

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 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 September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2019 and 2018, the combined total assets of these non-significant subsidiaries were NT\$7,837,187 thousand and NT\$6,507,425 thousand, respectively, representing 17.27% and 15.39%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$1,874,797 thousand and NT\$1,069,349 thousand, respectively, representing 13.00% and 7.54%, respectively, of the consolidated total liabilities; for the three months and nine months ended September 30, 2019 and 2018, the amounts of combined comprehensive income of these subsidiaries were NT\$(3,731) thousand, NT\$(10,218) thousand, NT\$512,370 thousand, and NT\$297,103 thousand, respectively, representing (0.21%), (0.74%), 9.08% and 6.60%, 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\$2,991,300 thousand and NT\$2,128,651 thousand as of September 30, 2019 and 2018, respectively. The Group's share of profit of associates accounted for using the equity method was NT\$23,724 thousand, NT\$24,925 thousand, NT\$66,320 thousand, and NT\$72,781 thousand for the three months and nine months ended September 30, 2019 and 2018,

respectively, and these investment amounts as well as additional disclosures in Note 33 “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 September 30, 2019 and 2018, its consolidated financial performance for the three months ended September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 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

November 1, 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)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited after Restatement)		September 30, 2018 (Reviewed after Restatement)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 5,558,804	12	\$ 6,633,161	15	\$ 5,256,586	12
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	1,474,400	3	2,098,552	5	1,925,054	5
Financial assets at amortized cost - current (Notes 9 and 31)	90,004	-	157,426	1	33,553	-
Notes receivable (Note 10)	1,466,291	3	1,461,404	3	1,489,453	4
Trade receivables (Note 10)	8,012,289	18	6,870,878	16	6,835,337	16
Trade receivables from related parties (Note 30)	46,966	-	18,969	-	21,232	-
Other receivables (Note 30)	24,176	-	45,956	-	39,987	-
Inventories (Note 11)	8,088,775	18	7,557,820	17	7,599,889	18
Other current assets (Notes 5, 17 and 30)	<u>686,516</u>	<u>2</u>	<u>522,407</u>	<u>1</u>	<u>616,185</u>	<u>1</u>
Total current assets	<u>25,448,221</u>	<u>56</u>	<u>25,366,573</u>	<u>58</u>	<u>23,817,276</u>	<u>56</u>
NON-CURRENT ASSETS						
Financial asset at fair value through other comprehensive income - non-current (Notes 8 and 29)	1,391,252	3	1,300,267	3	1,634,228	4
Investments accounted for using the equity method (Note 13)	2,991,300	7	2,431,522	5	2,128,651	5
Property, plant and equipment (Notes 14 and 31)	9,754,044	22	9,782,781	22	9,789,585	23
Right of use assets (Notes 3, 4 and 15)	779,388	2	-	-	-	-
Goodwill (Note 16)	2,939,130	6	2,824,007	6	2,815,927	7
Other intangible assets	1,068,658	2	1,114,782	3	1,136,762	3
Deferred tax assets (Notes 4 and 23)	607,073	1	501,260	1	488,160	1
Prepayments for business facilities	358,430	1	273,386	1	141,568	-
Long-term prepayments for leases (Note 17)	-	-	297,665	1	297,420	1
Other non-current assets	<u>53,099</u>	<u>-</u>	<u>47,718</u>	<u>-</u>	<u>43,106</u>	<u>-</u>
Total non-current assets	<u>19,942,374</u>	<u>44</u>	<u>18,573,388</u>	<u>42</u>	<u>18,475,407</u>	<u>44</u>
TOTAL	<u>\$ 45,390,595</u>	<u>100</u>	<u>\$ 43,939,961</u>	<u>100</u>	<u>\$ 42,292,683</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 297,878	1	\$ 87,581	-	\$ 8,100	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	1,421	-	6,139	-	1,060	-
Notes payable and trade payables (Note 30)	4,980,601	11	5,810,904	13	6,248,282	15
Other payables (Note 19)	3,800,516	8	3,662,199	8	3,561,546	8
Current tax liabilities (Notes 4 and 23)	1,314,801	3	1,611,886	4	1,293,045	3
Short-term warranty provisions	167,822	-	196,782	1	202,771	1
Lease liabilities - current (Notes 3, 4 and 15)	199,493	1	-	-	-	-
Current portion of long-term borrowings (Notes 18 and 31)	4,483	-	9,626	-	10,284	-
Other current liabilities	<u>944,357</u>	<u>2</u>	<u>761,473</u>	<u>2</u>	<u>737,575</u>	<u>2</u>
Total current liabilities	<u>11,711,372</u>	<u>26</u>	<u>12,146,590</u>	<u>28</u>	<u>12,062,663</u>	<u>29</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 18 and 31)	41,923	-	45,784	-	80,924	-
Deferred tax liabilities (Notes 4 and 23)	1,985,453	4	1,798,914	4	1,657,095	4
Lease liabilities - non-current (Notes 3, 4 and 15)	292,140	1	-	-	-	-
Net defined benefit liabilities (Notes 4 and 20)	252,192	1	255,545	1	235,470	1
Other non-current liabilities	<u>136,269</u>	<u>-</u>	<u>149,653</u>	<u>-</u>	<u>142,465</u>	<u>-</u>
Total non-current liabilities	<u>2,707,977</u>	<u>6</u>	<u>2,249,896</u>	<u>5</u>	<u>2,115,954</u>	<u>5</u>
Total liabilities	<u>14,419,349</u>	<u>32</u>	<u>14,396,486</u>	<u>33</u>	<u>14,178,617</u>	<u>34</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)						
Share capital						
Ordinary shares	6,991,405	16	6,982,275	16	6,975,445	17
Advance receipts for share capital	<u>7,825</u>	<u>-</u>	<u>4,680</u>	<u>-</u>	<u>6,830</u>	<u>-</u>
Total share capital	<u>6,999,230</u>	<u>16</u>	<u>6,986,955</u>	<u>16</u>	<u>6,982,275</u>	<u>17</u>
Capital surplus	<u>7,401,279</u>	<u>16</u>	<u>7,073,348</u>	<u>16</u>	<u>6,951,500</u>	<u>16</u>
Retained earnings						
Legal reserve	6,285,079	14	5,655,613	13	5,655,613	13
Special reserve	798,763	2	369,655	1	369,655	1
Unappropriated earnings	<u>9,829,190</u>	<u>21</u>	<u>10,011,231</u>	<u>23</u>	<u>8,415,995</u>	<u>20</u>
Total retained earnings	<u>16,913,032</u>	<u>37</u>	<u>16,036,499</u>	<u>37</u>	<u>14,441,263</u>	<u>34</u>
Other equity						
Exchange differences on translation of financial statements of foreign operations	(618,666)	(1)	(475,245)	(1)	(527,916)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	(207,381)	(1)	(324,254)	(1)	24,519	-
Other equity - unearned stock based employee compensation	<u>957</u>	<u>-</u>	<u>736</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other equity	<u>(825,090)</u>	<u>(2)</u>	<u>(798,763)</u>	<u>(2)</u>	<u>(503,397)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	30,488,451	67	29,298,039	67	27,871,641	66
NON-CONTROLLING INTERESTS	<u>482,795</u>	<u>1</u>	<u>245,436</u>	<u>-</u>	<u>242,425</u>	<u>-</u>
Total equity	<u>30,971,246</u>	<u>68</u>	<u>29,543,475</u>	<u>67</u>	<u>28,114,066</u>	<u>66</u>
TOTAL	<u>\$ 45,390,595</u>	<u>100</u>	<u>\$ 43,939,961</u>	<u>100</u>	<u>\$ 42,292,683</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 1, 2019)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
(Note 30)								
Sales	\$ 14,117,244	98	\$ 12,055,439	98	\$ 39,711,209	98	\$ 35,455,991	98
Other operating revenue	<u>265,038</u>	<u>2</u>	<u>304,216</u>	<u>2</u>	<u>947,677</u>	<u>2</u>	<u>904,303</u>	<u>2</u>
Total operating revenue	14,382,282	100	12,359,655	100	40,658,886	100	36,360,294	100
OPERATING COSTS (Notes 11, 22 and 30)	<u>8,685,242</u>	<u>61</u>	<u>7,599,309</u>	<u>61</u>	<u>24,827,416</u>	<u>61</u>	<u>22,469,245</u>	<u>62</u>
GROSS PROFIT	<u>5,697,040</u>	<u>39</u>	<u>4,760,346</u>	<u>39</u>	<u>15,831,470</u>	<u>39</u>	<u>13,891,049</u>	<u>38</u>
OPERATING EXPENSES								
(Notes 22 and 30)								
Selling and marketing expenses	1,266,949	9	1,186,265	10	3,795,571	9	3,551,711	10
General and administrative expenses	<u>747,716</u>	<u>5</u>	<u>627,710</u>	<u>5</u>	<u>2,128,917</u>	<u>5</u>	<u>1,845,821</u>	<u>5</u>
Research and development expenses	<u>1,049,786</u>	<u>7</u>	<u>1,044,405</u>	<u>8</u>	<u>3,083,389</u>	<u>8</u>	<u>3,007,507</u>	<u>8</u>
Total operating expenses	<u>3,064,451</u>	<u>21</u>	<u>2,858,380</u>	<u>23</u>	<u>9,007,877</u>	<u>22</u>	<u>8,405,039</u>	<u>23</u>
OPERATING PROFIT	<u>2,632,589</u>	<u>18</u>	<u>1,901,966</u>	<u>16</u>	<u>6,823,593</u>	<u>17</u>	<u>5,486,010</u>	<u>15</u>
NON-OPERATING INCOME								
Share of profit of associates accounted for using the equity method (Note 13)	23,724	-	24,925	-	66,320	-	72,781	-
Interest income	8,454	-	14,355	-	27,590	-	32,972	-
Gains (losses) on disposal of property, plant and equipment	(1,018)	-	87,021	1	42,473	-	82,858	-
Gains (losses) on disposal of investments (Note 27)	(24,917)	-	-	-	(24,917)	-	-	-
Foreign exchange gains (losses), net (Notes 22 and 32)	(75,968)	-	(62,857)	(1)	5,983	-	(19,942)	-
Gains on financial instruments at fair value through profit or loss (Note 7)	42,867	-	19,816	-	135,668	1	83,391	-
Dividend income	99,180	1	105,405	1	100,119	-	106,258	-
Other income (Note 30)	19,590	-	81,229	1	67,102	-	133,991	1
Finance costs (Note 22)	(7,752)	-	(635)	-	(20,068)	-	(3,122)	-
Losses on financial instruments at fair value through profit or loss	3,541	-	(676)	-	(25,167)	-	(32,992)	-
Other losses	<u>(1,997)</u>	<u>-</u>	<u>(3,918)</u>	<u>-</u>	<u>(3,580)</u>	<u>-</u>	<u>(5,552)</u>	<u>-</u>
Total non-operating income	<u>85,704</u>	<u>1</u>	<u>264,665</u>	<u>2</u>	<u>371,523</u>	<u>1</u>	<u>450,643</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,718,293	19	2,166,631	18	7,195,116	18	5,936,653	16
INCOME TAX EXPENSES (Note 23)	<u>(561,249)</u>	<u>(4)</u>	<u>(457,851)</u>	<u>(4)</u>	<u>(1,505,602)</u>	<u>(4)</u>	<u>(1,265,296)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>2,157,044</u>	<u>15</u>	<u>1,708,780</u>	<u>14</u>	<u>5,689,514</u>	<u>14</u>	<u>4,671,357</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 after Restatement, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 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)	\$ 705	-	\$ 2,976	-	\$ 25,005	-	\$ 4,837	-
Unrealized gains (losses) on investments in equity instruments as at fair value through other comprehensive income (Note 21)	(36,796)	-	(156,632)	(1)	68,080	-	(110,429)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,127</u>	<u>-</u>
	<u>(36,091)</u>	<u>-</u>	<u>(153,656)</u>	<u>(1)</u>	<u>93,085</u>	<u>-</u>	<u>(103,465)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of financial statements of foreign operations (Note 21)	(452,306)	(3)	(209,501)	(2)	(192,395)	-	(95,474)	-
Share of the other comprehensive income of associates accounted for using the equity method (Notes 13 and 21)	(3,044)	-	(12,073)	-	17,446	-	(9,979)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 23)	<u>73,488</u>	<u>-</u>	<u>41,947</u>	<u>-</u>	<u>35,856</u>	<u>-</u>	<u>37,049</u>	<u>-</u>
	<u>(381,862)</u>	<u>(3)</u>	<u>(179,627)</u>	<u>(2)</u>	<u>(139,093)</u>	<u>-</u>	<u>(68,404)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(417,953)</u>	<u>(3)</u>	<u>(333,283)</u>	<u>(3)</u>	<u>(46,008)</u>	<u>-</u>	<u>(171,869)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,739,091</u>	<u>12</u>	<u>\$ 1,375,497</u>	<u>11</u>	<u>\$ 5,643,506</u>	<u>14</u>	<u>\$ 4,499,488</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$ 2,139,974	15	\$ 1,710,482	14	\$ 5,651,450	14	\$ 4,657,347	13
Non-controlling interests	<u>17,070</u>	<u>-</u>	<u>(1,702)</u>	<u>-</u>	<u>38,064</u>	<u>-</u>	<u>14,010</u>	<u>-</u>
	<u>\$ 2,157,044</u>	<u>15</u>	<u>\$ 1,708,780</u>	<u>14</u>	<u>\$ 5,689,514</u>	<u>14</u>	<u>\$ 4,671,357</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,809,934	13	\$ 1,389,038	11	\$ 5,601,114	14	\$ 4,489,445	12
Non-controlling interests	<u>(70,843)</u>	<u>(1)</u>	<u>(13,541)</u>	<u>-</u>	<u>42,392</u>	<u>-</u>	<u>10,043</u>	<u>-</u>
	<u>\$ 1,739,091</u>	<u>12</u>	<u>\$ 1,375,497</u>	<u>11</u>	<u>\$ 5,643,506</u>	<u>14</u>	<u>\$ 4,499,488</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 after Restatement, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 24)								
Basic	\$ 3.06		\$ 2.45		\$ 8.08		\$ 6.68	
Diluted	\$ 3.03		\$ 2.43		\$ 7.99		\$ 6.61	

