

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2020 and 2019 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Advantech Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. 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, 2020 and 2019, the combined total assets of these non-significant subsidiaries were NT\$8,141,040 thousand and NT\$7,837,187 thousand, respectively, representing 17.04% and 17.23%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$1,807,521 thousand and NT\$1,874,797 thousand, respectively, representing 12.26% and 12.93%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$154,296 thousand, NT\$(3,731) thousand, NT\$340,165 thousand, and NT\$512,370 thousand, respectively, representing 7.53%, (0.21%), 6.25% and 9.08%, respectively, of the consolidated total comprehensive income. Also, as stated in Note 13 to the consolidated financial statements, the investments accounted for using the equity method were NT\$3,347,632

thousand and NT\$2,991,300 thousand as of September 30, 2020 and 2019, respectively. The equities in profit and loss of the associates were NT\$57,794 thousand, NT\$23,724 thousand, NT\$110,794 thousand, and NT\$66,320 thousand, respectively, for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, and these investment amounts as well as additional disclosures in Note 32 “Information on Investees” were based on the investees’ unreviewed financial statements for the same reporting periods as those of the Company.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investees that are 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, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

October 30, 2020

### Notice to Readers

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

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

# ADVANTECH CO., LTD. AND SUBSIDIARIES

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

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited after Restatement)		September 30, 2019 (Reviewed after Restatement)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 6,379,737	13	\$ 6,003,936	13	\$ 5,558,804	12
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	2,470,209	5	3,647,963	8	1,474,400	3
Financial assets at amortized cost - current (Note 9)	946,597	2	316,994	1	90,004	-
Notes receivable (Note 10)	1,630,468	4	1,546,340	3	1,466,291	3
Trade receivables (Note 10)	7,073,971	15	7,265,106	15	8,012,289	18
Trade receivables from related parties (Note 29)	29,138	-	20,174	-	46,966	-
Other receivables	154,875	-	101,378	-	24,176	-
Other receivables from related parties (Note 29)	3,084	-	29	-	-	-
Inventories (Note 11)	8,522,551	18	7,782,824	17	8,088,775	18
Other current assets (Note 29)	534,718	1	688,167	1	686,516	2
Total current assets	<u>27,745,348</u>	<u>58</u>	<u>27,372,911</u>	<u>58</u>	<u>25,448,221</u>	<u>56</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through profit or loss - non-current (Notes 7 and 28)	83,284	-	101,156	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 28)	1,760,888	4	1,639,321	4	1,391,252	3
Investments accounted for using the equity method (Note 13)	3,347,632	7	3,009,860	6	2,991,300	7
Property, plant and equipment (Notes 14 and 30)	9,877,138	21	9,732,490	21	9,863,126	22
Right-of-use assets (Note 15)	646,332	1	723,106	2	779,388	2
Goodwill (Note 16)	2,482,499	5	2,519,514	5	2,824,733	6
Other intangible assets	947,430	2	980,061	2	1,154,521	2
Deferred tax assets (Note 4)	621,119	1	690,212	1	630,441	1
Prepayments for business facilities	208,994	1	389,221	1	358,430	1
Other non-current assets	54,342	-	58,227	-	53,099	-
Total non-current assets	<u>20,029,658</u>	<u>42</u>	<u>19,843,168</u>	<u>42</u>	<u>20,046,290</u>	<u>44</u>
<b>TOTAL</b>	<u>\$ 47,775,006</u>	<u>100</u>	<u>\$ 47,216,079</u>	<u>100</u>	<u>\$ 45,494,511</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 17)	\$ 293,225	1	\$ 250,678	1	\$ 297,878	1
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	7,582	-	521	-	1,421	-
Notes payable and trade payables (Note 29)	3,737,111	8	4,799,196	10	4,980,601	11
Other payables (Notes 18 and 29)	3,881,704	8	3,732,224	8	3,800,516	8
Current tax liabilities (Notes 4 and 22)	2,065,092	4	1,522,874	3	1,314,801	3
Short-term warranty provisions	124,277	-	208,611	1	167,822	-
Lease liabilities - current (Note 15)	221,250	-	199,493	-	199,493	1
Current portion of long-term borrowings (Notes 17 and 30)	-	-	7,957	-	4,483	-
Other current liabilities	1,298,547	3	1,022,904	2	944,357	2
Total current liabilities	<u>11,628,788</u>	<u>24</u>	<u>11,744,458</u>	<u>25</u>	<u>11,711,372</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 17 and 30)	-	-	36,132	-	41,923	-
Current tax liabilities - non-current (Notes 4 and 22)	340,621	1	-	-	-	-
Deferred tax liabilities (Note 4)	2,063,476	4	1,942,189	4	1,985,453	4
Lease liabilities - non-current (Note 15)	143,099	-	242,263	1	292,140	1
Net defined benefit liabilities (Notes 4 and 19)	388,663	1	384,914	1	332,758	1
Other non-current liabilities	174,691	1	134,663	-	136,269	-
Total non-current liabilities	<u>3,110,550</u>	<u>7</u>	<u>2,740,161</u>	<u>6</u>	<u>2,788,543</u>	<u>6</u>
Total liabilities	<u>14,739,338</u>	<u>31</u>	<u>14,484,619</u>	<u>31</u>	<u>14,499,915</u>	<u>32</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>						
Share capital						
Ordinary shares	7,713,500	16	6,999,230	15	6,991,405	16
Advance receipts for share capital	5,955	-	4,870	-	7,825	-
Total share capital	<u>7,719,455</u>	<u>16</u>	<u>7,004,100</u>	<u>15</u>	<u>6,999,230</u>	<u>16</u>
Capital surplus	7,736,781	16	7,397,029	16	7,401,279	16
Retained earnings						
Legal reserve	7,020,201	15	6,285,079	13	6,285,079	14
Special reserve	845,993	2	798,763	2	798,763	2
Unappropriated earnings	10,063,885	21	11,515,121	24	9,819,282	21
Total retained earnings	<u>17,930,079</u>	<u>38</u>	<u>18,598,963</u>	<u>39</u>	<u>16,903,124</u>	<u>37</u>
Other equity						
Exchange differences on translating the financial statements of foreign operations	(1,116,798)	(2)	(878,261)	(2)	(618,752)	(1)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	152,613	-	30,970	-	(207,381)	(1)
Other equity - unearned stock-based employees' compensation	1,477	-	1,298	-	957	-
Total other equity	<u>(962,708)</u>	<u>(2)</u>	<u>(845,993)</u>	<u>(2)</u>	<u>(825,176)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>32,423,607</u>	<u>68</u>	<u>32,154,099</u>	<u>68</u>	<u>30,478,457</u>	<u>67</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>612,061</u>	<u>1</u>	<u>577,361</u>	<u>1</u>	<u>516,139</u>	<u>1</u>
Total equity	<u>33,035,668</u>	<u>69</u>	<u>32,731,460</u>	<u>69</u>	<u>30,994,596</u>	<u>68</u>
<b>TOTAL</b>	<u>\$ 47,775,006</u>	<u>100</u>	<u>\$ 47,216,079</u>	<u>100</u>	<u>\$ 45,494,511</u>	<u>100</u>

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

(With Deloitte & Touche review report dated October 30, 2020)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
(Note 29)								
Sales	\$ 12,699,222	97	\$ 14,117,244	98	\$ 37,319,173	97	\$ 39,711,209	98
Other operating revenue	<u>350,629</u>	<u>3</u>	<u>265,038</u>	<u>2</u>	<u>1,021,036</u>	<u>3</u>	<u>947,677</u>	<u>2</u>
Total operating revenue	13,049,851	100	14,382,282	100	38,340,209	100	40,658,886	100
OPERATING COSTS (Notes 11, 21 and 29)	<u>7,857,368</u>	<u>60</u>	<u>8,685,242</u>	<u>61</u>	<u>22,986,606</u>	<u>60</u>	<u>24,827,416</u>	<u>61</u>
GROSS PROFIT	<u>5,192,483</u>	<u>40</u>	<u>5,697,040</u>	<u>39</u>	<u>15,353,603</u>	<u>40</u>	<u>15,831,470</u>	<u>39</u>
OPERATING EXPENSES								
(Notes 21 and 29)								
Selling and marketing expenses	1,232,726	10	1,266,949	9	3,557,196	9	3,795,571	9
General and administrative expenses	686,321	5	760,780	5	2,037,616	6	2,122,803	5
Research and development expenses	1,013,203	8	1,049,786	7	2,990,758	8	3,083,389	8
Expected credit loss (reversal of impairment loss)	<u>(4,167)</u>	<u>-</u>	<u>(7,768)</u>	<u>-</u>	<u>8,785</u>	<u>-</u>	<u>19,527</u>	<u>-</u>
Total operating expenses	<u>2,928,083</u>	<u>23</u>	<u>3,069,747</u>	<u>21</u>	<u>8,594,355</u>	<u>23</u>	<u>9,021,290</u>	<u>22</u>
OPERATING PROFIT	<u>2,264,400</u>	<u>17</u>	<u>2,627,293</u>	<u>18</u>	<u>6,759,248</u>	<u>17</u>	<u>6,810,180</u>	<u>17</u>
NON-OPERATING INCOME								
Share of profit of associates accounted for using the equity method (Note 13)	57,794	1	23,724	-	110,794	1	66,320	-
Interest income	12,999	-	8,454	-	28,391	-	27,590	-
Gains (losses) on disposal of property, plant and equipment	(2,406)	-	(1,018)	-	(21,751)	-	42,473	-
Losses on disposal of investments	-	-	(24,917)	-	(918)	-	(24,917)	-
Gains (losses) on financial instruments at fair value through profit or loss (Note 7)	(16,370)	-	46,408	-	15,659	-	110,501	1
Foreign exchange gains (losses), net (Notes 21 and 31)	25,599	-	(75,968)	-	(9,885)	-	5,983	-
Dividend income	97,807	1	99,180	1	98,588	-	100,119	-
Other income (Note 29)	32,659	-	19,590	-	83,305	-	67,102	-
Finance costs (Note 21)	(4,981)	-	(7,752)	-	(15,338)	-	(20,068)	-
Other losses	<u>(1,073)</u>	<u>-</u>	<u>(1,997)</u>	<u>-</u>	<u>(1,754)</u>	<u>-</u>	<u>(3,580)</u>	<u>-</u>
Total non-operating income	<u>202,028</u>	<u>2</u>	<u>85,704</u>	<u>1</u>	<u>287,091</u>	<u>1</u>	<u>371,523</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,466,428	19	2,712,997	19	7,046,339	18	7,181,703	18
INCOME TAX EXPENSES (Note 4 and 22)	<u>(511,214)</u>	<u>(4)</u>	<u>(561,249)</u>	<u>(4)</u>	<u>(1,472,494)</u>	<u>(4)</u>	<u>(1,505,602)</u>	<u>(4)</u>
NET PROFIT FOR THE PERIOD	<u>1,955,214</u>	<u>15</u>	<u>2,151,748</u>	<u>15</u>	<u>5,573,845</u>	<u>14</u>	<u>5,676,101</u>	<u>14</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			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gains (losses) on investments in equity instruments as at fair value through other comprehensive income (Note 20)	\$ 57,564	1	\$ (36,796)	-	\$ 122,727	-	\$ 68,080	-
Share of the other comprehensive income of associates accounted for using the equity method (Notes 13 and 20)	544	-	705	-	(2,577)	-	25,005	-
	<u>58,108</u>	<u>1</u>	<u>(36,091)</u>	<u>-</u>	<u>120,150</u>	<u>-</u>	<u>93,085</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of financial statements of foreign operations (Note 20)	47,671	-	(431,307)	(3)	(306,560)	-	(178,751)	-
Share of the other comprehensive income of associates accounted for using the equity method (Notes 13 and 20)	(1,835)	-	(3,044)	-	(8,684)	-	17,446	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 20 and 22)	(9,369)	-	73,489	-	59,635	-	35,877	-
	<u>36,467</u>	<u>-</u>	<u>(360,862)</u>	<u>(3)</u>	<u>(255,609)</u>	<u>-</u>	<u>(125,428)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	94,575	1	(396,953)	(3)	(135,459)	-	(32,343)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 2,049,789</u>	<u>16</u>	<u>\$ 1,754,795</u>	<u>12</u>	<u>\$ 5,438,386</u>	<u>14</u>	<u>\$ 5,643,758</u>	<u>14</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,941,395	15	\$ 2,136,117	15	\$ 5,543,660	15	\$ 5,641,542	14
Non-controlling interests	13,819	-	15,631	-	30,185	-	34,559	-
	<u>\$ 1,955,214</u>	<u>15</u>	<u>\$ 2,151,748</u>	<u>15</u>	<u>\$ 5,573,845</u>	<u>15</u>	<u>\$ 5,676,101</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 2,036,982	16	\$ 1,806,073	12	\$ 5,425,273	14	\$ 5,591,120	14
Non-controlling interests	12,807	-	(51,278)	-	13,113	-	52,638	-
	<u>\$ 2,049,789</u>	<u>16</u>	<u>\$ 1,754,795</u>	<u>12</u>	<u>\$ 5,438,386</u>	<u>14</u>	<u>\$ 5,643,758</u>	<u>14</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			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 23)								
Basic	\$ 2.52		\$ 2.78		\$ 7.19		\$ 7.34	
Diluted	\$ 2.47		\$ 2.75		\$ 7.06		\$ 7.25	

