	Other revenue	12,700	Normal	-
		AEU	1	Other receivables from related parties	4,175	30 days EOM	-
		AID	1	Sales revenue	13,608	Normal	-
		AID	1	Receivables from related parties	8,480	45 days after invoice date	-
		AID	1	Other receivables from related parties	348	45 days after invoice date	-
		AID	1	Other revenue	717	Normal	-
		AIN	1	Sales revenue	43,619	Normal	-
		AIN	1	Receivables from related parties	21,374	60 days EOM	-
		AJP	1	Sales revenue	493,861	Normal	2
		AJP	1	Receivables from related parties	207,167	60-90 days	-
		AJP	1	Other revenue	3,050	Normal	-
		AJP	1	Other receivables from related parties	532	60-90 days	-
		AKMC	1	Receivables from related parties	513,823	45 days EOM	1
		AKMC	1	Sales revenue	2	Normal	-
		AKR	1	Sales revenue	497,674	Normal	2
		AKR	1	Receivables from related parties	78,766	60 days after invoice date	-
		AKR	1	Other revenue	3,826	Normal	-
		AKR	1	Other receivables from related parties	669	60 days after invoice date	-
		AKST	1	Sales revenue	3,675	30 days EOM	-
		AKST	1	Receivables from related parties	3,647	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	\$ 64,404	Normal	-
		AMY	1	Receivables from related parties	30,014	45 days EOM	-
		AMY	1	Other revenue	954	Normal	-
		AMY	1	Other receivables from related parties	461	45 days EOM	-
		ANA	1	Receivables from related parties	1,902,973	45 days EOM	4
		ANA	1	Other revenue	8,258	Normal	-
		ANA	1	Other receivables from related parties	2,269	45 days EOM	-
		ANA	1	Sales revenue	4,984,913	Normal	19
		APL	1	Sales revenue	11,150	Normal	-
		APL	1	Receivables from related parties	4,066	45 days EOM	-
		APL	1	Other receivables from related parties	5	45 days EOM	-
		ARU	1	Sales revenue	14	Normal	-
		ARU	1	Receivables from related parties	14	45 days EOM	-
		ASG	1	Sales revenue	150,851	Normal	1
		ASG	1	Receivables from related parties	74,709	60-90 days	-
		ASG	1	Other revenue	1,266	Normal	-
		ASG	1	Other receivables from related parties	649	60-90 days	-
		A-SIoT	1	Sales revenue	163,531	Normal	1
		A-SIoT	1	Receivables from related parties	28,720	30 days after invoice date	-
		A-SIoT	1	Other revenue	1,509	Normal	-
		ATH	1	Sales revenue	62,006	Normal	-
		ATH	1	Receivables from related parties	26,331	30 days after invoice date	-
		ATH	1	Other revenue	1,000	Normal	-
		ATH	1	Other receivables from related parties	388	30 days after invoice date	-
		ATJ	1	Other receivables from related parties	147	30 days EOM	-
		ATJ	1	Receivables from related parties	546	30 days EOM	-
		ATJ	1	Sales revenue	478	Normal	-
		ATR	1	Sales revenue	30,529	Normal	-
		ATR	1	Receivables from related parties	9,035	45 days EOM	-
		AVN	1	Receivables from related parties	13,202	45 days EOM	-
		AVN	1	Sales revenue	34,780	Normal	-
		B+B	1	Sales revenue	131,225	Normal	-
		B+B	1	Receivables from related parties	39,163	60 days EOM	-
		B+B	1	Other revenue	2,211	Normal	-
		B+B	1	Other receivables from related parties	777	60 days EOM	-
		BBIE	1	Other revenue	501	Normal	-
		BBIE	1	Other receivables from related parties	87	45 days after invoice date	-
		SIoT (Cayman)	1	Other receivables from related parties	3,593	30 days EOM	-
		SIoT (Cayman)	1	Sales revenue	639,468	Normal	2
		SIoT (Cayman)	1	Receivables from related parties	437,627	30 days EOM	1
		Cermate (Taiwan)	1	Other revenue	600	Normal	-
		Cermate (Taiwan)	1	Sales revenue	11	Normal	-
		Cermate (Taiwan)	1	Other receivables from related parties	215	30 days EOM	-