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

(With Deloitte & Touche review report dated November 1, 2019)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company								Other Equity (Note 21)						
	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	Non-controlling Interests (Notes 21 and 27)	Total Equity
	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	5,120	4,330	9,450	70,005	-	-	-	-	-	-	-	-	79,455	-	79,455
Compensation cost recognized for employee share options	-	-	-	256,950	-	-	-	-	-	-	-	-	256,950	-	256,950
Changes in capital surplus from investments in associates accounted for by the equity method	-	-	-	(256)	-	-	-	-	-	-	-	-	(256)	-	(256)
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	70,716	-	-	-	-	-	-	-	-	70,716	52,048	122,764
Employee share options issued by subsidiaries	-	-	-	(757)	-	-	-	-	-	-	-	-	(757)	968	211
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	-	4,657,347	4,657,347	-	-	-	-	4,657,347	14,010	4,671,357
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	-	2,247	2,247	(64,437)	-	(105,712)	-	(167,902)	(3,967)	(171,869)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	-	4,659,594	4,659,594	(64,437)	-	(105,712)	-	4,489,445	10,043	4,499,488
Associates' disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(6,977)	(6,977)	-	-	6,977	-	-	-	-
BALANCE AT SEPTEMBER 30, 2018	<u>\$ 6,975,445</u>	<u>\$ 6,830</u>	<u>\$ 6,982,275</u>	<u>\$ 6,951,500</u>	<u>\$ 5,655,613</u>	<u>\$ 369,655</u>	<u>\$ 8,415,995</u>	<u>\$ 14,441,263</u>	<u>\$ (527,916)</u>	<u>\$ -</u>	<u>\$ 24,519</u>	<u>\$ -</u>	<u>\$ 27,871,641</u>	<u>\$ 242,425</u>	<u>\$ 28,114,066</u>
BALANCE AT JANUARY 1, 2019	\$ 6,982,275	\$ 4,680	\$ 6,986,955	\$ 7,073,348	\$ 5,655,613	\$ 369,655	\$ 10,011,231	\$ 16,036,499	\$ (475,245)	\$ -	\$ (324,254)	\$ 736	\$ 29,298,039	\$ 245,436	\$ 29,543,475
Appropriation of the 2018 earnings															
Legal reserve	-	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	429,108	(429,108)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,751,129)	(4,751,129)	-	-	-	-	(4,751,129)	-	(4,751,129)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,039)	(14,039)
Recognition of employee share options by the Company	9,130	3,145	12,275	88,636	-	-	-	-	-	-	-	-	100,911	-	100,911
Compensation cost recognized for employee share options	-	-	-	233,638	-	-	-	-	-	-	-	-	233,638	-	233,638
Changes in capital surplus from investments in associates accounted for by the equity method	-	-	-	5,096	-	-	-	-	-	-	-	221	5,317	-	5,317
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	913	-	-	-	-	-	-	-	-	913	208,338	209,251
Changes in percentage of ownership interests in subsidiaries	-	-	-	(352)	-	-	-	-	-	-	-	-	(352)	668	316
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	5,651,450	5,651,450	-	-	-	-	5,651,450	38,064	5,689,514
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	(592)	(592)	(143,421)	-	93,677	-	(50,336)	4,328	(46,008)
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	5,650,858	5,650,858	(143,421)	-	93,677	-	5,601,114	42,392	5,643,506
Associates' disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(23,196)	(23,196)	-	-	23,196	-	-	-	-
BALANCE AT SEPTEMBER 30, 2019	<u>\$ 6,991,405</u>	<u>\$ 7,825</u>	<u>\$ 6,999,230</u>	<u>\$ 7,401,279</u>	<u>\$ 6,285,079</u>	<u>\$ 798,763</u>	<u>\$ 9,829,190</u>	<u>\$ 16,913,032</u>	<u>\$ (618,666)</u>	<u>\$ -</u>	<u>\$ (207,381)</u>	<u>\$ 957</u>	<u>\$ 30,488,451</u>	<u>\$ 482,795</u>	<u>\$ 30,971,246</u>

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

(With Deloitte & Touche review report dated November 1, 2019)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2019 (Reviewed)	2018 (Reviewed after Restatement)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,195,116	\$ 5,936,653
Adjustments for:		
Depreciation expenses	615,256	427,706
Amortization expenses	199,697	139,680
Amortization expenses for prepayments of lease obligations	-	6,683
Expected loss on credit impairment	19,527	14,037
Net gain on financial assets or liabilities at fair value through profit or loss	(110,501)	(50,399)
Compensation costs of employee share options	233,638	256,950
Finance costs	20,068	3,122
Interest income	(27,590)	(32,972)
Dividend income	(100,119)	(106,258)
Share of (profit) loss of associates accounted for using the equity method	(66,320)	(72,781)
Gain (loss) on disposal of property, plant and equipment	(42,473)	(82,858)
Gain (loss) on disposal of subsidiaries	25,901	-
Gain on disposal of investments	(984)	-
Changes in operating assets and liabilities		
Financial assets held for trading	-	1,158,836
Financial assets at fair value through profit or loss	638,596	-
Notes receivable	(4,887)	(233,672)
Trade receivables	(552,583)	(236,027)
Trade receivables from related parties	(27,997)	(7,165)
Other receivables	23,276	35,311
Inventories	(90,501)	(1,353,001)
Other current assets	(170,106)	(169,779)
Notes payable and trade payables	(1,258,885)	947,736
Net defined benefit liabilities	(3,353)	(1,755)
Other payables	17,034	(64,835)
Short-term warranty provisions	(28,960)	21,796
Other current liabilities	166,032	60,245
Other non-current liabilities	(13,046)	(4,248)
Cash generated from operations	6,655,836	6,593,005
Interest received	27,590	32,972
Dividends received	100,119	106,258
Interest paid	(5,112)	(1,935)
Income tax paid	(1,661,366)	(1,090,534)
Net cash generated from operating activities	5,117,067	5,639,766

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2019 (Reviewed)	2018 (Reviewed after Restatement)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (27,360)	\$ (39,924)
Proceeds from sale of financial assets at amortized cost	69,722	4,173
Acquisition of associates accounted for using the equity method	(476,438)	(769,644)
Net cash flow on the acquisition of subsidiaries	(542,156)	(60,322)
Net cash outflow on disposal of subsidiaries	(81)	-
Dividends received from associates	117,768	146,250
Net cash inflow on disposal of associates	830	-
Payments for property, plant and equipment	(632,506)	(534,581)
Proceeds from disposal of property, plant and equipment	79,161	166,213
Increase (decrease) in refundable deposits	(5,143)	2,461
Payments for intangible assets	(84,287)	(100,940)
Decrease in prepayments for business facilities	<u>169,286</u>	<u>70,788</u>
Net cash used in investing activities	<u>(1,331,204)</u>	<u>(1,115,526)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	96,702	-
Repayments of long-term borrowings	(7,036)	(18,448)
Decrease in guarantee deposits received	(416)	-
Payment of cash dividends	(4,751,129)	(4,600,414)
Repayment of the principal portion of lease liabilities	(166,877)	-
Exercise of employee share options	100,911	79,455
Dividends paid to non-controlling interests	(14,039)	-
Decrease in non-controlling interests	<u>71,545</u>	<u>105,055</u>
Net cash used in financing activities	<u>(4,670,339)</u>	<u>(4,434,352)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(189,881)</u>	<u>(37,521)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,074,357)	52,367
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>\$ 5,558,804</u>	<u>\$ 5,256,586</u>

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

(With Deloitte & Touche review report dated November 1, 2019)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 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 November 1, 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 Financial Supervisory Commission (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 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
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 benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

c. 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 Tables 7 and 8 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

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

1) Leases

2019

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

a) The Group as lessor

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

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

b) The Group as lessee

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

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

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

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

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

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

2018

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

a) The Group as lessor

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

b) The Group as lessee

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

2) Retirement benefits

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

3) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Inventory write-downs

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value 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 described in Note 13 'Investments accounted for using the equity method', several companies are associates of the Group although the Group 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

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	\$ 263,373	\$ 76,179	\$ 69,950
Checking accounts and demand deposits	3,904,048	5,350,844	4,925,005
Cash equivalents (time deposits with original maturities of less than three months)	<u>1,391,383</u>	<u>1,206,138</u>	<u>261,631</u>
	<u>\$ 5,558,804</u>	<u>\$ 6,633,161</u>	<u>\$ 5,256,586</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily designated as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 20,042	\$ 5,198	\$ 7,824
Non-derivative financial assets			
Domestic listed shares	126,454	202,622	205,673
Foreign listed shares	62,316	5,270	8,276
Mutual funds	<u>1,265,588</u>	<u>1,885,462</u>	<u>1,703,281</u>
	<u>\$ 1,474,400</u>	<u>\$ 2,098,552</u>	<u>\$ 1,925,054</u>

Financial liabilities at FVTPL - current

Financial liabilities held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 1,421</u>	<u>\$ 6,139</u>	<u>\$ 1,060</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>September 30, 2019</u>			
Sell	EUR/NTD	2019.10-2019.12	EUR10,000/NTD354,215
	USD/NTD	2019.10-2019.11	USD4,000/NTD124,914
	JPY/NTD	2019.10-2020.02	JPY430,000/NTD124,045
	RMB/NTD	2019.10-2019.12	RMB50,000/NTD220,312
	EUR/USD	2019.11	EUR100/USD114

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
<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>September 30, 2018</u>			
Sell	EUR/NTD	2018.10-2019.02	EUR15,500/NTD553,118
	USD/NTD	2018.10	USD1,500/NTD46,041
	JPY/NTD	2018.10-2019.02	JPY380,000/NTD104,351
	RMB/NTD	2018.10-2018.12	RMB59,000/NTD262,926
(Concluded)			

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

8. FINANCIAL ASSETS AT FVTOCI

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Non-current</u>			
Investments in equity instruments at FVTOCI	<u>\$ 1,391,252</u>	<u>\$ 1,300,267</u>	<u>\$ 1,634,228</u>
Investments in equity instruments at FVTOCI:			
	September 30, 2019	December 31, 2018	September 30, 2018
<u>Non-current</u>			
Domestic investments			
Listed shares and emerging market shares			
Ordinary shares - ASUSTek Computer Inc.	\$ 978,699	\$ 955,001	\$ 1,251,218
Ordinary shares - Allied Circuit Co., Ltd.	272,024	226,501	264,622
Unlisted shares			
Ordinary shares - BroadTec System Inc.	3,922	3,879	3,546
Ordinary shares - Juguar Technology	4,308	4,743	5,155
Ordinary shares - BiosenseTek Corp.	-	-	-
Ordinary shares - Taiwan DSC PV Ltd.	-	-	267
	<u>1,258,953</u>	<u>1,190,124</u>	<u>1,524,808</u>
Foreign investments			
Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	130,501	107,328	106,464
JamaPro Co., Ltd.	1,798	2,815	2,956
	<u>132,299</u>	<u>110,143</u>	<u>109,420</u>
	<u>\$ 1,391,252</u>	<u>\$ 1,300,267</u>	<u>\$ 1,634,228</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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Foreign investments			
Time deposits with original maturities of more than 3 months	<u>\$ 90,004</u>	<u>\$ 157,426</u>	<u>\$ 33,553</u>

Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable - operating	<u>\$ 1,466,291</u>	<u>\$ 1,461,404</u>	<u>\$ 1,489,453</u>
<u>Trade receivables</u>			
Amortized cost			
Gross carrying amount	\$ 8,108,808	\$ 6,958,369	\$ 6,932,921
Less: Allowance for impairment loss	<u>(96,519)</u>	<u>(87,491)</u>	<u>(97,584)</u>
	<u>\$ 8,012,289</u>	<u>\$ 6,870,878</u>	<u>\$ 6,835,337</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 equal 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.

September 30, 2019

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	0.5%	25%	72%	100%	-
Gross carrying amount	\$ 6,917,520	\$ 1,043,873	\$ 85,444	\$ 6,043	\$ 55,928	\$ 8,108,808
Loss allowance (Lifetime ECLs)	<u>(9,248)</u>	<u>(5,655)</u>	<u>(21,332)</u>	<u>(4,356)</u>	<u>(55,928)</u>	<u>(96,519)</u>
Amortized cost	<u>\$ 6,908,272</u>	<u>\$ 1,038,218</u>	<u>\$ 64,112</u>	<u>\$ 1,687</u>	<u>\$ -</u>	<u>\$ 8,012,289</u>

December 31, 2018

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 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>

September 30, 2018

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	4%	33%	43%	100%	-
Gross carrying amount	\$ 5,838,831	\$ 991,379	\$ 40,365	\$ 30,352	\$ 31,994	\$ 6,932,921
Loss allowance (Lifetime ECLs)	<u>(3,627)</u>	<u>(35,284)</u>	<u>(13,486)</u>	<u>(13,193)</u>	<u>(31,994)</u>	<u>(97,584)</u>
Amortized cost	<u>\$ 5,835,204</u>	<u>\$ 956,095</u>	<u>\$ 26,879</u>	<u>\$ 17,159</u>	<u>\$ -</u>	<u>\$ 6,835,337</u>

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

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ 87,491	\$ 90,455
Add: Net remeasurement of loss allowance (a)	19,527	14,037
Less: Amounts written off (b)	(8,847)	(5,556)
Business combinations	(35)	-
Foreign exchange gains and losses	<u>(1,617)</u>	<u>(1,352)</u>
Balance at September 30	<u>\$ 96,519</u>	<u>\$ 97,584</u>

- a. Compared to January 1, 2019 and 2018, the net increases in the carrying amount of trade receivables were \$1,150,439 thousand and \$246,436 thousand at September 30, 2019 and 2018, respectively, resulting in the increases in loss allowances of \$19,527 thousand and \$14,037 thousand, respectively.
- b. The Group wrote off trade receivables and related loss allowance for the nine months ended September 30, 2019 and 2018 of \$8,847 thousand and \$5,556 thousand, respectively, as the customers' trade receivables were overdue for more than 2 years and the legal attest letters were served without receivables collected.

11. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Raw materials	\$ 4,300,075	\$ 3,773,265	\$ 3,881,759
Work in process	1,782,288	1,533,978	1,419,525
Finished goods	1,491,792	1,531,644	1,457,235
Inventories in transit	<u>514,620</u>	<u>718,933</u>	<u>841,370</u>
	<u>\$ 8,088,775</u>	<u>\$ 7,557,820</u>	<u>\$ 7,599,889</u>

The cost of inventories recognized as cost of goods sold for the three months and nine months ended September 30, 2019 and 2018 was \$8,587,985 thousand, \$7,482,721 thousand, \$24,432,644 thousand and \$22,157,816 thousand, respectively.