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

(With Deloitte & Touche review report dated October 30, 2020)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company								Other Equity (Note 20)			Non-controlling Interests (Notes 20 and 27)	Total Equity	
	Issued Capital (Notes 20 and 24)			Capital Surplus (Note 20)	Retained Earnings (Note 20)				Exchange Differences on Translating Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income	Unearned Stock - Based Employee Compensation			
	Share Capital	Advance Receipts for Ordinary Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total						Total
BALANCE AT JANUARY 1, 2019	\$ 6,982,275	\$ 4,680	\$ 6,986,955	\$ 7,073,348	\$ 5,655,613	\$ 369,655	\$ 10,011,231	\$ 16,036,499	\$ (475,245)	\$ (324,254)	\$ 736	\$ 29,298,039	\$ 245,436	\$ 29,543,475
Appropriation of 2018 earnings	-	-	-	-	629,466	-	(629,466)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	(429,108)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	429,108	(429,108)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(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 costs recognized for employee share options	-	-	-	233,638	-	-	-	-	-	-	-	233,638	-	233,638
Changes in capital surplus from investments in associates accounted for using 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	231,436	232,349
Changes in percentage of ownership interests in subsidiaries	-	-	-	(352)	-	-	-	-	-	-	-	(352)	668	316
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	5,641,542	5,641,542	-	-	-	5,641,542	34,559	5,676,101
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	(592)	(592)	(143,507)	93,677	-	(50,422)	18,079	(32,343)
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	5,640,950	5,640,950	(143,507)	93,677	-	5,591,120	52,638	5,643,758
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	(23,196)	(23,196)	-	23,196	-	-	-	-
BALANCE AT SEPTEMBER 30, 2019	\$ 6,991,405	\$ 7,825	\$ 6,999,230	\$ 7,401,279	\$ 6,285,079	\$ 798,763	\$ 9,819,282	\$ 16,903,124	\$ (618,752)	\$ (207,381)	\$ 957	\$ 30,478,457	\$ 516,139	\$ 30,994,596
BALANCE AT JANUARY 1, 2020	\$ 6,999,230	\$ 4,870	\$ 7,004,100	\$ 7,397,029	\$ 6,285,079	\$ 798,763	\$ 11,515,121	\$ 18,598,963	\$ (878,261)	\$ 30,970	\$ 1,298	\$ 32,154,099	\$ 577,361	\$ 32,731,460
Appropriation of 2019 earnings	-	-	-	-	735,122	-	(735,122)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	(47,230)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	47,230	(47,230)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(5,463,198)	(5,463,198)	-	-	-	(5,463,198)	-	(5,463,198)
Share dividends distributed by the Company	700,410	-	700,410	-	-	-	(700,410)	(700,410)	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(11,443)	(11,443)
Recognition of employee share options by the Company	13,860	1,085	14,945	101,907	-	-	-	-	-	-	-	116,852	-	116,852
Compensation costs recognized for employee share options	-	-	-	213,170	-	-	-	-	-	-	-	213,170	-	213,170
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	37,990	-	-	-	-	-	-	179	38,169	-	38,169
Differences between consideration paid and carrying amount of subsidiaries acquired or disposed of	-	-	-	(8,678)	-	-	(34,762)	(34,762)	-	-	-	(43,440)	5,875	(37,565)
Changes in percentage of ownership interests in subsidiaries	-	-	-	(4,637)	-	-	(12,681)	(12,681)	-	-	-	(17,318)	27,155	9,837
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	-	5,543,660	5,543,660	-	-	-	5,543,660	30,185	5,573,845
Other comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	(1,613)	(1,613)	(238,537)	121,763	-	(118,387)	(17,072)	(135,459)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	5,542,047	5,542,047	(238,537)	121,763	-	5,425,273	13,113	5,438,386
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	-	120	120	-	(120)	-	-	-	-
BALANCE AT SEPTEMBER 30, 2020	\$ 7,713,500	\$ 5,955	\$ 7,719,455	\$ 7,736,781	\$ 7,020,201	\$ 845,993	\$ 10,063,885	\$ 17,930,079	\$ (1,116,798)	\$ 152,613	\$ 1,477	\$ 32,423,607	\$ 612,061	\$ 33,035,668

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

(With Deloitte & Touche review report dated October 30, 2020)



# ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2020 (Reviewed)	2019 (Reviewed after Restatement)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 7,046,339	\$ 7,181,703
Adjustments for:		
Depreciation expenses	600,059	615,124
Amortization expenses	137,484	204,406
Expected credit loss	8,785	19,527
Net gain on financial assets or liabilities at fair value through profit or loss	(15,659)	(110,501)
Compensation costs of employee share options	213,170	233,638
Finance costs	15,338	20,068
Interest income	(28,391)	(27,590)
Dividend income	(98,588)	(100,119)
Share of profit of associates accounted for using the equity method	(110,794)	(66,320)
Net loss (gain) on disposal of property, plant and equipment	21,751	(42,473)
Net loss on disposal of subsidiaries	-	25,901
Net loss (gain) on disposal of investments	918	(984)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	1,218,346	638,596
Notes receivable	(84,128)	(4,887)
Trade receivables	183,582	(553,731)
Trade receivables from related parties	(8,964)	(27,997)
Other receivables	(56,552)	23,275
Inventories	(738,768)	(90,854)
Other current assets	153,681	(169,805)
Notes payable and trade payables	(1,062,096)	(1,258,885)
Net defined benefit liabilities	3,749	(44,977)
Other payables	147,881	64,291
Short-term warranty provisions	(84,334)	(28,960)
Other current liabilities	275,640	166,080
Other non-current liabilities	<u>40,032</u>	<u>(13,046)</u>
Cash generated from operations	7,778,481	6,651,480
Interest received	28,391	27,590
Dividends received	98,588	100,119
Interest paid	(2,858)	(5,112)
Income tax paid	<u>(512,190)</u>	<u>(1,661,366)</u>
Net cash generated from operating activities	<u>7,390,412</u>	<u>5,112,711</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	-	(27,360)
Purchase of financial assets at amortized cost	(627,650)	-

(Continued)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2020 (Reviewed)	2019 (Reviewed after Restatement)
Proceeds from sale of financial assets at amortized cost	\$ -	\$ 69,722
Acquisition of associates	(373,087)	(476,438)
Net cash outflow on the acquisition of subsidiaries (net of carrying amount of cash)	(2,724)	(542,156)
Net cash outflow on disposal of subsidiaries	-	(81)
Dividends received from associates	163,216	117,768
Net cash inflow on disposal of associates	7,255	830
Payments for property, plant and equipment	(789,488)	(632,506)
Proceeds from disposal of property, plant and equipment	47,380	79,161
(Increase) decrease in refundable deposits	3,885	(5,143)
Payments for intangible assets	(78,318)	(84,287)
Decrease in prepayments for business facilities	<u>284,938</u>	<u>169,286</u>
Net cash used in investing activities	<u>(1,364,593)</u>	<u>(1,331,204)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	45,000	96,702
Repayments of long-term borrowings	(42,393)	(7,036)
Decrease in guarantee deposits received	(6)	(359)
Payment of cash dividends	(5,463,198)	(4,751,129)
Repayment of the principal portion of lease liabilities	(176,837)	(166,877)
Exercise of employee share options	116,852	100,911
Dividends paid to non-controlling interests	(11,443)	(14,039)
Changes in non-controlling interests	<u>(27,749)</u>	<u>71,545</u>
Net cash used in financing activities	<u>(5,559,774)</u>	<u>(4,670,282)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(90,244)</u>	<u>(185,582)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>375,801</b>	<b>(1,074,357)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>6,003,936</u>	<u>6,633,161</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 6,379,737</u>	<u>\$ 5,558,804</u>

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

(With Deloitte & Touche review report dated October 30, 2020)

(Concluded)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

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

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on October 30, 2020.

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

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

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

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

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

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable 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, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

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

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

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

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

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

4) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

Several standards were amended in the amendments. The amendments to IFRS 9 and IFRS 16 provide specific practical expedient that the modification of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform shall be applied by revising the effective interest rate. Besides, the amendments to IFRS 9 introduce additional temporary exceptions for hedging relationships subject to interest rate benchmark reform.

The Group may not restate prior reporting periods when applying the aforementioned amendments, and recognize the cumulative effect in the retained earnings or other component of equity at the date of the initial application instead.

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" endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### **b. Basis of preparation**

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

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

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

##### **c. Basis of consolidation**

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

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

See Note 12, Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

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

1) Retirement benefits

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

2) Taxation

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

3) Government grants

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

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

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

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

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

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## Key Sources of Estimation Uncertainty

### Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. 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.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 5,482	\$ 141,615	\$ 263,373
Checking accounts and demand deposits	5,867,017	4,744,550	3,904,048
Cash equivalents (time deposits with original maturities of less than three months)	<u>507,238</u>	<u>1,117,771</u>	<u>1,391,383</u>
	<u>\$ 6,379,737</u>	<u>\$ 6,003,936</u>	<u>\$ 5,558,804</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 4,944	\$ 9,320	\$ 20,042
Non-derivative financial assets			
Domestic listed shares	272,181	118,392	126,454
Foreign listed shares	91,055	50,157	62,316
Mutual funds	<u>2,102,029</u>	<u>3,470,094</u>	<u>1,265,588</u>
	<u>\$ 2,470,209</u>	<u>\$ 3,647,963</u>	<u>\$ 1,474,400</u>
<u>Financial assets FVTPL - non-current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic unlisted shares	<u>\$ 83,284</u>	<u>\$ 101,156</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 7,582</u>	<u>\$ 521</u>	<u>\$ 1,421</u>



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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>September 30, 2020</u>			
Sell	EUR/NTD	2020.10-2021.02	EUR13,300/NTD455,132
	EUR/USD	2020.11-2020.12	EUR600/USD682
	JPY/NTD	2020.10-2020.12	JPY290,000/NTD80,320
	RMB/NTD	2020.10-2020.12	RMB66,000/NTD278,559
	USD/NTD	2020.10	USD1,000/NTD29,076
<u>December 31, 2019</u>			
Sell	EUR/NTD	2020.01-2020.05	EUR12,000/NTD406,441
	EUR/USD	2020.01-2020.04	EUR700/USD789
	JPY/NTD	2020.01-2020.05	JPY380,000/NTD108,979
	RMB/NTD	2020.01-2020.03	RMB47,000/NTD201,967
	USD/NTD	2020.01-2020.02	USD4,000/NTD121,501
<u>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

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

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	<u>\$ 1,760,888</u>	<u>\$ 1,639,321</u>	<u>\$ 1,391,252</u>

Investments in equity instruments at FVTOCI:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Non-current</u>			
Domestic investments			
Listed shares and emerging market shares			
Ordinary shares - ASUSTek Computer Inc.	\$ 1,201,453	\$ 1,097,185	\$ 978,699
Ordinary shares - Allied Circuit Co., Ltd.	414,512	392,306	272,024
Unlisted shares			
Ordinary shares - BroadTec System Inc.	3,149	3,917	3,922
Ordinary shares - BioSenseTek Corp.	-	-	4,308
Ordinary shares - Jaguar Technology	6,710	4,949	-
Ordinary shares - Taiwan DSC PV Ltd.	-	-	-
Ordinary shares - iSAP Solution Corp.	<u>6,994</u>	<u>9,994</u>	<u>-</u>
	<u>1,632,818</u>	<u>1,508,351</u>	<u>1,258,953</u>
Foreign investments			
Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	128,070	129,150	130,501
JamaPro Co., Ltd.	<u>-</u>	<u>1,820</u>	<u>1,798</u>
	<u>128,070</u>	<u>130,970</u>	<u>132,299</u>
	<u>\$ 1,760,888</u>	<u>\$ 1,639,321</u>	<u>\$ 1,391,252</u>

These investments in equity instruments are held for medium- to long-term strategic purposes and are expected to earn profit from long-term investments. 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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Current</u>			
Foreign investments			
Time deposits with original maturities of more than 3 months	<u>\$ 946,597</u>	<u>\$ 316,994</u>	<u>\$ 90,004</u>

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable - operating</u>	<u>\$ 1,630,468</u>	<u>\$ 1,546,340</u>	<u>\$ 1,466,291</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 7,168,107	\$ 7,352,407	\$ 8,108,808
Less: Allowance for impairment loss	<u>(94,136)</u>	<u>(87,301)</u>	<u>(96,519)</u>
	<u>\$ 7,073,971</u>	<u>\$ 7,265,106</u>	<u>\$ 8,012,289</u>

### Trade Receivables

The average credit period of the sales of goods was 30-90 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Group 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 of the customer, the customer's current financial position and economic condition of the industry in which the customer operates. As the Group's historical credit loss experience shows different loss patterns for different customer geographical segments, the Group adopts different approaches to prepare the provision matrix for loss allowance based on past due status of the Group's different geographical customer base, and sets out the expected credit loss rate for trade receivable that are overdue and based on geographical economic conditions.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are over 1 year past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these 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, 2020

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	0.52%	9%	37%	100%	-
Gross carrying amount	\$ 6,480,557	\$ 475,682	\$ 71,014	\$ 87,466	\$ 53,388	\$ 7,168,107
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(2,487)</u>	<u>(6,304)</u>	<u>(31,957)</u>	<u>(53,388)</u>	<u>(94,136)</u>
Amortized cost	<u>\$ 6,480,557</u>	<u>\$ 473,195</u>	<u>\$ 64,710</u>	<u>\$ 55,509</u>	<u>\$ -</u>	<u>\$ 7,073,971</u>

December 31, 2019

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	1%	21%	71%	100%	-
Gross carrying amount	\$ 5,860,824	\$ 1,354,411	\$ 82,778	\$ 8,755	\$ 45,639	\$ 7,352,407
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(18,457)</u>	<u>(17,028)</u>	<u>(6,177)</u>	<u>(45,639)</u>	<u>(87,301)</u>
Amortized cost	<u>\$ 5,860,824</u>	<u>\$ 1,335,954</u>	<u>\$ 65,750</u>	<u>\$ 2,578</u>	<u>\$ -</u>	<u>\$ 7,265,106</u>

September 30, 2019

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Expected credit loss rate	-	0.5%	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>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 87,301	\$ 87,491
Add: Amount of expected credit loss	8,785	19,527
Less: Amounts written off*	(718)	(8,847)
Business combination	-	(35)
Foreign exchange gains and losses	<u>(1,232)</u>	<u>(1,617)</u>
Balance at September 30	<u>\$ 94,136</u>	<u>\$ 96,519</u>

\* The Group wrote off trade receivables and related loss allowance for the nine months ended September 30, 2020 and 2019 of \$718 thousand and \$8,847 thousand, respectively, as the customers' trade receivables have been aged more than 2 years and the legal attest letters were served without receivables collected.

**11. INVENTORIES**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Raw materials	\$ 4,218,363	\$ 3,235,906	\$ 4,300,075
Work in process	1,647,012	1,803,484	1,782,288
Finished goods	1,883,422	1,987,600	1,491,792
Inventories in transit	<u>773,754</u>	<u>755,834</u>	<u>514,620</u>
	<u>\$ 8,522,551</u>	<u>\$ 7,782,824</u>	<u>\$ 8,088,775</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019 was \$7,718,970 thousand, \$8,587,985 thousand, \$22,557,521 thousand and \$24,432,644 thousand, respectively.