		Advantech Corporate Investment	1	Rental revenue	18	Normal	-
		Advanix Corp.	1	Sales revenue	326,615	Normal	1
		Advanix Corp.	1	Receivables from related parties	132,748	60-90 days	-
		Advanix Corp.	1	Rental revenue	300	Normal	-
		Advanix Corp.	1	Other receivables from related parties	636	60-90 days	-

(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	Other revenue	\$ 800	Normal	-
		LNC	1	Receivables from related parties	19	60-90 days EOM	-
		LNC	1	Sales revenue	44	Normal	-
		LNC	1	Other receivables from related parties	420	60-90 days EOM	-
1	AAC (HK)	Advantech Co., Ltd.	2	Other revenue	4,067	Normal	-
2	AAU	Advantech Co., Ltd.	2	Receivables from related parties	14	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	185	Normal	-
		ANA	3	Sales revenue	3	Normal	-
3	ABR	Advantech Co., Ltd.	2	Receivables from related parties	852	30 days after invoice date	-
		Advantech Co., Ltd.	2	Sales revenue	2	Normal	-
4	ACN	Advantech Co., Ltd.	2	Other receivables from related parties	93	30 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,622	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	3,884	Normal	-
		AEU	3	Receivables from related parties	3,550	30 days EOM	-
		AEU	3	Sales revenue	7,980	Normal	-
		AiSC	3	Sales revenue	18,896	Normal	-
		AiSC	3	Receivables from related parties	4,209	Immediate payment	-
		AKMC	3	Sales revenue	19,129	Normal	-
		AKMC	3	Receivables from related parties	12,565	60-90 days	-
		AKR	3	Sales revenue	27	Normal	-
		AMY	3	Sales revenue	2	Normal	-
		ANA	3	Receivables from related parties	41	30 days EOM	-
		ANA	3	Sales revenue	265	Normal	-
		AXA	3	Other receivables from related parties	62	60 days EOM	-
		SIoT (China)	3	Receivables from related parties	11,307	30 days EOM	-
		SIoT (China)	3	Sales revenue	38,764	Normal	-
5	ACZ	Advantech Co., Ltd.	2	Sales revenue	21,655	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	617	45 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	5,614	45 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	2	Normal	-
		AEU	3	Receivables from related parties	43,540	45 days EOM	-
		AEU	3	Sales revenue	117,653	Normal	-
		AEU	3	Other revenue	3,504	Normal	-
		AEU	3	Other receivables from related parties	881	45 days EOM	-
		ANA	3	Receivables from related parties	4,511	45 days EOM	-
		ANA	3	Sales revenue	4,428	Normal	-
		B+B	3	Receivables from related parties	13,961	45 days EOM	-
		B+B	3	Sales revenue	24,351	Normal	-
		Conel Automation	3	Other revenue	272	45 days EOM	-
		Conel Automation	3	Other receivables from related parties	279	45 days EOM	-
		Conel Automation	3	Interest revenue	279	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	AEU	Advantech Co., Ltd.	2	Other receivables from related parties	\$ 52,316	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	14,597	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,997	30 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	135	Normal	-
		ACN	3	Receivables from related parties	127	30 days after invoice date	-
		ACN	3	Sales revenue	309	Normal	-
		ACZ	3	Receivables from related parties	39	45 days EOM	-
		ACZ	3	Sales revenue	13	Normal	-
		AID	3	Receivables from related parties	5	30 days after invoice date	-
		AID	3	Sales revenue	5	Normal	-
		AJP	3	Sales revenue	19	Normal	-
		AKR	3	Sales revenue	10	Normal	-
		ANA	3	Sales revenue	5,366	Normal	-
		ANA	3	Receivables from related parties	693	30 days after invoice date	-
		APL	3	Sales revenue	1,808	Normal	-