The costs of inventories decreased by \$843,969 thousand, \$630,341 thousand and \$671,304 thousand as of September 30, 2019, December 31, 2018 and September 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 financial statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	Advantech Automation Corp. (AAC (BVI))	Investment and management services	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

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2019	December 31, 2018	September 30, 2018	
Advantech KR Co., Ltd. (AKR)	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	64.10	a, e
	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	f
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	60.00	60.00	-	f
	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
	Limited Liability Company Advantech Technology (ARU)	Production and sale of industrial automation products	100.00	100.00	-	a, g
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	50.00	-	-	a, i
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	-	-	a, j
	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	24.00	24.00	24.00	a
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	28.61	-	-	a, i
	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
	Huan Yan, Jih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	50.00	50.00	50.00	a,
	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, k
	ACI IOT Investment Fund-I Corporation	Investment holding company	79.30	-	-	n
	Advantech Technology Co., Ltd (ATC)	Investment and management services	100.00	100.00	100.00	
	HK Advantech Technology Co., Ltd. ATC (HK)	Production and sale of components of industrial automation products	100.00	100.00	100.00	
	Advantech Automation Corp. (BVI) (AAC (BVI))	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
	BEMC Holdings Corporation (BEMC)	Sale of industrial network communications	-	-	40.00	f
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications	40.00	40.00	-	f
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 (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	99.00	99.00	99.00	a
	Advantech Service-IoT GmbH (A-SIoT) (former A-DLoG)	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	-	a, c
	Advantech Intelligent Health Co., Ltd. (AIH)	Information software and data processing service	70.00	-	-	a, l

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2019	December 31, 2018	September 30, 2018	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	100.00	100.00	100.00	a
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	1.00	1.00	1.00	a, d
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	-	-	-	a, c
Advantech Co., Singapore Pte. Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	49.00	49.00	49.00	a
	Advantech International. PT. (AID)	Sale of industrial automation products	100.00	100.00	100.00	a
Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	100.00	a
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of industrial electronic equipment	100.00	100.00	100.00	a
	Shenzhen Cermate Technologies Inc.	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	90.00	a
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	General investment	100.00	100.00	100.00	a
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	General investment	100.00	100.00	100.00	a
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	100.00	a
BEMC Holdings Corporation (BEMC)	Avtek Corporation (Avtek)	General investment	-	-	100.00	f
Avtek Corporation (Avtek)	B+B Smartworx Inc. (B+B)	General investment	-	-	100.00	f
B+B Smartworx Inc. (B+B)	B+B Smartworx Limited (BBIE)	Sale of industrial network communications systems	100.00	100.00	100.00	
	Quatech, LLC (Quatech)	Sale of industrial network communications systems	-	-	100.00	h
	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	o
	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	m
	Conel Automation s.r.o (Conel Automation)	Application of industrial automation	-	1.00	1.00	p
	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)	Application of industrial automation	-	99.00	99.00	p

(Concluded)

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

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

- Remark e: In the third quarter of 2018, the Group sold 15.96% of the equity of LNC, which led the Group's equity investment in LNC to decrease from 80.06% to 64.10%.
- Remark f: In the fourth quarter of 2018, the Group adjusted its investment structure, and BEMC and Avetek were liquidated. The Company directly holds B+B at the moment.
- Remark g: In the fourth quarter of 2018, the Group founded ARU.
- Remark h: In the fourth quarter of 2018, Quatech was in the process of liquidation.
- Remark i: In the first quarter of 2019, the Group acquired 80% of the equity of ATJ. The Group and AJP held 50% and 30% of the equity of ATJ, respectively. In the third quarter of 2019, AJP sold 1.39% of the equity of ATJ, which led its equity investment in ATJ to decrease from 30% to 28.61%.
- Remark j: In the first quarter of 2019, the Group acquired 60% of the equity of ATR.
- Remark k: In the first quarter of 2019, Advantech Corporate Investment founded ACISM and acquired 100% of its equity.
- Remark l: In the second quarter of 2019, SIoT (Cayman) founded AIH and acquired 100% of its equity. In the third quarter of 2019, AIH held its seasoned equity offering, which led SIoT (Cayman)'s equity investment in AIH to decrease from 100% to 70%.
- Remark m: In the second quarter of 2019, the Group adjusted its investment structure. The ownership of ACZ originally held by B&B Electronics was adjusted to be held by BBIE, which led BBIE's equity investment in ACZ to increase from 99.99% to 100%. BBIE directly holds ACZ, and ACZ directly holds Conel Automation.
- Remark n: In the second quarter of 2019, Advantech Corporate Investment founded ACI IOT Investment Fund-I Corporation and acquired 79.30% of its equity.
- Remark o: In the third quarter of 2019, B&B Electronics was in the process of liquidation.
- Remark p: In the third quarter of 2019, Conel Automation was disposed of.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. ("Axiomtek")	\$ 645,756	\$ 619,411	\$ 590,997
Winmate Inc. ("Winmate")	544,335	542,761	532,387
AzureWare Technologies, Inc. ("AzureWare")	511,724	534,780	533,804
Nippon RAD Inc. (Nippon RAD)	307,711	298,700	289,235
Mildex Optical Inc. ("Mildex")	195,963	183,210	-
Hwacom Systems Inc. ("Hwacom")	357,084	-	-
			(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
Unlisted companies			
AIMobile Co., Ltd. (“AIMobile”)	\$ 76,160	\$ 65,012	\$ 68,923
Deneng Scientific Research Co., Ltd. (“Deneng”)	14,014	14,100	14,733
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	8,135	8,010	8,087
CDIB Innovation Accelerator Co., Ltd. (“CDIB”)	158,502	147,109	72,917
DotZero Co., Ltd. (“DotZero”)	2,499	4,629	4,723
iLink Co., Ltd. (“iLink”)	7,331	9,407	8,453
Shanghai Yanle Co., Ltd. (“Yanle”)	3,642	4,393	4,392
GSD Environmental Technology Co., Ltd. (“GSD”)	15,496	-	-
Information Technology Total Services Co., Ltd. (ITTS)	<u>142,948</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,991,300</u>	<u>\$ 2,431,522</u>	<u>\$ 2,128,651</u> (Concluded)

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 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 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 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 20% equity of Information Technology Total Services Co., Ltd. The Group had significant influence over Information Technology Total Services Co., Ltd.

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

Aggregate Information of Associates That Are Not Individually Material

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
The Group’s share of				
Profit from continuing operations	\$ 23,724	\$ 24,925	\$ 66,320	\$ 72,781
Other comprehensive income	<u>(2,339)</u>	<u>(9,097)</u>	<u>42,451</u>	<u>(5,142)</u>
Total comprehensive income for the period	<u>\$ 21,385</u>	<u>\$ 15,828</u>	<u>\$ 108,771</u>	<u>\$ 67,639</u>

Investments accounted for using the equity method and the Group's 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	-	23,220	79,651	67,950	159,843	301,842	632,506
Disposals	(7,100)	(13,147)	(23,939)	(38,712)	(37,689)	(2,403)	(122,990)
Acquisitions through business combinations	39,543	945,040	130,912	15,916	34,650	1	1,166,062
Reclassifications	-	28,962	1,376	(7,198)	87,517	(287,936)	(177,279)
Effect of foreign currency exchange differences	2,474	(47,096)	(17,659)	(9,484)	(26,487)	(8,754)	(107,006)
Balance at September 30, 2019	<u>\$ 2,969,044</u>	<u>\$ 8,132,711</u>	<u>\$ 1,880,277</u>	<u>\$ 878,493</u>	<u>\$ 1,961,097</u>	<u>\$ 5,235</u>	<u>\$ 15,826,857</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)	(22,697)	(23,962)	(33,866)	-	(86,198)
Depreciation expenses	-	153,281	114,461	62,075	125,337	-	455,154
Acquisitions through business combinations	-	867,976	109,364	9,961	33,018	-	1,020,319
Reclassifications	-	(584)	6,684	(9,895)	80,846	-	77,051
Effect of foreign currency exchange differences	-	(7,207)	(9,785)	(11,159)	(18,145)	-	(46,296)
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 2,599,075</u>	<u>\$ 1,370,640</u>	<u>\$ 681,766</u>	<u>\$ 1,421,332</u>	<u>\$ -</u>	<u>\$ 6,072,813</u>
Carrying amounts at September 30, 2019	<u>\$ 2,969,044</u>	<u>\$ 5,533,636</u>	<u>\$ 509,637</u>	<u>\$ 196,727</u>	<u>\$ 539,765</u>	<u>\$ 5,235</u>	<u>\$ 9,754,044</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	-	13,655	116,451	64,570	116,681	223,224	534,581
Disposals	(15,930)	(55,126)	(61,140)	(33,138)	(47,455)	(6)	(212,795)
Acquisitions through business combinations	-	-	57	524	1,483	-	2,064
Reclassifications	-	-	9,450	(20,412)	4,579	(220,893)	(227,276)
Effect of foreign currency exchange differences	3,473	(63,041)	(17,838)	(4,887)	(17,751)	(3,903)	(103,947)
Balance at September 30, 2018	<u>\$ 2,931,523</u>	<u>\$ 7,170,034</u>	<u>\$ 1,681,905</u>	<u>\$ 837,280</u>	<u>\$ 1,787,119</u>	<u>\$ 2,679</u>	<u>\$ 14,410,540</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2018	\$ -	\$ 1,414,696	\$ 1,186,494	\$ 651,244	\$ 1,198,147	\$ -	\$ 4,450,581
Disposals	-	(7,147)	(49,607)	(32,143)	(40,543)	-	(129,440)
Depreciation expenses	-	150,106	82,623	56,694	138,283	-	427,706
Acquisitions through business combinations	-	-	5	151	738	-	894
Reclassifications	-	-	(50,573)	(26,260)	(2,457)	-	(79,290)
Effect of foreign currency exchange differences	-	(22,683)	(11,075)	(2,505)	(13,233)	-	(49,496)
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 1,534,972</u>	<u>\$ 1,157,867</u>	<u>\$ 647,181</u>	<u>\$ 1,280,935</u>	<u>\$ -</u>	<u>\$ 4,620,955</u>
Carrying amounts at September 30, 2018	<u>\$ 2,931,523</u>	<u>\$ 5,635,062</u>	<u>\$ 524,038</u>	<u>\$ 190,099</u>	<u>\$ 506,184</u>	<u>\$ 2,679</u>	<u>\$ 9,789,585</u>

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 31.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	September 30, 2019	
<u>Carrying amounts</u>		
Land	\$	291,655
Buildings		439,108
Machinery		2,366
Office equipment		10,684
Transportation equipment		<u>35,575</u>
		<u>\$ 779,388</u>
	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Depreciation charge for right-of-use assets		
Land	\$ 2,153	\$ 6,575
Building	42,220	126,662
Machinery	163	491
Office equipment	1,431	4,292
Transportation equipment	<u>7,360</u>	<u>22,082</u>
	<u>\$ 53,327</u>	<u>\$ 160,102</u>

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

b. Lease liabilities - 2019

	September 30, 2019
<u>Carrying amounts</u>	
Current	\$ 199,493
Non-current	<u>292,140</u>
	<u>\$ 491,633</u>

Discounted rate ranges of lease liabilities were as follows:

	September 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 Nine Months Ended September 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	(12,494)	(15,994)
Effect of foreign currency exchange differences	<u>3,589</u>	<u>35,544</u>
Balance at September 30	<u>\$ 3,036,918</u>	<u>\$ 2,913,715</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 September 30	<u>\$ (97,788)</u>	<u>\$ (97,788)</u>
Carrying amount at September 30	<u>\$ 2,939,130</u>	<u>\$ 2,815,927</u>

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

The adjustments in the consolidated balance sheets are as follows:

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

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

	September 30, 2019	February 28, 2019 (Acquisition Date)
Goodwill adjustments	<u>\$ (12,494)</u>	<u>\$ (12,494)</u>
Intangible assets	<u>\$ 32,168</u>	<u>\$ 34,598</u>
Non-controlling interests	<u>\$ 12,867</u>	<u>\$ 13,839</u>

17. PREPAYMENTS FOR LEASES

	December 31, 2018	September 30, 2018
Current assets (included in other current assets)	\$ 8,673	\$ 8,604
Non-current assets	<u>297,665</u>	<u>297,420</u>
	<u>\$ 306,338</u>	<u>\$ 306,024</u>

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

18. BORROWINGS

a. Short-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Secured borrowings			
Bank loans	\$ -	\$ -	\$ 8,100
Unsecured borrowings			
Line of credit borrowings	<u>297,878</u>	<u>87,581</u>	<u>-</u>
	<u>\$ 297,878</u>	<u>\$ 87,581</u>	<u>\$ 8,100</u>

The ranges of weighted average effective interest rates on bank loans were 0.23%-3.15%, 1.38%-3.15% and 2.87% per annum as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

b. Long-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Secured borrowings</u>			
Bank loans	\$ -	\$ -	\$ 33,389
Other loans	<u>46,406</u>	<u>55,410</u>	<u>57,819</u>
	46,406	55,410	91,208
Less: Current portions	<u>(4,483)</u>	<u>(9,626)</u>	<u>(10,284)</u>
Long-term borrowings	<u>\$ 41,923</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 September 30, 2018.

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

Refer to Note 31 for the Group's land and buildings pledged as security for borrowings.

19. OTHER LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
Other payables			
Payables for salaries or bonuses	\$ 2,379,590	\$ 2,143,770	\$ 2,259,749
Payables for employee benefits	185,900	207,175	186,678
Payables for royalties	146,077	107,409	129,774
Others (Note)	<u>1,088,949</u>	<u>1,203,845</u>	<u>985,345</u>
	<u>\$ 3,800,516</u>	<u>\$ 3,662,199</u>	<u>\$ 3,561,546</u>

Note: Inclusive of marketing and freight expenses.

20. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$1,338 thousand and \$1,412 thousand, \$4,015 thousand and \$4,237 thousand for the three months and nine months ended September 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

	September 30, 2019	December 31, 2018	September 30, 2018
Number of shares authorized (in thousands)	800,000	800,000	800,000
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)	699,923	698,696	698,228
Shares issued	<u>\$ 6,999,230</u>	<u>\$ 6,986,955</u>	<u>\$ 6,982,275</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

	September 30, 2019	December 31, 2018	September 30, 2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238	\$ 2,692,238
Conversion of bonds	1,636,499	1,636,499	1,636,499
The difference between the consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	89,473	88,560	88,560
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)	3,911	4,263	4,246
Employee share options	1,740,910	1,519,818	1,387,035
Share of changes in capital surplus of associates	32,986	27,890	25,029
<u>May not be used for any purpose</u>			
Employee share options	<u>1,126,593</u>	<u>1,025,411</u>	<u>1,039,279</u>
	<u>\$ 7,401,279</u>	<u>\$ 7,073,348</u>	<u>\$ 6,951,500</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 a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 22, d.