The costs of inventories decreased by \$866,183 thousand, \$821,488 thousand and \$843,969 thousand as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively, when stated at the lower of cost or net realizable value.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	Advantech Automation Corp. (BVI) (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	100.00	80.00	80.00	a, l
	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	59.10	64.10	64.10	a, i
	Advantech Electronics, S. De R. L. De C. V. (AMX)	Sale of industrial automation products	60.00	100.00	100.00	a, j
	Advantech Innovative Design Co., Ltd.	Product design	100.00	100.00	100.00	a
	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	60.00	60.00	60.00	
	Advantech Intelligent City Services Co., Ltd.	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	m
	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	51.00	51.00	51.00	a
	Advantech Vietnam Technology Company Limited (AVN)	Sale of industrial automation products	60.00	60.00	60.00	a
	Limited Liability Company Advantech Technology (ARU)	Production and sale of industrial automation products	100.00	100.00	100.00	a
	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical device	50.00	50.00	50.00	a, b
	Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	60.00	60.00	60.00	a, c
	ADVANTECH ISRAEL LTD. (AIL)	Sale of industrial network communications systems	100.00	100.00	-	a, h
Advantech KR Co., Ltd. (AKR)	Advantech Kostec Co., Ltd. (AKST)	Production and sale of intelligent medical displays	-	24.00	24.00	m
Advantech Japan Co., Ltd. (AJP)	Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronic and mechanical devices	28.61	28.61	28.61	a, b
Advantech Corporate Investment	Cermate Technologies Inc. (Cermate Taiwan)	Manufacturing of electronic parts, computer, and peripheral devices	55.00	55.00	55.00	a
	Huan Yan, Jhih-Lian Co., Ltd.	Service plan for combination of related technologies of water treatment and applications of Internet of Things	50.00	50.00	50.00	a

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
	Yun Yan, Wu-Lian Co., Ltd.	Industrial equipment Networking in Greater China	50.00	50.00	50.00	a
	Advantech Corporate Investment Ltd. (ACISM)	General investment	100.00	100.00	100.00	a, d
	ACI IOT Investment Fund-I Corporation	Investment holding company	79.33	79.33	79.30	a, e
Advantech Technology Co., Ltd. (ATC)	Advantech Automation Corp. (HK) (ATC (HK))	Investment and management services	100.00	100.00	100.00	
Advantech Automation Corp. (HK) (ATC (HK))	Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	100.00	100.00	100.00	
Advantech Automation Corp. (BVI) (AAC (BVI))	Advantech Corp. (ANA)	Sale and fabrication of industrial automation products	100.00	100.00	100.00	
	Advantech Automation Corp. (HK) (AAC (HK))	Investment and management services	100.00	100.00	100.00	
	Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Design, development and sale of IoT intelligent system service	100.00	100.00	100.00	a
	Advantech Technology DMCC (ADB) (former B&B DMCC)	Sale of industrial network communications systems	100.00	100.00	-	a, g
Advantech Corp. (ANA)	B+B Smartworx Inc. (B+B)	Sale of industrial network communications systems	40.00	40.00	40.00	
Advantech Automation Corp. (HK) (AAC (HK))	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	100.00	100.00	100.00	
	Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	100.00	100.00	100.00	a
Advantech Service - IoT Co., Ltd. (SIoT Cayman)	Advantech Service-IoT (Shanghai) Co., Ltd. (SIoT (China))	Technology development consulting and services in the field of intelligent technology	99.00	99.00	99.00	a
	Advantech Service-IoT GmbH (A-SIoT)	Design, R&D and sale of industrial automation vehicles and related products	100.00	100.00	100.00	a
	Advantech Intelligent Health Co., Ltd. (AIH)	Information software and data processing services	100.00	70.00	70.00	a, f
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
	Shanghai Yanle Co., Ltd. (Yanle)	Application and retail of intelligent technology	100.00	45.00	45.00	a, k
Advantech Europe Holding B.V. (AEUH)	Advantech Europe B.V. (AEU)	Sale of industrial automation products	100.00	100.00	100.00	
	Advantech Poland Sp z o.o. (APL)	Sale of industrial automation products	100.00	100.00	100.00	a
Advantech Co., Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Production of computers	49.00	49.00	49.00	a
	Advantech International. PT. (AID)	Sale of industrial automation products	100.00	100.00	100.00	a
Cermate Technologies Inc. (Cermate Taiwan)	LandMark Co., Ltd. (LandMark)	General investment	100.00	100.00	100.00	a
LandMark Co., Ltd. (LandMark)	Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of industrial electronic equipment	100.00	100.00	100.00	a
	Shenzhen Cermate Technologies Inc.	Production of LCD touch panel, USB cable, and industrial computer	90.00	90.00	90.00	a
LNC Technology Co., Ltd. (LNC)	Better Auto Holdings Limited (Better Auto)	General investment	100.00	100.00	100.00	a
Better Auto Holdings Limited (Better Auto)	Famous Now Limited (Famous Now)	General investment	100.00	100.00	100.00	a
Famous Now Limited (Famous Now)	LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	100.00	100.00	100.00	a
B+B Smartworx Inc. (B+B)	Advantech Technology Limited (BBIE)	Sale of industrial network communications systems	100.00	100.00	100.00	
Advantech Technology Limited (BBIE)	Advantech B+B Smartworx s.r.o.CZ (ACZ)	Manufacturing of cellular and automation solutions	100.00	100.00	100.00	
	Advantech Technology DMCC (ADB)	Sale of industrial network communications systems	-	-	100.00	a, g
	B&B Electronics Holdings LLC (B&B Electronics)	Sale of industrial network communications systems	-	-	100.00	n
	Conel Automation s.r.o (Conel Automation)	Sale of industrial network communications systems	-	-	100.00	o

(Concluded)

- Remark a: Not significant subsidiaries and their financial statements were not reviewed.
- Remark b: In the first quarter of 2019, the Group acquired 80% of the equity of ATJ. The Company and AJP held 50% and 30% of the equity of ATJ, respectively. In the third quarter of 2019, AJP sold 1.39% of the equity of ATJ, which led its equity investment in ATJ to decrease from 30% to 28.61%.
- Remark c: In the first quarter of 2019, the Group acquired 60% of the equity of ATR.
- Remark d: In the first quarter of 2019, Advantech Corporate Investment founded ACISM and acquired 100% of its equity.
- Remark e: In the second quarter of 2019, Advantech Corporate Investment founded ACI IOT Investment Fund-I Corporation and acquired 79.33% of its equity.
- Remark f: In the second quarter of 2019, SIoT (Cayman) founded AIH and acquired 100% of its equity. In the third quarter of 2019, AIH held its equity offering, which led SIoT (Cayman)'s equity investment in AIH to decrease from 100% to 70%. In the first quarter of 2020, SIoT (Cayman) acquired 30% of the equity of AIH, which led its equity investment in AIH to increase from 70% to 100%.
- Remark g: In the fourth quarter of 2019, the Group adjusted its investment structure; hence, AAC (BVI) directly held 100% of the equity of ADB.
- Remark h: In the fourth quarter of 2019, the Group founded AIL.
- Remark i: In the first and second quarter of 2020, the Group sold 3.42% and 1.58% of the equity of LNC, respectively, which led its equity investment in LNC to decrease from 64.10% to 59.10%.
- Remark j: In the second quarter of 2020, the Group had a non-proportional investment in the equity of AMX during its cash capital increase, which led its equity investment in AMX to decrease from 100% to 60%.
- Remark k: In the second quarter of 2020, the Group acquired 55% of the equity of Yanle, which led its equity investment in Yanle to increase from 45% to 100%.
- Remark l: In the third quarter of 2020, the Group acquired 20% of the equity of ABR, which led its equity investment in ABR to increase from 80% to 100%.
- Remark m: In the third quarter of 2020, the Group adjusted its investment structure. Following capital reduction of AKST to offset deficit, AKR directly held 100% of the equity of AKST. AKR and AKST then merged. AKR is the surviving entity.
- Remark n: In the third quarter of 2019, B&B Electronics filed for liquidation.
- Remark o: In the third quarter of 2019, Conel Automation was disposed of.

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

#### Investments in Associates

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Associates that are not individually material</u>			
Listed companies			
Axiomtek Co., Ltd. (“Axiomtek”)	\$ 640,598	\$ 627,632	\$ 645,756
Winmate Inc. (“Winmate”)	546,113	553,145	544,335
AzureWave Technologies, Inc. (“AzureWave”)	542,454	506,867	511,724
Nippon RAD Inc. (“Nippon RAD”)	294,041	296,400	307,711
Mildex Optical Inc. (“Mildex”)	179,726	181,388	195,963
HwaCom Systems Inc. (“HwaCom”)	358,572	392,645	357,084
Information Technology Total Services Co., Ltd. (“ITTS”)	154,067	154,910	142,948
Unlisted companies			
AIMobile Co., Ltd. (“AIMobile”)	41,676	66,133	76,160
Deneng Scientific Research Co., Ltd. (“Deneng”)	13,060	14,013	14,014
Jen Hsiang Electronics Co., Ltd. (“Jen Hsiang”)	-	8,114	8,135
CDIB Capital Innovation Accelerator Co., Ltd. (“CDIB”)	154,133	161,043	158,502
DotZero Co., Ltd. (“DotZero”)	5,249	6,238	2,499
iLink Co., Ltd. (“iLink”)	4,148	7,050	7,331
Shanghai Yanle Co., Ltd. (“Yanle”)	-	3,092	3,642
GSD Environmental Technology Co., Ltd. (“GSD”)	10,965	13,608	15,496
Smasoft Technology Co., Ltd. (“Smasoft”)	12,116	15,000	-
Impelex Data Transfer Co., Ltd. (“Impelex”)	8,515	-	-
VSO Electronics Co., Ltd. (“VSO”)	130,023	-	-
International Integrated Systems, Inc. (“IISI”)	249,616	-	-
Tianjin Anjie IoT Science And Technology Co., Ltd. (“Anjie-IOT”)	<u>2,560</u>	<u>2,582</u>	<u>-</u>
	<u>\$ 3,347,632</u>	<u>\$ 3,009,860</u>	<u>\$ 2,991,300</u>

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

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

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

In the fourth quarter of 2019, the Group founded Tianjin Anjie IoT Science And Technology Co., Ltd. by investing cash of \$2,594 thousand and acquired 20% of its equity. The Group had significant influence over Tianjin Anjie IoT Science And Technology Co., Ltd.



In the fourth quarter of 2019, the Group paid cash of \$15,000 thousand for 20% of the equity of Smasoft Technology Co., Ltd. The Group had significant influence over Smasoft Technology Co., Ltd.

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

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

In the second quarter of 2020, the Group paid cash of \$243,086 thousand for 20% of the equity of International Integrated Systems, Inc. The Group had significant influence over International Integrated 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	
	2020	2019	2020	2019
The Group's share of				
Profit from continuing operations	\$ 57,794	\$ 23,724	\$ 110,794	\$ 66,320
Other comprehensive income (loss)	<u>(1,291)</u>	<u>(2,339)</u>	<u>(11,261)</u>	<u>42,451</u>
Total comprehensive income for the period	<u>\$ 56,503</u>	<u>\$ 21,385</u>	<u>\$ 99,533</u>	<u>\$ 108,771</u>

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

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed; the management believes that the financial statements of those investees mentioned above which had not been reviewed by independent auditors would not contribute to significant effect on review results.

## 14. PROPERTY, PLANT AND EQUIPMENT

### a. 2020

Cost	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
Balance at January 1, 2020	\$ 3,067,589	\$ 8,049,532	\$ 1,866,463	\$ 877,799	\$ 1,874,078	\$ 8,792	\$ 15,744,253
Additions	77	1,165	121,900	66,519	159,761	440,066	789,488
Disposals	(28,417)	(45,787)	(116,548)	(34,302)	(42,011)	-	(267,065)
Acquisitions through business combinations	-	-	-	121	-	-	121
Reclassifications	-	(646)	29,318	(22,658)	(109,209)	(112,998)	(216,193)
Effect of foreign currency exchange differences	<u>(4,779)</u>	<u>(26,212)</u>	<u>(6,812)</u>	<u>(5,547)</u>	<u>(13,846)</u>	<u>(2,852)</u>	<u>(60,048)</u>
Balance at September 30, 2020	<u>\$ 3,034,470</u>	<u>\$ 7,978,052</u>	<u>\$ 1,894,321</u>	<u>\$ 881,932</u>	<u>\$ 1,868,773</u>	<u>\$ 333,008</u>	<u>\$ 15,990,556</u>
Accumulated depreciation and impairment							
Balance at January 1, 2020	\$ -	\$ 2,597,296	\$ 1,378,129	\$ 685,252	\$ 1,351,086	\$ -	\$ 6,011,763
Disposals	-	(5,962)	(122,926)	(29,937)	(39,109)	-	(197,934)
Depreciation expenses	-	149,375	103,729	61,147	122,897	-	437,148
Acquisitions through business combinations	-	-	-	28	-	-	28
Reclassifications	-	(652)	23,962	(17,533)	(117,259)	-	(111,482)
Effect of foreign currency exchange differences	<u>-</u>	<u>(9,262)</u>	<u>(4,382)</u>	<u>(4,097)</u>	<u>(8,364)</u>	<u>-</u>	<u>(26,105)</u>
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 2,730,795</u>	<u>\$ 1,378,512</u>	<u>\$ 694,860</u>	<u>\$ 1,309,251</u>	<u>\$ -</u>	<u>\$ 6,113,418</u>
Carrying amounts at September 30, 2020	<u>\$ 3,034,470</u>	<u>\$ 5,247,257</u>	<u>\$ 515,809</u>	<u>\$ 187,072</u>	<u>\$ 559,522</u>	<u>\$ 333,008</u>	<u>\$ 9,877,138</u>

b. 2019

	Freehold Land	Buildings	Equipment	Office Equipment	Other Facilities	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 2,934,127	\$ 7,195,732	\$ 1,709,936	\$ 850,021	\$ 1,743,263	\$ 2,485	\$ 14,435,564
Additions	-	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	148,160	942,802	130,912	15,916	34,650	1	1,272,441
Reclassifications	-	28,962	1,376	(7,198)	87,517	(287,936)	(177,279)
Effect of foreign currency exchange differences	5,061	(47,073)	(17,659)	(9,484)	(26,487)	(8,754)	(104,396)
Balance at September 30, 2019	<u>\$ 3,080,248</u>	<u>\$ 8,130,496</u>	<u>\$ 1,880,277</u>	<u>\$ 878,493</u>	<u>\$ 1,961,097</u>	<u>\$ 5,235</u>	<u>\$ 15,935,846</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	-	153,149	114,461	62,075	125,337	-	455,022
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)	(11,150)	(18,115)	-	(46,257)
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 2,598,943</u>	<u>\$ 1,370,640</u>	<u>\$ 681,775</u>	<u>\$ 1,421,362</u>	<u>\$ -</u>	<u>\$ 6,072,720</u>
Carrying amounts at September 30, 2019	<u>\$ 3,080,248</u>	<u>\$ 5,531,553</u>	<u>\$ 509,637</u>	<u>\$ 196,718</u>	<u>\$ 539,735</u>	<u>\$ 5,235</u>	<u>\$ 9,863,126</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 30.