		APL	3	Receivables from related parties	309	30 days after invoice date	-
		A-SIoT	3	Sales revenue	10,835	Normal	-
		A-SIoT	3	Receivables from related parties	6,007	30 days after invoice date	-
		BBIE	3	Receivables from related parties	34	30 days after invoice date	-
		7	AID	ASG	3	Receivables from related parties	77
ASG	3			Other revenue	1,019	Normal	-
8	AIN	Advantech Co., Ltd.	2	Other revenue	9	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	525	60 days EOM	-
9	AiSC	AAC (HK)	3	Other receivables from related parties	4,537	90 days	-
		ACN	3	Other receivables from related parties	39,441	Immediate payment	-
		ACN	3	Sales revenue	99	Normal	-
		ACN	3	Rental revenue	9,825	Normal	-
		ACN	3	Receivables from related parties	2	Immediate payment	-
		SIoT (China)	3	Other receivables from related parties	1,400	30 days EOM	-
		SIoT (China)	3	Other revenue	1,506	Normal	-
		SIoT (China)	3	Receivables from related parties	88	30 days EOM	-
		SIoT (China)	3	Sales revenue	1,445	Normal	-
10	AJP	Advantech Co., Ltd.	2	Receivables from related parties	879	60-90 days	-
		Advantech Co., Ltd.	2	Sales revenue	1,948	Normal	-
		ACN	3	Receivables from related parties	64	45 days EOM	-
		AKMC	3	Receivables from related parties	2,445	45 days EOM	-
		AKMC	3	Sales revenue	6,771	Normal	-
		ATJ	3	Receivables from related parties	2,966	45 days EOM	-
		ATJ	3	Sales revenue	3,016	Normal	-
11	AKMC	Advantech Co., Ltd.	2	Sales revenue	5,575,406	Normal	21
		Advantech Co., Ltd.	2	Unearned revenue	84	60 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,621,394	60 days EOM	3

(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	
		CAN	3	Sales revenue	\$ 176,260	Normal	1
		ACN	3	Receivables from related parties	54,675	60-90 days	-
		ACN	3	Rental revenue	1,961	Normal	-
		AEU	3	Sales revenue	2,375	Normal	-
		AEU	3	Receivables from related parties	655	30 days after invoice date	-
		AiSC	3	Sales revenue	72	Normal	-
		AiSC	3	Receivables from related parties	11	Immediate payment	-
		AKST	3	Receivables from related parties	15	30 days EOM	-
		AKST	3	Sales revenue	3,567	Normal	-
		ANA	3	Sales revenue	4,028	Normal	-
		ANA	3	Receivables from related parties	3,125	60-90 days	-
		SIoT (Cayman)	3	Receivables from related parties	94,792	30 days EOM	-
		SIoT (Cayman)	3	Sales revenue	121,821	Normal	-
		SIoT (China)	3	Receivables from related parties	1,392	30 days EOM	-
		SIoT (China)	3	Sales revenue	2,846	Normal	-
		Cermate (Taiwan)	3	Receivables from related parties	2	60 days EOM	-
		Cermate (Taiwan)	3	Sales revenue	27	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	12,753	60 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	16,226	Normal	-
		Advanix Corp.	3	Receivables from related parties	762	30 days EOM	-
		Advanix Corp.	3	Sales revenue	1,485	Normal	-
12	AKR	Advantech Co., Ltd.	2	Receivables from related parties	1,856	90 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	1,896	Normal	-
		AVN	3	Sales revenue	59	Normal	-
13	AKST	Advantech Co., Ltd.	2	Other receivables from related parties	2,492	30 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	42	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	6,403	30 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	818	Normal	-
		AKMC	3	Sales revenue	1,053	Normal	-
		AKMC	3	Receivables from related parties	1,129	30 days EOM	-
14	AMX	AKR	3	Sales revenue	174	Normal	-
		Advantech Co., Ltd.	2	Other revenue	3,857	Normal	-