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

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

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

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

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

d. Special reserve

	For the Nine Months Ended	
	September 30	
	2019	2018
Balance 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 September 30	<u>\$ 798,763</u>	<u>\$ 369,655</u>

e. Other equity items

1) Exchange differences on translation of financial statements of foreign operations

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	<u>\$ (475,245)</u>	<u>\$ (463,479)</u>
Effect of change in tax rate	-	16,752
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign operations	(157,378)	(73,206)
Share of those of associates accounted for using the equity method	<u>13,957</u>	<u>(7,983)</u>
Other comprehensive income recognized for the period	<u>(143,421)</u>	<u>(64,437)</u>
Balance at September 30	<u>\$ (618,666)</u>	<u>\$ (527,916)</u>

2) Unrealized gain or loss on financial assets at FVTOCI

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ (324,254)	\$ 123,254
Recognized for the period		
Unrealized gain/(loss) - equity instruments	68,080	(110,429)
Share of associates accounted for using the equity method	<u>25,597</u>	<u>4,717</u>
Other comprehensive income recognized for the period	93,677	(105,712)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal by related parties	<u>23,196</u>	<u>6,977</u>
Balance at September 30	<u>\$ (207,381)</u>	<u>\$ 24,519</u>

3) Unearned employee benefits compensation

	For the Nine Months Ended September 30, 2019
Balance at January 1	\$ 736
Share from associates accounted for using the equity method	<u>221</u>
Balance at September 30	<u>\$ 957</u>

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ 245,436	\$ 179,366
Share of profit for the year	38,064	14,010
Other comprehensive income during the year		
Exchange differences on translation of financial statements of foreign operations	4,328	(3,967)
Increase in non-controlling interests arising from decrease in investment in subsidiaries (Note 28)	352	56,829
Increase or decrease in non-controlling interests arising from increase in investment in subsidiaries (Note 28)	8,316	(22,701)
Increase in non-controlling interests arising from the acquisition of subsidiary, ATJ (Note 26)	102,770	-
Increase in non-controlling interests arising from the acquisition of subsidiary, ATR (Note 26)	35,252	
Increase in non-controlling interests arising from the acquisition of subsidiary, AVN (Note 26)	-	17,920
Increase in non-controlling interests arising from the acquisition of subsidiary, ACI IOT Investment Fund-I Corporation	62,000	-
Cash dividends distributed by subsidiaries	(14,039)	-
Employees' holding outstanding vest share option related non-controlling interests issued by subsidiaries	<u>316</u>	<u>968</u>
Balance at September 30	<u>\$ 482,795</u>	<u>\$ 242,425</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest on bank loans	\$ 1,577	\$ 250	\$ 3,323	\$ 750
Interest on lease liabilities	4,510	-	13,530	-
Others	<u>1,665</u>	<u>385</u>	<u>3,215</u>	<u>2,372</u>
	<u>\$ 7,752</u>	<u>\$ 635</u>	<u>\$ 20,068</u>	<u>\$ 3,122</u>

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
An analysis of depreciation by function				
Operating costs	\$ 45,772	\$ 35,123	\$ 132,117	\$ 102,541
Operating expenses	<u>149,243</u>	<u>105,080</u>	<u>483,139</u>	<u>325,165</u>
	<u>\$ 195,015</u>	<u>\$ 140,203</u>	<u>\$ 615,256</u>	<u>\$ 427,706</u>
An analysis of amortization by function				
Operating costs	\$ 951	\$ 189	\$ 2,842	\$ 2,800
Operating expenses	<u>91,183</u>	<u>62,881</u>	<u>196,855</u>	<u>136,880</u>
	<u>\$ 92,134</u>	<u>\$ 63,070</u>	<u>\$ 199,697</u>	<u>\$ 139,680</u>

c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term benefits	\$ 2,472,255	\$ 2,165,820	\$ 7,103,864	\$ 6,397,311
Post-employment benefits				
Defined contribution plans	93,146	126,908	275,288	292,853
Defined benefit plans (Note 20)	<u>1,338</u>	<u>1,412</u>	<u>4,015</u>	<u>4,237</u>
	94,484	128,320	279,303	297,090
Share-based payments				
Equity-settled	64,291	74,184	233,638	256,950
Other employee benefits	<u>128,638</u>	<u>192,942</u>	<u>481,834</u>	<u>490,551</u>
Total employee benefits expense	<u>\$ 2,759,668</u>	<u>\$ 2,561,266</u>	<u>\$ 8,098,639</u>	<u>\$ 7,441,902</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 613,746	\$ 582,510	\$ 1,790,012	\$ 1,612,718
Operating expenses	<u>2,145,922</u>	<u>1,978,756</u>	<u>6,308,627</u>	<u>5,829,184</u>
	<u>\$ 2,759,668</u>	<u>\$ 2,561,266</u>	<u>\$ 8,098,639</u>	<u>\$ 7,441,902</u>

d. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation at the rates of no less than 5% and remuneration of directors at the rates of no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months and nine months ended September 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 September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Employees' compensation	<u>\$ 149,143</u>	<u>\$ 68,250</u>	<u>\$ 398,033</u>	<u>\$ 204,750</u>
Remuneration of directors	<u>\$ 2,650</u>	<u>\$ 2,650</u>	<u>\$ 7,950</u>	<u>\$ 7,950</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 September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Foreign exchange gains	\$ 191,173	\$ 221,251	\$ 585,869	\$ 887,252
Foreign exchange losses	<u>(267,141)</u>	<u>(284,108)</u>	<u>(579,886)</u>	<u>(907,194)</u>
Net gain (loss)	<u>\$ (75,968)</u>	<u>\$ (62,587)</u>	<u>\$ 5,983</u>	<u>\$ (19,942)</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 September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	\$ 531,182	\$ 469,173	\$ 1,495,622	\$ 1,207,777
Income tax on unappropriated earnings	-	-	21,176	63,493
Adjustment for prior years	(27,770)	(31,705)	(56,066)	(174,337)
Deferred tax				
In respect of the current period	57,837	(7,273)	44,870	53,817
Change in tax rate	<u>-</u>	<u>27,656</u>	<u>-</u>	<u>114,546</u>
Income tax expense recognized in profit or loss	<u>\$ 561,249</u>	<u>\$ 457,851</u>	<u>\$ 1,505,602</u>	<u>\$ 1,265,296</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was 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 \$70,984 thousand has not been recognized as of September 30, 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

According to the newly-added Article 23-3 of the Statute for Industrial Innovation in the ROC, which was amended in July 2019, if a company or limited partnership reinvests its retained earnings in specific assets or technology up to a certain amount, such investment amounts may be deducted from the retained earnings during the calculation of the income taxable under the additional profit-seeking enterprise income tax leviable on retained earnings from the year 2018 under Article 66-9 of the Income Tax Act. However, as the details of the related enforcement act are yet to be set by the Ministry of Finance, the effect of the Statute on the Group's current income tax cannot be estimated.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
<u>Deferred tax</u>				
Change in tax rate	\$ -	\$ -	\$ -	\$ (18,879)
In respect of the current period				
Translation of foreign operations	<u>(73,488)</u>	<u>(41,947)</u>	<u>(35,856)</u>	<u>(20,297)</u>
Income tax recognized in other comprehensive income	<u>\$ (73,488)</u>	<u>\$ (41,947)</u>	<u>\$ (35,856)</u>	<u>\$ (39,176)</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 September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Basic earnings per share	<u>\$ 3.06</u>	<u>\$ 2.45</u>	<u>\$ 8.08</u>	<u>\$ 6.68</u>
Diluted earnings per share	<u>\$ 3.03</u>	<u>\$ 2.43</u>	<u>\$ 7.99</u>	<u>\$ 6.61</u>

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

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Earnings used in the computation of basic earnings per share	<u>\$ 2,139,974</u>	<u>\$ 1,710,482</u>	<u>\$ 5,651,450</u>	<u>\$ 4,657,347</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,139,974</u>	<u>\$ 1,710,482</u>	<u>\$ 5,651,450</u>	<u>\$ 4,657,347</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	699,284	697,955	699,034	697,616
Effect of potentially dilutive ordinary shares:				
Employee share options	6,918	5,788	6,746	5,837
Employees' compensation	<u>546</u>	<u>300</u>	<u>1,938</u>	<u>1,192</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>706,748</u>	<u>704,043</u>	<u>707,718</u>	<u>704,645</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 Nine Months Ended September 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 granted	-	-	8,000	202.50
Options exercised	(1,228)	82.21	(945)	84.08
Balance at September 30	<u>14,737</u>	147.61	<u>16,433</u>	141.92
Options exercisable, end of the period	<u>6,738</u>	82.44	<u>8,433</u>	84.46
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ 49.39</u>	

The weighted-average share price at the date of exercise of share options for the nine months ended September 30, 2019 and 2018 ranged from NT\$223 to NT\$271 and NT\$196 to NT\$226, respectively.

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

	For the Nine 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	\$202.5	4.83	\$202.5	5.83
Issuance in 2016	85.6	2.70	85.6	3.70
Issuance in 2014	81.5	0.88	81.5	1.88

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 dividend yield	0%	0%	0%
Risk-free interest rate	0.67%-0.69%	0.52%-0.65%	1.07%-1.30%

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

Compensation cost recognized was \$233,638 thousand and \$256,950 thousand for the nine months ended September 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 are valid for five years. All are exercisable at certain percentages after the first year from the grant date.

Information on employee share options was as follows:

	For the Nine Months Ended September 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 granted	-	-	108	200
Options forfeited	(64)	-	274	-
Balance at September 30	<u>750</u>	20	<u>814</u>	20
Options exercisable, end of period	<u>180</u>	20	<u>189</u>	20
Weighted-average fair value of options granted (NT\$)	<u>-</u>		<u>1.83</u>	

Information on outstanding options for the nine months ended September 30, 2019 and 2018 was as follows:

Employee Share Options	September 30			
	2019		2018	
	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
Issuance in 2018	\$ 20	2.78	\$ 20	3.58
Issuance in 2017	20	1.67	20	2.67

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 electronic and mechanical devices	January 31, 2019	80	<u>\$ 517,008</u>
Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	February 28, 2019	60	<u>\$ 58,482</u>

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

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

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

b. Consideration transferred

	ATJ	ATR	AVN
Cash	<u>\$ 517,008</u>	<u>\$ 58,482</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	\$ -	\$ 33,334	\$ 15,770
Trade receivables	600,641	15,759	16,701
Inventories	437,154	9,966	4,637
Other current assets	7,220	353	615
Non-current assets			
Plant and equipment	145,020	723	1,170
Intangible assets	4,426	34,783	26,727
Deferred tax assets	73,782	-	-
Other non-current assets	-	238	354
Current liabilities			
Short-term borrowings	(157,819)	(311)	-
Trade and other payables	(548,370)	(2,206)	(20,302)
Current tax liabilities	(32,436)	(193)	-
Other current liabilities	(15,770)	(4,230)	(873)
Non-current liabilities			
Other non-current liabilities	-	(86)	-
	<u>\$ 513,848</u>	<u>\$ 88,130</u>	<u>\$ 44,799</u>

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, \$35,252 thousand, and \$17,920 thousand for each.

e. Goodwill recognized on acquisitions

	ATJ	ATR	AVN
Consideration transferred	\$ 517,008	\$ 58,482	\$ 76,092
Less: Fair value of identifiable net assets acquired	<u>(411,078)</u>	<u>(52,878)</u>	<u>(26,879)</u>
Goodwill recognized on acquisitions	<u>\$ 105,930</u>	<u>\$ 5,604</u>	<u>\$ 49,213</u>

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

The acquisitions of ATJ 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	\$ 58,482	\$ 76,092
Less: Cash and cash equivalent balances acquired	<u>-</u>	<u>(33,334)</u>	<u>(15,770)</u>
	<u>\$ 517,008</u>	<u>\$ 25,148</u>	<u>\$ 60,322</u>

g. Impact of acquisitions on the results of the Group

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

	For the Nine Months Ended September 30, 2019		For the Nine Months Ended September 30, 2018
	ATJ	ATR	AVN
Revenue	<u>\$ 1,924,304</u>	<u>\$ 81,212</u>	<u>\$ 26,827</u>
Profit	<u>\$ 131,221</u>	<u>\$ 8,654</u>	<u>\$ (3,863)</u>

27. DISPOSAL OF SUBSIDIARIES

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

- a. Consideration received from disposal

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

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

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

- c. Loss on disposal of subsidiary

	Conel Automation
Consideration received	\$ 311
Net assets disposed of	(26,242)
Reclassification of other comprehensive income in respect of the subsidiary	<u>30</u>
Loss on disposals	<u>\$ (25,901)</u>

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

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

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

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

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

	For the Nine Months Ended September 30, 2019		
	ATJ	AIH	Total
Cash consideration received (paid)	\$ 9,229	\$ -	\$ 9,229
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>(8,316)</u>	<u>(352)</u>	<u>(8,668)</u>
Differences recognized from equity transactions	<u>\$ 913</u>	<u>\$ (352)</u>	<u>\$ 561</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	\$ 913	\$ -	\$ 913
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>-</u>	<u>(352)</u>	<u>(352)</u>
	<u>\$ 913</u>	<u>\$ (352)</u>	<u>\$ 561</u>
	For the Nine Months Ended September 30, 2018		
	ATH	LNC	Total
Cash consideration received (paid)	\$ (21,926)	\$ 126,770	\$ 104,844
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>22,701</u>	<u>(56,829)</u>	<u>(34,128)</u>
Differences recognized from equity transactions	<u>\$ 775</u>	<u>\$ 69,941</u>	<u>\$ 70,716</u>
<u>Line items adjusted for equity transactions</u>			
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>\$ 775</u>	<u>\$ 69,941</u>	<u>\$ 70,716</u>

29. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 20,042	\$ -	\$ 20,042
Securities listed in the ROC	126,454	-	-	126,454
Securities listed in other countries	62,316	-	-	62,316
Mutual funds	<u>1,265,588</u>	<u>-</u>	<u>-</u>	<u>1,265,588</u>
	<u>\$ 1,454,358</u>	<u>\$ 20,042</u>	<u>\$ -</u>	<u>\$ 1,474,400</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Securities listed in the ROC	\$ 1,250,723	\$ -	\$ -	\$ 1,250,723
Unlisted securities in the ROC	-	-	8,230	8,230
Unlisted securities in other countries	<u>-</u>	<u>-</u>	<u>132,299</u>	<u>132,299</u>
	<u>\$ 1,250,723</u>	<u>\$ -</u>	<u>\$ 140,529</u>	<u>\$ 1,391,252</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,421</u>	<u>\$ -</u>	<u>\$ 1,421</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 the ROC	202,622	-	-	202,622
Securities listed in other countries	5,270	-	-	5,270
Mutual funds	<u>1,885,462</u>	<u>-</u>	<u>-</u>	<u>1,885,462</u>
	<u>\$ 2,093,354</u>	<u>\$ 5,198</u>	<u>\$ -</u>	<u>\$ 2,098,552</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Securities listed in the ROC	\$ 1,181,502	\$ -	\$ -	\$ 1,181,502
Unlisted securities in the ROC	-	-	8,622	8,622
Unlisted securities in other countries	<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> (Concluded)

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 7,824	\$ -	\$ 7,824
Securities listed in the ROC	205,673	-	-	205,673
Securities listed in other countries	8,276	-	-	8,276
Mutual funds	<u>1,703,281</u>	<u>-</u>	<u>-</u>	<u>1,703,281</u>
	<u>\$ 1,917,230</u>	<u>\$ 7,824</u>	<u>\$ -</u>	<u>\$ 1,925,054</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Securities listed in the ROC	\$ 1,515,840	\$ -	\$ -	\$ 1,515,840
Unlisted securities in the ROC	-	-	8,968	8,968
Unlisted securities in other countries	<u>-</u>	<u>-</u>	<u>109,420</u>	<u>109,420</u>
	<u>\$ 1,515,840</u>	<u>\$ -</u>	<u>\$ 118,388</u>	<u>\$ 1,634,228</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,060</u>	<u>\$ -</u>	<u>\$ 1,060</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

	Financial Assets at FVTOCI	
	Investments in Equity	
	Instruments	
	For the Nine Months Ended	
	September 30	
	2019	2018
<u>Financial assets</u>		
Balance at January 1, 2019	\$ 118,765	\$ -
Reclassification		89,893
Recognized in other comprehensive income	<u>21,764</u>	<u>28,495</u>
Balance at September 30, 2019	<u>\$ 140,529</u>	<u>\$ 118,388</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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$ 1,474,400	\$ 2,098,552	1,925,054
Financial assets at amortized cost (Note 1)	15,198,530	15,187,794	13,676,148
Financial assets at FVTOCI			
Equity instruments	1,391,252	1,300,267	1,634,228
<u>Financial liabilities</u>			
FVTPL			
Mandatorily at FVTPL	1,421	6,139	1,060
Financial assets at amortized cost (Note 2)	9,125,401	9,616,094	9,909,136

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 32. As for the carrying amounts of derivatives exposed 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 Nine Months Ended September 30		For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018	2019	2018
Profit or loss	\$ 39,879 (Note 1)	\$ 97,310 (Note 1)	\$ 61,863 (Note 2)	\$ 88,042 (Note 2)	\$ 68,690 (Note 3)	\$ 48,916 (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 amounts of the Group's financial assets and financial liabilities with exposure to interest rate fluctuations at the end of the reporting period were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Fair value interest rate risk			
Financial assets	\$ 1,481,387	\$ 1,363,564	\$ 295,184
Financial liabilities	172,800	-	26,099
Cash flow interest rate risk			
Financial assets	3,099,449	4,527,415	4,110,985
Financial liabilities	171,484	142,991	73,209

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 liabilities 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 nine months ended September 30, 2019 and 2018 would have increased by \$10,980 thousand and \$15,142 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 on 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 nine months ended September 30, 2019 and 2018 would have increased by \$1,888 thousand and \$2,139 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 nine months ended September 30, 2019 and 2018 would have increased by \$13,913 thousand and \$16,342 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI. Had equity prices been 1% lower for the same year, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.