**15. LEASE ARRANGEMENTS**

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Land	\$ 277,943	\$ 286,549	\$ 291,655
Buildings	325,462	396,887	439,108
Machinery	2,840	2,202	2,366
Office equipment	8,689	9,254	10,684
Transportation equipment	31,373	28,214	35,575
Other equipment	25	-	-
	<u>\$ 646,332</u>	<u>\$ 723,106</u>	<u>\$ 779,388</u>

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2020	2019	2020	2019
Additions to right-of-use assets	\$ -	\$ -	\$ 39,556	\$ -
Depreciation charge for right-of-use assets				
Land	\$ 2,063	\$ 2,153	\$ 6,195	\$ 6,575
Buildings	42,214	42,220	126,643	126,662
Machinery	221	163	664	491
Office equipment	2,657	1,431	7,971	4,292
Transportation equipment	7,142	7,360	21,423	22,082
Other equipment	<u>5</u>	<u>-</u>	<u>15</u>	<u>-</u>
	<u>\$ 54,302</u>	<u>\$ 53,327</u>	<u>\$ 162,911</u>	<u>\$ 160,102</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	\$ 221,250	\$ 199,493	\$ 199,493
Non-current	<u>143,099</u>	<u>242,263</u>	<u>292,140</u>
	<u>\$ 364,349</u>	<u>\$ 441,756</u>	<u>\$ 491,633</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Buildings	0.25%-10.20%	0.25%-12.00%	0.25%-12.00%
Machinery	0.87%-4.20%	0.87%-5.46%	0.87%-5.46%
Office equipment	0.87%-4.75%	0.87%-4.75%	0.87%-4.75%
Transportation equipment	0.25%-5.00%	0.25%-5.90%	0.25%-5.90%
Other equipment	2.05%	-	-

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 3,490</u>	<u>\$ 5,616</u>	<u>\$ 10,470</u>	<u>\$ 12,596</u>
Expenses relating to low-value asset leases	<u>\$ 3,046</u>	<u>\$ 9,698</u>	<u>\$ 9,135</u>	<u>\$ 15,787</u>
Total cash outflow for leases	<u>\$ 65,483</u>	<u>\$ 62,539</u>	<u>\$ 196,442</u>	<u>\$ 195,260</u>

## 16. GOODWILL

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
<u>Cost</u>		
Balance at January 1	\$ 2,892,879	\$ 2,934,254
Additional amounts recognized from business combinations that occurred during the year (Note 26)	3,081	124,029
Adjustments for goodwill after acquisition	-	(104,889)
Effect of foreign currency exchange differences	<u>(40,096)</u>	<u>(30,873)</u>
Balance at September 30	<u>\$ 2,855,864</u>	<u>\$ 2,922,521</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ (373,365)	\$ (97,788)
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>
Balance at September 30	<u>\$ (373,365)</u>	<u>\$ (97,788)</u>
Carrying amount at September 30	<u>\$ 2,482,499</u>	<u>\$ 2,824,733</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.

Items on the consolidated balance sheets were adjusted by the following amounts:

	<b>September 30, 2019 (Restatement)</b>	<b>February 28, 2019 (Acquisition Date)</b>
Goodwill adjustments	<u>\$ (12,494)</u>	<u>\$ (12,494)</u>
Intangible assets	<u>\$ 32,279</u>	<u>\$ 34,598</u>
Non-controlling interests	<u>\$ 12,293</u>	<u>\$ 13,839</u>
Retained earnings	<u>\$ (2,319)</u>	<u>\$ -</u>

On December 31, 2019, the Group obtained the fair value assessed at the acquisition date. Based on the results of the assessment, the fair value of ATJ's property, plant and equipment and intangible assets at the acquisition date was \$251,399 thousand and \$65,649 thousand, respectively. The comparative figures have been restated as if the initial accounting was completed at the acquisition date.

Items on the consolidated balance sheets were adjusted by the following amounts:

	<b>September 30, 2019 (Restatement)</b>	<b>January 31, 2019 (Acquisition Date)</b>
Goodwill adjustments	<u>\$ (92,395)</u>	<u>\$ (92,395)</u>
Property, plant and equipment	<u>\$ 106,513</u>	<u>\$ 106,379</u>
Intangible assets	<u>\$ 56,528</u>	<u>\$ 61,223</u>
Net defined benefit liabilities	<u>\$ 77,979</u>	<u>\$ 74,932</u>
Non-controlling interests	<u>\$ 21,159</u>	<u>\$ 23,099</u>
Retained earnings	<u>\$ (7,609)</u>	<u>\$ -</u>

## 17. BORROWINGS

### a. Short-term borrowings

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 293,225</u>	<u>\$ 250,678</u>	<u>\$ 297,878</u>

The range of weighted average effective interest rates on bank loans was 0.22%-3.05%, 0.23%-3.00% and 0.23%-3.15% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

### b. Long-term borrowings

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Secured borrowings</u>			
Other loans	\$ -	\$ 44,089	\$ 46,406
Less: Current portions	<u>-</u>	<u>(7,957)</u>	<u>(4,483)</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ 36,132</u>	<u>\$ 41,923</u>

Other borrowings are loans from the government. As of December 31, 2019 and September 30, 2020, the effective interest rate was 2.91%-3.16%.

The Group prepaid the balance of the borrowings in June 2020. With demand of borrowings, the Group pledged freehold land and buildings, refer to Note 30.

## 18. OTHER LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2020
Other payables			
Payables for salaries or bonuses	\$ 2,575,723	\$ 2,484,026	\$ 2,379,590
Payables for employee benefits	188,374	188,988	185,900
Payables for royalties	119,266	86,822	146,077
Others (Note)	<u>998,341</u>	<u>972,388</u>	<u>1,088,949</u>
	<u>\$ 3,881,704</u>	<u>\$ 3,732,224</u>	<u>\$ 3,800,516</u>

Note: Including marketing expenses and freight expenses, etc.

## 19. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the employee benefit expenses of the Group's defined benefit plans were \$2,484 thousand, \$1,338 thousand, \$7,457 thousand and \$4,015 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2019 and 2018, respectively.

## 20. EQUITY

### a. Share capital

#### Ordinary shares

	September 30, 2020	December 31, 2019	September 30, 2019
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>800,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>771,946</u>	<u>700,310</u>	<u>699,923</u>
Shares issued	<u>\$ 7,719,455</u>	<u>\$ 7,004,100</u>	<u>\$ 6,999,230</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 and distribution of stock dividends.

b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 2,692,238	\$ 2,692,238	\$ 2,692,238
Conversion of bonds	1,636,499	1,636,499	1,636,499
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual disposal or acquisition	-	8,678	89,473
Share of changes in capital surplus of associates	675	55	55
Employees' share compensation	78,614	78,614	78,614
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	-	4,637	3,911
Employee share options	2,192,645	1,888,945	1,740,910
Share of changes in capital surplus of associates	49,731	12,361	32,986
Employee share options expired	87,266	-	-
<u>May not be used for any purpose</u>			
Employee share options	<u>999,113</u>	<u>1,075,002</u>	<u>1,126,593</u>
	<u>\$ 7,736,781</u>	<u>\$ 7,397,029</u>	<u>\$ 7,401,279</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interests in a subsidiary resulting from equity transactions other than actual disposal or acquisition or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

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

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

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

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

The appropriations of earnings, for 2019 and 2018, which were approved in the shareholders' meetings on May 28, 2020 and on May 28, 2019, respectively, were as follows:

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

d. Special reserves

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 798,763	\$ 369,655
Appropriations of special reserves		
In respect of debits to other equity items	<u>47,230</u>	<u>429,108</u>
Balance at September 30	<u>\$ 845,993</u>	<u>\$ 798,763</u>



e. Other equity items

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (878,261)	\$ (475,245)
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign operations	(231,590)	(157,464)
Share of those of associates accounted for using the equity method	<u>(6,947)</u>	<u>13,957</u>
Other comprehensive income recognized for the period	<u>(238,537)</u>	<u>(143,507)</u>
Balance at September 30	<u>\$ (1,116,798)</u>	<u>\$ (618,752)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 30,970	\$ (324,254)
Recognized for the period		
Unrealized gain - equity instruments	122,727	68,080
Share from associates accounted for using the equity method	<u>(964)</u>	<u>25,597</u>
Other comprehensive income recognized for the period	121,763	93,677
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal by related parties	<u>(120)</u>	<u>23,196</u>
Balance at September 30	<u>\$ 152,613</u>	<u>\$ (207,381)</u>

3) Unearned employee benefits compensation

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 1,298	\$ 736
Share from associates accounted for using the equity method	<u>179</u>	<u>221</u>
Balance at September 30	<u>\$ 1,477</u>	<u>\$ 957</u>

f. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 577,361	\$ 245,436
Share of profit for the year	30,185	34,559
Other comprehensive income during the year		
Exchange differences on translating the financial statements of foreign operations	(17,072)	18,079
Increase in non-controlling interests arising from decrease in investment in subsidiaries (Note 27)	53,634	352
Increase in non-controlling interests arising from increase in investment in subsidiaries (Note 27)	(20,708)	8,316
Increase in non-controlling interests arising from the acquisition of subsidiary, ATJ (Note 26)	-	125,868
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, ACI IOT Investment Fund-I Corporation	-	62,000
Cash dividends distributed by subsidiaries	(11,443)	(14,039)
Non-current rights and interests related to vested outstanding share options granted by subsidiaries to its employees	<u>104</u>	<u>316</u>
Balance at September 30	<u>\$ 612,061</u>	<u>\$ 516,139</u>

**21. NET PROFIT FROM CONTINUING OPERATIONS**

a. Finance costs

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 892	\$ 1,577	\$ 2,574	\$ 3,323
Interest on lease liabilities	3,625	4,510	10,881	13,530
Others	<u>464</u>	<u>1,665</u>	<u>1,883</u>	<u>3,215</u>
	<u>\$ 4,981</u>	<u>\$ 7,752</u>	<u>\$ 15,338</u>	<u>\$ 20,068</u>

b. Depreciation and amortization

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function				
Operating costs	\$ 41,839	\$ 45,772	\$ 121,471	\$ 132,117
Operating expenses	<u>169,063</u>	<u>149,194</u>	<u>478,588</u>	<u>483,007</u>
	<u>\$ 210,902</u>	<u>\$ 194,966</u>	<u>\$ 600,059</u>	<u>\$ 615,124</u>

(Continued)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
An analysis of amortization by function				
Operating costs	\$ 505	\$ 951	\$ 1,800	\$ 2,842
Operating expenses	<u>42,186</u>	<u>92,942</u>	<u>135,684</u>	<u>201,564</u>
	<u>\$ 42,691</u>	<u>\$ 93,893</u>	<u>\$ 137,484</u>	<u>\$ 204,406</u>

c. Employee benefits expense

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Short-term benefits	\$ 2,572,839	\$ 2,472,255	\$ 7,242,381	\$ 7,103,864
Post-employment benefits				
Defined contribution plans	74,668	93,146	202,805	275,288
Defined benefit plans (Note 19)	<u>2,484</u>	<u>1,338</u>	<u>7,457</u>	<u>4,015</u>
	77,152	94,484	210,262	279,303
Share-based payments				
Equity-settled	89,607	64,291	213,309	233,638
Other employee benefits	<u>248,987</u>	<u>128,638</u>	<u>503,136</u>	<u>481,834</u>
Total employee benefits expense	<u>\$ 2,988,585</u>	<u>\$ 2,759,668</u>	<u>\$ 8,169,088</u>	<u>\$ 8,098,639</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 578,955	\$ 613,746	\$ 1,724,153	\$ 1,790,012
Operating expenses	<u>2,409,630</u>	<u>2,145,922</u>	<u>6,444,935</u>	<u>6,308,627</u>
	<u>\$ 2,988,585</u>	<u>\$ 2,759,668</u>	<u>\$ 8,169,088</u>	<u>\$ 8,098,639</u>

d. Employees' compensation and remuneration of directors and supervisors

According to the Company's policies on distribution of employees' compensation and remuneration of directors, the Company accrued employees' compensation at the rates of no less than 5% and remuneration of directors at the rates of no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the employees' compensation and the remuneration of directors were accrued from the aforementioned net profit before income tax at the amount determined from prior year experience.

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Employees' compensation	<u>\$ 150,000</u>	<u>\$ 149,143</u>	<u>\$ 450,000</u>	<u>\$ 398,033</u>
Remuneration of directors	<u>\$ 3,000</u>	<u>\$ 2,650</u>	<u>\$ 9,000</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 and shall be adjusted in the following year.

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors which were resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 303,338	\$ 191,173	\$ 638,376	\$ 585,869
Foreign exchange losses	<u>(277,739)</u>	<u>(267,141)</u>	<u>(648,261)</u>	<u>(579,886)</u>
Net gain (loss)	<u>\$ 25,599</u>	<u>\$ (75,968)</u>	<u>\$ (9,885)</u>	<u>\$ 5,983</u>

## 22. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current tax				
In respect of the current period	\$ 383,281	\$ 531,182	\$ 1,314,308	\$ 1,495,622
Income tax on unappropriated earnings	-	-	18,149	21,176
Adjustment for prior years	(6,525)	(27,770)	(109,978)	(56,066)
Deferred tax				
In respect of the current period	<u>134,458</u>	<u>57,837</u>	<u>250,015</u>	<u>44,870</u>
Income tax expense recognized in profit or loss	<u>\$ 511,214</u>	<u>\$ 561,249</u>	<u>\$ 1,472,494</u>	<u>\$ 1,505,602</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 31, 2019.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Deferred tax</u>				
In respect of current period Translating the financial statements of foreign operations	\$ (9,369)	\$ 73,489	\$ 59,635	\$ 35,877
Income tax recognized in other comprehensive income (loss)	<u>\$ (9,369)</u>	<u>\$ 73,489</u>	<u>\$ 59,635</u>	<u>\$ 35,877</u>

c. Income tax assessments

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

## 23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Basic earnings per share	<u>\$ 2.52</u>	<u>\$ 2.78</u>	<u>\$ 7.19</u>	<u>\$ 7.34</u>
Diluted earnings per share	<u>\$ 2.47</u>	<u>\$ 2.75</u>	<u>\$ 7.06</u>	<u>\$ 7.25</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares (or share splits) on August 8, 2020. The basic and diluted earnings per share adjusted retrospectively for the three months and nine months ended September 30, 2020 are as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment		After Retrospective Adjustment	
	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Basic earnings per share	<u>\$ 3.06</u>	<u>\$ 8.08</u>	<u>\$ 2.78</u>	<u>\$ 7.34</u>
Diluted earnings per share	<u>\$ 3.03</u>	<u>\$ 7.99</u>	<u>\$ 2.75</u>	<u>\$ 7.25</u>

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

#### Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Earnings used in the computation of basic earnings per share	<u>\$ 1,941,395</u>	<u>\$ 2,136,117</u>	<u>\$ 5,543,660</u>	<u>\$ 5,641,542</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,941,395</u>	<u>\$ 2,136,117</u>	<u>\$ 5,543,660</u>	<u>\$ 5,641,542</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	771,537	769,212	771,018	768,938
Effect of potentially dilutive ordinary shares:				
Employee share options	12,637	6,918	12,203	6,746
Employees' compensation	<u>515</u>	<u>546</u>	<u>2,047</u>	<u>1,938</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>784,689</u>	<u>776,676</u>	<u>785,268</u>	<u>777,622</u>

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

#### 24. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 7,500 options in 2020, 8,000 options in 2018 and 6,500 options in 2016. 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 2020, 2018 and 2016 are all valid for six years. All options are exercisable at certain percentages after the second anniversary year from the grant date. The exercise price of those granted in 2020 was NT\$200 per share. 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 was NT\$100 per share. For any subsequent changes in the Company's capital surplus, the exercise price and the number of options will be adjusted accordingly.