15	AMY	Advantech Co., Ltd.	2	Other revenue	27	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	27	45 days EOM	-
		ASG	3	Other revenue	13	Normal	-
		ASG	3	Other receivables from related parties	13	30 days EOM	-
16	ANA	Advantech Co., Ltd.	2	Other receivables from related parties	6,277	45 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	60,545	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	5,284	45 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	497	Normal	-
		ABR	3	Sales revenue	696	Normal	-
		ACZ	3	Receivables from related parties	697	30 days after invoice date	-
		AEU	3	Sales revenue	3,281	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	
		AKMC	3	Sales revenue	\$ 2,556	Normal	-
		AKMC	3	Receivables from related parties	681	30 days EOM	-
		AKR	3	Sales revenue	21	Normal	-
		A-SIoT	3	Sales revenue	1,374	Normal	-
		B+B	3	Rental revenue	74	Normal	-
		B+B	3	Receivables from related parties	4,894	60-90 days	-
		B+B	3	Sales revenue	9,287	Normal	-
17	APL	Advantech Co., Ltd.	2	Receivables from related parties	166	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other revenue	254	Normal	-
		AEU	3	Sales revenue	62,002	Normal	-
		AEU	3	Receivables from related parties	12,575	30 days after invoice date	-
		A-SIoT	3	Receivables from related parties	3,204	30 days after invoice date	-
18	ASG	Advantech Co., Ltd.	2	Sales revenue	167	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	322	60-90 days	-
		Advantech Co., Ltd.	2	Other revenue	295	Normal	-
		AKMC	3	Sales revenue	16	Normal	-
		AMY	3	Sales revenue	1,721	Normal	-
		AMY	3	Receivables from related parties	111	30 days EOM	-
		ANA	3	Sales revenue	1,721	Normal	-
		ATH	3	Other receivables from related parties	106	30 days EOM	-
		ATH	3	Sales revenue	4,708	Normal	-
		ATH	3	Other revenue	942	Normal	-
		ATH	3	Receivables from related parties	346	30 days EOM	-
19	A-SIoT	Advantech Co., Ltd.	2	Other revenue	67	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	21,986	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	12,351	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other receivables from related parties	47,279	60 days EOM	-
		AAU	3	Receivables from related parties	7	30 days after invoice date	-
		AEU	3	Receivables from related parties	770	30 days after invoice date	-
		AEU	3	Other revenue	1,303	Normal	-
		AEU	3	Sales revenue	928	Normal	-
		AEU	3	Other receivables from related parties	695	30 days EOM	-
		AKMC	3	Receivables from related parties	25	60 days after invoice date	-
		AKMC	3	Sales revenue	2	Normal	-
		AKR	3	Sales revenue	2,516	Normal	-
		AKR	3	Receivables from related parties	2,243	60 days EOM	-
		ANA	3	Receivables from related parties	2,234	30 days after invoice date	-
		ANA	3	Sales revenue	5,068	Normal	-
		APL	3	Receivables from related parties	3,967	60 days after invoice date	-
		APL	3	Sales revenue	19,035	Normal	-
		ATH	3	Sales revenue	53	Normal	-
20	ATR	Advantech Co., Ltd.	2	Other revenue	313	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	
21	AVN	AKR	3	Sales revenue	\$ 15	Normal	-
22	AXA	ACN	3	Other receivables from related parties	9,042	30 days EOM	-
		ACN	3	Other revenue	427	Normal	-
23	B+B	Advantech Co., Ltd.	2	Other revenue	105	Normal	-
		Advantech Co., Ltd.	2	Unearned revenue	43	90 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	29,407	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	5,220	90 days EOM	-
		AEU	3	Sales revenue	22,365	Normal	-
		AEU	3	Receivables from related parties	9,934	90 days EOM	-