The Group's sensitivity toward equity prices is lower this period mainly because stock prices fell in the current period.

2) Credit risk

Credit risk refers to the risk that a 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 September 30, 2019, December 31, 2018 and September 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 maturities 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.

September 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 liabilities	\$ 5,274,378	\$ 2,184,044	\$ 1,322,695	\$ -
Lease liabilities	160	3,277	196,056	292,140
Variable interest rate liabilities	60,352	569	68,839	53,125
Fixed interest rate liabilities	<u>44</u>	<u>172,889</u>	<u>57,611</u>	<u>-</u>
	<u>\$ 5,334,934</u>	<u>\$ 2,360,779</u>	<u>\$ 1,645,201</u>	<u>\$ 345,265</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 199,493</u>	<u>\$ 230,458</u>	<u>\$ 61,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 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 liabilities	\$ 7,036,567	\$ 1,601,148	\$ 835,388	\$ -
Variable interest rate liabilities	<u>337</u>	<u>20,649</u>	<u>70,407</u>	<u>67,039</u>
	<u>\$ 7,036,904</u>	<u>\$ 1,621,797</u>	<u>\$ 905,795</u>	<u>\$ 67,039</u>

September 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 liabilities	\$ 4,426,533	\$ 4,011,039	\$ 1,372,256	\$ -
Variable interest rate liabilities	176	352	9,683	66,953
Fixed interest rate liabilities	<u>43</u>	<u>85</u>	<u>8,656</u>	<u>19,523</u>
	<u>\$ 4,426,752</u>	<u>\$ 4,011,476</u>	<u>\$ 1,390,595</u>	<u>\$ 86,476</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 rate risk 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.

September 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	\$ 320,475	\$ 456,040	\$ 50,501	\$ 827,016
Outflows	<u>312,180</u>	<u>446,740</u>	<u>49,475</u>	<u>808,395</u>
	<u>\$ 8,295</u>	<u>\$ 9,300</u>	<u>\$ 1,026</u>	<u>\$ 18,621</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>

September 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	\$ 294,823	\$ 423,533	\$ 248,080	\$ 966,436
Outflows	<u>293,516</u>	<u>420,996</u>	<u>245,160</u>	<u>959,672</u>
	<u>\$ 1,307</u>	<u>\$ 2,537</u>	<u>\$ 2,920</u>	<u>\$ 6,764</u>

c) Financing facilities

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank overdraft facilities reviewed annually and payable at call:			
Amount used	\$ 297,878	\$ 67,581	\$ -
Amount unused	<u>6,911,702</u>	<u>3,955,919</u>	<u>4,007,300</u>
	<u>\$ 7,209,580</u>	<u>\$ 4,023,500</u>	<u>\$ 4,007,300</u>
Secured bank overdraft facilities:			
Amount used	<u>\$ 46,406</u>	<u>\$ 55,410</u>	<u>\$ 99,308</u>

30. 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
Hwacom Systems Inc.	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 September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Associates	<u>\$ 19,546</u>	<u>\$ 26,070</u>	<u>\$ 66,469</u>	<u>\$ 83,517</u>

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Associates	<u>\$ 35,588</u>	<u>\$ 53,906</u>	<u>\$ 128,354</u>	<u>\$ 106,230</u>

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

Line Items	Related Party Categories/Name	September 30, 2019	December 31, 2018	September 30, 2018
Trade receivables from related parties	Associates	<u>\$ 46,966</u>	<u>\$ 18,969</u>	<u>\$ 21,232</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 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	September 30, 2019	December 31, 2018	September 30, 2018
Other receivables from related parties	Associates	\$ -	\$ -	\$ 98
	Other related parties	<u>1,135</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,135</u>	<u>\$ -</u>	<u>\$ 98</u>

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

Line Items	Related Party Categories/Name	September 30, 2019	December 31, 2018	September 30, 2018
Trade payables	Associates	<u>\$ 24,732</u>	<u>\$ 27,653</u>	<u>\$ 39,676</u>
Other liabilities	Other related parties	<u>\$ 4,270</u>	<u>\$ -</u>	<u>\$ -</u>

The outstanding trade payables to related parties are unsecured.

g. Prepayments to related parties

Line Items	Related Party Categories/Name	September 30, 2019	December 31, 2018	September 30, 2018
Prepayments to related parties	Associates	<u>\$ 33,571</u>	<u>\$ -</u>	<u>\$ -</u>

h. Other transactions with related parties

Related Party Category/Name	Operating Expenses			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Selling and marketing expenses				
Associates	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ -</u>
Research and development expenses				
Associates	<u>\$ 295</u>	<u>\$ 806</u>	<u>\$ 608</u>	<u>\$ 3,178</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 September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Rental income				
Other related parties	\$ <u>15</u>	\$ <u>15</u>	\$ <u>45</u>	\$ <u>45</u>
Others				
Other related parties	\$ <u>676</u>	\$ <u>676</u>	\$ <u>2,027</u>	\$ <u>2,027</u>

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

i. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 11,290	\$ 11,794	\$ 33,869	\$ 35,381
Post-employment benefits	11	50	32	150
Share-based payments	<u>8,813</u>	<u>8,393</u>	<u>29,635</u>	<u>22,157</u>
	<u>\$ 20,114</u>	<u>\$ 20,237</u>	<u>\$ 63,536</u>	<u>\$ 57,688</u>

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2019	December 31, 2018	September 30, 2018
Pledged deposits (classified as financial assets at amortized cost)	\$ -	\$ -	\$ 28,912
Property, plant and equipment	<u>64,584</u>	<u>67,068</u>	<u>67,068</u>
	<u>\$ 64,584</u>	<u>\$ 67,068</u>	<u>\$ 95,980</u>

32. 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 the respective functional currencies were as follows:

September 30, 2019

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 126,459	31.040 (USD:NTD)	\$ 3,925,287
RMB	560,302	4.3500 (RMB:NTD)	2,437,314
EUR	27,820	33.950 (EUR:NTD)	944,489
USD	28,257	7.1356 (USD:RMB)	<u>877,095</u>
			<u>\$ 8,184,185</u>
<u>Financial liabilities</u>			
Monetary items			
USD	91,491	31.040 (USD:NTD)	\$ 2,839,881
USD	38,528	7.1356 (USD:RMB)	1,195,902
RMB	271,299	4.3500 (RMB:NTD)	<u>1,180,151</u>
			<u>\$ 5,215,934</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	4.4720 (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	4.4720 (RMB:NTD)	1,103,178
USD	29,534	6.8683 (USD:RMB)	<u>907,135</u>
			<u>\$ 6,379,737</u>

September 30, 2018

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 210,366	30.525 (USD:NTD)	\$ 6,421,422
RMB	528,545	4.4360 (RMB:NTD)	2,344,626
EUR	44,097	35.480 (EUR:NTD)	1,564,562
USD	18,191	6.8812 (USD:RMB)	<u>555,281</u>
			<u>\$ 10,885,891</u>
<u>Financial liabilities</u>			
Monetary items			
USD	135,127	30.525 (USD:NTD)	\$ 4,124,572
RMB	351,962	4.4360 (RMB:NTD)	1,561,303
EUR	3,968	35.480 (EUR:NTD)	140,785
USD	31,174	6.8812 (USD:RMB)	<u>951,589</u>
			<u>\$ 6,778,249</u>

For the three months and nine months ended September 30, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$(75,968) thousand, \$(62,587) thousand, \$5,983 thousand and \$(19,942) 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.

33. SEPARATELY DISCLOSED ITEMS

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

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

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments (Notes 7 and 29)
- 10) Significant transactions between the Company and its 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)

34. 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 things services (IIoT): Focused on the market of industrial internet-of-things;
- b. Embedded board and design-in services (EIoT): Provision of 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 provision of customized collaboration design and services;
- d. Intelligent services (SIoT): Provision of services involving digital logistic, digital healthcare and intelligent retail;
- e. Global customer services (AGS& APS): Provision of services involving global repair, technical support and warranty.

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 Things Services (IIoT)	Embedded Boards and Design-in Services (EIoT)	Allied Design Manufacture Services (Allied DMS)	Intelligent Services (SIoT)	Global Customer Services (AGS & APS)	Others	Total
For the nine months ended September 30, 2019							
Revenue from external customers	\$ 12,284,993	\$ 10,374,148	\$ 9,700,959	\$ 3,398,612	\$ 4,855,417	\$ 44,757	\$ 40,658,886
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 12,284,993</u>	<u>\$ 10,374,148</u>	<u>\$ 9,700,959</u>	<u>\$ 3,398,612</u>	<u>\$ 4,855,417</u>	<u>\$ 44,757</u>	<u>40,658,886</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>40,658,886</u>
Segment income	<u>\$ 2,975,066</u>	<u>\$ 1,785,822</u>	<u>\$ 1,604,653</u>	<u>\$ 323,427</u>	<u>\$ 657,941</u>	<u>\$ -</u>	<u>7,346,909</u>
Other revenue	-	-	-	-	-	-	194,811
Other unamortized expense	-	-	-	-	-	-	(523,316)
Other income and expense	-	-	-	-	-	-	130,460
Finance costs	-	-	-	-	-	-	(20,068)
Share of profits of associates accounted for using the equity method	-	-	-	-	-	-	<u>66,320</u>
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 7,195,116</u>
For the nine months ended September 30, 2018							
Revenue from external customers	\$ 12,637,083	\$ 9,853,642	\$ 5,855,891	\$ 3,215,354	\$ 4,731,805	\$ 66,519	\$ 36,360,294
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 12,637,083</u>	<u>\$ 9,853,642</u>	<u>\$ 5,855,891</u>	<u>\$ 3,215,354</u>	<u>\$ 4,731,805</u>	<u>\$ 66,519</u>	<u>36,360,294</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	<u>36,360,294</u>
Segment income	<u>\$ 2,827,027</u>	<u>\$ 1,609,397</u>	<u>\$ 888,505</u>	<u>\$ 195,824</u>	<u>\$ 534,013</u>	<u>\$ (4,045)</u>	<u>6,050,721</u>
Other revenue	-	-	-	-	-	-	273,221
Unallocated amount	-	-	-	-	-	-	(564,711)
Other income and expense	-	-	-	-	-	-	107,763
Finance costs	-	-	-	-	-	-	(3,122)
Share of profits of associates for using the equity method	-	-	-	-	-	-	<u>72,781</u>
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 5,936,653</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.

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note H)		Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
					Highest Balance for the Period	Ending Balance	Ending Balance						Item	Value		
1	ACZ	Conel Automation (Note G)	Trade receivables - related parties	Yes	\$ 16,668 (CZK 12,000 thousand)	\$ -	\$ -	2.00	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 104,183 (Note C)	\$ 104,183 (Note C)
2	ACZ	Conel Automation (Note G)	Trade receivables - related parties	Yes	13,196 (CZK 9,500 thousand)	-	-	2.00	Short-term financing	-	Financing need	-	None	None	104,183 (Note C)	104,183 (Note C)
3	ACZ	Conel Automation (Note G)	Trade receivables - related parties	Yes	4,119 (CZK 3,000 thousand)	-	-	2.00	Short-term financing	-	Financing need	-	None	None	104,183 (Note C)	104,183 (Note C)
4	AAC (BVI)	ATJ	Trade receivables - related parties	Yes	177,000 (JPY 600,000 thousand)	172,800 (JPY 600,000 thousand)	-	0.55	Short-term financing	-	Financing need	-	None	None	2,707,954 (Note D)	2,707,954 (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)
6	Advantech Corporate Investment	The Company	Trade receivables - related parties	Yes	1,000,000	1,000,000	600,000	1	Short-term financing	-	Financing need	-	None	None	1,288,917 (Note F)	1,288,917 (Note F)

Note A: Investee companies are numbered sequentially from 1.

Note B: Translated based on the exchange rates as of September 30, 2019: CZK1=NT\$1.312 and JPY1=NT\$0.288.