Information on employee share options was as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	14,250	\$149.88	15,965	\$143.64
Options granted	7,500	200.00	-	-
Options exercised	(1,495)	78.19	(1,228)	82.21
Options expired	<u>(543)</u>	70.50	<u>-</u>	-
Balance at September 30	<u>19,712</u>	174.07	<u>14,737</u>	147.61
Options exercisable, end of the period	<u>8,212</u>	136.54	<u>6,738</u>	82.44
Weighted average fair value of options granted (NT\$)	<u>\$ 125.77</u>		<u>\$ -</u>	

The weighted average share prices at the date of exercise of share options exercised during the nine months ended September 30, 2020 and 2019 ranged from NT\$258 to NT\$326 dollars and NT\$223 to NT\$271 dollars, respectively.

Information about outstanding options for the nine months ended September 30, 2020 and 2019 was as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>
Issuance in 2020	\$200.00	5.83	\$ -	-
Issuance in 2018	202.50	3.83	202.50	4.83
Issuance in 2016	73.90	1.70	85.60	2.70
Issuance in 2014	-	-	81.50	0.88

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

	<b>2020</b>	<b>2018</b>	<b>2016</b>
Grant-date share price (NT\$)	\$309	\$202.5	\$235
Exercise price (NT\$)	\$200	\$202.5	\$100
Expected volatility	23.28%-26.55%	28.42%-28.73%	31.42%-32.48%
Expected life (in years)	4-5.5	4-4.5	4-5.5
Expected dividends yield	0%	0%	0%
Risk-free interest rate	0.31-0.35%	0.67-0.69%	0.52-0.65%

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

Compensation cost recognized was \$213,170 thousand and \$233,638 thousand for the nine months ended September 30, 2020 and 2019, respectively.

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

Information on employee share options was as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	740	\$ 20	814	\$ 20
Options expired	<u>(32)</u>	20	<u>(64)</u>	20
Balance at September 30	<u>708</u>	20	<u>750</u>	20
Options exercisable, end of period	<u>526</u>	20	<u>180</u>	20
Weighted average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Information on outstanding options for the nine months ended September 30, 2020 and 2019 was as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>
Issuance in 2018	\$ 20	1.78	\$ 20	2.78
Issuance in 2017	20	0.67	20	1.67

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

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



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

#### Issuance in 2018

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

#### Issuance in 2017

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

## 25. GOVERNMENT GRANTS

For the three months ended September 30, 2020 and for the nine months ended September 30, 2020, the Group received government grants of \$6,720 thousand and \$21,029 thousand for its engagement in a government project. The amounts were recognized as other revenue. In addition, expenses or losses incurred of \$26,082 thousand and \$80,898 thousand for the three months ended September 30, 2020 and for the nine months ended September 30, 2020 were recognized as expenses for receiving government grants.

## 26. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Advantech Technologies Japan Corp. (ATJ)	Production and sale of electronical and mechanical device	January 31, 2019	80	<u>\$ 517,008</u>
Advantech Turkey Teknoloji A.S. (ATR)	Wholesale of computers and peripheral devices	February 28, 2019	60	<u>\$ 58,482</u>
Shanghai Yanle Co., Ltd. (Yanle)	Application and retail of intelligent technology	May 31, 2020	100	<u>\$ 6,698</u>

The Group acquired 80% of the shares of ATJ (former Omron Nohgata Co., Ltd.) in order to expand its embedded systems and strengthen customization of design and production in the Japan market.

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

The Group acquired Yanle of which the Group originally acquired 45% of its shares, in order to expand its retail sales of retail of intelligent technology in the China market, which increased the Group's equity investment in Yanle increased to 100%.

b. Consideration transferred

	<b>Yanle</b>	<b>ATJ</b>	<b>ATR</b>
Cash	\$ 5,071	\$ 517,008	\$ 58,482
Ownership of Shanghai Yanle Co., Ltd. before combination	<u>1,627</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,698</u>	<u>\$ 517,008</u>	<u>\$ 58,482</u>

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

	<b>Yanle</b>	<b>ATJ</b>	<b>ATR</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 2,347	\$ -	\$ 33,334
Trade receivables and other receivables	-	600,640	15,759
Inventories	959	437,154	9,966
Other current assets	232	7,220	353
<b>Non-current assets</b>			
Plant and equipment	93	251,399	723
Intangible assets	-	65,649	34,783
Deferred tax assets	-	96,606	-
Other non-current assets	-	-	238
<b>Current liabilities</b>			
Short-term borrowings	-	(157,819)	(311)
Trade payables and other payables	(11)	(501,113)	(2,206)
Current tax liabilities	-	(32,436)	(193)
Other current liabilities	(3)	(15,770)	(4,230)
<b>Non-current liabilities</b>			
Net defined benefit liabilities	-	(122,190)	-
Other non-current liabilities	<u>-</u>	<u>-</u>	<u>(86)</u>
	<u>\$ 3,617</u>	<u>\$ 629,340</u>	<u>\$ 88,130</u>

d. Non-controlling interests

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

e. Goodwill recognized on acquisitions

	<b>Yanle</b>	<b>ATJ (Restatement)</b>	<b>ATR (Restatement)</b>
Consideration transferred	\$ 6,698	\$ 517,008	\$ 58,482
Less: Fair value of identifiable net assets acquired	<u>(3,617)</u>	<u>(503,472)</u>	<u>(52,878)</u>
Goodwill recognized on acquisitions	<u>\$ 3,081</u>	<u>\$ 13,536</u>	<u>\$ 5,604</u>

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

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

f. Net cash outflow on acquisitions of subsidiaries

	<b>Yanle</b>	<b>ATJ</b>	<b>ATR</b>
Consideration paid in cash	\$ 5,071	\$ 517,008	\$ 58,482
Less: Cash and cash equivalent balances acquired	<u>(2,347)</u>	<u>-</u>	<u>(33,334)</u>
	<u>\$ 2,724</u>	<u>\$ 517,008</u>	<u>\$ 25,148</u>

g. Impact of acquisitions on the results of the Group

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

	<b>For the Nine Months Ended September 30, 2020</b>	<b>For the Nine Months Ended September 30, 2019</b>	
	<b>Yanle</b>	<b>ATJ</b>	<b>ATR</b>
Operating revenue	<u>\$ -</u>	<u>\$ 1,924,304</u>	<u>\$ 81,212</u>
Profit or loss	<u>\$ (398)</u>	<u>\$ 131,221</u>	<u>\$ 8,654</u>

## 27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In the first quarter of 2019, the Group subscribed 18% of the equity of ATR during its capital increase, which led the Group's equity investment in ATR to increase from 42% to 60%.

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

In the first and second quarters of 2020, the Group sold 3.42% and 1.58% of the equity of LNC, which led the Group's equity investment in LNC to decrease from 64.10% to 59.10%.

In the second quarter of 2020, the Group had a non-proportional investment in the equity of AMX during its cash capital increase, which led its equity investment in AMX to decrease from 100% to 60%.

In the third quarter of 2020, the Group acquired 20% of the equity of ABR, which led the Group's equity investment in ABR to increase from 80% to 100%.

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

	<b>September 30, 2020</b>				<b>Total</b>
	<b>LNC</b>	<b>AIH</b>	<b>AMX</b>	<b>ABR</b>	
Cash consideration received (paid)	\$ 26,919	\$ (4,554)	\$ 9,816	\$ (59,930)	\$ (27,749)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>(26,583)</u>	<u>2,481</u>	<u>(27,051)</u>	<u>18,227</u>	<u>(32,926)</u>
Differences recognized from equity transactions	<u>\$ 336</u>	<u>\$ (2,073)</u>	<u>\$ (17,235)</u>	<u>\$ (41,703)</u>	<u>\$ (60,675)</u>
<u>Line items adjusted for equity transactions</u>					
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 336	\$ -	\$ -	\$ (9,014)	\$ (8,678)
Capital surplus - changes in percentage of ownership interests in subsidiaries	-	-	(4,554)	-	(4,554)
Unappropriated earnings	<u>-</u>	<u>(2,073)</u>	<u>(12,681)</u>	<u>(32,689)</u>	<u>(47,443)</u>
	<u>\$ 336</u>	<u>\$ (2,073)</u>	<u>\$ (17,235)</u>	<u>\$ (41,703)</u>	<u>\$ (60,675)</u>
			<b>September 30, 2019</b>		
			<b>ATJ</b>	<b>AIH</b>	<b>Total</b>
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>

(Continued)

	<u>September 30, 2019</u>		
	ATJ	AIH	Total
<u>Line items adjusted for equity transactions</u>			
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 913	\$ -	\$ 913
Capital surplus - changes in percentage of ownership interests in subsidiaries	-	-	-
Unappropriated earnings	<u>-</u>	<u>(352)</u>	<u>(352)</u>
	<u>\$ 913</u>	<u>\$ (352)</u>	<u>\$ 561</u>
			(Concluded)

## 28. FINANCIAL INSTRUMENTS

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

#### 1) Fair value hierarchy

September 30, 2020

	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Derivative financial assets	\$ -	\$ 4,944	\$ -	\$ 4,944
Domestic listed shares and emerging market shares	272,181	-	-	272,181
Foreign listed shares and emerging market shares	91,055	-	-	91,055
Foreign unlisted shares and emerging market shares	-	-	83,284	83,284
Mutual funds	<u>2,102,029</u>	<u>-</u>	<u>-</u>	<u>2,102,029</u>
	<u>\$ 2,465,265</u>	<u>\$ 4,944</u>	<u>\$ 83,284</u>	<u>\$ 2,553,493</u>
<b>Financial assets at FVTOCI</b>				
Domestic listed shares and emerging market shares	\$ 1,615,965	\$ -	\$ -	\$ 1,615,965
Domestic unlisted shares and emerging market shares	-	-	16,853	16,853
Foreign unlisted shares and emerging market shares	<u>-</u>	<u>-</u>	<u>128,070</u>	<u>128,070</u>
	<u>\$ 1,615,965</u>	<u>\$ -</u>	<u>\$ 144,923</u>	<u>\$ 1,760,888</u>
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	<u>-</u>	<u>7,582</u>	<u>-</u>	<u>7,582</u>

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 9,320	\$ -	\$ 9,320
Domestic listed shares and emerging market shares	118,392	-	-	118,392
Foreign listed shares and emerging market shares	50,157	-	-	50,157
Foreign unlisted shares and emerging market shares	-	-	101,156	101,156
Mutual funds	<u>3,470,094</u>	<u>-</u>	<u>-</u>	<u>3,470,094</u>
	<u>\$ 3,638,643</u>	<u>\$ 9,320</u>	<u>\$ 101,156</u>	<u>\$ 3,749,119</u>
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	\$ 1,489,491	\$ -	\$ -	\$ 1,489,491
Domestic unlisted shares and emerging market shares	-	-	18,860	18,860
Foreign unlisted shares and emerging market shares	<u>-</u>	<u>-</u>	<u>130,970</u>	<u>130,970</u>
	<u>\$ 1,489,491</u>	<u>\$ -</u>	<u>\$ 149,830</u>	<u>\$ 1,639,321</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 521</u>

September 30, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 20,042	\$ -	\$ 20,042
Domestic listed shares and emerging market shares	126,454	-	-	126,454
Foreign listed shares and emerging market shares	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				
Domestic listed shares and emerging market shares	\$ 1,250,723	\$ -	\$ -	\$ 1,250,723
Domestic unlisted shares and emerging market shares	-	-	8,230	8,230
Foreign unlisted shares and emerging market shares	<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>

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

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

For the nine months ended September 30, 2020

	<b>Financial Assets at Fair Value Through Profit of Loss Equity Instruments</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments</b>	<b>Total</b>
<u>Financial assets</u>			
Balance at January 1, 2020	\$ 101,156	\$ 149,830	\$ 250,986
Recognized in profit or loss	(17,872)	-	(17,872)
Recognized in other comprehensive income (loss)	-	(4,907)	(4,907)
Balance at September 30, 2020	<u>\$ 83,284</u>	<u>\$ 144,923</u>	<u>\$ 228,207</u>

For the nine months ended September 30, 2019

	<b>Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments</b>	<b>Total</b>
<u>Financial assets</u>		
Balance at January 1, 2019	\$ 118,765	\$ 118,765
Recognized in other comprehensive income	<u>21,764</u>	<u>21,764</u>
Balance at September 30, 2019	<u>\$ 140,529</u>	<u>\$ 140,529</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, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily classified as at FVTPL	\$ 2,553,493	\$ 3,749,119	\$ 1,474,400
Financial assets at amortized cost (Note 1)	16,217,870	15,253,957	15,198,530
Financial assets at FVTOCI			
Equity instruments	1,760,888	1,639,321	1,391,252
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily classified as at FVTPL	7,582	521	1,421
Financial liabilities at amortized cost (Note 2)	7,912,040	8,826,187	9,125,401

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

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



a) Foreign currency risk

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

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

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase in New Taiwan dollars (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%.

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

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

	<b>U.S. Dollar Impact</b>		<b>Euro Impact</b>		<b>Renminbi Impact</b>	
	<b>For the Nine Months</b>		<b>For the Nine Months</b>		<b>For the Nine Months</b>	
	<b>Ended September 30</b>		<b>Ended September 30</b>		<b>Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ 141,617	\$ 39,879	\$ 55,848	\$ 61,863	\$ 39,679	\$ 68,690
	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 3)	(Note 3)

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

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

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

b) Interest rate risk

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

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Fair value interest rate risk			
Financial assets	\$ 1,453,835	\$ 1,434,765	\$ 1,481,387
Financial liabilities	151,800	165,600	172,800
Cash flow interest rate risk			
Financial assets	4,757,859	4,055,867	3,099,449
Financial liabilities	141,425	129,167	171,484

Sensitivity analysis

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2020 and 2019 would have increased by \$17,312 thousand and \$10,980 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pre-tax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings and borrowings.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher, pre-tax profit for the nine months ended September 30, 2020 and 2019 would have increased by \$4,465 thousand and \$1,888 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, 2020 and 2019 would have increased by \$17,609 thousand and \$13,913 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI. Had equity prices been 1% lower for the same year, the pre-tax profit and other comprehensive income would have decreased by the same respective amounts.