		AEU	3	Sales revenue	13,831	Normal	-
		BBIE	3	Other revenue	767	Normal	-
		BBIE	3	Receivables from related parties	590	45 days EOM	-
		AIN	3	Receivables from related parties	4	30 days after invoice date	-
		AIN	3	Sales revenue	4	Normal	-
		AKR	3	Sales revenue	26	Normal	-
		ANA	3	Other revenue	1,525	Normal	-
		ANA	3	Receivables from related parties	7,035	30 days EOM	-
24	BBIE	Advantech Co., Ltd.	2	Receivables from related parties	5,656	60 days after invoice date	-
		ACZ	3	Other revenue	10,798	Normal	-
		AEU	3	Sales revenue	25,869	Normal	-
		AEU	3	Receivables from related parties	6,812	60 days after invoice date	-
		B+B	3	Receivables from related parties	168	60 days after invoice date	-
		B+B	3	Other revenue	2,687	Normal	-
25	DMCC	Advantech Co., Ltd.	2	Other revenue	9,737	Normal	-
26	SIoT (Cayman)	AAU	3	Receivables from related parties	3,740	60 days EOM	-
		AAU	3	Sales revenue	3,724	Normal	-
		AEU	3	Other receivables from related parties	43	45 days EOM	-
		AEU	3	Receivables from related parties	77,770	45 days EOM	-
		AEU	3	Sales revenue	259,356	Normal	1
		AJP	3	Receivables from related parties	293	60 days EOM	-
		AJP	3	Sales revenue	3,229	Normal	-
		AKMC	3	Receivables from related parties	151	45 days EOM	-
		AKMC	3	Sales revenue	150	Normal	-
		AKR	3	Receivables from related parties	4,619	60 days EOM	-
		AKR	3	Sales revenue	5,821	Normal	-
		ANA	3	Receivables from related parties	207,077	30 days EOM	-
		ANA	3	Sales revenue	543,508	Normal	2
		ASG	3	Receivables from related parties	7,470	60 days EOM	-
		ASG	3	Sales revenue	9,637	Normal	-
		A-SIoT	3	Sales revenue	59,589	Normal	-
A-SIoT	3	Receivables from related parties	35,184	30 days EOM	-		

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
27	SIoT (China)	CAN	3	Sales revenue	\$ 9	Normal	-
28	Advantech LNC Dong Guan Co., Ltd.	LNC	3	Sales revenue	3,098	Normal	-
		LNC	3	Receivables from related parties	1,138	90 days EOM	-
29	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	364	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	54	60 days EOM	-
30	Cermate (Taiwan)	Advantech Co., Ltd.	2	Sales revenue	2,437	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,050	30-60 days	-
		Advantech Co., Ltd.	2	Other receivables from related parties	124	30-60 days	-
		Advantech Co., Ltd.	2	Other revenue	30	Normal	-
		AKMC	3	Sales revenue	2,340	Normal	-
		AKMC	3	Receivables from related parties	479	60 days EOM	-
		Cermate (Shenzhen)	3	Receivables from related parties	8,547	30 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	41,979	Normal	-
31	Cermate (Shenzhen)	ACN	3	Sales revenue	3	Normal	-
		AKMC	3	Sales revenue	16,853	Normal	-
		AKMC	3	Receivables from related parties	3,838	40 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	14,424	Normal	-
		Cermate (Shanghai)	3	Receivables from related parties	803	30 days EOM	-
		Cermate (Taiwan)	3	Sales revenue	31,562	Normal	-
		Cermate (Taiwan)	3	Receivables from related parties	10,874	60 days EOM	-
		32	Advanixs Corp.	Cermate (Taiwan)	3	Receivables from related parties	5
Cermate (Taiwan)	3			Sales revenue	825	Normal	-
33	LNC	Advantech LNC Dong Guan Co., Ltd.	3	Receivables from related parties	254,464	90 days EOM	1
		Advantech LNC Dong Guan Co., Ltd.	3	Sales revenue	183,924	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 June 30, 2019, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2019.

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

(Concluded)