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

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

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

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

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

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

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

TABLE 2

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE NINE MONTHS ENDED SEPTEMBER 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 Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	\$ 3,048,085	\$ 948,000 (US\$ 30,000)	\$ 931,200 (US\$ 30,000)	\$ -	\$ -	3.06	\$ 9,144,256	Y	N	N
		AAC (BVI)	Subsidiary	3,048,085	316,000 (US\$ 10,000)	310,400 (US\$ 10,000)	-	-	1.02	9,144,256	Y	N	N
		Advantech Corporate Investment	Subsidiary	3,048,085	316,000 (US\$ 10,000)	310,400 (US\$ 10,000)	-	-	1.02	9,144,256	Y	N	N
		AJP	Subsidiary	3,048,085	316,000 (US\$ 10,000)	310,400 (US\$ 10,000)	57,600 (US\$ 1,849)	-	1.02	9,144,256	Y	N	N
		ATJ	Subsidiary	3,048,085	295,000 (JPY 1,000,000)	288,000 (JPY 1,000,000)	115,200 (JPY 400,000)	-	0.94	9,144,256	Y	N	N
		AKST	Subsidiary	3,048,085	189,600 (US\$ 6,000)	186,240 (US\$ 6,000)	65,078 (US\$ 2,089)	-	0.61	9,144,256	Y	N	N
		AKMC	Subsidiary	3,048,085	189,600 (US\$ 6,000)	186,240 (US\$ 6,000)	-	-	0.61	9,144,256	Y	N	Y
		ACISM	Subsidiary	3,048,085	158,000 (US\$ 5,000)	155,200 (US\$ 5,000)	-	-	0.51	9,144,256	Y	N	N
		SIoT (Cayman)	Subsidiary	3,048,085	316,000 (US\$ 10,000)	310,400 (US\$ 10,000)	-	-	1.02	9,144,256	Y	N	N
		B+B	Subsidiary	3,048,085	158,000 (US\$ 5,000)	155,200 (US\$ 5,000)	-	-	0.51	9,144,256	Y	N	N
		ABR	Subsidiary	3,048,085	47,400 (US\$ 1,500)	46,560 (US\$ 1,500)	-	-	0.15	9,144,256	Y	N	N
		A-SIoT	Subsidiary	3,048,085	35,380 (EUR 1,000)	33,950 (EUR 1,000)	-	-	0.11	9,144,256	Y	N	N
		AVN	Subsidiary	3,048,085	31,600 (US\$ 1,000)	31,040 (US\$ 1,000)	-	-	0.10	9,144,256	Y	N	N
		Cermate (Taiwan)	Subsidiary	3,048,085	31,600 (US\$ 1,000)	31,040 (US\$ 1,000)	-	-	0.10	9,144,256	Y	N	N
		Cermate (Shenzhen)	Subsidiary	3,048,085	31,600 (US\$ 1,000)	31,040 (US\$ 1,000)	-	-	0.10	9,144,256	Y	N	Y
		ACZ	Subsidiary	3,048,085	15,800 (US\$ 500)	15,520 (US\$ 500)	-	-	0.05	9,144,256	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 Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		ATR	Subsidiary	\$ 3,048,085	\$ 15,800 (US\$ 500)	\$ 15,520 (US\$ 500)	\$ -	\$ -	0.05	\$ 9,144,256	Y	N	N
		Advanixs Corp.	Subsidiary	3,048,085	15,800 (US\$ 500)	15,520 (US\$ 500)	-	-	0.05	9,144,256	Y	N	N
		AdvanPOS	Subsidiary	3,048,085	15,800 (US\$ 500)	15,520 (US\$ 500)	-	-	0.05	9,144,256	Y	N	N
		AAU	Subsidiary	3,048,085	6,320 (US\$ 200)	6,208 (US\$ 200)	-	-	0.02	9,144,256	Y	N	N
		Advantech Intelligent Service	Subsidiary	3,048,085	4,740 (US\$ 150)	4,656 (US\$ 150)	-	-	0.02	9,144,256	Y	N	N
		AKR	Subsidiary	3,048,085	1,580 (US\$ 50)	1,552 (US\$ 50)	-	-	0.01	9,144,256	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 September 30, 2019 were US\$1=NT\$31.040, EUR1=NT\$33.95, and JPY1=NT\$0.288.

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

(Concluded)

TABLE 3**ADVANTECH CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****FOR THE NINE MONTHS ENDED SEPTEMBER 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	September 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	\$ 978,699	0.64	\$ 978,699	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	88,200	2.41	88,200	Note A
	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at FVTPL - current	26,412,587	332,062	-	332,062	Note B
Advantech Corporate Investment	<u>Share</u> Contec	-	Financial assets at FVTPL - current	15,500	6,035	0.23	6,035	Note A
	Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	183,824	5.03	183,824	Note A
	BroadTec System Inc.	-	Same as above	225,000	3,922	7.50	3,922	Note C
	BiosenseTek Corp.	-	Same as above	37,500	-	1.79	-	Note C
	Juguar Technology	-	Same as above	500,000	4,308	16.67	4,308	Note C
	Taiwan DSC PV Ltd.,	-	Same as above	1,600	-	3.20	-	Note C
	<u>Fund</u> Taishin 1699 Money Market	-	Financial assets at FVTPL - current	14,344,359	194,573	-	194,573	Note B
	FSITC Taiwan Money Market	-	Same as above	13,042,401	200,085	-	200,085	Note B
Advanixs Corporate	<u>Fund</u> Jih Sun Money Market	-	Same as above	6,266,221	93,087	-	93,087	Note B
	Mega Diamond Money Market	-	Same as above	2,954,549	37,145	-	37,145	Note B
AiST	<u>Fund</u> Jih Sun Money Market	-	Financial assets at FVTPL - current	1,311,144	19,477	-	19,477	Note B
AdvanPOS	<u>Fund</u> Mega Diamond Money Market	-	Same as above	1,110,468	13,961	-	13,961	Note B
SIoT (Cayman)	<u>Fund</u> FSITC Taiwan Money Market	-	Same as above	6,267,324	96,148	-	96,148	Note B
	Taishin 1699 Money Market	-	Same as above	10,548,368	143,082	-	143,082	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	Same as above	625,517	10,118	-	10,118	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cermate (Taiwan)	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at FVTPL - current	1,446,076	\$ 18,180	-	\$ 18,180	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	-	130,501	8.30	130,501	Note C
	<u>Share</u> Jama Pro Co., Ltd.	-	Same as above	583,300	1,798	10.00	1,798	Note C
Yun Yan, Wu-Lian Co., Ltd.	<u>Fund</u> FSITC Money Market	-	Financial assets at FVTPL - current	27,649	4,945	-	4,945	Note B
Huan Yan, Jhih-lian Co.,	<u>Fund</u> FSITC Money Market	-	Same as above	54,616	9,768	-	9,768	Note B
ACI IOT Investment Fund-I Corporation	<u>Share</u> GSD Technologies Co., Ltd.	-	Financial assets at FVTPL - current	310,000	22,165	0.09	22,165	Note A
	Amazing Microelectronic Corp.	-	Same as above	75,142	7,063	0.09	7,063	Note A
	WT Microelectronics Co., Ltd.	-	Same as above	495,000	19,181	0.01	19,181	Note A
	E Ink Holdings Inc.	-	Same as above	500,000	14,075	0.04	14,075	Note A
	Lelon Electronics Corp.	-	Same as above	250,000	10,500	0.19	10,500	Note A
	Yuan High-Tec Development Co., Ltd.	-	Same as above	236,000	20,296	0.70	20,296	Note A
	eGalax_eMPIA Technology Inc.	-	Same as above	293,000	13,976	0.49	13,976	Note A
	Nuvoton Technology Corp.	-	Same as above	395,000	19,198	0.19	19,198	Note A
	ISI	-	Same as above	640	10,726	-	10,726	Note A
	TRMB	-	Same as above	5,700	6,867	-	6,867	Note A
	ALGN	-	Same as above	455	2,555	-	2,555	Note A
	TPV Technology Ltd.	-	Same as above	1,164,000	17,138	0.05	17,138	Note A
	China Mobile Ltd.	-	Same as above	74,000	18,995	-	18,995	Note A
	<u>Fund</u> Mega Diamond Money Market	-	Same as above	7,157,110	89,980	-	89,980	Note B
	<u>Fund</u> Capital Money Market	-	Same as above	185,571	3,001	-	3,001	Note B

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

Note B: Market value was based on the net asset values of the open-ended mutual funds on September 30, 2019.

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

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 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	
					Number of Shares	Amount (Cost)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Cost)
The Company	<u>Fund</u>													
	Mega Diamond Money Market	Financial assets at FVTPL	-	-	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
	Capital Money Market	Financial assets at FVTPL	-	-	8,702,880	140,000	30,942,241	500,000	39,645,121	640,756	640,000	756	-	-
	FSITC Money Market	Financial assets at FVTPL	-	-	-	-	3,639,593	650,003	3,639,593	650,595	650,003	592	-	-
	FSITC Taiwan Money Market	Financial assets at FVTPL	-	-	-	-	120,769,847	1,850,005	120,769,847	1,851,498	1,850,005	1,493	-	-
Advantech Corporate Investment	<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	-	-	-	-	4,596,707	820,004	4,596,707	821,330	820,004	1,326	-	-
	Taishin 1699 Money Market	Financial assets at FVTPL	-	-	-	-	64,666,435	875,004	50,322,076	682,000	680,680	1,320	14,344,359	194,324

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 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	\$ 182,015	0.66	60-90 days	Contract price	No significant difference in terms for related parties	\$ 31,042	0.44	Note A
	B+B	Subsidiary	Sale	195,715	0.71	45 days after month-end	Contract price	No significant difference in terms for related parties	39,412	0.56	
	AEU	Subsidiary	Sale	3,920,513	14.21	30 days after month-end	Contract price	No significant difference in terms for related parties	1,192,298	16.80	
	AJP	Subsidiary	Sale	713,390	2.59	60-90 days	Contract price	No significant difference in terms for related parties	110,480	1.56	
	ACN	Subsidiary	Sale	6,022,307	21.83	45 days after month-end	Contract price	No significant difference in terms for related parties	1,608,346	22.66	
	AKR	Subsidiary	Sale	744,061	2.70	60 days after invoice date	Contract price	No significant difference in terms for related parties	95,777	1.35	
	ANA	Subsidiary	Sale	7,449,519	27.00	45 days after month-end	Contract price	No significant difference in terms for related parties	1,605,033	22.62	
	ASG	Subsidiary	Sale	217,523	0.79	60-90 days	Contract price	No significant difference in terms for related parties	63,276	0.89	
	Advanixs Corporate	Subsidiary	Sale	502,498	1.82	60-90 days	Contract price	No significant difference in terms for related parties	86,041	1.21	
	A-SIoT	Subsidiary	Sale	203,421	0.74	30 days after invoice date	Contract price	No significant difference in terms for related parties	3,266	0.05	
	SIoT (Cayman)	Subsidiary	Sale	918,075	3.33	30 days after invoice date	Contract price	No significant difference in terms for related parties	187,540	2.64	
	AMY	Subsidiary	Sale	107,992	0.39	45 days after month-end	Contract price	No significant difference in terms for related parties	28,302	0.40	
	AKMC	Subsidiary	Purchase	(9,183,110)	74.93	Usual trade terms	Contract price	No significant difference in terms for related parties	(1,943,604)	38.97	
AKMC	The Company	Parent company	Sale	9,183,110	94.02	Usual trade terms	Contract price	No significant difference in terms for related parties	1,943,604	94.06	
AAU	The Company	Parent company	Purchase	(182,015)	3.77	60-90 days	Contract price	No significant difference in terms for related parties	(31,042)	64.10	
B+B	The Company	Parent company	Purchase	(195,715)	32.08	45 days after month-end	Contract price	No significant difference in terms for related parties	(39,412)	61.52	
AEU	The Company	Parent company	Purchase	(3,920,513)	73.59	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,192,298)	77.03	
AJP	The Company	Parent company	Purchase	(713,390)	92.07	60-90 days	Contract price	No significant difference in terms for related parties	(110,480)	82.06	
ACN	The Company	Parent company	Purchase	(6,022,307)	79.98	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,608,346)	82.88	
AKR	The Company	Parent company	Purchase	(744,061)	63.91	60 days after invoice date	Contract price	No significant difference in terms for related parties	(95,777)	52.66	
ANA	The Company	Parent company	Purchase	(7,449,519)	77.56	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,605,033)	81.79	
ASG	The Company	Parent company	Purchase	(217,523)	72.58	60-90 days	Contract price	No significant difference in terms for related parties	(63,276)	73.71	
Advanixs Corp.	The Company	Parent company	Purchase	(502,498)	99.53	60-90 days	Contract price	No significant difference in terms for related parties	(86,041)	99.33	
A-SIoT	The Company	Parent company	Purchase	(203,421)	29.35	30 days after invoice date	Contract price	No significant difference in terms for related parties	(3,266)	6.17	

(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	
SIoT (Cayman)	The Company	Parent company	Purchase	\$ (918,075)	54.11	Usual trade terms	Contract price	No significant difference in terms for related parties	\$ (187,540)	68.98	
AMY	The Company	Parent company	Purchase	(107,992)	10.74	45 days after month-end	Contract price	No significant difference in terms for related parties	(28,302)	90.86	
AKMC	ACN SIoT (Cayman)	Related enterprise	Sale	292,702	3.00	Usual trade terms	Contract price	No significant difference in terms for related parties	58,878	20.33	
		Related enterprise	Sale	178,723	1.83	Usual trade terms	Contract price	No significant difference in terms for related parties	52,894	18.27	
SIoT (Cayman)	A-SIoT	Subsidiary	Sale	169,438	11.33	Usual trade terms	Contract price	No significant difference in terms for related parties	31,683	423.74	
LNC	LNC Dong Guan Co., Ltd.	Subsidiary	Sale	262,838	76.46	Usual trade terms	Contract price	No significant difference in terms for related parties	228,381	93.98	
ACZ	AEU	Related enterprise	Sale	176,673	69.57	Usual trade terms	Contract price	No significant difference in terms for related parties	40,972	78.47	
SIoT (Cayman)	AEU ANA	Related enterprise	Sale	353,097	23.60	Usual trade terms	Contract price	No significant difference in terms for related parties	57,607	24.82	
		Related enterprise	Sale	726,209	48.54	Usual trade terms	Contract price	No significant difference in terms for related parties	85,550	36.86	
ACN	AKMC	Related enterprise	Purchase	(292,702)	3.89	Usual trade terms	Contract price	No significant difference in terms for related parties	(58,878)	3.03	
SIoT (Cayman)	AKMC	Related enterprise	Purchase	(178,723)	10.53	Usual trade terms	Contract price	No significant difference in terms for related parties	(52,894)	19.46	
A-SIoT	SIoT (Cayman)	Parent company	Purchase	(169,438)	27.47	Usual trade terms	Contract price	No significant difference in terms for related parties	(31,683)	59.88	
LNC Dong Guan Co., Ltd.	LNC	Parent company	Purchase	(262,838)	1.10	Usual trade terms	Contract price	No significant difference in terms for related parties	(228,381)	0.95	
AEU	ACZ SIoT (Cayman)	Related enterprise	Purchase	(176,673)	0.04	Usual trade terms	Contract price	No significant difference in terms for related parties	(40,972)	0.03	
		Related enterprise	Purchase	(353,097)	0.07	Usual trade terms	Contract price	No significant difference in terms for related parties	(57,607)	0.04	
ANA	SIoT (Cayman)	Related enterprise	Purchase	(726,209)	0.08	Usual trade terms	Contract price	No significant difference in terms for related parties	(85,550)	0.04	

Note A: Realized gain for the period was \$221 thousand.