The Group's sensitivity to equity prices increased mainly because of its increase in financial assets investment in 2020.

## 2) Credit risk

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

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

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group had available unutilized short-term bank loan facilities set out in section (c) below.

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

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

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

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

September 30, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 4,244,546	\$ 1,754,646	\$ 1,619,623	\$ -
Lease liabilities	102,706	176	39,294	-
Variable interest rate liabilities	55,489	33,214	135,575	153,286
Fixed interest rate liabilities	<u>110,450</u>	<u>41,402</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,513,191</u>	<u>\$ 1,829,438</u>	<u>\$ 1,794,492</u>	<u>\$ 153,286</u>

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 224,278</u>	<u>\$ 138,393</u>	<u>\$ 14,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

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

Additional information about the maturity analysis for lease liabilities

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

September 30, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing 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

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

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

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

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

September 30, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Total</b>
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 253,022	\$ 488,647	\$ 121,272	\$ 862,941
Outflows	<u>257,336</u>	<u>488,718</u>	<u>119,525</u>	<u>865,579</u>
	<u>\$ (4,314)</u>	<u>\$ (71)</u>	<u>\$ 1,747</u>	<u>\$ (2,638)</u>

December 31, 2019

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

September 30, 2019

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

c) Financing facilities

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Unsecured bank overdraft facilities:			
Amount used (Note)	\$ 300,256	\$ 250,678	\$ 297,878
Amount unused	<u>6,674,157</u>	<u>6,741,182</u>	<u>6,911,702</u>
	<u>\$ 6,974,413</u>	<u>\$ 6,991,860</u>	<u>\$ 7,209,580</u>
Secured bank overdraft facilities:			
Amount used	<u>\$ -</u>	<u>\$ 44,089</u>	<u>\$ 46,406</u>

Note: The amounts used or drawn by the Group from the unsecured bank overdraft facilities were recorded as borrowings of \$293,225 thousand and lease guarantees of \$7,031 thousand.

## 29. TRANSACTIONS WITH RELATED PARTIES

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

### a. Names and categories of related parties

Name	Related Party Category
Axiomtek Co., Ltd.	Associate
AIMobile Co., Ltd.	Associate
Deneng Scientific Research Co., Ltd.	Associate
Winmate Inc.	Associate
AzureWave Technologies, Inc.	Associate
Nippon RAD Inc.	Associate
Shanghai Yanle Co., Ltd.	Associate (became a second-tier subsidiary of the parent company from June 2020)
iLink Co., Ltd.	Associate
DotZero Co., Ltd.	Associate
Mildex Optical Inc.	Associate
CDIB Capital Innovation Accelerator Co., Ltd.	Associate
Information Technology Total Services Co., Ltd.	Associate
HwaCom Systems Inc.	Associate
Smasoft Technology Co., Ltd.	Associate
Impelex Data Transfer Co., Ltd.	Associate
VSO Electronics Co., Ltd. (“VSO”)	Associate
VSO Electronics (Suzhou) Co., Ltd.	Associate
K&M Investment Co., Ltd.	Other related party
AIDC Investment Corp.	Other related party
Advantech Foundation	Other related party

### b. Sales of goods

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Associates	\$ 23,523	\$ 19,546	\$ 83,662	\$ 66,469
Other related parties	<u>1,533</u>	<u>-</u>	<u>2,325</u>	<u>-</u>
	<u>\$ 25,056</u>	<u>\$ 19,546</u>	<u>\$ 85,987</u>	<u>\$ 66,469</u>

### c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Associates	<u>\$ 57,152</u>	<u>\$ 35,588</u>	<u>\$ 230,995</u>	<u>\$ 128,354</u>

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

<b>Line Items</b>	<b>Related Party Categories/Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Trade receivables from related parties	Associates	\$ 29,118	\$ 20,174	\$ 46,966
	Other related parties	<u>20</u>	<u>-</u>	<u>-</u>
		<u>\$ 29,138</u>	<u>\$ 20,174</u>	<u>\$ 46,966</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

e. Other receivables from related parties

<b>Line Items</b>	<b>Related Party Categories/Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Other receivables from related parties	Associates	\$ 3,084	\$ -	\$ -
	Other related parties	<u>-</u>	<u>29</u>	<u>1,135</u>
		<u>\$ 3,084</u>	<u>\$ 29</u>	<u>\$ 1,135</u>

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

<b>Line Items</b>	<b>Related Party Categories/Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Trade payables	Associates	<u>\$ 39,674</u>	<u>\$ 43,367</u>	<u>\$ 24,732</u>
Other payables	Other related parties	<u>-</u>	<u>7,965</u>	<u>4,270</u>

The outstanding trade payables to related parties are unsecured.

g. Prepayments to related parties

<b>Line Items</b>	<b>Related Party Categories/Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Other current assets	Associates	<u>\$ 36,812</u>	<u>\$ 25,470</u>	<u>\$ 33,571</u>

h. Other transactions with related parties

<b>Related Party Categories/Name</b>	<b>Operating Expenses</b>			
	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Selling and marketing expenses				
Associates	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 92</u>	<u>\$ 134</u>
Research and development expenses				
Associates	<u>\$ 5,768</u>	<u>\$ 295</u>	<u>\$ 6,608</u>	<u>\$ 608</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.

Related Party Categories/Name	Other Income			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Rental income				
Associates	\$ -	\$ -	\$ 243	\$ -
Other related parties	<u>15</u>	<u>15</u>	<u>45</u>	<u>45</u>
	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ 288</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 Group 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	
	2020	2019	2020	2019
	Short-term employee benefits	\$ 11,398	\$ 11,290	\$ 34,070
Post-employment benefits	41	11	121	32
Share-based payments	<u>4,957</u>	<u>8,813</u>	<u>22,003</u>	<u>29,635</u>
	<u>\$ 16,396</u>	<u>\$ 20,114</u>	<u>\$ 56,194</u>	<u>\$ 63,536</u>

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

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment	<u>\$ -</u>	<u>\$ 64,584</u>	<u>\$ 64,584</u>

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

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

September 30, 2020

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

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 169,393	29.100 (USD:NTD)	\$ 4,929,343
RMB	395,274	4.269 (RMB:NTD)	1,687,425
EUR	33,410	34.15 (EUR:NTD)	1,140,966
USD	12,304	6.8166 (USD:RMB)	<u>358,040</u>
			<u>\$ 8,115,774</u>
<u>Financial liabilities</u>			
Monetary items			
USD	58,935	29.100 (USD:NTD)	\$ 1,714,995
RMB	149,500	4.269 (RMB:NTD)	638,214
USD	25,432	6.8166 (USD:RMB)	<u>740,071</u>
			<u>\$ 3,093,280</u>

December 31, 2019

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

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

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>

For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were \$25,599 thousand, \$(75,968) thousand, \$(9,885) thousand and \$5,983 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 entities in the Group.

### 32. SEPARATELY DISCLOSED ITEMS

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

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

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

### 33. SEGMENT INFORMATION

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

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

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

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

## Segment Revenue and Results

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

	Industrial Interest of 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
<u>For the nine months ended September 30, 2020</u>							
Revenue from external customers	\$ 12,423,849	\$ 9,450,826	\$ 8,912,013	\$ 3,175,689	\$ 4,313,357	\$ 64,475	\$ 38,340,209
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 12,423,849</u>	<u>\$ 9,450,826</u>	<u>\$ 8,912,013</u>	<u>\$ 3,175,689</u>	<u>\$ 4,313,357</u>	<u>\$ 64,475</u>	<u>38,340,209</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	-
Segment income	<u>\$ 3,737,254</u>	<u>\$ 1,817,513</u>	<u>\$ 1,618,696</u>	<u>\$ 314,567</u>	<u>\$ 582,057</u>	<u>\$ -</u>	8,070,087
Other revenue	-	-	-	-	-	-	139,538
Other unamortized expense	-	-	-	-	-	-	(1,310,839)
Other income and expense	-	-	-	-	-	-	52,097
Finance costs	-	-	-	-	-	-	(15,338)
Share of profits of associates for using the equity method	-	-	-	-	-	-	110,794
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 7,046,339</u>
<u>For the nine months ended September 30, 2019</u>							
Revenue from external customers	\$ 12,543,498	\$ 10,374,148	\$ 9,699,965	\$ 3,398,612	\$ 4,595,899	\$ 46,764	\$ 40,658,886
Inter-segment revenue	-	-	-	-	-	-	-
Segment revenue	<u>\$ 12,543,498</u>	<u>\$ 10,374,148</u>	<u>\$ 9,699,965</u>	<u>\$ 3,398,612</u>	<u>\$ 4,595,899</u>	<u>\$ 46,764</u>	<u>40,658,886</u>
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Consolidated revenue	-	-	-	-	-	-	40,658,886
Segment income	<u>\$ 3,462,383</u>	<u>\$ 1,635,468</u>	<u>\$ 1,617,553</u>	<u>\$ 285,157</u>	<u>\$ 645,106</u>	<u>\$ 407</u>	7,646,054
Other revenue	-	-	-	-	-	-	194,811
Other unamortized expense	-	-	-	-	-	-	(835,874)
Other income and expense	-	-	-	-	-	-	130,460
Finance costs	-	-	-	-	-	-	(20,068)
Share of profits of associates for using the equity method	-	-	-	-	-	-	66,320
Profit before tax (continuing operations)	-	-	-	-	-	-	<u>\$ 7,181,703</u>

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and remuneration of directors, 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, net foreign exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Parties	Credit Line (Note F)		Actual Borrowing Ending Balance	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							Item	Value		
1	LNC	LNC Dong Guan Co., Ltd.	Trade receivables - related parties	Yes	\$ 70,000	\$ 70,000	\$ -	-	Short-term financing	\$ -	Financing need	\$ -	None	None	\$ 31,956 (Note D)	\$ 127,823 (Note D)
2	Advantech Corporate Investment	The Company	Trade receivables - related parties	Yes	1,000,000	-	-	1.00	Short-term financing	-	Financing need	-	None	None	1,340,091 (Note E)	1,340,091 (Note E)
3	AAC (BVI)	ATJ	Trade receivables - related parties	Yes	177,000 (JPY 600,00 thousand)	-	-	0.55	Short-term financing	-	Financing need	-	None	None	2,989,996 (Note C)	2,989,996 (Note C)

Note A: Investee companies are numbered sequentially from 1.

Note B: The exchange rate as of September 30, 2020 was JPY1=NT\$0.276.

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

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

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

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

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ANA	Subsidiary	\$ 3,242,361	\$ 907,500 (US\$ 30,000 thousand)	\$ 873,000 (US\$ 30,000 thousand)	\$ -	\$ -	2.69	\$ 9,727,082	Y	N	N
		AAC (BVI)	Subsidiary	3,242,361	302,500 (US\$ 10,000 thousand)	291,000 (US\$ 10,000 thousand)	-	-	0.90	9,727,082	Y	N	N
		Advantech Corporate Investment	Subsidiary	3,242,361	302,500 (US\$ 10,000 thousand)	291,000 (US\$ 10,000 thousand)	-	-	0.90	9,727,082	Y	N	N
		ATJ	Subsidiary	3,242,361	282,000 (JPY1,000,000 thousand)	276,000 (JPY1,000,000 thousand)	110,400 (JPY 400,000 thousand)	-	0.85	9,727,082	Y	N	N
		AKST	Subsidiary	3,242,361	181,500 (US\$ 6,000 thousand)	174,600 (US\$ 6,000 thousand)	101,425 (US\$ 3,845 thousand)	-	0.54	9,727,082	Y	N	N
		AKMC	Subsidiary	3,242,361	181,500 (US\$ 6,000 thousand)	174,600 (US\$ 6,000 thousand)	-	-	0.54	9,727,082	Y	N	Y
		ACISM	Subsidiary	3,242,361	151,250 (US\$ 5,000 thousand)	145,500 (US\$ 5,000 Thousand)	-	-	0.45	9,727,082	Y	N	N
		SIoT (Cayman)	Subsidiary	3,242,361	302,500 (US\$ 10,000 thousand)	291,000 (US\$ 10,000 thousand)	-	-	0.90	9,727,082	Y	N	N
		B+B	Subsidiary	3,242,361	151,250 (US\$ 5,000 thousand)	145,500 (US\$ 5,000 thousand)	-	-	0.45	9,727,082	Y	N	N
		AJP	Subsidiary	3,242,361	302,500 (JPY 500,000 thousand)	138,000 (JPY 500,000 thousand)	41,400 (JPY 150,000 thousand)	-	0.43	9,727,082	Y	N	N
		Advantech Intelligent City Services Co., Ltd.	Subsidiary	3,242,361	90,675 (US\$ 3,000 thousand)	87,300 (US\$ 3,000 thousand)	-	-	0.27	9,727,082	Y	N	N

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note A)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
		AIH	Subsidiary	\$ 3,242,361	\$ 90,675 (US\$ 3,000 thousand)	\$ 87,300 (US\$ 3,000 thousand)	\$ -	\$ -	0.27	\$ 9,727,082	Y	N	N
		ABR	Subsidiary	3,242,361	45,375 (US\$ 1,500 thousand)	43,650 (US\$ 1,500 thousand)	-	-	0.13	9,727,082	Y	N	N
		A-SIoT	Subsidiary	3,242,361	35,080 (EUR 1,000 thousand)	34,150 (EUR 1,000 thousand)	-	-	0.11	9,727,082	Y	N	N
		AVN	Subsidiary	3,242,361	30,250 (US\$ 1,000 thousand)	29,100 (US\$ 1,000 thousand)	-	-	0.09	9,727,082	Y	N	N
		ARU	Subsidiary	3,242,361	30,225 (US\$ 1,000 thousand)	29,100 (US\$ 1,000 thousand)	-	-	0.09	9,727,082	Y	N	N
		Cermate (Taiwan)	Subsidiary	3,242,361	30,250 (US\$ 1,000 thousand)	29,100 (US\$ 1,000 thousand)	-	-	0.09	9,727,082	Y	N	N
		Cermate (Shenzhen)	Subsidiary	3,242,361	30,250 (US\$ 1,000 thousand)	29,100 (US\$ 1,000 thousand)	-	-	0.09	9,727,082	Y	N	Y
		ACZ	Subsidiary	3,242,361	15,125 (US\$ 500 thousand)	14,550 (US\$ 500 thousand)	-	-	0.04	9,727,082	Y	N	N
		ATR	Subsidiary	3,242,361	15,125 (US\$ 500 thousand)	14,550 (US\$ 500 thousand)	-	-	0.04	9,727,082	Y	N	N
		Advanixs Corp.	Subsidiary	3,242,361	15,125 (US\$ 500 thousand)	14,550 (US\$ 500 thousand)	-	-	0.04	9,727,082	Y	N	N
		AAU	Subsidiary	3,242,361	6,050 (US\$ 200 thousand)	5,820 (US\$ 200 thousand)	-	-	0.02	9,727,082	Y	N	N
		ACI IOT Investment Fund-I Corporation	Subsidiary	3,242,361	6,045 (US\$ 200 thousand)	5,820 (US\$ 200 thousand)	-	-	0.02	9,727,082	Y	N	N
		AMY	Subsidiary	3,242,361	3,023 (US\$ 100 thousand)	2,910 (US\$ 100 thousand)	-	-	0.01	9,727,082	Y	N	N
		AKR	Subsidiary	3,242,361	1,513 (US\$ 50 thousand)	1,455 (US\$ 50 thousand)	-	-	-	9,727,082	Y	N	N

(Continued)



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

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

Note C: The exchange rates as of September 30, 2020 were US\$1=NT\$29.10, EUR1=NT\$34.15, and JPY1=NT\$0.276.