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

(Concluded)

TABLE 6

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 NINE MONTHS ENDED SEPTEMBER 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	\$ 1,608,346	5.16	\$ -	-	\$ 469,799	\$ -
	AEU	Subsidiary	1,196,276	3.60	-	-	154,842	-
	SIoT (Cayman)	Subsidiary	187,587	9.41	-	-	-	-
	AJP	Subsidiary	110,987	7.23	-	-	-	-
	AKMC	Subsidiary	454,020	(Note B)	-	-	516,595	-
	ANA	Subsidiary	1,608,080	5.66	-	-	-	-
AKMC	The Company	Parent company	1,944,309	6.16	-	-	647,208	-
LNC	LNC Dong Guan Co., Ltd.	Parent company	228,381	1.56	-	-	17,562	-
Advantech Corporate Investment	The Company	Parent company	600,000	(Note C)	-	-	300,000	-

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

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

Note C: For financing purposes.

TABLE 7

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				September 30, 2019	December 31, 2018	Number of 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	\$ 6,421,267	\$ 538,970	\$ 534,106	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,866,621	282,566	270,031	Subsidiary
	Advanixs Corporate	Taipei, Taiwan	Production and sale of industrial automation products	226,000	226,000	10,000,000	100.00	231,675	38,547	41,841	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	1,400,000	300,000,000	100.00	3,220,402	72,711	72,485	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	25.77	645,756	388,194	100,055	Investee accounted for using the equity method
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	297,212	(84)	(84)	Subsidiary
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	304,865	304,865	19,230,000	64.10	430,579	1,543	971	Subsidiary
	Jan Hsiang	Taipei, Taiwan	Electronic parts and components manufacturing	3,719	3,719	655,500	28.50	8,135	440	125	Investee accounted for using the equity method
	AMX	Mexico	Sale of industrial automation products	4,922	4,922	-	100.00	643	429	429	Subsidiary
	AEUH	Helmond, the Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	954,751	108,983	111,866	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	114,929	30,865	30,865	Subsidiary
	ATH	Thailand	Production of computers	47,701	47,701	51,000	51.00	63,041	15,624	7,968	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	31,778	(5,184)	(5,184)	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	405,534	68,291	68,291	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	59,406	15,560	15,560	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	73,355	73,355	600,000	100.00	311,223	51,074	51,074	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	43,216	43,216	1,794,996	80.00	66,326	12,663	10,130	Subsidiary
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,081	36	36	Subsidiary
	AiST	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	96,838	1,066	1,066	Subsidiary
	B+B	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	230,467	60.00	1,947,340	(8,340)	(5,995)	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	17,527	2,186	2,186	Subsidiary
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	180,000	135,000	18,000,000	45.00	76,160	(75,227)	(33,852)	Investee accounted for using the equity method
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	83,313	83,313	69,740	76.00	(37,335)	(11,218)	(11,254)	Subsidiary
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.62	544,335	171,102	31,275	Investee accounted for using the equity method
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	67,135	5,019	(2,986)	Subsidiary
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	251,915	251,915	850,000	16.08	262,199	2,338	500	Investee accounted for using the equity method
	ARU	Moscow	Production and sale of industrial automation products	23,822	23,822	500,000	100.00	12,054	(11,100)	(11,100)	Subsidiary
	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	323,130	-	500,000	50.00	397,129	150,274	65,611	Subsidiary
	ATR	Turkey	Wholesale of computers and peripheral devices	58,482	-	260,870	60.00	49,320	11,739	5,192	Subsidiary
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	55,579	55,579	22,023	24.00	-	(11,218)	-	Subsidiary
AJP	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	184,649	-	286,100	28.61	229,122	150,274	38,508	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	115,765	5,541	2,821	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	14,014	(216)	(86)	Investee accounted for using the equity method
	CDIB Innovation Accelerator Co., Ltd.	Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	158,502	48,524	8,665	Investee accounted for using the equity method
	AzureWave Technologies, Inc.	Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.65	511,724	(138,662)	(27,253)	Investee accounted for using the equity method

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				September 30, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)	Carrying Value			
	Huan Yan, Jhih-Lian Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	\$ 5,000	\$ 5,000	500,000	50.00	\$ 4,991	\$ 39	\$ 20	Subsidiary
	Yun Yan, Wu-Lian Co., Ltd.	Taipei, Taiwan	Industrial equipment Networking in Greater China	5,000	5,000	500,000	50.00	2,599	(933)	(467)	Subsidiary
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,512	2,338	-	Investee accounted for using the equity method
	i-Link Co., Ltd.	Taichung, Taiwan	Intelligent medical integration	9,237	10,067	917,000	22.93	7,331	(8,848)	(2,230)	Investee accounted for using the equity method
	DotZero Co., Ltd.	Taichung, Taiwan	Intelligent metal processing integration	4,900	4,900	490,000	49.00	2,499	(4,346)	(2,130)	Investee accounted for using the equity method
	Mildex Optiocal Inc.	Kaohsiung, Taiwan	Manufacturing of electronic parts	202,948	202,948	15,710,000	15.00	195,963	(64,139)	(9,594)	Investee accounted for using the equity method
	Information Technology Total Service Co., Ltd.	Taipei, Taiwan	Service of electronic information	147,444	-	5,084,273	20.00	142,948	43,018	3,523	Investee accounted for using the equity method
	ACI IOT Investment Fund-1 Corporation	Taipei, Taiwan	Investment holding company	238,000	-	23,800,000	79.30	250,699	16,007	12,699	Subsidiary
	ACISM	Samoa	General investment	18,214	-	1	100.00	15,496	(1,979)	(1,979)	Subsidiary
	Hwacom Systems Inc.	Taipei, Taiwan	Computer systems service	357,119	-	19,400,000	20.00	357,084	(77,626)	(35)	Investee accounted for using the equity method
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,730	1,212,730	57,890,679	100.00	3,933,971	282,662	270,126	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	2,914,480	168,231	167,608	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,055,477	219,202	221,717	Subsidiary
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US\$ 50,000	US\$ 50,000	30,000,000	100.00	1,804,134	162,164	158,292	Subsidiary
SIoT (Cayman)	A-SIoT	Munich, Germany	Design, R&D and sale of industrial automation vehicles and related products	522,719	522,719	1	100.00	532,391	(1,223)	1,660	Subsidiary
	AIH	Taipei, Taiwan	Service of software	7,700	-	770,000	70.00	6,476	(1,576)	(1,576)	Subsidiary
ANA	B+B	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	153,644	40.00	1,311,439	(8,340)	(3,336)	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	1,102,979	106,314	106,314	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	6,350	100.00	33,016	3,100	3,100	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	61,718	15,624	7,656	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	12,440	3,853	3,853	Subsidiary
Cermate (Taiwan)	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	107,530	13,599	12,998	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	7,900,000	100.00	19,639	(449)	(314)	Subsidiary
Better Auto	Famous Now	Hong Kong	General investment	US\$ 4,000	US\$ 4,000	1	100.00	27,651	(454)	(454)	Subsidiary
B+B	BBIE	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100.00	88,399	(11,880)	(11,880)	Subsidiary
	IMC	Delaware, USA	Sale of industrial network communications systems	-	-	-	100.00	-	-	-	Subsidiary
BBIE	ACZ	Czech Republic	Manufacturing automation	-	-	-	100.00	260,442	14,482	14,482	Subsidiary
	DMCC	Dubai	Sale of industrial network communications systems	-	-	-	100.00	2,343	636	636	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 investments have been eliminated on 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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 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	\$ 1,157,792 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,157,792 (US\$ 37,300 thousand)	\$ 290,117	100	\$ 277,582	\$ 3,933,971	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	165,505 (US\$ 5,332 thousand)	-	-	165,505 (US\$ 5,332 thousand)	236,224	100	238,777	1,401,062	348,641 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US\$ 8000 thousand	Indirect	248,320 (US\$ 8,000 thousand)	-	-	248,320 (US\$ 8,000 thousand)	(18,152)	100	(18,189)	627,130	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	29	100	29	29,100	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	99,142 (US\$ 3,194 thousand)	-	-	99,142 (US\$ 3,194 thousand)	(454)	100	(319)	19,209	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	9,560 (US\$ 308 thousand)	-	-	9,560 (US\$ 308 thousand)	12,213	90	10,390	75,886	41,082 (US\$ 717 thousand) (RMB 4,328 thousand)
Cermate Technologies (Shanghai) Inc.	Sale of Human Machine Interface	US\$ 520 thousand	Indirect	17,755 (US\$ 572 thousand)	-	-	17,755 (US\$ 572 thousand)	2,607	100	2,607	32,566	-

(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 September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 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)	\$ (20,132)	100	\$ (20,132)	\$ 38,942	\$ -
Shanghai Yanlo Co., Ltd. (“Yanlo”)	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	(1,477)	45	(664)	3,642	-
GSD Environmental Technology Co., Ltd. (“GSD”)	Development, consulting and services in environmental technology	RMB 10,000 thousand	Indirect	18,096 (US\$ 583 thousand)	-	-	18,096 (US\$ 583 thousand)	(4,947)	40	(1,979)	15,496	-

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Allowable Limit on Investment
\$1,722,379 (US\$55,489 thousand) (Note D)	\$2,951,128 (US\$95,075 thousand)	\$18,578,188 (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 Guangzhou. 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: Translated using the exchange rates of US\$1=NT\$31.040 and RMB1=NT\$4.350.
- Note I: The maximum allowable limit on investments was at 60% of the consolidated net asset value of the Company.
- Note J: All intercompany gains and losses from investments have been eliminated on consolidation.

(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND ITS SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Advantech Co., Ltd.	AAC (HK)	1	Other receivables from related parties	\$ 24	45 days EOM	-
		AAU	1	Sales revenue	182,015	Normal	-
		AAU	1	Receivables from related parties	31,042	60-90 days	-
		AAU	1	Other revenue	1,659	Normal	-
		AAU	1	Other receivables from related parties	416	60-90 days	-
		ABR	1	Sales revenue	93,757	Normal	-
		ABR	1	Receivables from related parties	13,216	90 days EOM	-
		ABR	1	Other revenue	2,945	Normal	-
		ABR	1	Other receivables from related parties	2,133	90 days EOM	-
		ACN	1	Sales revenue	6,022,307	Normal	15
		ACN	1	Receivables from related parties	1,608,346	45 days EOM	4
		ACZ	1	Other revenue	1,828	Normal	-
		ACZ	1	Other receivables from related parties	412	60 days EOM	-
		ACZ	1	Sales revenue	125	Normal	-
		ACZ	1	Receivables from related parties	18	Normal	-
		AEU	1	Sales revenue	3,920,513	Normal	10
		AEU	1	Receivables from related parties	1,192,298	30 days EOM	3
		AEU	1	Other revenue	18,349	Normal	-
		AEU	1	Other receivables from related parties	3,978	30 days EOM	-
		AID	1	Sales revenue	22,385	Normal	-
		AID	1	Receivables from related parties	10,494	45 days after invoice date	-
		AID	1	Other revenue	1,033	Normal	-
		AID	1	Other receivables from related parties	425	45 days after invoice date	-
		AIN	1	Sales revenue	65,799	Normal	-
		AIN	1	Receivables from related parties	16,678	60 days EOM	-
		AJP	1	Sales revenue	713,390	Normal	2
		AJP	1	Receivables from related parties	110,480	60-90 days	-
		AJP	1	Other revenue	4,565	Normal	-
		AJP	1	Other receivables from related parties	507	60-90 days	-
		AKMC	1	Receivables from related parties	454,020	45 days EOM	1
		AKMC	1	Sales revenue	3	Normal	-
		AKR	1	Sales revenue	744,061	Normal	2
		AKR	1	Receivables from related parties	95,777	60 days after invoice date	-
		AKR	1	Other revenue	5,645	Normal	-
		AKR	1	Other receivables from related parties	633	60 days after invoice date	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKST	1	Sales revenue	\$ 9,334	Normal	-
		AKST	1	Receivables from related parties	4,617	30 days EOM	-
		AMY	1	Sales revenue	107,992	Normal	-
		AMY	1	Receivables from related parties	28,302	45 days EOM	-
		AMY	1	Other revenue	1,417	Normal	-
		AMY	1	Other receivables from related parties	316	45 days EOM	-
		ANA	1	Sales revenue	7,449,519	Normal	18
		ANA	1	Receivables from related parties	1,605,033	45 days EOM	4
		ANA	1	Other revenue	11,640	Normal	-
		ANA	1	Other receivables from related parties	3,047	45 days EOM	-
		APL	1	Sales revenue	16,188	Normal	-
		APL	1	Receivables from related parties	2,389	45 days EOM	-
		ARU	1	Sales revenue	322	Normal	-
		ARU	1	Receivables from related parties	308	45 days EOM	-
		ASG	1	Sales revenue	217,523	Normal	1
		ASG	1	Receivables from related parties	63,276	60-90 days	-
		ASG	1	Other revenue	1,842	Normal	-
		ASG	1	Other receivables from related parties	617	60-90 days	-
		A-SIoT	1	Sales revenue	203,421	Normal	1
		A-SIoT	1	Receivables from related parties	3,266	30 days after invoice date	-
		A-SIoT	1	Other revenue	2,223	Normal	-
		A-SIoT	1	Other receivables from related parties	214	30 days after invoice date	-
		ATH	1	Sales revenue	93,949	Normal	-
		ATH	1	Receivables from related parties	6,435	30 days after invoice date	-
		ATH	1	Other revenue	1,502	Normal	-
		ATH	1	Other receivables from related parties	154	30 days after invoice date	-
		ATJ	1	Sales revenue	1,981	Normal	-
		ATJ	1	Receivables from related parties	246	30 days EOM	-
		ATJ	1	Other receivables from related parties	19	30 days EOM	-
		ATR	1	Sales revenue	55,645	Normal	-
		ATR	1	Receivables from related parties	9,522	45 days EOM	-
		AVN	1	Sales revenue	52,259	Normal	-
		AVN	1	Receivables from related parties	11,913	45 days EOM	-
		B+B	1	Sales revenue	195,715	Normal	-
		B+B	1	Receivables from related parties	39,412	60 days EOM	-
		B+B	1	Other revenue	3,314	Normal	-
		B+B	1	Other receivables from related parties	750	60 days EOM	-
		BBIE	1	Other revenue	767	Normal	-
		BBIE	1	Other receivables from related parties	176	45 days after invoice date	-
		SIoT (Cayman)	1	Sales revenue	918,075	Normal	2
		SIoT (Cayman)	1	Receivables from related parties	187,540	30 days EOM	-
		SIoT (Cayman)	1	Other receivables from related parties	47	30 days EOM	-
		Cermate (Taiwan)	1	Other receivables from related parties	210	30 days EOM	-
		Cermate (Taiwan)	1	Sales revenue	14	Normal	-
		Cermate (Taiwan)	1	Receivables from related parties	2	30 days EOM	-
		Advantech Corporate Investment	1	Rental revenue	27	Normal	-
		Advanixs Corp.	1	Sales revenue	502,498	Normal	1
		Advanixs Corp.	1	Receivables from related parties	86,041	60-90 days	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Advanixs Corp. Advanixs Corp. LNC LNC LNC	1 1 1 1 1	Rental revenue Other receivables from related parties Other receivables from related parties Sales revenue Receivables from related parties	\$ 450 7 441 64 20	Normal 60-90 days 60-90 days EOM Normal 60-90 days EOM	- - - - -
1	AAC (HK)	Advantech Co., Ltd.	2	Other revenue	6,116	Normal	-
2	AAU	Advantech Co., Ltd. Advantech Co., Ltd. Advantech Co., Ltd. ANA ANA	2 2 2 3 3	Sales revenue Receivables from related parties Other receivables from related parties Sales revenue Receivables from related parties	213 41 1 10 7	Normal 60-90 days 60-90 days Normal 30 days after invoice date	- - - - -
3	ABR	Advantech Co., Ltd. Advantech Co., Ltd.	2 2	Receivables from related parties Sales revenue	90 2	30 days after invoice date Normal	- -
4	ACN	Advantech Co., Ltd. Advantech Co., Ltd. Advantech Co., Ltd. AEU AEU AiSC AiSC AiSC AKMC AKMC AKR AMY ANA AXA SiIoT (China) SiIoT (China)	2 2 2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	Sales revenue Receivables from related parties Other receivables from related parties Sales revenue Receivables from related parties Sales revenue Receivables from related parties Other receivables from related parties Sales revenue Receivables from related parties Other receivables from related parties Sales revenue Receivables from related parties Sales revenue Other receivables from related parties Sales revenue Receivables from related parties	4,305 341 39 13,599 1,009 26,407 4,107 8 29,286 7,582 41 2 305 59 64,755 9,247	Normal 30 days EOM 30 days EOM Normal 30 days EOM Normal Normal Immediate payment 60 days EOM Normal 60-90 days Normal Normal Normal 60 days EOM Normal 30 days EOM	- - - - - - - - - - - - - - - - -
5	ACZ	Advantech Co., Ltd. Advantech Co., Ltd. Advantech Co., Ltd. Advantech Co., Ltd. AEU AEU AEU AEU ANA ANA APL B+B B+B	2 2 2 2 3 3 3 3 3 3 3 3 3 3 3	Sales revenue Receivables from related parties Other receivables from related parties Other revenue Receivables from related parties Sales revenue Other revenue Other receivables from related parties Receivables from related parties Sales revenue Sales revenue Receivables from related parties	25,126 2,200 78 3,098 40,972 176,673 3,996 594 3,275 8,857 9 35,526 4,420	Normal 45 days EOM 45 days EOM Normal 45 days EOM Normal Normal 45 days EOM 45 days EOM Normal Normal Normal 45 days EOM	- - - - - - - - - - - - -

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Conel Automation	3	Other revenue	\$ 316	45 days EOM	-
		Conel Automation	3	Interest revenue	314	Normal	-
6	AEU	Advantech Co., Ltd.	2	Sales revenue	19,217	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,282	30 days EOM	-
		Advantech Co., Ltd.	2	Other receivables from related parties	62,962	30 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	140	Normal	-
		ACN	3	Sales revenue	308	Normal	-
		ACZ	3	Sales revenue	41	Normal	-
		ACZ	3	Receivables from related parties	26	45 days EOM	-
		AID	3	Sales revenue	5	Normal	-
		AID	3	Receivables from related parties	5	30 days after invoice date	-
		AJP	3	Sales revenue	19	Normal	-
		AKR	3	Sales revenue	249	Normal	-
		AKR	3	Receivables from related parties	1	30 days after invoice date	-
		ANA	3	Sales revenue	10,028	Normal	-
		ANA	3	Receivables from related parties	602	30 days after invoice date	-
		APL	3	Sales revenue	2,407	Normal	-
		APL	3	Receivables from related parties	401	30 days after invoice date	-
		A-SIoT	3	Sales revenue	15,311	Normal	-
		A-SIoT	3	Receivables from related parties	6,024	30 days after delivery of goods	-
		BBIE	3	Receivables from related parties	91	30 days after invoice date	-
7	AID	ASG	3	Other revenue	1,537	Normal	-
		ASG	3	Receivables from related parties	96	45 days after invoice date	-
8	AIN	Advantech Co., Ltd.	2	Receivables from related parties	155	60 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	9	Normal	-
9	AiSC	ACN	3	Rental revenue	14,608	Normal	-
		ACN	3	Receivables from related parties	243	Immediate payment	-
		ACN	3	Sales revenue	321	Normal	-
		AKMC	3	Other receivables from related parties	70	30 days EOM	-
		SIoT (China)	3	Other revenue	2,239	Normal	-
		SIoT (China)	3	Sales revenue	10,178	Normal	-
10	AJP	Advantech Co., Ltd.	2	Sales revenue	1,941	Normal	-
		ACN	3	Receivables from related parties	64	45 days EOM	-
		AKMC	3	Sales revenue	9,874	Normal	-
		AKMC	3	Receivables from related parties	2,759	45 days EOM	-
		ATJ	3	Sales revenue	9,159	Normal	-
		ATJ	3	Receivables from related parties	3,098	45 days EOM	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
11	AKMC	Advantech Co., Ltd.	2	Sales revenue	\$ 9,183,110	Normal	23
		Advantech Co., Ltd.	2	Receivables from related parties	1,943,604	60 days EOM	4
		Advantech Co., Ltd.	2	Other receivables from related parties	705	60 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	108	Normal	-
		ACN	3	Sales revenue	292,702	Normal	1
		ACN	3	Receivables from related parties	58,878	60-90 days	-
		ACN	3	Other revenue	2,915	Normal	-
		AEU	3	Sales revenue	3,652	Normal	-
		AEU	3	Receivables from related parties	735	30 days after invoice date	-
		AISC	3	Sales revenue	99	Normal	-
		AISC	3	Receivables from related parties	25	Immediate payment	-
		AKST	3	Sales revenue	3,633	Normal	-
		AKST	3	Receivables from related parties	2	30 days EOM	-
		ANA	3	Sales revenue	4,446	Normal	-
		ANA	3	Receivables from related parties	329	60-90 days	-
		SIoT (Cayman)	3	Sales revenue	178,723	Normal	-
		SIoT (Cayman)	3	Receivables from related parties	52,894	30 days EOM	-
		SIoT (China)	3	Sales revenue	3,135	Normal	-
		SIoT (China)	3	Receivables from related parties	204	30 days EOM	-
		Cermate (Taiwan)	3	Sales revenue	26	Normal	-
		Cermate (Shenzhen)	3	Sales revenue	31,310	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	13,631	60 days EOM	-
		Advanixs Corp.	3	Receivables from related parties	635	30 days EOM	-
		Advanixs Corp.	3	Sales revenue	2,276	Normal	-
12	AKR	Advantech Co., Ltd.	2	Other revenue	1,896	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	1	Normal	-
		AVN	3	Sales revenue	72	Normal	-
13	AKST	Advantech Co., Ltd.	2	Sales revenue	2,383	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	803	30 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	612	30 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	42	Normal	-
		AKMC	3	Sales revenue	1,352	Normal	-
		AKMC	3	Receivables from related parties	761	30 days EOM	-
		AKR	3	Sales revenue	174	Normal	-
14	AMX	Advantech Co., Ltd.	2	Other revenue	5,287	Normal	-
15	AMY	Advantech Co., Ltd.	2	Other revenue	27	Normal	-
		ASG	3	Other revenue	13	Normal	-
		ASG	3	Other receivables from related parties	13	30 days EOM	-
16	ANA	Advantech Co., Ltd.	2	Sales revenue	73,939	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,265	45 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	1,019	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	370	45 days EOM	-
		AAU	3	Sales revenue	10	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ABR	3	Sales revenue	\$ 697	Normal	-
		AEU	3	Receivables from related parties	2,524	60-90 days	-
		AEU	3	Sales revenue	5,927	Normal	-
		AID	3	Sales revenue	18	Normal	-
		AID	3	Receivables from related parties	18	Immediate payment	-
		AKMC	3	Sales revenue	10	Normal	-
		AKMC	3	Receivables from related parties	83	30 days EOM	-
		AKR	3	Sales revenue	21	Normal	-
		A-SIoT	3	Sales revenue	1,483	Normal	-
		A-SIoT	3	Receivables from related parties	107	60-90 days	-
		B+B	3	Sales revenue	14,360	Normal	-
		B+B	3	Receivables from related parties	1,932	60-90 days	-
17	APL	Advantech Co., Ltd.	2	Other revenue	254	Normal	-
		AEU	3	Receivables from related parties	10,804	30 days after invoice date	-
		AEU	3	Sales revenue	91,800	Normal	-
		A-SIoT	3	Receivables from related parties	1,995	30 days after invoice date	-
18	ASG	Advantech Co., Ltd.	2	Other revenue	444	Normal	-
		Advantech Co., Ltd.	2	Sales revenue	167	Normal	-
		AID	3	Sales revenue	5	Normal	-
		AKMC	3	Sales revenue	16	Normal	-
		AMY	3	Sales revenue	2,656	Normal	-
		AMY	3	Receivables from related parties	333	30 days EOM	-
		ANA	3	Sales revenue	1,725	Normal	-
		ATH	3	Sales revenue	8,732	Normal	-
		ATH	3	Other revenue	1,840	Normal	-
		ATH	3	Receivables from related parties	1,826	30 days EOM	-
		ATH	3	Other receivables from related parties	252	30 days EOM	-
19	A-SIoT	Advantech Co., Ltd.	2	Sales revenue	27,149	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	13,756	60 days EOM	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,420	30 days after invoice date	-
		Advantech Co., Ltd.	2	Other revenue	67	Normal	-
		AAU	3	Receivables from related parties	6	30 days after invoice date	-
		AEU	3	Sales revenue	986	Normal	-
		AEU	3	Receivables from related parties	123	30 days after delivery of goods	-
		AKMC	3	Receivables from related parties	24	60 days after invoice date	-
		AKMC	3	Sales revenue	2	Normal	-
		AKR	3	Sales revenue	2,842	Normal	-
		AKR	3	Receivables from related parties	8	60 days EOM	-
		ANA	3	Sales revenue	1,485	Normal	-
		ANA	3	Advance receipts	(3,865)	30 days EOM	-
		APL	3	Sales revenue	19,013	Normal	-
		APL	3	Receivables from related parties	43	60 days after invoice date	-
		ATH	3	Sales revenue	52	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
20	ATR	Advantech Co., Ltd.	2	Other revenue	\$ 313	Normal	-
21	AVN	AKR	3	Sales revenue	17	Normal	-
22	AXA	ACN	3	Other receivables from related parties	8,700	30 days EOM	-
		ACN	3	Other revenue	635	Normal	-
23	B+B	Advantech Co., Ltd.	2	Sales revenue	38,109	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	7,006	90 days EOM	-
		Advantech Co., Ltd.	2	Other revenue	141	Normal	-
		AEU	3	Receivables from related parties	5,758	90 days EOM	-
		AEU	3	Sales revenue	31,041	Normal	-
		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	Receivables from related parties	7,372	45 days EOM	-
		ANA	3	Other revenue	2,454	Normal	-
		ANA	3	Sales revenue	22,631	Normal	-
		APL	3	Sales revenue	5	Normal	-
		BBIE	3	Other revenue	820	Normal	-
		BBIE	3	Receivables from related parties	34	45 days EOM	-
24	BBIE	ACZ	3	Other revenue	16,424	Normal	-
		AEU	3	Receivables from related parties	7,620	60 days after invoice date	-
		AEU	3	Sales revenue	36,991	Normal	-
		B+B	3	Receivables from related parties	1,098	60 days after invoice date	-
		B+B	3	Other revenue	4,270	Normal	-
25	DMCC	Advantech Co., Ltd.	2	Other revenue	13,994	Normal	-
		Advantech Co., Ltd.	2	Other receivables from related parties	954	60 days EOM	-
26	SIoT (Cayman)	Advantech Co., Ltd.	2	Receivables from related parties	616	30 days after invoice date	-
		AAU	3	Receivables from related parties	10,352	60 days EOM	-
		AAU	3	Sales revenue	14,113	Normal	-
		AEU	3	Sales revenue	353,097	Normal	1
		AEU	3	Receivables from related parties	57,607	45 days EOM	-
		AJP	3	Receivables from related parties	5,490	60 days EOM	-
		AJP	3	Sales revenue	11,301	Normal	-
		AJP	3	Other receivables from related parties	21	60 days EOM	-
		AKMC	3	Sales revenue	150	Normal	-
		AKR	3	Receivables from related parties	9,551	60 days EOM	-
		AKR	3	Sales revenue	15,398	Normal	-
		ANA	3	Sales revenue	726,209	Normal	2
		ANA	3	Receivables from related parties	85,550	30 days EOM	-
		ASG	3	Sales revenue	16,176	Normal	-
		ASG	3	Receivables from related parties	4,462	60 days EOM	-
		A-SIoT	3	Receivables from related parties	31,683	30 days EOM	-
		A-SIoT	3	Sales revenue	169,438	Normal	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
27	SioT (China)	ACN	3	Sales revenue	\$ 100	Normal	-
28	LNC Dong Guan Co., Ltd.	LNC	3	Sales revenue	3,609	Normal	-
		LNC	3	Receivables from related parties	857	90 days EOM	-
29	Cermate (Shanghai)	Cermate (Shenzhen)	3	Sales revenue	583	Normal	-
30	Cermate (Taiwan)	Advantech Co., Ltd.	2	Sales revenue	3,527	Normal	-
		Advantech Co., Ltd.	2	Receivables from related parties	450	30-60 days	-
		Advantech Co., Ltd.	2	Other receivables from related parties	119	30-60 days	-
		Advantech Co., Ltd.	2	Other revenue	54	Normal	-
		AKMC	3	Sales revenue	2,377	Normal	-
		AKMC	3	Receivables from related parties	37	60 days EOM	-
		Cermate (Shenzhen)	3	Sales revenue	58,853	Normal	-
		Cermate (Shenzhen)	3	Receivables from related parties	9,163	30 days EOM	-
31	Cermate (Shenzhen)	ACN	3	Sales revenue	3	Normal	-
		AKMC	3	Sales revenue	23,232	Normal	-
		AKMC	3	Receivables from related parties	2,032	40 days EOM	-
		Cermate (Shanghai)	3	Sales revenue	21,190	Normal	-
		Cermate (Shanghai)	3	Receivables from related parties	3,913	30 days EOM	-
		Cermate (Taiwan)	3	Sales revenue	42,784	Normal	-
		Cermate (Taiwan)	3	Receivables from related parties	8,777	60 days EOM	-
32	Advantech Corporate Investment	Advantech Co., Ltd.	2	Other receivables from related parties	600,000	Financing	1
33	Advanixs Corp.	Cermate (Taiwan)	3	Sales revenue	899	Normal	-
		Cermate (Taiwan)	3	Receivables from related parties	76	30 days EOM	-
34	LNC	Advantech Co., Ltd.	2	Receivables from related parties	914	60 days EOM	-
		Advantech Co., Ltd.	2	Sales revenue	871	Normal	-
		LNC Dong Guan Co., Ltd.	3	Sales revenue	262,838	Normal	1
		LNC Dong Guan Co., Ltd.	3	Receivables from related parties	228,381	90 days EOM	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 September 30, 2019, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2019.

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