Note D: The latest net equity is from the financial statements for the nine months ended September 30, 2020.

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Share</u>							
	ASUSTek Computer Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	4,739,461	\$ 1,201,453	0.64	\$ 1,201,453	Note A
	Allied Circuit Co., Ltd.	-	Same as above	1,200,000	134,400	2.41	134,400	Note A
	<u>Fund</u>							
	Capital Money Market	-	Financial assets at fair value through profit or loss - current	3,076,488	50,000	-	50,000	Note B
	FSITC Money Market	-	Same as above	1,952,009	350,784	-	350,784	Note B
	FSITC Taiwan Money Market	-	Same as above	25,944,964	400,056	-	400,056	Note B
Advantech Corporate Investment	<u>Share</u>							
	Contec	-	Financial assets at fair value through profit or loss - current	26,500	12,258	0.41	12,258	Note A
	GSD Technologies Co., Ltd.	-	Same as above	2,813,000	178,343	8.27	178,343	Note A
	WT Microelectronics Co., Ltd.	-	Same as above	495,000	18,637	0.06	18,637	Note A
	eGalax_eMPIA Technology Inc.	-	Same as above	132,000	6,970	0.22	6,970	Note A
	Lanner Electronics Inc.	-	Same as above	360,000	20,880	0.31	20,880	Note A
	Posiflex Technology Inc.	-	Same as above	120,000	9,528	0.16	9,528	Note A
	Phison Electronics Corp.	-	Same as above	76,000	20,102	0.04	20,102	Note A
	Innodisk Corp.	-	Same as above	47,000	7,450	0.06	7,450	Note A
	GrandTech C.G. Systems Inc.	-	Same as above	270,000	9,666	0.46	9,666	Note A
	Cypress Technology CO., LTD.	-	Same as above	10,000	605	0.02	605	Note A
	ISI	-	Same as above	655	13,524	-	13,524	Note A
	TRMB	-	Same as above	8,490	12,032	-	12,032	Note A
	LTRX	-	Same as above	46,000	6,439	0.16	6,439	Note A
	MSI	-	Same as above	2,400	10,952	-	10,952	Note A
	HOLI	-	Same as above	26,000	8,360	0.04	8,360	Note A
	EQIX	-	Same as above	317	7,012	-	7,012	Note A
	NSIT	-	Same as above	270	445	-	445	Note A
	China Mobile Ltd.	-	Same as above	74,000	13,737	-	13,737	Note A
	Maxnerva Technology Services Ltd.	-	Same as above	3,812,000	6,296	0.58	6,296	Note A
Allied Circuit Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,501,000	280,112	5.03	280,112	Note A	
	BroadTec System Inc.	-	Same as above	225,000	3,149	7.50	3,149	Note C
	BioSenseTek Corp.	-	Same as above	37,500	-	1.79	-	Note C
	Jaguar Technology	-	Same as above	500,000	6,710	16.67	6,710	Note C
	Taiwan DSC PV Ltd.	-	Same as above	1,600	-	3.20	-	Note C
	iSAP Solution Corp.	-	Same as above	942,850	6,994	15.00	6,994	Note C

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Fund</u> Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	6,287,460	\$ 86,288	-	\$ 86,288	Note B
	Taishin 1699 Money Market	-	Same as above	29,087,859	396,575	-	396,575	Note B
	FSITC Money Market	-	Same as above	279,625	50,250	-	50,250	Note B
	<u>Mutual Fund</u> CBC Capital	-	Financial assets at fair value through profit or loss - non-current	-	83,284	-	83,284	Note C
Advanixs Corp.	<u>Fund</u> Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	6,266,221	93,585	-	93,585	Note B
	Mega Diamond Money Market	-	Same as above	4,184,534	52,886	-	52,886	Note B
Advantech Intelligent City Services Co., Ltd.	<u>Fund</u> Jih Sun Money Market	-	Same as above	788,359	11,774	-	11,774	Note B
AdvanPOS	<u>Fund</u> Mega Diamond Money Market	-	Same as above	1,189,398	15,032	-	15,032	Note B
SIoT (Cayman)	<u>Fund</u> FSITC Taiwan Money Market	-	Same as above	10,583,605	163,193	-	163,193	Note B
	Taishin 1699 Money Market	-	Same as above	25,064,061	341,716	-	341,716	Note B
	FSITC Money Market	-	Same as above	361,931	65,041	-	65,041	Note B
Advantech Innovative Design Co., Ltd.	<u>Fund</u> Capital Money Market	-	Same as above	625,517	10,166	-	10,166	Note B
AiSC	<u>Mutual Fund</u> Shanghai Shangchuang Xinwei Investment Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	-	128,070	8.43	128,070	Note C
Yun Yan, Wu-Lian Co., Ltd.	<u>Fund</u> FSITC Money Market	-	Financial assets at fair value through profit or loss - current	27,092	4,869	-	4,869	Note B
Huan Yan, Jih-Lian Co., Ltd.	<u>Fund</u> FSITC Money Market	-	Same as above	54,616	9,814	-	9,814	Note B

Note A: Market value was based on the closing price on September 30, 2020.

Note B: Market value was based on the net asset values of the open-ended mutual funds on September 30, 2020.

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

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					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 fair value through profit or loss	-	-	74,093,066	\$ 931,183	46,815,772	\$ 590,000	120,908,838	\$ 1,527,284	\$ 1,521,183	\$ 6,101	-	\$ -
	FSITC Taiwan Money Market	Same as above	-	-	32,562,860	500,000	127,351,782	1,960,004	133,969,678	2,064,647	2,060,002	4,645	25,944,964	400,002
	Capital Money Market	Same as above	-	-	-	-	72,086,748	1,170,002	69,010,260	1,121,044	1,120,002	1,042	3,076,488	50,000
Advantech Corporate Investment	<u>Fund</u> Mega Diamond Money Market	Same as above	-	-	24,633,086	310,158	-	-	24,633,086	310,412	310,158	254	-	-
	FSITC Taiwan Money Market	Same as above	-	-	18,910,187	290,517	16,252,167	250,000	35,162,354	541,310	540,517	793	-	-

**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, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total		
The Company	ANA	Subsidiary	Sale	\$ 7,145,688	27.48	45 days after month-end	Contract price	No significant difference in terms for related parties	\$ 1,509,969	26.81	Note A	
	ACN	Subsidiary	Sale	5,588,805	21.49	45 days after month-end	Contract price	No significant difference in terms for related parties	1,148,636	20.39		
	AEU	Subsidiary	Sale	3,387,247	13.03	30 days after month-end	Contract price	No significant difference in terms for related parties	1,240,841	22.03		
	SIoT (Cayman)	Subsidiary	Sale	936,167	3.60	60 days after month-end	Contract price	No significant difference in terms for related parties	40,410	0.72		
	AKR	Subsidiary	Sale	747,784	2.88	60 days after invoice date	Contract price	No significant difference in terms for related parties	58,077	1.03		
	AJP	Subsidiary	Sale	561,613	2.16	60-90 days	Contract price	No significant difference in terms for related parties	82,763	1.47		
	Advanixs Corporate	Subsidiary	Sale	453,761	1.75	30 days after month-end	Contract price	No significant difference in terms for related parties	50,762	0.90		
	B+B	Subsidiary	Sale	212,564	0.82	45 days after month-end	Contract price	No significant difference in terms for related parties	24,397	0.43		
	AAU	Subsidiary	Sale	225,902	0.87	60-90 days	Contract price	No significant difference in terms for related parties	53,465	0.95		
	ASG	Subsidiary	Sale	182,133	0.70	60-90 days	Contract price	No significant difference in terms for related parties	92,057	1.63		
	ABR	Subsidiary	Sale	111,653	0.43	90 days after month-end	Contract price	No significant difference in terms for related parties	14,566	0.26		
	AMY	Subsidiary	Sale	126,815	0.49	45 days after month-end	Contract price	No significant difference in terms for related parties	24,092	0.43		
	A-SIoT	Subsidiary	Sale	120,900	0.52	30 days after invoice date	Contract price	No significant difference in terms for related parties	72,352	1.28		
	The Company	AKMC	Subsidiary	Purchase	(8,264,857)	40.02	Usual trade terms	Contract price	No significant difference in terms for related parties	(902,708)		32.83
	AKMC	The Company	Parent company	Sale	8,264,857	93.10	Usual trade terms	Contract price	No significant difference in terms for related parties	902,708		90.25
ANA	The Company	Parent company	Purchase	(7,145,688)	79.64	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,509,969)	87.02		
ACN	The Company	Parent company	Purchase	(5,588,805)	76.84	45 days after month-end	Contract price	No significant difference in terms for related parties	(1,148,636)	76.89		
AEU	The Company	Parent company	Purchase	(3,387,247)	71.00	30 days after month-end	Contract price	No significant difference in terms for related parties	(1,240,841)	73.96		
SIoT (Cayman)	The Company	Parent company	Purchase	(936,167)	90.04	60 days after month-end	Contract price	No significant difference in terms for related parties	(40,410)	49.68		
AKR	The Company	Parent company	Purchase	(747,784)	61.14	60 days after invoice date	Contract price	No significant difference in terms for related parties	(58,077)	49.10		
AJP	The Company	Parent company	Purchase	(561,613)	87.82	60-90 days	Contract price	No significant difference in terms for related parties	(82,763)	93.06		
Advanixs Corp.	The Company	Parent company	Purchase	(453,761)	99.57	30 days after month-end	Contract price	No significant difference in terms for related parties	(50,762)	97.65		
B+B	The Company	Parent company	Purchase	(212,564)	73.27	45 days after month-end	Contract price	No significant difference in terms for related parties	(24,397)	88.30		
AAU	The Company	Parent company	Purchase	(225,902)	76.68	60-90 days	Contract price	No significant difference in terms for related parties	(53,465)	89.12		
ASG	The Company	Parent company	Purchase	(182,133)	65.78	60-90 days	Contract price	No significant difference in terms for related parties	(92,057)	80.29		
ABR	The Company	Parent company	Purchase	(111,653)	71.54	90 days after month-end	Contract price	No significant difference in terms for related parties	(14,566)	82.89		

(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	
AMY	The Company	Parent company	Purchase	\$ (126,815)	85.98	45 days after month-end	Contract price	No significant difference in terms for related parties	\$ (24,092)	93.39	
A-SIoTT	The Company	Parent company	Purchase	(120,900)	21.41	30 days after invoice date	Contract price	No significant difference in terms for related parties	(72,352)	48.43	
AKMC	ACN SIoT (Cayman)	Related enterprise	Sale	293,746	3.31	Usual trade terms	Contract price	No significant difference in terms for related parties	53,451	5.34	
		Related enterprise	Sale	105,927	1.19	Usual trade terms	Contract price	No significant difference in terms for related parties	21,667	2.17	
ACZ	AEU	Related enterprise	Sale	175,929	79.86	60 days after invoice date	Contract price	No significant difference in terms for related parties	33,063	76.43	
SIoT (Cayman)	ANA	Related enterprise	Sale	515,983	34.56	Usual trade terms	Contract price	No significant difference in terms for related parties	16,302	9.42	
	AEU	Related enterprise	Sale	279,640	18.73	Usual trade terms	Contract price	No significant difference in terms for related parties	17,543	10.14	
	A-SIoT	Related enterprise	Sale	314,853	24.29	Usual trade terms	Contract price	No significant difference in terms for related parties	73,075	42.22	
LNC	LNC Dong Guan Co., Ltd.	Subsidiary	Sale	255,981	78.57	Usual trade terms	Contract price	No significant difference in terms for related parties	207,994	91.73	
ACN	AKMC	Related enterprise	Purchase	(293,746)	4.04	Usual trade terms	Contract price	No significant difference in terms for related parties	(53,451)	3.58	
SIoT (Cayman)	AKMC	Related enterprise	Purchase	(105,927)	10.19	Usual trade terms	Contract price	No significant difference in terms for related parties	(21,667)	26.64	
AEU	ACZ	Related enterprise	Purchase	(175,929)	3.69	60 days after invoice date	Contract price	No significant difference in terms for related parties	(33,063)	1.97	
ANA	SIoT (Cayman)	Related enterprise	Purchase	(515,983)	5.75	Usual trade terms	Contract price	No significant difference in terms for related parties	(16,302)	0.94	
AEU	SIoT (Cayman)	Related enterprise	Purchase	(279,640)	5.86	Usual trade terms	Contract price	No significant difference in terms for related parties	(17,543)	1.05	
A-SIoT	SIoT (Cayman)	Parent company	Purchase	(314,853)	57.65	Usual trade terms	Contract price	No significant difference in terms for related parties	(73,075)	48.92	
LNC Dong Guan Co., Ltd.	LNC	Parent company	Purchase	(255,981)	78.86	Usual trade terms	Contract price	No significant difference in terms for related parties	(207,994)	94.07	

Note A: Unrealized gain for the period was \$6,881 thousand.

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

(Concluded)

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**SEPTEMBER 30, 2020**

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ACN	Subsidiary	\$ 1,148,636	5.13	\$ -	-	\$ 358,595	\$ -
	ANA	Subsidiary	1,515,205	6.87	-	-	-	-
	AEU	Subsidiary	1,242,808	4.01	-	-	310,896	-
AKMC	The Company	Parent company	902,708	7.57	-	-	-	-
LNC	LNC Dong Guan Co., Ltd.	Subsidiary	207,994	1.59	-	-	23,567	-

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars/Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2020			Net Income (Loss) of the Investee for the Period	Investment Gain (Loss) for the Period	Note
				September 30, 2020	December 31, 2019	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	\$ 7,161,227	\$ 877,937	\$ 890,395	Subsidiary
	ATC	BVI	Sale of industrial automation products	998,788	998,788	33,850,000	100.00	3,965,951	90,143	81,728	Subsidiary
	Advanixs Corp.	Taipei, Taiwan	Production and sale of industrial automation products	100,000	100,000	10,000,000	100.00	231,151	32,746	32,746	Subsidiary
	Advantech Corporate Investment	Taipei, Taiwan	Investment holding company	2,900,000	2,900,000	300,000,000	100.00	3,349,482	70,985	71,109	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	249,059	249,059	20,537,984	24.77	640,598	238,676	59,029	Equity-meth investee
	AdvanPOS	Taipei, Taiwan	Production and sale of POS system	266,192	266,192	1,000,000	100.00	297,249	18	18	Subsidiary
	LNC	Taichung, Taiwan	Production and sale of machines with computerized numerical control	277,946	304,865	17,730,000	59.10	335,147	26,066	14,664	Subsidiary
	AMX	Mexico	Sale of industrial automation products	61,909	4,922	10,000,002	60.00	38,545	(2,259)	(1,244)	Subsidiary
	AEUH	Helmond, the Netherlands	Investment and management service	1,219,124	1,219,124	25,961,250	100.00	716,934	(222,041)	(217,764)	Subsidiary
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	107,610	25,267	25,894	Subsidiary
	ATH	Thailand	15	47,701	47,701	51,000	51.00	53,726	7,333	3,820	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	32,225	18,087	18,110	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	426,455	29,865	28,050	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	51,697	14,058	14,058	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	156,668	73,355	600,000	100.00	324,417	56,116	56,040	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	103,146	43,216	12,723,038	100.00	86,947	27,716	24,267	Subsidiary
	Advantech Innovative Design Co., Ltd.	Taipei, Taiwan	Product design	10,000	10,000	1,000,000	100.00	10,112	63	63	Subsidiary
	Advantech Intelligent City Services Co., Ltd.	Taipei, Taiwan	Design, develop and sale of intelligent services	81,837	81,837	1,000,000	100.00	87,459	(8,422)	(8,422)	Subsidiary
	B+B	Delaware, USA	Sale of industrial network communications systems	1,968,044	1,968,044	230,467	60.00	1,677,536	63,725	37,797	Subsidiary
	AIN	India	Sale of industrial automation products	19,754	19,754	3,999,999	99.99	12,442	(653)	(851)	Subsidiary
	AIMobile Co., Ltd.	Taipei, Taiwan	Design and manufacture of industrial mobile systems	18,000	180,000	18,000,000	45.00	41,676	(55,386)	(24,924)	Equity-meth investee
	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	-	83,313	-	-	-	(15,281)	(11,614)	Subsidiary
	Winmate	Taipei, Taiwan	Embedded System Modules	540,000	540,000	12,000,000	16.51	543,113	18,280	30,733	Equity-meth investee
	AVN	Hanoi, Vietnam	Sale of industrial automation products	76,092	76,092	8,100	60.00	53,718	7,930	1,426	Subsidiary
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	251,915	251,915	850,000	16.08	248,739	(3,545)	(674)	Equity-meth investee
	ARU	Moscow	Production and sale of industrial automation products	23,822	23,822	1	100.00	12,144	(16,808)	(16,808)	Subsidiary
	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	323,130	323,130	500,000	50.00	385,603	17,497	5,611	Subsidiary
ATR	Turkey	Wholesale of computers and peripheral devices	58,482	58,482	260,870	60.00	37,522	6,991	1,786	Subsidiary	
AIL	Israel	Sale of industrial network communications systems	8,653	8,653	100	100.00	8,518	90	90	Subsidiary	
AKR	AKST	Gangwon-do, Korea	Production and sale of intelligent medical display	-	55,579	-	-	-	(15,281)	(3,667)	Subsidiary
AJP	ATJ	Nogatashi, Japan	Production and sale of electronic and mechanical devices	184,649	184,649	286,100	28.61	227,134	17,497	5,006	Subsidiary
Advantech Corporate Investment	Cermate (Taiwan)	Taipei, Taiwan	Manufacturing of electronic parts, computer, and peripheral devices	71,500	71,500	5,500,000	55.00	119,717	11,199	6,282	Subsidiary
	Deneng	Taichung, Taiwan	Installment and sale of electronic components and software	18,095	18,095	658,000	39.69	13,060	(2,401)	(953)	Equity-meth investee
	CDIB	Taipei, Taiwan	Investment holding company	150,000	150,000	15,000,000	17.86	154,133	(23,063)	(4,118)	Equity-meth investee
	AzureWave	Taipei, Taiwan	Wireless communication and digital image module manufacturing and trading	578,563	578,563	29,599,000	19.67	542,454	205,031	40,339	Equity-meth investee

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2020			Net Income (Loss) of the Investee for the Period	Investment Gain (Loss) for the Period	Note
				September 30, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Value			
	Huan Yan, Jih-Lian Co., Ltd.	Taipei, Taiwan	Service plan for combination of related technologies of water treatment and applications of Internet of Things	\$ 5,000	\$ 5,000	500,000	50.00	\$ 4,983	\$ (9)	\$ (4)	Subsidiary
	Yun Yan, Wu-Lian Co., Ltd.	Taipei, Taiwan	Industrial equipment Networking in Greater China	5,000	5,000	500,000	50.00	2,596	7	3	Subsidiary
	Nippon RAD	Tokyo, Japan	R&D of IoT intelligent system	49,733	49,733	154,310	2.92	45,302	(3,545)	-	Equity-meth investee
	i-Link	Taichung, Taiwan	Intelligent medical integration	9,126	9,237	845,000	21.13	4,148	(12,880)	(2,791)	Equity-meth investee
	DotZero	Taichung, Taiwan	Intelligent metal processing integration	8,100	8,100	490,000	27.00	5,249	(3,665)	(989)	Equity-meth investee
	Mildex	Kaohsiung, Taiwan	Manufacturing of electronic parts	202,948	202,948	15,710,000	15.24	179,726	(14,150)	(2,156)	Equity-meth investee
	ITTS	Taipei, Taiwan	Service of electronic information	147,444	147,444	5,084,000	18.61	154,067	52,334	9,738	Equity-meth investee
	ACI IOT Investment Fund-I Corporation	Taipei, Taiwan	Investment holding company	238,000	238,000	23,800,000	79.30	260,982	24,539	19,468	Subsidiary
	ACISM	Samoa	General investment	18,214	18,214	1	100.00	10,965	(2,525)	(2,525)	Subsidiary
	Samssoft	Taipei, Taiwan	Production and sale of electronics equipment	15,000	15,000	170,455	20.00	12,116	(14,418)	(2,884)	Equity-meth investee
	Impelex	Taichung, Taiwan	Production and sale of electronics equipment	10,000	-	2,500,000	20.00	8,515	(7,536)	(1,485)	Equity-meth investee
	VSO	Taipei, Taiwan	Production and sale of electronics equipment	120,000	-	28,000,000	14.29	130,023	100,014	14,288	Equity-meth investee
	Hwacom	Taipei, Taiwan	Computer systems service	357,119	357,119	24,575,000	20.73	358,572	(100,474)	(20,829)	Equity-meth investee
	IISI	Taipei, Taiwan	Computer systems service	243,086	-	14,299,205	19.68	249,616	92,101	22,393	Equity-meth investee
ATC	ATC (HK)	Hong Kong	Investment and management service	1,212,930	1,212,730	57,890,679	100.00	4,059,586	90,216	81,800	Subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	3,044,953	311,601	311,313	Subsidiary
	AAC (HK)	Hong Kong	Investment and management service	539,146	539,146	15,230,001	100.00	2,430,112	352,361	356,569	Subsidiary
	ADB	Dubai	Sale of industrial network communications systems	-	-	-	100.00	2,632	296	296	Subsidiary
	SIoT (Cayman)	Cayman	Design, development and sale of IoT intelligent system services	US\$ 50,000	US\$ 50,000	30,000,000	100.00	2,016,923	213,679	222,217	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	441,100	(43,882)	(76,698)	Subsidiary
	AIH	Taipei, Taiwan	Service of software	12,254	7,700	1,100,000	100.00	4,548	(5,164)	(4,731)	Subsidiary
ANA	B+B	Delaware, USA	Sale of industrial network communications systems	1,328,004	1,328,004	153,644	40.00	1,158,866	63,725	25,490	Subsidiary
AEUH	AEU	Eindhoven, The Netherlands	Sale of industrial automation products	431,963	431,963	32,315,215	100.00	865,731	(226,322)	(224,085)	Subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	14,176	14,176	7,030	100.00	37,931	4,732	4,629	Subsidiary
ASG	ATH	Thailand	Production of computers	7,537	7,537	49,000	49.00	52,640	7,333	3,593	Subsidiary
	AID	Indonesia	Sale of industrial automation products	4,797	4,797	300,000	100.00	9,666	553	1,220	Subsidiary
Cermate (Taiwan)	LandMark	Samoa	General investment	28,200	28,200	972,284	100.00	125,841	19,960	20,455	Subsidiary
LNC	Better Auto	BVI	General investment	244,615	244,615	7,425,000	100.00	48,857	24,311	23,532	Subsidiary
Better Auto	Famous Now	Hong Kong	General investment	US\$ 4,000	US\$ 4,000	1	100.00	54,479	24,311	24,311	Subsidiary
B+B	BBIE	Ireland	Sale of industrial network communications systems	US\$ 39,481	US\$ 39,481	-	100.00	65,180	(2,184)	(2,149)	Subsidiary
BBIE	ACZ	Czech Republic	Manufacturing automation	-	-	-	100.00	279,471	23,345	23,345	Subsidiary

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

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

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

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## INVESTMENTS IN MAINLAND CHINA

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 2020
					Outflow	Inflow						
Advantech Technology (China) Company Ltd. ("AKMC")	Production and sale of components of industrial automation products	US\$ 43,750 thousand (Note E)	Indirect	\$ 1,085,430 (US\$ 37,300 thousand)	\$ -	\$ -	\$ 1,085,430 (US\$ 37,300 thousand)	\$ 90,216	100	\$ 81,801	\$ 4,059,587	\$ -
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. ("ACN")	Sale of industrial automation products	US\$ 4,230 thousand	Indirect	155,161 (US\$ 5,332 thousand)	-	-	155,161 (US\$ 5,332 thousand)	361,930	100	366,138	1,791,575	326,851 (US\$ 11,232 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. ("AiSC")	Production and sale of industrial automation products	US\$ 8,000 thousand	Indirect	232,800 (US\$ 8,000 thousand)	-	-	232,800 (US\$ 8,000 thousand)	(11,487)	100	(11,487)	612,443	-
Xi'an Advantech Software Ltd. ("AXA")	Development and production of software products	US\$ 1,000 thousand	Indirect	(Note C)	-	-	(Note C)	34	100	34	28,607	-
LNC Dong Guan Co., Ltd.	Production and sale of industrial automation products	US\$ 4,000 thousand	Indirect	92,945 (US\$ 3,194 thousand)	-	-	92,945 (US\$ 3,194 thousand)	24,311	100	24,311	38,340	-
Shenzhen Cermate Technologies Inc.	Production and sale of Human Machine Interface	RMB 2,000 thousand	Indirect	8,963 (US\$ 308 thousand)	-	-	8,963 (US\$ 308 thousand)	15,793	90	14,337	91,058	39,341 (US\$ 414 thousand) (RMB 4,328 thousand)
Cermate Technologies (Shanghai) Inc. (Cermate Shanghai)	Sale of Human Machine Interface	US\$ 520 thousand	Indirect	16,645 (US\$ 572 thousand)	-	-	16,645 (US\$ 572 thousand)	5,746	100	5,476	38,901	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 2020
					Outflow	Inflow						
Advantech Service-IoT (Shanghai) Co., Ltd. ("SIoT (China)")	Development, consulting and services in intelligent technology	RMB 15,000 thousand	Indirect	(Note F)	\$ -	\$ -	(Note F)	\$ (6,080)	100	\$ (6,080)	\$ 30,428	\$ -
Shanghai Yanle Co., Ltd. ("Yanle")	Retail of intelligent technology	RMB 2,200 thousand	Other	(Note G)	-	-	(Note G)	(3,505)	100	(1,796)	6,426	-
Tianjin Anjie IoT Science And Technology Co., Ltd. ("Anjie-IOT")	Operation and maintenance for intelligent general equipment, and consulting service for comprehensive energy issues	RMB 3,000 thousand	Other	(Note G)	-	-	(Note G)	(4)	20	(1)	2,560	-
GSD Environmental Technology Co., Ltd. ("GSD")	Development, consulting and services in environmental technology	RMB 10,000 thousand	Indirect	\$ 16,965 (US\$ 583 thousand)	-	-	\$ 16,965 (US\$ 583 thousand)	(6,311)	40	(2,525)	10,965	-

Accumulated Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Allowable Limit on Investment
\$1,614,741 (US\$55,489 thousand) (Note D)	\$2,304,138 (US\$79,180 thousand)	\$19,821,400 (Note I)

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

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

Note C: Remittance by ACN.

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

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

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

Note G: Remittance by AiSC.

(Continued)

Note H: The exchange rates as of September 30, 2020 were US\$1=NT\$29.1 and RMB1=NT\$4.269.

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

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

(Concluded)

**TABLE 9****ADVANTECH CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
ASUSTek Computer Inc.	110,677,983	14.34
K&M Investment Co., Ltd.	91,369,108	11.84
AIDC Investment Corp.	90,295,663	11.70

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND ITS SUBSIDIARIES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	Advantech Co., Ltd.	AAU	1	Sales revenue	\$ 225,902	Normal	1
		ACN	1	Sales revenue	5,588,805	Normal	15
		ACN	1	Receivables from related parties	1,148,636	45 days EOM	2
		AEU	1	Sales revenue	3,387,247	Normal	9
		AEU	1	Receivables from related parties	1,240,841	60-90 days	3
		AJP	1	Sales revenue	561,613	Normal	1
		AKR	1	Sales revenue	747,784	Normal	2
		ANA	1	Sales revenue	7,145,688	Normal	19
		ANA	1	Receivables from related parties	1,509,969	45 days EOM	3
		B+B	1	Sales revenue	212,564	Normal	1
		SIoT (Cayman)	1	Sales revenue	936,167	Normal	2
		Advanixs Corp.	1	Sales revenue	453,761	Normal	1
1	AKMC	The Company	2	Receivables from related parties	902,708	60 days EOM	2
		The Company	2	Sales revenue	8,264,857	Normal	22
		ACN	3	Sales revenue	293,746	Normal	1
2	SIoT (Cayman)	AEU	3	Sales revenue	279,640	Normal	1
		ANA	3	Sales revenue	515,983	Normal	1
		A-SIoT	3	Sales revenue	314,856	Normal	1
3	LNC	LNC Dong Guan Co., Ltd.	3	Sales revenue	255,981	Normal	1

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

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

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

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

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of September 30, 2020, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2020.

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